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

December 18, 2012

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

Members of the Board present were:

John R. Koelmel, Chairman
Eugene L. Nicandri, Trustee
R. Wayne LeChase, Trustee
Terrance P. Flynn, Trustee
Joanne M. Mahoney, Trustee

Trustee Jonathan F. Foster - Excused

Gil C. Quiniones	President and Chief Executive Officer
Judith C. McCarthy	Executive Vice President and General Counsel
Edward Welz	Chief Operating Officer
Donald Russak	Chief Financial Officer
Joseph Kessler	Senior Vice President – Power Generation, Power Supply
Robert Lurie	Senior Vice President – Strategic Planning
William Nadeau	Senior Vice President and Chief Risk Officer
James Pasquale	Senior Vice President – Economic Development and Energy Efficiency
Paul Tartaglia	Senior Vice President – Energy Resource Management
Joan Tursi	Senior Vice President – Corporate Support Services
Bradford Van Auken	Acting Senior Vice President and Chief Engineer – Operations Support Services
Paul Belnick	Vice President – Energy Efficiency – 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
Joseph Gryzlo	Vice President and Chief Ethics and Compliance Officer
Michael Huvane	Vice President – Marketing – Marketing & Economic Development
John Kahabka	Vice President – Environmental, Health and Safety
Joseph Leary	Vice President – Community and Government Relations
Patricia Leto	Vice President – Procurement
Ed Rider	Vice President – Transmission – Clark Energy Center
Karen Delince	Corporate Secretary
Lori Alesio	Assistant General Counsel – Human Resources and Labor Relations
Vincent Esposito	Assistant General Counsel – Legislative and Regulatory Affairs
Helen Eisenfeld	Director – Financial Controls
Robert Hopkins	Director – Budgets
Mike Lupo	Director – Marketing Analysis and Administration
Michael Saltzman	Director – Media Relations
Guy Sliker	Director – Clean Energy Technology
Ed Rider	Regional Manager – Northern New York
Dominick Luce	Program Manager – Energy Efficiency
Timothy Muldoon	Manager – Business Power Allocations and Compliance
Gary Schmid	Manager – Network Services Infrastructure
Ruth Colon	Senior Business Integration Project Manager
Megan Ott	Assistant Conservation Engineer II – Energy Efficiency
Lorna M. Johnson	Assistant Corporate Secretary
Lenny Catalino	Senior Account Executive
Vanessa Perez	Associate Account Executive

Emily Alkiewicz	BPAC Analyst II – Business Power Allocations and Compliance
Sheila Baughman	Senior Secretary – Corporate Secretary's Office
Sheri L. Mooney	Senior Vice President, Senior Programs Manager - First Niagara Financial Group
Anthony Modafferi	Executive Director – Municipal Electric Utility Association (MEUA)

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

<u>Introduction</u>

Chairman Koelmel welcomed the Trustees and staff members who were present at the meeting. He said the meeting has been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to the Authority's Bylaws, Article III, Section 3.

1. **Adoption of the December 18, 2012 Proposed Meeting Agenda**

On motion made and seconded, the meeting Agenda was adopted.

2. Consent Agenda:

On motion made and seconded, the Consent Agenda was approved, as amended.

With respect to item #2c (Procurement (Services) Contracts – Business Units and Facilities – Awards and Extensions), Trustee Mahoney was recused from the vote as it relates to C&S Engineering; Trustee LeChase on C&S Engineering, CT Main Associates, PC, Fisher Associates, PC and Lewis Tree Service, Inc.; and Trustee Flynn on Lewis Tree Service, Inc. and Time Warner Cable, Inc.

Since Trustees Mahoney and LeChase filed conflicts of interests with respect to C&S Engineers and Trustees LeChase and Flynn with respect to Lewis Tree Service, the Consent Agenda was approved with the exclusion of those firms because the conflicts resulted in a failure to attain the required number of votes necessary for their approval.

a. **Approval of the Minutes**

The Minutes of the Regular Meeting held on September 24, 2012 and the Special Meeting held on November 9, 2012 were unanimously adopted.

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

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the negotiation of contract extensions for the sale to Niagara Mohawk Power Corporation d/b/a National Grid ('National Grid'), New York State Electric and Gas Corporation ('NYSEG') and Rochester Gas and Electric Corporation ('RGE') (hereinafter referred to collectively as the 'Utilities') of a total of 360 MW of firm 'peaking' hydropower for a term of up to two years, with either party having the right to terminate the contract extension after a basic initial term of one year, on thirty (30) days' written notice. The extensions are subject to the public hearing and gubernatorial review process in Public Authorities Law ('PAL') § 1009. Accordingly, the Trustees are further requested to authorize a public hearing on the final proposed contract extensions, transmittal of the extension contracts to the Governor and legislative leaders, and the execution of the 2012 contract extensions providing for the sale of the allocations on a short-term, month-to-month basis pending completion of the public hearing process and gubernatorial approval of the 2012 extensions. The proposed contract extensions are attached as Exhibit '2b-A' (National Grid), Exhibit '2b-B' (NYSEG) and Exhibit '2b-C' (RGE), respectively.

BACKGROUND

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

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

"The last extensions of the 1990 Hydro Contracts were approved by the Trustees at their December 2011 meeting and ultimately approved by the Governor. The 2011 extensions are set to expire on December 31, 2012.

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

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

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

DISCUSSION

"The proposed 2012 contract extensions would continue the sale of 360 MW of firm peaking hydropower to the Utilities, which consists of 175 MW for National Grid, 150 MW for NYSEG and 35 MW for RGE. These peaking power allocations would continue to allow the Authority to pass on the benefits of the firm peaking power to the Utilities' R&D consumers.

"The Authority is currently negotiating the extension terms with the Utilities. It is anticipated that the parties will agree to a term of extension in excess of one year (as was negotiated in past years) but not longer than three years. Staff also anticipates that the parties will agree that after an initial basic term, either party will have a right to terminate the extension upon thirty days' notice to the other party.

"As noted, the proposed 2012 extensions are subject to the public hearing and gubernatorial review process provided for in PAL § 1009. Accordingly, staff further recommends that the Trustees authorize a public hearing on the final proposed contract extensions. In addition, because the 2011 extensions are scheduled to expire on December 31, 2012, staff recommends that it be authorized to execute the 2012 contract extensions providing for the sale of the peaking power allocations on a month-to-month basis pending completion of the public hearing process and gubernatorial approval of the 2012 contract extensions. In the unlikely event that gubernatorial approval is not received, the extensions would expire on the last day of the month following disapproval or the date by which the Governor is required to act on the contracts.

FISCAL INFORMATION

"The proposed 2012 contract extensions would provide that the Utilities continue to pay for firm peaking hydropower at the same rates they are currently charged, *i.e.*, the cost-based rates that are currently charged to the Authority's preference customers and determined in accordance with the Authority's rate-setting methodologies and principles. The Trustees approved a preference power rate increase at their November 2011 meeting, which became effective in the December 2011 billing period. The proposed 2012 contract extensions would reflect the new preference power rates. Accordingly, there will be no fiscal impact to the Authority associated with these contract extensions.

RECOMMENDATION

"The Director – Marketing Analysis and Administration recommends that the Trustees: (i) authorize staff to negotiate extensions of the 1990 Hydro Contracts for terms of up to two years, with either party having the right to terminate the contract extension after a basic initial term of one year, on thirty (30) days' written notice; (ii) authorize the Corporate Secretary to convene public hearings on the final negotiated 2012 contract extensions and transmit copies of such extensions to the Governor and legislative leaders pursuant to PAL § 1009; and (iii) authorize staff to execute final negotiated 2012 contract extension which would provide for the sale of firm peaking power on a month-to-month basis pending completion of the public hearing process and gubernatorial approval of the 2012 contract extensions.

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

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

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

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

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency or his designee be, and hereby is, authorized, subject to approval of the form thereof by the Executive Vice President and General Counsel, to negotiate and execute any and all documents necessary or desirable to implement the final proposed 2012 contract extensions with National Grid, New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation providing for the sale of firm peaking power on a month-to-month basis pending gubernatorial approval of the 2012 contract extensions as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

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

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

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the multiyear procurement (services) contracts listed in Exhibit '2c-A,' as well as the continuation of the procurement (services) contract listed in Exhibit '2c-B,' in support of projects and programs for the Authority's Business Units/Departments and Facilities. Detailed explanations of the recommended awards and extensions, including the nature of such services, the bases for the new awards if other than to the lowest-priced bidders and the intended duration of such contracts, or the reasons for extension and the projected expiration dates, are set forth in the discussion below.

BACKGROUND

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

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

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

DISCUSSION

Awards

"The terms of these contracts will be more than one year; therefore, the Trustees' approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, which range in estimated value from $177,510 to $15 million. Except as noted, these contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

Extensions

"Although the firms identified in Exhibit '2c-B' have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing these contracts. The Trustees' approval is required because the terms of these contracts will exceed one year including the extension, the term of extension of these contracts will exceed one year and/or because the cumulative change-order limits will exceed the levels authorized by the EAPs in forthcoming change orders. The subject contracts contain provisions allowing the Authority to terminate the services at the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

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

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

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

Corporate Support Services / Enterprise Shared Services

Information Technology

"The contract with **Axyon Consulting, LLC ('Axyon') (Q12-5224; PO# TBA)** would provide for the purchase of Blubaker data management software to be integrated with and support the Authority's existing OpenText content server system and five-year maintenance support services, as well as consulting services for implementation, training and additional support, as needed. Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 53 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* Three proposals were received and evaluated. Staff recommends the award of a contract to Axyon, the lowest-priced qualified bidder, which offers the best overall solution, as further set forth in the Award Recommendation documents. The contract would become effective on or about December 19, 2012 for an intended term of approximately five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $177,510.

"The contract with **Purple Genie, Inc. ('Purple Genie') (Q12-5240; PO# TBA)** would provide for a long-term external hosting solution to support servers and software applications for the purpose of collaborating and exchanging information with external entities, such as vendors and customers outside the Authority's information technology infrastructure. Services include all planning, installation, configuration, development, integration, warranty-period support and 5-year maintenance and support services necessary in connection with the proposed solution. Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 87 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* Four proposals were received and evaluated based on the Authority's detailed bid requirements relating to application functionality, software licensing, infrastructure, scalability, security, system management and monitoring, disaster recovery, support and cost. The two lowest-priced firms were evaluated in greater detail, as further set forth in the Award Recommendation documents. Staff determined that the lowest-priced bidder is a small firm with limited resources that cannot provide the full functionality required by the Authority or effectively support the impending shift in requirements for externally hosted systems and does not fully meet the bid requirements. Staff therefore recommends the award of a contract to Purple Genie, the lowest-priced qualified bidder, with the robust capabilities and resources to fully meet and/or exceed the requirements set forth in the Authority's Request for Quotations. This firm is well-positioned to meet future growth and emergent needs and offers the most effective design and configuration for optimal performance and scalability. The contract would become effective on or about January 1, 2013 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $772,368 (including future growth and contingency). It should be noted that Purple Genie is a New York State-certified Women-owned Business Enterprise ('WBE').

"The contract with **Time Warner Cable, Inc. ('TWC') (Q12-5296; PO# TBA)** would provide for Wide Area Network ('WAN') Backbone telecommunication ('telecomm') services to connect the Authority's White Plains and Albany Offices and all key facilities, as well as the out-of-state Disaster Recovery site. Services include, but are not limited to, providing high speed network connectivity over a secured switch network based on fiber optics to support such WAN services as voice, data, streaming video and broadcast quality videoconferencing, with the ability to prioritize traffic by quality and class of service. Since the existing contract is expiring and the need for such services is ongoing, bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 79 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* Two proposals were received and evaluated, as further set forth in the Award Recommendation documents. Based on the technical evaluation, the TWC proposal offers greater bandwidth and the capacity to support growth and expansion to accommodate the Authority's future needs, as well as a backup solution that will provide redundant fiber optic cables utilizing alternative paths or high speed data circuit service to Authority locations, as appropriate; the TWC network will also support convergence of the Authority's existing point-to-point telecomm circuits and facilitate development of connectivity to the new disaster recovery site. Based on the commercial evaluation, the TWC proposal reduces the cost of the existing telecomm agreement by way of a progressive discount from year to year, requires only an upgrade of existing hardware with no additional infrastructure-related construction or installation costs, and offers a very aggressive Service Agreement with scaled refunds to the Authority after 15 minutes of service interruption. Staff therefore recommends the award of a contract to TWC, the lower-priced bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on or about January 1, 2013 for an intended term of up to seven years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $7,437,482.

"The contract with **Ventyx, Inc., an ABB company ('Ventyx') (Q12-5347; PO# TBA)** would provide for consolidated maintenance and support services for the Ventyx suite of software products used for energy trading, reporting and settlements through the New York Independent System Operator ('NYISO'). Such services include, but are not limited to, telephone/web/e-mail support, debugging, patches, enhancements, upgrades and market-driven updates and consulting services to provide any additional support that may be required on an 'as needed' basis, as well as the purchase of additional software. Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 28 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* One proposal was received and evaluated. As the developer of this software, Ventyx is uniquely qualified to provide such services. Staff therefore recommends the award of a contract to Ventyx, which meets the bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on or about January 1, 2013 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $3.2 million.

"The contract with **Versona Systems LLC ('Versona') (Q12-5170; PO# TBA)** would provide for barcode scanning software, implementation, training and five-year maintenance services. This software solution will be used to enhance the Authority's inventory management system and enable staff to become more effective in performing daily inventory management activities (such as goods movement, transfer posting, direct turnover and physical inventory), as well as to interface with and support the Authority's enterprise-wide business management system, SAP – Materials Management module and process. Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 33 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* Four proposals were received and evaluated. Two proposals did not demonstrate compliance with the Authority's specifications as required in the bid documents and were not evaluated further. The two remaining proposed solutions were evaluated in greater detail, as further set forth in the Award Recommendation documents. Based on the overall quality and functionality of the application, integration of forms, interface with SAP and cost, staff recommends the award of a contract to Versona, the lowest-priced qualified bidder, which meets the bid requirements. The contract would become effective on or about December 19, 2012 for an intended term of approximately five years, subject to the Trustees' approval, which is hereby requested. This initiative will first be implemented on a pilot project basis in the White Plains Office to test for SAP interface compatibility, followed by rollout at the Niagara Power Project to test for full Inventory Accounting capability, before being implemented in any or all other Authority facilities statewide. Approval is also requested for the total amount expected to be expended for the term of the contract, $335,640.

Real Estate

"The contracts with **C.T. Male Associates, PC ('C.T. Male'), Dana L. Drake, LS, PLLC ('Drake') and Fisher Associates PE, LS, PC ('Fisher') (Q12-5278; PO#s TBA)** would provide for regional surveying and mapping services to support the routine operation and maintenance of all Authority facilities, on an 'as needed' basis. Such work includes, but is not limited to: land surveys and map preparation for routine acquisition and conveyance of property (e.g., 'danger tree' and access easements in connection with the Authority's transmission lines); topographic, line and grade, cross sections and related types of surveys connected to design, engineering studies and construction work; long-term deformation and/or settlement surveys of civil engineering works (transmission lines, dikes, dams); control surveys in support of photogrammetric projects or Geographic Information Service ('GIS') implementation; hydrographic surveys; underground utility location surveys; and other projects, as may be required. Since the existing contracts are expiring and the need for such services is ongoing, bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 104 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* Twenty-nine proposals were received and evaluated, as further set forth in the Award Recommendation documents. Based on qualifications and pricing, staff recommends the award of contracts to the following three firms, which meet the bid requirements and are the most technically qualified as well as the lowest-priced evaluated bidders for the respective region/s of the state: C.T. Male (for the Blenheim-Gilboa, Clark Energy Center, Southeastern New York ('SENY', including the White Plains Office, 500 MW and Small Clean Power Plants) and St. Lawrence regions); Drake (for the St. Lawrence region); and Fisher (for the Niagara region). The new contracts would become effective on or about January 1, 2013 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contract, $7 million. Total commitments and expenditures for these contracts will also be tracked against the approved aggregate total. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures. It should be noted that Fisher Associates is a New York State-certified Women-owned Business Enterprise ('WBE').

"The contract with **Chas. H. Sells, Inc. d/b/a WSP Sells ('WSP Sells') (Q12-5285; PO# TBA)** would provide for photogrammetric services (including aerial photography, mapping support and associated analyses) in support of the routine operation and maintenance of all Authority facilities statewide, on an 'as needed' basis. Services include, but are not limited to, providing all field and office equipment, labor, supervision and materials to perform aerial photography services and related laboratory work, topographic and/or planimetric mapping in support of engineering studies and ongoing GIS implementation, digital orthophotography, digital elevation model production, computing, drafting, photo interpretation and analysis, and other related services as may be required. Such services are needed to support real estate, environmental, operations and licensing activities, on an 'as required' basis and, especially, to identify any problems along the Authority's 1,000 miles of transmission line right-of-way. Since the existing contracts are expiring and the need for such services is ongoing, bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 65 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* Eight proposals were received and evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of a contract to WSP Sells, the lowest-priced evaluated bidder, which was responsive to the bid requirements and is technically qualified to perform the work. The contract would become effective on or about January 1, 2013 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $500,000.

"The contract with **GeoDigital International Corp. ('GeoDigital') (Q12-5332; PO# TBA)** would provide for transmission corridor Light Detection and Ranging ('LiDAR') surveying and mapping support services for all Authority facilities statewide, on an 'as needed' basis. Services include, but are not limited to, providing remotely sensed vegetation and ground clearance surveys and circuit thermal rating analyses for the Authority's 1,400 circuit miles of transmission facilities, airborne LiDAR data capture, orthophotography, high resolution oblique still photography and video on right-of-way ('ROW') vegetation clearance analyses and off ROW 'danger tree' analyses, PLS-CADD engineering models for thermal rating and clearance evaluation, as-built plan and profiles, and such other related services as may be required. Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 94 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; one additional firm obtained the bid documents from an alternate source. Nine proposals were received and evaluated, as further set forth in the Award Recommendation documents.

Staff recommends the award of a contract to GeoDigital, the lowest-priced evaluated bidder, which was responsive to the bid requirements and is also the most technically qualified to perform such work. The contract would become effective on or about January 1, 2013 for an intended term of up to four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $2 million.

MED Energy Efficiency Resources & Technology Services

Energy Services

"In 2012, the Authority launched a comprehensive initiative to improve the delivery of energy services to its customers and to further support New York State's energy efficiency targets. The contracts with **Applied Energy Group an Ameresco Company d/b/a Applied Energy Group ('AEG') and Optimal Energy, Inc. ('Optimal')(Q12-5341; PO#s TBA)** would provide for consulting services in connection with the Authority's expanded energy efficiency and renewable energy program initiatives, in order to ensure the successful implementation of these programs. Such services would include, but not be limited to: assisting the Authority in assessing existing and new energy efficiency program offerings (including delivery mechanisms, organizational structure, cost effectiveness criteria, project work flow tools and overall quality control); providing support in evaluating enhancements to the programs (including developing energy efficiency potential studies for selected market sectors, refining program evaluation goals and objectives, developing life cycle cost analysis criteria, implementation of end use metering to determine program baseline assumptions); and developing new energy efficiency and renewable program opportunities (including concept development and market assessment, financial and economic models, workforce training and educational programs and funding opportunities). To this end, bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 262 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; three additional firms obtained the bid documents from an alternate source. Twenty-one proposals were received and evaluated. An initial evaluation determined that eleven proposals did not meet the requirements set forth in the Request for Quotations. The remaining ten proposals were evaluated in greater detail, based on technical approach, team qualifications and experience, management and staffing plan, overview of services, quality of proposal and hourly rates, as further set forth in the Award Recommendation documents. Staff recommends award of contracts to two firms, AEG and Optimal, the most technically qualified bidders, which best meet the bid requirements and the Authority's needs. The contracts would become effective on or about January 1, 2013 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $3 million.

Operations

"The contract with **Health Quest Urgent Medical Care Practice ('Health Quest') (Q12-5340; PO# TBA)** would provide for medical services and personnel including: a Consulting Medical Director, Medical Review Officer, Medical Program Coordinator, physician and staff to perform medical examinations as needed, and medical record retention and miniaturization services for all Authority locations. Services also include a program of medical examinations for Authority employees, as required by applicable safety and health standards, federal or state requirements or Authority policy. Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 24 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Two proposals were received and evaluated. Staff recommends award of a contract to Health Quest, the lower-priced bidder, which is qualified to provide such services, meets the bid requirements and has provided satisfactory service under an existing contract for such work. It should be noted that rates will remain firm for the duration of the contract. The new contract would become effective on or about January 1, 2013 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $322,500.

"The contract with **Innovative Automation, Inc. ('IAI') (Q12-5323; PO# TBA)** would provide for engineering services to update the Operations Manual, Operating Procedures and System Descriptions for the Authority's substations in the Northern Region. Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 73 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* Five proposals were received and evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of a contract to IAI, the most technically qualified and commercially acceptable bidder, which fully meets the bid requirements and has provided satisfactory services under a prior contract for similar work. IAI has the most extensive technical experience, qualifications, resources and capabilities to perform the work within the timeframe required by the Authority and consistent with related work at the St. Lawrence and Blenheim-Gilboa Projects. The new contract would become effective on or about January 15, 2013 for an intended term of up to two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $1,149,408.

"The contract with **Invensys Systems, Inc. ('Invensys') (Q12-5348; PO# TBA)** would provide for software licensing, five-year maintenance and other support services, as needed, for a Wonderware IntelaTrac software application for handheld devices used to collect and analyze data in connection with Operations and Maintenance activities performed at the facilities in order to monitor trends and alert maintenance personnel of any abnormalities or deviations from prescribed settings, track scheduled inspections of safety equipment and compliance-related maintenance, and assist in scheduling maintenance activities. To that end, bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 16 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* One proposal was received and evaluated. As the developer of this software, Invensys is uniquely qualified to provide such services. Staff therefore recommends the award of a contract to Invensys, which is technically qualified to perform such services, meets the bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on or about January 1, 2013 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $339,580.

"The single largest cause of electric power outages is trees growing into or falling onto overhead power lines. The Federal Energy Regulatory Commission ('FERC'), the National Electric Reliability Council ('NERC') and the New York State Public Service Commission ('PSC') have taken proactive steps to ensure that all utilities have a strong Integrated Vegetation Maintenance program in place. Accordingly, the Authority has implemented a vegetation management program through a series of four-year treatment cycles; continuation of this program will ensure that the Authority continues to be a leader in this now widely scrutinized and sensitive aspect of the utility industry. To that end, bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 38 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* Three proposals were received and evaluated. All bidders were considered technically capable of providing the required services. Authority staff calculated and compared the total estimated costs based on the unit prices proposed by each bidder and the estimated man-hours, acres and tree removals anticipated to be required over the term of the contract; additional calculations were performed to determine and compare estimated costs with reference to danger trees and hourly work. Based on the foregoing, staff recommends the award of a contract to **Lewis Tree Service, Inc. ('Lewis Tree') (Q12-5315; PO# TBA)**, the lowest-priced evaluated bidder, which is technically qualified to perform such services, meets the bid requirements and has provided satisfactory services under an existing contract for such work. Lewis Tree, a licensed pesticide applicator in New York State and a line clearance contractor, will perform all work in compliance with all appropriate, applicable and relevant Occupational Safety and Health Administration ('OSHA') and American National Standards Institute ('ANSI') requirements. The new contract with Lewis Tree would continue to provide for Right-of-Way ('ROW') vegetation management services for the next four-year treatment cycle, including various chemical and mechanical/manual treatments, over a range of vegetation sites within the ROW of high-voltage transmission lines under the Authority's maintenance jurisdiction, covering approximately 16,000 managed acres. The contractor will supply all necessary labor, supervision, materials, chemicals, tools and equipment to control undesirable target trees along more than 1,400 miles of high-voltage transmission lines. Although the majority of the work will occur during the normal April-November treatment season, 10% of the contract price will be withheld to ensure complete treatment, which will be determined during the following growing season. It should be noted that Lewis Tree has consistently been responsive to the Authority's needs and provided timely support for storm remediation work in the vicinity of the

Blenheim-Gilboa Project. The new contract would become effective on or about April 1, 2013 for an intended term of up to four and one-half years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $9 million.

"The contract with **Phalanx Computing Inc. ('Phalanx') (Q12-5356; PO# TBA)** would provide for software licensing, five-year maintenance and other support services, as needed, for a Phalanx software application used to analyze and improve manpower utilization in connection with Operations and Maintenance activities performed at the facilities. To that end, bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 18 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* One proposal was received and evaluated. As the developer of this software, Phalanx is uniquely qualified to provide such services. Staff therefore recommends the award of a contract to Phalanx, which is technically qualified to perform such services, meets the bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on or about January 1, 2013 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $225,000.

"The contract with **WNY Occupational Health Care ('WNY OHC') (RFQ 6000134438; PO# TBA)** would provide for annual and pre-employment physicals, as well as other medical examinations and services as needed, for Authority employees of the Niagara Power Project, and as required by all applicable safety and health standards, federal or state requirements or Authority policy. Services also include, but are not limited to: fitness-for-duty and return-to-work examinations and drug and alcohol testing, as well as specialized examinations (e.g., for users of respiratory equipment, employees who must meet Coast Guard Captain's License requirements, exposure to asbestos or high noise, etc.) Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 14 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* Two proposals were received and evaluated. Authority staff calculated the projected total cost of services based on historical usage using unit pricing quoted in each bidder's proposal. Based on the foregoing, as well as its qualifications and ability to perform the work, staff recommends the award of a contract to WNY OHC, the lower-priced evaluated bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on or about January 1, 2013 for an intended term of up to four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $400,000.

"The Authority has used external resources to provide for 'on-call, as required' consulting engineering services to support the operation and maintenance of the Authority's hydroelectric, pumped storage and fossil-fuel generation projects, as well as its transmission and other ancillary facilities throughout New York State, when engineering requirements are beyond the resources of existing Authority engineering staff, or during emergencies when special expertise is required or when Authority staff is not immediately available to support operational needs. Additionally, the Federal Energy Regulatory Commission ('FERC') requires that Licensees maintain the resources necessary to respond to unusual or changed conditions that may affect public safety. Such external engineering services include, but are not limited to: preparation of engineering and design packages, estimating, scheduling, safety assessments, testing activities, equipment and construction specifications, permits, licenses and procedure preparation. Since the need for such services is ongoing, staff developed a Request for Quotations **(Q12-5249)** to re-bid such services. Bid documents were downloaded electronically from the Authority's Procurement website by 175 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* Twenty-five proposals were received and evaluated on primary criteria including, but not limited to: professional qualifications and experience of key personnel and backup staff, experience in specific technical areas of interest to the Authority, size and depth of organization and resources, ability to respond quickly to Authority requests for services, as well as competitive pricing based on a composite hourly rate calculated for each bidder by the evaluation team, as further set forth in the Award Recommendation documents. Based on the foregoing, staff recommends the award of contracts to the following twelve firms: **Altran Solutions ('Altran'), Burns & McDonnell ('B&M'), C&S Engineers, Inc. ('C&S'), CG Power Solutions USA, Inc. ('CG Power'), Greenman-Pedersen, Inc. ('GPI'), Haider Engineering, P.C. ('Haider'), Hatch Associates Consultants, Inc. ('Hatch'), Mott MacDonald LLC ('Mott'), Power Engineers Consulting, P.C. ('Power Engineers'), RCM Technologies, Inc. ('RCM'), Sebesta Blomberg & Associates, Inc. ('Sebesta Blomberg') and TRC Engineers, Inc. ('TRC')**

(PO#s TBA), the lowest-priced qualified bidders, which meet the bid requirements and have the depth of knowledge, experience, qualified personnel and resources to best meet the Authority's needs. Several of these firms have also provided satisfactory services to the Authority under existing contracts for such work. The on-call contracts for engineering services provide the Authority with a vehicle for rapid response to a wide variety of emergent tasks, many requiring specialty engineering expertise. The selection of twelve firms will provide each discipline with the range of expertise required to perform the tasks. These firms will be called upon to utilize their respective strengths and areas of expertise, as needed. Work will be assigned to the firm possessing the most capability in the area required and the ability to meet the Authority's schedule constraints. The award of multiple contracts also ensures that adequate skill coverage will be available to the Authority as needed, supplementing Authority manpower in some areas and providing timely access to specialty skills in others. The new contracts would become effective on or about January 1, 2013 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, $15 million. Total commitments and expenditures for the contracts will also be tracked against the approved aggregate total. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures. It should be noted that Haider is a New-York State-certified Minority-Owned Business Enterprise ('MBE').

<u>Strategic Planning</u>

Clean Energy Technology

"The Authority, the New York City Department of Citywide Administrative Services ('DCAS') and the New York City Department of Parks and Recreation ('DPR') are considering the construction of a biomass plant at the Flushing Meadows Corona Park Aquatic Center. The project will be implemented in two phases: Phase One includes the design, permitting and interconnection study for the plant; Phase Two includes equipment procurement, construction and system commissioning (and will be bid separately, upon successful completion of Phase One, and in consultation with the other stakeholders and a joint decision to proceed). The contract with **CRC Engineering, PC ('CRC') (Q12-5267; PO# TBA)** would provide for design services during Phase One, as well as engineering support services during the procurement, construction and commissioning in Phase Two. To that end, bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 88 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Six proposals were received and evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of a contract to CRC, the most technically qualified bidder, which meets the bid requirements and offers the most cost-effective, technically feasible and environmentally-compliant plant design option. The contract would become effective on or about January 1, 2013 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $800,000 (including contingency for unforeseen emergent work). It should be noted that a $250,000 grant has been awarded by the United States Department of Agriculture ('USDA') to conduct design and cost analysis work for this project, which will be the first of its kind distributed biomass co-generation or tri-generation plant to be developed in New York City. It will not only reclaim the energy from the burning of wood chips, but also support the plaNYC goal of reducing New York City's dependence on fossil fuels. Upon completion of the project, the biomass plant will be owned by the DPR. It should also be noted that CRC is a New York State-certified Minority-owned Business Enterprise ('MBE').

<u>Disposal-related Award:</u>

"The contract with **Auctions International, Inc. ('AI') (RFQ C12-0901WS; PO# TBA)** would provide for auction services to dispose of surplus Authority-owned vehicles, equipment, rolling stock and miscellaneous materials, on an 'as needed' basis, but not less than three times per year via public auctions. Services comprise all aspects of such auction sales including, but are not limited to, providing a physical auction site/property to conduct live bids in conjunction with an online bidding option, advertising/catalogs/brochures, vehicle transportation and cleaning (with removal of any Authority logos/decals), experienced personnel to inspect and prepare vehicles, coordinate site sales and finalize all transactions, as well as to provide appraisals. To that end, bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 27 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Two proposals were received and evaluated. Based on the evaluated comparison of projected revenue using each bidder's fee/commission, transportation costs and cleaning fees, where applicable, staff expects that the Authority will achieve the greater return for its surplus vehicles, equipment and materials with Auctions International and therefore recommends award of a contract to AI, which is qualified to perform such services, meets the bid requirements and has provided satisfactory service under an existing contract for the sale of individual items/units via online auctions. The new contract would become effective on or about January 1, 2013 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. This is expected to be a revenue-generating contract, therefore approval of funding is not requested.

Contract Extension:

Operations – COO

Labor Relations

"The contract with **Joseph M. Bress (4500213229)** provides for consulting services to assist the Authority in connection with labor negotiations, on an 'as needed' basis. Such services include, but are not limited to: developing a labor strategy with Authority management prior to and during negotiations of labor contracts with the various unions; representing the Authority in all phases of negotiations of collective bargaining agreements with its various unions, including impasse proceedings and other related proceedings before the Public Employment Relations Board ('PERB'); briefing Authority management and the Trustees on the status of labor negotiations and presenting the terms of the proposed Agreement to the Trustees; and collaborating with and participating in the Authority's negotiation team. The subject contract, which was awarded on a single-source basis, became effective on January 30, 2012 for an initial term of less than one year. Mr. Bress is uniquely qualified to perform such services. As a retired New York State employee, who was also retained by the Governor's Office to negotiate the CSEA contract, Mr. Bress offers specialized expertise at very competitive rates. He has provided valuable services to the Authority under the existing contract. Since the process is still ongoing, it would not be prudent to bid this work and there is no guarantee that it would result in the identification of another individual as qualified or as competitively priced as Mr. Bress. Since the need for such services is ongoing, the consultant has performed satisfactory work and adequate funding is still available under this contract, a one-year extension of the subject contract is recommended. The current contract amount is $450,000, of which less than $100,000 will have been expended for 2012; no additional funding will be required for the extended term. The Trustees are requested to approve extension of the subject contract through December 31, 2013, with no additional funding requested.

FISCAL INFORMATION

"Funds required to support contract services for various Business Units/Departments and Facilities have been included in the 2013 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the project's Capital Expenditure Authorization Request.

RECOMMENDATION

"The Deputy General Counsel, the Acting Senior Vice President – Operations Support Services and Chief Engineer, the Senior Vice President – Power Generation, the Senior Vice President – Strategic Planning, the Senior Vice President – Energy Resource Management, the Vice President – Project Management, the Acting Vice President – Engineering, the Vice President – Environment, Health and Safety, the Vice President – Procurement, the Vice President – Information Technology and Chief Information Officer, the Vice President – Transmission, the Vice President – Energy Efficiency, the Director – Asset and Maintenance Management, the Director – Labor and Special Projects, the Regional Manager – Northern New York, the Regional Manager – Western New York, the Regional Manager – Central New York and the Regional Manager – Southeastern New York recommend that the Trustees approve the award of multiyear procurement (services) contracts to the companies listed in Exhibit '2c-A' and the extension and funding of the procurement (services) contract listed in Exhibit '2c-B,' for the purposes and in the amounts discussed within the item and/or listed in the respective exhibits.

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

Trustees Mahoney and LeChase recused themselves from the vote with respect to C&S Engineers and Trustees LeChase and Flynn on Lewis Tree Service. Therefore, the resolution was adopted with the exclusion of the aforementioned firms since the recusals resulted in a failure to attain the required number of votes necessary for their approval.

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the contract listed in Exhibit "2c-B," attached hereto, is hereby approved and extended for the period of time indicated, in the amount and for the purpose listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

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

d. Crescent and Vischer Ferry Small Hydro Power Projects Units 3 and 4 Life Extension and Modernization Program – Capital Expenditure Authorization Request and Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital expenditures in the total amount of $20.7 million ($8.8 million for Crescent and $11.9 million for Vischer Ferry) and approve the award of a multi-year contract to Voith Hydro, Inc. ('Voith') of York, PA, in the amount of $7.2 million for the Crescent and Vischer Ferry Units 3 and 4 Life Extension and Modernization ('LEM') Program. The work will include Engineering, Procurement, Construction and Project Management associated with the Crescent and Vischer Ferry LEM and is scheduled to commence in 2013 and be completed in 2016. The President and Chief Executive Officer has already approved $170,000 ($85,000 for Crescent and $85,000 for Vischer Ferry) for preliminary engineering.

BACKGROUND

"In accordance with the Authority's Expenditure Authorization Procedures ('EAPs'), capital expenditure authorizations in excess of $3 million require the Trustees' approval.

"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. Also, in accordance with the Authority's EAPs, the award of non-personal services, construction or equipment purchase contracts exceeding $3 million requires the Trustees' approval.

"The Power Authority acquired the Crescent and Vischer Ferry small hydroelectric projects from New York State Department of Transportation in the 1980s. The hydroelectric projects were part of the existing Erie Canal dam and navigation lock system on the Mohawk River. When acquired, each plant had two vertical hydroelectric units, rated approximately 3 MW each. In the 1980s, the Authority expanded each plant to better utilize the flows of the Mohawk River and applied to the Federal Energy Regulatory Commission ('FERC') for licenses to upgrade both projects by constructing power house extensions to house two new units in each plant. The Authority also overhauled the existing units at that time. In each facility, unit numbers 1 and 2 designate the original units and unit numbers 3 and 4 designate the newer expansion units.

"In recent years, the wicket gates have not been able to be fully closed during unit shut-down, which causes difficultly in stopping unit rotation and results in severe damage to the unit bearings. Units 3 and 4 are also experiencing severe leakage of the spherical bearing seals near the gate operating ring, resulting in accelerated deterioration of various turbine components and increased safety concerns related to slips and falls. An overhaul is needed to extend the life of these two units at each facility.

"Units 3 and 4 are first-run units because of their higher efficiency (than Units 1 and 2) and reportedly lower fish (blue back herring) mortality rate. As a result, these two units have far more operating hours (than Units 1 and 2) which has resulted in more wear and tear. Due to fewer run hours and an ongoing maintenance program, refurbishment of Units 1 and 2 is not required at this time.

"Failure to maintain this equipment will eventually result in an inability to operate these units, resulting in a loss of plant revenues and may inhibit the Authority from meeting Authority and New York State goals for renewable energy.

DISCUSSION

"The Crescent and Vischer Ferry Units 3 and 4 LEM Program includes upgrading the 40-ton bridge crane, replacing the cooling water supplies to generator and bearings, and upgrading the operating ring, packing box, shaft sleeve, turbine bearing, and installing a new braking system for the turbine-generators. In addition, the draft tube gate hoist systems will be upgraded to improve functionality, and at Vischer Ferry three new regulating gates will be installed with a new seal design that will significantly extend the life expectancy of the gates.

"The Authority placed a Request for Quotation ('RFQ') in the New York State *Contract Reporter* and bid packages for the Turbine Overhaul were available as of April 16, 2012. Four proposals were received on June 20, 2012. After several post-bid inquiries, the following revised bids were received and evaluated:

Bidders	**As Received Base Bid Price**	**Evaluated Bid Price**
Voith Hydro	$7,189,694	$7,189,694
Alstom	$8,176,440	$9,041,493
Gracon	$13,715,254	$13,715,254
Weir American Hydro	$14,183,258	$14,183,258
NYPA Fair Cost Estimate	N/A	N/A

"The proposals were reviewed by an evaluation committee comprising of Authority staff from B-G, Engineering, Environmental, Procurement, and Project Management.

"Voith's bid was the lowest in price and was also technically acceptable. Voith, the Original Equipment Manufacturer ('OEM') of Units 3 and 4 at Crescent and Vischer Ferry, has extensive experience in hydro mechanical construction of this magnitude, has demonstrated knowledge of the scope-of-work and is capable of completing this project in a timely manner. The Authority's experience with Voith on past projects has been satisfactory.

"The project work will be performed from 2013 to 2016.

"The total project cost for both Crescent and Vischer Ferry is estimated to be $20.7 million as follows:

Task	**Crescent**	**Vischer Ferry**
Engineering	$683,500	$683,500
Procurement	$4,082,500	$6,927,500
Construction	$3,162,500	$3,255,000
Authority Direct & Indirect	$870,500	$1,017,400
Total:	$8,799,000	$11,883,400

<u>FISCAL INFORMATION</u>

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

<u>RECOMMENDATION</u>

"The Acting Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Vice President – Procurement, the Acting Vice President – Engineering, the Project Manager, and the Regional Manager – Central New York recommend that the Trustees authorize capital expenditures in the amount of $20.7 million ($8.8 million for Crescent and $11.9 million for Vischer Ferry) and approve the award of a multi-year contract to Voith Hydro, Inc. of York, PA, in the amount of $7.2 million for the Crescent and Vischer Ferry Units 3 and 4 Life Extension and Modernization Program.

"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 authorize capital expenditures in the amount of $20.7 million ($8.8 million for Crescent and $11.9 million for Vischer Ferry) for the Crescent and Vischer Ferry Units 3 and 4 Life Extension and Modernization Program as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to Voith Hydro, Inc. in the amount of $7.2 million to furnish all labor, materials and equipment to overhaul and upgrade various turbine components for Units 3 and 4 at the Crescent and Vischer Ferry Small Hydroelectric Projects.

Contractor	**Contract Approval**
Voith Hydro, Inc. **York, PA**	**$7.2 million**

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

3. Discussion Agenda:

a. Report of the President and Chief Executive Officer

President Gil Quiniones provided an update of the Authority's performance, to date. He said the Authority is performing well in its operations and other goals outlined in the monthly performance score card. Although the Authority is not currently meeting its goals in recordable and environmental incidents, it has performed above other utilities compared to industry standards. The Authority is currently evaluating management and training necessary to meet its aggressive environmental/safety goals for 2013. President Quiniones said there were no major technical issues in the Authority's operations this year and credited the staff at the facilities and headquarters for achieving the Authority's goals. He said the Authority is operating at a high level financially; Net Income is higher than budgeted and O&M spending is below its target.

Responding to a question from Chairman Koelmel, President Quiniones said although the Authority's "stretch goals" for environmental/safety incidents are very high, it has out-performed industry standards. The Authority is exploring leading indicators and trends in order to determine what actions the Authority needs to implement with regard to improvement in environmental and safety issues.

In response to a question from Trustee Nicandri, Mr. Kahabka said that in terms of environmental incidents, staff explores human performance versus mechanical failure. Approximately 65% of the Authority's reportable environmental incidents are due to equipment failure and few human performance errors are associated with those incidents. President Quiniones added that the safety incidents are deemed reportable based on OSHA standards.

Responding to a question from Trustee LeChase, Mr. Welz said the Authority will include "lost time accident rate" as a measure of environmental incidents. He said the Authority has engaged a consultant to look at its safety practice and will provide a report to the Board on the changes in the Authority's safety culture in 2013.

Key Initiatives

Energy Highway Initiative

President Quiniones said that the Energy Highway Task force, which he co-chairs, submitted its recommendation to the Governor in October and gave an outline of the recommendations:

- ***Up to $2 billion of investments will be required to expand transmission and generation by up to 2,100 MW***

- ***$1.3 billion for accelerated electric and natural gas investments***
- ***$2.2 billion for investments of up to 1,020 MW of renewable and repowered generation***
- ***$250 million for investments in new technologies to create the most advanced energy management system in the country***

President Quiniones said this initiative will revitalize the state's electric system and is scheduled to be completed in 2020. He ended by saying that the Authority is one of the key implementers of this initiative.

<u>Emergency Management</u>

President Quiniones said that as a result of the after effects of Hurricane Sandy, the Authority intends to renew its focus on its emergency management plan.

- ***The Authority will conduct simulated drills in collaboration with the NYISO, focusing on communications, to ensure that the Authority is prepared for severe weather events;***
- ***The Authority is scheduled to conduct a FERC-mandated drill at the STL/FDR Project as part of the Authority's safety emergency management program.***

The Trustees will be provided with an update of this process next year.

In response to a question from Chairman Koelmel, President Quiniones said that the Authority started preparation for Hurricane Sandy on October 22nd to ensure that all of its facilities would be ready for the event. President Quiniones said he was deployed by the Governor to be his representative on issues related to Hurricane Sandy in downstate New York and subsequently redeployed to assist New York City and LIPA. He said LIPA had a shortage of line workers and tree trimmers and, with the concurrence of the Governor's office, he contacted his public power colleagues in New York State and Canada for line workers and tree trimmers. He also contacted Mr. Anthony Modafferi of the MEUA for assistance from the municipalities in the restoration process. The Authority's transmission crew helped to fix and inspect LIPA's transmission system. Work crews were sent to Brewster, New York to assist NYSEG in the restoration in its service territory. A team from the Authority's Governmental Relations, Communications and Legal departments was also sent to assist LIPA.

President Quiniones added that, in coordination with the Governor's office, Authority staff performed at a very high level to protect the Authority's assets. The Authority's facilities were operational and ready to assist Con Edison or NYISO if necessary. He ended by saying that the Authority played a critical role to help the utilities cope with the devastation of Hurricane Sandy.

In response to a question from Trustee Mahoney, President Quiniones said although the Authority had some cellphone issues, staff had back-up satellite phones and also video conferencing capability at all of its facilities so he was able to communicate with staff during the hurricane.

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

Mr. Edward Welz provided highlights of the report to the Trustees. He said the St. Lawrence Power Project's Unit 20, Life Extension and Modernization program was completed five days ahead of schedule. The Authority's environmental/safety cultural issues will be addressed in 2013. With regards to succession planning in the Operations business unit the following promotions are in effect: Ed Rider, Regional Manager Northern NY; Bradford Van Auken, Senior Vice President – Operations Support Services and Chief Engineer; Robert Knowlton, Vice President – Engineering; and Phillip Toia, Acting Vice President – Transmission.

c. Report of the Chief Financial Officer

Mr. Donald Russak provided highlights of the financial report to the Trustees. He said that one of the three main rating agencies, Fitch Ratings, has reaffirmed the Authority's AA rating. The Authority is waiting for ratings from Moody's and Standard and Poor's and will inform the Board when they are received. Also, the subordinate notes, which were approved by the Trustees at the November meeting, closed today.

4. 2013 Operating Budget and Filing of the 2013-2016 Four-Year Financial Plan Pursuant to Regulations of the Office of the State Comptroller

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the 2013 Operating Budget, Operations and Maintenance ('O&M') Budget, Capital Budget and Energy Services Budget for the Power Authority. The Operating Budget sets forth the expected revenues and expenses of the Authority and includes the recommended 2013 O&M Budget, the Capital Budget and the Energy Services Budget (see attached Exhibits '4-A,' '4-B,' '4-C' and '4-D,' respectively) in the following amounts:

2013 Budget	($ million)
O&M	$ 366.7
Capital	$ 192.3
Energy Services	$ 200.8

"Also, in accordance with regulations of the Office of the State Comptroller ('OSC'), the Trustees are requested to approve the 2013-2016 Four-Year Financial Plan ('Four-Year Financial Plan' – see attached Exhibit '4-E') and authorize: (i) submitting the approved Four-Year Financial Plan to OSC, (ii) posting the approved Four-Year Financial Plan on the Authority's Web site and (iii) making the approved Four-Year Financial Plan available for public inspection at not less than five convenient public places throughout New York State.

BACKGROUND

"The Authority is committed to providing clean, low-cost and reliable energy consistent with its commitment to the environment and safety, while promoting economic development and job development, energy efficiency, renewables and innovation, for the benefit of our customers and all New Yorkers. The 2013 Budgets are intended to provide the Authority's operating facilities and support organizations with the resources needed to meet this overall mission and the Authority's strategic objectives while holding down administrative costs.

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

"In approving the 2013 O&M, Capital and Energy Services Budgets, the Trustees will be authorizing spending for 2013 operations, spending for capital projects and general plant purchases of $750,000 or less and the addition of 15 new positions. In accordance with the Authority's Expenditure Authorization Procedures, the President and Chief Executive Officer may, during the course of the year, authorize an additional 1.0% in the O&M budget, up to 15 new positions, capital projects of $3 million or less, or an increase in spending of no more than $1 million to a capital project previously approved by the Trustees. All other spending authorizations must be approved by the Trustees.

DISCUSSION

O&M Budget

"The base O&M budget of $366.7 million (Exhibit '4-B') reflects a renewed focus on the effective operation and maintenance of the Authority's critical investments in New York State's electric infrastructure while holding down overhead costs.

"The 2013 O&M Budget for Operations provides $212 million for baseline, or recurring, work. In addition to the baseline work, scheduled maintenance outages at the 500 MW plant and the Small Clean Power Plants (totaling $13 million) and planned enhancements in non-recurring maintenance work at the operating facilities (totaling $50 million) are designed to support high reliability goals. Some of the major non-recurring projects include: Niagara Dam Face Repair, ($3.8 million); Marcy Substation Auto-Transformer and Reactor Refurbishment, ($3.7 million); St. Lawrence Unit 27 Stay Ring Crack Repairs, ($2.5 million); Tropical Storm Irene Work, ($2.2 million); Painting of Barnhart Island Bridge ($2.2 million); and the Massena Auto breakers 1 and 2 Reactor Bank Refurbishment ($1.9 million).

"Cuts in the budget for the support functions of $1.0 million are not enough to offset uncontrollable expense increases in the New York State pension costs, medical and Other Post-Employment Benefits ('OPEB') benefits and lost rental income in the White Plains Office.

"Payroll costs, which include salaries, overtime and fringe benefits, account for $204.4 million, or $55.7% of the budget, down from 56.6% last year. Overall, headcount at the Authority will increase by 15 new positions. Six (6) positions in headquarters and nine (9) new succession planning positions are being proposed in various areas of plant operations.

"The Astoria Energy II Budget totals $26.7 million and represents the contractual O&M costs for the plant, which was placed in commercial operations in New York City in July 2011. These costs are being recovered from the Authority's New York City Governmental customers, who are beneficiaries of the output of this project, via a long-term contract. The Hudson Transmission Project Budget totals $33.0 million and represents the contractual O&M costs for the transmission line, which will be placed into commercial operation in mid-2013.

<u>Capital Budget</u>

"The 2013 Capital Budget (Exhibit '4-C') totals $192.3 million, an increase of $25.6 million from the 2012 Budget. Of this amount, $144.1 million – or 75% of the total – represents planned investments in the Authority's Upstate New York facilities at Niagara and St. Lawrence, as well as in its statewide Transmission network. Significant capital projects for 2013 include the Niagara Lewiston Life Extension and Modernization ('LEM'), ($49.9 million), the Coopers Corners Shunt Reactor, ($11.4 million), Niagara Relay Replacement Program, ($8.9 million), the St. Lawrence Breaker and Relay Replacement, ($7.6 million), the St. Lawrence Relicensing Compliance and Implementation, ($6.1 million), the Niagara Stator Rewind, ($5.6 million), the Robert Moses Niagara Power Plant Unit 13 Standardization, ($4.8 million) and the St. Lawrence LEM, ($4.4 million).

"The Capital Budget includes $21.0 million of minor additions and general plant purchases (i.e., less than $750,000 each) that will be authorized by approval of this budget.

<u>Energy Services Budget</u>

"The Budget for Energy Services and Technologies (Exhibit '4-D') totals $200.8 million, an increase of $0.8 million over the 2012 budget. These expenditures will be subsequently recovered over time from the benefiting customers. The Budget includes increased funding for energy efficiency projects for Authority customers and other eligible entities as the Authority strives to support Governor Cuomo's improved energy efficiency and clean, renewable energy goals.

<u>Operating Budget</u>

"The 2013 Operating Budget (Exhibit '4-A') sets forth the expected revenues and expenses of the Authority on a Project/Market Area basis and serves as the basis for the Authority's financial reporting during the year. Expected revenues received from customers are based on contracts and tariffs that are approved by the Trustees. Market-based sales of any surplus energy from the Authority's generating facilities or purchases made on behalf of customers (except for those made through previously approved purchased power agreements) are assumed to be transacted at the market clearing price in the wholesale market. Projected expenses for O&M are detailed above. The Other Expenses category largely reflects various accruals (e.g., Other Post-Employment Benefit prior service obligations) and other miscellaneous expenses for which Trustee approval is sought on a case-by-case basis (e.g., Power for Jobs Transitional Payments, Recharge New York Residential Discount Program, etc.). Also reflected in the 2013 Operating Budget is an assumed level of contributions to New York State totaling $65 million. Any such contribution may only be made if authorized by the Legislature and upon a determination (not requested at this time) by the Trustees that the payment would be feasible and advisable at the time of such disbursement.

Four-Year Financial Plan

“Under Part 203 of the OSC Regulations, the Trustees are required to adopt a 2013 Budget and Four-Year Financial Plan (Exhibit ‘4-E’). The 2013 Budget, which is the first year of the Four-Year Financial Plan, is being brought to the Board for approval at this time. The remaining three years are indicative forecasts. The approved Four-Year Financial Plan must be available for public inspection not less than seven days before the commencement of the next fiscal year for a period of not less than 45 days and in not less than five convenient public places throughout the State. The approved Four-Year Financial Plan must also be submitted to OSC, via electronic filing through the Public Authorities Reporting Information System maintained by OSC and the Authority Budget Office, within seven days of approval by the Trustees. The regulations also require the Authority to post the Four-Year Financial Plan on its Web site.

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

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

FISCAL INFORMATION

“Payment of O&M expenses will be made from the Operating Fund. Payment for Capital and Energy Services expenditures will be made from the Capital Fund and the Energy Conservation Construction and Effectuation Fund, respectively. Monies of up to $195.2 million from the Operating Fund will be transferred to the Capital Fund for those expenditures, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Sections 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. The 2013 Operating Budget shows adequate earnings levels so that the Authority may maintain its financial goals for cash flow and reserve requirements.

“The Four-Year Financial Plan net income estimates for each of the years 2014 through 2016 are indicative forecasts and the Trustees are not being asked to approve any revenue and expenditure amounts for those years at this time.

RECOMMENDATION

“The Director of Budgets and the Vice President of Financial Planning recommend the Trustees approve the 2013 Operation and Maintenance, Capital and Energy Services Budgets and the Operating Budget as discussed herein and authorize (i) submitting the approved Four-Year Financial Plan to the Office of the State Comptroller in the prescribed format, (ii) posting the approved Four-Year Financial Plan on the Authority’s Web site and (iii) making the approved Four-Year Financial Plan available for public inspection at not less than five convenient public locations throughout New York State.

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

Mr. Thomas Davis provided highlights of staff's recommendation to the Trustees. Chairman Koelmel said staff briefed the Trustees individually on the budget prior to the meeting. Responding to a question from Chairman Koelmel, Mr. Russak said that for the Four-Year Plan, 2013 is forecasted to be a low year, the major driver for this being projected low hydro generation levels; however, the Authority expects that as hydro levels improve, this will result in increased revenues over the next several years. Also, the Recharge New York Residential Discount Program will phase-down over the years and this will improve results.

Regarding personnel and succession planning, Mr. Russak said a large number of employees will soon be eligible for retirement, especially at the plants. Transitional positions allow personnel to work closely with potential retirees to gain experience in these key positions and upon retirement, the transitional employee fills the permanent position and the transitional position is eliminated. President Quiniones added that despite increases in pension, medical, and post-employment benefits, the Authority has been able to hold its overhead and corporate costs "flat."

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

RESOLVED, That the 2013 Operating Budget, specifically including the 2013 Budgets for Operation and Maintenance, Capital and Energy Services expenditures, as discussed in the foregoing report of the President and Chief Executive Officer, are hereby approved; and be it further

RESOLVED, That up to $195.2 million of monies in the Operating Fund are hereby authorized to be withdrawn from such Fund and deposited in the Capital Fund, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Sections 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations as amended and supplemented, with the satisfaction of such condition being evidenced by a certificate of the Treasurer or the Deputy Treasurer; and be it further

RESOLVED, That pursuant to 2 NYCRR Part 203, the attached 2013-2016 Four-Year Financial Plan, including its certification by the Chief Operating Officer, is approved in accordance with the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to 2 NYCRR Part 203, the Corporate Secretary be, and hereby is, authorized to submit the approved Four-Year Financial Plan to the Office of the State Comptroller in the prescribed format, post the approved Four-Year Financial Plan on the Authority's Web site and make the approved Four-Year Financial Plan

available for public inspection at not less than five convenient public places throughout New York State; and be it further

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

5. a. Transmission Life Extension and Modernization Program – Approval of Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve a Life Extension and Modernization ("LEM") program for the estimated cost of $726 million to address areas of work on the Authority's Transmission system. The LEM program will support system availability and reliability, and ensure regulatory compliance of the Authority's Transmission system.

"The Trustees will be further requested to authorize capital expenditures of $119 million to engineer, procure and install components at the St. Lawrence/FDR Power Project, Niagara Power Project and Massena Substation, under separate Trustee Items.

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

BACKGROUND

"Operations and Transmission staffs, in conjunction with an outside consultant, conducted an analysis of the Authority's transmission system at the Authority's facilities and concluded that a transmission Life Extension and Modernization Program ("Program") should be undertaken. The aging transmission system has major equipment nearing, or at the end of its useful life.

"The objective of the Program is to maintain availability and reliability, and ensure regulatory compliance of the Authority's transmission system. The Program will affect all regions of the Authority's system. Due to size, complexity, cost and duration, the Program will be managed in a phased approach.

"The Program encompasses transmission assets in the Central, Northern and Western regions and has been divided into several projects. The Program is estimated to cost $726 million and includes:

- Upgrades, refurbishments, and replacements associated with switchyards and substations
- Transmission line structures or towers and associated hardware, including tower painting
- Replacement of the submarine cable on PV-20
- Work along rights-of-way, including access roads

"The scope is a result of internal and external assessments and recommendations. Funding will be requested in a tiered approach for each project as the complete plan of work develops.

DISCUSSION

"The Authority owns and maintains switchyards/substations ranging from 115 kV to 765 kV, including 1,471 circuit miles of transmission lines. Delivery of reliable, low-cost energy would not be possible without the Authority's transmission system. Reinvestment in this strategic component of the Authority's overall mission supports the repair, upgrade and/or expansion of the transmission infrastructure.

"In addition to Authority staff, the Authority issued a Request for Proposal ("RFP") and awarded a contract to Quanta Technology in 2011 to perform an assessment of critical areas which included:

- Assessing the overall condition of the equipment and other transmission system assets
- Assessing risk of failure
- Providing recommendations for replacement, as necessary, taking into account other utility practices

- Prioritizing work and developing schedule for implementation
- Developing cost estimates for addressing each task

"As a result of the assessments, the following projects are included in the LEM Program:

- Clark Energy Center Switchyard LEM
- Massena Substation LEM
- Niagara Switchyard LEM
- St. Lawrence Breaker and Relay Replacement
- Blenheim Gilboa Switchyard LEM
- St. Lawrence Remote Substations LEM
- St. Lawrence Switchyard Modernization
- Blenheim Gilboa Protective Relay Replacement
- Niagara Protective Relay Replacement
- Clark Energy Center Protective Relay Replacement
- PV-20 Submarine Cable Replacement
- Tower Painting
- Corten Steel Remediation
- Concrete Tower Footer Repairs
- Insulator Inspections
- Massena Substation Auto-Transformer Replacement
- Massena Substation Reactor Refurbishment
- Marcy Substation Auto-Transformer and Reactor Refurbishment
- Transmission Tower Grillage Foundation Inspections
- Line Support Work

"The Trustees will be requested in future memoranda to authorize capital expenditures of $119 million under separate Trustee Items as follows:

- $25.9 million for Phase 1 of the Niagara Power Project – Niagara Relay Replacement (estimated total installed cost of $52.2 million)
- $65.8 million for Phase I of the St. Lawrence/FDR Power Project – STL Breaker and Relay Replacement (estimated total installed cost of $110 million)
- $27.3 million for the Massena Substation 765/230kV Auto-Transformer Replacement

"Additional funding requests will be presented as the scope-of-work is developed.

FISCAL INFORMATION

"Payment associated with the Program will be made from the Authority's Capital and Operating Funds.

RECOMMENDATION

"The Acting Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Acting Vice President – Engineering, the Vice President – Transmission, the Vice President – Procurement, the Project Manager, the Regional Manager – Western New York, the Regional Manager – Central New York and the Regional Manager – Northern New York recommend that the Trustees approve a program for an estimated cost of $726 million for the Transmission Life Extension and Modernization.

"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. John Canale provided highlights of staff's recommendation to the Trustees. Chairman Koelmel said the Trustees had individual, comprehensive briefing regarding the project.

In response to a question from Chairman Koelmel, Mr. Canale said that staff has been planning this project for several years and it will be managed in a "phased" approach. The Authority has hired personnel with expertise in transmission to work on this project. Mr. Welz said that the Authority will also be utilizing its own resources to manage this project and will hire contractors when necessary. President Quiniones added that the Authority has the leadership and management skills to complete this project.

In response to a question from Trustee LeChase, Mr. Welz said the Authority bids for the equipment and Authority QA and technical engineers visit the facilities and also do sample testing of the equipment being built. Responding to a question from Chairman Koelmel, Mr. Welz said the new equipment will be state-of-the-art which will add to the efficiency of the equipment. The Authority may need to hire more technicians to get the right mix of staff to operate the new state-of-the-art equipment. Responding to further question from Chairman Koelmel, President Quiniones said that, to the extent the Authority utilizes contractors for the project, they will be New York State based contractors and this will have an economic impact on the state.

In response to a question from Chairman Koelmel, Mr. Russak said the Authority is expected to fund approximately fifty percent of the project costs from its capital project reserve.

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, program approval for the estimated cost of $726 million is hereby approved for the Transmission Life Extension and Modernization as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Authority, in accordance with Treasury Regulation Section 1.150-2, hereby declares its official intent to finance as follows: The Authority intends to reimburse to the maximum extent permitted by law, with the proceeds of tax-exempt obligations to be issued by the Authority, all expenditures made and which may be made in accordance with the Project described in the foregoing report of the President and Chief Executive Officer, with the maximum principal amount of obligations to be issued for such project expected to be $726 million; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of

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

b. Niagara Power Project – Transmission Life Extension and Modernization Program – Niagara Relay Replacement – Capital Expenditure Authorization Request

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital expenditures in the amount of $25.9 million for Phase 1 of the Niagara Relay Replacement project ('Project'). The Project (estimated total installed cost of $52.2 million) is part of the Transmission Life Extension and Modernization Program and will be presented for Trustee funding approval in three phases as explained below.

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

BACKGROUND

"In accordance with the Authority's Expenditure Authorization Procedures, capital expenditure authorizations in excess of $3 million require the Trustees' approval.

"The Transmission Life Extension and Modernization Program is a multiyear program that will upgrade the Authority's existing transmission system to maintain availability, increase reliability, and ensure regulatory compliance. The Program encompasses Authority transmission assets in the Central, Northern, and Western regions and has been divided into several projects. The Program is estimated to cost $726 million and includes:

- Upgrades, refurbishments, and replacements associated with switchyards and substations
- Transmission line structures or towers and associated hardware, including tower painting
- Replacement of the submarine cable on PV-20
- Work along rights-of-way, including access roads

"The scope is a result of internal and external assessments and recommendations. Funding will be requested in a tiered approach for each project as the complete plan of work develops.

"The Niagara Power Project's electric power facilities are protected against faults and abnormal operation by extensive high-speed protective relaying systems which are designed to rapidly isolate affected lines and equipment in order to minimize damage to the equipment and to protect public health and safety. Proper operation of these systems is crucial to minimizing adverse effects on the bulk power systems and ultimately for preventing cascading system outages and wide-scale blackouts. Some of the protective relaying systems are becoming obsolete and unmaintainable, compromising the operation of the system. The Authority's engineering department evaluated the existing protection systems and determined the scope and priority of the relay replacements and system upgrades.

"At Niagara, the system replacements and upgrades include the installation of a new microwave link for the North American Electric Reliability Corporation ('NERC') compliance and replacement of the protection and communications equipment for twenty-one transmission lines, sixty-one breaker failure relays, and protection equipment for five autotransformers and six buses.

DISCUSSION

"The Project has been structured in a manner to prioritize the replacement of poor performing protection systems and sequenced in conjunction with planned equipment replacements and outages, internal resource availability and external utility upgrades.

"The Project is divided into three phases:

Phase 1:	2012 – 2016
Phase 2:	2017 – 2020
Phase 3:	2021 – 2024

"The scope for Phase 1 includes installing a new microwave link and the replacement of line protection and communications equipment for ten transmission lines and thirty-three breaker failure relays.

"This capital expenditure authorization for Phase 1 is comprised of the following:

Engineering and Design		$ 3,700,000
Procurement		$ 2,900,000
Construction/Installation		$ 15,000,000
Authority Indirect and Direct Expenses		$ 4,300,000
	TOTAL	$ 25,900,000

"Hydro One Networks Inc. ('HONI'), a Province of Ontario, Canada, a wholly-owned corporation, and the Authority own and operate five international tie transmission lines (L33P, L34P, PA27, PA301 & PA302). In accordance with the Interconnection Facilities Agreement between HONI and the Authority (dated March 2007), the Authority and HONI share the actual costs associated with facility upgrades for transmission lines PA27, PA301 & PA302 ('PA lines'). HONI and the Authority will upgrade the protection systems for PA27 and PA301 in 2013 and PA 302 in 2015. Included in this capital expenditure authorization request for Phase 1 is $6.2 million for payments to HONI to design, procure, install and commission protection buildings, current transformers and line protection equipment for the PA lines.

FISCAL INFORMATION

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

RECOMMENDATION

"The Acting Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Acting Vice President – Engineering, the Vice President – Transmission, the Vice President – Procurement, the Project Manager and the Regional Manager – Western New York recommend that the Trustees approve capital expenditures in the amount of $25.9 million for the Niagara Relay Replacement project.

"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 Authority's Expenditure Authorization Procedures, approval is hereby granted to authorize capital expenditures in the amount of $25.9 million for the Niagara Relay Replacement project, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Authority, in accordance with Treasury Regulation Section 1.150-2, hereby declares its official intent to finance as follows: The Authority intends to reimburse to the maximum extent permitted by law, with the proceeds of tax-exempt obligations to be issued by the Authority, all expenditures made and which may be made in accordance with the Project described in the foregoing report of the President and Chief Executive Officer, with the maximum principal amount of obligations to be issued for such project expected to be $52.2 million; and be it further

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

c. St. Lawrence/FDR Power Project – Transmission Life Extension and Modernization Program – Breaker and Relay Replacement – Capital Expenditure Authorization Request

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital expenditures in the amount of $65.8 million for Phase 1 of the Breaker and Relay Replacement project ('Project') at the St. Lawrence/FDR Power Project's Switchyard and Remote Substations at Adirondack, Massena, Plattsburgh, Saranac and Willis ('STL Region'). This Project (estimated total installed cost of $110 million) is part of the Transmission Life Extension and Modernization Program and will be presented for Trustee funding approval in two phases as explained below.

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

BACKGROUND

"In accordance with the Authority's Expenditure Authorization Procedures, capital expenditure authorizations in excess of $3 million require the Trustees' approval.

"The Transmission Life Extension and Modernization is a multiyear program that will upgrade the Authority's existing transmission system to maintain availability, increase reliability, and ensure regulatory compliance. The Program encompasses Authority transmission assets in the Central, Northern, and Western regions and has been divided into several projects. The Program is estimated to cost $726 million and includes:

- Upgrades, refurbishments, and replacements associated with switchyards and substations
- Transmission line structures or towers and associated hardware, including tower painting
- Replacement of the submarine cable on PV-20
- Work along rights-of-way, including access roads

"The scope is a result of internal and external assessments and recommendations. Funding will be requested in a tiered approach for each project as the complete plan of work develops.

"The St. Lawrence/FDR Power Project's electric power facilities are protected against faults and abnormal operation by extensive high-speed protective relaying systems which are designed to rapidly isolate affected lines and equipment in order to minimize damage to the equipment and to protect public health and safety. Proper operation of these systems is crucial to minimizing adverse effects on the bulk power systems and ultimately for preventing cascading system outages and wide-scale blackouts. Some of the protective relaying systems are becoming obsolete and unmaintainable, compromising the operation of the system. The Authority's engineering department evaluated the existing protection systems and determined the scope and priority of the relay replacements and system upgrades.

"At St. Lawrence, the substation automation monitoring and control ('SAMAC') system was installed in 2012. The SAMAC system is comprised of approximately seventy protective relay panels and based on IEC 61850 communications protocol. The SAMAC system will replace the existing electro-mechanical relays located in the St. Lawrence dam and protect and monitor 14 transmission lines, 45 breakers, 6 buses, 4 autotransformers and 5 capacitor banks.

"In conjunction with the above protective relay system replacements at St. Lawrence, thirty-one Oil Circuit Breakers ('OCBs') (22-115kV & 9-230kV) will be replaced with SF6 gas breakers and fourteen existing SF6 gas breakers (1-115kV & 13-230kV) will be cutover to the SAMAC system. The Authority's engineering department determined that the existing OCBs are at the end of their useful life and their replacement is directly correlated with the protection upgrades.

"In order to complete the installation of the protection equipment, the replacement of the line protection at the St. Lawrence switchyard requires the remote terminal's line protection system to be upgraded in parallel. Accordingly, the protections systems at the Remote Substations at Adirondack, Massena, Plattsburgh, Saranac and Willis will be upgraded in parallel.

DISCUSSION

"The Project has been structured in a manner to prioritize the replacement of poor performing protection systems and sequenced in conjunction with planned equipment replacements and outages, internal resource availability and external utility upgrades.

"The Project is divided into two phases:

Phase 1:	2012 – 2016
Phase 2:	2017 – 2020

"Phase 1 of the Project will replace:

1. Thirteen OCBs and fifty percent of the transmission protection equipment and cut over nine SF6 breakers at the St. Lawrence Robert Moses switchyard;

2. The transmission protection equipment at the Massena Substation;

3. The station service and eighty percent of the transmission protection equipment and install a new station service building at the Plattsburgh Substation.

"This initial capital expenditure authorization request for Phase 1 is comprised of the following:

Engineering and Design		$ 10,584,000
Procurement		$ 21,713,000
Construction/Installation		$ 24,770,000
Authority Indirect and Direct Expenses		$ 8,699,000
	TOTAL	$ 65,766,000

FISCAL INFORMATION

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

RECOMMENDATION

"The Acting Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Acting Vice President – Engineering, the Vice President – Transmission, the Vice President – Procurement, the Project Manager and the Regional Manager – Northern New York recommend that the Trustees approve capital expenditures in the amount of $65.8 million for the Breaker and Relay Replacement project at the St. Lawrence/FDR Power Project.

"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 authorize capital expenditures in the amount of $65.8 million for the St. Lawrence/FDR Power Project's Breaker and Relay Replacement project, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Authority, in accordance with Treasury Regulation Section 1.150-2, hereby declares its official intent to finance as follows: The Authority intends to reimburse to the maximum extent permitted by law, with the proceeds of tax-exempt obligations to be issued by the Authority, all expenditures made and which may be made in accordance with the Project described in the foregoing report of the President and Chief Executive Officer, with the maximum principal amount of obligations to be issued for such project expected to be $110 million; and be it further

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

d. Massena Substation – Transmission Life Extension and Modernization Program – 765/230kV Auto-Transformer Replacement – Capital Expenditure Authorization Request and Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital expenditures in the amount of $27.3 million for the engineering, manufacture, assembly, testing and installation of six new 765/230kV auto-transformers to be used as replacements for the 765/230kV auto-transformers at the Massena Substation in Massena, NY. The Trustees are also requested to approve the award of a multi-year contract in the amount of $16.8 million to Smit Transformers ('SMIT') of Nijmegen, Netherlands to design, fabricate, test, deliver and install these auto-transformers at the Massena Substation. The President and Chief Executive Officer has already approved $250,000 for Preliminary Engineering.

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

BACKGROUND

"In accordance with the Authority's Expenditure Authorization Procedures, capital expenditure authorizations in excess of $3 million require Trustees approval.

"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. Also, in accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services or equipment purchase contracts exceeding $3 million require the Trustees' approval.

"The Transmission Life Extension and Modernization is a multiyear program that will upgrade the Authority's existing transmission system to maintain availability, increase reliability, and ensure regulatory compliance. The Program encompasses transmission assets in the Central, Northern, and Western regions and has been divided into several projects. The Program is estimated to cost $726 million and includes:

- Upgrades, refurbishments, and replacements associated with switchyards and substations
- Transmission line structures or towers and associated hardware, including tower painting
- Replacement of the submarine cable on PV-20
- Work along rights-of-way, including access roads

"The scope is a result of internal and external assessments and recommendations. Funding will be requested in a tiered approach for each project as the complete plan of work develops.

"The Massena Auto-Transformer Banks No. 1 and No. 2 consist of seven single-phase auto-transformers, three for each bank and one designated as a spare, to be put into service in the event of a failure. On July 8, 2008, Transformer 2A from Auto-Transformer Bank No. 2 failed and was replaced with the existing spare transformer. This event left the Massena Substation without a spare to handle a contingency failure in either of the Auto-Transformer Banks. A replacement auto-transformer was ordered in 2011 from SMIT and is scheduled to be installed in 2013. Earlier this year, another failure occurred and has left Auto-Transformer Bank No. 2 out of service until the spare unit is installed.

"The Authority's Engineering department attributed both failures to a common mode occurrence in which the remaining auto-transformers are at risk of failing. The auto-transformers are critical long lead time electrical components required for successful operation and functioning of the substation. A future failure of a single auto-transformer can result in a heavily restricted operational condition of the 765kV transmission line with both MMS lines out of service. As a result, all six auto-transformers at Massena Substation will be replaced.

DISCUSSION

"In response to the Authority's request for proposal ('RFP') advertised in the New York State *Contract Reporter* on May 10, 2012, seventy-three firms downloaded the bid documents and ten proposals were received on July 5, 2012 for procurement and installation of six auto-transformers at Massena Substation.

"The proposals were evaluated based on:

- Compliance with commercial, technical, and quality assurance requirements
- Transformer Load Losses
- Price
- Engineering and Quality Assurance support and travel associated with overseeing the design, fabrication, and testing.

"Upon conclusion of the evaluation, TBEA was found to have provided the lowest-cost proposal. However, the Authority does not have prior experience with TBEA and cannot evaluate the quality and reliability of the equipment. Because of the criticality of the components and its effect on the transmission system, staff recommends an award to the next lowest evaluated bidder, SMIT. SMIT is an international business which manufactures power transformers for major energy companies in Europe, North America, Africa and the Middle East and has been in business for nearly 100 years. SMIT has previously provided large transformers to the Authority and was awarded the contract for the replacement auto-transformer at Massena Substation. Awarding the contract to SMIT will provide for commonality of equipment and, therefore, limit the quantity of spare parts and training required, as well as variations in maintenance and operations of the equipment.

"The project work will be performed over a two-year period with design and engineering taking place in 2013. Fabrication, testing and installation will commence in 2013 and will be completed in 2014.

"The capital expenditure authorization request is compromised of the following:

Preliminary Engineering (previously authorized)	$ 250,000
Engineering and Design	$ 330,000
Procurement	$ 18,060,000
Construction/Installation	$ 6,480,000
Authority Indirect and Direct Expenses	$ 2,130,000
TOTAL:	$ 27,250,000

FISCAL INFORMATION

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

RECOMMENDATION

"The Acting Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Acting Vice President – Engineering, the Vice President – Transmission, the Vice President – Procurement, the Project Manager and the Regional Manager – Northern New York recommend that the Trustees authorize capital expenditures in the amount of $27.3 million, and approve the award of a multi-year contract to Smit Transformers of Nijmegen, Netherlands, in the amount of $16.8 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 Authority's Expenditure Authorization Procedures, additional capital expenditures in the amount of $27.3 million are hereby authorized in accordance with and as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to Smit Transformers in the amount of $16.8 million to provide six auto-transformers for use at the Massena Substation, as recommended in the foregoing report of the President and Chief Executive Officer:

Contractor	**Contract Approval**
Smit Transformers (Nijmegen, Netherlands)	**$16.8 million**

AND BE IT FURTHER RESOLVED, That the Authority, in accordance with Treasury Regulation Section 1.150-2, hereby declares its official intent to finance as follows: The Authority intends to reimburse to the maximum extent permitted by law, with the proceeds of tax-exempt obligations to be issued by the Authority, all expenditures made and which may be made in accordance with the Project described in the foregoing report of the President and Chief Executive Officer, with the maximum principal amount of obligations to be issued for such project expected to be $27.3 million; and be it further

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

6. Governmental Customer Energy Services Program – Authorization to Expand Program Funding and Award Services Contracts to Support the Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve funding in the amount of $800 million for the Governmental Customer Energy Services Program ('GCESP') to support future energy efficiency work for the Authority's Governmental Customers in Southeast New York ('SENY').

"In addition, the Trustees are requested to approve the award of contracts for any or all of the services to be provided, including energy auditing, engineering and design, construction management, and construction trade management services, including procurement of equipment and installation services, for up to a five-year term, in the aggregate amount of $750 million, to be allocated from the aforementioned $800 million, in support of the GCESP, to the following 19 firms: AKF Engineers, ARAMARK, ARCADIS (Malcolm Pirnie), The Burns Group, CDM Smith, Ecosystems / LiRo, EME Group, Guth DeConzo Consulting Engineers, KSW Mechanical Services, Lizardos Engineering Associates, O'Brien & Gere / Dewberry, RCM Technologies, Savin Engineers, Source One, Inc., Strategic Building Solutions, STV, Inc., The Fulcrum Group, Wendel Energy Services, and Willdan. The firms were evaluated based on their qualifications, experience and cost; firms with the highest ranking composite evaluation scores and successful interviews are being recommended. As with all Authority ESP initiatives, this funding will generally be recovered directly from program participants.

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, construction, equipment purchase or non-procurement contracts in excess of $3 million, as well as personal services contracts in excess of $1 million if low bidder, or $500,000 if sole-source or non-low bidder, requires the Trustees' approval.

"Both Governor Cuomo and the Mayor of the City of New York have placed reduced energy use, sustainability, and efficient operation of public facilities as one of the top priorities of their respective administrations. The Authority supports its Governmental Customers located in SENY in meeting these goals and initiatives with the GCESP.

"Due to the population density of the southeast region there are many publicly operated facilities that create a unique opportunity for saving energy. In particular, the State's largest agencies, including the State University of New York ('SUNY'), the City University of New York ('CUNY'), the Department of Corrections, and the Office of General Services, all operate multiple facilities in the region. Likewise, the City of New York ('NYC'), the County of Westchester, and the locally operated public entities in Westchester, all participate in this program.

"The funding requested will support continuing efforts in the SENY market for NYC and Westchester County, including state facilities that are part of the Governor's initiative to accelerate energy saving improvements over the next seven years.

"Consistent with Public Authorities Law Section 1005(17) the Authority provides services that include energy audits and energy master plans, engineering and design, life-cycle cost analyses, equipment procurement, contractor labor, environmental waste disposal, construction management and project finance to this market segment. Measures include, but are not limited to, energy-efficient lighting and controls, building envelope-related improvements, heating ventilation and air-conditioning modernization, including energy-efficient chillers, boilers and controls, central heating and cooling systems, high-efficiency motors, variable-speed drives, energy management systems (‘EMS’), distributed generation, clean/waste water technologies and a variety of beneficial electrification technologies.

“As the general contractor, the Authority contracts for the installation of ESP measures with Implementation Contractors (‘ICs’). Services provided by the ICs complement the Authority’s personnel resources. In the past, the Authority has awarded contracts to a diverse group of firms with expertise in design and construction. With the expansion of the Authority’s programs, the Trustees are requested to approve the award of an expanded group of contactors to support the growing number of projects contemplated and to open up opportunities to the contracting community to participate in the Authority’s programs.

DISCUSSION

“The Authority is a recognized leader in supporting energy efficiency and renewable energy technologies. Since 1987, the Authority has provided funding to complete facility energy efficiency and clean energy projects throughout the state through its Energy Services Programs. ESP has helped to reduce demand by more than 240 MW, lowered the electric bills of state and local government by $148 million per year and reduced greenhouse gases by more than 890,000 tons per year. Looking forward, the Authority is committed to providing resources and funding to support Governor Cuomo’s goal to invest in energy efficiency and clean energy initiatives to save energy and costs for New York State tax payers.

“To date, the Trustees have authorized funding in the aggregate amount of $3.3 billion to finance energy efficiency and clean energy technology projects statewide. Of this amount, $1.53 billion has been authorized for the Authority’s GCESP. With the Trustees’ approval of the requested $800 million, a cumulative total of $2.33 billion would be authorized for the financing and implementation of future energy services projects for the Authority’s GCESP in Southeast New York, as outlined below. Of the $800 million requested, the aggregate amount of $750 million will be allocated to the contracts with the firms listed in this item. The remaining $50 million requested will be used for direct project implementation by Authority staff, administration and other program costs.

“In 2012, the Authority launched a comprehensive initiative to improve the delivery of energy services to its customers and to further support meeting New York State’s energy efficiency targets by creating a program that offers customers more options for the implementation of energy services measures, including the ability to reduce project cost and increase Contractor competition by bidding each project phase to a new group of Contractors. By breaking out each phase, the Authority was able to attract specialized firms, thus enhancing the quality of work provided to its customers. Furthermore, Authority customers are now offered the option of using a Trade Manager to oversee the development and construction of large and complex projects, including the value of engineering designs performed by others, bidding and managing multiple trades and construction management services. Using this approach enabled the Authority to greatly increase available contracting resources, expanding new vendor participation by over fifty percent.

“To that end, on April 2, 2012, the Authority advertised in the New York State *Contract Reporter* a Request for Interest/Information (‘RFI’) (Q12-5225JT) soliciting company and contact information from interested parties, prior to the RFP release, in an effort to increase awareness, interest and competition, and allow potential bidders time to prepare for the RFP release. On May 2, 2012, the Authority advertised in the New York State *Contract Reporter* a Request for Proposals (‘RFP’) (Q12-5243JT) soliciting firms interested in providing the aforementioned services for energy auditing, engineering and design, construction management, and construction trade management services, including procurement of equipment and installation services. Bidders were able to provide proposals for any or all of the nine options defined as Auditing Services, Engineering and Design Services (Small, Large and Clean Water / Waste Water), Construction Management (Small, Large and Clean Water / Waste Water), Construction Trade Management (Large and Clean Water / Waste Water). Bidders may be awarded contracts for any option, or combination of options, for which bids were submitted. In response to the notice, 236 firms downloaded the RFP from the Authority’s Web site. A bidders’ conference was held on May 16, 2012 to explain the proposed scope-of-work and provide an opportunity for potential bidders to ask questions and seek clarification; sixty-three (63) firms were in attendance.

"On July 11, 2012, thirty (30) firms submitted bids for the Program. The bids were reviewed by two (2) evaluation committees consisting of six (6) Energy Efficiency and Procurement managers and nine (9) cross-departmental Energy Efficiency staff members. The evaluations were based on a number of technical criteria specified in the RFP and the prospective Contractors' proposed costs. These criteria included the firm's relevant technical experience in energy efficiency projects in SENY, experience with utility sponsored programs, New York State/City Agencies and New York Investor-Owned Utilities, project team organization and experience, project management and controls, knowledge of applicable codes, previously completed work, financial security, deviations and exceptions, location(s) of support offices, proposal content and format and proposed costs.

"Based on a thorough evaluation of the proposals, proposed costs, and subsequent interviews and reference checks, Authority staff recommends the award of contracts to the following nineteen (19) bidders, for the services outlined in Appendix '6-A' (attached), for a term of up to five years: AKF Engineers, ARAMARK, ARCADIS (Malcolm Pirnie), The Burns Group, CDM Smith, Ecosystems / LiRo, EME Group, Guth DeConzo Consulting Engineers, KSW Mechanical Services, Lizardos Engineering Associates, O'Brien & Gere / Dewberry, RCM Technologies, Savin Engineers, Source One, Inc., Strategic Building Solutions, STV, Inc., The Fulcrum Group, Wendel Energy Services, and Willdan. Of the nineteen (19) contracts being recommended, more than half of these firms are new to the SENY ESP. Descriptions of each bidder are set forth in Appendix '6-B' (attached).

"These Authority contracts complement the Authority's Energy Services staffing resources and will offer to its customers the following menu of services:

- On-site screenings of customer's facilities to identify candidates for realizing significant energy and operational savings from installing energy efficiency measures
- On-site surveys, energy audits, retro-commissioning plans and energy master plans to identify and select potential applications for energy efficiency measures
- Detailed engineering analyses of specific energy efficiency measures and/or systems
- Design of proposed measures and/or systems, including design drawings and specifications
- Preparation of project proposal documents and solicitation of competitive bids
- Procurement of equipment and installation services
- Construction management and oversight of proposed measure and/or system installation and project closeout
- Environmental waste management and oversight.

"In addition, the Contractor works directly with the customer/program participant, as required, from project initiation through final customer sign-off for all assigned phases of the work. Procurement of materials and installation of the recommended energy efficiency measures will be competitively bid by the Contractor, as required. The Contractor is required to guarantee the quality of all work performed.

FISCAL INFORMATION

"Additional funding of $800 million is requested to fund the Authority's energy services offered under the GCESP program, with $750M of these funds, in aggregate, allocated to the contracts with the firms listed in this item. The 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 Petroleum Overcharge Restitution ('POCR') funds. Initial allocations will be made to each of the 19 firms being recommended as outlined in Appendix '6-A,' with initial allocations totaling $428 million. Additional allocations will be made based on each firm's performance and workload and subject to the Approval Limits for Execution of Commitments in the Authority's Expenditure Authorization Procedures. All Authority costs, including Authority overheads and the costs of advancing funds, but excluding the POCR grants, will be recovered consistent with other Energy Services Programs.

RECOMMENDATION

"The Senior Vice President – Economic Development and Energy Efficiency and the Vice President – Energy Efficiency recommend that $800 million in additional funding for the Governmental Customers Energy

Services Program be approved and that procurement services contracts be awarded for any or all of the services to be provided, including energy auditing, engineering and design, construction management and construction trade management services, including procurement of equipment and installation services, in the aggregate amount of $750 million, to be allocated from the aforementioned $800 million, for up to a five-year term, to the following 19 bidders: AKF Engineers, ARAMARK, ARCADIS (Malcolm Pirnie), The Burns Group, CDM Smith, Ecosystems / LiRo, EME Group, Guth DeConzo Consulting Engineers, KSW Mechanical Services, Lizardos Engineering Associates, O'Brien & Gere / Dewberry, RCM Technologies, Savin Engineers, Source One, Inc., Strategic Building Solutions, STV, Inc., The Fulcrum Group, Wendel Energy Services, and Willdan,

"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. Dominick Luce presented highlights of staff's recommendation to the Trustees. Responding to a question from Chairman Koelmel, Mr. Luce said the Authority recovers its cost for the program through payments over a 10 or 20 year period or by lump-sum payment. President Quiniones added that the Authority provides a turnkey service to its governmental customers who use a portion of their energy savings to pay the loan; the Authority is thereby able to recover the full cost of the loan. He said the Authority is the lead implementer of this program, which supports the Governor's goal to reduce energy consumption by 20% over the next seven years. In response to a question from Trustee Nicandri, Mr. Luce said the Authority's energy efficiency program is statewide; it is not limited to Southeast New York. Responding to a question from Trustee LeChase, Mr. Luce said that recent legislation will enable the Authority to provide this program to private schools and universities. Mr. Russak added that the Finance department is working with Energy Efficiency on providing this program to private schools and universities.

Trustee LeChase was recused from the vote with respect to LiRo Engineers; Trustee Mahoney on O'Brien and Gere/Dewberry and Savin Engineers; and Trustee Flynn on O'Brien & Gere/Dewberry.

Since Trustees Mahoney and Flynn recused themselves from the vote with respect to O'Brien and Gere/Dewberry, the resolution was adopted with the exclusion of that firm because the recusals resulted in a failure to attain the required number of votes necessary for its approval.

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

RESOLVED, That the Trustees authorize the President and Chief Executive Officer, the Chief Operating Officer, the Senior Vice President – Economic Development and Energy Efficiency and the Vice President – Energy Efficiency or such officer designated by the President and Chief Executive Officer to execute agreements and other documents between the Authority and Governmental Customers Energy Services Program ("GCESP") participants and to execute agreements and other documents with

contractors, such agreements having such terms and conditions as the executing officer may approve, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to facilitate the development of the GCESP and that the authorized funding level for the GCESP be $800 million, in addition to the $1.53 billion previously authorized for the GCESP, as listed below:

Commercial Paper Program / Operating Fund / POCR	Governmental Customers ESP Authorization
Previously Authorized	**$1.53 billion**
Additional Funding	**$800 million**
Total Amount Authorized	**$2.33 billion**

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 an aggregate $750 million, of the previously mentioned $800 million, be allocated for funding of contracts for energy auditing, engineering and design, construction management, and construction trade management services, including procurement of equipment and installation services, as outlined below:

Commercial Paper Program/ Operating Fund/POCR	Ceiling	Termination Date
AKF Engineers, ARAMARK ARCADIS (Malcolm Pirnie), The Burns Group, CDM Smith, Ecosystems / LiRo, EME Group, Guth DeConzo Consulting Engineers, KSW Mechanical Services, Lizardos Engineering Associates, O'Brien & Gere / Dewberry, RCM Technologies, Savin Engineers, Source One, Inc., Strategic Building Solutions, STV, Inc., The Fulcrum Group, Wendel Energy Services, and Willdan	**$750 million (aggregate)[1]**	**12/31/2017**

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 Governmental Customers Energy Services Program costs; and be it further

[1] Initial allocation details can be found in Appendix "6-A." Additional allocations will be made based on each firm's performance and workload.

RESOLVED, That the Vice President – Energy Efficiency is authorized to determine which projects 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 Senior Vice President – Economic Development and Energy Efficiency and the Vice President – Energy Efficiency to finance projects within the Governmental Customers Energy Services Program; and be it further

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

December 18, 2012

APPENDIX 6-A

		Option A: Audit Services	Option B: Design Services			Option C: Construction Management			Option D: Construction Trade Management	
		All Project Types	Small Projects (Less than $3M M&L)	Large Projects (Greater than $3M M&L)	Clean Water/ Waste Water Projects	Small Projects (Less than $3M M&L)	Large Projects (Greater than $3M M&L)	Clean Water/ Waste Water Projects	Large Projects (Greater than $3M M&L)	Clean Water/ Waste Water Projects
1	AKF Engineers	x								
2	ARAMARK	x								
3	ARCADIS (Malcolm Pirnie)	x			x	x	x	x		
4	Burns Engineering	x	x	x						
5	CDM Smith	x	x	x	x	x	x	x		x
6	Ecosystems / LiRo Engineers	x	x	x	x	x	x	x	x	x
7	EME Group	x	x							
8	Guth DeConzo Consulting	x	x			x				
9	KSW Mechanical Services								x	
10	Lizardos Engineering	x	x	x						
11	O'Brien & Gere / Dewberry	x	x	x	x	x	x	x		
12	RCM Technologies	x	x	x	x	x	x	x	x	x
13	Savin Engineers	x		x	x		x	x		
14	Source One	x	x			x				
15	Strategic Building Solutions	x								
16	STV, Inc.	x	x	x		x	x			
17	The Fulcrum Group	x	x	x		x	x			
18	Wendel	x	x	x		x	x			
19	Willdan Energy Solutions	x								
	Total	**18**	**12**	**10**	**6**	**10**	**9**	**6**	**3**	**3**

APPENDIX 6-B

AKF Engineers ("AKF")

AKF is a full-service Mechanical, Electrical and Plumbing ("MEP") engineering firm capable of providing auditing, design, construction management and commissioning services. AKF was established in 1989 with their corporate office located in New York City, and has nine other offices across the United States and Mexico. AKF will be a new Authority contractor.

ARAMARK

ARAMARK has over 30 years of experience implementing comprehensive energy auditing and commissioning services. ARAMARK has headquarters in Philadelphia, PA, and branch offices in Albany, NY and Madison, CT. ARAMARK's customer base consists primarily of educational institutions, but also includes the NYS Office of Mental Health and the NYS Historical Society. ARAMARK will be a new Authority contractor.

ARCADIS (Malcolm Pirnie) ("ARCADIS")

ARCADIS, specializing in clean water and waste water facilities, offers a full range of services including, but not limited to energy auditing, design and engineering services, construction management and turnkey implementation services. ARCADIS has 12 offices in the State of New York, with 7 in the greater NYC area, including one location in White Plains. ARCADIS is currently under Authority contract to provide Risk Management Services for the ESP, but will be a new contractor providing the services under this contract.

The Burns Group ("Burns")

Burns is headquartered in Philadelphia, PA, with an office in Manhattan, NY, and has been providing building solutions for more than 50 years. With experts in energy management and facility engineering, Burns offers its customers effective solutions for buildings and energy/utility infrastructure. Burns will be a new Authority contractor.

CDM Smith ("CDM")

Headquartered in Cambridge, Massachusetts, with an office on Long Island, CDM is a full-service firm delivering energy, architectural, engineering, environmental, transportation design services and construction management. CDM has been in business since 1947 and has participated in many of the Authority's energy efficiency programs and New York State Energy Research and Development Authority's ("NYSERDA") programs. CDM is currently under NYPA contract for Implementation Services for the SENY ESP.

Ecosystems / LiRo Engineers ("LiRo")

Ecosystems and LiRo Engineers have joined together under a joint venture to provide auditing, engineering and design, construction management, construction trade management and turnkey services for small, large and clean water / waste water projects. The Ecosystems / LiRo team has worked together in the past to provide public-sector energy performance design, engineering, construction and trade management services. Both Ecosystems and LiRo have offices in New York City, with headquarters in Quebec City, Canada and Syosset, NY, respectively. LiRo is currently under Authority contract for Environmental Services, but will be a new contractor providing the services under this contract.

EME Group ("EME")

Headquartered in New York City, EME provides auditing, retro-commissioning, implementation design and construction administration services throughout New York City and Westchester. EME has been providing energy auditing services since its inception in 1987 and has a wide range of experience with governmental customers and utility sponsored programs. EME is currently under contract with the Authority for Retro-Commissioning and Commissioning services, but will be a new contractor providing the services under this contract.

Guth DeConzo Consulting Engineers ("Guth DeConzo")

Guth DeConzo operates out of its headquarters in New York City, to provide energy auditing, design, and construction administration. Guth DeConzo has been providing mechanical, electrical and plumbing services since its inception in 1991 and added an energy division in 2009 to address the growing demand for energy-engineering related services. Guth DeConzo is currently contracted by the Authority to provide Energy Implementation Services under the Statewide Energy Services Program ("Statewide ESP"), but will be a new contractor providing services for the GCESP under this contract.

KSW Mechanical Services ("KSW")

KSW has headquarters in Long Island City, NY and specializes in the installation of HVAC equipment. KSW has been providing trade management services to the greater New York City area since the 1980's, and, as such, has forged valuable relationships with a wide array of contractors and vendors. KSW has experience as a subcontractor on NYPA projects and is familiar with Authority requirements. KSW will be a new Authority contractor.

Lizardos Engineering Associates ("Lizardos")

Lizardos was established in 1965 and has offices in Mineola and New York City. Since its inception 45 years ago, Lizardos has been designing efficient and cost-saving energy and HVAC systems for its customers, with an emphasis on providing high quality results. Lizardos offers expertise in energy auditing and design services. Lizardos will be a new Authority contractor.

O'Brien & Gere / Dewberry

O'Brien & Gere and Dewberry are an experienced joint venture team, currently working together for the New York City Department of Environmental Protection ("NYCDEP") and the Dormitory Authority State of New York ("DASNY"). O'Brien & Gere has been in operation for the past 67 years, applying technology and innovation to provide auditing, design and construction management services to its customers. Collectively, O'Brien & Gere and Dewberry have six offices in the Greater NYC area, including two in Manhattan. O'Brien & Gere (Dewberry) will be a new Authority contractor.

RCM Technologies ("RCM")

RCM has provided professional engineering services to commercial and government clients for decades. With offices in New York City, RCM capitalizes on its diverse engineering and technology platform to offer clients fully integrated and coordinated design, construction management and consulting services for HVAC, electrical and plumbing systems, with strengths in utility coordination. RCM is currently under contract for Implementation Services for the SENY ESP.

Savin Engineers ("Savin")

Savin's corporate headquarters are located in Pleasantville, NY, with offices in Hauppauge, NY and Bridgewater, NJ. Founded in 1988, Savin is a multi-disciplined Minority-Owned Business Enterprise ("MBE") firm providing engineering (wastewater, structural, civil, mechanical, and electrical) design, energy analysis and conservation services, and construction planning, administration, inspection and management services. Savin will be a new Authority contractor.

Source One, Inc. ("Source One")

Headquartered in Boston, Massachusetts, with offices in New York City, Philadelphia, and Los Angeles, CA, Source One is a full-service consulting engineering company that provides turnkey energy conservation services including energy auditing, retro-commissioning, metering and utilities management, development, design and construction management of energy efficiency and sustainable design projects. Source One has been in business for more than 15 years and is a subsidiary of Veolia Environmental. Source One is currently under Authority contract for Implementation Services for small projects under the SENY and Statewide ESPs.

Strategic Building Solutions

Strategic Building Solutions has been providing commissioning and energy auditing services since its inception in 1996. Strategic Building Solutions has offices in New York City, Connecticut and Pennsylvania. Strategic Building Solutions is a new Authority contractor.

STV, Inc. ("STV")

Established in 1912, STV is a multidisciplinary engineering, architectural, planning, environmental and construction management firm, with offices throughout the United States. STV has experience providing engineering and design services across a broad spectrum of building types, ranging from small support buildings to multi-million-dollar laboratory facilities to billion-dollar transportation projects. STV headquarters are located in New York City. STV will be a new Authority contractor.

The Fulcrum Group ("Fulcrum")

Fulcrum, headquartered in New York City, has experience providing retro-commissioning, commissioning, energy surveys, audits, design, construction management, and energy management services for customers throughout New York State, with a focus in the NYC area. Fulcrum has extensive experience serving public customers, including hospitals, universities and school systems. Fulcrum is currently under contract for Implementation Services for the SENY ESP.

Wendel Energy Services ("Wendel")

Headquartered in Buffalo, New York, with an office on Long Island, Wendel is a full-service firm delivering energy management, architectural, engineering, commissioning, retro-commissioning and construction management services. Wendel has been in business since 1940 and has participated in many of the Authority's energy efficiency programs and New York State Energy Research and Development Authority's ("NYSERDA") programs. Wendel is currently under Authority contract for Implementation Services for the Statewide and SENY ESP.

Willdan Energy Solutions ("Willdan")

With offices in New York City and Rockland County, Willdan is a full-service consulting engineering company that provides turnkey energy conservation services including energy auditing, retro-commissioning, development, design and construction implementation of energy efficiency projects. Willdan has been in business since 1965 and has participated in many of New York State Energy Research and Development Authority's ("NYSERDA") programs as a consultant, including the FlexTech Program and Focus on Data Centers Program. Willdan is currently under Authority contract for Data Center Services, but is a new contractor providing the services under this contract.

7. **Review of Hydropower Allocation Job Compliance**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"At its July 31, 2012 meeting, the Trustees deferred taking action until further review could be conducted regarding nine non-compliant hydropower allocations held by seven companies that reported 2011 employment below 80% of job commitment levels. Based on the review, the Trustees are requested to (1) approve reductions to two allocations and associated job commitments for two companies; (2) approve modifications to job commitment levels associated with the allocations held by four companies; and (3) take no action regarding two allocations held by one company, as listed in Exhibits '7-A-1' and '7-A-2.'

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 within a specified timeframe. 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 in the case of 'vintage' customers, i.e., those having allocations awarded prior to 1988), the Authority may reduce that customer's power allocation proportionately.

"The results of this year's review of 2011 employment levels were presented to the Trustees on July 31, 2012. Staff reviewed 186 Replacement Power ('RP'), Expansion Power ('EP'), and Preservation Power ('PP') allocation contracts and commitments, representing total power allocations of 1,061 MW and total employment commitments of 29,950 jobs. In the aggregate, these customers reported actual employment of 32,965 jobs, or 110% of the total job commitment for hydropower customers reporting in 2011.

"Staff found that 158 of the 186 contracts reviewed, or 85%, were compliant or still within the timeframe allowed by contract to create the new jobs committed to when the allocations were awarded. Of the 28 non-compliant allocations, the Trustees approved taking no action regarding allocations that had reported employment levels below the 90% compliance threshold but above 80% of their job commitment level, having been considered within reasonable reach of meeting the compliance threshold with even a modest economic turn-around.

"As presented in July, many of the non-compliant companies were severely harmed by the financial crisis and recession of 2008 and 2009. Many have consistently missed their job commitment target for several years. Job commitments set at the time of the allocation award, in many cases more than a decade ago, may no longer be realistic for changing industry business models. For example, significant changes in the automobile manufacturing industry prompted the Trustees to refresh job commitment levels for companies in the industry that requested such a change in 2009.

"To better understand what is happening to individual businesses, the Trustees directed staff to work with Empire State Development Corporation ('ESD') to conduct a more in-depth review of the seven companies that reported 2011 employment below 80% of job commitment levels. The Trustees deferred taking action on the nine non-compliant allocations held by these customers until further research could be conducted.

DISCUSSION

"Staff developed a plan with ESD to review the circumstances of the seven companies that reported allocations with 2011 employment levels below 80% of contractual job commitments. The plan consisted of a review of background information, a site visit to gather current information, a report of the site visit results, and a 'committee' review of the results and discussion of potential recommendations for presentation to the Trustees.

"ESD committed two staff from its Western New York ('WNY') regional office to work with the Authority in this effort. Site visits were conducted with each customer at which one Authority and one ESD staff member was present at each of the seven meetings. Discussions were open-ended, but customers were asked to talk about current employment levels and prospects for hiring, the current business climate, facility investments, sales growth prospects and other related issues.

General Observations

"Each of the customers graciously accepted the chance to meet and appeared eager to make a case for not having their hydropower allocation curtailed. Four of the seven companies expressed that cost of electricity is a significant component of their production cost. The hydropower allocations greatly impact their bottom lines. Many of the companies expressed a general optimism for the future based on improvements in the economy in 2012. Three of the seven specifically indicated improved sales growth prospects for the near term. Four of the companies described in some detail, the capital investments recently made to maintain and enhance facility operations, as well as to grow their businesses.

"Employment levels generally improved with five companies at higher levels currently than reported for 2011. One additional theme that emerged was the difficulty in finding good qualified employees, with five customers bringing up the issue as a significant challenge. Six of the seven businesses are manufacturers amongst which several require highly skilled and trained employees. Two companies are working proactively with various entities such as the New York State Department of Labor and Niagara Board of Cooperative Educational Services ('BOCES') and one has ramped up internal training programs to directly address these challenges.

Company Summaries and Recommendations:

Buffalo Newspress Inc. (Buffalo, Erie County)

Business: Prints advertising inserts, brochures and weekly newspapers

Allocation:	200 kW of EP
Job Commitment:	149 jobs
2011 Employment:	115 jobs, or 77% of commitment

"Buffalo Newspress' current employment level is 123 jobs, or 83% of its commitment, an improvement over last year's average. The company expects to hire an additional 15 employees within a year but expressed that it is a challenge to find good/qualified employees. The news-print business declined 50% in the past 9 years, according to the company. Although a declining business, Buffalo Newspress is seeing growth opportunities by picking up sales as competitors exit the market. The company feels that if it maintains good financials, it will be able to grow via acquisitions and bring more business to the Buffalo facility.

"The company is currently installing a new hot-set press to increase current business and attract new customers. They have plans to install additional presses and are looking to expand sales to the Canadian market. Buffalo Newspress has a relatively small allocation with a large jobs/MW ratio.

Recommendation: Staff recommends that the Trustees reduce the job commitment to 138 and leave the 200 kW EP allocation unchanged.

Coyne Textile Services (Buffalo, Erie County)

Business: Textile rental products (work uniforms, shop floor mats, etc.) and laundering services

Allocation:	350 kW of EP
Jobs Commitment:	93 jobs
2011 Employment:	44 jobs, or 47% of commitment

"Coyne Textile Services ('CTS') has a current employment level of 44, which is the same as reported for 2011 employment. The company's 2013 budget forecasts revenue growth of 8.5% which would mean 2-4 new hires in 2013. The company is not using its entire allocation of EP, with an average monthly load of 304 kW in 2011. CTS recently invested $79,000 to maintain facility operations (water softener machines, painting, etc.). Even with these investments, growth prospects appear modest – the employment level has not significantly changed for many years. The company competes with several other local businesses and the chance of attaining the job commitment is small. It should also be noted that the Trustees previously approved a reduction to CTS's job commitment to 52 jobs commencing July 2013 as part of the WNY contract extension initiative.

Recommendation: Staff recommends that the Trustees reduce the job commitment to 52 jobs and reduce the 350 kW EP allocation by 100 kW to 250 kW.

Niagara Ceramics Corporation (Buffalo, Erie County)

Business: produces commercial dinnerware and china

Allocations:	850 kW of RP & 250 kW of EP
Jobs Commitments:	190 jobs
2011 Employment:	91 jobs, or 48% of commitment

"Niagara Ceramics' current employment level is 110 jobs, or 58% of its commitment, an improvement from last year. The company stated that it is looking to hire 15-20 people in the near future but hiring good workers is a challenge. The company has struggled financially over several years due to losses from the highly competitive import market. Niagara Ceramics is one of only two domestic commercial dinnerware manufacturers left in the U.S. The company has received assistance from ESD.

"The company's annual electric costs are significant at about 5% of its total operating budget and they stated that without the hydro allocations they would 'be out of business.' August 2012 was one of its biggest months in terms of sales and the company has a backlog of orders. Niagara Ceramics feels it is turning the corner on its financial stability issues and hopes to be in a position to grow sales as the economy improves. It is important to note that the Trustees previously approved a reduction to Niagara Ceramics' job commitment to 140 jobs commencing July 2013 as part of the WNY contract extension initiative.

Recommendation: Staff recommends that the Trustees reduce the job commitment to 140 and leave the 850 kW of Replacement Power and 250 kW Expansion Power allocation unchanged.

Niagara LaSalle Corporation (Buffalo, Erie County)

Business: manufactures cold-finished and thermal treated steel bars for auto industry

Allocation:	700 kW RP and 700 kW RP
Jobs Commitment:	164 jobs and 92 jobs, respectively
2011 Employment:	75 jobs, or 46% and 82%, respectively

"Niagara LaSalle's current employment level is 76 jobs, or one more than reported in 2011. The cold finish steel market is highly dependent on the auto industry. The company was severely hurt by the 2008/2009 financial crisis, when cold finished steel consumption dropped by 45%. Although conditions stabilized, employment increases are tied directly to an improving economy. The company is trying to add new customers from outside of the auto industry.

"Between 60-70% of all power used is hydropower and electricity costs are high at about 5% of total operating costs. The parent company, Optimum International, owns 9 steel companies. Niagara LaSalle's Buffalo facility remains competitive due, in large part, to the hydropower. The company maintains a very efficient facility and has a highly-skilled and well-paid staff. The company stated that it will not reach the 164 job level and has requested lowering the commitment to an attainable level.

Recommendation: Staff recommends that the Trustees modify the job commitment for both 700 kW Replacement Power allocations to 115 and leave the amount of the allocations unchanged.

Nuttall Gear Company (Niagara Falls, Niagara County)

Business: manufactures enclosed gear drives for industrial and commercial applications
Allocation: 350 kW of EP
Jobs Commitment: 135 jobs
2011 Employment: 95 jobs, or 70% of commitment

"Nuttall Gear's current employment level is 98 jobs, or 73% of its commitment, an improvement of 3 jobs from the 2011 reporting. The company stated that the business climate has improved somewhat after a rough several years. They are looking at hiring 5-10 employees in the near future but are having difficulty finding qualified people. Nuttall Gear has worked with the Department of Labor as well as Temporary Agencies to fill positions. They have also begun working with Niagara BOCES on a long-term program to train machinists to work as interns with the goal of eventually hiring them full-time.

"Nutall Gear has installed some new machinery with plans to add an additional heat treating process which would be tied to new jobs. The company has also installed energy efficient lighting at the plant.

Recommendation: Staff recommends that the Trustees reduce the job commitment to 108 and leave the 350 kW Expansion Power allocation unchanged.

RubberForm Recycled Products, LLC (Lockport, Niagara County)

Business: manufactures products made from 100% NY recycled crumb rubber
Allocation: 500 kW of EP
Jobs Commitment: 30 jobs
2011 Employment: 14 jobs, or 47% of commitment

"RubberForm manufactures traffic sign bases, speed bumps, dock bumpers, and various other products from recycled rubber. The company's current employment level is 18 jobs, or 60% of its commitment, an improvement from last year. The company invested $2 million in its start-up and received ESD Environmental Fund assistance. However, RubberForm stated that it needs additional assistance to be able to bring on more employees, particularly from the NYS Waste Tire Fund which it stated is supposed to support eco-friendly businesses like RubberForm. The company is currently running two shifts as business is growing and sales have doubled. However, the company indicated it may look at several states (including South Carolina) for a potential relocation. RubberForm uses only about 1/5th of its 500 kW allocation.

Recommendation: Staff recommends that the Trustees reduce the job commitment to 18 and reduce the 500 kW Expansion Power allocation by 400 kW to 100 kW.

TAM Ceramics Group of New York, LLC (Niagara Falls, Niagara County)

Business: manufactures dielectric and zirconia-based ceramic powders various industries
Allocations: 7,000 kW of RP & 500 kW of EP
Jobs Commitment: 100 jobs
2011 Employment: 57 jobs, or 57% of commitment

"TAM Ceramics Group ('TAM') has a current employment level of 75 jobs, or 75% of its commitment, an improvement of headcount by 18 since last year. TAM's jobs are high-paying, highly-skilled engineering and technical jobs and its payroll exceeds $3.6 million annually.

"The company is growing with record sales in 2012; the company anticipates hiring 20-30 new employees within the next few years to support its growth. Of note, in 2010, the company was purchased by local owners with support from ESD and others. They are investing more than $800,000 in a variety of projects at the facility this year and expect $1 million annually in investment, going forward. TAM stated that between 10-15% of its operating budget is dedicated to electricity costs. TAM is optimistic, moving forward, particularly in the development of materials for new renewable energy products.

Recommendation: Staff recommends that the Trustees take no action regarding the 7,000 kW of Replacement Power and 500 kW Expansion Power allocations.

RECOMMENDATION

"The Vice President – Marketing recommends that the Trustees approve reductions to allocations and/or modifications to job commitment levels as described herein and as set forth in Exhibit '7-A-1' and further recommends that the Trustees take no action regarding the allocations described herein and as set forth in Exhibit '7-A-2.'

"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 approved with Trustee Flynn being recused from the vote with respect to RubberForm Recycled Products, LLC.

RESOLVED, That the Trustees hereby approve the reduction of hydropower allocations and/or the modification of job commitment levels for six companies as set forth in Exhibit "7-A-1" and as described in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Trustees hereby approve taking no action with respect to the company and power allocations as set forth in Exhibit "7-A-2" 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 Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.

8. Power Allocations under the Recharge New York Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to:

1. Approve allocations of available 'retention' power under the Recharge New York ('RNY') Power Program to the businesses listed in Exhibit '8-A;'

2. Approve allocations of available 'expansion' power under the RNY Power Program to the businesses listed in Exhibit '8-B;'

3. Approve modifications to RNY Power allocation awards previously made for the businesses and not-for-profit corporations listed in Exhibit '8-C;'

4. Authorize those businesses and not-for-profit corporations listed in Exhibit '8-F' to receive a transitional electricity discount or 'TED;'

5. Approve the transfer of the RNY Power allocations identified in Exhibit '8-G.'

"These actions have been recommended by the Economic Development Power Allocation Board ('EDPAB') at its December 18, 2012 meeting.

BACKGROUND

"On April 14, 2011, Governor Andrew M. Cuomo signed into law the RNY Power Program as part of Chapter 60 (Part CC) of the Laws of 2011 ('Chapter 60'). The program makes available 910 MW of 'RNY Power,' 50% of which will be provided by the Authority's hydropower resources and 50% of which will be procured by the Authority from other sources. RNY Power contracts can be for a term of up to seven years in exchange for job and capital investment commitments.

"The RNY Power is available to businesses and not-for-profit corporations for job retention and business expansion and attraction purposes. Specifically, Chapter 60 provides that at least 350 MW of RNY Power shall be dedicated to facilities in the service territories served by the New York State Electric and Gas, National Grid and Rochester Gas and Electric utility companies; at least 200 MW of RNY Power shall be dedicated to the purpose of attracting new businesses and encouraging expansion of existing businesses statewide; and up to 100 MW shall be dedicated for eligible not-for-profit corporations and eligible small businesses statewide.

"Under the statute, 'eligible applicant' is defined to mean an eligible business, eligible small business, or eligible not-for-profit corporation; however, an eligible applicant shall not include retail businesses as defined by EDPAB, including, without limitation, sports venues, gaming or entertainment-related establishments or places of overnight accommodations. At its meeting on April 24, 2012, EDPAB defined a retail business as a business that is primarily used in making retail sales of goods or services to customers who personally visit such facilities to obtain goods or services, consistent with the rules previously promulgated by EDPAB for implementation of the Authority's Economic Development Power program.

"RNY Power allocation awards are comprised of 50% hydropower ('RNY Hydropower') and 50% of other power procured by the Authority through a competitive procurement process, authority sources (other than the Niagara and Saint Lawrence projects), or through an alternate method (collectively, 'RNY Market Power').

"Prior to entering into a contract with an eligible applicant for the sale of RNY Power, and prior to the provision of electric service relating to a RNY Power allocation, the Authority must offer each eligible applicant that has received an award of RNY Power the option to decline to purchase the RNY Market Power component of such award. If the applicant declines to purchase the RNY Market Power component from the Authority, the Authority has no responsibility for supplying the RNY Market Power component of the award.

"The Authority worked cooperatively with the Department of Public Service to recommend to the NYS Public Service Commission ('PSC') reduced rates for the delivery of RNY Power by utility corporations. Pursuant to Chapter 60 and PSC order, State utilities are now required to deliver RNY Power pursuant to discounted delivery rates. The discount derives from exempting RNY Power from the Renewable Portfolio Surcharge, the Systems Benefits Charge and the Energy Efficiency Portfolio Standard Surcharge. The delivery discount will apply to an eligible applicant's total RNY Power allocation even if the applicant decides to purchase the RNY Market Power component of its allocation from a non-Authority source.

"The basic application for the RNY Power Program was approved by EDPAB at its meeting on September 26, 2011. Applications for RNY Power are subject to a competitive evaluation process and are evaluated based on the criteria set forth in the statutes providing for the RNY Power Program (the 'RNY Statutes').

"In an effort to effectively market the RNY Power Program, advertisements were placed in major newspapers and business publications statewide, Web site postings were issued, mass emails were distributed, and regional meetings were hosted by the Authority throughout the State. In addition, the RNY Power Program was promoted with assistance from State and local entities, including the Regional Economic Development Councils ('REDCs'), Empire State Development ('ESD') and local and regional economic development organizations within the State such as the Manufacturers Association of Central New York. Further, a RNY Call Center was established to assist prospective applicants and to disseminate information regarding the RNY Power Program. The RNY Call Center remains in operation. Finally, a targeted postal mailing to business customers utilizing a list of ten thousand businesses in the State was made to foster interest in the Program. In addition, the Authority is currently working with ESD to study ways to attract businesses to New York and to promote the RNY Power Program and the Authority's other low-cost power programs.

"As part of Governor Andrew M. Cuomo's New York 'Open for Business' initiative, applications for all statewide economic development programs, including the RNY Power Program, have been incorporated into a single on-line Consolidated Funding Application ('CFA') marking a fundamental shift in how State economic development resources are marketed and allocated. Beginning in September 2011, the CFA was available to applicants. The CFA continues to serve as an efficient and effective tool to streamline and expedite the State's efforts to generate sustainable economic growth and employment opportunities. All applications that are considered for an RNY Power allocation are submitted through the CFA process.

"To support the Governor's plans to improve New York's business climate and stimulate economic growth, ten REDCs were created. Through a performance-based, community-driven approach, each REDC has designed a strategic economic development model for its area and use the CFA as the primary support mechanism to work with businesses to advance projects that demonstrate potential for job creation and economic growth.

"The Authority's Power for Jobs ('PFJ') and Energy Cost Savings Benefit ('ECSB') programs expired on June 30, 2012. Businesses that participated in these programs are required to apply for RNY Power in order to be considered for a RNY Power allocation. Because the RNY Power Program is a new economic development program unrelated to the earlier PFJ and ECSB programs, all RNY Power applications, even those of former PFJ and ECSB participants, are considered on their merits under the criteria established by the RNY Power Program.

"PFJ and ECSB customers on record as of June 30, 2012 who submitted applications but did not receive a RNY Power are considered for a transitional electricity discount ('TED') provided for in Chapter 60. Under this enactment law, the Authority is authorized, as deemed feasible and advisable by the Trustees, to provide TEDs as recommended by EDPAB. The amount of the TED authorized by Chapter 60 for the period of July 1, 2012 through June 30, 2014 is an amount equivalent to 66% of the unit (per kilowatt-hour) value of the savings received by the applicant under the PFJ or ECSB program during the 12 months ending on December 31, 2010. The amount of the TED authorized for the period July 1, 2014 through June 30, 2016 is equivalent to 33% of the unit (per kilowatt-hour) value of the savings received by the applicant under the PFJ or ECSB program during the 12 months ending on December 31, 2010. Of the applications received as of January 27, 2012, 410 PFJ and ECSB customers have applied for a RNY Power allocation.

"Over 1,000 RNY Power Program applications have been submitted via the CFA process, requesting more than 2,100 MW of RNY Power – more than twice the total amount available under the RNY Power Program. The applications were evaluated applying the following criteria as set forth in the RNY Statutes:

'(i) the significance of the cost of electricity to the applicant's overall cost of doing business, and the impact that a recharge New York power allocation will have on the applicant's operating costs;

(ii) the extent to which a recharge New York power allocation will result in new capital investment in the state by the applicant;

(iii) the extent to which a recharge New York power allocation is consistent with any regional economic development council strategies and priorities;

(iv) the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed if the applicant were to receive an allocation;

(v) the applicant's payroll, salaries, benefits and number of jobs at the facility for which a recharge New York power allocation is requested;

(vi) the number of jobs that will be created or retained within the state in relation to the requested recharge New York power allocation, and the extent to which the applicant will agree to commit to creating or retaining such jobs as a condition to receiving a recharge New York power allocation;

(vii) whether the applicant, due to the cost of electricity, is at risk of closing or curtailing facilities or operations in the state, relocating facilities or operations out of the state, or losing a significant number of jobs in the state, in the absence of a recharge New York power allocation;

(viii) the significance of the applicant's facility that would receive the recharge New York power allocation to the economy of the area in which such facility is located;

(ix) the extent to which the applicant has invested in energy efficiency measures, will agree to participate in or perform energy audits of its facilities, will agree to participate in energy efficiency programs of the authority, or will commit to implement or otherwise make tangible investments in energy efficiency measures as a condition to receiving a recharge New York power allocation;

(x) whether the applicant receives a hydroelectric power allocation or benefits supported by the sale of hydroelectric power under another program administered in whole or in part by the authority;

(xi) the extent to which a recharge New York power allocation will result in an advantage for an applicant in relation to the applicant's competitors within the state; and

(xii) in addition to the foregoing criteria, in the case of a not-for-profit corporation, whether the applicant provides critical services or substantial benefits to the local community in which the facility for which the allocation is requested is located.'

"Based on the evaluation of these criteria, the applications were scored and ranked. Evaluations also considered scores provided by the relevant REDC under the third and eighth criteria.

"In arriving at recommendations for RNY Power for EDPAB's consideration, staff, among other things, attempted to maximize the economic benefits of low-cost Authority hydropower, the critical state asset at the core of the RNY Power Program, while attempting to assure that each recipient receives a meaningful RNY Power allocation.

"Business applicants with relatively high scores were recommended for allocations of retention RNY Power of 50% of the requested amount or average historic demand, whichever was lower. These allocations were capped at 10 MW for any recommended allocation. Not-for-profit corporation applicants that scored relatively high were recommended for allocations of 33% of the requested amount or average historic demand, whichever was lower. These allocations were capped at 5 MW. Applicants currently receiving hydropower allocations under other Authority power programs were recommended for allocations of RNY Power of 25% of the requested amount, subject to the caps as stated above.

"Based on this evaluation process, EDPAB, at its April and June 2012 meetings, recommended 678 RNY Power allocations, totaling 686.8 MW of power, which were approved by the Trustees. The allocations were made to 423 businesses (591 MW), 179 small businesses (21 MW), and 76 not-for-profit corporations (74.8 MW). In addition, at the September EDPAB and Trustee meetings, 29.3 MW of expansion-based RNY Power was awarded to 38 companies. Five of these companies planning to expand their business were new to the RNY Power Program, while 33 had previously received a retention-based award for their existing operations. These expansion allocations were made from the 200 MW block of RNY Power dedicated by statute for 'for-profit' businesses that propose to expand existing businesses or create new business in the State.

"In the course of the application/contract proposal process, a number of award recipients have formally declined all or part of their award for various reasons. As such, the amount of declined RNY Power, listed in Exhibit '8-H,' is available to allocate to the eligible applicants currently under review or to future RNY Power Program applicants. Accounting for the declined RNY Power results in the following current program's power status prior to the allocations currently proposed as part of this item: (1) allocations totaling 667.5 MW have been made out of 710 MW available for business 'retention' purposes, leaving 42.5 MW available to allocate; (2) allocations totaling 29.3 MW were made out of 200 MW available for business 'expansion' purposes, leaving 170.7 MW available to allocate for such purposes; (3) 72.6 MW and 19.9 MW have been allocated to not-for-profit corporations and small businesses, respectively, leaving 7.5 MW available to allocate to such entities.

DISCUSSION

1. Retention-Based RNY Power Allocations

"The Trustees are asked to address applications submitted for RNY Power retention allocations via the CFA process in 2012 between January 28 and July 16, 2012 ('Round 2'). Nearly all applications submitted prior to January 28, 2012, have been addressed with the exception of applicants located within municipal electric utility ('MEU') and rural electric cooperative ('REC') service areas. The Trustees are also being asked to address these applicants today.

"Consistent with the evaluation process used for the April and June retention recommendations as described above, EDPAB has recommended at its December 18, 2012 meeting, 33 RNY Power retention allocations to applicants within the Round 2 and MEU and REC groups. The 33 businesses or not-for-profit corporations listed in Exhibit '8-A' have stated on their applications a willingness to create or retain approximately 6,539 jobs in New York State. Additionally, these applicants will be committing to capital investments totaling $443 million over five years in exchange for the proposed RNY Power allocations. Of these recommendations, 16 businesses are recommended for 22.86 MW, 15 small businesses are recommended for 1.26 MW, and two not-for-profit corporations are recommended for 0.06 MW.

"Four of the recommended RNY Power retention allocations are to applicants located within a MEU or REC service area. The Authority does not have delivery arrangements in place for applicants within MEU or REC service areas, and at this stage it is unclear what obstacles the Authority may encounter in attempting to arrange for delivery of RNY Power allocations to applicants in these areas on terms that are satisfactory to the Authority. Therefore, staff is recommending that RNY Power allocations made to these applicants be contingent upon the Authority obtaining agreements with the affected MEUs and RECs as well as other necessary third-parties that address delivery, data collection, billing and other relevant matters, to the Authority's satisfaction.

"The RNY Power allocations identified in Exhibit '8-A' are each recommended for a term of seven years. Consistent with legislation, each allocation recommended by EDPAB would qualify an applicant to enter into a contract with the Authority pursuant to the terms and conditions of the recommendation by EDPAB and on such other terms as the Authority determines to be appropriate. The Authority's standard RNY Power contract template will have provisions addressing such things as effective periodic audits of the recipient of an allocation for the purpose of determining contract and program compliance, and for the partial or complete withdrawal of an allocation if the recipient fails to maintain mutually agreed-upon commitments, relating to among other things, employment levels, power utilization, capital investment and/or energy efficiency measures. In addition, there shall be a requirement that a recipient of an allocation make its facilities available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform. At their March 27, 2012 meeting, the Trustees approved the form and substance of a retail contract template that incorporates these and other standard requirements.

2. <u>Expansion-Based RNY Power Allocations</u>

"The Trustees are also asked to address applications from Round 2 of the CFA process which request power from the 200 MW block of RNY Power dedicated by statute for "for-profit" businesses that propose to expand existing businesses or create new business in the State.

"Of the applications received through July 16, 2012, staff determined that 18 applications were sufficiently complete for review, and that each such application requested RNY Power for a proposed expansion of the applicant's business. These applications sought a RNY Power allocation for either (i) expansion only, in the case of a new business or facility, or (ii) expansion *and* retention, in the case of an existing business.

"As with the evaluation process used for the retention recommendations described above, applications for the expansion-based RNY Power were scored based on the statutory criteria, albeit with a focus on information regarding each applicants' specific project to expand or create their new facility or business (*e.g.*, the expansion project's cost, associated job creation, and new electric load due to the expansion).

"Consistent with the goals of the expansion-based RNY Power set-aside for 'attracting new business to the state, creating new businesses within the state, or encouraging the expansion of existing businesses within the state,' the Trustees are being asked to authorize RNY Power allocations to those applicants that have committed to (i) invest capital thereby creating new electrical load, and (ii) create new jobs. This focus on capital investment *and* job creation aligns with the RNY Statutes' intention to maximize the economic development prospects for the State.

"Accordingly, EDPAB recommended that the Trustees approve 17 allocations listed on Exhibit '8-B' for an expansion-based allocation up to the amounts indicated. These allocations are made from available power within the 200 MW block of RNY Power set aside for business expansion and attraction. These businesses have stated a willingness to create a total of 645 new jobs in New York State and to commit to capital investments totaling $238 million in exchange for the recommended RNY Power allocations. The expansion projects would additionally support the businesses' existing employment of over 990 people. The total amount of recommended RNY Power is 9.77 MW, with 9 businesses recommended for 8.25 MW and 8 small businesses recommended for 1.52 MW.

"Ten of these businesses were also recommended for retention allocations, having submitted an application that met the requirements for evaluating both retention and expansion awards by committing to distinct jobs and capital investment for each type of RNY Power. Applicants recommended for both retention and expansion allocations are indicated in the corresponding Exhibits '8-A' and '8-B.' One of the businesses recommended was awarded an allocation for retention at a prior board meeting. Additionally, EDPAB did not recommend an allocation to one applicant whose expansion project would not create any new jobs.

"EDPAB has recommended the RNY Power allocations identified on Exhibit '8-B' for a period of up to seven years. Consistent with the RNY Statutes, each allocation recommended by EDPAB would qualify an applicant to enter into a contract with the Authority for the amount of the allocation pursuant to the terms and conditions of the recommendation by EDPAB, and on such other terms as the Authority determines to be appropriate.

"The respective amounts of the expansion-related allocations listed in Exhibit 'B' are largely intended to provide approximately 70% of the individual expansion projects' estimated new electric load. Because these projects have estimated new electric load amounts, and to ensure that an applicant's overestimation of the amount needed would not cause that applicant to receive a higher proportion of RNY Power to new load, the allocations in

Exhibit 'B' are recommended based on an 'up to' amount basis. Each of these applicants would be required to, among other commitments, add the new electric load as stated in its application, and would be allowed to use up to the amount of their RNY Power allocation in the same proportion of the RNY Power allocation to requested load as stated in Exhibit 'B.'

"The contracts for these allocations would also contain the standard provisions previously summarized in the last paragraph of Section 1 above.

3. Modifications to RNY Power Allocations

"The three applications listed on Exhibit 'C,' which were previously recommended for a RNY Power allocation at EDPAB's April, June or September 2012 meetings, require a modification based on evaluation data discrepancies discovered after the September meeting. The discrepancies involve the applicant's commitment relating to jobs or capital investment as noted in Exhibit '8-C.' Because each application was evaluated and scored based on the applicable criteria, these applications had to be re-evaluated using corrected information. In all three cases, applicants still scored high enough to warrant a recommendation for an allocation. EDPAB has recommended modified allocations for these applications as detailed in Exhibit '8-C.'

4. Ineligibility Determination

"In the process of reviewing the current round of applications for RNY Power, there were three applications by businesses that fit within the definition of a retail business as established by EDPAB. Additionally, three applications by not-for-profit corporations have been found to not meet the definition of eligibility for not-for-profit corporations established in the RNY Statutes, specifically defined as a corporation defined in subdivision five of paragraph (a) of section one hundred two of New York's Not-for-Profit Corporation Law. At its December 18, 2012 meeting, EDPAB determined that these applicants, listed on Exhibit '8-D,' are ineligible for an RNY Power allocation.

5. No Recommendation of RNY Power Allocation

"The Trustees are advised that EDPAB determined at its December 18, 2012 meeting that the applications listed on Exhibit '8-E' are not recommended or were not considered for an allocation of RNY Power. The applications that were not recommended for an RNY Power allocation did not score high enough in the evaluation, had requested only a minimal amount of RNY Power which fell below the threshold established internally by the Authority for allocations, or in the case of an expansion-related request for RNY Power, did not include a commitment to increase employment. Other applications were not considered for an allocation of RNY Power for various reasons, including that (i) the applications were withdrawn, (ii) the applications were not sufficiently complete to permit evaluation and/or applicants were unresponsive to requests from staff for more information which staff believed it needed to adequately evaluate the applications. In the case of expansion-related requests for RNY Power, certain applicants had proposed projects that are too premature to enable those applicants to make commitments necessary for an allocation of RNY Power. The applications not recommended by EDPAB for RNY Power allocations along with the reasons for such determination are listed on Exhibit '8-E.' The Trustees are not being asked to take any action with respect to these applications; this part of the item is provided solely for the Trustees' information.

6. Additional TEDs

"As noted above, former PFJ and ECSB benefit recipients who applied for RNY Power but were not awarded an allocation may be considered for a TED under Chapter 60. At its June and September 2012 meetings, EDPAB recommended, and the Trustees approved, TEDs for 100 applicants.

"Staff has identified three additional applicants, listed in Exhibit '8-F,' to be considered for a TED. Accordingly, EDPAB, at its December 18, 2012 meeting, recommended that the Trustees authorize these three applicants be provided with a TED. In accordance with Chapter 60, the Trustees are asked to determine and advise EDPAB whether sufficient funds are available for the funding of such TEDs through June 30, 2016.

7. Transfers of RNY Power

"Finally, at its December 18, 2012 meeting, EDPAB approved and recommended, in accordance with the RNY Statutes, that the Trustees approve transfers of RNY Power allocations for the businesses listed on Exhibit '8-G.' Two RNY Power recipients have requested transfers of their RNY Power allocations to new or different business entities to accommodate a business acquisition and corporate restructuring/name change. A third RNY Power recipient has requested a transfer of RNY Power allocation to a new facility in accordance with the timeline laid out in its CFA. In all three cases, the commitments to jobs and capital investment made in consideration of the RNY Power allocation awards remain the same as originally approved. The Trustees have previously authorized transfers of RNY Power and other Authority power products like Economic Development Power in similar circumstances.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees (1) approve the allocations of RNY Power for retention purposes to the businesses listed in Exhibit '8-A' as indicated therein, with allocations to applicants located in MEU and REC service areas contingent upon the Authority obtaining agreements with the affected MEUs and RECs as well as other necessary third-parties, that address delivery, data collection, billing and other relevant matters, to the Authority's satisfaction; (2) approve the allocations of RNY Power for expansion purposes to the businesses listed in Exhibit '8-B' as indicated therein; (3) approve modifications of existing RNY Power allocations to the businesses identified in Exhibit '8-C' as indicated therein; (4) authorize that the businesses listed in Exhibit '8-F' receive a TED; and (5) authorize the transfer of the RNY Power allocations identified in Exhibit '8-G.'

"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."

Trustee Flynn was recused from the vote with respect to Lafarge North America, Inc., Cives Steel Company, ProTech Automation LLC, Catholic Health System Inc., State University of New York Potsdam, Adirondack Medical Center, RHI Monofrax, LCC, FiberMark North America, Inc., and Ford Motor Company; Trustee Mahoney on CWR Manufacturing, LLC, D&D Motor Systems Inc., Dot Foods, Lockheed Martin and Syracuse University; and Trustee LeChase on Cives Steel Company.

Since Trustees Flynn and LeChase recused themselves from the vote with respect to Cives Steele Company (Exhibit "8-A"), the resolution was adopted with the exclusion of that company since the recusals resulted in a failure to attain the required number of votes necessary for its approval.

Chairman Koelmel said the Economic Development Allocation Board had recommended that the Trustees approve staff's recommendation.

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

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve the Recharge New York Power Allocations for retention purposes to the applicants listed in Exhibit "8-A," provided that allocations made to applicants located in municipal electric utility ("MEU") and rural electric

cooperative ("REC") service areas are contingent upon the Authority obtaining agreements with the affected MEUs and RECs as well as other necessary third-parties, that address delivery, data collection, billing and other relevant matters, to the Authority's satisfaction; and

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve the Recharge New York Power Allocations for expansion purposes to the applicants listed in Exhibit "8-B"; and

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve modifications to the Recharge New York Power Allocations for the applicants listed in Exhibit "8-C"; and

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority, as deemed feasible and advisable, approve the applicants listed in Exhibit "8-F" for a transitional electricity discount; and

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority authorize the transfers of Recharge New York Power Allocations identified in Exhibit "8-G";

NOW THEREFORE BE IT RESOLVED, That the Authority hereby authorizes the allocations of Recharge New York power for retention purposes to the applicants listed on Exhibit "8-A" in accordance with the terms described in the foregoing report of the President and Chief Executive Officer, including that allocations made to applicants in MEU and REC service areas are contingent upon the Authority obtaining agreements with the affected MEUs and RECs as well as other necessary third-parties, that address delivery, data collection, billing and other relevant matters, to the Authority's satisfaction; and be it further

RESOLVED, That the Authority hereby authorizes the allocations of Recharge New York power for expansion purposes to the applicants listed on Exhibit "8-B" in accordance with the terms described in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Authority hereby approves modifications to the allocations of Recharge New York power to the applicants listed in Exhibit "8-C" in accordance with the terms described in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Authority, as deemed feasible and advisable, approve the applicants listed in Exhibit "8-F" for a transitional electricity discount in accordance with the terms described in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Authority hereby authorizes transfers of allocations of Recharge New York power identified in Exhibit "8-G" in accordance with the terms described in the foregoing report of the President and Chief Executive Officer; and be it further

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

9. Authority Supplemental Funding of the New York State Energy Research Development Authority Anaerobic Digester Gas-to-Electricity Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize up to $5 million in funding to supplement the New York State Energy Research Development Authority's ('NYSERDA') Anaerobic Digester Gas-to- Electricity Program ('ADG Program'). The Authority's supplemental funding will be available immediately to NYSERDA for use through 2015, the end of the current NYSERDA ADG Program, or until the funds have been completely committed, whichever occurs first. The ADG Program is comprised of demonstration projects targeting the deployment of anaerobic digester gas-to-electricity systems in New York State. The program has been developed in support of New York's clean energy goals and to increase economic development activity in New York State's dairy and food processing industry. The ADG demonstration projects would verify and advance the development of new energy systems utilizing anaerobic digesters to create methane from dairy farm manure and food processing wastes. The methane would be further utilized to generate electricity.

BACKGROUND

"The fourth undesignated paragraph of Public Authorities Law, § 1001, states 'that it is desirable that the [A]uthority give its fullest cooperation to the energy research and development authority in advancing and promoting the development and implementation of new energy technologies…to the extent deemed advisable by the trustees….'

"In addition, one of the Authority's missions is to provide clean, low-cost, and reliable energy consistent with our commitment to the environment and safety, while promoting economic development, job development, energy efficiency, renewables and innovation, for the benefit of our customers and all New Yorkers.

"With the support of the State Legislature, the Authority has become instrumental in promoting energy efficiency and clean energy programs that help public entities and other eligible participants save energy and money at their facilities. For more than two decades, the Authority has partnered with these facilities, and with NYSERDA, to identify potential efficiency and clean energy projects and to help finance, design and install energy saving equipment at these sites. Looking ahead, the Authority is committed to supporting New York's clean energy goals and to expand and enhance its energy efficiency program offerings as well as to develop new technologies to save energy and meet the needs of the State of New York.

DISCUSSION

"The ADG Program is one aspect of a larger program sponsored by the New York State Department of Public Service ('DPS') to build a sustainable ADG industry in New York, which program was designed, in part, to research the development, demonstration and evaluation of innovative ADG technologies. NYSERDA recently issued a petition to the New York State Public Service Commission ('PSC') to enhance the ADG Program, primarily by increasing the per site funding cap from $1 million to $2 million. Authority funding will be used to support this program enhancement.

"As part of the Authority's funding, staff will coordinate with NYSERDA to obtain program results and data relative to the ADG Program implementation, technology development and industry advancement.

"In addition, this ADG Program helps dairy farmers expand their operations while managing their manure wastes to meet stringent environmental requirements. Expansion of dairy farm operations will, in turn, increase milk production in New York and support the growth of the State's booming Greek yogurt industry.

"If authorized by the Trustees, up to $5 million in non-recoverable funding would be provided by the Authority to NYSERDA to supplement the ADG Program.

FISCAL INFORMATION

"The $5 million supplemental funding for NYSERDA's ADG Program will be funded from the Authority's Operating Fund.

RECOMMENDATION

"The Senior Vice President – Economic Development and Energy Efficiency and the Senior Vice President – Strategic Planning recommend that the Trustees formally approve the supplemental funding for the New York State Energy Research Development Authority's Anaerobic Digester Gas-to- Electricity Program as described above.

"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. Guy Sliker provided highlights of staff's recommendation to the Trustees. Trustee Nicandri said he is supportive of the Dairy Industry and agrees with the Authority supporting this program.

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

RESOLVED, That the Trustees hereby authorize up to $5 million in total available funds to be used for supplemental funding of the New York State Energy Research and Development Authority ("NYSERDA") anaerobic digester gas-to-electricity program, with such funds being available immediately to NYSERDA as described in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That Operating Fund monies will be used for the collaborative funding in the amount and for the purposes listed below:

Operating Funds	**Expenditure Authorization (not to exceed)**	**Authorization Expires**
NYSERDA ADG Program Supplemental Funding	**$5 million**	**December 31, 2015**

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

10. <u>Other Business – Remarks by MEUA</u>

Mr. Anthony Modafferi, Executive Director of the MEUA said President Quiniones had contacted him for assistance from members of the MEUA during Hurricane Sandy. A crew of linemen and tree trimmers were dispatched to assist in different parts of the state and he wanted to convey to the Trustees that it was a pleasure for the MEUA members to participate, along with the Authority, in the restoration efforts after Hurricane Sandy. Mr. Modafferi said he also wanted to convey to the Board his appreciation for the working relationship he has had with Authority staff over the years, including Mr. Lenny Catalino, who was retiring. He said he appreciated the work he did for the MUNIs and he would miss him. Chairman Koelmel thanked him for his remarks.

11. Motion to Conduct an Executive Session

Mr. Chairman, I move that the Authority conduct an executive session pursuant to the Public Officers Law of the State of New York, Article 7, sections §105 and 108 to consult with counsel regarding current investigations. Upon motion made and seconded an Executive Session was held.

12. Motion to Resume Meeting in Open Session

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

13. Release of Funds in Support of the New York State Open For Business Economic Development Initiative

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the release of up to $50 million in funds to support the New York State Open For Business ('Open for Business') economic development initiative. These payments would be made in lieu of the final portion of the voluntary contributions to the State's General Fund for State Fiscal Year ('SFY') 2012-13 that was authorized by Chapter 59 of the Laws of 2012.

BACKGROUND

"The Authority is requested, from time to time, to make financial contributions and transfers of funds to the State or to otherwise provide financial support for various State programs. Any such contribution or transfer of funds (1) must be authorized by law; (2) must be approved by the Trustees 'as feasible and advisable;' and (3) must satisfy the requirements of the Authority's General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented ('Bond Resolution'). In addition, as set forth in the Trustees' Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 is to be used by the Trustees as a reference point in considering any such payments or transfers.

"The Bond Resolution's requirements to withdraw monies 'free and clear of the lien and pledge created by the [Bond] Resolution' are such that withdrawals (a) must be for a 'lawful corporate purpose as determined by the Authority' and (b) are subject to a determination, taking into account among other considerations anticipated future receipt of revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for (i) payment of reasonable and necessary operating expenses, (ii) an Operating Fund reserve for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt or (iv) payment of interest and principal on subordinate debt.

"The SFY 2012-13 Budget legislation authorizes the Authority, as deemed feasible and advisable by its Trustees to provide up to $65 million in contributions to the State, with up to $25 million to be considered for payment by June 2012 and with the remainder of any such contribution considered for payment by January 2013.

"In June 2012, the Trustees approved, and the Authority transferred to the State's General Fund, $15 million after staff discussions with New York State Division of Budget representatives who indicated that the State's fiscal plan anticipated a contribution in the amount $15 million from the Authority at that time. With regard to the remaining amount ($50 million) identified in the SFY 2012-13 Budget legislation, staff made no recommendation at the time, but indicated that it would return to the Board with a recommendation when such contribution is to be considered for payment.

DISCUSSION

"The Open for Business campaign was initiated to market New York State as an ideal place for businesses to invest and create jobs. It is being administered by the Empire State Development Corporation ('ESD'). A central component of this business development campaign is to promote the advantages of doing business in the State in order to retain and grow New York businesses as well as attract other businesses to New York from across the country and around the world. The central tenet fits well with the Authority's Mission to promote economic development and job creation based directly on its legislatively authorized Expansion Power, Replacement Power, Preservation Power, and Recharge New York Power Programs, among the other economic development programs in which the Authority is authorized and directed to engage.

"The low-cost power and other benefits the Authority makes available under its various programs are valuable economic development tools that the Authority desires to promote, and there exists significant amounts of unallocated power and other benefits available under these programs that can support economic development in the State. Accordingly, the Authority has an interest in promoting the effectiveness of the Open For Business campaign as such initiatives can improve the effectiveness of the Authority's marketing programs, thereby increasing the number and quality of businesses that apply for available benefits under the Authority's Programs. The Authority is authorized, pursuant to Public Authorities Law §1005(4), to study the desirability and means of attracting industry to the state of New York, which is one of the principal objectives of Open for Business.

"Based on a recognition of the mutual goals of the Authority and ESD with respect to economic development and based on discussions with staff from ESD and the Division of Budget, it has been suggested that the Authority consider using its remaining portion of the $65 million authorized for a voluntary contribution to instead provide funding to directly support the Open for Business campaign. The Authority and ESD can work collaboratively to support the campaign and the parties can also monitor and evaluate the program to determine its impact on the Authority's low-cost power programs.

"Staff has reviewed the effects of the $50 million transfer amount on the Authority's expected financial position and reserve requirements, $10 million of which would be made available in 2012 and $40 million in 2013. In addition, in accordance with the Board's Policy Statement, staff calculated the impact of these transfer amounts on the Authority's debt service coverage ratio and determined it would not fall below the 2.0 reference point level. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to make the contribution of $50 million to support the Open for Business initiative.

FISCAL INFORMATION

"Staff has determined that sufficient funds are available in the Operating Fund to transfer $50 million in support of Open For Business at this time and that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's Bond Resolution. A transfer in this amount was anticipated based on the SFY 2012-13 Budget legislation and was reflected in the Authority's 2012 Operating Budget approved by the Trustees at their December 15, 2011 meeting as well as in the 2013 Operating Budget being considered by the Trustees at today's meeting.

RECOMMENDATION

"The Executive Vice President and Chief Financial Officer recommends that the Trustees authorize the payment of $50 million for the Open for Business campaign in support of New York State's economic development efforts; that the Trustees authorize Authority staff to collaborate with the Empire State Development Corporation on the use of these funds for the above-stated purpose and that the Trustees further find the release of such funds feasible and advisable and to be paid in lieu of voluntary contributions to the State's general fund.

"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. Donald Russak provided highlights of staff's recommendation to the Trustees.

Trustee Nicandri said that he finds the allocation feasible and advisable and in keeping with the mission of the Authority.

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

RESOLVED, That the Trustees, as authorized under §1005(4) of the Public Authorities Law, find as feasible and advisable and hereby approve payments of up to $50 million

from the Operating Fund in support of the New York State Open For Business economic development initiative in lieu of voluntary contributions to the State's general fund, as discussed in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the amount of up to $50 million to be used for such payments described in the foregoing resolution is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That as a condition to making the payment specified in the foregoing resolutions, on the day of such payment, the Treasurer or the Deputy Treasurer shall certify that such monies are not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Corporate Secretary, the 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 that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolutions, subject to approval as to the form thereof by the Executive Vice President and General Counsel.

14. <u>Next Meeting</u>

The next Regular Meeting of the Trustees will be held on **January 23, 2013, at 11:00 a.m., at the Clarence D. Rappleyea Building in White Plains, New York,** unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

On motion made and seconded, the meeting was adjourned by the Chairman at approximately 2:00 p.m.

Karen Delince
Corporate Secretary

EXHIBITS

For

December 18, 2012

Regular Trustees' Meeting

<u>DRAFT PROPOSED CONTRACT – INTERNAL USE ONLY</u>

2012 Amendment to 1990 Service Agreement

This 2012 Amendment to 1990 Service Agreement, dated this ___ day of __________, 2012 is made between Niagara Mohawk Power Corporation, d/b/a National Grid ("Company") and the Power Authority of the State of New York ("Authority").

WHEREAS, the Company and the Authority are parties to an agreement dated February 22, 1989 under which the Authority has sold certain quantities of hydroelectric power and energy in accordance with Authority Service Tariff ("ST") No. 41 and ST. No. 42 from Authority's Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the "1990 Service Agreement").

WHEREAS, Company and Authority have previously modified and extended the 1990 Service Agreement, most recently by the "2011 Amendment to and Extension of Service Agreement of Niagara Mohawk Power Corporation under Service Tariff No. 41 and ST No. 42" (the "2011 Amendment").

WHEREAS, by letter dated June 29, 2011, Authority withdrew all 189 MW of Firm Hydroelectric Power and Energy allocated under ST No. 41 and terminated service under the 1990 Service Agreement under ST No. 41 with respect to all 189 MW of Firm Hydroelectric Power and Energy, effective August 1, 2011, for use in the Recharge New York Power Program created pursuant to Chapter 60 (Part CC) of the Laws of 2011 (the "Firm Power and Energy Withdrawal/Termination").

WHEREAS, Company and Authority agree to further modify and extend certain terms of the 1990 Service Agreement as follows:

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

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

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

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

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

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

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

(iv) Allocation of Indirect Overheads.

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

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

(vii) Rate Stabilization Reserve (RSR) methodology.

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

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

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

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

5) Article J- Cancelation or Reduction. The following sentence is added at the end of Article J:

> Company may also cancel or reduce such service during the period from January 1, 2014 through December 31, 2014, for any reason upon thirty (30) days’ prior written notice to the Authority.

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

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

> “Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for In the “Withdrawals of Power and/or Energy" or the “Cancellation or Reduction" provisions until December 31, 2014, subject to earlier termination by the Authority at any time with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days’ prior written notice to Company.”

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

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

9) This amendment shall be referred to as the “2012 Amendment to the 1990 Service Agreement”.

10) Continuation of service under this 2012 Amendment to the 1990 Service Agreement shall be subject to ultimate approval by the Governor of the State of New York pursuant to

Public Authorities Law § 1009. If the Governor disapproves this 2012 Amendment to the 1990 Service Agreement, service will cease on the last day of the month following the month during which the Governor disapproved this 2012 Amendment to the 1990 Service Agreement. If the Governor takes no action within the time frame provided for in Public Authorities Law § 1009, service will cease on the last day of the month following the month during which such timeframe expired.

Except as expressly provided in this 2012 Amendment to the 1990 Service Agreement, the 1990 Service Agreement shall remain unchanged and in full force and effect.

This 2012 Amendment to the 1990 Service Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2012 Amendment to the 1990 Service Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Public Authorities Law § 1009, and upon execution by the Chairman of the Authority, this 2012 Amendment to the 1990 Service Agreement shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2012 Amendment to the 1990 Service Agreement shall take effect upon the expiration of the 2011 Amendment and continue on a month to month basis.

AGREED:

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

By: ____________________

Title: ____________________

Date: ____________________

Power Authority of the State of New York

By: ____________________

Title: ____________________

Date: ____________________

ACCEPTED:

By: ______________________

John R. Koelmel
Chairman

Date: ______________________

December 18, 2012
Exhibit "B"

DRAFT PROPOSED CONTRACT – INTERNAL USE ONLY

2012 Amendment to 1990 Hydropower Contract

This 2012 Amendment to 1990 Hydropower Contract, dated this ___ day of __________, 2012 is made between New York State Electric & Gas Corporation ("Company") and the Power Authority of the State of New York ("Authority").

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

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

WHEREAS, Company and Authority have previously modified and extended the 1990 Hydropower Contract, most recently by the "2011 Amendment to 1990 Hydropower Contract" (the "2011 Amendment").

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

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

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

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

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

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

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

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

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

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

(iv) Allocation of Indirect Overheads.

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

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

(vii) Rate Stabilization Reserve (RSR) methodology.

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

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

"In accordance with the terms of the existing transmission service agreement, which by its terms will expire on August 31, 2007, Company will cease taking transmission service from Authority and will instead take transmission service under the New York Independent System Operator's ("NYISO") Open Access

Transmission Tariff. Company agrees to settle any outstanding transmission charges that may apply prior to September 1, 2007 including any subsequent NYISO true up settlements."

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

5) Article J- Cancelation or Reduction. The following sentence is added at the end of Article J:

   Company may also cancel or reduce such service during the period from January 1, 2014 through December 31, 2014, for any reason upon thirty (30) days' prior written notice to the Authority.

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

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

   "Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the "Withdrawals of Power and/or Energy" or the "Cancellation or Reduction" provisions until December 31, 2014, subject to earlier termination by the Authority at any time with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days' prior written notice to Company."

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

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

9) This amendment shall be referred to as the "2012 Amendment to the 1990 Hydropower Contract".

10) Continuation of service under this 2012 Amendment to the 1990 Hydropower Contract shall be subject to ultimate approval by the Governor of the State of New York pursuant to Public Authorities Law § 1009. If the Governor disapproves this 2012 Amendment to the 1990 Hydropower Contract, service will cease on the last day of the month following the month during which the Governor disapproved this 2012 Amendment to the 1990 Hydropower Contract. If the Governor takes no action within the time frame provided for in Public Authorities Law § 1009, service will cease on the last day of the month following the month during which such timeframe expired.

Except as expressly provided in this 2012 Amendment to the 1990 Hydropower Contract, the 1990 Hydropower Contract as modified by the February 14, 2008 Letter Agreement shall remain unchanged and in full force and effect.

This 2012 Amendment to the 1990 Hydropower Contract shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2012 Amendment to the 1990 Hydropower Contract may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Public Authorities Law § 1009, and upon execution by the Chairman of the Authority, this 2012 Amendment to the 1990 Hydropower Contract shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2012 Amendment to the 1990 Hydropower Contract shall take effect upon the expiration of the 2011 Amendment and continue on a month to month basis.

AGREED:

New York State Electric & Gas Corporation

By: ____________________

Title: ____________________

Date: ____________________

Power Authority of the State of New York

By: ______________________

Title: ______________________

Date: ______________________

ACCEPTED:

By: ______________________

John R. Koelmel
Chairman

Date: ______________________

December 18, 2012
Exhibit "C"

DRAFT PROPOSED CONTRACT – INTERNAL USE ONLY

2012 Amendment to 1990 Hydropower Contract

This 2012 Amendment to 1990 Hydropower Contract, dated this ___ day of __________, 2012 is made between Rochester Gas and Electric Corporation ("Company") and the Power Authority of the State of New York ("Authority").

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

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

WHEREAS, Company and Authority have previously modified and extended the 1990 Hydropower Contract, most recently by the "2011 Amendment to 1990 Hydropower Contract" (the "2011 Amendment").

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

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

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

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

> "The rates charged by the Authority under this Agreement shall be established In accordance with this Article.
>
> The Authority shall charge and Company shall pay the preference power rates

adopted by the Authority on November 15, 2011, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on November 15, 2011, except as otherwise provided for below.

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

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

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

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

(iv) Allocation of Indirect Overheads.

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

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

(vii) Rate Stabilization Reserve (RSR) methodology.

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

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

"In accordance with the terms of the existing transmission service agreement, which by its terms will expire on August 31, 2007, Company will cease taking transmission service from Authority and will instead take transmission service under the New York Independent System Operator's ("NYISO") Open Access

Transmission Tariff. Company agrees to settle any outstanding transmission charges that may apply prior to September 1, 2007 including any subsequent NYISO true up settlements."

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

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   Company may also cancel or reduce such service during the period from January 1, 2014 through December 31, 2014, for any reason upon thirty (30) days' prior written notice to the Authority.

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

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

   "Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the "Withdrawals of Power and/or Energy" or the "Cancellation or Reduction" provisions until December 31, 2014, subject to earlier termination by the Authority at any time with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days' prior written notice to Company."

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

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

9) This amendment shall be referred to as the “2012 Amendment to the 1990 Hydropower Contract”.

10) Continuation of service under this 2012 Amendment to the 1990 Hydropower Contract shall be subject to ultimate approval by the Governor of the State of New York pursuant to Public Authorities Law § 1009. If the Governor disapproves this 2012 Amendment to the 1990 Hydropower Contract, service will cease on the last day of the month following the month during which the Governor disapproved this 2012 Amendment to the 1990 Hydropower Contract. If the Governor takes no action within the time frame provided for in Public Authorities Law § 1009, service will cease on the last day of the month following the month during which such timeframe expired.

Except as expressly provided in this 2012 Amendment to the 1990 Hydropower Contract, the 1990 Hydropower Contract as modified by the February 14, 2008 Letter Agreement shall remain unchanged and in full force and effect.

This 2012 Amendment to the 1990 Hydropower Contract shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2012 Amendment to the 1990 Hydropower Contract may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Public Authorities Law § 1009, and upon execution by the Chairman of the Authority, this 2012 Amendment to the 1990 Hydropower Contract shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2012 Amendment to the 1990 Hydropower Contract shall take effect upon the expiration of the 2011 Amendment and continue on a month to month basis.

AGREED:

Rochester Gas and Electric Corporation

By: ____________________

Title: ____________________

Date: ____________________

Power Authority of the State of New York

By: ______________________

Title: ______________________

Date: ______________________

ACCEPTED:

By: ______________________

John R. Koelmel
Chairman

Date: ______________________

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

EXHIBIT "A"
December 18, 2012

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
CSS / ESS - IT	**AXYON CONSULT-ING, LLC** Dallas, TX (HQ) Plano, TX (Branch Office) (Q12-5224; PO# TBA)	12/19/12 (on or about)	Provide for Blubaker data management software solution for OpenText content server + 5-yr maintenance and other support services, as needed	12/31/17	B/S	*Note: represents total for approximately 5-year term		**$177,510***
CSS / ESS - IT	**PURPLE GENIE, INC. ♦** New York, NY (Q12-5240; PO# TBA)	01/01/13 (on or about)	Provide for an external hosting solution to support servers and software applications + 5-year maintenance and support services	12/31/17	B/S	*Note: represents total for up to 5-year term		**$772,368***
CSS / ESS - IT	**TIME WARNER CABLE, INC.** Latham, NY (Q12-5296; PO# TBA)	01/01/13 (on or about)	Provide for Wide Area Network Backbone telecommunication services to connect key Authority offices and facilities, and the disaster recovery site	12/31/19	B/S	*Note: represents total for up to 7-year term		**$7,437,482***
CSS / ESS – IT on behalf of ERM	**VENTYX INC. (an ABB company)** Atlanta, GA (Q12-5347; PO# TBA)	01/01/13 (on or about)	Provide for 5-year maintenance & support services for the Ventyx suite of software products used for energy trading/reporting/settlements	12/31/17	B/S	*Note: represents total for up to 5-year term		**$3,200,000***
CSS / ESS - IT	**VERSONA SYSTEMS LLC** Houston, TX (Q12-5170; PO# TBA)	12/19/12 (on or about)	Provide for barcode scanning software, implementation, training and 5-year maintenance services	12/31/17	B/S	*Note: represents total for approximately 5-year term		**$335,640***

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

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
CSS / ESS - REAL ESTATE	**Q12-5278; 3 awards:**	01/01/13 (on or about)	Provide for regional surveying and mapping services:	12/31/17	B/P	*Note: represents aggregate total for up to 5-year term		**$7,000,000***
	1. C.T. MALE ASSOCIATES, PC Latham, NY (HQ)		B-G, CEC, SENY and STL Regions					
	2. DANA L. DRAKE, L.S., PLLC Dickinson Center, NY		STL Region					
	3. FISHER ASSOCIATES PE, LS, PC ♦ Rochester, NY (PO #s TBA)		NIA Region					
CSS / ESS - REAL ESTATE	**CHAS. H. SELLS, INC. d/b/a WSP SELLS** Albany, NY (Q12-5285; PO# TBA**)**	01/01/13 (on or about)	Provide for statewide photogrammetric ser-vices	12/31/17	B/P	*Note: represents total for up to 5-year term		**$500,000***
CSS / ESS - REAL ESTATE + OPERATIONS - TRANSMISSION	**GEODIGITAL INTER-NATIONAL CORP.** Lompoc, CA (US HQ) (Q12-5332; PO# TBA)	01/01/13 (on or about)	Provide for statewide LIDAR surveying and mapping services	12/31/16	B/P	*Note: represents total for up to 4-year term		**$2,000,000***
OPERATIONS SUPPORT SERVICES - EH&S	**HEALTH QUEST URGENT MEDICAL CARE PRACTICE** Wappingers Falls, NY (Q12-5340; PO# TBA)	01/01/13 (on or about)	Provide for medical services and personnel including: *Consulting Medical Director; *Medical Review Officer; *MD and staff to perform medical exams, as needed; *Medical Program Coordinator; *Medical record retention and miniaturization services for all Authority locations	12/31/17	B/P	*Note: represents total for up to 5-year term		**$322,500***

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

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

EXHIBIT "A"
December 18, 2012

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
OPERATIONS SUPP SERV - PROJ MGMT + Northern Region	**INNOVATIVE AUTOMATION, INC.** York, PA (Q12-5323**;** PO# TBA**)**	01/15/13 (on or about)	Provide for engineering services to update the Operations Manual, Operating Procedures & System Descriptions for all substations in the Northern Region	01/14/15	B/P	*Note: represents total for up to 2-year term		**$1,149,408***
OPERATIONS SUPP SERV - ASSET & MAINTENANCE MGMT	**INVENSYS SYSTEMS, INC.** Houston, TX (Q12-5348; PO# TBA)	01/01/13 (on or about)	Provide for Wonderware IntelaTrac software maintenance and support services + additional software, as needed	12/31/17	B/S	*Note: represents aggregate total for up to **5**-year term		**$339,580***
OPERATIONS - TRANSMISSION	**LEWIS TREE SERVICE, INC.** West Henrietta, NY (Q12-5315; PO# TBA)	04/01/13 (on or about)	Provide for Right-of-Way vegetation management services along 1,400 miles of high-voltage transmission lines	09/30/17	B/S	*Note: represents total for up to 4 and one-half year term		**$9,000,000***
OPERATIONS SUPP SERV - ASSET & MAINTENANCE MGMT	**PHALANX COMPUTING INC.** Little Silver, NJ (Q12-5356; PO# TBA)	01/01/13 (on or about)	Provide for Phalanx software maintenance and support services	12/31/17	B/S	*Note: represents aggregate total for up to **5**-year term		**$225,000***
OPERATIONS - NIAGARA	**WNY OCCUPATIONAL HEALTH CARE** Niagara Falls, NY (RFQ 6000134438; PO# TBA)	01/01/13 (on or about)	Provide for annual and pre-employment physicals and other medical examinations and services, as needed, for NIA employees	12/31/16	B/P	*Note: represents total for up to 4-year term		**$400,000***

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

EXHIBIT "A"
December 18, 2012

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
OPERATIONS SUPP SERV - ENGINEERING	**Q12-5249; 12 awards:** **1. ALTRAN SOLUTIONS** Cranbury, NJ **2. BURNS & MCDONNELL** Wallingford, CT **3. C&S ENGINEERS, INC.** Syracuse, NY **4. CG POWER SOLUTIONS USA, INC.** Albany, NY **5. GREENMAN-PEDERSEN, INC.** Montebello, NY **6. HAIDER ENGINEERING, P.C. ♦** Farmingdale, NY **7. HATCH ASSOCIATES CONSULTANTS, INC.** Amherst, NY **8. MOTT MACDONALD LLC** Westwood, MA **9. POWER ENGINEERS CONSULTING, P.C.** Hailey, ID (HQ)	01/01/13 (on or about)	Provide for on-call consulting engineering services to support the Authority's hydro-electric, pumped storage and fossil power generation facilities, transmission and ancillary facilities	12/31/17	B/P	*Note: represents aggregate total for up to 5-year term		**$15,000,000***

[continued on next page]

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

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

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
	Q12-5249 continued: **10. RCM TECHNOLOGIES, INC.** Pennsauken, NJ **11. SEBESTA BLOMBERG & ASSOCIATES, INC.** New York, NY **12. TRC ENGINEERS, INC.** Liverpool, NY (PO#s TBA)							
STRATEGIC PLANNING - CLEAN ENERGY TECHNOLOGY	**CRC ENGINEERING, ♦ P.C.** New York, NY (Q12-5267**;** PO# TBA**)**	01/01/13 (on or about)	Provide for design and engineering support services for a proposed biomass plant to be constructed at the NYC Flushing Meadows Corona Park Aquatic Center	12/31/15	B/P	*Note: represents total for up to 3-year term		**$800,000***

Disposal-related Award:

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
CORP. SUPPORT SERVICES - FLEET OPERATIONS	**AUCTIONS INTERNATIONAL, INC.** Buffalo, NY (RFQ C12-0901WS; PO# TBA)	01/01/13 (on or about)	Provide for auction services for surplus Authority-owned vehicles, equipment, rolling stock and miscellaneous materials, on an "as needed" basis	12/31/15	B/S	*Note: **This is expected to be a "no cost" REVENUE-GENERATING contract for up to 3-year term.**		**$0***

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

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

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
MED ENERGY EFFIC. RESOURCES & TECH SERV. - ENERGY SERVICES	**Q12-5341; 2 awards:** **1. APPLIED ENERGY GROUP an AMERESCO COMPANY d/b/a APPLIED ENERGY GROUP** Islandia, NY **2. OPTIMAL ENERGY, INC.** Bristol, VT (PO#s TBA)	01/01/13 (on or about)	Provide for consulting services in connection with the energy efficiency and renewable energy program	12/31/17	B/P	*Note: represents aggregate total for up to 5-year term		**$3,000,000***

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

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

EXHIBIT "B"
December 18, 2012

Plant Site/ Bus. Unit	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
OPERATIONS COO - LABOR REL.	**JOSEPH M. BRESS** Washington, D.C. **4500213229**	01/30/12	Provide for labor negotiation services	12/31/13	Si/P	**$450,000**		**$450,000***

***Note**: represents originally authorized amount;
NO ADDITIONAL FUNDING REQUESTED

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


New York Power Authority
Generating more than electricity

President & Chief Executive Officer Report

Gil Quiniones

December 18, 2012

Board of Trustees Meeting

New York Power Authority

NYPA OVERALL PERFORMANCE
3rd Quarter/September 2012

GOAL		CORPORATE MEASURE	YTD TARGET	YTD ACTUAL	STATUS Jul	STATUS Aug	STATUS Sep
Mission Goals	Economic Development	**Jobs per MW Allocated*** **(ratio)** *Target will be set after ReChargeNY program roll out	N/A				
	Energy Services	**MMBTU's Saved**	342	**402.4**			
		Energy Efficiency Investment In State Facilities ($ Millions)	57.4	**84.8**			
	Energy Infrastructure	**Energy Highway** (% Milestones)	90	**90**			
Stewardship Goals	Financial Management	**O&M Budget Performance** ($ Millions)	275.6	**258.7**			
		Debt Coverage Ratio (Ratio)	2.5	**2.70**			
	Maintain Infrastructure	**Generation Market Readiness** (%)	99.4	**99.7**			
		Transmission System Reliability (%)	97.30	**98.14**			
	Workforce Management	**Retention** (# of Touchpoints)	385	**447**			
		Training (% Milestones)	75	**75**			
Accountability Goals	Safety Leadership	**Recordable Incidence Rate** (Index; 12 - month rolling average)	1.00	**1.74**			
	Environmental Responsibility	**Environmental Incidents** (Units)	23	**26**			
	Enterprise Risk	**Enterprise Wide Risk Management** (% Milestones)	40	**40**			
	Compliance	**Compliance Reporting** (% Milestones)	75	**75**			
		Compliance Training (% Milestones)	75	**75**			

Highlights from October/November 2012

- Energy Highway Initiative

- Emergency Management Plan

Blueprint of the New York Energy Highway

- Up to $2 billion of investments to expand transmission and generation by up to 2,200 MW
- $1.3 billion of accelerated electric & natural gas investments
- $2.2 billion of investments for up to 1,020 MW of renewable and repowered generation
- $250 million of investments in Smart Grid technologies to create the most advanced energy management system in the country

Corporate Emergency Management Plan (CEMP)

- All-hazards approach with emphasis in earthquakes, hurricanes, fire, flooding
- Uses the principles of the Incident Command System and Corporate Crisis Management Team (CCMT)
- CCMT is made up of NYPA Executive and Senior Management
  - Provides leadership during crisis
  - Coordinate multi-facility incidents
  - Distribute resources as necessary
  - Serves as liaison between agencies

New York Power Authority

123 Main Street
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New York Power Authority

Edward Welz
Chief Operating Officer

TO: NYPA BOARD OF TRUSTEES

FROM: EDWARD WELZ, CHIEF OPERATING OFFICER

DATE: NOVEMBER 16, 2012

SUBJECT: MONTHLY REPORT FOR THE BOARD OF TRUSTEES

****

This report covers performance of the Operations group in October 2012.

<u>Operations</u>

Plant Performance

Systemwide net generation[1] was 1,780,304 megawatt-hours[2] (MWh) in October 2012, compared to projected net generation of 2,282,815 MWh. Year-to-date net generation is 20,803,312 MWh, compared to the target of 23,091,159 MWh.

The fleet availability factor[3] was 83.8 percent in October 2012, and 89.4 percent for the year. Generation market readiness factor[4] was 99.5 percent in October, compared with the monthly target of 99.4 percent. Year-to-date generation market readiness factor was at 99.7 percent.

No siginicant outages occurred during the month. Only one significant outage that began in August continued into October:

a) A failure occurred on the Main Generator Step-Up Transformer at Gilboa Unit 2 . The unit is expected to return to service by the end of December 2012.

Generation net revenue in October was $13.6 million with a loss of revenue of $0.06 million for the month. Year-to-date Generation net revenue was $181.4 million and lost opportunity cost was $0.96 million.

Niagara River flows in October 2012 continued to be below the historical average, and are expected to be below average for at least the next two years. St. Lawrence River flows during October 2012 were also below forecast. River flows are expected to be below historical levels beyond 2013.

Transmission Performance

Transmission reliability[i] in October was 91.70 percent, which was above the target of 91.13 percent. Year-to-date transmission reliability is 97.62 percent, above the target of 96.67 percent.

There were no significant unplanned transmission events to report in October.

Environmental

There were three reportable events for October 2012. For the year, there have been 29 reportable incidents. The year-to-date target as of October 2012 is 25.

Relicensing – Niagara Power Project

A joint NYPA and State Parks ribbon cutting ceremony for the now-completed Reservoir State Park improvement project was held on October 23.

With OPRHP reaching a final decision regarding coatings for Schoellkopf and Whirlpool overlooks railings, the railing are now being fabricated and installed.

Once this work is completed, the Recreational Enhancement Projects associated with the Niagara Relicensing will be nearly complete.

Work continues at the HIPs. Excavation work is completed for the Motor Island HIP, and implementation of the planting plan is underway. NYS Dept. of State has provided their concurrence with the plan to restore Frog Island. Design studies are underway to support detailed design of the last of the HIPs, at Strawberry Island, which is expected to be constructed in 2014 and 2015.

Relicensing – St. Lawrence-FDR Power Project

Construction of the pumphouse for the Little Sucker Brook controlled level pond continues. Work is completed except for pump installation, completion of the roof and final wiring. Work is pended awaiting installation of electric service by National Grid, who has been unable to schedule an installation time because of ongoing storm recovery work (Sandy).

The WHWMA pumphouse is complete. Start up and testing was conducted successfully in October. There have been some minor startup issues but none that prevent turning the facility over to DEC for operation

Construction of the Nichols Island Controlled Level Pond has commenced. Sand Road, the western access to the project, is being reconstructed. Land clearing for the other roads and dikes is beginning at the east end of the HIP from Bradford Island.

Two additional lake sturgeon spawning beds are being installed in the RMPD tailrace this fall. The hopper barge and tugs are in route to the site. Actual bed placement is expected to take place beginning November 19.

Relicensing – Blenheim-Gilboa Project

Baseline study field work is complete for this season. Preparation of the preliminary licensing documents continues. At this time no significant regulatory issues that would impact relicensing have been identified.

Life Extension and Modernization Programs

St. Lawrence LEM Upgrade

Work on Unit 20 at the St. Lawrence-FDR Power Project, the 16th of the 16 units, began on May 9, 2012, as part of the Project's Life Extension and Modernization[i] (LEM) program. Turbine overhaul with Alstom and rotor refurbishment with GE have been completed. Unit re-assembly with St. Lawrence Site Staff continues. All major mechanical tasks including installation of the turbine assembly and rotor assembly has being completed. Unit Return to Service (RTS) remains on track for 12/21/12.   The 2013 scheduled completion date for the LEM project remains unchanged.

LPGP LEM

The third feeder outage (Feeder 4) to replace the third GSU, and potheads at the Switchyard and LPGP in addition to upgrading of the Isolated Phase Bus sections commenced on October 1, 2012 as scheduled and will be completed on November 27, 2012. The third GSU has been assembled and installed in the bay, the fourth GSU arrived at the site on November 6th (delayed due to hurricance).   . The new Unit Control Board for the first unit to be upgraded (#11) will be inspected and tested starting the week of November 6th and the software development continues. The assembly of the first new turbine continues in Hitachi's facility located in Japan and is scheduled to arrive at LPGP in April 2013. The fabrication of the second and third turbines compoeenents are well underway and the fourth turbine was released for fabrication. The first unit outage is scheduled to begin December 2012 with the program completion scheduled for 2020. Additional expenditure authorization will be requested from the Trustees at an interim November Trustee Meeting.

RMNPP Unit 13 Standardization

The outage for the standardization work commenced on September 14th, due to Unit 3 generator step up transformer (GSU) failure. Voith has commenced with assembly of the new stator in the Assembly Bay which is scheduled to be completed in April 2013 in time for installation into Unit 13.

Technical Compliance – NERC Reliability Standards

In October, Technical Compliance continued to oversee compliance enforcement actions related to several of the NERC Reliability Standards that are applicable to NYPA's NERC registrations. The actions and statuses are briefly stated below:

a. **PRC-005-1 R2 - Transmission and Generation Protection System Maintenance and Testing** (NERC Violation ID: NPCC2011-00236): NYPA self-reported to the Northeast Power Coordinating Council (NPCC) a potential violation of the requirement R2 of PRC-005-1 on February 11, 2011. The associated mitigation plan closure documents were reviewed and accepted by NPCC staff in early 2012. NYPA met with NPCC staff on August 15, 2012 for the initial settlement discussions. As a result of that meeting, NPCC staff requested some additional information that was provided to NPCC on October 3, 2012.

b. **CIP-004-3 R2 - Cyber Security - Personnel and Training** (NERC Violation ID: NPCC20122-00446): NYPA self-reported to NPCC a possible violation of requirement R2 of CIP-004-3 on February 16, 2012. The mitigation plan and associated closure documents were submitted to NPCC for review and approval in April 2012. NPCC submitted them to NERC for approval on May 18 and NERC approved them and submitted them to FERC on June 14. NYPA is awaiting the initiation by NPCC of settlement discussions.

c. **CIP-004-3 R4 - Cyber Security - Personnel and Training** (NERC Violation ID: NPCC2012-200459):): NYPA self-reported to NPCC a possible violation of requirement R4 of CIP-004-3 on March 12, 2012. The mitigation plan was submitted to NPCC in April 2012 and was completed in late June 2012. The mitigation plan closure documents were submitted to NPCC in July 2012 for review and approval. NPCC verified the completion of the mitigation activities on September 4, 2012. This possible violation was closed in October under NERC's Find, Fix, and Track (FFT) process as a remediated issue. Remediated issues are reported to FERC in an informational filing. No penalty or sanction was assigned to this remediated issue.

d. **CIP-006-3 R4 - Cyber Security – Physical Security of Critical Cyber Assets** (NERC Violation ID: NPCC2012-200657): NYPA self-reported to NPCC a possible violation of requirement R4 of CIP-006-3 on June 21, 2012. Upon review, NPCC dismissed the R4 self-report and issued a possible violation of CIP-006-3 R1.6. The mitigation plan was submitted to NPCC for review and approval on August 16, 2012. On

September 05, 2012 NPCC accepted the submitted mitigation plan and forwarded the Mitigation plan to NERC for its review and approval. On October 3, NYPA submitted the mitigation closure documentation. NPCC verified the completion of the mitigation activities on October 17, 2012. As a result, this possible violation will be eligible for closure under NERC's Find, Fix, and Track (FFT) process as a remediated issue. The remediated issues will be reported to FERC in an informational filing. No penalty or sanction will be assigned to this remediated issue. In October, NYPA successfully completed eighteen (18) self-certifications for the Critical Information Protection (CIP) NERC Reliability Standards. In addition, compliance assessments were successfully completed for an additional sixteen (16) CIP standards in preparation for self-certifications due in November 2012. These self certifications were or will be made pursuant to NYPA's registration as a Transmission Owner, Generator Owner, Generator Operator and Load Serving Entity.

NYPA met with NYISO staff to review NYPA's list of newly identified Bulk Electric System (BES) assets, pursuant to the new BES definition that FERC is expected to approve before the end of 2012. The requirements of any standards related to this change in definition will be enforceable approximately two (2) years after FERC approves the new definition. The purpose of NYPA's meeting with the NYISO was to discuss the assignment of Transmission Operator (TOP) and Transmission Planner (TP) compliance accountability for NYPA's newly identified BES assets. The NYISO will retain compliance accountability for approximately 50% of NYPA's 41 newly identified assets, since the NYISO already has operational control of those assets pursuant to existing agreements with NYPA. NYPA also plans to engage other New York Transmission Owners (TO) regarding compliance accountability for the remaining assets. In addition, NYPA may be able to exclude certain of these new assets from being subject to the reliability standards.

NYPA continues to implement its work plan for responding to a 2010 NERC Alert Recommendation that requires NYPA to review its current facility ratings methodology for their solely and jointly owned transmission lines to verify that the methodology used to determine facility ratings is based on actual field conditions (in particular line ground clearances). The assessment revealed that there are about 260 line clearance discrepancies in NYPA's 1,400 miles of transmission lines; about 50 of which are on lines rated as high priority. Staff has engaged contractors and other utilities to remediate the discrepancies on the high priority lines. Northline Utilities and Macedon Excavating are progressing with work in the field. NYSEG has completed remediation of one of two high priority underbuilds on distribution lines owned by NYSEG. In addition, a cost reimbursement agreement has been finalized with National Grid and is pending approval. Other third parties with permits are also addressing mitigation of other discrepancies. Work on the high priority lines is targeted to be completed by the end of 2012. However, the utilities have informed NYPA that efforts associated with recent impacts of Hurricane Sandy may have an impact on the schedule. Remediation of discrepancies on the medium priority lines is being planned for completion in 2013. A contract has been awarded to Quanta Technology / Realtime Utility Engineers to develop engineering packages for mitigating the discrepancies on the medium and low priority transmission lines.

Energy Resource Management

NYISO Markets

In October, Energy Resource Management (ERM) bid 1.97 million MWh of NYPA generation into the NYISO markets, netting almost $31.75 million in power supplier payments to the Authority. Year-to-date net power supplier payments are $412.9 million.

Fuel Planning & Operations

In October, NYPA's Fuels Group transacted $20.2 million in natural gas and oil purchases, compared with $12.9 million in October 2011. Year-to-date natural gas and oil purchases are $176.2 million, compared with $220.3 million at this point in 2011. The total $44.1 million decrease is mainly due to the lower cost of fuel/lower generation at the 500-MW Combined Cycle Plant (-$27.1 million for fuel cost and -$15.3 for March/April outage), Small Clean Power Plants (-$16.7 million) and the Richard M. Flynn Power Plant (-$14.0 million), which was offset by the start up of the Astoria Energy II Plant (+$29.0 million) in July of 2011.

GLOSSARY

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

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

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

[4] **Generation Market Readiness Factor –** The availability of generating facilities for bidding into the New York Independent System Operator (NYISO) market. It factors in available hours and forced outage hours that drive the results.

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

[i] **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.

New York Power Authority

Report of the Chief Financial Officer

For the Ten Months Ended October 31, 2012

Report of the Chief Financial Officer
For the Months Ended October 31, 2012
Executive Summary

Results of Operations

Net income through October was $169.3 million compared to a budget of $139.4 million resulting in a $29.9 million favorable variance. Year-to-date results included a higher net margin on sales ($6.6 million), higher non-operating income ($6.5 million), lower operations and maintenance expenses ($19.0 million), and lower than anticipated voluntary contributions to New York State ($10 million). These positives were partially offset by higher other operating expenses ($7.2 million) including additional accruals for retiree health benefits and Power for Jobs rebates and transition payments. Higher net margins on sales through October ($6.6 million) included positive variances in the MSP market area ($8.4 million, lower purchased power costs), and the SCPP's ($19.3 million, higher capacity revenues), partially offset by negative results at Niagara ($21.2 million, lower energy prices). Non-operating income was higher than expected due primarily to lower than budgeted interest costs and a lower mark-to-market loss on the Authority's investment portfolio, resulting from lower market interest rates. Operations and maintenance expenses were lower than anticipated primarily due to timing differences in projects at Niagara and Flynn and less than anticipated work related to transmission facilities projects. Through October, voluntary contributions to New York State amounted to $75 million versus the $85 million budgeted. Production through October was 1% higher than the budget reflecting higher net generation at St. Lawrence (6%) and the fossil facilities (2%).

Results for the ten months ended October 31, 2012 ($169.3 million) were $41.5 million lower than the same period in 2011 ($210.8 million) primarily due to lower non-operating income ($24.4 million) and a higher voluntary contribution to New York State ($10 million). Non-operating income in 2011 included $11 million for the settlement of a claim against the D.O.E. relating to spent fuel disposal at previously owned nuclear plants and a $7.5 million mark-to-market gain on the Authority's investment portfolio, versus a $4.4 million loss in 2012. Voluntary contributions were $75 million through October 2012 compared to $65 million through October 2011.

Cash & Liquidity

The Authority ended the month of October with total operating funds of $1,451 million as compared to $1,205 million at the end of 2011. The increase ($246 million) is primarily attributable to net cash from operations and payments received from Entergy of $82 million substantially offset by $75 million in voluntary contributions to New York State.

Year-end Projection

While financial results for the Authority are running $30 million ahead of budget through October, projections indicate that this variance is expected to trend down in the final two months of the year, resulting in net income ahead of the $166 million budget by $4 million. Key drivers include general pricing trends in the energy and capacity markets as well as hydro flows, and certain other Authority expenses, as described below:

- **Energy Prices** – State-wide wholesale electricity prices, which are slightly higher than last month, have declined by approximately 22% relative to the budget and are primarily due to lower natural gas prices. Partially mitigating the lower prices were higher market-based volumes, which were due to lower customer sales.

- **Capacity Prices** – An increase in market-based capacity prices relative to the budget is being observed as a result of an increase in the locational capacity requirement for the New York City load pocket, an increased capacity requirement for the Rest-of-State market, and the mitigation of the Astoria Energy II plant. In addition, prices are firming up as a result of approximately 300 MW's in generation being retired since the beginning of the year. The resulting events have produced a positive effect on the Authority's financial results, particularly for Blenheim-Gilboa, Niagara, and the Small Clean Power Plants.

- **Hydro Flows** – Net generation is expected to be below average levels for the remainder of the year offsetting higher than budgeted production during the first few months, such that annual generation is slightly below budget. Below average rainfall over the Great Lakes basin during the summer has begun to have a negative effect on generation levels at the Niagara and St. Lawrence hydroelectric facilities.

- **O&M and Other Expenses** –
  - O&M spending, running under budget through October by $19 million, is expected to finish the year about $5 million below target.
  - The remainder of the voluntary contribution to the state, currently $10 million under budget, is expected to be considered for payment at a later date and therefore the full amount is included in the year-end projections.
  - Post-employment health benefits are projected to increase $10 million relative to the budget based on preliminary actuarial results from our consulting actuaries.

At currently projected levels, the Authority's business requirements for cash flow (debt service coverage) and liquidity are expected to be met.

New York Power Authority

RESULTS OF OPERATIONS

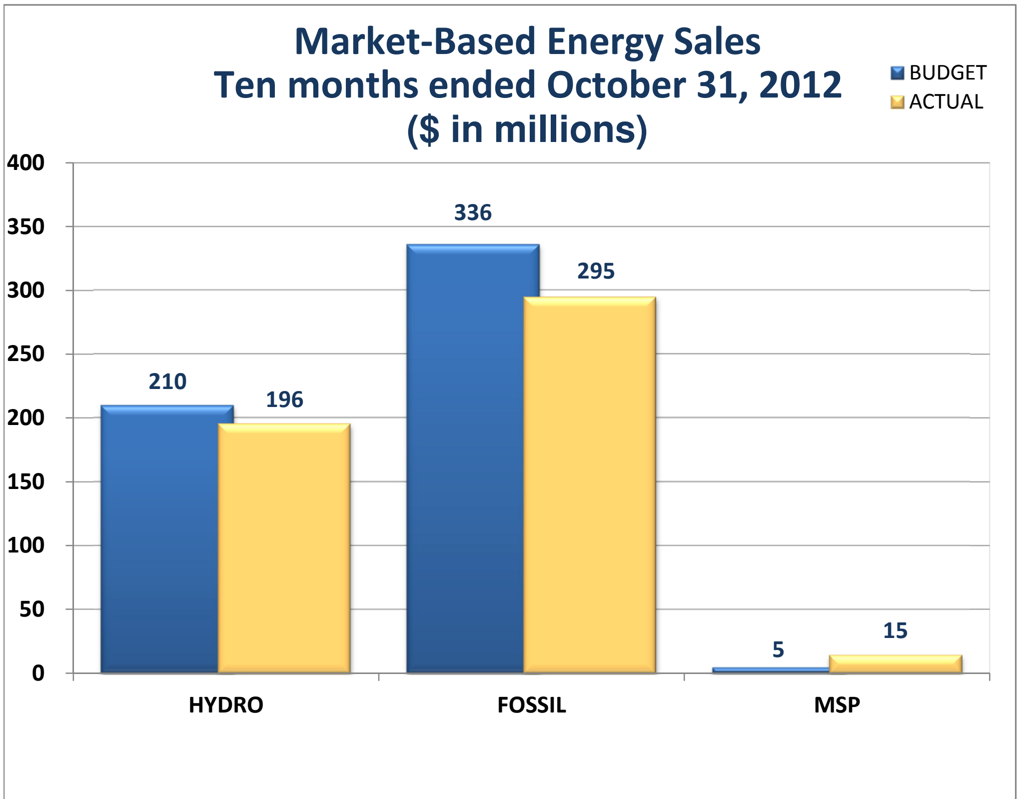
Net Income

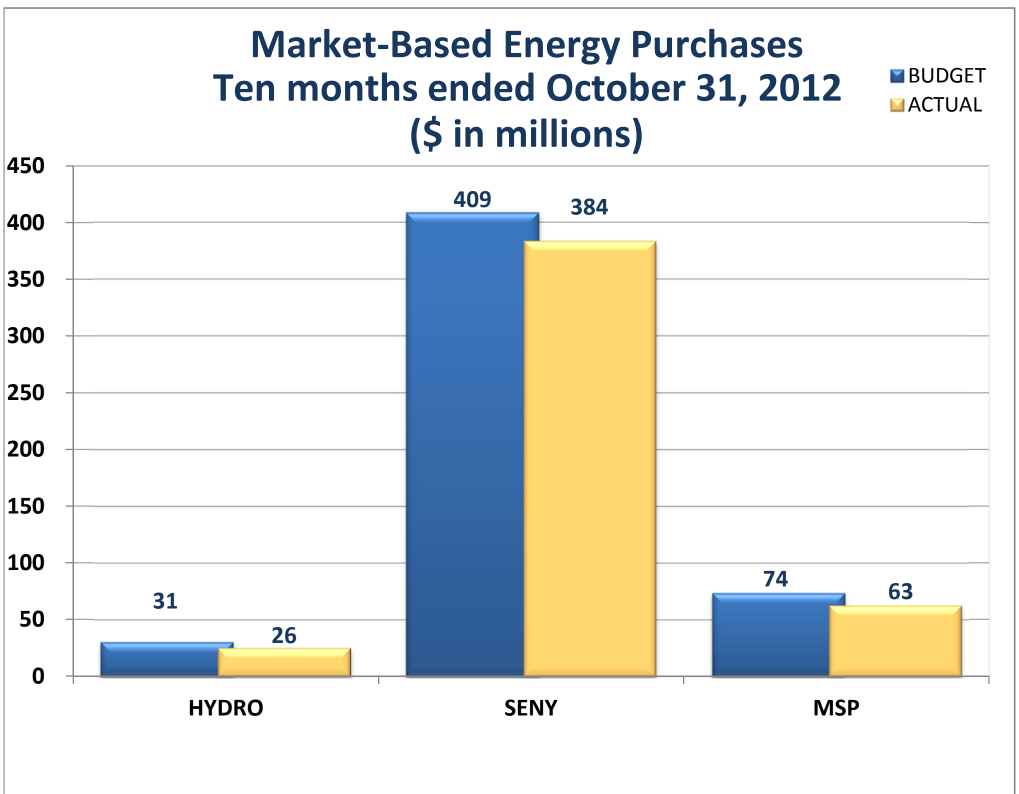
Ten months ended October 31, 2012

($ in millions)

	Actual	Budget	Variance
Niagara	$90.8	$103.1	($12.3)
St. Lawrence	31.4	28.0	3.4
Blenheim-Gilboa	(6.2)	(12.6)	6.4
SENY	32.0	32.4	(0.4)
SCPP	17.8	(1.1)	18.9
Market Supply Power	(54.7)	(57.1)	2.4
Flynn	15.6	9.7	5.9
Transmission	25.6	32.4	(6.8)
Non-facility	17.0	4.6	12.4
Total	**$169.3**	**$139.4**	**$29.9**

Major Factors	**Better (Worse)**
Niagara Lower net margins on sales ($21.2) due to lower energy prices, substantially offset by lower O&M ($5.2, timing of non-recurring projects) and lower other operating expenses ($3.1, primarily Industrial Incentive Awards).	($12.3)
St. Lawrence Primarily lower O&M ($3.4 non-recurring projects).	3.4
Blenheim Gilboa Primarily higher capacity revenues.	6.4
SCPP Higher capacity revenues due to higher prices.	18.9
Market Supply Power Lower purchased power costs due to lower prices, partially offest by additional accruals for P4J rebates and transition payments.	2.4
Other facilities Includes lower FACTS revenues at the transmission facilities.	(1.3)
Non-facility (including investment income) Primarily lower voluntary contribution to New York State ($75 vs $85 budgeted) and lower interest costs due to lower than anticipated market interest rates during the period.	12.4
Total	**$29.9**





REVENUES

SALES (MWH)	BUDGET	ACTUAL
Hydro*	4,624,114	5,183,132
Fossil	5,357,401	5,919,318
MSP	132,291	429,428
TOTAL	10,113,806	11,531,878
PRICES ($/MWH)		
Hydro*	$41.94	$32.34
Fossil	$59.08	$42.98
MSP	$37.43	$34.50
AVERAGE	$50.96	$37.88

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

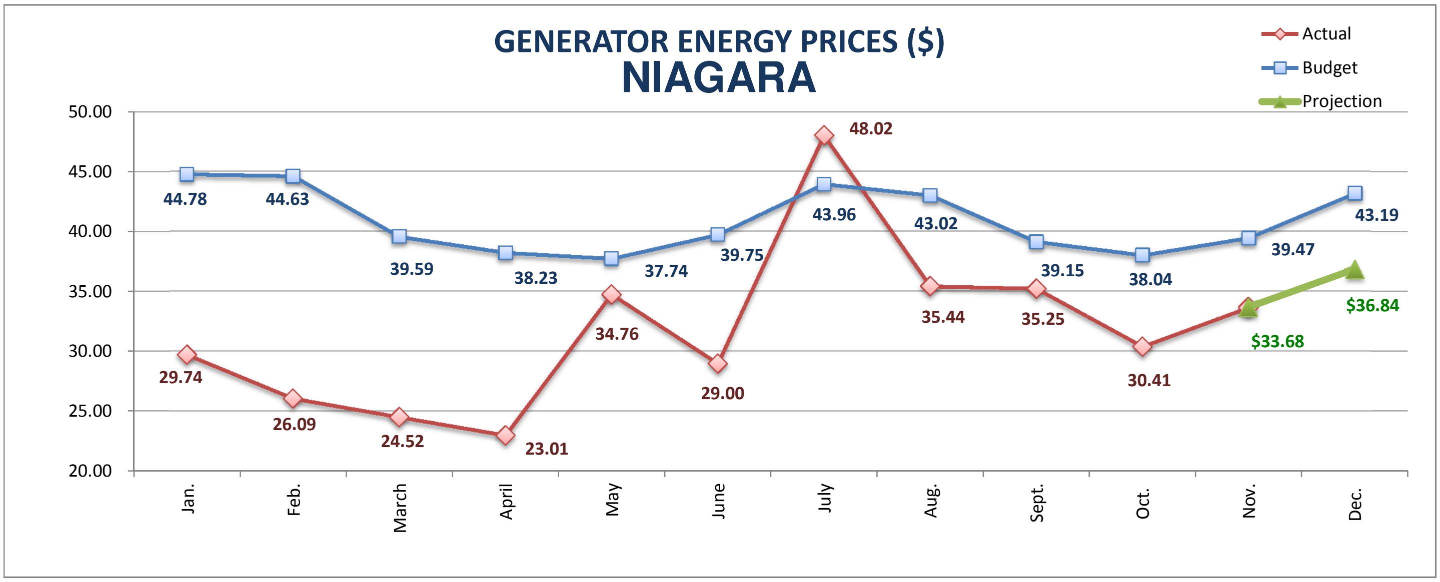
REVENUES

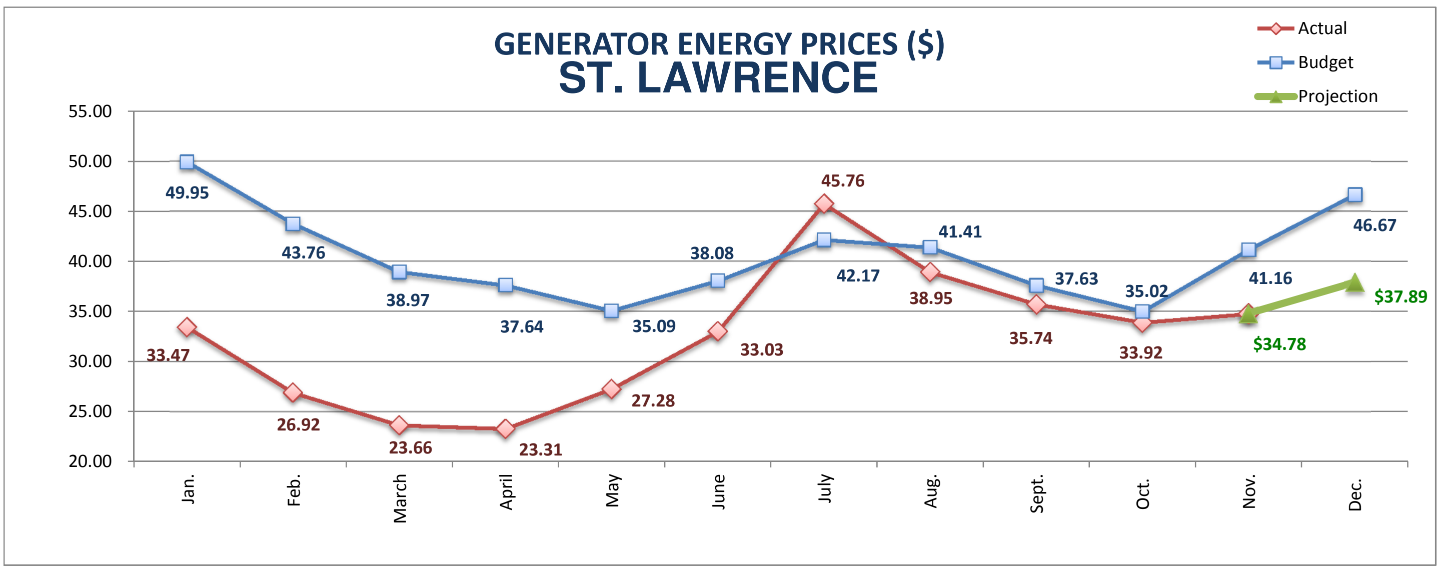
SALES (MWH)	BUDGET	ACTUAL
Niagara	2,695,623	2,948,410
St. Law.	1,574,027	1,912,266
PRICES ($/MWH)		
Niagara	$40.84	$30.60
St. Law.	$38.37	$29.94

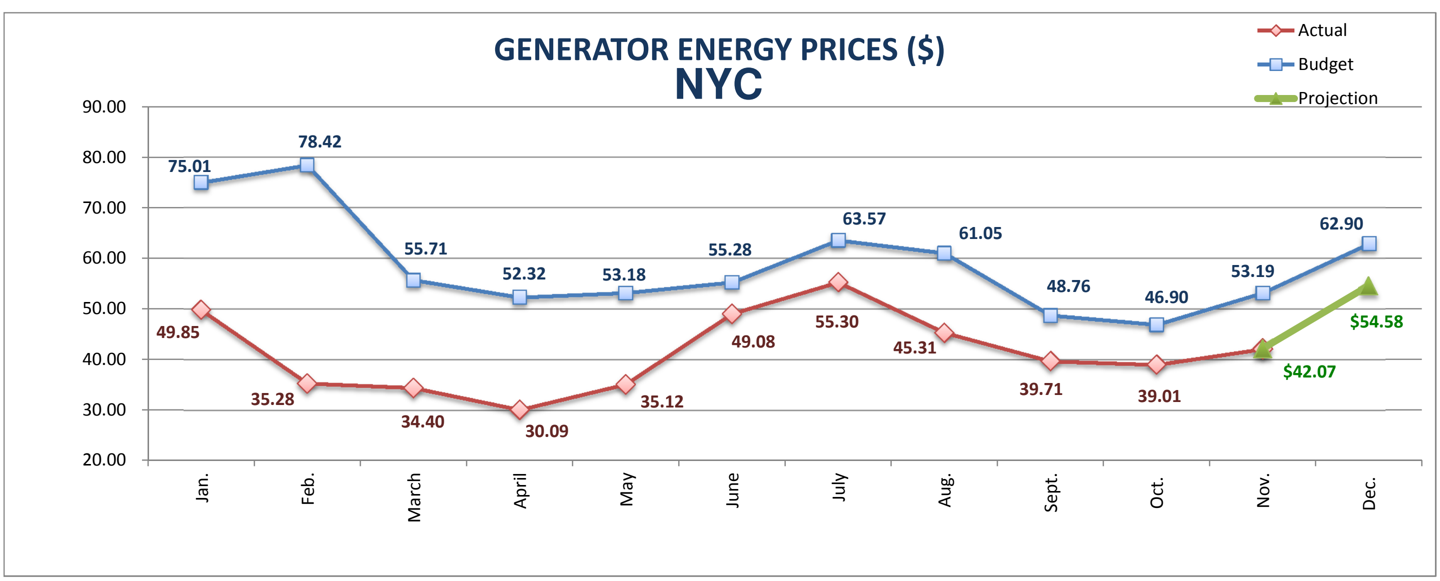
COSTS

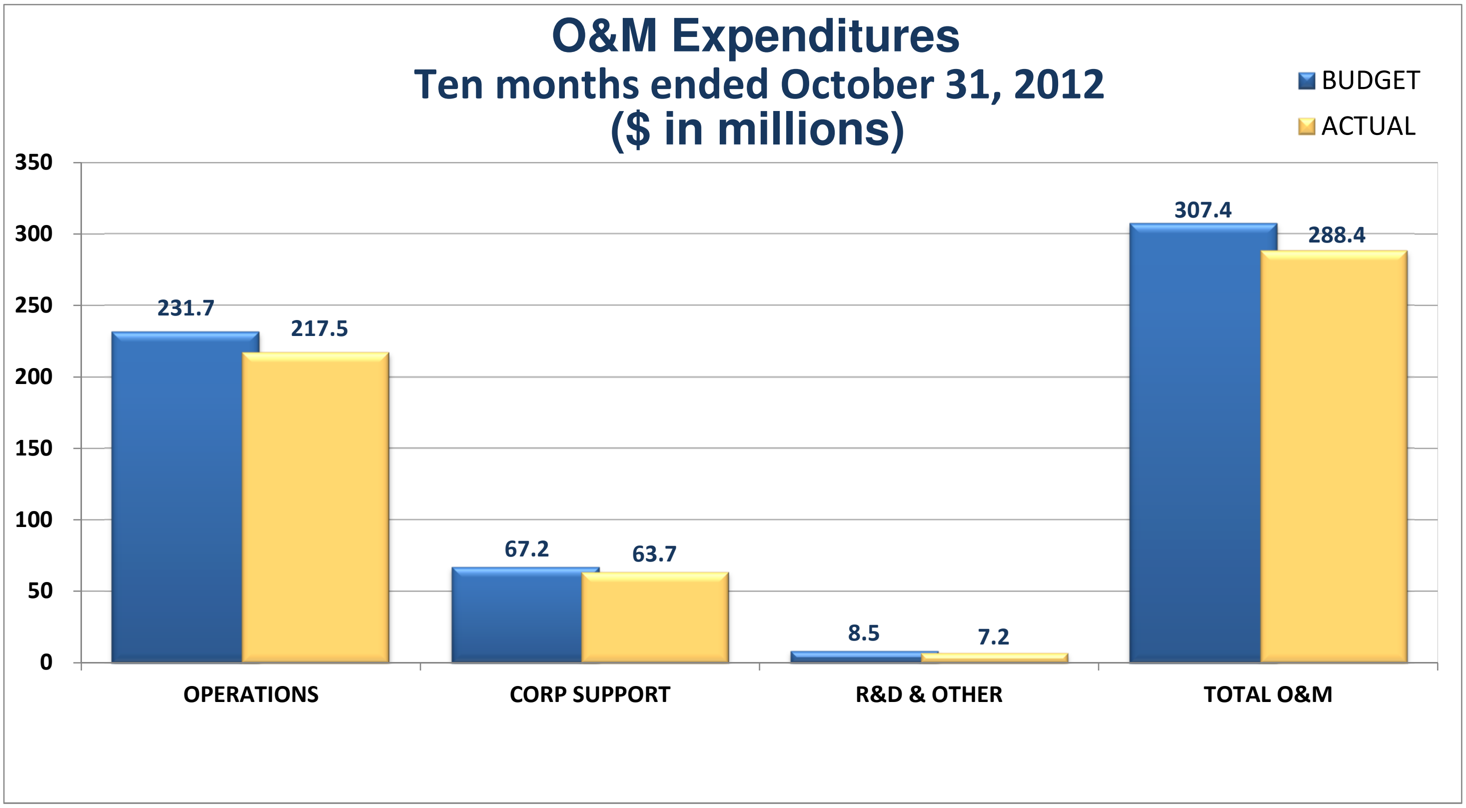
PURCHASES (MWH)	BUDGET	ACTUAL
Hydro	1,200,713	1,222,834
SENY	7,518,954	7,622,990
MSP	1,757,756	1,921,342
TOTAL	10,477,423	10,767,166
COSTS ($/MWH)		
Hydro	$25.70	$21.16
SENY	$54.43	$50.40
MSP	$42.23	$32.99
AVERAGE	$49.09	$43.97

RESULTS OF OPERATIONS
Market Energy Prices





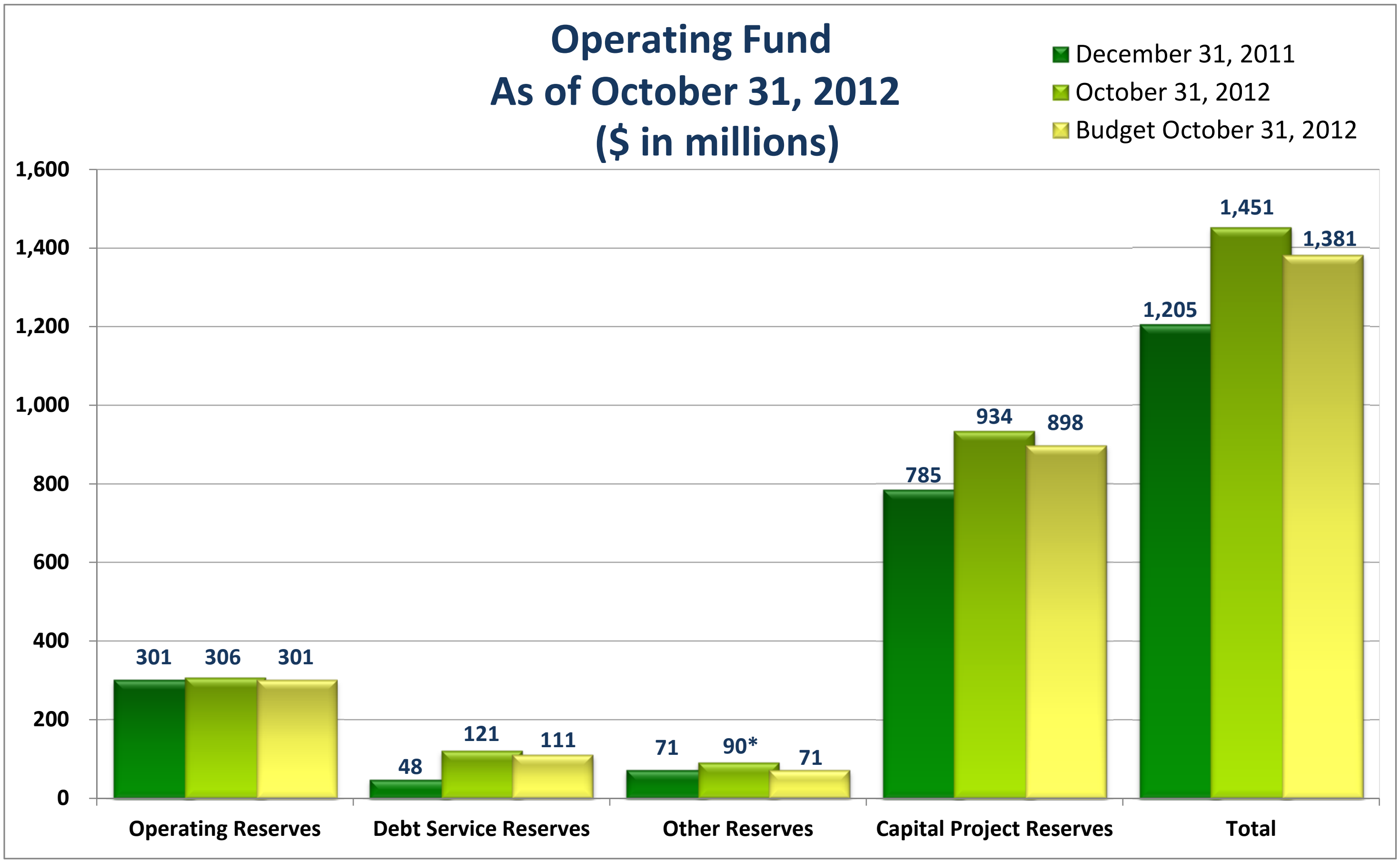




- For the ten months ended October 31, 2012, O&M expenses were $19.0 lower than the budget.

- Operations expenditures were lower than anticipated primarily due to timing differences in projects at Niagara (RMNPP Head-gate Refurbishment and Unit #2 Standardization) and Flynn (HRSG Stack Painting and Refurbishment), and less than anticipated spending on projects at the transmission facilities (Transmission LEM Assessement and Marcy South OverHead Static Wire Evaluation).

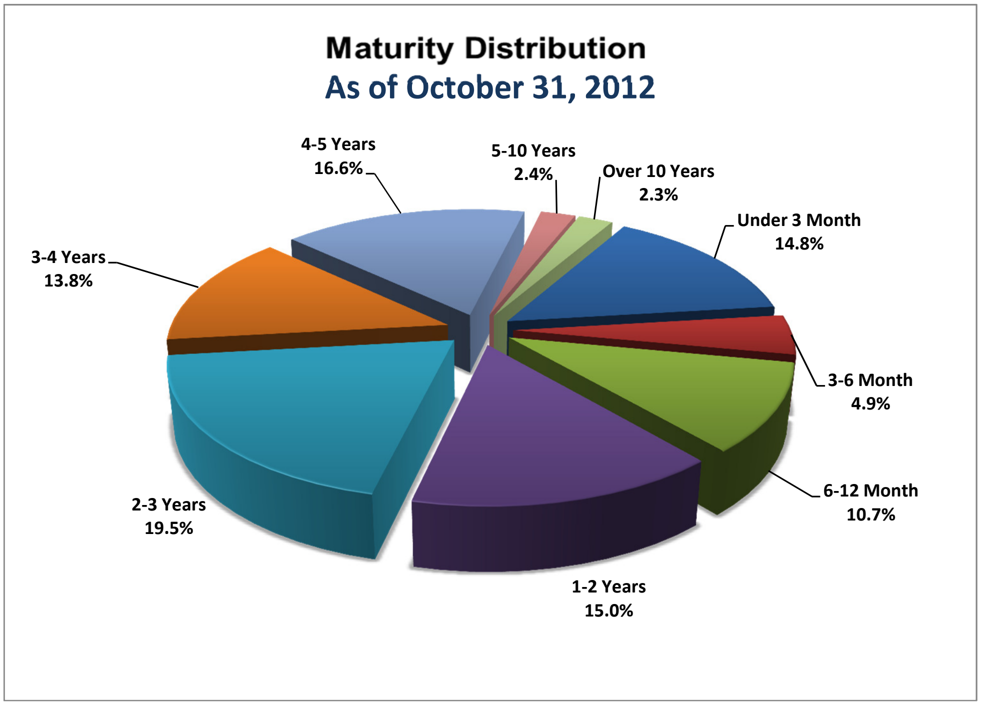
- HQ Corporate Support was under budget due to lower than anticipated expenditures for payroll, outside legal consultants and fuel cell maintenance, and timing related to the WPO garage repair.



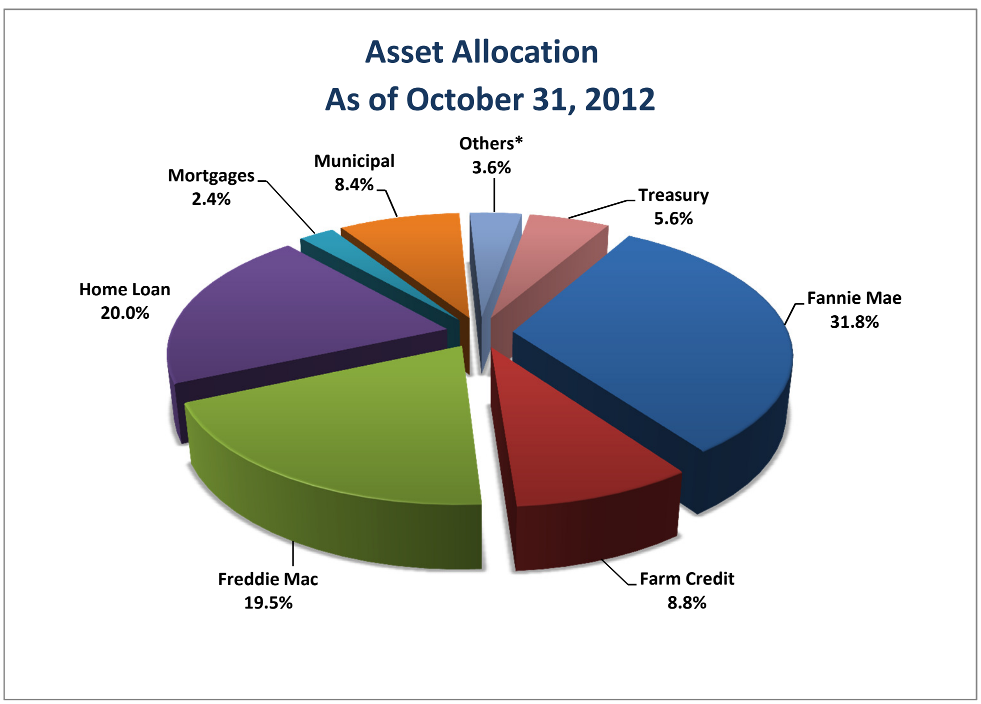
The increase of $246 in the Operating Fund (from $1,205 to $1,451) was primarily attributable to positive net cash provided by operating activities and payments of $82 received from Entergy, substantially offset by $75 in voluntary contributions to New York State.

* Includes $71 in Energy Hedging/Fuel Reserves and $19 in the Western New York Economic Development Fund.

CASH AND LIQUIDITY
INVESTMENT PORTFOLIO



MATURITY DISTRIBUTION ($ in millions)	
Under 3 Month	$222.6
3-6 Month	73.3
6-12 Month	161.4
1-2 Years	226.2
2-3 Years	294.7
3-4 Years	207.7
4-5 Years	250.7
5-10 Years	35.8
Over 10 Years	35.3
Total	**$1,507.7**

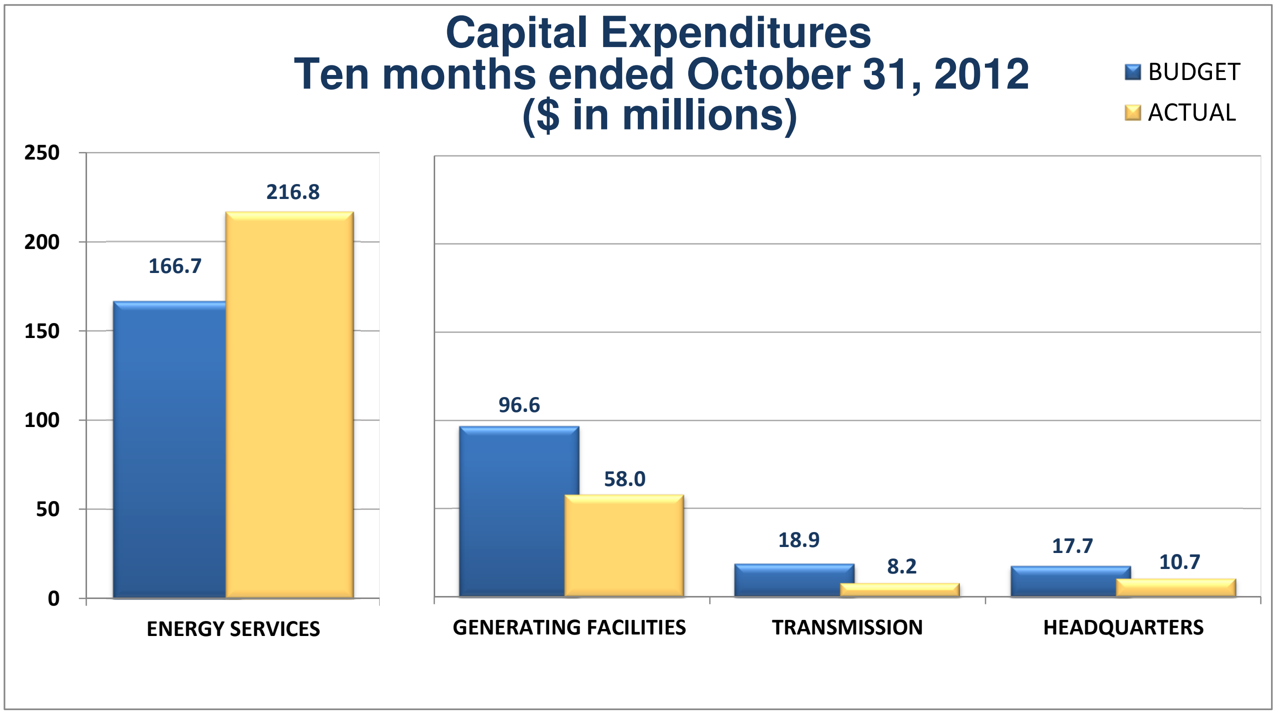


ASSET ALLOCATION ($ in millions)	
Fannie Mae	$479.5
Farm Credit	132.1
Freddie Mac	293.9
Home Loan	302.1
Mortgages	36.6
Municipal	125.9
Others*	53.9
Treasury	83.7
Total	**$1,507.7**

*Includes CDs and Repos

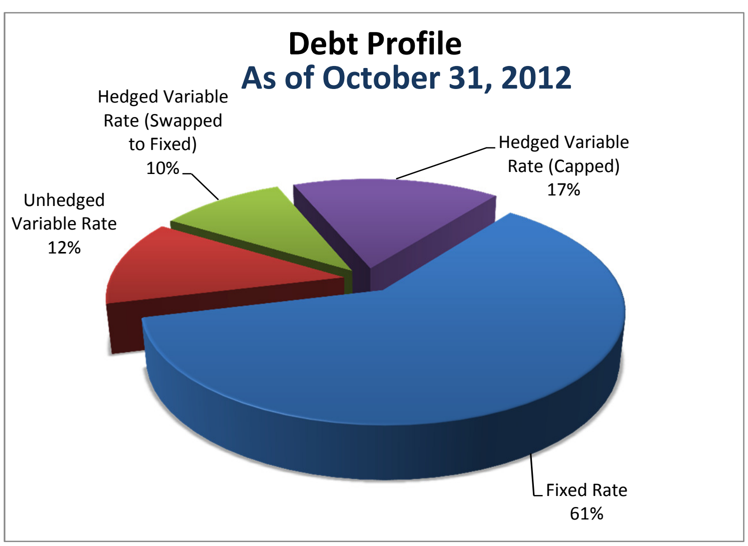
New York Power Authority

CASH AND LIQUIDITY



- Generating Facilities were under budget by $38.6 primarily due to delays related to the Blenheim Gilboa relicensing projects, the St. Lawrence LEM and SCADA projects and Astoria Infrastructure Upgrade.
- Transmission expenditures were less than anticipated due to delays in the Transmission Initiative and the Moses-Willis Double Circuitry projects.
- Headquarters expenditures were under budget primarily due to delays and timing differences related to IT Initiative Projects.
- Energy Services expenditures were over budget by $50.1 due to greater than expected spending in the Governmental Services program.
- Under the Expenditure Authorization Procedure, the President authorized new expenditures on budgeted and emergent capital projects of $18 through October. The following expditures were authorized for October:

  Niagara Integrated Communication Systems $1.9
  Crescent Dot Feeder Cable Replacement $ 1.1



DEBT PROFILE	
($ in millions)	
Fixed Rate	$1,083.4
Unhedged Variable Rate	222.5
Hedged Variable Rate (Swapped to Fixed)	180.2
Hedged Variable Rate (Capped)	300.0
Total	**$1,786.1**

ENERGY DERIVATIVES

Results

Year-to-date, energy derivative settlements have resulted in a net loss of $128.93 million. Gains and losses on these positions are substantially passed through to customers as resulting hedge settlements are incorporated into and recovered through customer rates.

Year-to-Date 2012 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions
($ in Millions)

	Settlements	Fair Market Value			
	YTD[1]	**2012**	**2013**	**>=2014**	**Total**
NYPA	$ (0.60)	$ -	$ 0.01	$ 0.02	$ 0.02
Customer Contracts	$ (128.33)	$ (19.32)	$ (49.17)	$ (67.20)	$ (135.69)
Total	**$ (128.93)**	**$ (19.32)**	**$ (49.16)**	**$ (67.18)**	**$ (135.66)**

[1] *Reflects October preliminary settlements.*

At the end of October, the fair market value of outstanding positions was at an unrealized loss of $135.66 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of futures contracts for entire year 2013 and how they have traded since 11/30/2010. Exhibit 2 shows the average price of futures contracts for entire year 2014 since 11/30/2011.

Exhibit 1: Average January to December 2013 Forward Price

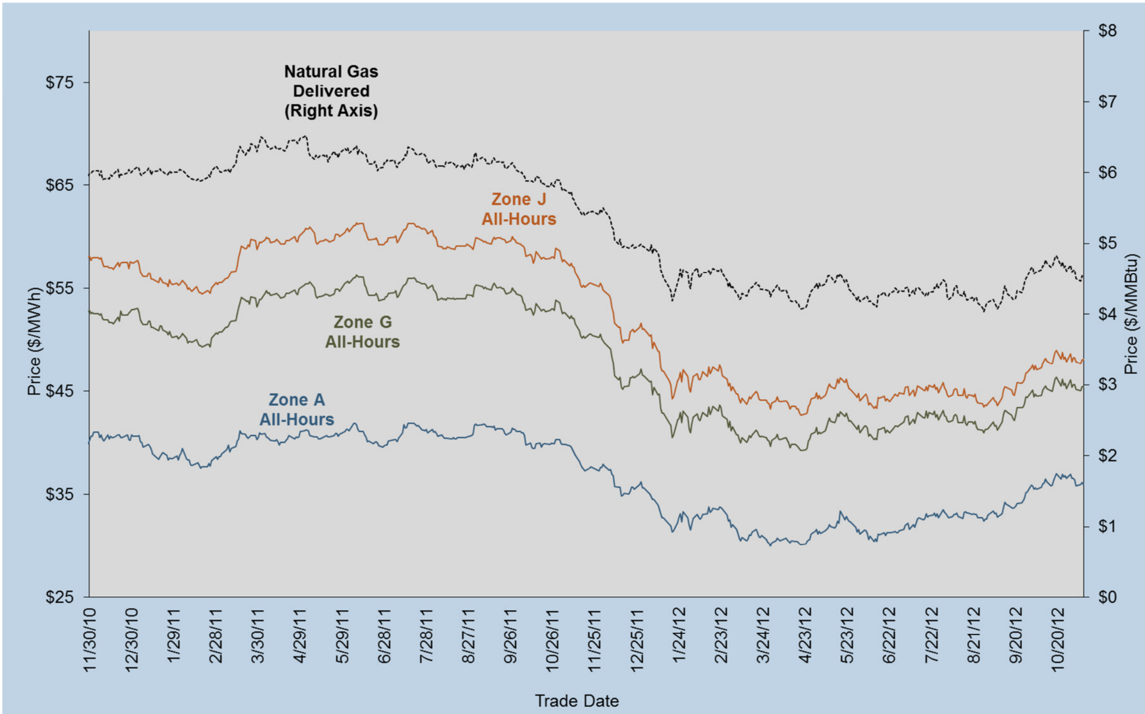
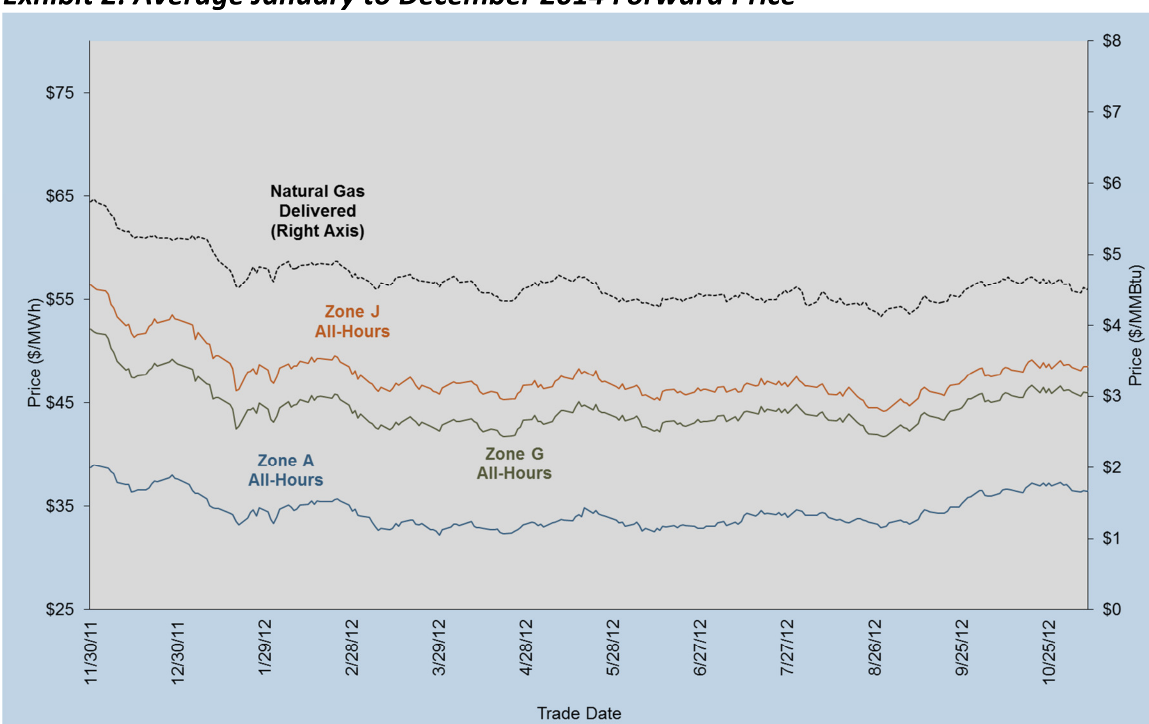


Exhibit 2: Average January to December 2014 Forward Price



STATEMENT OF NET INCOME
For the Ten Months Ended October 31, 2012
($ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,173.0	Customer	**$ 1,688.4**	**$ 1,814.4**	**$ (126.0)**
552.7	Market-based power sales	431.6	487.7	(56.1)
28.9	Ancillary services	21.0	23.6	(2.6)
118.3	NTAC and other	91.4	97.2	(5.8)
699.9	Total	**544.0**	**608.5**	**(64.5)**
2,872.9	**Total Operating Revenues**	**2,232.4**	**2,422.9**	**(190.5)**
	Operating Expenses			
752.9	Purchased power	573.0	643.1	70.1
329.5	Fuel consumed - oil & gas	176.1	273.1	97.0
76.5	Ancillary services	38.8	63.6	24.8
610.2	Wheeling	513.5	518.7	5.2
370.9	Operations and maintenance	288.4	307.4	19.0
222.2	Depreciation and amortization	188.1	185.2	(2.9)
194.3	Other expenses	173.6	166.3	(7.3)
(11.7)	Allocation to capital	(7.7)	(9.6)	(1.9)
2,544.8	**Total Operating Expenses**	**1,943.8**	**2,147.8**	**204.0**
328.1	**Net Operating Income**	**288.6**	**275.1**	**13.5**
	Nonoperating Revenues			
86.9	Post nuclear sale income	82.8	84.5	(1.7)
42.1	Investment income	33.0	35.1	(2.1)
(10.0)	Mark to market - investments	(4.4)	(7.5)	3.1
119.0	**Total Nonoperating Revenues**	**111.4**	**112.1**	**(0.7)**
	Nonoperating Expenses			
85.0	Contributions to New York State	75.0	85.0	10.0
195.1	Interest and other expenses	155.7	162.8	7.1
280.1	**Total Nonoperating Expenses**	**230.7**	**247.8**	**17.1**
$167.0	**Net Income**	**$ 169.3**	**$ 139.4**	**$ 29.9**

New York Power Authority
Financial Reports

COMPARATIVE BALANCE SHEETS
October 31, 2012
($ in millions)

Assets		October 31, 2012	October 31, 2011	December 31, 2011
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	1,473.3	1,356.9	1,233.0
	Interest receivable on investments	5.6	5.5	5.6
	Accounts receivable - customers	223.8	242.2	188.0
	Materials and supplies, at average cost:			
	Plant and general	82.4	80.3	80.1
	Fuel	22.3	23.3	23.0
	Prepayments and other	184.6	150.5	263.5
	Total Current Assets	**1,992.1**	**1,858.8**	**1,793.3**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	1,179.7	1,079.7	1,089.8
	Other	70.0	81.0	76.4
	Total Restricted Funds	**1,249.7**	**1,160.7**	**1,166.2**
Capital Funds	Investment in securities and cash	82.7	101.5	97.2
	Total Capital Funds	**82.7**	**101.5**	**97.2**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,331.5	3,405.5	3,414.5
	Capital lease, less accumulated amortization	1,078.4	1,017.6	1,126.5
	Construction work in progress	157.3	95.7	133.4
	Net Utility Plant	**4,567.2**	**4,518.8**	**4,674.4**
Other Noncurrent Assets	Receivable - NY State	318.0	318.0	318.0
	Deferred charges, long-term receivables and other	667.9	609.8	614.4
	Notes receivable - nuclear plant sale	143.9	160.5	143.0
	Total other noncurrent assets	**1,129.8**	**1,088.3**	**1,075.4**
	Total Assets	**9,021.5**	**8,728.1**	**8,806.5**
Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	918.7	902.5	905.9
	Short-term debt	329.5	353.1	373.7
Includes lower FACTS revenu	**Total Current Liabilities**	**1,248.2**	**1,255.6**	**1,279.6**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,104.4	1,228.6	1,107.4
	Adjustable rate tender notes	114.8	123.0	122.9
	Commercial paper	258.6	231.8	204.2
	Total Long-term Debt	**1,477.8**	**1,583.4**	**1,434.5**
Other Noncurrent Liabilities	Nuclear plant decommissioning	1,179.7	1,079.7	1,089.8
	Disposal of spent nuclear fuel	216.4	216.2	216.2
	Capital lease obligation	1,237.6	1,125.4	1,241.3
	Deferred revenues and other	197.0	256.0	249.6
	Total Other Noncurrent Liabilities	**2,830.7**	**2,677.3**	**2,796.9**
Net Assets	Total Net Assets	**3,464.8**	**3,211.8**	**3,295.5**
	Total Liabilities and Net Assets	**$9,021.5**	**$8,728.1**	**$8,806.5**

SUMMARY OF OPERATING FUND CASH FLOWS
For the Ten Months Ended October 31, 2012
($ in millions)

Operating Fund	
Opening	$1,204.6
Closing	1,451.0
Increase/(Decrease)	**246.4**
Cash Generated	
Net Operating Income	288.6
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	188.1
Net Change in Receivables, Payables & Inventory	(120.7)
Other	(4.8)
Net Cash Generated from Operations	**351.2**
(Uses)/Sources	
Utility Plant Additions	(86.8)
Debt Service	
Commercial Paper 2	(16.4)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(9.9)
ART Notes	(8.3)
Investment Income	20.8
EntergyPayment (Value Sharing Agreement)	72.0
EntergyPayment (IP2 Purchase Agreement)	10.0
Voluntary Contributions to NY State	(81.0)
Other	(5.2)
Total (Uses)/Sources	**(104.8)**
Net Increase in Operating Fund	**$246.4**

2013 Operating Budget
($ Millions)

	Operating Budget 2013
Operating Revenues:	
Customer Revenues	$2,119.6
NYISO Market Revenues	678.6
Total Operating Revenues	2,798.1
Operating Expenses:	
Purchased Power	773.8
Fuel oil and gas	322.9
Wheeling Expenses	582.9
O&M Expenses	413.4
Other Expenses	201.1
Depreciation and Amortization	227.8
Total Operating Expenses	2,522.0
NET OPERATING REVENUES	**276.2**
Other Income:	
Investment Income	27.7
Other Income	76.6
Total Other Income	104.2
Non-Operating Expenses	
Interest & Other Expenses	185.0
Contributions to State	65.0
Total Non-Operating Expenses	250.0
NET INCOME	**$130.4**

2012 - 2013 Plan Variance
($ Millions)

	Original Budget 2012	Forecast 2012	Budget 2013	2012 Forecast vs. 2013 Budget Variance
Operating Revenues:				
Customer Revenues	$2,173.0	$2,032.4	$2,119.6	$87.1
NYISO Market Revenues	$695.9	$650.1	$678.6	$28.4
Total Operating Revenues	$2,869.0	$2,682.6	$2,798.1	$115.6
Operating Expenses:				
Purchased Power	$825.8	$736.8	$773.8	$37.0
Fuel oil and gas	$329.5	$234.8	$322.9	$88.1
Wheeling Expenses	$610.2	$598.1	$582.9	($15.2)
O&M Expenses	$359.2	$355.6	$413.4	$57.8
Other Expenses	$194.3	$209.8	$201.1	($8.7)
Depreciation and Amortization	$222.2	$225.9	$227.8	$1.9
Total Operating Expenses	$2,541.2	$2,360.9	$2,522.0	$161.0
NET OPERATING REVENUES	**$327.7**	**$321.6**	$276.2	($45.5)
Other Income:				
Investment Income	$31.4	$34.1	$27.7	($6.5)
Other Income	$87.5	$86.9	$76.6	($10.3)
Total Other Income	$119.0	$121.0	$104.2	($16.8)
Non-Operating Expenses				
Interest & Other Expenses	$195.1	$186.9	$185.0	($1.9)
Contributions to State	$85.0	$85.0	$65.0	($20.0)
Total Non-Operating Expense	$280.1	$271.9	$250.0	($21.9)
NET INCOME	$166.6	$170.8	$130.4	($40.3)

2013 Operating Forecast by Project ($ Thousands)

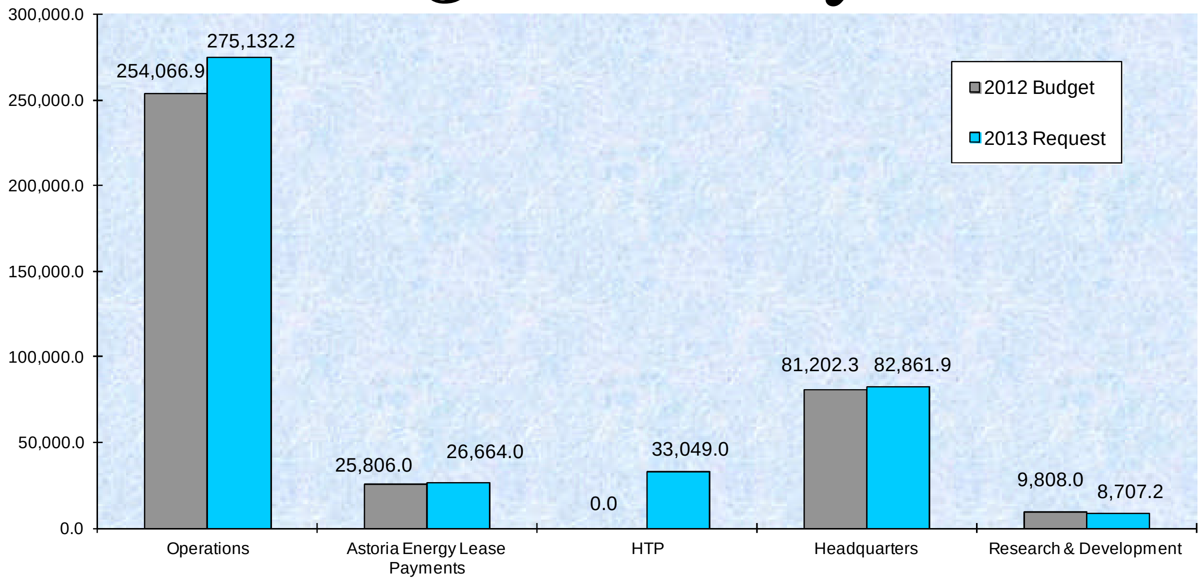
	Niagara	St. Lawrence	Blenheim	SENY	Small Hydro	SCPP	Mkt Sup Power	Flynn	Trans-mission	Misc.	Year End
Operating Revenues											
Customer Revenue	257,318	139,493	8,359	1,482,819			143,432	101,154	66,913	(79,916)	2,119,572
ISO Revenues	93,719	31,827	48,100	311,084	7,217	84,953			126,399	(52,668)	650,632
Ancillary Services	15,742	1,573	2,172	7,675	20	753					27,935
Operating Revenues	**366,779**	**172,893**	**58,631**	**1,801,578**	**7,238**	**85,706**	**143,432**	**101,154**	**193,312**	**(132,584)**	**2,798,139**
Operating Expenses											
Purchase Power	(11,303)	(31,790)	(9,473)	(577,031)		(1,488)	(124,123)			138,345	(616,865)
Ancillary Services	(24,733)	(11,184)	(65)	(32,366)	(42)	(111)	(7,628)				(76,129)
Transmission Congestion	(21,364)	(7,026)		(45,642)			(6,808)				(80,840)
Fuel				(229,117)		(23,999)		(69,752)			(322,868)
Wheeling	(7,629)	(1,313)		(573,012)			(633)	(360)			(582,947)
O&M	(90,475)	(50,897)	(33,170)	(79,420)	(10,495)	(27,904)	(1,902)	(12,434)	(119,717)		(426,414)
Other	(32,351)	(4,949)	(3,397)	(14,340)	(810)	(485)	(109,217)	(1,926)	(8,478)	(25,135)	(201,089)
Depreciation & Amortization	(36,058)	(19,820)	(9,084)	(93,870)	(2,916)	(18,596)	(798)	(5,331)	(41,331)		(227,803)
Allocation to Capital	3,555	2,009	1,471	1,861	351	210	94	408	3,034		12,993
Operating Expenses	**(220,356)**	**(124,971)**	**(53,717)**	**(1,642,937)**	**(13,913)**	**(72,373)**	**(251,016)**	**(89,395)**	**(166,492)**	**113,210**	**(2,521,961)**
Nonoperating Revenues											
Investment Income										36,665	36,665
Mark-to-Mark Adjustment										(9,000)	(9,000)
Other Income								805		75,768	76,573
Nonoperating Revenues								**805**		**103,433**	**104,238**
Nonoperating Expenses											
Contributions to State										(65,000)	(65,000)
Interest & Other Expenses	(27,850)	(17,437)	128	(111,876)	(872)	(7)	(4)	(15)	(10,651)	(16,395)	(184,978)
Nonoperating Expenses	**(27,850)**	**(17,437)**	**128**	**(111,876)**	**(872)**	**(7)**	**(4)**	**(15)**	**(10,651)**	**(81,395)**	**(249,978)**
Net Income	**118,573**	**30,486**	**5,042**	**46,765**	**(7,548)**	**13,326**	**(107,588)**	**12,549**	**16,168**	**2,664**	**130,438**

O & M 2012-2013 Budget

$ Thousands	2012 Budget	2013 Budget	INCREASE / (DECREASE) $'s	%
EXECUTIVE OFFICE				
Executive	2,570.0	2,440.4	(129.7)	(5.0%)
Law	7,842.6	7,894.9	52.3	0.7%
Internal Audit	1,981.7	2,041.7	60.0	3.0%
Public, Governmental & Regulatory Affairs	1,476.6	1,614.7	138.1	9.4%
Corporate Communications	4,012.8	4,133.8	121.0	3.0%
Strategic Planning	5,108.6	5,727.4	618.8	12.1%
Office Total	**22,992.3**	**23,852.9**	**860.6**	**3.7%**
BUSINESS SERVICES				
EVP Business Services	420.2	582.4	162.2	38.6%
Controller	4,889.0	5,603.7	714.7	14.6%
Finance	4,686.6	3,918.1	(768.5)	(16.4%)
Treasury	1,143.2	1,301.2	158.0	13.8%
Energy Risk Assessment & Control	55.0	205.8	150.8	273.9%
Office Total	**11,194.1**	**11,611.2**	**417.2**	**3.7%**
CORPORATE SUPPORT SERVICES				
SVP Corporate Support Services	781.1	684.0	(97.0)	(12.4%)
Corporate Support Services	8,466.6	8,956.2	489.5	5.8%
Procurement	3,507.0	3,425.0	(82.0)	(2.3%)
Fleet Management	1,063.8	1,366.4	302.6	28.4%
Information Technology	22,078.9	23,386.6	1,307.7	5.9%
Human Resources	4,952.4	5,846.4	894.0	18.1%
Office Total	**40,849.8**	**43,664.6**	**2,814.8**	**6.9%**
ENERGY MARKETING & ECONOMIC DEVELOPMENT				
Energy Services	2,020.4	2,173.0	152.7	7.6%
Marketing	4,145.7	1,560.1	(2,585.6)	(62.4%)
Office Total	**6,166.1**	**3,733.1**	**(2,433.0)**	**(39.5%)**

	2012 Budget	2013 Budget	INCREASE / (DECREASE) $'s	%
OPERATIONS				
Operations Headquarters	22,090.7	23,413.8	1,323.1	6.0%
Clark	23,806.5	19,744.7	(4,061.8)	(17.1%)
Blenheim-Gilboa	20,119.4	20,272.7	153.3	0.8%
500MW	31,606.1	29,385.0	(2,221.1)	(7.0%)
Flynn	10,298.9	8,856.6	(1,442.3)	(14.0%)
SENY	6,920.1	7,057.9	137.7	2.0%
SCPP	23,468.6	26,061.9	2,593.3	11.1%
Niagara	55,770.2	59,308.8	3,538.6	6.3%
St. Lawrence	24,545.6	33,287.5	8,741.9	35.6%
Small Hydros	5,414.3	7,418.5	2,004.1	37.0%
Transmission Lines	30,026.3	40,324.9	10,298.6	34.3%
Office Total	**254,066.9**	**275,132.2**	**21,065.3**	**8.3%**
Research & Development	**9,808.0**	**8,707.2**	**(1,100.8)**	**(11.2%)**
TOTAL NYPA	***345,077.2***	***366,701.2***	**21,624.0**	**6.3%**
Astoria Energy II Lease	***25,806.0***	***26,664.0***	***858.0***	**3.3%**
HTP	**-**	**33,049.0**	**33,049.0**	**0.0%**
Grand Total	**370,883.2**	**426,414.2**	**55,531.0**	**15.0%**

O & M: 2012 – 2013 Summary ($ Thousands)



<u>HIGHLIGHTS</u>

* *The 2013 base request of $366.7 million, which excludes lease payments of $26.7 million for Astoria Energy and $33.0 million for HTP, is $21.6 million (6.3%) greater than the 2012 approved budget. When including the O&M component of the Astoria Energy facility lease payment which is fully recovered in customer rates, and the HTP lease, the 2013 request is $426.4 million.*

* *The requested staffing level is for 1,742 positions, up 27 (1.6%) from January 2012. The increase represents thirteen (13) positions added during 2012, the request for fifteen (15) new positions in 2013 (six Headquarters positions and nine Operations succession planning positions) and one position elimination in 2012.*

* *The Fringe Benefits (O&M Component) increase of $7.3 million is mostly driven by a substantial increase in pension costs ($4.7 million) due to the performance of the New York State Retirement System portfolio from 2008 through mid-2012, a $1.0 million increase in Medical Insurance and a $1.6 million increase in OPEB reflecting new actuarial assumptions and revised*

* *Planned outage costs for 2013 total $13.1 million which is $0.1 million less than the 2012 outage budget. The following is a breakdown of the outage request by facility:*

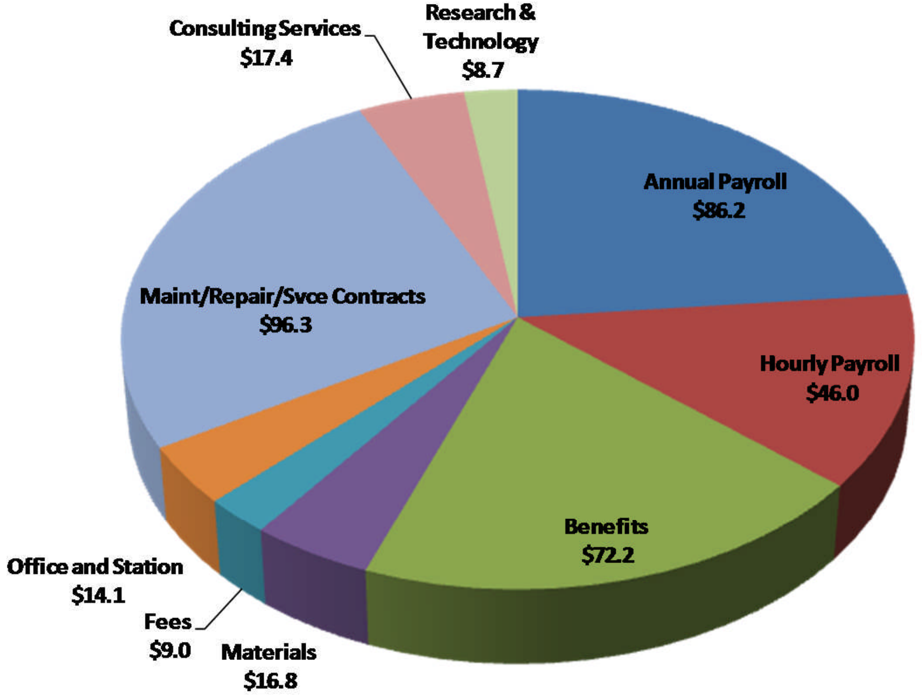
-	*500MW*	*$7.7 million*
-	*SCPP's*	*$5.4 million*

* *HQ request is $1.6 million higher than 2012. Major Increases is in fringe benefits (medical, pension and OPEB) and less WPO rental income are mostly offset by various reductions and increased assignment of costs to the operating facilities.*

* *The increase in Operations mainly reflects an increase of $13.1 million in non-recurring work and an increase in fringe benefits.*

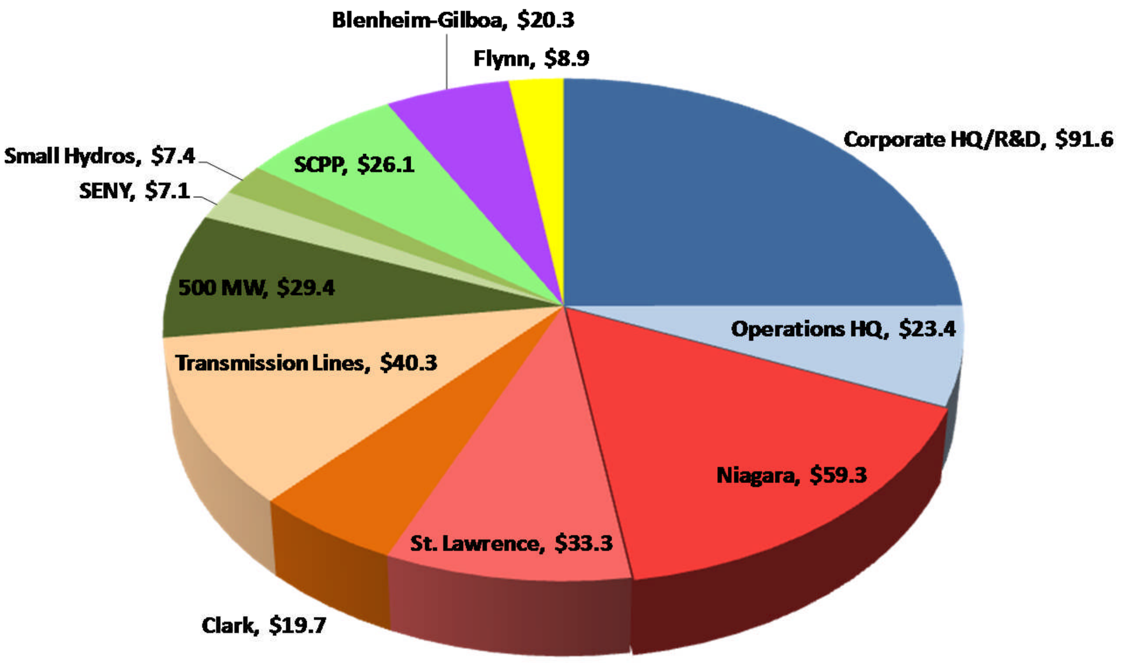
O & M: 2013 Budget by Cost Element ($ Millions)

$366.7M
(excludes AEII & HTP Leases)



O & M: 2013 Budget by Facility ($ Millions)

$366.7M
(excludes AEII and HTP leases)



* Astoria does not reflect annual Lease payments

O & M: Headcount 2012 – 2013

Headcount 2012-2013

A net increase of 27 positions reflects:
* The request for 15 new positions included in the 2013 Budget
* 13 positions added in 2012
* Elimination of 1 position

	01/01/12	09/30/12	2013 Request	1/1/12-2013 Inc/(Dec)
Headquarters				
Executive Offices	144	147	149	5
Business Services	108	104	104	(4)
Corporate Support Services	244	246	246	2
Marketing & Economic Development	132	138	142	10
Headquarters Total	**628**	**635**	**641**	**13**
Operations				
Operations HQ	323	327	328	5
Transmission/Clark	128	129	130	2
Blenheim-Gilboa	109	108	110	1
Poletti/500MW	67	67	67	0
R.M. Flynn	22	22	22	0
Niagara	260	260	260	0
St. Lawrence	178	178	184	6
Operations Total	**1,087**	**1,091**	**1,101**	**14**
NYPA Total	**1,715**	**1,726**	**1,742**	**27**

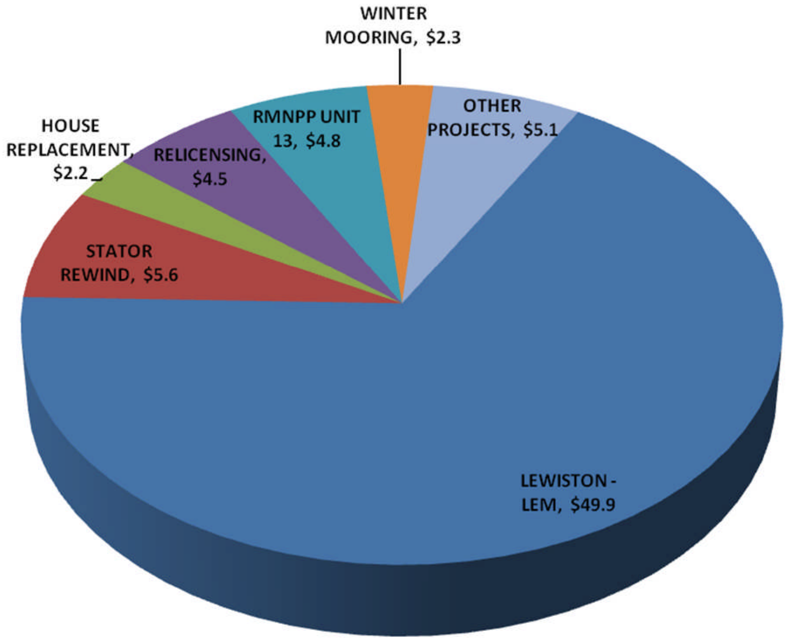
Capital & Energy Services Budget Variance from 2012-2013

$ Thousands	2012 CAPITAL BUDGET	2013 CAPITAL REQUEST	INCREASE / DECREASE	% CHANGE
GENERATION FACILITIES				
TRANSMISSION	*$28,311*	*$53,923*	*$25,612*	*90.47%*
*NIAGARA **	*$54,139*	*$74,405*	*$20,266*	*37.43%*
*ST. LAWRENCE **	*$35,457*	*$15,765*	*-$19,692*	*-55.54%*
*BLENHEIM- GILBOA **	*$7,281*	*$5,013*	*-$2,269*	*-31.16%*
500 MW	*$9,708*	*$9,817*	*$110*	*1.13%*
SCPP	*$3,570*	*$3,436*	*-$134*	*>100%*
FLYNN	*$3,365*	*$661*	*-$2,704*	*-80.36%*
SMALL HYDRO PLANTS	*$4,218*	*$5,165*	*$946*	*>100%*
SUB-TOTAL	*$146,050*	*$168,185*	*$22,136*	*15.16%*
HEADQUARTERS	*$20,715*	*$24,092*	*$3,378*	*16.31%*
TOTAL CAPITAL	*$166,764*	*$192,277*	*$25,513*	*15.30%*
ENERGY SERVICES	*$200,000*	*$200,793*	*$793*	*0.40%*
TOTAL CAPITAL WITH ENERGY SERVICES	*$366,764*	*$393,071*	*$26,306*	*7.17%*

** Includes Relicensing and Compliance Implementation Expense*

Niagara Project
2013 Capital Budget Request ($ Millions)

TOTAL NYPA CAPITAL = $192.3 MILLION
NIAGARA INITIATIVES = $ 74.4 MILLION / 38.7% OF TOTAL

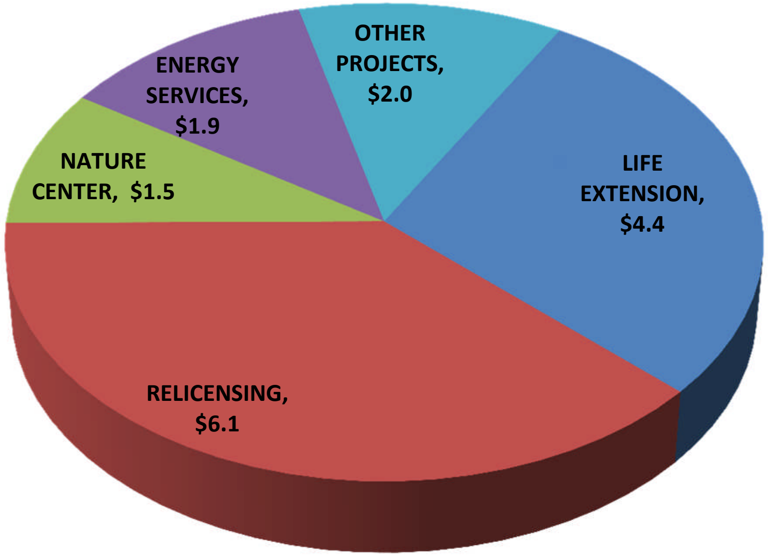


Major Niagara Projects

LEWISTON PUMP GENERATION PLANT-LIFE EXTENSION	$ 49.9
NIAGARA STATOR REWIND	$ 5.6
SOUTH ACCESS GUARD HOUSE REPLACEMENT	$ 2.2
NIAGARA RELICENSING - COMPLIANCE & IMPLEMENTATION	$ 4.5
RMNPP UNIT 13 STANDARDIZATION	$ 4.8
NIAGARA - WINTER MOORING SITE	$ 2.3
ALL OTHER NIAGARA PROJECTS	$ 5.1
TOTAL NIAGARA	$ 74.4

St. Lawrence Project
2013 Capital Budget Request ($ Millions)

TOTAL NYPA CAPITAL = $192.3 MILLION
ST. LAWRENCE INITIATIVES = $ 15.8 MILLION / 8.2% OF TOTAL

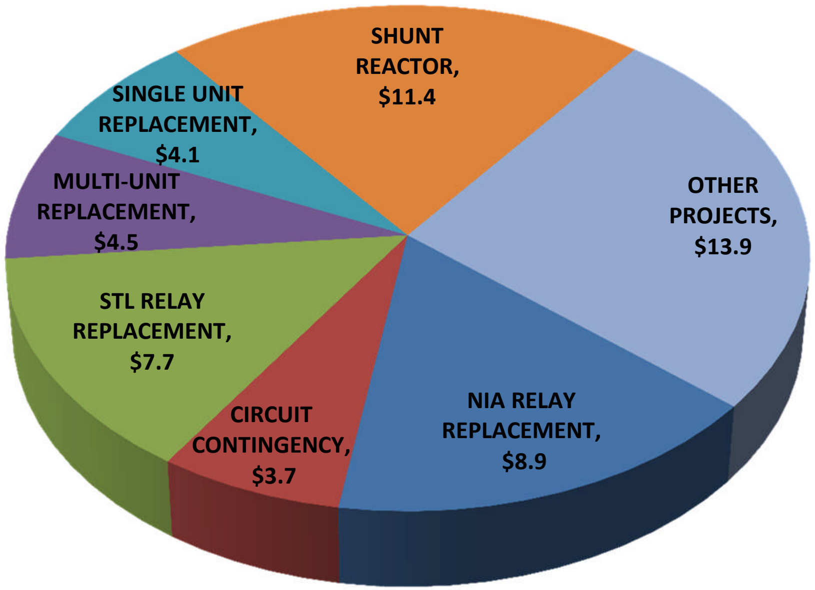


Major St. Lawrence Projects

STL LIFE EXTENSION	$ 4.4
STL RELICENSING COMPLIANCE & IMPLEMENTATION	$ 6.1
STL NATURE CENTER	$ 1.5
STL SERVICES UPGRADES	$ 1.9
ALL OTHER STL PROJECTS	$ 2.0
TOTAL ST. LAWRENCE	$ 15.8

Transmission Facilities
2013 Capital Budget Request ($ Millions)

TOTAL NYPA CAPITAL	= $192.3 MILLION
TRANSMISSION INITIATIVES	= $ 54.1 MILLION / 28.1% OF TOTAL



Major Transmission Projects

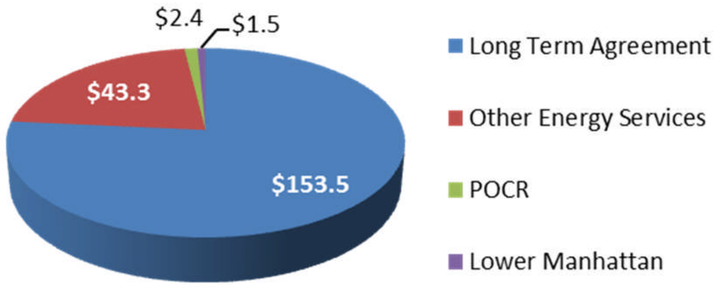
NIAGARA RELAY REPLACEMENT PROGRAM	$ 8.9
MOSES-WILLIS DOUBLE CIRCUIT CONTINGENCY	$ 3.7
ST. LAWRENCE BREAKER AND RELAY REPLACEMENT	$ 7.6
MASSENA 765/230kV MULTI-UNIT AUTOTRANSFORMER REPLACEMENT	$ 4.5
MASSENA 765/230kV SINGLE UNIT AUTOTRANSFORMER REPLACEMENT	$ 4.1
COOPERS CORNER SHUNT REACTOR	$ 11.4
ALL OTHER TRANSMISSION PROJECTS	$ 13.9
TOTAL TRANSMISSION	$ 54.1

ENERGY SERVICES
2013 BUDGET ($ Thousands)

	2012 Budget	2013 Budget	INCREASE/(DECREASE) $'s	INCREASE/(DECREASE) %
Long Term SENY Governmental Customers Program	144,921	153,540	8,619	5.95%
Other NYPA Funded Programs	50,756	43,331	(7,425)	-14.63%
POCR Funded Programs	2,195	2,422	227	10.32%
Lower Manhattan Energy Initiative	2,128	1,500	(628)	-29.50%
TOTAL ENERGY SERVICES	**$ 200,000**	**$200,793**	**$793**	**0.40%**

2013 Energy Services Capital Plan Request ($ Millions)

$201 million



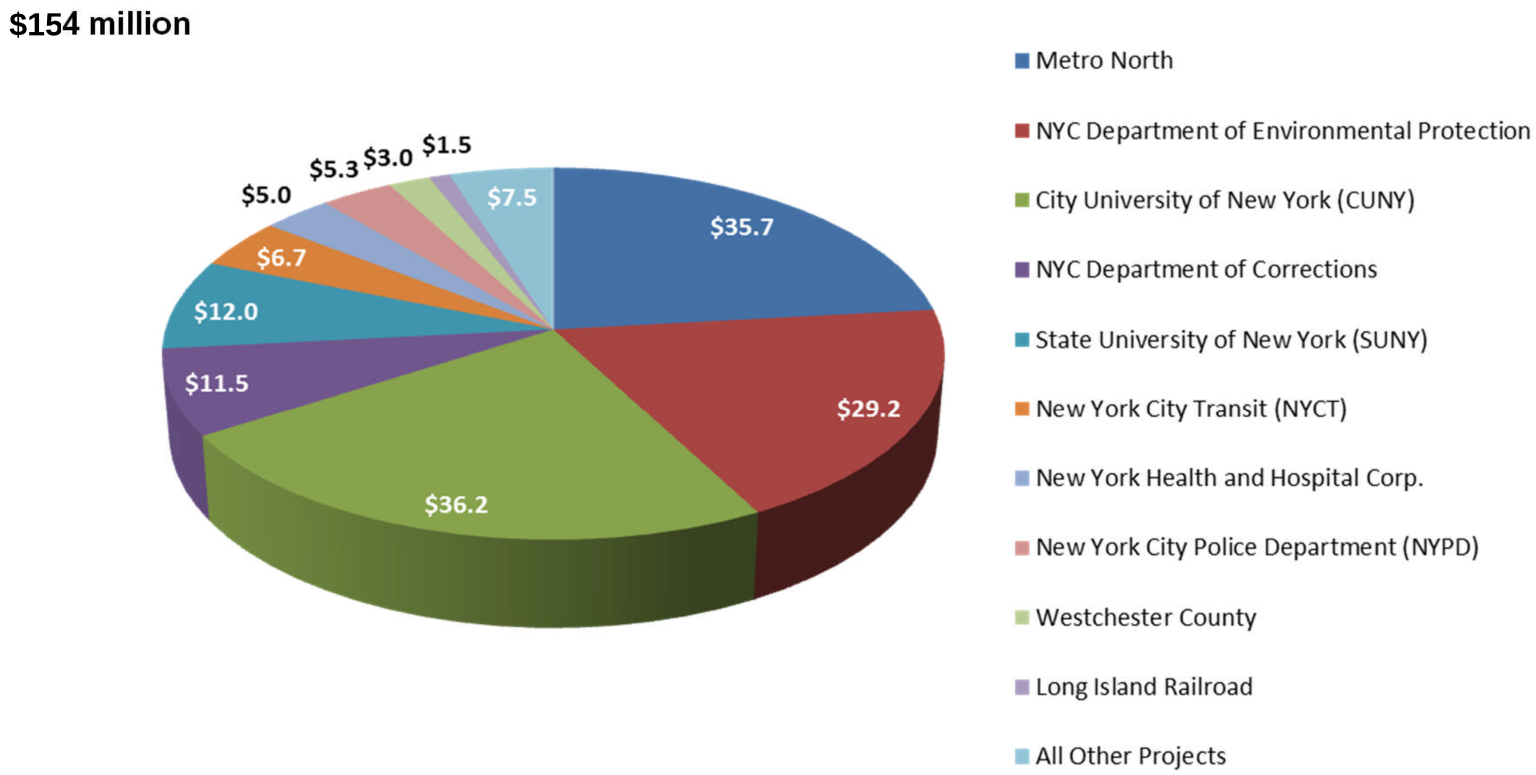
Long Term Agreement Program:
The Long Term Energy Program includes the Governmental Services Program and the Peak Load Management Program. The Governmental Services Program encompasses energy efficiency and clean technology projects for the Authority's governmental customers in the downstate region.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

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

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

Lower Manhattan Energy Initiative Program:
The State of New York has appropriated $25.0 million for the Lower Manhattan Energy Independence Initiative (LMEI Account). These funds will be allocated to the Power Authority to fund energy efficiency measures and clean energy technologies for the World Trade Center (WTC) site. The 2013 planned expenditures are for the procurement of fuel cells and the WTC Memorial Foundation.

Energy Services
2013 Long Term Agreement Program ($ Millions)



Energy Services
2013 Other Energy Services Programs ($ Millions)

$43 million

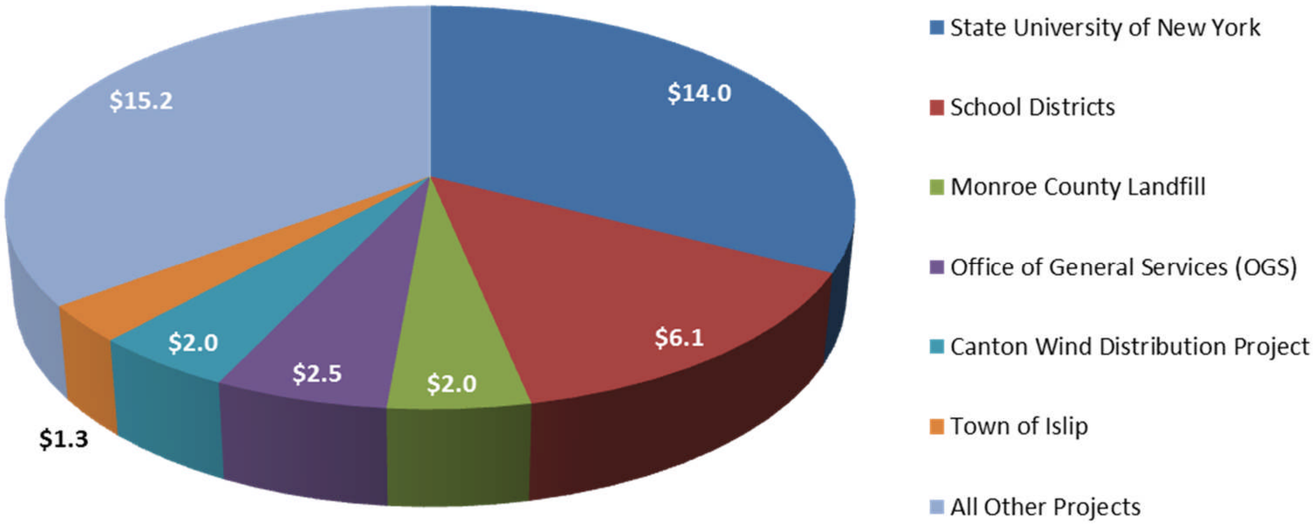


Exhibit "E"
December 18, 2012

New York Power Authority

2013-2016 Approved Budget and Financial Plan

In compliance with 2 NYCRR Part 203

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

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

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

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

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

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

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

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

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

(b) Budget Process

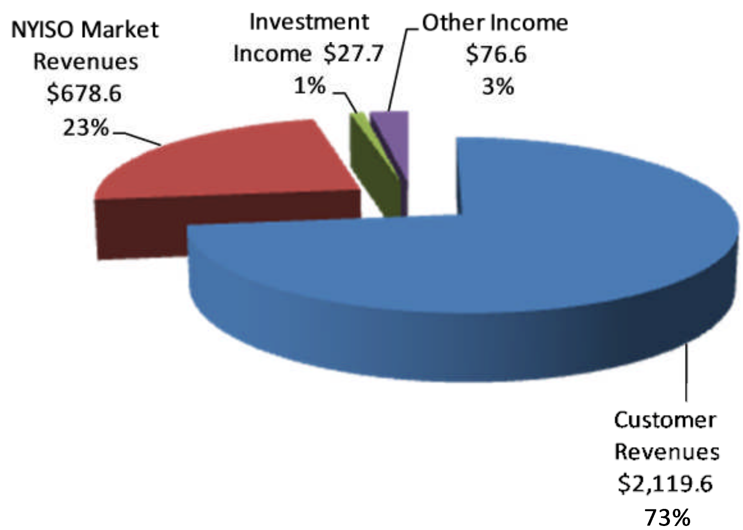
As an electric utility, NYPA operates in a capital intensive industry where operating revenues and expenses are significant and highly variable due to the volatility of electricity prices and fuel costs. NYPA's operations are not only subject to electric and fuel cost volatility, but changing water flows have a direct effect on hydroelectric generation levels. This approved budget and financial plan relies on data developed through the November timeframe.

NYPA's Four-Year Projected Income Statements

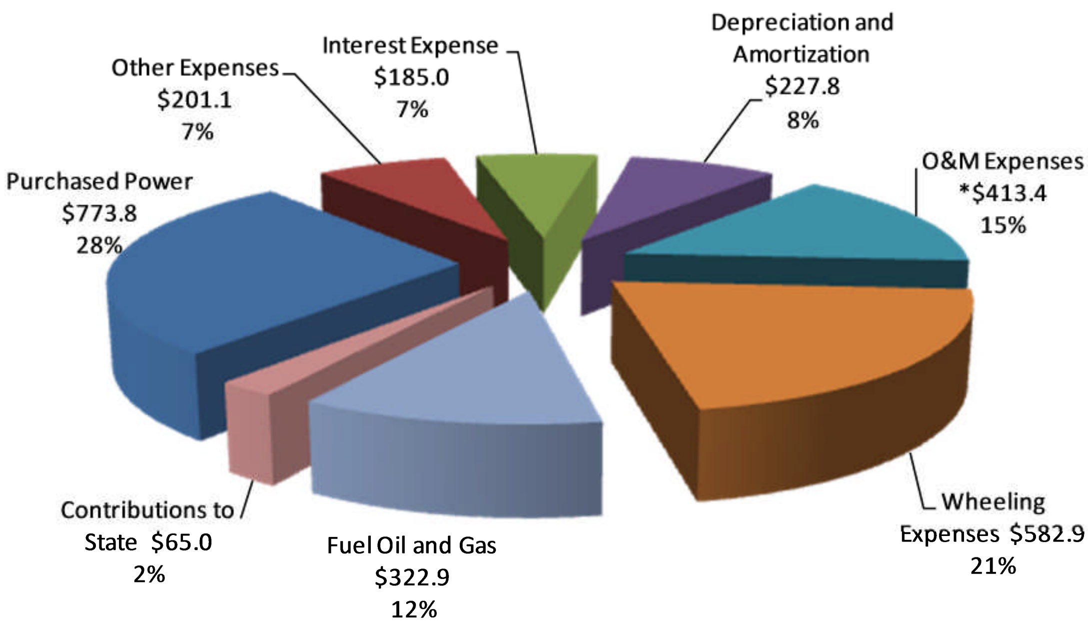
(in Millions)

	2013	2014	2015	2016
Operating Income:				
Customer Revenues	$2,119.6	$2,213.0	$2,221.0	$2,320.4
NYISO Market Revenues	$678.6	$675.9	$696.3	$705.6
Total Operating Income	$2,798.1	$2,888.9	$2,917.3	$3,026.1
Operating Expenses:				
Purchased Power	$773.8	$797.1	$763.6	$788.6
Fuel oil and gas	$322.9	$304.5	$291.4	$340.3
Wheeling Expenses	$582.9	$599.6	$612.4	$626.7
O&M Expenses	$426.4	$476.5	$492.9	$491.7
Other Expenses	$201.1	$186.1	$155.3	$132.8
Depreciation and Amortization	$227.8	$229.4	$229.7	$220.7
Allocation to Capital	($13.0)	($16.3)	($18.1)	($18.3)
Total Operating Expenses	$2,522.0	$2,576.8	$2,527.3	$2,582.5
NET OPERATING INCOME	**$276.2**	**$312.1**	**$390.0**	**$443.5**
Other Income:				
Investment Income	$27.7	$27.9	$29.9	$35.6
Other Income	$76.6	$75.4	$4.5	$5.8
Total Other Income	$104.2	$103.3	$34.5	$41.4
Non-Operating Expenses:				
Interest Expense	$185.0	$178.4	$171.9	$173.2
Contributions to State	$65.0	$65.0	$65.0	$65.0
Total Non-Operating Expenses	$250.0	$243.4	$236.9	$238.2
NET INCOME	**$130.4**	**$172.0**	**$187.6**	**$246.8**

2013 Budget – Sources
(in Millions)



2013 Budget – Uses
(in Millions)



* Reflects NYPA's Base O&M Expenses plus Administrative Expenses less the Allocation to Capital.

NYPA's Statement of Cash Flows

2801 Report Format

(in Millions)

	2011	2012	2013	2014	2015	2016
Revenue Receipts :						
Sale of Power, Use of Transmission Lines Wheeling Charges and other receipts	$2,671.5	$2,620.7	$2,738.6	$2,833.0	$2,865.4	$2,978.6
Earnings on Investments and Time Deposits	$35.3	$30.8	$26.2	$25.4	$28.3	$30.9
Total Revenues	**$2,706.8**	**$2,651.5**	**$2,764.8**	**$2,858.4**	**$2,893.7**	**$3,009.5**
Expenses:						
Operation and Maintenance, including Transmission of Electricity by others, Purchased Power and Fuel Purchases	**($2,372.8)**	**($2,333.1)**	**($2,523.6)**	**($2,497.4)**	**($2,449.4)**	**($2,520.6)**
Debt Service :						
Interest on Bonds and Notes	($70.4)	($70.1)	($65.2)	($64.4)	($63.8)	($67.8)
Bonds and Notes Retired	($167.0)	($89.3)	($90.1)	($87.9)	($75.5)	($81.7)
Total Debt Service	**($237.3)**	**($159.4)**	**($155.3)**	**($152.3)**	**($139.3)**	**($149.5)**
Total Requirements	**($2,610.1)**	**($2,492.5)**	**($2,678.9)**	**($2,649.7)**	**($2,588.7)**	**($2,670.1)**
Net Operations	**$96.8**	**$159.0**	**$85.8**	**$208.7**	**$305.0**	**$339.5**
Capital Receipts :						
Sale of Bonds, Promissory Notes & Commercial Paper	$274.5	$226.3	$197.9	$246.7	$290.2	$668.7
Less : Repayments	($248.0)	($136.7)	($128.1)	($156.4)	($109.1)	($470.3)
Earnings on Construction Funds	$2.7	$1.9	$0.7	$0.3	$0.4	$0.7
DSM Recovery Receipts	$111.8	$137.4	$194.3	$241.7	$196.0	$195.3
Tri-Lakes Transfer / Temporary Asset Transfer NYS	$33.0	$0.0	$0.0	$103.0	$0.0	$0.0
Other	$102.0	$102.0	$92.0	$92.0	$94.5	$5.0
Total Capital Receipts	**$275.9**	**$331.0**	**$356.8**	**$527.3**	**$472.0**	**$399.4**
Capital Additions & Refunds :						
Additions to Electric Plant in Service and Construction Work in Progress, and Other costs	($285.4)	($376.6)	($518.3)	($530.8)	($565.7)	($562.0)
Construction Funds - Net Transfer	$0.0	($1.9)	($0.7)	($0.3)	($0.4)	($0.7)
Total Capital Additions & Refunds	**($285.4)**	**($378.5)**	**($518.9)**	**($531.1)**	**($566.1)**	**($562.7)**
Net Capital	**($9.5)**	**($47.5)**	**($162.1)**	**($3.8)**	**($94.1)**	**($163.3)**
Net Increase/(Decrease)	**$87.3**	**$111.5**	**($76.3)**	**$204.9**	**$210.9**	**$176.1**

(c) Budget Assumptions

NYISO Revenue and Expenses

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

Customer and Project Revenue

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

St. Lawrence-FDR and Niagara Customers. Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities are sold to municipal electric systems, rural electric cooperatives, industrial and other business customers, certain public bodies, investor-owned utilities, and out-of-state customers.

The charges for firm and/or firm peaking power and associated energy sold by the Authority, as applicable, to the fifty-one municipal electric systems and rural electric cooperatives in New York State, two public transportation agencies, three investor-owned utilities for the benefit of rural and domestic customers, and seven out-of-state public customers have been established on the basis of the cost to serve these loads. The 2013-2016 financial plan models a three and one-half year stretch of annual rate changes that began in the fourth quarter of 2011 and result in effective hydro rate increases of 5.5% on December 1, 2011, 5.4% on May 1, 2012, 5.5% on May 1, 2013 and 5.6% on May 1, 2014.

Niagara's expansion and replacement power industrial customers and St. Lawrence-FDR's industrial customers are allocated over 40% of the firm contract demand of the plants. Their rates are subject to annual adjustment based on the average of three contractually agreed upon economic indices reflecting changes in industrial energy prices. In March 2009, the Authority suspended the application of these indices, but effective September 1, 2011, the application of these indices was reinstated by the Authority. For the years in the four year plan, these rates are assumed to adjust annually in accordance with the contracts.

On March 30, 2012, the Governor signed into law the Western New York Power Proceeds Act which directs net earnings from the sale of unallocated Expansion Power and Replacement Power from the Authority's Niagara project to be deposited into the Western New York Economic Development Fund (Fund) as deemed feasible and advisable by the Authority's Trustees. "Net earnings" are defined as any excess revenues earned from such power sold into 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 legislation establishes a five member allocation board to be appointed by the Governor. Payments from the Power Authority to the fund have been incorporated into this four-year plan and are estimated to range between $10.6 million in 2013 declining to $4.9 million by 2016.

Legislation enacted into law in March 2011 created a new economic development power program which commenced July 1, 2012, the Recharge New York Power Program ("RNYPP"), to replace and expand upon a previous array of economic development programs, most prominently, the Power for Jobs ("PFJ") and Energy Cost Savings Benefits ("ECSB") programs. RNYPP is a new, permanent power program administered by the Authority and the Economic Development Power Allocation Board ("EDPAB"). The RNYPP will utilize 455 MW of hydropower from the Authority's Niagara and St. Lawrence-FDR projects combined with up to 455 MW of market-based power purchases. The 455 MW of hydropower was, until August 1, 2011, provided to residential and domestic customers of three upstate utilities. The 910 MW of power is available for allocations to eligible new and existing businesses and not-for-profit corporations under contracts of up to seven years. PFJ and ECSB Program customers that apply for but are not awarded RNYPP allocations will be eligible to apply for certain "transitional electricity discounts". These transitional discounts, payable if deemed feasible and advisable by the Authority's Trustees, will gradually decline to zero by June 30, 2016. The RNYPP legislation also authorizes the Authority, as deemed feasible and advisable by its Trustees, to provide annual funding of $100 million for the first three years following withdrawal of the hydropower from the residential and farm customers, $70 million for the fourth year, $50 million for the fifth year, and $30 million each year thereafter, for the purpose of funding a residential consumer discount program for those customers that had received the hydropower that will be utilized in the RNYPP.

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

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

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

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

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

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

For the 2013-2016 financial plan, it is assumed the installed capacity of the SCPPs is used by the Authority to meet its customers' NYISO-mandated installed capacity needs or, if not needed for that purpose, is subject to sale to other users via bilateral arrangements or by sale into the NYISO capacity auction. NYPA sells the energy produced by the SCPPs into the NYISO energy market.

Flynn. The Flynn Project is a combined-cycle facility with a nameplate rating of 164 MW. The Authority is supplying the full output of the Project to LIPA pursuant to a capacity supply agreement between the Authority and LIPA, which commenced in 1994 and had an initial term of 20 years. In April 2012, LIPA executed the termination provision contained in Amendment 9 of its contract with NYPA, which becomes effective at the end of 2014.

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

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

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

In July 2012, the Authority filed for its first requested increase in the revenue requirement with FERC since the implementation of the NYISO. The approximate 11% increase is necessary to cover increased operating and maintenance expenses of NYPA's bulk transmission system, as well as to make necessary capital improvements. A ruling by FERC on the proposed rate increase is expected shortly, and is contemplated to be retroactive to August 1, 2012.

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

Purchased Power Expenses

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

Fuel Expenses

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

Wheeling Expenses

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

Investment and Other Income

Investment Income. Investment of the Authority's funds is administered in accordance with the applicable provisions of the Bond Resolution and with the Authority's investment guidelines. These guidelines comply with the New York State Comptroller's investment guidelines for public authorities and were adopted pursuant to Section 2925 of the New York Public Authorities Law

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

Other Income. On November 21, 2000 ("Closing Date"), the Authority sold its nuclear plants (Indian Point 3 and James A. FitzPatrick Projects) to two subsidiaries of the Entergy Corporation for cash and non-interest bearing notes totaling $967 million, maturing over a 15-year period. The present value of these payments recorded on the Closing Date, utilizing a discount rate of 7.5%, was $680 million. On an accrual basis the Authority expects to recognize interest and other income of $3.8 million in 2013, $2.6 million in 2014, and $1.2 million in 2015. On a cash basis the Authority projects to receive $20 million annually during the period 2013-2015. In addition, the Authority entered into two “value sharing agreements” (“VSAs”) with the Entergy subsidiaries whereby the Authority is entitled to receive annual payments up to a maximum of $72 million. Also, if the licenses of JAF and/or IP3 are extended, the Decommissioning Agreements provide for annual payments of $2.5 million per plant each year beyond the expiration dates. JAF’s license has been extended past the original date of October 17, 2014, and beginning in 2015 the forecast includes the receipt of $2.5 million in additional revenue. For purposes of the 2013-2016 Financial Plan, it has been assumed that the maximum payment of $72 million will be received for the VSA through 2015, and an additional $2.5 million will be received in 2015 for the JAF license extension, increasing to $5 million starting in 2016.

Operations and Maintenance Expenses

NYPA’s preliminary O&M plan by cost element for 2013 - 2016 is as follows:

Operations and Maintenance Forecast by Cost Element

(in Millions)

	2013	2014	2015	2016
Payroll				
Regular Pay	$ 145.3	$ 148.0	$ 150.9	$ 153.9
Overtime	$ 8.6	$ 8.9	$ 9.2	$ 9.6
Other Payroll	$ 2.3	$ 2.4	$ 2.5	$ 2.6
Total Payroll	**$ 156.2**	**$ 159.3**	**$ 162.6**	**$ 166.0**
Benefits				
Employee Benefits	$ 42.3	$ 43.8	$ 45.3	$ 46.9
Pension	$ 31.7	$ 35.0	$ 38.0	$ 37.0
FICA	$ 11.5	$ 12.1	$ 12.5	$ 13.0
Total Benefits	**$ 85.5**	**$ 90.9**	**$ 95.8**	**$ 96.9**
Materials/Supplies	**$ 16.8**	**$ 17.3**	**$ 18.0**	**$ 18.6**
Fees	**$ 9.1**	**$ 9.4**	**$ 9.7**	**$ 10.0**
Office & Station	**$ 14.6**	**$ 15.1**	**$ 15.7**	**$ 16.2**
Maintenance Repair & Service Contracts	**$ 103.2**	**$ 109.7**	**$ 115.6**	**$ 106.6**
Consultants	**$ 17.4**	**$ 18.0**	**$ 18.7**	**$ 19.3**
Charges to:				
Outside Agencies	$ (5.7)	$ (5.8)	$ (5.9)	$ (6.1)
Capital Programs	$ (39.2)	$ (40.1)	$ (41.5)	$ (43.0)
Total Charges	**$ (44.9)**	**$ (45.9)**	**$ (47.4)**	**$ (49.0)**
Research & Development	**$ 8.7**	**$ 9.0**	**$ 9.3**	**$ 9.7**
Subtotal	**$ 366.7**	**$ 382.9**	**$ 397.8**	**$ 394.3**
Astoria Energy II	**$ 26.7**	**$ 27.4**	**$ 28.1**	**$ 28.9**
HTP	**$ 33.0**	**$ 66.2**	**$ 67.0**	**$ 68.5**
TOTAL NYPA O&M	**$ 426.4**	**$ 476.5**	**$ 492.9**	**$ 491.7**

Depreciation and Amortization Expenses

Depreciation of capital assets is generally provided on a straight-line basis over the estimated lives of the various classes of capital assets. The related depreciation provisions at December 31, 2011 expressed as a percentage of average depreciable capital assets was 2.8%.

Other Expenses

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

(d) Self – Assessment of Budgetary Risks

Regulatory Risks

In 2005, the U.S. Fish and Wildlife Service (''FWS'') initiated a status review under the Endangered Species Act (16 U.S.C. 1531 et seq.) to determine if listing the American eel as threatened or endangered is warranted. American eels are a fish species that migrate between freshwater and the ocean, and their wide range includes the Atlantic seaboard of the United States and Canada and the Great Lakes' drainages. In findings issued February 2, 2007, the FWS determined that such a listing is not warranted. In 2010, the FWS was again petitioned to list the American eel and in September 2011 the FWS decided to undertake a status review to determine whether such a listing is warranted. In the event the FWS were to determine in the future to list the American eel as threatened or endangered, such a determination could potentially result in significant additional costs and operational restrictions on hydroelectric generating facilities located within the range of the species, including the Authority's St. Lawrence-FDR Project.

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

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

During 2011, the Environmental Protection Agency ("EPA") issued a series of rulings to establish the Cross-State Air Pollution Rule ("CSAPR"). The CSAPR establishes emission allowance budgets for sulfur dioxide and nitrogen oxides for eastern states, including New York, and requires power plants in those states to hold allowances to cover their emissions. In December 2011, the U.S. Court of Appeals (D.C. Circuit) granted a stay of the CSAPR pending the court's resolution of numerous petitions for review and in the interim, the court indicated that the EPA should continue to enforce its Clean Air Interstate Rule ("CAIR") which the CSAPR was designed to replace. By decision issued August 21, 2012, the court vacated the CSAPR; directed the EPA to develop a replacement rule; and directed that the CAIR continue to be enforced pending the development of the replacement rule. On October 5, 2012, the EPA filed a petition with the D.C. Circuit seeking rehearing of the court's decision regarding the CSAPR. The Authority has been able to operate its fossil plants and the Astoria Energy II plant within the allocated allowances under the CAIR and in the event the CSAPR as promulgated by the EPA ultimately is implemented, the Authority anticipates that operation of its fossil plants and the Astoria Energy II plant would not be impacted.

The Power Authority's Board of Trustees has in general broad rate setting authority for its power sales agreements with customers. With respect to its transmission facilities, however, the Authority adopted an open access transmission tariff, which has been filed with the Federal Energy Regulatory Commission ("FERC") as part of the NYISO's Open Access Transmission Tariff. In an Order issued January 27, 1999, FERC approved the use of the Authority's present transmission system revenue requirement in developing the rates for service under the NYISO tariff and declined to set the revenue requirement for hearing. Such action does not, however, foreclose further review by FERC of any modifications of the Authority's transmission system revenue requirement. On July 27, 2012, NYPA filed its first transmission system revenue requirement revision since the NYISO start-up in 1999. Final FERC adjudication of the revenue requirement is expected at the end of the first quarter 2013.

Legislative and Political Risks

A series of legislative enactments call for the Authority to subsidize business customers and the State's general fund. Legislation enacted into law, as part of the 2000-2001 State budget, as amended in subsequent years, has authorized the Authority, "as deemed feasible and advisable by the trustees", to make a series of "voluntary contributions" into the State treasury in connection with the Power for Jobs Program and for other purposes as well. Beginning December 2002 through July 2012, the Authority has made voluntary contributions to the State of $475 million in connection with the Power for Jobs Program and an additional $402 million unrelated to the Power for Jobs Program. Further, the Authority has approved Power for Jobs reimbursement payments of $299 million for the years 2005-June 2012 with anticipated additional payments of $62 million to take place during the second half of 2012 and 2013. The Power for Jobs Program was replaced by the RNYPP beginning July 1, 2012 with the enacting legislation authorizing transitional electricity discounts through June 30, 2016, for those Power For Jobs and ECSB customers not receiving RNY power allocations. For the stated period, the Authority estimates these transitional payments at $27 million.

For planning purposes, the 2013-2016 financial plan assumes that the Authority makes a voluntary contribution to the State of $65 million in each year. Approval of any such payments to the State's general fund and/or to subsidize customers requires legislation authorizing such payments and is conditional upon the Trustees' determination that such payments are "feasible and advisable". The Trustees' decision as to whether and to what extent such payments are feasible and advisable will be made based on the exercise of their fiduciary responsibilities and in light of the requirements of the Authority's Bond Resolution, other legal requirements, and all the facts and circumstances known to them at the time of the decision. On May 24, 2011, the Authority's Trustees adopted a 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 that in deciding whether to make contributions, transfers, or payments, the Authority shall use as a reference the maintenance of a debt service coverage ratio of at least 2.0, in addition to making other determinations required by the General Resolution.

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

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

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

Hydroelectric Generation Risk

For the 2013-2016 financial planning timeframe, the Authority's net income is highly dependent upon generation levels at its Niagara and St. Lawrence-FDR Projects. The generation levels themselves are a function of the hydrological conditions prevailing on the Great Lakes, primarily, Lake Erie (Niagara Project) and Lake Ontario (St. Lawrence-FDR Project). Long-term generation levels at the two hydroelectric projects are about 20.2 terawatt-hours ("TWH") annually. The Authority's hydroelectric generation forecast is 18.45 TWH in 2013 and 18.69 TWH in 2014, 19.52 TWH in 2015 and, 19.83 TWH in 2016. However, these generation amounts are forecasted values, and hydrological conditions can vary considerably from year to year.

The Authority conducted high and low hydroelectric generation sensitivities for 2013-2016 that estimated the potential net income that could result over a reasonable range of hydroelectric generation occurrences. The effects on estimated net income, assuming all other factors remain unchanged, were as follows:

	Low Generation		**High Generation**	
	Net Hydroelectric Generation	NYPA Net Income *(in Millions)*	Net Hydroelectric Generation	NYPA Net Income *(in Millions)*
2013	17.70 TWH	$107.17	19.30 TWH	$156.56
2014	17.90 TWH	$145.41	19.60 TWH	$202.08
2015	18.30 TWH	$147.24	20.70 TWH	$225.25
2016	18.60 TWH	$207.38	21.00 TWH	$286.44

Electric Price and Fuel Risk

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

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). The Dodd-Frank Act addresses swaps and forward energy transactions and dependent upon the resolution of numerous issues, including, although unlikely, whether and to what extent NYPA's transactions are required to be cleared through clearinghouses and/or traded on exchanges with accompanying collateral and/or margin requirements; and whether and to what extent public power entities such as the Authority are exempted from these requirements, the impact on the Authority's liquidity and/or future risk mitigation activities could be significant.

Litigation Risk

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

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

Litigation in the case had been stayed to permit time for passage of such legislation and to await decisions of appeals in two relevant New York land claims litigations, involving the Cayuga and Oneida Nations, to which the Authority was not a party. In May 2006, the U.S. Supreme Court declined to review the U.S. Court of Appeals' (Second Circuit) decision in Cayuga Indian Nation et al. v Pataki et al. (2005) that had reversed a verdict awarding the Cayugas $248 million in damages and also dismissed the Cayuga land claim. The basis for the Second Circuit's dismissal of the land claim was that the Cayugas had waited too long to bring their land claim (laches). The Authority had raised the defense of laches in its answer in the St. Regis litigation and in November 2006 the Authority and the State moved to dismiss the St. Regis Mohawks' complaints as well as the United States' complaint on similar delay grounds. The Mohawks and the Federal government filed papers opposing those motions in July 2007. Litigation had been stayed and resolution of the pending defense motions had been awaiting a decision by the Court of Appeals for the Second Circuit in a related land claim litigation involving similar defense motions. On August 9, 2010, the Second Circuit issued a decision in the related case (Oneida), thereby lifting the stay in the St. Regis litigation. The Second Circuit, in the Oneida case, dismissed both the Native American and U.S. claims in their entirety finding, among other things, that those claims were barred by equitable principles as articulated in the earlier Cayuga and other decisions. U.S. Magistrate Lowe then ordered all parties in the St. Regis case to submit supplemental briefs and, thereafter, oral argument on the pending motions was held in June 2011. Thereafter, U.S. Magistrate Dancks was assigned to these cases and in her report and recommendation to U.S. District Court Judge Lawrence Kahn, dated September 28, 2012, she recommended dismissal of all claims against the Authority on the grounds of laches. It is uncertain whether Judge Kahn will accept, reject, or modify that recommendation. Adverse decisions of a certain type in this case could detrimentally affect Authority operations and revenues.

In August 2012, the County of Schoharie, eight towns and villages, and one school district ("Municipalities") initiated a lawsuit in Schoharie County Supreme Court against the Authority involving the heavy rains and widespread flooding resulting from Tropical Storm Irene's passage through the Northeast in August 2011. The Municipalities essentially allege that they sustained property damage and lost tax revenues due to the Authority's negligence in its operations at the Blenheim-Gilboa pumped-storage hydroelectric facility located on the Schoharie Creek in Schoharie County, New York. A similar lawsuit has been initiated by a private landowner. A third lawsuit has been filed by five private landowners but has not been served on the Authority. It is possible that additional lawsuits will be initiated. While the Authority cannot predict the outcome of such litigation, the Authority believes that it has meritorious defenses and positions with respect thereto.

Strategic Initiatives

The Authority is considering several projects, which are in varying stages of review and/or development. These initiatives include, but are not limited to: participation in a joint venture project amongst the existing transmission owners in the State of New York for the purpose of building out new transmission infrastructure in the State as well as replacing and/or upgrading aging transmission assets; and an off-shore wind generating facility in the Atlantic Ocean near Long Island. Contractual arrangements, if any, for the Authority to undertake these initiatives or for customers to take the related power are still to be determined. As a result, the financial plan does not reflect any costs or revenues with respect to these initiatives except for certain study-related expenses.

(e) Revised Forecast of 2012 Budget

(in Millions)

	Budget 2012	Updated Forecast 2012	Variance Better / (Worse) 2012
Operating Revenues:			
Customer Revenues	$2,173.0	$2,032.4	($140.6)
NYISO Market Revenues	$695.9	$650.1	($45.8)
Total Operating Revenues	$2,869.0	$2,682.6	($186.4)
Operating Expenses:			
Purchased Power	$825.8	$736.8	$89.0
Fuel oil and gas	$329.5	$234.8	$94.8
Wheeling Expenses	$610.2	$598.1	$12.1
O&M Expenses	$359.2	$355.6	$3.7
Other Expenses	$194.3	$209.8	($15.6)
Depreciation and Amortization	$222.2	$225.9	($3.6)
Total Operating Expenses	$2,541.2	$2,360.9	$180.3
NET OPERATING REVENUES	**$327.7**	**$321.6**	($6.1)
Other Income:			
Investment Income	$31.4	$34.1	$2.7
Other Income	$87.5	$86.9	($0.6)
Total Other Income	**$119.0**	**$121.0**	$2.0
Non-Operating Expenses			
Interest & Other Expenses	$195.1	$186.9	$8.2
Contributions to State	$85.0	$85.0	$0.0
Total Non-Operating Expense	**$280.1**	**$271.9**	$8.2
NET INCOME	**$166.6**	**$170.8**	**$4.2**

(f) Reconciliation of 2012 Budget and 2012 Revised Forecast

The 2012 year-end net income projection is $170.8 million, which is $4.2 million above the budget. The primary drivers of this variance are increased capacity prices, offset by decreased energy prices. An increase in market-based capacity prices relative to budget is being driven by the retirement of approximately 600 MW's in state-wide generation by various generator owners since the beginning of the year. Partially mitigating the positive revenue moves in capacity prices are decreased energy revenues due to a 22% decline in wholesale electricity prices relative to the budget. On the expense side, the electricity and related natural gas price declines are significantly lowering the Authority's purchased power and fuel costs.

(g) Statement of 2011 Financial Performance

New York Power Authority
Net Income - Actual vs. Budgeted
For the Year ended December 31, 2011
(in millions)

	Actual	Budget	Variance Favorable/ (Unfavorable)
Operating Revenues			
Customer	$1,960	$2,079	($119)
NYISO Market Revenues	$696	$601	$95
Total Operating Revenues	**$2,656**	**$2,679**	**($24)**
Operating Expenses			
Purchased Power	$853	$913	$60
Fuel Consumed - Oil & Gas	$258	$296	$38
Wheeling	$548	$543	($5)
Operations & Maintenance	$330	$327	($3)
Other Expenses	$190	$135	($55)
Depreciation & Amortization	$194	$195	$1
Allocation to Capital	($9)	($11)	($2)
Total Operating Expenses	**$2,365**	**$2,398**	**$33**
Operating Income	**$291**	**$281**	**$10**
Non-operating Revenues and Expenses			
Non-operating Revenues			
Investment Income	$47	$32	$15
Other income	$99	$88	$11
Total Non-operating Revenues	**$146**	**$120**	**$26**
Non-operating Expenses			
Contribution to New York State	$65	$65	$0
Interest and Other Expenses	$137	$157	$21
Total Non-operating Expenses	**$202**	**$222**	**$21**
Non-operating Income (Loss)	**($56)**	**($102)**	**$46**
Net Income	**$235**	**$179**	**$56**

Net income for the year ended December 31, 2011 was $235 million which was $56 million above the budget of $179 million. Hydro generation, at 21.9 TWH, was 14.4% above the 19.1 TWH budget, and the resulting increased market sales was the largest contributor to the positive year end variance. Other factors affecting net income were higher than budget non-operating income and increased costs related to legislated subsidies for the RNYPP.

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

	2013 Request	2014	2015	2016
Headquarters	678	675	670	667
Power Generation	879	862	846	829
Transmission	168	164	162	159
R&D	17	17	17	17
TOTAL	**1,742**	**1,718**	**1,695**	**1,672**

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

As the Authority is projecting positive net income for the 2013-2016 financial plan period, there are no planned gap-closing programs.

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

See discussion in "Other Income" section.

(k) Shift in Material Resources

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

(l) Debt Service

New York Power Authority
Projected Debt Outstanding (FYE)
(in thousands)

	2013	2014	2015	2016
Revenue Bonds	$991,600	$940,900	$887,815	$1,194,708
Adjustable Rate Tender Notes	$105,940	$96,410	$86,115	$75,000
Commercial Paper Notes	$600,004	$644,971	$773,021	$577,818
Grand Total	$1,697,544	$1,682,281	$1,746,951	$1,847,526

New York Power Authority
Debt Service as Percentage of Pledged Revenues (Accrual Basis)
(Debt Service in thousands)

	2013		2014		2015		2016	
	Debt Service	**% of Rev.**	**Debt Service**	**% of Rev.**	**Debt Service**	**% of Rev.**	**Debt Service**	**% of Rev.**
Revenue Bonds	$103,037	3.55%	$102,798	3.44%	$102,760	3.48%	$107,152	3.49%
Adjustable Rate Tender Notes	$10,136	0.35%	$11,018	0.37%	$11,998	0.41%	$16,661	0.54%
Commercial Paper Notes	$41,977	1.45%	$38,736	1.29%	$25,678	0.87%	$28,381	0.93%
Grand Total Debt Service	$155,150	5.35%	$152,552	5.10%	$140,436	4.76%	$152,194	4.96%

New York Power Authority
Planned Use of Debt Issuances
(in thousands)

TYPE	**Amount**	**Assumed Interest Rate**	**Project / Description**
Period January 1, 2013 – December 31, 2013			
Tax Exempt Commercial Paper	$127,320	0.25%	Energy Services Program
Taxable Commercial Paper	$3,362	0.50%	Energy Services Program
Taxable Commercial Paper	$48,224	0.50%	Robert Moses Niagara Power Plant / Transmission
Total Issued 2013	$178,906		
Period January 1, 2014 – December 31, 2014			
Tax Exempt Commercial Paper	$164,105	0.50%	Energy Services Program
Tax Exempt Commercial Paper	$22	0.50%	Robert Moses Niagara Power Plant
Taxable Commercial Paper	$4,390	0.75%	Energy Services Program
Taxable Commercial Paper	$68,589	0.75%	Robert Moses Niagara Power Plant / Transmission
Total Issued 2014	$237,106		

Period January 1, 2015 – December 31, 2015			
Tax Exempt Commercial Paper	$167,245	0.75%	Energy Services Program
Tax Exempt Commercial Paper	$179	0.75%	Robert Moses Niagara Power Plant
Taxable Commercial Paper	$4,474	1.00%	Energy Services Program
Taxable Commercial Paper	$112,456	1.00%	Robert Moses Niagara Power Plant / Transmission
Total Issued 2015	$284,354		

Period January 1, 2016 – December 31, 2016			
Tax Exempt Commercial Paper	$168,541	1.00%	Energy Services Program
Taxable Commercial Paper	$4,509	1.25%	Energy Services Program
Tax-Exempt Fixed Rate Bonds	$2,409	5.00%	Refund Commercial Paper Notes issued for Robert Moses Niagara Power Project *
Taxable Fixed Rate Bonds	$360,194	7.25%	Refund Commercial Paper Notes issued for Robert Moses Niagara Power Project and Transmission *
Total Issued 2016	$535,653		

* Does not include Commercial Paper issued in 2016 for the Robert Moses Niagara Power Project and Transmission that was refunded with Fixed Rate Bonds in 2016.

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

Scheduled Debt Service Payments (Accrual Basis)

Outstanding (Issued) Debt

	Principal	Interest	Total
2013	$90,105,056	$60,323,751	$150,428,806
2014	$87,885,792	$58,670,814	$146,556,606
2015	$75,483,681	$56,523,436	$132,007,117
2016	$81,491,861	$54,665,822	$136,157,683

Proposed Debt

	Principal	Interest	Total
2013	-	$288,115	$288,115
2014	-	$1,707,484	$1,707,484
2015	-	$4,643,993	$4,643,993
2016	$218,667	$11,830,472	$12,049,139

Total Debt

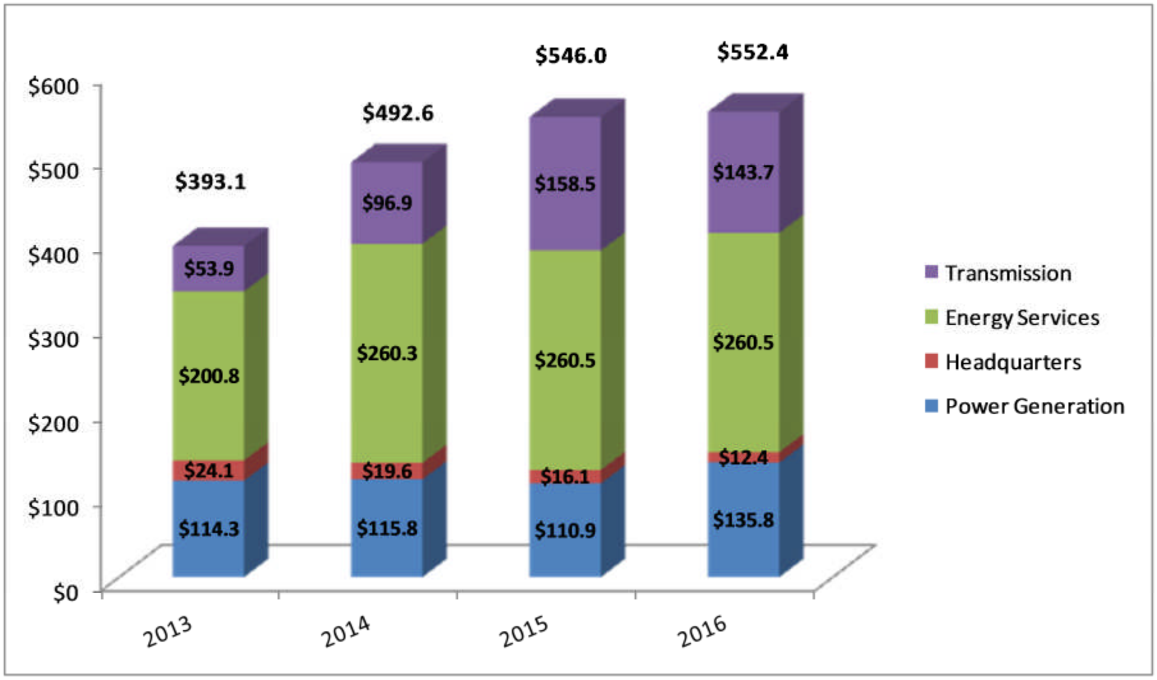
	Principal	Interest	Total
2013	$90,105,056	$60,611,866	$150,716,921
2014	$87,885,792	$60,378,298	$148,264,089
2015	$75,483,681	$61,167,429	$136,651,109
2016	$81,710,528	$66,496,294	$148,206,822

(m) Capital Investments and Sources of Funding

The Authority currently estimates that it will expend approximately $2 billion for various capital improvements over the financial period 2013-2016. The Authority anticipates that these expenditures will be funded using existing construction funds, internally-generated funds and additional borrowings. Such additional borrowings are expected to be accomplished through the issuance of additional commercial paper notes and/or the issuance of long-term fixed rate debt. Projected capital requirements during this period include:

(In thousands)	2013	2014	2015	2016
Transmission Life Extension & Modernization (LEM)	$ 25,424	$ 36,126	$ 80,500	$ 81,000
Lewiston Pump Generation Plant (LEM)	$ 49,916	$ 54,795	$ 47,609	$ 55,330
MA1 & MA2 Line - 230 kV Replacement	$ 328	$ 10,532	$ 38,618	$ 54,417
Marcy South Series Compensator	$ 617	$ 25,949	$ 31,000	$ -
Replacement of Superstructure Bridges at RMNPP	$ 94	$ 840	$ 431	$ 20,331
Blenheim Gilboa Relicensing	$ 1,963	$ 6,292	$ 6,791	$ 6,790
St. Lawrence Generator Step-Up Transformer Replacement	$ 203	$ 5,827	$ 5,872	$ 6,860
St. Lawrence Stator Rewinds	$ 363	$ 366	$ 7,190	$ 7,466
St. Lawrence Headgate Automation	$ -	$ 3,501	$ 5,921	$ 5,604
All Other Capital Projects	$ 113,370	$ 88,045	$ 61,543	$ 54,123
Total Energy Services	$ 200,793	$ 260,305	$ 260,519	$ 260,454
GRAND TOTAL	**$ 393,071**	**$ 492,578**	**$ 545,994**	**$ 552,375**

2013-2016 Capital Investments by Function
(in millions)



New York Power Authority
Review of Hydropower Allocation Job Compliance

Exhibit "A-1"
December 18, 2012

Hydropower Allocations and/ or Job Commitments to Be Modified

Line	Company	Location	County	Type of Power	Allocation kW	Employment Commitment	Jobs per MW Ratio	Average Employment 2011	Average Annual % Achieved 2011	Current Employment	Current Employment %	Revised Allocation	Revised Employment Commitment	Revised Jobs per MW Ratio
1	Buffalo Newspress Inc.	Buffalo	Erie	EP	200	149	745	111	77%	123	83%	n/a	138	690
2	Coyne Textile Services	Buffalo	Erie	EP	350	93	266	41	47%	44	47%	250	52	208
3	Niagara Ceramics Corporation	Buffalo	Erie	RP	850	190	224	94	48%	110	58%	n/a	140	165
4	Niagara Ceramics Corporation	Buffalo	Erie	EP	250	190	760	94	48%	110	58%	n/a	140	560
5	Niagara LaSalle Corporation (1)	Buffalo	Erie	RP	700	164	234	75	46%	76	46%	n/a	115	164
6	Niagara LaSalle Corporation (1)	Buffalo	Erie	RP	700	92	131	75	82%	76	83%	n/a	115	164
7	Nuttall Gear Company	Niagara Falls	Niagara	EP	350	135	386	95	70%	98	73%	n/a	108	309
8	RubberForm Recycled Products, LLC	Lockport	Niagara	EP	500	30	60	14	47%	18	60%	100	18	180

(1) Both of Niagara LaSalle's 700 kW RP allocations will have their job commitments modified to 115, one down from 164 jobs, and the other increased from 92.

New York Power Authority
Review of Hydropower Allocation Job Compliance

Exhibit "A-2"
December 18, 2012

Hydropower Allocations to Continue with No Change

Line	Company	Location	County	Type of Power	Allocation kW	Employment Commitment	Average Employment 2011	Average Annual % Achieved 2011	Current Employment	Current Employment %
1	TAM Ceramics Group of New York	Niagara Falls	Niagara	RP	7,000	100	57	57%	75	75%
2	TAM Ceramics Group of New York	Niagara Falls	Niagara	EP	500	100	57	57%	75	75%

New York Power Authority | **Exhibit "A"**
ReCharge New York Retention Power Allocation Recommendations | **December 18, 2012**

Line	Company	City	County	Economic Development Region	IOU	Description	kW Request	kW Recommendation	Job Retention Commitment	Capital Investment ($)	Contract Term (years)
1	Lafarge North America Inc.	Ravena	Albany	Capital District	NGRID	Manufacturer of cement	27,000	10,000	150	$200,000,000	7
	Capital District Region Sub-totals:							10,000	150	$200,000,000	
2	CWR Manufacturing, LLC	East Syracuse	Onondaga	Central New York	NGRID	Manufactures specialized fasteners	130	46	7	$0	7
3	D&D Motor Systems Inc.	Syracuse	Onondaga	Central New York	NGRID	Manufacturer of motors	80	30	14	$60,000	7
4	Dot Foods	Liverpool	Onondaga	Central New York	NGRID	Food service distribution/warehousing	650	320	249	$4,000,000	7
5	Lockheed Martin	Liverpool	Onondaga	Central New York	NGRID	Producer of radar systems	6,000	3,000	1,700	$100,000,000	7
	Central New York Region Sub-totals:							3,396	1,970	$104,060,000	
6	Goulds Pumps, Inc.	Seneca Falls	Seneca	Finger Lakes	NYSEG	Producer of pumps	9,700	4,850	1,000	$26,250,000	7
7	ProTech Automation LLC	Batavia	Genesee	Finger Lakes	NGRID	Manufacturer of screws and washers	260	116	19	$2,655,000 (1)	7
	Finger Lakes Region Sub-totals:							4,966	1,019	$28,905,000	
8	Anna Young Assoc. Ltd.	Freeport	Suffolk	Long Island	MEU/REC	Fabricator of molds and packaging	100	10	160	$1,750,000	7
9	County Frame Corporation	Holtsville	Suffolk	Long Island	LIPA	Manufacturer of framed artwork	145	70	80	$30,000	7
10	DiCarlo Distributors, Inc.	Holtsville	Suffolk	Long Island	LIPA	Merchant wholesalers	550	276	215	$1,000,000 (1)	7
11	Framerica Corp.	Yaphank	Suffolk	Long Island	LIPA	Manufactures moldings/frames	996	496	135	$1,175,000 (1)	7
12	Giant II NewCo	Melville	Suffolk	Long Island	LIPA	Produces bio pharmaceuticals	1,740	730	150	$15,000,000 (1)	7
13	Love and Quiches Ltd	Freeport	Suffolk	Long Island	MEU/REC	Desserts for foodservice industry	450	10	254	$5,200,000	7
14	Medford Mulitcare Center	Medford	Suffolk	Long Island	LIPA	Long term healthcare	750	296	333	$3,000,000	7
15	mindSHIFT Technologies, Inc.	Commack	Suffolk	Long Island	LIPA	Data center operations	1,800	700	80	$3,000,000 (1)	7
16	Printex Packaging Corp.	Islandia	Suffolk	Long Island	LIPA	Manufactures plastic packaging	700	136	89	$1,850,000	7
	Long Island Region Sub-totals:							2,724	1,496	$32,005,000	
17	Boreal Water Collection, Inc.	Kiamesha Lake	Sullivan	Mid-Hudson	NYSEG	Produces bottled spring water	318	156	26	$50,000	7
18	Bread Alone, Inc	Ulster	Ulster	Mid-Hudson	CHUD	Wholesale bakery	76	36	50	$0 (1)	7
19	Gilmor Glass LLC	Millerton	Dutchess	Mid-Hudson	CHUD	Manufactures glass	65	26	8	$800,000	7
20	Marval Corp	Mamroneck	Westchester	Mid-Hudson	CONED	Manufactures organic materials	408	176	45	$500,000	7
	Mid-Hudson Region Sub-totals:							394	129	$1,350,000	
21	Cobleskill Agricultural Society	Cobleskill	Schoharie	Mohawk Valley	NGRID	Fairgrounds in Schoharie County	95	20	4	$0	7
22	Foothills Performing Arts Center	Oneonta	Otsego	Mohawk Valley	NYSEG	Performing arts center	150	36	8	$1,000,000	7
	Mohawk Valley Region Sub-totals:							56	12	$1,000,000	
23	NCM-USA Bronx LLC	Bronx	Bronx	New York City	CONED	Manufactures pharmaceuticals	300	110	6	$1,500,000 (1)	7
24	The Brooklyn Brewery Corp.	Brooklyn	Kings	New York City	CONED	Produces and packages beer	200	86	42	$950,000	7
25	Tru-Tone Metal Products, Inc.	Brooklyn	Kings	New York City	CONED	Metal finishing	100	50	18	$1,100,000	7
	New York City Region Sub-totals:							246	66	$3,550,000	
26	Cives Steel Company, Northern Division	Gouverneur	St. Lawrence	North Country	NGRID	Structural steel fabricator	448	220	100	$100,000	7
	North Country Region Sub-totals:							220	100	$100,000	
27	Golden Artist Colors, Inc.	New Berlin	Chenango	Southern Tier	NYSEG	Producer of acrylic and oil paints	250	110	151	$2,300,000	7
28	Kionix, Inc.	Ithaca	Tompkins	Southern Tier	NYSEG	Integrated circuit manufacturing	1,250	560	199	$11,255,000 (1)	7
	Southern Tier Region Sub-totals:							670	350	$13,555,000	

Line	Company	City	County	Economic Development Region	IOU	Description	kW Request	kW Recommendation	Job Retention Commitment	Capital Investment ($)	Contract Term (years)
29	Ceramic Technology Partnership, LLC	Clarence	Erie	Western New York	NYSEG	Manufacturer of ceramic materials	25	10	4	$2,300,000 (1)	7
30	Del Monte Foods, Inc.	Buffalo	Erie	Western New York	NGRID	Consumer package company	2,537	1,266	210	$2,700,000	7
31	Jiffy-tite Company, Inc	Lancaster	Erie	Western New York	NYSEG	Manufacturer of auto fluid couplers	200	100	133	$11,000,000 (1)	7
32	SKF USA Inc.	Falconer	Chautauqua	Western New York	MEU/REC	Manufactures rolling bearings	3,010	66	350	$16,528,139	7
33	TitanX Engine Cooling, Inc	Jamestown	Chautauqua	Western New York	MEU/REC	Manufactures engine cooling modules	2,709	60	550	$26,000,000	7
	Western New York Region Sub-totals:							1,502	1,247	$58,528,139	

Totals	24,174	6,539	$443,053,139

(1) These companies were also recommended for expansion-related allocations of RNY for separate and distinct job creation and capital investment commitments associated with proposed business expansions.

New York Power Authority **Exhibit "B"**
ReCharge New York Expansion Power Allocation Recommendations **December 18, 2012**

Line	Company	City	County	Economic Development Region	IOU	Description	kW Request	kW Recommendation (1)	Job Creation Commitment	Project Capital Investment (2) ($)	Contract Term (years)
1	Green Renewable, Inc.	Berlin	Rensselaer	Capital District	NYSEG	Produces kiln dried firewood	500	350	35	$12,000,000	7
	Capital District Region Sub-totals:							350	35	$12,000,000	
2	Empire Farmstead Brewery, Inc.	Cazenovia	Madison	Central New York	NGRID	Vertically-integrated brewery	720	500	41	$5,550,000	7
3	Keith Titus Corporation	Cato	Cayuga	Central New York	RGE	Recycling facility	48	30	10	$500,000	7
	Central New York Region Sub-totals:							530	51	$6,050,000	
4	Abandon Brewing Company	Penn Yan	Yates	Finger Lakes	NYSEG	Brewery	124	86	4	$254,000	7
5	ProTech Automation LLC	Batavia	Genesee	Finger Lakes	NGRID	Manufacturer of screws and washers	30	20	10	$62,000 (2)	7
	Finger Lakes Region Sub-totals:							106	14	$316,000	
6	DiCarlo Distributors, Inc.	Holtsville	Suffolk	Long Island	LIPA	Merchant wholesalers	200	140	10	$3,000,000 (2)	7
7	Framerica Corp.	Yaphank	Suffolk	Long Island	LIPA	Manufactures moldings/frames	500	350	50	$1,175,000 (2)	7
8	Giant II NewCo	Melville	Suffolk	Long Island	LIPA	Produces bio pharmaceuticals	1,410	986	80	$84,770,000 (2)	7
9	mindSHIFT Technologies, Inc.	Commack	Suffolk	Long Island	LIPA	Data center operations	6,000	3,000	30	$18,205,000 (2)	7
	Long Island Region Sub-totals:							4,476	170	$107,150,000	
10	Bread Alone, Inc	Ulster	Ulster	Mid-Hudson	CHUD	Wholesale bakery	126	86	6	$5,000,000 (2)	7
	Mid-Hudson Region Sub-totals:							86	6	$5,000,000	
11	Harden Furniture, Inc.	McConnellsville	Oneida	Mohawk Valley	NGRID	Manufacturer of furniture	185	126	10	$3,038,000 (3)	7
12	TecMar NY, LLC	Amsterdam	Montgomery	Mohawk Valley	NGRID	Aquaculture fish products	1,500	1,050	175	$55,000,000	7
	Mohawk Valley Region Sub-totals:							1,176	185	$58,038,000	
13	NCM-USA Bronx LLC	Bronx	Bronx	New York City	CONED	Manufactures pharmaceuticals	600	420	20	$1,300,000 (2)	7
	New York City Region Sub-totals:							420	20	$1,300,000	
14	Kionix, Inc.	Ithaca	Tompkins	Southern Tier	NYSEG	Integrated circuit manufacturing	2,500	1,750	70	$35,000,000 (2)	7
15	The Standard Hydrogen Corporation	Ithaca	Tompkins	Southern Tier	NYSEG	Hydrogen fueling stations	250	176	4	$3,200,000	7
	Southern Tier Region Sub-totals:							1,926	74	$38,200,000	
16	Ceramic Technology Partnership, LLC	Clarence	Erie	Western New York	NYSEG	Manufacturer of ceramic materials	800	560	40	$8,700,000 (2)	7
17	Jiffy-tite Company, Inc	Lancaster	Erie	Western New York	NYSEG	Manufacturer of auto fluid couplers	200	140	50	$1,500,000 (2)	7
	Western New York Region Sub-totals:							700	90	$10,200,000	
	Totals							9,770	645	$238,254,000	

(1) Allocation is recommended to be up to the amount indicated based on the companies fulfillment of capital spending, job creation, and new electric load consistent with the ratio of recommended to requested amount.
(2) These companies were also recommended for retention-related allocations of RNY for separate and distinct job retention and capital investment commitments associated with retaining their existing businesses.
(3) Harden Furniture, Inc. was previously awarded a retention-related allocation of RNY on April 24, 2012

New York Power Authority
ReCharge New York Power Program
Recommended Modifications to Retention and Expansion Allocation Awards

Exhibit "C"
December 18, 2012

Retention RNY Power Allocation Modifications

Line	Company	City	County	Economic Development Region	IOU	Description	kW Request	kW Recommendation	Job Commitment	Capital Investment ($)		Contract Term (years)
1	Hamilton Printing Company, Inc.	Castleton-on-Hudson	Rensselaer	Capital District	NGRID	Labels for food & beverage industry	850	426	152	$4,000,000	(1)	7
2	Manth-Brownell Inc.	Kirkville	Madison	Central New York	NGRID	Manufactures machined parts	900	450	151	$3,750,000	(2)	7
	Retention Totals							876	303	$7,750,000		

Expansion RNY Power Allocation Modifications

Line	Company	City	County	Economic Development Region	IOU	Description	kW Request	kW Recommendation	Job Creation Commitment	Project Capital Investment ($)		Contract Term (years)
3	GLOBALFOUNDRIES US Inc.	Malta	Saratoga	Capital District	NGRID	Semiconductor foundry	74,000	15,000	450	$2,300,000,000	(3)	7
	Expansion Totals							15,000	450	$2,300,000,000		

(1) Modified kW, jobs and capital investment due to corporate merger during application review process; applicant score still high enough to recommend allocation based on modified commitment levels
(2) Modified kW due to discrepancy in original evaluation data; applicant score still high enough to recommend modified allocation amount
(3) Modified job creation and project capital investment commitments due to discrepancy accounting for exisiting jobs and capital already invested in project expansion; applicant score still high enough

New York Power Authority
ReCharge New York Power Program
Ineligible Applicants

Exhibit "D"
December 18, 2012

Line	Company	City	County	Economic Development Region	IOU	Description	Classification
1	Buffalo Tap Room & Grill	Tonawanda	Erie	Western New York	NGRID	Restaurant	Retail
2	Chocolate Moose Campground	Fort Ann	Washington	Capital District	NGRID	Overnight campground accomodations	Retail
3	Finishing Trades Institute of Western & Central NY	Cheektowaga	Erie	Western New York	NYSEG	Apprentice painter training facility	Does not meet NFP definition in legislation
4	Greater Harlem Nursing Home and Rehabilitation Center	New York	New York	New York City	CONED	Licensed nursing facility	Does not meet NFP definition in legislation
5	Lowe Properties LLC	Westbury	Nassau	Long Island	LIPA	Retail development	Retail
6	New York Genome Center, Inc.	New York	New York	New York City	CONED	Genome sequencing and research	Does not meet NFP definition in legislation

New York Power Authority
ReCharge New York Power Program
Applications Not Considered or Not Recommended

Exhibit "E"
December 18, 2012

Applications Not Considered

Line	Company	City	County	Economic Development Region	IOU	Description	Reason	
1	24 Hour Tax & Accounting LLC	Albemarle	Multiple	Multiple	Not specified	Income tax services	Unresponsive	
2	5000 Group LLC	Williamsville	Erie	Western New York	NGRID	Retail development	Withdrawn	
3	525 Wheat, LLC	North Tonawanda	Niagara	Western New York	NGRID	Manufacturing leasing	No Demand Meter	
4	ADM Milling	Hudson	Columbia	Capital District	NGRID	Produces wheat and flour	Unresponsive	
5	Buffalo Metal Fabricating	Buffalo	Erie	Western New York	NGRID	Manufacturer of garden center products	Withdrawn	
6	Buffalo Niagara Heritage Village	Amherst	Erie	Western New York	NGRID	Museum	Incomplete	
7	Catholic Health System Inc. (CH)	Buffalo	Erie	Western New York	NGRID	Healthcare administration and training	NFP Expansion	(1)
8	Center for Business LLC	Warsaw	Wyoming	Western New York	NYSEG	Development of business center	Unresponsive	
9	Chason Development Inc.	Buffalo	Erie	Western New York	NGRID	Veterinarian education center and hospital	Unresponsive	
10	CNG One Source of New York, INC	Buffalo	Genesee	Finger Lakes	NGRID	Compressed natural gas stations	Unresponsive	
11	Custom Electronics, Inc.	Oneonta	Otsego	Mohawk Valley	NYSEG	Energy and power device manufacturing	Withdrawn	
12	EcoGold	Rochester	Monroe	Western New York	RGE	Janitorial services	Withdrawn	
13	Genesee-Brennan LLC	Utica	Oneida	Mohawk Valley	NGRID	Building rehabilitation	Unresponsive	
14	Goodrich Corporation	Rome	Oneida	Mohawk Valley	Other	Manufactures aerospace products	Receiving RNY	(2)
15	HVP Farms, Inc.	Pine Bush	Orange	Mid-Hudson	NYSEG	Greenhouse/packinghouse for vegetables	Project premature	
16	Lower Lakes Marine Historical Society	Buffalo	Erie	Western New York	NGRID	Museum	No Demand Meter	
17	Middletown Community Health Center, Inc.	Middletown	Orange	Mid-Hudson	O&R	Community health services	NFP Expansion	(1)
18	Mount Beacon Incline Restoration Committee	Beacon	Dutchess	Mid-Hudson	CHUD	NFP train tourism	NFP Expansion	(1)
19	National Power & Gas, Inc.	Not Provided	Multiple	Multiple	CONED	Energy supplier	Unresponsive	
20	New York Craft Malt, LLC	Batavia	Genesee	Finger Lakes	NGRID	Craft beer malt processor	Project premature	
21	New York Petroleum-Getty	New York	Multiple	Multiple	Not specified	Electric car service stations	Unresponsive	
22	Photonics Industries International Inc.	Ronkonkoma	Suffolk	Long Island	LIPA	Manufacturer of solid state lasers	Project premature	
23	Prime Materials Recovery Inc.	Canastota	Madison	Central New York	NGRID	Processor of copper and aluminum wire	Unresponsive	
24	Richardson Brands Company	Canajoharie	Montgomery	Mohawk Valley	NGRID	Manufactures candy	Withdrawn	
25	Robert Bosch Healthcare Systems, Inc.	Utica	Oneida	Mohawk Valley	NGRID	Medical device conversions	Unresponsive	
26	Satur Farms LLC	Calverton	Suffolk	Long Island	LIPA	Producer of pre-packaged vegetables	Project premature	
27	Sea Breeze Volunteer Fire Association Inc.	Rochester	Monroe	Western New York	RGE	Fire department	Withdrawn	
28	St. Philip's Church in the Highlands	Garrison	Putnam	Mid-Hudson	CHUD	Church	No Demand Meter	
29	State University of New York Potsdam	Potsdam	St. Lawrence	North Country	NGRID	State university	Public Entity	

(1) RNY expansion power is available only to for-profit businesses

(2) Applicant receives RNY power through Griffiss Utility Service Corporation

New York Power Authority | **Exhibit "E"**
ReCharge New York Power Program | **December 18, 2012**
Applications Not Considered or Not Recommended

Applications Not Recommended

Line	Company	City	County	Economic Development Region	IOU	Description
30	Adirondack Medical Center	Lake Placid	Essex	North Country	MEU/ REC	Medical center
31	Adirondack Medical Center	Tupper Lake	Franklin	North Country	MEU/ REC	Medical center
32	Adirondack Medical Center	Lake Placid	Franklin	North Country	MEU/ REC	Medical center
33	Adirondack Medical Center	Tupper Lake	Franklin	North Country	MEU/ REC	Medical center
34	Del Monte Foods, Inc.	Buffalo	Erie	Western New York	NGRID	Consumer package company (3)
35	Fancher Chair Co. Inc	Falconer	Chautauqua	Western New York	MEU/ REC	Manufacturer of wood chairs
36	Gloversville Public Library	Gloversville	Fulton	Mohawk Valley	NGRID	Public library
37	Mental Health Association in Orange County, Inc.	Middletown	Orange	Mid-Hudson	O&R	Social services agency
38	RHI Monofrax, LLC	Falconer	Chautauqua	Western New York	MEU/ REC	Manufactures ceramic castings

(3) Not recommended for expansion allocation due to zero job creation. Applicant recommended to receive retention allocation.

New York Power Authority
ReCharge New York Power Program
Transitional Electricity Discounts

Exhibit "F"
December 18, 2012

Line	Company	City	County	Economic Development Region	IOU	Description
1	Pepsi Cola Bottling Co. of NY Inc.	Bronx	Bronx	New York City	CONED	Beverage distributor
2	Pepsi Cola Bottling Co. of NY Inc. (Avenue D)	Brooklyn	Kings	New York City	CONED	Beverage distributor
3	Pepsi Cola Bottling Co. of NY Inc. (Cozine Avenue)	Brooklyn	Kings	New York City	CONED	Beverage distributor

Requests for Transfers of Recharge New York Power Allocations

Agro-Farma, Inc. ("Agro-Farma") with facilities located in Norwich, Chenango County was recommended for and awarded a 6,000 kW RNY Power allocation by the Economic Development Power Allocation Board ("EDPAB") and New York Power Authority ("Trustees"), at meetings of these boards held on April 24, 2012. Due to a corporate restructuring, Agro-Farma, Inc. is now named Chobani, Inc. The company has requested that the allocation be transferred to a new corporate entity named "Chobani, Inc." and has indicated that the new entity will commit to honor all of the terms and conditions of the company's existing RNY Power contract including commitments related to jobs and capital investment.

MeadWestVaco ("Mead"), located in Sidney, Delaware County, was recommended for and awarded a 1,150 kilowatt ("kW") Recharge New York ("RNY") Power allocation by EDPAB and the Trustees at meetings of these boards held on June 25, 2012 and June 26, 2012 respectively. Prior to the board meeting, but after they applied for RNY power Mead was purchased by ACCO Brands; and subsequently requested transfer of their allocation to their new company Mead Products LLC. The Authority has not yet executed a contract with Mead Products LLC. The Authority has been advised that the transferee will commit to honor all of the terms and conditions that pertain to the RNY Power allocation including commitments related to jobs and capital investment.

Silarx Pharmaceuticals Inc. ("Silarx") with facilities located in Spring Valley, Rockland County and Carmel, Putnam County was recommended for and awarded a 180 kW RNY Power allocation by EDPAB and the Trustees at meetings of these boards held on June 25, 2012 and June 26, 2012 respectively. The company is moving the bulk of its operations from the Spring Valley location to the Carmel location in accordance with its Consolidated Funding Application under which the allocation was awarded. The company requests that the Trustees transfer the allocation, including its employment and capital investment commitments, to the Carmel location. Silarx will commit to honor all of the terms and conditions of the company's existing RNY Power contract including commitments related to jobs and capital investment.

New York Power Authority
ReCharge New York Power Allocations Declined

Exhibit "H"
December 18, 2012

Line	Company	City	County	Economic Development Region	IOU	Description	kW Recommendation	Award Date
1	AngioDynamics, Inc.	Queensbury	Warren	Capital District	NGRID	Manufactures medical devices	296	4/24/2012
2	Bonide Products, Inc.	Oriskany	Oneida	Mohawk Valley	NGRID	Manufactures lawn and garden products	200	6/26/2012
3	BorgWarner Morse TEC Inc.	Cortland	Cortland	Central New York	NGRID	Manufactures automotive industry components	1,000	4/24/2012
4	Burrows Paper Corporation	Little Falls	Herkimer	Mohawk Valley	NGRID	Manufactures specialty paper	1,500	4/24/2012
5	Climax Manufacturing Co.	Lowville	Lewis	North Country	NGRID	Manufactures cartons	250	4/24/2012
6	Climax Paperboard Inc.	Carthage	Jefferson	North Country	NGRID	Manufactures paper mill produces	2,426	4/24/2012
7	Constance Food Group, Inc.	Bohemia	Suffolk	Long Island	LIPA	Wholesale sandwiches	470	6/26/2012
8	F&F Transport, Inc.	Fonda	Montgomery	Mohawk Valley	NGRID	Aluminum extrusion	10	6/26/2012
9	FiberMark North America, Inc.	Brownville	Jefferson	North Country	NGRID	Manufactures high end paper	730	4/24/2012
10	Ford Motor Company	Buffalo	Erie	Western New York	NGRID	Manufactures stampings and welded sub-assemblies	920	4/24/2012
11	Greatbatch, Ltd	Clarence	Erie	Western New York	NYSEG	Manufactures electronic medical components	250	4/24/2012
12	Interface Solutions, Inc.	Fulton	Oswego	Central New York	NGRID	Manufactures gasket material	1,686	4/24/2012
13	Interface Solutions, Inc.	Beaver Falls	Lewis	North Country	NGRID	Manufactures gasket material	1,046	4/24/2012
14	J. D. Calato Mfg. Co., Inc.	Niagara Falls	Niagara	Western New York	NGRID	Percussion accessory manufacturers	36	6/26/2012
15	Metropolitan Life Insurance Company	Troy	Rensselaer	Capital District	NGRID	Data center	1,400	4/24/2012
16	Rome Specialty Company, Inc.	Rome	Oneida	Mohawk Valley	NGRID	Manufactures fishing tackle	10	4/24/2012
17	Seneca Foods Corporation	Geneva	Ontario	Finger Lakes	NYSEG	Manufactures tin cans	850	4/24/2012
18	Seneca Foods Corporation	Leicester	Livingston	Finger Lakes	RGE	Manufactures tin cans	376	4/24/2012
19	Seneca Foods Corporation	Marion	Wayne	Finger Lakes	RGE	Canned fruits & vegetables	326	4/24/2012
20	Stone Construction Equipment, Inc.	Honeoye	Ontario	Finger Lakes	NGRID	Light construction equipment	216	4/24/2012
21	Syracuse University	Syracuse	Onondaga	Central New York	NGRID	Higher education	666	4/24/2012
22	Tate's Wholesale, LLC	East Moriches	Suffolk	Long Island	LIPA	Bakery	46	4/24/2012
23	Telephonics Corporation	Huntington	Suffolk	Long Island	LIPA	Manufactures high technology electronic systems	166	4/24/2012
24	Telephonics Corporation	Huntington	Suffolk	Long Island	LIPA	Electronic systems for military and commercial applications	166	4/24/2012
25	WeRecycle! LLC	Mount Vernon	Westchester	Mid-Hudson	CONED	Provides recycling programs and services	770	6/26/2012
26	Willow Run Foods, Inc.	Kirkwood	Broome	Southern Tier	NYSEG	Fast food systems distributor	96	4/24/2012

	Totals	15,908