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

July 31, 2012

Table of Contents

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Minutes of the Regular Meeting of the Power Authority of the State of New York held via videoconference at the Clarence D. Rappleyea Building, 123 Main Street, White Plains, New York at approximately 11:06 a.m.

Members of the Board present were:

John R. Koelmel, Chairman
John S. Dyson, Vice Chairman
Eugene L. Nicandri, Trustee
Jonathan F. Foster, Trustee
R. Wayne LeChase, Trustee
Terrance P. Flynn, Trustee
Joanne M. Mahoney, Trustee

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
Jill Anderson	Chief of Staff and Director – Energy Policy
Thomas Antenucci	Senior Vice President – Power Supply Support Services
Joseph Kessler	Senior Vice President – Power Generation, Power Supply
William Nadeau	Senior Vice President and Chief Risk Officer
James Pasquale	Senior Vice President – Economic Development & Energy Efficiency
Paul Tartaglia	Senior Vice President – Energy Resource Management
Joan Tursi	Senior Vice President – Corporate Support Services
Paul Belnick	Vice President – Energy Efficiency – Energy Services and Technology
John Canale	Vice President – Project Management
Dennis Eccleston	Vice President – Information Technology/Chief Information 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
Lesly Pardo	Vice President – Internal Audit
John Suloway	Vice President – Project Development, Licensing and Compliance
Arthur Cambouris	Deputy General Counsel – Litigation
Brain McElroy	Treasurer
Karen Delince	Corporate Secretary
Mike Lupo	Director – Marketing Analysis and Administration
Mark O'Connor	Director – Real Estate
Michael Saltzman	Director – Media Relations
Gerard Vincitore	Director – Resource Planning and Project Analysis
Timothy Muldoon	Manager – Business Power Allocations and Compliance
Gary Schmid	Manager – Network Services Infrastructure
Peter Prunty	Network Architect – Infrastructure
Lorna M. Johnson	Assistant Corporate Secretary
Ruth Colon	Senior Business Integration Project Manager
Brian Wilkie	Rotational Business Integration Project Manager
Sheila Baughman	Senior Secretary – Corporate Secretary's Office
Kevin O'Kefee	Manager – Video Production Services
Trish Hennessy	Photographer – Video and Photographic Services
Grant Smolen	Intern

Sheri L. Mooney	Senior Vice President, Senior Programs Manager - First Niagara Financial Group
Jennifer Sanfilippo	Partner - The Mullen Group
John V. Connorton, Jr.	Partner, Hawkins Delafield and Wood LLP

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

Introduction

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 July 31, 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.

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

The Minutes of the Regular Meeting held on June 26, 2012 were unanimously adopted.

b. Additional Funds for Electricity Savings Reimbursements Related to the Power for Jobs Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize additional funding, not to exceed $25 million, for electricity savings reimbursement ('Rebate') payments related to all extensions of the Power for Jobs ('PFJ') program through the program's expiration on June 30, 2012.

BACKGROUND

"In July 1997, New York State created the Power for Jobs ('PFJ') program to provide low-cost power to businesses and not-for-profit corporations that agree to retain or create jobs in New York State. In return for commitments to create or retain jobs, successful applicants received three-year contracts for PFJ electricity.

"The PFJ program, originally intended to last three years, has been extended many times by the Legislature. Chapter 59 of the Laws of 2004 extended the benefits for PFJ customers whose contracts expired before the end of the program in 2005. Such customers were given the option to receive benefits in the form of an 'electricity savings reimbursement' rebate or a power contract extension. The Authority was also authorized to voluntarily fund the rebates, if deemed feasible and advisable by the Trustees.

"In 2005, provisions of the approved State budget extended the period PFJ customers could receive benefits until December 31, 2006. Chapter 645 of the Laws of 2006 included provisions extending the PFJ program benefits until June 30, 2007. Chapter 89 of the Laws of 2007 included provisions extending the PFJ program benefits until June 30, 2008. Chapter 645 of the Laws of 2008 included provisions extending the PFJ program benefits until June 30, 2009. Chapter 217 of the Laws of 2009 included provisions extending the PFJ program benefits until May 15, 2010. Such provisions were subsequently extended to June 2, 2010. Chapter 311 of the Laws of 2010 included provisions extending the PFJ program benefits until May 15, 2011. Chapter 60 of the Laws of 2011 provided for the expiration of the PFJ Program on June 30, 2012.

DISCUSSION

"At their meeting on August 30, 2010, the Trustees authorized payments for Rebates of up to $50 million for all PFJ extensions after May 15, 2010. These funds were used to pay Rebates from all legislative periods excluding the latest one beyond May 15, 2011. Additionally, $50 million was authorized by the Trustees in April 2011 for payments limited to only Rebate obligations accrued during the last legislation period of May 16, 2011 through June 30, 2012. The PFJ program has been repealed as of June 30, 2012 and the already approved funds are not sufficient to continue the Rebate payments through June 30, 2012. All PFJ rebate customers are eligible for rebate payments through June 30, 2012.

"The Trustees are requested to authorize additional funding, not to exceed $25 million (the 'Authorized Amount'), that would be available to close out the Rebates related to all extensions of the PFJ program.

"Rebates will continue to be made as in prior years subject to a certification on the date of such payment by the Authority's Treasurer or Deputy Treasurer that the amount to be withdrawn is not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented.

"Staff has reviewed the effects of the Rebate payments of up to the Authorized Amount on the Authority's projected financial position and reserve requirements. In addition, in accordance with the Trustees' Policy Statement dated May 24, 2011, staff calculated the impact of these payments on the Authority's debt service coverage ratio and determined that 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 payments of up to the Authorized Amount at this time.

"While the Trustees will not be asked to approve individual payment amounts, such information will be made available to the Trustees when requested. Staff intends to return to the Trustees, as may be necessary, to address modifications to the Authorized Amount.

"From the inception of the rebate program in 2005 through the end of 2011, the Authority incurred about $280 million in Rebate payments to eligible customers, averaging about $40 million per year.

FISCAL INFORMATION

"At this time, the amount needed for additional Rebate payments to PFJ rebate customers for all extensions is not expected to exceed the Authorized Amount of $25 million. Payments would be made from the Operating Fund.

RECOMMENDATION

"The Senior Vice President – Economic Development and Energy Efficiency and the Director – Market Analysis and Administration recommend that the Trustees approve the Authorize Amount for electricity savings reimbursement payments for the closure of the PFJ rebate 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 based on the recommendation of staff, the Trustees hereby authorize the continued payment of PFJ electricity savings reimbursements to PFJ rebate customers as discussed in the foregoing report of the President and Chief Executive Officer in the amount of up to the Authorized Amount ($25 million) for all extensions of such program; and be it further

RESOLVED, That it is hereby found that the foregoing amount may be withdrawn from the Operating Fund to fund such payments; and be it further

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

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

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

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

c. Extension of Hydropower Contracts with Upstate Investor-Owned Utilities for the Benefit of Rural and Domestic Consumers – Transmittal to the Governor

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the proposed 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 firm peaking hydropower, totaling 360 MW and, in accordance with Public Authorities Law ('PAL') §1009, to authorize transmittal of the contracts to the Governor for his approval. The form of the contracts with National Grid, NYSEG and RGE is attached as Exhibit '2c-A,' Exhibit '2c-B' and Exhibit '2c-C,' respectively. This request follows the public hearing and comment period on the form of the contracts that was authorized by the Trustees at their December 15, 2011 meeting. The public hearing was held on February 7, 2012. The transcript of the public hearing is attached as Exhibit '2c-D.'

BACKGROUND

"Under the terms of the hydropower contracts signed with the Utilities in 1990 ('1990 Hydro Contracts') and subsequent annual contract extensions, the Utilities have purchased from the Authority both firm power and firm peaking power generated by the St. Lawrence/FDR and Niagara Power Projects.

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

"Anticipating the enactment of legislation creating a new hydropower-based economic development program, the Trustees approved only short-term extensions of the 1990 Hydro Contracts after the original expiration date of such contracts on August 31, 2007.

"The last extension of the 1990 Hydro Contracts was approved by the Trustees at their December 13, 2010 meeting and ultimately approved by the Governor and provided for an expiration date of December 31, 2011.

"Chapter 60 (Part CC) of the Laws of 2011 created the ReCharge New York Power Program ('RNY Program'). This law authorized the Authority to redeploy firm hydropower previously sold to the Utilities for the benefit of the R&D consumers for use in the RNY Program.

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

"As authorized by the Trustees at their December 15, 2011 meeting, staff has executed short-term contract extensions providing solely for the sale of the peaking power to the Utilities pending approval by the Governor.

DISCUSSION

"At their meeting of December 15, 2011, the Trustees approved commencement of negotiation of contract extensions for firm peaking hydropower with the Utilities, consisting of 175 MW for National Grid, 150 MW for NYSEG and 35 MW for RGE. The parties have reached agreement on the terms of the extensions. These firm peaking power allocations would continue to allow the Authority to pass on the benefits of the firm peaking power to the R&D consumers through the Utilities. The Authority would continue to have a right to withdraw the firm peaking power on 30 days' written notice.

"A public hearing was held, pursuant to PAL §1009, for the contract extensions on February 7, 2012, at Syracuse University in Syracuse, New York from 3:00 p.m. – 7:00 p.m. Following the review of the comments on the public record, it was determined that no modifications to the contract extensions are required.

FISCAL INFORMATION

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

RECOMMENDATION

"The Senior Vice President – Economic Development and Energy Efficiency and the Director – Marketing Analysis and Administration recommend that the Trustees approve: (1) the terms of the proposed contract extensions with the Utilities and (2) authorize transmittal of the contract extensions to the Governor for his consideration in accordance with Public Authorities Law §1009.

"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 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 execute any and all documents necessary or desirable to implement the contract extensions with National Grid, New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the proposed contract extensions be submitted to the Governor for approval, and that the contracts be forwarded to 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 the Public Authorities Law §1009; and be it further

RESOLVED, That the Chairman and the Corporate Secretary be authorized and directed to execute such contract extensions in the name of and on behalf of the Authority after it has been approved by the Governor; 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 herby 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, certifications 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. Niagara Power Project – Lewiston Pump Generating Plant Life Extension and Modernization Program – Installation of Auxiliary Equipment – Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a two-year contract to Ferguson Electric Construction Co. Inc. of Buffalo, NY ('Ferguson'), in the amount of $5,608,834, for the installation of auxiliary equipment for the first two unit upgrades, as part of the Life Extension and Modernization ('LEM') Program at the Niagara Power Project, Lewiston Pump Generating Plant ('LPGP').

BACKGROUND

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

"At their June 29, 2010 meeting, the Trustees approved the LPGP Life Extension Program at the estimated cost of $460 million and authorized capital expenditures in the amount of $131 million. This requested contract award is a part of the previous capital expenditure authorization.

"The principal reason for the life extension work at LPGP is the condition and age of the generating equipment, including the original Generator Step-Up Transformers, Motor-Generators, Pump-Turbines, Exciters and Unit Controls, Potheads and High Pressure Fluid-Filled plants. Failure to maintain LPGP would result in significant loss of peaking and firm capacity from the Niagara Power Project, preventing the Project from being able to meet power contracts with the Authority's customers.

"This contract is for the first two of the twelve units to be upgraded as part of the LPGP LEM program so that staff can incorporate 'lessons learned' during the implementation into the design and procurement packages for the remaining ten units. This approach will mitigate future scope-of-work changes and the associated cost impact.

"The scope-of-work under this contract includes the installation of the following equipment furnished by other vendors under separate contracts: static exciters, generator circuit breakers, cable and unit instrumentation. The scope-of-work also includes i) furnishing and installation of conduits and cable trays; ii) replacement of the AC and DC distribution systems equipment for the first two units; iii) furnishing the AC and DC distribution systems equipment for the remaining ten units; iv) removal of existing associated cables and conduits; and v) assistance with testing and commissioning of the first two units.

DISCUSSION

"An advertisement to procure bids was issued and appeared in the New York State *Contract Reporter* on May 2, 2012. A single proposal was received on June 19, 2012 from Ferguson. In addition, Post-Bid Addenda No. 1 was issued to clarify the bidder's proposal; Ferguson's final prices, indicated below, were received on July 2, 2012.

Bidder	**Location**	**Bid**
Ferguson Electric Construction Co. Inc.	Buffalo, NY	$5,608,834

"The proposal was reviewed by an evaluation committee ('Committee') with representatives from Procurement, Engineering, Niagara Project and Project Management. Several clarifications were sent to Ferguson to clarify their proposal and to provide an opportunity to explain how they arrived at their work plan, guaranteed characteristics and pricing. Ferguson's responses were acceptable to the Committee.

"In the recent past, Ferguson successfully completed several projects at the Niagara Power Project which includes replacement of the 115 kV oil circuit breakers with SF6 type in the switchyard and the replacement of the first two generator step-up transformers at LPGP. In addition, Ferguson was awarded a contract in March 2012 to furnish and replace the Isolated Phase Bus at LPGP.

"Ferguson has a broad experience in projects of this magnitude, has demonstrated knowledge of the scope-of-work and is capable of completing this project in a timely manner. The Committee recommends that a contract for the work described above be awarded to Ferguson whose bid is technically and commercially acceptable.

"The estimated cost of this work is within the authorization of this project which was approved by the Trustees at their June 29, 2010 meeting; this work is included in the 2012 approved Capital Budget. Future funding will be included in the Capital Budget request for those years.

FISCAL INFORMATION

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

RECOMMENDATION

"The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Procurement, the Project Manager and the Regional Manager – Western New York recommend that the Trustees approve the award of a two-year contract to Ferguson Electric Construction Co. Inc. of Buffalo, NY, in the amount of $5,608,834, for the installation of auxiliary equipment for the first two unit upgrades as part of the Life Extension and Modernization Program to renovate and modernize the Lewiston Pump Generating Plant.

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a two-year contract to Ferguson Electric Construction Co. Inc. of Buffalo, NY, in the amount of $5,608,834, for the Installation of Auxiliary Equipment for Unit Upgrade as part of the Life Extension and Modernization program to renovate and modernize the Lewiston Pump Generating Plant, as recommended in the foregoing report of the President and Chief Executive Officer;

Contractor	**Contract Approval**
Ferguson Electric Construction Co. Inc., Buffalo, NY	**$5,608,834**

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.

e. **Niagara Power Project – Lewiston Pump Generating Plant Life Extension and Modernization Program – <u>HPFF Cable Pressurization Systems – Contract Award</u>**

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to approve the award of a three-year contract, in the amount of $1,979,230 to MAC Products, Inc. of Kearney, NJ ('MAC'), for the purchase of replacement High Pressure Fluid-Filled (HPFF) cable pumping plants as part of the Life Extension and Modernization ('LEM') Program at the Lewiston Pump Generating Plant ('LPGP').

<u>BACKGROUND</u>

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

"At their June 29, 2010 meeting, the Trustees approved the LPGP LEM Program at the estimated cost of $460 million and authorized capital expenditures in the amount of $131 million. This requested contract award is a part of that capital expenditure authorization.

"The HPFF cable pressurization system is comprised of two independent pumping plants that pressurize six power cables. Four of the cables are the 230 kV cables associated with Feeders #1 through #4 for the LPGP generator step-up transformers and the remaining two cables are for the 115kV cables associated with autotransformer #2. The existing 50 year old 115 kV and 230 kV Pipe-Type Cables were evaluated for potential pressurization failure. Due to deterioration and the unavailability of spare parts, it is deemed prudent to replace and upgrade the HPFF pumping plants based on the latest technologies.

"The work under this contract includes the design, fabrication, installation, testing and commissioning of two HPFF cable pumping plants. The first pumping plant is located at the LPGP south end of the Turbine Gallery and is considered the 'primary' pumping plant for Feeders #1 through #4. The second plant is located at the Switchyard Oil Handling Building and is considered the primary pumping plant for Autotransformer #2 and a back-up pumping plant to the primary pumping plant. The scope-of-work also includes demolition and removal of the existing plants. The installation of the first plant located at the LPGP and the second plant located in the Oil Handling Building are scheduled to start in October 2013 and June 2014, respectively.

<u>DISCUSSION</u>

"An advertisement to procure bids was issued and appeared in the New York State *Contract Reporter* on January 10, 2012. One proposal was received on March 7, 2012 in response to the advertisement. In addition, Post bid Addendum No. 1 was issued to clarify the bidder's proposal. The bidder's final prices, indicated below, were received on June 8, 2012.

Bidder	**Location**	**Bid**
MAC Products, Inc.	Kearney, NJ	$1,979,230

"The proposal was reviewed by an evaluation committee with representatives from Procurement, Engineering, Niagara Project and Project Management. Meetings were conducted with the bidder to clarify the proposal and provide an opportunity to explain how they arrived at their work plan, guaranteed characteristics and pricing.

"MAC did not take any exception to the technical and installation schedule requirements. MAC had minor commercial exceptions that were resolved. The company is experienced in installation of HPFF cable pumping plant systems, has demonstrated knowledge of the scope-of-work and has the capability to successfully complete the project. MAC's experience, safety record, resources and capabilities are sufficient to perform this work. They have met all of the requirements of the Bidding Document and have performed satisfactorily on previous Authority projects at the St. Lawrence Facility.

"The estimated cost of this work is within the authorization of this project which was approved by the Trustees at their June 29, 2010 meeting; this work is included in the 2012 approved Capital Budget. The total cost includes $43,856 for spare parts required and additional technical support that may be necessary. Future funding will be included in the Capital Budget request for those years.

FISCAL INFORMATION

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

RECOMMENDATION

"The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Procurement, the Project Manager and the Regional Manager – Western New York recommend that the Trustees approve the award of a three-year contract in the amount of $1,979,230 to MAC Products, Inc. of Kearney, NJ, for the High Pressure Fluid Filled cable pumping plants replacement as part of the Life Extension and Modernization Program at the Lewiston Pump Generating Plant.

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a three-year contract in the amount of $1,979,230 to MAC Products, Inc. of Kearney, NJ, for the High Pressure Fluid-Filled cable pumping plants replacement as part of the Life Extension and Modernization Program at the Lewiston Pump Generating Plant, as recommended in the foregoing report of the President and Chief Executive Officer;

Contractor	**Contract Approval**
MAC Products, Inc. Kearney, New Jersey	**$1,979,230**

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.

f. St. Lawrence/FDR Power Project –
Architectural and Engineering Services
<u>for New Nature Center – Contract Award</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a three-year contract to Stieglitz Snyder Architecture, P.C. of Buffalo, NY (hereinafter 'Stieglitz'), in the amount of $430,993, for architectural, engineering and design services for a new Nature Center at Robert Moses State Park ('RMSP'), Massena, St. Lawrence County.

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 original Nature Center was lost due to a fire in March 2010. As part of the Authority's pledge after the loss, it is proposed that the Nature Center be re-built to provide a safe gateway to barrier-free learning through the provision of indoor/outdoor natural science education for the public, schools and community groups.

"The new Nature Center will have exhibits and classroom areas. A consultant, Kleinschmidt Energy & Water Resource Consultants (hereinafter 'Kleinschmidt'), was contracted to analyze and evaluate various site options in order to identify a suitable location and requirements for the new Nature Center. Kleinschmidt's report identifies a proposed site with conceptual drawings and features for the new building. It also provides a conceptual design criteria and opinion of probable construction costs that meets the goal of the new RMSP Nature Center. The proposed location of the new Nature Center, as well as its conceptual features, was also reviewed with the New York State ('NYS') Office of Parks Recreation and Historic Preservation and the Friends of the Nature Center.

DISCUSSION

"The scope-of-work includes architectural and engineering design services, construction drawings and specifications and technical support during construction, testing and commissioning activities. The services are scheduled to be provided over a three-year period — architect/engineering starting in fall 2012 and building construction and occupancy in fall 2015.

"The Authority issued an advertisement to procure bids in the New York State *Contract Reporter* and bid packages were available as of May 10, 2012. On June 08, 2012, six qualified proposals were received. The proposal prices are noted below:

Bidder	**Location**	**Bid Amount**
Phinney Design Group	142 Grand Avenue Saratoga Springs, NY 12866	Non-responsive
Engineering System, P.C.	234 River Ave #14 Patchogue, NY 11772	$ 380,500
Stieglitz Snyder Architecture	425 Franklin Street Buffalo, NY 14202	$ 422,493
Bernier, Carr and Associates, P.C.	327 Mullin Street Watertown, NY 13601	$ 426,600

Bidder	**Location**	**Bid Amount**
C&S Companies	499 Col. Eileen Collins Blvd Syracuse, NY 13212	$ 672,100
Aubertine and Currier Architects	522 Bradley Street Watertown, NY 13601	$ 657,071

"The proposals were reviewed by an evaluation committee comprising staff from the Authority and Kleinschmidt.

"Phinney Design Group was found to be non-responsive to the bidding documents as they excluded the building fire protection system design from their proposal and did not meet other requirements of the bidding documents.

"Engineering System submitted one of the lowest cost proposals for the work, but received the lowest overall evaluation score. It is a three-person firm established in March 2012 with only one employee licensed as a NYS Professional Engineer. The company does not have a licensed architect or an accredited LEED professional on the team. They do not have any previous experience with similar nature center projects and their track record shows only three projects in California in 2006 and none in NYS.

"Authority staff recommends an award to the lowest, technically acceptable bidder, Stieglitz. Stieglitz has extensive experience in projects of this magnitude (over 30 years) and demonstrated good knowledge of the scope-of-work. Over the years, the company has won numerous awards for the quality of its designs as well as for technological innovations, particularly energy conservation. Stieglitz is comprised of various licensed professionals including architects, planners, LEED accredited professionals and a core of technical staff, most of who have been working together as a team for almost two decades. The company's in-house capabilities will be augmented by other engineering/design professionals including TVGA Consultants, for all civil and site related design; Buffalo Engineering P.C. to handle all of the Mechanical, Electrical, Plumbing and Fire Protection engineering as well as Building Energy Modeling; LF Engineers (M/WBE) for Structural engineering; Singleton Construction Consultants (M/WBE) for cost estimating services; and Hadley Exhibits for the exhibit design components. Stieglitz has completed, or is currently working on, similar nature projects including the Buffalo Audubon Society Nature Center in Lewiston, New York and the Sustainability Center Tifft Nature Preserve in Buffalo, New York. Stieglitz is considered to be capable of completing the Authority's new Nature Center Project successfully and in a timely manner.

"Authority staff requested from Stieglitz an optional price for additional site visits in excess of a minimum of ten visits already included as part of the base bid price. The cost of this option (10 visits at $850 per visit) is $8,500, bringing the total authorized contract amount to $430,993. The cost for this extra work will only be released to the bidder if the need arises and will not be reflected in the total dollar amount of the Purchase Order.

"Initial funding for consultant services and site preparation totaling, $859,151, has been authorized in the 2011 and 2012 budgets. An overall Capital Expenditure Authorization Request will be prepared and submitted for Trustee Approval when the Nature Center design is complete and construction bids are received in 2013. Additional funding for this project in the amount of $1,367,800 has been included in the 2013 Capital Budget.

FISCAL INFORMATION

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

RECOMMENDATION

"The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Vice President – Engineering and the Vice President – Procurement recommend that the Trustees approve the award of a multi-year contract to Stieglitz Snyder Architecture of Buffalo, NY, in the amount of $430,993.

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a three-year contract to Stieglitz Snyder Architecture of Buffalo, NY, in the amount of $430,993, for architectural and engineering services for a New Robert Moses State Park Nature Center, as recommended in the foregoing report of the President and Chief Executive Officer;

Contractor	**Contract Approval**
Stieglitz Snyder Architecture Buffalo, NY	**$430,993**

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.

g. St. Lawrence/FDR Power Project – Barnhart Island Bridge – Painting and Rehabilitation – Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a two-year contract to Atlas Painting & Sheeting Corporation of Amherst, NY ('Atlas'), in the amount of $10,014,000, for the Painting and Rehabilitation of the St. Lawrence/FDR Power Project's Barnhart Island Bridge.

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 and non-procurement contracts in excess of $3 million also requires the Trustees' approval.

"The Barnhart Island Bridge is a 1,076-foot long, three-span steel through truss bridge, supported on concrete piers and abutments. The bridge was constructed in 1956 by the Authority as the major link between the mainland and the St. Lawrence/FDR Power Project site. Since the original construction, the bridge was repainted in 1978 and subsequently rehabilitated in 1997 with new concrete deck, additional steel to reinforce the deck framing, painting and other miscellaneous repairs.

"The existing paint system has exceeded its expected design life. Since 1997, the bridge has undergone periodic maintenance patch painting. However, this approach is not cost-effective as a long-term solution. Bridge inspections have noted paint delamination caused by multiple layers of paint, mill scale, severe thermal cycling, age of the original primer and the overall thickness of the paint. Therefore, it is recommended that the bridge be completely re-painted and rehabilitated to prevent further deterioration.

DISCUSSION

"The scope-of-work under this painting and rehabilitation contract includes surface preparation and painting, abrasive blasting, containment and disposal of lead-containing paint, replacement of runway rail and refurbishment of the existing maintenance trolley. It also includes storm water collection and drainage system improvements. The work will be performed in two phases. The below-deck steel (substructure) will be painted in 2013 followed by above-deck (superstructure) in 2014.

"The Authority issued an advertisement to procure bids in the New York State *Contract Reporter* and bid packages were available as of April 4, 2012. On April 30, 2012 proposals were received from five bidders. The proposal prices are noted below:

Bidder	**Location**	**Lump Sum**
Atlas Painting & Sheeting Corp.	Amherst, NY	$9,939,000
Hercules Painting Co.	New Castle, PA	$14,363,000
Tri-State Painting (TSI)	Tilton, NH	$14,491,783
AMSTAR of Western NY, Inc.	Cheektowaga, NY	$15,660,700
ABHE & Svoboda, Inc.	Prior Lake, MN	$27,479,680

"The Authority recommends an award to the lowest-priced and technically qualified bidder, Atlas. Atlas is a leading provider of bridge painting services with extensive experience in projects of this magnitude. They have demonstrated knowledge of the scope-of-work and are capable of completing this project in a timely manner.

"The Authority requested an optional price from Atlas for the removal of up to 750 corroded rivets and replacement with high strength bolts. The cost of this option is $75,000, bringing the total authorized contract amount to $10,014,000. The cost for this extra work will only be released to the bidder if the need arises and will not be reflected in the total dollar amount of the Purchase Order.

"Funding in the amount of $3,214,000 has been included in the 2013 O&M Budget. Future funding will be included in the O&M Budget requests for that year. Since this is a joint work project, Ontario Power Generation ('OPG') will reimburse the Authority for 50% of the cost of the project.

FISCAL INFORMATION

"Payment associated with this project will be made from the Authority's Operation Fund. OPG will reimburse Authority for 50% of the cost of the project.

RECOMMENDATION

"The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Procurement, the Project Manager and the Regional Manager – Northern New York recommend that the Trustees approve the award of a multi-year contract to Atlas Painting & Sheeting Corporation of Amherst, NY, in the amount of $10,014,000.

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a two-year contract to Atlas Painting & Sheeting Corporation of Amherst, NY, in the amount of $10,014,000, for the Painting and Rehabilitation of the St. Lawrence/FDR Power Project's Barnhart Island Bridge, as recommended in the foregoing report of the President and Chief Executive Officer;

Contractor	**Contract Approval**
Atlas Painting and Sheeting Corporation, Amherst, NY	**$10,014,000**

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.

h. Lease of Office Space – Clarence D. Rappleyea Building – SKCG Group

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the execution of a lease for approximately 19,372 square feet of office space on the fourteenth floor of the Clarence D. Rappleyea Building ('Rappleyea Building'), White Plains, New York by the Authority, as landlord, to Assured SKCG, Inc. ('SKCG'), as tenant. The proposed lease is for a term of ten years, ten months, at an average annual base rent of approximately $22.00 per square-foot, as more specifically described in Exhibit 'A' attached hereto.

BACKGROUND

"The Authority acquired the Clarence D. Rappleyea Building by deed dated July 10, 1991. This is a commercial office building with the majority of the existing space occupied by Authority personnel. However, about 40% of the building is occupied by private tenants. At their meeting of March 20, 2003, the Authority's Trustees authorized entering into a lease with SKCG's predecessor (SKCG Group, Inc.) for approximately 19,000 rentable square feet located on the 14th floor of the Building. This lease expires January 31, 2014.

DISCUSSION

"SKCG provides business and personal insurance services. Although SKCG's lease with the Authority for its space on the 14th floor of the Building does not expire until 2014, SKCG wishes to renew and extend its lease at this time. Preliminary negotiations on this space have resulted in the basic lease terms set forth in Exhibit 'A.' Generally, this lease is for a term of ten years and ten months at an average annual rental of approximately $427,673. A review of the local market conditions indicate that this transaction compares favorably with other space being offered in downtown White Plains.

FISCAL INFORMATION

"Payment for standard brokerage commissions and tenant improvements as set forth in Exhibit 'A' will be made from the Operating Fund.

RECOMMENDATION

"The Senior Vice President – Corporate Support Services, the Director – Corporate Support Services and the Director – Real Estate recommend that the Trustees approve the execution of a lease with Assured SKCG, Inc. for office space in the Clarence D. Rappleyea Building on terms substantially in accordance with the foregoing and with Exhibit 'A' attached hereto.

"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 President and Chief Executive Officer, the Senior Vice President – Corporate Support Services or the Director – Real Estate be, and hereby is, authorized to enter into a Lease Agreement between the Authority and Assured SKCG, Inc., on substantially the terms set forth in the foregoing report of the President and Chief Executive Officer and subject to the approval of the documents by the Executive Vice President and General Counsel, or her designee; and be it further

RESOLVED, That the Senior Vice President – Corporate Support Services or the Director – Real Estate be, and hereby is, authorized on behalf of the Authority to execute any and all other agreements, papers or instruments that may be deemed necessary or desirable to carry out the foregoing, subject to the approval by the Executive Vice President and General Counsel; and be it further

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

Corporate Performance Measures

President Gil Quiniones provided an update of the Authority's performance as reflected in the corporate performance matrix developed by Authority staff and approved by the Trustees. He said, based on the performance metrics, the Authority is performing well. Transmission reliability was below the monthly target due to outages at Massena Substation and Clark Energy Center. These outages, however, did not result in any negative impacts on the state's electric system. President Quiniones said the Authority will be able to meet its milestones by the end of the year.

Summer 2012

President Quiniones said that the New York Independent System Operator ("NYISO") forecasted that the summer peak demand would reach approximately 33,000 MW. However, despite the heat waves experienced to date, the Authority's generation and transmission systems are performing well. In response to a question from Chairman Koelmel, President Quiniones said the 33,000 MW summer peak load is based on the prediction set by the NYISO and, in terms of reliability, the Authority has sufficient capacity, including imports from New Jersey, New England and the mid-Atlantic, to meet the state's summer peak demand.

Energy Efficiency

President Quiniones said that the Authority is the lead agency, on behalf of the state, to implement the Governor's energy efficiency initiative, branded "Build Smart New York," to retrofit state buildings in order to reduce energy consumption by 20% over the next seven years. A Web site and database of public buildings is currently being developed. President Quiniones said the initiative is being coordinated by Messrs. James Pasquale and Paul Belnick and the Trustees will be provided periodic updates as the work progresses. In response to a question from Trustee Foster, President Quiniones said the Authority will provide a turnkey service to the state. The Authority will commission its energy efficiency providers to work with the state in upgrading its facilities and also provide low-cost financing for the projects. In response to further question from Trustee Foster, President Quiniones said the Authority receives a fee to recover its costs.

In response to a question from Chairman Koelmel, President Quiniones said, going forward, the Authority will be working to achieve an orderly succession plan since 30 – 40 percent of its employees are eligible to retire in the next five years.

b. Report of the Chief Operating Officer

Mr. Edward Welz provided highlights of the report to the Trustees.

Performance Summary

- ***System-wide, Net Generation was below projections.***
- ***No significant unplanned generation or transmission events occurred in June.***

Construction Update

St. Lawrence/FDR Power Project Life Extension and Modernization Program:

- ***Work on Unit 20 began on May 9, 2012. The unit is expected to return to service on December 21, 2012.***
- ***The Program completion schedule for 2013 remains unchanged.***

Niagara Power Project – Unit 2 Standardization:

- ***Contractor encountered delays with the stator fabrication.***
- ***The Unit was returned to service on July 27, 2012.***

Lewiston Pumped-Generation Plant Life Extension and Modernization Program:

- ***The feeder outage to replace the third generator step-up transformer is scheduled to begin on October 1, 2012 and will be completed November 23, 2012.***
- ***The first Unit outage is scheduled to begin December 2012.***
- ***The program completion is scheduled for 2020.***

Organizational Review – Succession Planning

As a follow-up to his last report, Mr. Welz outlined further organizational changes in the Operations Business Unit as it relates to succession planning and the imminent retirement of senior staff.

c. Report of the Chief Financial Officer

Mr. Donald Russak provided highlights of the financial report to the Trustees.

Net Income

Net income through June was $152.3 million, prior to the recognition of the voluntary contribution to New York State. Results for the period, including the voluntary contributions, were $77.3 million compared to a budget of $38.7 million, resulting in a $38.6 million favorable variance. This variance is primarily due to higher net margins on sales, timing differences on expenditures and lower interest costs due to lower rates.

Year-End Projection

Developing trends indicate year-end net income for 2012 is expected to under-run by about $8 million relative to the $167 million budget. These trends include:

- ***Energy Prices – A mild winter and low natural gas prices continue to depress market prices for energy, which are presently forecasted to be approximately 30% lower than budget.***
- ***Capacity Prices – An increase in market-based capacity prices are being observed as a result of an increase in reserve requirements and the announced "moth-balling" of several generating stations throughout New York in response to lower prices and lower demand.***
- ***Hydro Flows – Net generation at the Niagara and St. Lawrence hydroelectric facilities, which was running above budget during the early part of the year, is now expected to under-run for the latter part of the year due to several months in succession of below average precipitation over the Great Lakes.***
- ***O&M and Other Expenses – O&M, under-running by $12 million year-to-date due to timing differences, is expected to finish the year near 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 of $85 million is included in the year-end projections.***

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

Responding to a question from Chairman Koelmel, Mr. Russak said the year-end projections as outlined in his report and the Authority's performance matrix are on target.

Responding to a question from Trustee Wayne LeChase, Mr. Russak said the International Joint Commission is exploring new regulations but they are not expected to have significant effects on the operations

of the Authority's St. Lawrence facility. Staff will, however, be monitoring the proposals. In response to further question from Trustee LeChase, Mr. Russak said the Commission has not yet made a decision on the new proposals.

In response to a question from Trustee Eugene Nicandri, Mr. Russak said although the capacity market prices have been going up, it has only a modest effect on the Authority's business since only a small portion of the Authority's power and energy, primarily from the Blenheim-Gilboa facility, is sold in the wholesale marketplace.

4. Annual Review of Hydropower Allocation Job Compliance

The President and Chief Executive Officer submitted the following report:

SUMMARY

"Staff has conducted its annual review of hydropower allocation job compliance covering the reporting period from January through December 2011. The Trustees are requested to not take action regarding 18 non-compliant allocations held by companies reporting employment at or above 80% of job commitment levels. The Trustees are also requested to defer action regarding 9 non-compliant allocations held by companies reporting employment below 80% of job commitment levels until further research can be conducted.

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. For compliance evaluation, customers are required by contract to report the monthly employment numbers for calendar year 2011 by February 29, 2012.

"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.

"This year's compliance review also incorporates information from a job reporting audit performed by the auditing firm Dannible & McKee ('D&M'). Each year an independent auditor randomly selects customers to review the accuracy of their annual employment filing. This year D&M's audit consisted of 35 randomly selected customers of which 12 are among the non-compliant group. These 12 customers showed varying degrees of accuracy in their job reporting, however, each remained non-compliant based on the audited number. Similarly, compliant allocations that were in the job reporting audit sample remained compliant, measured against the audited number. The auditors reported that in many cases, the discrepancies are attributed to the methodology used in the audit differing to some degree with the companies' method. All 35 customers will receive feedback discussing the results of the job reporting audit, including guidance for future submittals. For this annual compliance review, results are considered using the audited number instead of the company reported number, as noted herein.

DISCUSSION

"In 2011, the Authority had 110 hydropower customers holding 195 Replacement Power ('RP'), Expansion Power ('EP'), and Preservation Power ('PP') allocation contracts. Of these, a total of 105 customers held 186 contracts that required the customers to report job levels for 2011. The 186 contracts and allocation commitments reviewed by staff represent 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. This represents 110% of the total job commitment for hydropower customers reporting in 2011.

"For the year 2011, 138 of the 186 contracts reviewed were found to be compliant. These compliant contracts are held by 88 companies. Additionally, there were 19 companies with 20 contracts that, although reporting employment below their total commitment, contractually have more time to attain the commitment levels. These companies, included for information purposes, have newer allocations that are still within the timeframe allowed per contract to create the new jobs committed to when the allocations were awarded. These 20 contracts, together with the 138 compliant contracts, comprise 85% of the allocations reviewed and are listed in Exhibit '4-A.'

"Nevertheless, 22 customers with 28 contracts (or 21% of the 105 companies with one or more allocations reviewed) reported actual 2011 job levels below the compliance threshold. One of these non-compliant customers, Malyn Industrial Ceramics, reported meeting 77% of its job commitment but terminated its 150 kW EP allocation effective May 1, 2012.

"The main cause of the under-performance of the remaining 21 customers with 27 non-compliant allocations was the lingering effects of the 2009 recession and continued lack of growth of the national and global economies. During 2011, many customers were again faced with the difficulty of meeting their job commitments while trying to cope with the lackluster business climate. Although some industries and companies experienced improving conditions in 2011, the businesses that did not meet job commitment levels cited continued challenges from the 2009 recession, including the loss of business stemming from decreased sales and increased costs for raw materials. As evidenced by the persistently high national unemployment rate, non-compliant customers have struggled to increase employment during this extended period of economic malaise.

"The non-compliant companies have expressed varying degrees of optimism for future job growth while being resigned to the uncertain prospect of a national and/or global economic turn-around. Understanding that, for many of these companies, reducing the low-cost power allocation will only increase business challenges and potentially hasten job losses, staff is recommending that reductions in allocation amounts are not made to those companies reporting at or above 80% of job commitment levels. These 15 companies are within reasonable distance of meeting the compliance threshold with even a modest economic turn-around, and are detailed in Section I and listed in Exhibit '4-B.' It is important to note that the Trustees approved job commitment reductions for many of these allocations, effective commencing July 2013, as part of the Western New York ('WNY') contract extension initiative undertaken in 2010, and as noted herein.

"Staff has found that most of the non-compliant companies have consistently been missing their job number over 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. In the meantime, to better understand what is happening within the businesses and various industries, staff is recommending the Trustees defer action regarding the non-compliant allocations with reported 2011 employment below 80% of job commitment levels until further research can be conducted. These 7 companies and their non-compliant allocations are detailed in Section II and listed in Exhibit '4-C.'

Empire State Development Corporation ('ESD') has offered the Authority its economic development specialists to visit these companies for further research. ESD, in consultation with the Authority, will perform an outreach and develop a plan for managing the individual business' cases in terms of, not only its hydropower incentive, but any other state or local economic incentives. This holistic review may determine, for example, more appropriate employment levels per new industry standards, areas of further support and availability of such to enhance a businesses' future viability in WNY, or whether a pull-back of hydropower, and/or state and local resources is appropriate. One potential outcome would be a recommendation to remove these companies from the recurring cycle of non-compliance by effectively right-sizing commitments for their current and/or future business models. ESD will study industry and individual company employment trends over many years, as well as bring to bear its expert knowledge in economic development best practices.

"To allow time for an in-depth ESD review, staff is requesting that the Trustees defer compliance action on the 9 allocations listed in Exhibit '4-C' until the resultant findings can be provided. Staff will present ESD's findings to the Trustees at a future meeting and/or provide a report detailing the results and potential recommended actions.

Section I

Non-Compliant Allocations to Continue With No Change

Aurubis Buffalo, Inc., (*formerly Luvata Buffalo)*, Erie County
Allocation: 250 kW of RP
Jobs Commitment: 831 jobs

Background: Aurubis Buffalo Inc. ('Aurubis'), formerly known as Luvata Buffalo, manufactures copper and brass sheets and rolls. For the past year, the company averaged 634 jobs, i.e., 76% of its contractual commitment. This is an increase (5 jobs) from the previous years' average. Aurubis has two other allocations that are meeting its employment commitments. Business improved during 2011 and the trend is positive. The company was selected for the year 2011 external job audit and was found to have under-reported its employment level by 8 jobs. Using the audited employment level of 642 jobs, the company achieved 77% of its commitment. Although reporting below 80%, this allocation is compliant when considered against the reduced July 2013 commitment of 575 jobs that was approved by the Trustees as part of the WNY contract extension initiative.

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

Bernzomatic – Worthington Cylinder, Medina, Orleans County
Allocation: 600 kW of Expansion Power ('EP')
Jobs Commitment: 210 jobs

Background: Bernzomatic – Worthington Cylinder ('Bernzomatic') manufactures handheld torches and components at its Medina plant. In 2011, Bernzomatic reported an average of 186 jobs, i.e., 89% of its commitment. The company was selected for the year 2011 external job audit and was found to have over-reported its employment level by 7 jobs. Using the audited employment level of 179 jobs, the company achieved 85% of its commitment.

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

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

Background: C & S Wholesale Grocers, Inc. ('CSWG') provides warehousing and distribution services to supermarket chains, independent grocers and military facilities across the nation. In 2011, CSWG reported an average of 559 jobs, or 82% of its contractual commitment. The company was selected for the year 2011 external job audit and was found to have over-reported its employment level by 11 jobs. Using the audited employment level of 548 jobs, the company achieved 80% of its commitment. The company is below its job commitment due to the continued effects of, and slow recovery from the 2009 recession. The Trustees previously approved a reduction to the company's job commitment to 560 jobs commencing July 2013 as part of the WNY contract extension initiative.

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

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

Background: CertainTeed Corporation ('CertainTeed'), a wholly-owned subsidiary of the Saint–Gobain company, is a vinyl fence, deck and railing manufacturer. In 2011, Certain Teed reported an average 113 jobs, or 72% of its contractual commitment. The company was selected for the year 2011 external job audit and was found to have over-reported its employment level by 7 jobs. Using the audited employment level of 106 jobs, the company achieved 68% of its commitment. The company was directly impacted by the challenging economic conditions of the building industry, experiencing a significant reduction in demand for its products over the last several years. The company continues investing in research and development and capital equipment at the Buffalo facility and has increased employment in 2012 to 148 jobs as sales volume has increased. Although reporting below 80%, this allocation is compliant when considered against the reduced July 2013 commitment of 113 jobs that was approved by the Trustees as part of the WNY contract extension initiative.

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

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

Background: Ford Motor Company ('Ford') opened its Buffalo Stamping Plant in 1950 where it manufactures doors, floor pans, quarter panels and some inner-body components. The components then go to other Ford assembly plants and distribution centers throughout the U.S and Canada. In 2011, Ford averaged 773 jobs, or 81% of its contractual commitment. This is a significant decrease from the previous year's average of 840 jobs. The automotive industry has undergone a dramatic transformation over the past several years. The downturn in the economy forced significant changes in the way Ford does business, which has adversely affected employment levels at the Buffalo plant.

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

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

Background: Greatbatch is a leading developer and manufacturer of battery and precision engineered components used in medical devices as well as for commercial applications. For the past year, Greatbatch reported an average of 305 jobs, i.e., 83% of its contractual commitment. This is a decrease from the previous year of 317 averaged jobs. The company was selected for the year 2011 external job audit and was found to have over-reported its employment level by one job. Using the audited employment level of 304 jobs, the company still achieved 83% of its commitment. The economic climate continued to be challenging in 2011, however, the company was able to increase employment levels by 15 jobs during the first quarter of 2012. The Trustees previously approved a reduction to its job commitment to 333 jobs commencing July 2013 as part of the WNY contract extension initiative.

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

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

Background: Ingram Micro Corporation ('Ingram') is a leading wholesale distributor of microcomputer products worldwide, including hardware, software and networking equipment. For the past year, Ingram reported an average of 1,336 jobs, i.e., 88% of its job commitment. The company anticipates that employment will continue to trend upward during 2012. The company was selected for the year 2011 external job audit and was found to have over-reported its employment level by 78 jobs. Using the audited employment level of 1,258 jobs, the company achieved 82% of its commitment. Ingram stated that the company continues to invest in its state-of-the-art facility to remain competitive. The Trustees previously approved a reduction to its job commitment to 1,293 jobs, commencing July 2013, as part of the WNY contract extension initiative.

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

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

Background: International Imaging Materials, Inc. ('International Imaging') manufactures thermal transfer ribbons. For the past year, International Imaging reported an average of 337 jobs, i.e., 68% and 86% of its contractual commitments, respectively. This is an increase from the previous year's average of 326 jobs. The company was selected for the year 2011 external job audit and was found to have over-reported its employment level by 6 jobs. Using the audited employment level of 331 jobs, the company achieved 66% and 84% of its commitment. The company has been able to add additional employees in early 2012 and is cautiously optimistic about this year's growth. Although the EP allocation is below 80% of its job commitment, it is compliant when considered against the reduced July 2013 commitment of 310 jobs that was approved by the Trustees as part of the WNY contract extension initiative.

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

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

Background: Lockheed Martin ('Lockheed') manufactures gravity gradiometer technology for the U. S. Navy and commercial use. For the past year, Lockheed averaged 37 jobs, i.e., 83% of its contractual commitment and a slight increase from the previous year. Due to the state of the economy and restrictions on defense spending, the Lockheed Niagara Falls facility did not experience growth in 2011. The company managed to maintain about the same employment levels as the previous year and anticipates the same job levels throughout 2012.

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

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

Background: Niagara LaSalle Corporation ('Niagara LaSalle') manufactures cold-finished and thermal-treated steel bars. Niagara LaSalle averaged 75 jobs, i.e., 46% and 82% of its contractual commitments, respectively. This is an average increase of two jobs from the previous year. The Buffalo facility was not immune to corporate-wide staffing reductions at all of its facilities over the last several years. Conditions stabilized and improved throughout 2011, however, employment increases are tied directly to an improving economy. The company is optimistic that sales volume and employment levels will increase in the near future.

Recommendation: *Staff recommends that the Trustees take no action at this time regarding Niagara LaSalle's 700 kW RP allocation with an employment commitment of 92 jobs.*

<u>PEMCO – Precision Electro Minerals Co., Inc.</u>, Niagara Falls, Niagara County
Allocation: 800 kW of RP
Jobs Commitment: 22 jobs

Background: PEMCO – Precision Electro Minerals Co., Inc. ('PEMCO') makes and sells fused silica for use in the foundry and refractory industry. For the past year, PEMCO averaged 18 jobs, i.e., 81% of its contractual commitment. During the second quarter of 2011 the company reached a headcount of 22 jobs; however, due to fluctuating demand of the solar energy business, PEMCO was later forced to reduce employment. The company stated that in 2012 it is positioned for growth when the solar industry restarts its upward trajectory.

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

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

Background: Rosina Food Products Inc., ('Rosina Food') manufactures food products that are distributed nationally from its production facility in Buffalo. For the past year, Rosina Food averaged 219 jobs, or 81% of its contractual commitment. The company's overall sales volume declined in 2011, due to the 'soft' national economy, increased beef and pork prices, and other competitive pressures. Rosina has two other allocations that are meeting commitment levels. The Trustees previously approved a reduction to its job commitment to 235 jobs commencing July 2013 as part of the WNY contract extension initiative.

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

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

Background: The Carriage House Companies ('Carriage House/Lakeside') is a storage facility for both raw materials and finished products associated with syrups. For the past year, the company reported an average of 169 jobs, or 85% of its contractual commitment. The company operates a sister facility in nearby Fredonia which also has a hydropower allocation. Taken together, the company's commitment is 639 jobs and actual jobs reported for both were 643 jobs for 2011, representing a combined average of 101%. It is important to note that the company was selected for the year 2011 external job audit and was found to have under-reported its employment level by one job, thereby still achieving 85% of its commitment using the audited job number.

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

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

Background: Tulip Corporation ('Tulip'), an injection-molding company, recycles rubber and plastic and manufactures battery cases for the major battery manufacturers. For the past year, Tulip reported an average of 92 jobs, or 84% of its EP allocation commitment and 75% of its RP allocation. The RP allocation is a 'vintage' contract, with an 80% ratio threshold. This represents an increase of 16 jobs from the previous year. The company was selected for the year 2011 external job audit and was found to have over-reported its employment level by 5 jobs. Using the audited employment level of 87 jobs, the company achieved 79% of its EP commitment and 71% of its RP commitment. Tulip stated that continued hydropower availability is vital to its recovery effort. During the last quarter of 2011, the job count was trending up, averaging 97 jobs. Although reporting below 80%, Tulip's allocations are compliant when considered against the reduced July 2013 commitment of 70 jobs that was approved by the Trustees as part of the WNY contract extension initiative.

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

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

Background: Washington Mills Electro Minerals Corp. ('Washington Mills) manufactures abrasive grains for sandpaper and grinding wheels. For the past year, Washington Mills reported an average of 104 jobs, i.e., 61% of its commitment. This is a slight decrease from the previous year. The company was selected for the year 2011 external job audit and was found to have under-reported its employment level by 7 jobs. Using the audited employment level of 111 jobs, the company achieved 65% of its commitment. Market conditions in most of the company's businesses have been unfavorable, affecting its workforce. The company is experiencing a slow recovery in sales volume, but remains hopeful sales will turn around with the economy, leading to increased hiring. Although reporting below 80%, the allocation is compliant when considered against the reduced July 2013 commitment of 107 jobs that was approved by the Trustees as part of the WNY contract extension initiative.

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

Section II

Non-Compliant Allocations Recommended for ESD Review

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

Background: Buffalo Newspress Inc. ('Buffalo Newspress'), founded in 1979, prints advertising inserts, brochures and weekly newspapers. For the past year, Buffalo Newspress reported an average of 111 jobs, which is 74% of its contractual commitment and down two jobs from the previous years' average. The company was selected for the year 2011 external job audit and was found to have under-reported its employment level by 4 jobs. Using the audited employment level of 115 jobs, the company achieved 77% of its commitment. Buffalo Newspress saw improved sales volume as business stabilized and began to turn around, finishing the year up nearly 10% over its low point of 2009. The company has added 14 jobs to its 2011 average, thus far, in 2012, with a continued positive outlook for the remainder of the year.

Recommendation: *Staff recommends that the Trustees defer compliance action and enlist ESD for further review of this company.*

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

Background: Coyne Textile Services, ('CTS') is a family-owned business that provides textiles rental products (work uniforms, shop floor mats, etc.) and laundering services. For the past year, CTS reported an average of 41.6 jobs, or 44% of its contractual commitment. It is important to note the company was selected for the year 2011 external job audit and was found to have under-reported its employment level by 3 jobs. Using the audited employment level of 44 jobs, the company achieved 47% of its commitment. CTS was unable to increase its headcount last year, citing the difficult economy and decline in its customer base. The company completed a growth and training plan, which certified workers at its Buffalo location to be more attractive to food-based customers from restaurant, chain store and food processing plants. The Trustees previously approved a reduction to its job commitment to 52 jobs, commencing July 2013, as part of the WNY contract extension initiative.

Recommendation*: Staff recommends that the Trustees defer compliance action and enlist ESD for further review of this company.*

Niagara Ceramics Corporation, Buffalo, Erie County
Allocations: 850 kW of RP & 250 kW of EP
Jobs Commitments: 190 jobs

Background: Niagara Ceramics Corporation ('Niagara Ceramics'), founded in 2003, produces dinnerware. For the past year, Niagara Ceramics reported an average of 94 jobs, i.e., 49% of its contractual commitments. The company was selected for the year 2011 external job audit and was found to have over-reported its employment level by 3 jobs. Using the audited employment level of 91 jobs, the company achieved 48% of its commitment. The company continues to struggle in 2012 due to losses from a competitive import market which have resulted in a slowdown in its incoming order volume. The company is currently working with two major restaurant chains to secure more business. The Trustees previously approved a reduction to its job commitment to 140 jobs, commencing July 2013, as part of the WNY contract extension initiative.

Recommendation*: Staff recommends that the Trustees defer compliance action and enlist ESD for further review of this company.*

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

Background: Niagara LaSalle Corporation ('Niagara LaSalle') manufactures cold-finished and thermal-treated steel bars. Niagara LaSalle averaged 75 jobs, i.e., 46% and 82% of its contractual commitments, respectively. This is an average increase of 2 jobs from the previous year. The Buffalo facility was not immune to corporate-wide staffing reductions at all of its facilities over the last several years. Conditions stabilized and improved throughout 2011, however, employment increases are tied directly to an improving economy. The company is optimistic that sales volume and employment levels will increase in the near future.

***Recommendation**: Staff recommends that the Trustees defer compliance action regarding Niagara LaSalle's 700 kW RP allocation with an employment commitment of 164 jobs and enlist ESD for further review of this company.*

<u>Nuttall Gear Company</u>, Niagara Falls, Niagara County
Allocation: 350 kW of EP
Jobs Commitment: 135 jobs

Background: Nuttall Gear Company ('Nuttall') manufactures enclosed gear drives for industrial, commercial, transportation and utility applications. For the past year, Nuttall averaged 95 jobs, or 70% of its contractual commitment. This is a slight increase from the previous year. The company was forced to operate with fewer employees in 2011 due to continuing soft economic conditions. Nuttall has added one employee to its headcount thus far, in 2012.

***Recommendation:** Staff recommends that the Trustees defer compliance action and enlist ESD for further review of this company.*

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

Background: RubberForm Recycled Products, LLC ('RubberForm') is a start-up company manufacturing products made from 100% New York recycled crumb rubber, such as traffic sign bases, parking lot wheel stops, speed bumps, dock bumpers, and various other products. For the past year, RubberForm averaged 14 jobs, i.e. 47% of its contractual commitment. This is an increase from the previous year of 5 jobs on average.

***Recommendation:** Staff recommends that the Trustees defer compliance action and enlist ESD for further review of this company.*

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

Background: TAM Ceramics Group of New York, LLC ('TAM') is a supplier of dielectric powder to the passive electronic component industry and zirconia-based ceramic powders. For the past year, TAM averaged 57 jobs, i.e. 57% of its job commitment. These two allocations are 'vintage' contracts with an 80% job ratio based on a 2-year average. In 2011, the company developed several new products that will result in expanding its business. The company anticipates adding 20 to 30 jobs to this facility and it is optimistic that with continued investments and projected sales growth over the next year, it will be able to meet its job commitment levels.

***Recommendation**: Staff recommends that the Trustees defer compliance action and enlist ESD for further review of this company.*

Mr. Michael Huvane presented highlights of staff's recommendation to the Trustees. Responding to a question from Trustee Jonathan Foster, Mr. Huvane said after the Board's approval of staff's recommendations, Empire State Development Corporation ("ESD"), which has expertise in economic development, and Authority staff, will meet with the seven companies that are below 80% of their job commitment levels. A determination will then be made as to what action should be taken with regards to the contracts with these non-compliant companies. In response to a question from Chairman Koelmel, Mr. Huvane said most of the Authority's contracts have a 90% threshold for meeting job commitment levels; therefore, staff's recommendation for no action regarding companies within 80% of their job commitment levels is reasonable, taking into account the recession and economic conditions. He said 22 companies reported job commitment levels within the 80 – 90 % threshold. Responding to further question from Chairman Koelmel, Mr. Pasquale said contracts for the businesses that reported job commitment levels below 80% date back to the 1980s; so staff may need to refresh their job commitment levels – set appropriate job levels or adjust the allocations – bearing in mind that if the Authority take away the hydropower the company could go out of business. He continued that, following the Board's approval of staff's recommendations and discussions with the ESD, staff will report the findings and recommendations to the Board.

Trustee Flynn recused himself from the discussions and any actions taken as it relates to the following companies: API Heat Transfer, Inc., Ceres Crystal Industries Inc., Citigroup, Inc., Globe Metallurgical Inc., Globe Specialty Metals Inc., General Mills, General Motors Corporation, Goodyear Dunlop Tires N. America Ltd., Honeywell International, Moog, Inc., North American Hoganas, Olin Corporation Chlor-Alkali Products, Praxair, Inc., RHI Monofrax, Ltd., Saint Gobain – Boron Nitride Division, Saint Gobain – Structural Ceramics, Saint Gobain Abrasives Company, Western New York Energy, LLC, CertainTeed Corporation, Ford Motor Company and RubberForm Recycled Products.

5. Allocations of Expansion Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve allocations of 2,000 kW and 130 kW of Expansion Power ("EP") respectively, to Blackrock, Inc. ("Blackrock") and Graphic Controls Acquisition Corporation ("Graphic Controls") as described herein and in Exhibit '5-A.' The allocations of hydropower will support capital expansion of $38.26 million and the creation of 50 jobs in Western New York.

BACKGROUND

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

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

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

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

DISCUSSION

"At this time, there is 8,975 kW of unallocated EP available to be awarded to businesses under the criteria set forth in PAL Section 1005(13)(a). There is also 26,818 kW of unallocated RP for a total of 35.8 MW of unallocated hydropower available for Western New York business expansions. Staff is recommending that EP allocations totaling 2,130 kW be awarded to the companies set forth in Exhibit '5-A.' The exhibit shows, among other things, the amount of power requested by the applicants, the recommended allocation amounts and the commitment to job creation and capital investment to be made by these companies. Additional information on each project is contained in the application summaries attached as Exhibits '5-A-1' and '5-A-2'as well as in the individual expansion project descriptions below.

Blackrock, Inc.

"Blackrock is an independent investment management firm headquartered in New York City. The company provides a range of investment and risk management services, serving as a fiduciary and deriving all of its revenues from client business. Clients include pension funds, endowments, insurance companies, central banks, sovereign wealth funds and retail investors. The company competes nationally and internationally with banking and financial services companies including foreign and out-of-state financial institutions. Blackrock currently has approximately 2,000 employees in NYS.

"Blackrock is proposing to construct and develop a data center in one of three proposed locations in and around Amherst, New York, to serve as one of its primary communications and processing hubs for its global investment operations. It will be sized for future growth in capacity and computing needs, and facilities will be included to handle technical support operations in the near term. In keeping with NYS's emphasis on energy conservation and efficiency, indirect evaporative cooling and ultra-high efficiency uninterruptable power supply ('UPS') technologies will be built into the infrastructure.

"The project would require construction of a 50,000 square-foot facility, the purchase and installation of $37.5 million in electrical, cooling and Information Technology ('IT') equipment, along with other physical plant and site development. Blackrock has requested an allocation of 2,500 kW to support the anticipated electric demand of the proposed project.

"The facility would support the addition of 25 high-paying jobs in Western New York. The project's job ratio of 12.5 new jobs per MW, based on a recommended allocation amount of 2,000 kW, is below the recent historical average of 17.9 new jobs per MW for hydropower allocations approved by the Trustees since January 2009.

"The capital investment for this project includes $37.5 million, comprised of approximately $30 million for IT equipment and installation; $3 million for cooling equipment; and the remaining $4.5 million for UPS equipment, in addition to the building construction costs. The capital investment ratio for this project is $18.75 million per MW, which is below the historical average of $22.0 million per MW for hydropower allocations approved by the Trustees since January 2009.

"While Blackrock prefers to grow its primary data center operations in Western New York due to the proximity of low-cost power and fiber optic cable systems and the quality-of-life aspects that the Buffalo area offers prospective high technology workers, it has been presented with several options, including southern Canada and Pennsylvania. Since electricity cost is a significant portion of the operating cost of any data center, an allocation of hydropower is critical to the decision to move forward with this project. A hydropower allocation would help offset the large upfront investment and help make this site a viable expansion solution. If the project is successful, the company would look to consolidate technical staff from other Northeast operations as the facility expands. Staff recommends that an allocation of 2,000 kW be awarded to Blackrock in return for an investment of $37.5 million and the creation of 25 new jobs in Western New York.

<u>Graphic Controls Acquisition Corporation</u>

"Graphic Controls Acquisition Corp. ('Graphic Controls') owns and operates printing presses which primary products are casino slot machine tickets and medical device charts. The company currently employs 265 people at its Buffalo facility and has a 250 kW RP allocation, a 120 kW EP allocation and a 155 kW ReCharge New York allocation for which it is meeting contractual commitments. Graphic Controls is considering locating a new manufacturing line either at its Buffalo facility or at an alternate company site in Germany.

"Graphic Controls submitted an application for hydropower requesting 130 kW to serve a proposed new manufacturing line at its facility that will produce syringe filters. Graphic Controls would make a capital investment of $760,000 to build a clean-room that will house a new product line to manufacture syringe filters that are used in medical and pharmaceutical processes. Some of the equipment to be installed consists of injection molding machines and assembly machinery. If the Buffalo site is chosen, the project is estimated to be complete and operations begin in January 2013. The cost of electricity as a percentage of production at the facility is over 2% and the company maintains a '24/7' operation. An allocation of hydropower will significantly help lower costs and incentivize this company to locate the new product line in Western New York.

"Graphic Controls will commit to creating 25 new jobs in Western New York as a result of this expansion and retain the existing employment at the facility. The job creation ratio is 192 new jobs per MW. This ratio is well above the recent historic average of 17.9 new jobs per MW. The company's capital investment of $760,000 results in a ratio of $5.8 million dollars per MW. This ratio is below the recent historic average of $22.0 million per MW.

"An allocation of hydropower would support Graphic Controls' commitment to Western New York. The company's plans will further solidify the 265 existing jobs and enable the creation of 25 more jobs. Staff recommends that an allocation of 130 kW be awarded to Graphic Controls in return for an investment of $760,000 and creation of 25 jobs at its facility.

"Based upon a review and evaluation of the two applications for hydropower as detailed above, staff recommends that a 2,000 kW EP allocation be awarded to Blackrock and a 130 kW allocation be awarded to Graphics Controls, as set forth in Exhibit '5-A.' In total, the companies will commit to $37.5 million and $760,000 of capital investment, respectively, and to create 25 new jobs each. The recommended allocation will help Blackrock and Graphics Controls decide to move forward with expansion plans in the Buffalo region, thus improving and diversifying the economy of Western New York.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocations of hydropower totaling 2,000 kW to Blackrock, Inc. and 130 kW to Graphic Controls Acquisition Corporation as detailed in Exhibit '5-A.'

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

Mr. Michael Huvane presented highlights of staff's recommendation to the Trustees. Responding to a question from Trustee Foster, Mr. Huvane said Data Centers are capital intensive and are driven by large uses of power. Also, depending on the efficiency of the facility, 30 – 50 percent of its costs are energy related. He said other factors beyond jobs/MW were taken into consideration in staff's decision for this recommendation. Blackrock has also indicated that a hydropower allocation is important for the company to do business in New York State.

Trustee Nicandri added that, the business climate in upstate New York has changed, in that, there has been a transition from manufacturing to other businesses. This allocation, therefore, is a signal to attract new industries/companies to locate their businesses in upstate New York and that the state is willing to assist these businesses to locate there. Although this allocation may not be directly related to number of jobs per megawatt, it is part of changing the perception of what upstate New York offers and what the Authority plays in that role.

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

RESOLVED, That the allocation of 2,000 kW of Expansion Power to Blackrock, Inc., and 130 kW of Expansion Power to Graphic Controls Acquisition Corporation, as detailed in Exhibit "5-A" be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further

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

6. Temporary Discount – Blenheim-Gilboa Standard Service Tariff Rates for Long Island Power Authority

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve a negotiated discount for the Long Island Power Authority ('LIPA') off the current Blenheim-Gilboa ('B-G') pumped-storage hydropower service contract rate for capacity, effective for the period November 1, 2012 through October 31, 2013.

BACKGROUND

The Authority and LIPA are parties to a March 1989 agreement for the sale to LIPA of 50 megawatts ('MW') of B-G firm pumped-storage power service, which has an expiration date of April 30, 2015 ('1989 Agreement'). When the New York Independent System Operator, Inc. ('NYISO') began operations in 1999, the implementation of a new market structure for electricity rendered the 1989 Agreement economically unfeasible. In response, the parties entered into a new agreement in 2000 which modified the nature of the transaction ('Temporary Agreement'). Under the Temporary Agreement, the 50 MW sale is handled financially rather than through the physical delivery of power. The Temporary Agreement had a one-year term, which the parties have agreed to extend annually, and may be terminated upon two weeks' written notice by either party. Most recently, the parties executed an extension of the Temporary Agreement through June 30, 2013, pending approvals required by LIPA's contract review process. Should the parties, in the future, agree to let the Temporary Agreement expire, the underlying 1989 Agreement would set the commercial terms of the transaction.

"The 1989 Agreement was further modified in 2004 by Letter Agreement to permit LIPA to terminate the Agreement by providing at least six months written notice to the Authority, with such termination being effective at the start of a Winter or Summer Capability Period, as such periods are defined by the NYISO.

DISCUSSION

"In March 2012, LIPA informed the Authority that it was interested in terminating the 1989 Agreement as of the commencement of the Winter Capability Period (November 1, 2012) for the purpose of attempting to secure a more favorable rate on capacity. The prevailing market UCAP prices for 2010 and 2011 were about $0.90 per kilowatt-month versus the B-G contract's effective rate of $2.75 per kilowatt-month. The same pricing relationship continued into the early months of 2012. Such termination would have required LIPA's written notice to the Authority by May 1, 2012.

"The parties determined that it may be possible to meet their respective business interests if an agreement can be reached on a revised capacity rate within the parties' existing contract relationship. In order to provide additional time to negotiate a revised rate, on April 30, 2012 the Authority and LIPA agreed to extend the notice period under the 1989 Agreement to June 1, 2012.

"The current NYPA UCAP forecast estimates that market prices will increase substantially over the upcoming year due mainly to announced generation plant closings and market prices which could surpass the B-G contract rate. Nonetheless, the forecast is not a certainty, while the continuation of the LIPA contract with the temporary discount does provide revenue certainty for the Authority. It also allows LIPA to continue with the B-G contract and not foreclose on the opportunity to protect itself against potentially rising market prices. Both parties should have a clearer and more uniform view of the UCAP market as 2013 unfolds.

"Subsequently, the parties agreed, in principle, that LIPA would receive a $0.50 per kilowatt temporary discount off the current contract rate for capacity that would become effective November 1, 2012 and extend through October 31, 2013 (the end of the 2013 Summer Capability Period).

"The parties anticipate that additional time will be needed to formalize the discount. While staff is now requesting the Trustees' authorization to enter into an agreement implementing the discount, it is anticipated that the LIPA Board will provide its approval no earlier than September 2012. To accommodate this schedule, the parties extended the date by which LIPA would need to give the Authority notice of termination under the 1989 Agreement to October 1, 2012.

"It is envisioned that the temporary discount would remain in place through October 31, 2013. To ensure that this occurs, it will be necessary for the parties to extend the Temporary Agreement from July 1, 2013 to at least October 31, 2013. Otherwise, the contemplated temporary discount would be coterminous with the extended Temporary Agreement ending June 30, 2013. If the Trustees approve the temporary discount, Authority staff will make any necessary contract extensions to implement the temporary discount.

"The Authority would effectuate the temporary discount by providing a credit on LIPA's monthly bill from the Authority for B-G service for the term of the discount agreement.

FISCAL INFORMATION

"While the temporary discount will result in a negative fiscal impact of $300,000 over the twelve-month period November 2012 through October 2013 relative to the current rate level, it will provide a measure of revenue stability for the Authority. Overall, the decrease in revenues will have a *de minimis* effect on the debt service coverage ratio.

RECOMMENDATION

"The Director – Marketing Analysis and Administration recommends that the Trustees approve the negotiated temporary discount off the Blenheim-Gilboa contract capacity rate and authorize the execution of appropriate contract documents.

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

Mr. Mike Lupo presented highlights of staff's recommendation to the Trustees. Responding to a question from Trustee Nicandri, Mr. Lupo said the temporary discount to LIPA is for a period of one year and will result in a reduction of the Authority's revenues. Mr. Donald Russak added that staff's recommendation for the temporary discount is a way of preserving the Authority's contractual relationship with LIPA at a time when capacity market prices are rising. However, when the market settles, the Authority expects to obtain full cost recovery on the contract. The discount, therefore, is the cost of getting the Authority through this phase of capacity market pricing.

In response to a question from Trustee Mahoney and Chairman Koelmel, Mr. Lupo said the discount is contingent on LIPA extending its contract to June 2013. Also, staff is presently negotiating for a two-year extension with LIPA and will be coming back to the Board with a recommendation at a later date.

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

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency or his designee be, and hereby is, authorized by the Executive Vice President and General Counsel to execute any and all documents necessary or desirable to implement the temporary discount off the Blenheim-Gilboa contract capacity rate applicable to Long Island Power Authority, 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 herby 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, certifications and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.

7. Release of Funds in Support of the Residential Consumer Discount Program Incorporated in the ReCharge New York Power Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the release of funds of up to $50 million in support of the next six months (beginning August 2012 and ending January 2013) of the Residential Consumer Discount Program incorporated in the ReCharge New York ('ReCharge NY') Power Program as authorized by Chapter 60 of the Laws of 2011. The release of these funds was reflected in the Authority's 2012 Operating Budget approved by the Trustees at their December 15, 2011 meeting.

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, including the Residential Consumer Discount Program related to ReCharge NY.

"Any such contribution or transfer of funds must (1) be authorized by the Legislature; (2) be approved by the Trustees 'as feasible and advisable,' (3) satisfy the requirements of the Authority's General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented ('Bond Resolution') and (4) as set forth in the Trustees' Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 shall be used 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) the Authority must determine, 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.

DISCUSSION

"In March 2011, Governor Cuomo signed into law the ReCharge NY Power Program that utilizes 455 megawatts ('MW') of the firm power from the Authority's Niagara and St. Lawrence hydroelectric facilities, combined with market-based power purchases, to form a new, 910-megawatt economic development power program to replace and expand upon the Power For Jobs ('PFJ') and Energy Cost Savings Benefits ('ECSB') economic development programs.

"As part of the ReCharge NY Power Program, the Authority, on August 1, 2011, withdrew all 455 MW of the firm hydroelectric power previously sold to certain utility companies for the benefit of their residential consumers. To mitigate the price impacts of this withdrawal on the residential consumers, the Authority has been authorized, as deemed feasible and advisable by the Trustees, to fund monthly Residential Consumer Discount Program payments for the benefit of such consumers on a declining schedule. For each of the first three years following the withdrawal, the Authority is authorized to provide $100 million per year to fund the discounts. In years four and five following the withdrawal, the Authority is authorized to fund discounts of $70 million and $50 million, respectively. Beginning in year six following the withdrawal, and for each year thereafter, the Authority is authorized to fund discounts of $30 million per year.

"The Authority is authorized to use the revenues from the sale of the withdrawn power into the wholesale market, together with any other funds of the Authority as the Trustees may deem feasible and advisable, to support the Residential Consumer Discount Program. The Department of Public Service staff reported that during 2010 the 455 MW of hydropower used for the benefit of the utilities' residential consumers provided $102 million in net value for residential consumers. On the basis of this analysis, and because the 455 MW of withdrawn hydropower was not scheduled to be allocated to eligible ReCharge NY program customers until July 1, 2012, it was estimated at the time of the passage of the legislation that the sale of this power into the wholesale market would produce approximately the $100 million required on an annualized basis to fund the Residential Consumer Discount Program for the first year. Given the volatility in market prices, however, there is no assurance that the sale of this power will produce sufficient net revenues to cover the full amount of the residential discount. Therefore, Authority funds may be needed to supplement the market revenues. At their June 28, 2011 and January 31, 2012 meetings, the Trustees approved the release of funds in support of the first year of the Residential Consumer Discount Program. Under consideration today, is the next six months (August 2012 through January 2013) of the Residential Consumer Discount Program.

"Following the July 1, 2012 start of business customer allocations under the ReCharge NY program, the source of funding for the residential discount is expected to shift over time to other Authority funds. As the ReCharge NY program is replacing the PFJ and ESCB programs, the funds previously used to support the PFJ customer rebates and the ESCB program are available for the ReCharge NY residential discounts.

"Staff has reviewed the effects of the anticipated payments of the Residential Consumer Discount Program (up to $50 million) on the Authority's projected financial position and reserve requirements. In addition, in accordance with the Board's Policy Statement, staff calculated the impact of these 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 provide up to $50 million of the Residential Consumer Discount Program at this time.

"Staff intends to return to the Trustees with a recommendation as to the release of any future amounts related to the Residential Consumer Discount Program based on how the overall program is progressing as well as the financial circumstances of the Authority at the time such payments are to be considered.

FISCAL INFORMATION

"Staff has determined that sufficient funds are available in the Operating Fund to provide up to $50 million in support of the Residential Consumer Discount Program authorized by the ReCharge NY Program 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. The release of up to $50 million associated with the Residential Consumer Discount Program payments was anticipated and reflected in the Authority's 2012 Operating Budget approved by the Trustees at their December 15, 2011 meeting. The net cost to the Authority, after consideration of the value of the unallocated power being sold into the wholesale market, is estimated to be between $20 and $25 million during this six-month period. These payments will be recorded as an expense at the time of payment.

RECOMMENDATION

"The Chief Financial Officer recommends that the Trustees affirm the release of up to $50 million related to Residential Consumer Discount Program is feasible and advisable and to authorize such payments.

"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. Gerard Vincitore provided highlights of staff's recommendation to the Trustees. Vice Chairman Dyson said the Trustees had previously approved the debt service coverage ratio level in order to maintain the Authority's AA rating. In response to a question from Chairman Koelmel, Mr. Russak said the payment, which

was authorized by the ReCharge New York legislation, was included in the budget approved by the Trustees at the December 2011 meeting.

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

RESOLVED, That the Trustees hereby authorize the release of up to $50 million from the Operating Fund to support the Residential Consumer Discount Program as authorized by the ReCharge New York Power Program as set forth in Chapter 60 of the Laws of 2011 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 the Residential Consumer Discount Program 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 payments specified in the foregoing resolution, 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 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. Informational Item: Lewiston Pumped Generation Plant Life Extension and Modernization Program

Mr. John Canale provided an update of the Lewiston Pumped Generation Plant Life Extension and Modernization Program to the Trustees. Responding to questions from Chairman Koelmel and Trustee Foster, Mr. Canale said one of the lessons learned in managing the project is ensuring that the Authority has a presence at the manufacturing facility to ensure proper QA of the equipment being built. President Quiniones added that a combination of Authority staff and contractors are present at the site on a "24/7" basis to ensure that the product meets the Authority's specification. In response to a question from Chairman Koelmel, Mr. Welz said that based on the nature of the work to be done, award of contracts to qualified, most economical bidders will be a challenge for the Authority. Mr. Antenucci added that until recently, there were not many U.S. manufacturers of components used by the Authority, and they usually price themselves out of the competition. Although the Authority uses manufacturers outside the U.S., including the additional funding for QA overseas, it is still cost-effective. Responding to a question, from Trustee Mahoney Mr. Canale said, from discussions with the Procurement Department, the Authority is allowed to consider the location of the bidder provided that the associated cost to support QA is factored in the Request for Proposals. Responding to a question from Trustee LeChase, Mr. Welz said it has not been the Authority's practice to have QC staff on projects on a "24/7" basis; however, it was necessary to have continuous QC for this project.

9. Informational Item: 500 MW Project Maintenance Outage – Video Presentation

A video presentation on the 500 MW Project Maintenance Outage was made to the Trustees. Mr. Michael Saltzman said the video was produced in-house by Mr. Kevin O'Keeffe and his team of videographers. Responding to a question from Chairman Koelmel, Mr. Saltzman said, in consultation with the Governor's Press Office, the video will be streamed on the internet.

10. <u>Board Resolution – John S. Dyson</u>

Trustee Eugene Nicandri read the resolution honoring Vice Chairman John Dyson. On motion made and seconded, the following resolution was unanimously adopted.

WHEREAS, John S. Dyson stands as a towering figure in the annals of the New York Power Authority and of public service in New York State, having forged a record of bold leadership and enduring accomplishment that dates to the 1970s; and

WHEREAS, more than a quarter-century after serving as one of the Power Authority's great Chairmen and Chief Executive Officers, Mr. Dyson returned in March 2011 as a singularly influential Trustee and, ultimately, Vice Chairman, with a Gubernatorial mandate to resolve a series of issues that tested NYPA's operational and financial well-being; and

WHEREAS, displaying his signature outspokenness, integrity and intelligence while dedicating countless hours to this assignment, Mr. Dyson righted the ship and set the Authority on a course to secure its vital role in meeting the State's energy and economic development challenges; and

WHEREAS, his achievements-- which prompted a New York City newspaper to rightfully proclaim that the Governor "would do well to make John Dyson the standard for all his picks"-- have included renegotiating a problematic contract for a new transmission line, implementing senior management changes, refocusing the Authority on its core mission of strengthening its infrastructure, and setting clear guidelines for NYPA's financial relationship with the State; and

WHEREAS, Mr. Dyson has been at the forefront in formulating major State initiatives such as the Energy Highway and new energy efficiency programs; and

WHEREAS, as Chairman and CEO from 1979 to 1985, he devised a diverse program to cut dependence on foreign oil and, to that end, led the fight to license the Marcy-South transmission line, negotiated a large contract for hydroelectric purchases from Quebec, oversaw conversion of NYPA's only oil-fueled plant to permit use of natural gas and presided over completion of its first two small hydro projects; and

WHEREAS, he launched NYPA's initial energy efficiency and economic development programs, foreshadowing future growth in these areas; and

WHEREAS, his exemplary career has included service as State Commissioner of Agriculture and Markets, as Commissioner of Commerce -- a position in which he directed creation of the "I Love New York" campaign and also helped to bring 750,000 jobs to the State -- and as a New York City Deputy Mayor, as well as notable successes as Chairman of his own private investment firm and as proprietor of several superb wineries; and

WHEREAS, Mr. Dyson served his country with great distinction as a U.S. Army officer in Vietnam, earning the Bronze Star; and

WHEREAS, he is resigning from this Board after having burnished his vast legacy;

NOW THEREFORE BE IT RESOLVED, That the Trustees of the Power Authority of the State of New York express their gratitude to John S. Dyson for his immense contributions to the Authority and the people of New York State; their admiration for his commitment to public service and the standards he has set; and their warmest wishes to him; his wife, Kathe; and their family for many years of health, happiness and continued fulfillment.

July 31, 2012

Chairman Koelmel expressed that the Authority owes a gratitude for the service Vice Chairman Dyson provided the Authority.

President Quiniones made the following remarks on behalf of the Authority's executive management and staff:

"Mr. Chairman, with your permission, I have a few comments on behalf of the Executive Management Committee and the entire NYPA staff.

As we've heard, John Dyson has meant a great deal to the Power Authority. But, equally important, the Power Authority has meant a great deal to John Dyson.

That's the reason he returned to NYPA as a Trustee some 25 years after having served with such distinction as Chairman and CEO. After all that time, John still cared very much about the Power Authority. And he put all his heart into taking on a number of challenges that he saw here.

John, for example, recognized that investing sufficiently in our generation and transmission infrastructure had to be a top priority for the Authority -- and he made sure that it was.

As a Trustee, he saw that it was taking too long to fill vacancies on the staff--particularly in critical operational areas--as people retired or left for other reasons. So, he worked diligently to ease the logjam--mainly by urging promotions from within.

He strongly advocated training and continuing education and professional certification for staff members--union and non-union--as part of a vigorous succession planning process. Indeed, he has proposed that NYPA establish a training and work force development center for its own employees--and for veterans of Iraq and Afghanistan who could become valuable additions to our staff. We hope that becomes a reality. And, if it does, it will be a tribute to John Dyson.

John has also strengthened our strategic planning. And, as much as anything, he has infused the Power Authority with a renewed sense of professionalism -- A sense of pride -- A sense that we can again do big things – like building a Niagara Power Project or a Marcy-South Transmission Line.

Personally, I'm grateful to John--at least on most days--for having been my most influential reference for the job I now have. His ongoing support and guidance have been invaluable to me--and to our leadership team, which he helped to create. He has, without question, laid the foundation for our future success.

So, John, thank you for what you've done for us and brought to us. All of us at NYPA wish you good health and every success in your future endeavors.

Thank you, Mr. Chairman."

Trustee Foster said Vice Chairman Dyson provided extraordinary service to the Authority and the public sector and has shown how success in the private sector can be effective in the public sector. He has been a mentor to him and he wishes him health, happiness and success.

Trustee Nicandri said he appreciated Vice Chairman Dyson's guidance and support during the time they served on the Board.

In response, Vice Chairman Dyson said he echoed the comments by Chairman Koelmel that it is a bitter sweet moment. He said he would sum up the eighteen months spent at the Authority and made the following remarks:

"The achievements we have all made together come in three categories:

1. *Restructuring the Executive Staff – this could be considered as the corporate turn-around. We have a new Chief Executive Officer, new Chief Financial Officer, new Chief Operating Officer, and new General Counsel. Equally important, many changes have been made below these levels. These changes were important for two reasons: 1) to get the Authority back on track as it had lost its bearings; and 2) to prepare the Authority for new missions ahead.*

   We needed a restructuring to do this. However, without dedicated workforce, including our union employees, the very best ideas of this kind of leadership cadre could not be implemented.

2. *Create New Missions – The ReCharge New York Power Program, with more than 900 applications, was remarkably handled by Jim Pasquale and his team – It is fair to say only the Authority could pull this off.*

- ***Energy Highway – There is a need for new transmission since none was made in more than 20 years to the New York State system's grid. This project has been adopted by the Governor as the "Energy Highway Project."***

- ***TransCo Proposal – I worked with John Suloway and his group on the new proposal that will allow upgrades (new and rebuild) to the transmission system (how it is to be done and paid for) – as it would be difficult for the Authority to be compensated under the new deregulation plan – one of the reasons, among others, why a new transmission system has not been built in the state.***

- ***Energy Conservation – The Authority participated boldly in energy conservation. We started with small energy conservation programs – $5 million in its first year. This year, we will complete projects at a cost of approximately $200 million and these programs are set up in a manner to allow them to pay for themselves -- The Authority is a revenue-based Authority and we do not take money from the State and I think our independence is very valuable to the State -- We did the energy audits and the work; it was a turnkey operation. When we started, it was to replace coal-fired furnaces in the schools in the City of New York. We replaced approximately 2,500 boilers in schools and housing projects – an amazing accomplishment for the Authority.***

3. ***We cleaned up some old "chestnuts":***

- ***we did hydro rate adjustments because we were not recovering our costs as required by the law;***

- ***we paid professional stipends that had been blocked for a number of years;***

- ***we streamlined headquarter Operations and Expenses – we applied a new discipline to grants that the Authority makes to other entities and returned to having the grants be for things that are more directly related to our mission.***

- ***We finally signed a 20-megawatt deal for Massena, with the help of Judith McCarthy and other Authority staff.***

- ***We did bond issuance which was oversubscribed by five times. With Don Russak's leadership, we sold at a terrific price, and, as a consequence, we reaped 16% Net Present Value savings.***

So, now, with new staff, new missions, old issues resolved, new Chairman, new Trustees ready to take on the challenges, I think the Authority is positioned to make major differences for a lot of New Yorkers. For me, it's been a long 18 months, but a pleasure to work with all of the people in this room – and some who are not here – but it is time for me to return to my private and business lives, which have suffered because of carrying this burden. I am going to miss you all, and, as I said to the Chairman, I am only a phone call away; anytime I can be of help personally or professionally to this organization, I'm happy to do so. The state's motto is "Excelsior" which means "ever upward." I think the Authority is now positioned to adopt that motto for itself.

Thank you."

Chairman Koelmel then read a letter from Governor Cuomo to Vice Chairman Dyson thanking him for his service (Exhibit "10-A") and said Vice Chairman Dyson has set the standards for which we all are the benefactors.

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 section 105 to discuss matters leading to the award of contracts to particular corporations. On motion duly made and seconded, an Executive Session was held.

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

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

13. Next Meeting

The next regular meeting of the Trustees will be held on **Thursday, September 20, 2012, at 11:00 a.m., at the Albany Office, 30 South Pearl Street, Albany, 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

July 31, 2012

Regular Trustees' Meeting

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

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

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

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

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

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

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

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

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

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

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

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

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

(iv) Allocation of Indirect Overheads.

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

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

(vii) Rate Stabilization Reserve (RSR) methodology.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AGREED:

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

By: ____________________

Title: ____________________

Date: ____________________

Power Authority of the State of New York

By: ____________________

Title: ____________________

Date: ____________________

ACCEPTED:

By: ____________________

Date: ____________________

2011 Amendment to 1990 Hydropower Contract

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

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

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

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

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

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

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

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

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

15, 2011, except as otherwise provided for below.

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

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

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

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

(iv) Allocation of Indirect Overheads.

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

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

(vii) Rate Stabilization Reserve (RSR) methodology.

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

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

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

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

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

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

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

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

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

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

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

month following the month during which such timeframe expired.

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

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

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

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

AGREED:

New York State Electric & Gas Corporation

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

Date: __________________

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

Date: __________________

Power Authority of the State of New York

By: __________________

Title: __________________

Date: __________________

ACCEPTED:

By: ______________________

Date: ______________________

2011 Amendment to 1990 Hydropower Contract

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

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

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

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

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

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

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

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

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

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

15, 2011, except as otherwise provided for below.

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

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

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

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

(iv) Allocation of Indirect Overheads.

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

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

(vii) Rate Stabilization Reserve (RSR) methodology.

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

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

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

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

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

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

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

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

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

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

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

month following the month during which such timeframe expired.

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

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

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

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

AGREED:

Rochester Gas and Electric Corporation

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

Date: __________________

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

Date: __________________

Power Authority of the State of New York

By: __________________

Title: __________________

Date: __________________

ACCEPTED:

By: ______________________

Date: ______________________

POWER AUTHORITY OF THE STATE OF NEW YORK

PUBLIC HEARING

IN THE MATTER OF HYDROPOWER CONTRACTS WITH UPSTATE INVESTOR-OWNED UTILITIES FOR RESALE TO RURAL AND DOMESTIC CONSUMERS

DATE: February 7, 2012

TIME: 3:00 p.m. to 7:00 p.m.

LOCATION: Syracuse University
Goldstein Student Center
Room 201A
401 Skytop Road
Syracuse, NY 13244

REPORTED BY:
SUSAN M. BYRNE

APPEARANCES

FOR NEW YORK POWER AUTHORITY:

KAREN DELINCE, ESQ.
Corporate Secretary, Law Department
JAMES F. PASQUALE
Senior Vice President
Marketing & Economic Development
MS. LORNA JOHNSON
NEW YORK POWER AUTHORITY
123 Main Street
White Plains, New York 10601

MARIO ROEFARO
Clark Energy Center
6520 Glass Factory Road
P.O. Box 191
Marcy, NY 13403

MS. DELINCE: Good afternoon. This is a public hearing required by law on the proposed hydropower contract extensions with: Niagara Mohawk Power Corporation, d/b/a National Grid; New York State Electric and Gas Corporation; and Rochester Gas and Electric.

My name is Karen Delince, and I'm the Corporate Secretary of the New York Power Authority. I am conducting this hearing on behalf of the NYPA Board of Trustees who adopted a resolution on December 15, 2011 authorizing me to convene a public hearing on the proposed contract extensions in accordance with the procedures set forth in the New York State Public Authorities Law.

As required by Public Authorities Law, Section 1009(1), a notice of the hearing was published in six newspapers once a week for the four weeks leading up to this hearing. The notice of this hearing appeared in the following newspapers: Buffalo News, Massena Daily Courier-Observer, Syracuse Post Standard, Rochester Democrat & Chronicle, Albany Times Union, Utica Observer Dispatch.

Also, pursuant to the Public Authorities Law, notice of this hearing and copies of the proposed contracts were sent to Governor Andrew Cuomo and the following legislative leaders: President Pro Tem of the New York State Senate, Dean G. Skelos; Speaker of the Assembly, Sheldon Silver; Chairman of the Senate Finance Committee, John A. DeFrancisco; Chairman of the Assembly Ways and Means Committee, Herman D. Farrell, Jr.; Senate Minority Leader, John L. Sampson; Assembly Minority Leader, Brian M. Kolb.

During the 30-day period prior to today's hearing, copies of the proposed contracts were made available for inspection at the Authority's office in White Plains, as well as on the Authority's Website.

Anyone making an oral statement at the hearing should fill out a card. Also, anyone who has written copies of their statement, please hand a copy over to the reporter and also Lorna Johnson.

Written statements may be of any length. If an oral statement summarizes a written statement, both will appear in the record of the hearing. The record of the hearing will remain open for additional comments or statements through close of business, Wednesday, February 8. Any additional submission should be addressed to the Authority's Corporate Secretary at: 123 Main Street, 11-P, White Plains, NY 10601; or may be faxed to (914) 390-8040; or e-mailed to secretarys.office@nypa.gov.

A complete transcript of the hearing, along with all written submissions, will be submitted to the Authority's Trustees, who shall reconsider the terms of the proposed contracts and make changes as they deem necessary or advisable in light of public comment. The contracts will then be sent to the Governor for final approval. The transcript of this hearing will also be made available to the public for review at the Authority's office in White Plains and on the Authority's Website, www.nypa.gov.

At this point, I would like to introduce Mr. James Pasquale, Senior Vice President of Marketing and Economic Development at NYPA, who will provide additional details on the proposed contract extensions.

MR. PASQUALE: Ms. Delince, good

afternoon. As Ms. Delince stated, my name is James Pasquale. I am the Senior Vice President of Marketing and Economic Development at the New York State Power Authority.

I am here today to present an overview of extensions of contracts for the sale of hydropower to three upstate investor-owned utilities for resale to rural and domestic, or R&D, consumers.

Due to legislation enacted in 2011, the proposed contract extensions would continue the sale of firm peaking hydropower to the utilities for resale to rural and domestic consumers but will no longer include the sale of firm hydropower.

These three utilities: National Grid (formerly Niagara Mohawk Power Corporation), New York State Electric & Gas Corporation (or NYSEG), and Rochester Gas and Electric Corporation (or RG&E) have been receiving firm peaking hydropower from the Niagara Project for resale to R&D consumers since 1990, with subsequent annual renewals since 2007.

Pursuant to Section 1009 of the Public

Authorities law, this contract extension process is subject to public notice, hearing and approval by the Governor. The contract extensions are for 360 MW of firm peaking hydropower to be sold to the three utilities.

The power is purchased by the utilities at the Authority's cost-based hydropower rate, and these rates are passed on to the utilities' residential and small farm customers without markup under the Public Service Commission tariffs.

Specifically, the proposed contracts continue the sale of 175 MW of firm peaking to National Grid, 150 MW of firm peaking to NYSEG, and 35 MW of firm peaking to RG&E. 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.

These amounts would be sold to the utilities through December 31, 2012, subject to withdrawal upon 30 days' written notice by the Authority for reallocation as may be authorized by law or as otherwise may be determined by the Authority's Trustees. The short-term and withdrawal provisions of the proposed contracts will allow the consideration of the use of the subject block of power for economic development or other purposes.

As Ms. Delince stated earlier, the Power Authority will accept your comments on the proposed contracts until close of business Wednesday, February 8, 2012.

I will now turn the forum back over to Ms. Delince.

MS. DELINCE: Okay. There being no witnesses at this time who wish to testify, we will adjourn and reconvene when witnesses arrive.

(Hearing adjourned from 3:09 until 7:00)

MS. DELINCE: The hearing on Hydropower Contract extensions is closed at 7:00 p.m.)

CERTIFICATION

STATE OF NEW YORK
COUNTY OF ONONDAGA

I, SUSAN M. BYRNE, do certify that as a Notary Public in the State of New York, I attended and reported the above-entitled proceedings; that I have compared the foregoing with my original minutes taken therein, and that it is a true and correct transcript of the testimony thereof.

Susan M. Byrne
SUSAN M. BYRNE
Notary Public in and for the
State of New York

My Commission Expires
July 31, 2014

July 31, 2012
EXHIBIT "2h-A"

BASIC LEASE TERMS

AUTHORITY TO SKCG

PREMISES:	19,372 rsf on the 14th floor of the C. D. Rappleyea Building
TERM:	Existing lease presently expires January 31, 2014. New term supersedes existing lease and is for ten (10) years, ten (10) months commencing on or about August 1, 2012.
ELECTRIC:	Electricity to be submetered.
FIXED ANNUAL RENTAL RATE:	August 1, 2012 – July 31, 2017 $22.75.00/s.f. or $440,713.00 per annum August 1, 2017 – May 31, 2024 $24.75/s.f. or $479,457.00 per annum Tenant to receive ten (10) months' rent abatement as follows: Year 1 - 4 months Year 2 - 3 months Year 3 – 3months
RENT COMMENCEMENT:	December 1, 2012
RIGHT TO CANCEL:	Right to cancel on the 6th and 8th anniversary dates of commencement with a penalty of nine months' rent along with the unamortized brokerage commission, Tenant improvements, and one month of previously abated rent for every termination year.
ESCALATIONS:	Proportionate share of increases in real estate taxes over a base year of 2012/2013. Proportionate share of increases in operating expenses over a base year of 2012. Note: 19,372 rsf represents 4.61% of the space at 123 Main Street.
OPTION:	Tenant will have two (2) five-year renewal options upon nine (9) months prior written notice at 95% of Fair Market Value.
PARKING:	60 Spaces at $50.00 per space.
BROKERAGE COMMISSIONS:	Landlord to pay Tenant's broker a standard full commission.


New York Power Authority
Generating more than electricity

President & Chief Executive Officer Report

Gil Quiniones

July 31, 2012

Board of Trustees Meeting

New York Power Authority

Corporate Performance Measures

	CORPORATE MEASURE	OWNER	YTD TARGET	YTD ACTUAL	STATUS Apr	STATUS May	STATUS Jun
Mission Goals	**Economic Development**						
	Jobs per MW Allocated* (ratio) *Target will be set with ReChargeNY program roll out	JIM PASQUALE	N/A				
	Energy Services						
	MMBTU's Saved	PAUL BELNICK	102	**135.0**			
	Energy Efficiency Investment In State Facilities ($ Millions)	PAUL BELNICK	33.7	**57.6**			
	Energy Infrastructure						
	Energy Highway (% Milestones)	JILL ANDERSON	50	**50**			
Stewardship Goals	**Financial Management**						
	O&M Budget Performance ($ Millions)	BOB HOPKINS	182.3	**170.1**			
	Debt Coverage Ratio (Ratio)	BRIAN MCELROY	2.5	**2.62**			
	Maintain Infrastructure						
	Generation Market Readiness (%)	JOE KESSLER	99.4	**99.9**			
	Transmission System Reliability** (%) ** Reflects *monthly* performance	ED RIDER	99.74	**99.45**			
	Workforce Management						
	Succession Preparedness ***(%Milestones) ***Measure is being redesigned	JOAN TURSI	N/A				
	Retention (# of Touchpoints)	JOAN TURSI	310	**366**			
	Training (% Milestones)	AGNES HARRIS	50	**50**			
Accountability Goals	**Safety Leadership**						
	Recordable Incidence Rate (Index12 - month rolling average)	JOHN KAHABKA	1.00	**1.16**			
	Environmental Responsibility						
	Environmental Incidents (Units)	JOHN KAHABKA	16	**13**			
	Enterprise Risk						
	Enterprise Wide Risk Management Program (% Milestones)	BILL NADEAU	40	**20**			
	Compliance						
	Compliance Reporting (% Milestones)	JOE GRYZLO	50	**50**			
	Compliance Training (% Milestones)	JOE GRYZLO	50	**50**			

New York Power Authority

Summer 2012

- Multiple heat waves experienced already in summer 2012
- New York Independent System Operator (NYISO) forecasts that New York's summer 2012 peak demand will reach 33,295 megawatts (MW)
- The peak load so far this Summer is 32,127MW. It was reached on June 21
- Market availability has been 99.9% against 99.4% during this period
- As outages occurred throughout the state, NYPA's units remained robust.

St. Lawrence-FDR Power Project

Energy Efficiency

BUILD SMART NEW YORK

- Governor's initiative:
  energy efficiency master planning in public buildings
- Branded now as "Build Smart New York"
- Updated goal of 20% reduction in public buildings in 7 years
- Development of a website and database of public buildings is currently in progress, launch expected in Fall 2012

123 Main Street
White Plains, NY 10601-3170

914.681.6675
Edward.Welz@nypa.gov

New York Power Authority

Edward Welz
Chief Operating Officer

TO: NYPA BOARD OF TRUSTEES

FROM: EDWARD WELZ, CHIEF OPERATING OFFICER

DATE: JULY 16, 2012

SUBJECT: MONTHLY REPORT FOR THE BOARD OF TRUSTEES

****

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

Operations

Plant Performance

Systemwide net generation[1] was 1,984,484 megawatt-hours[2] (MWh) in June 2012, compared to projected net generation of 2,326,121 MWh. Year-to-date net generation is 13,229,331 MWh, compared to the target of 13,801,665 MWh.

The fleet availability factor[3] was 92.9 percent in June 2012, and 88.6 percent for the year. Generation market readiness factor[4] was 99.9 percent in June, compared with the monthly target of 99.4 percent. Year-to-date generation market readiness factor was also at 99.9 percent.

In June, there were no significant unplanned generation events[5] during the month.

Generation net revenue in June was $26.1 million with a loss of revenue of $0.01 million for the month. Year-to-date Generation net revenue was $91.8 million and lost opportunity cost was $0.33 million.

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

Transmission Performance

Transmission reliability[i] in June was 99.45 percent, which was below the target of 99.74 percent. Year-to-date transmission reliability is 97.86 percent, above the target of 96.92 percent.

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

Environmental

There were two reportable event for June 2012. For the year, there have been 13 reportable incidents. The annual target for 2012 is 29.

Transmission Initiative

No updates to report for the month.

Relicensing – Niagara Power Project

Internal review was completed in June of the draft Joint Permit Application for the US Army Corps of Engineers and the New York State Department of Environmental Conservation for permitting of the Frog Island Habitat Improvement Project (construction is anticipated in 2013).

At Reservoir State Park, minor landscaping and watering of planted areas continued. A small excavated section of Old Military Road adjacent to the Winter Pavilion remains incomplete pending submittal to NYSDEC of plans for addressing contaminated material before final repaving.

Concrete paver placement and planting installation has been ongoing at the Schoellkopf Overlook recreation improvement site, while work at the upper and lower Whirlpool overlooks is complete aside from plantings and railing installation. Railing fabrication continues, and railing mockups were delivered to the Schoellkopf site for determination of final finish application by State Parks officials.

Installation is progressing on the new stone connecting stairway at Whirlpool Street in the Niagara Gorge and on the two stone replacement fishing access stairs at Artpark. The steps, landings, and crib walls are complete on the south stairway at Artpark, with barrier posts and rails still to be placed at this stairway.

Tern nesting remains active and is being monitored at the three improved Common Tern Nesting Sites on the breakwaters in Buffalo Harbor, with nesting expected to continue into July. Results to date indicate further increases beyond last year's record number for nesting success overall, despite one of the three breakwaters suffering severe depredation by a mink.

Relicensing – St. Lawrence-FDR Power Project

The construction of the Nichols Island Habitat Improvement Project was awarded to Sheehan Construction at the June 26 Trustee meeting. A pre-construction meeting will be scheduled in early July to get this important project underway.

Site preparation and cofferdam installation are underway at the Little Sucker Brook Habitat Improvement Project pumphouse.

The roof has been completed at the WHWMA pump house. The cofferdam is being removed. Electric installation (the final step to commissioning) should take place in July.

Habitat Improvement Project monitoring activities continue, and results are generally good. Consistent with the weather in the North east this year, everything seems to occurring earlier than usual. Terns are nesting in the greatest numbers observed since the HIP started. Upstream eel migration is setting new records for this stage in the season.

Two additional lake sturgeon spawning beds are planned to be installed in the RMPD tailrace this fall. An application for COE approval has been filed and a construction RFP has been issued. A pre-bid site visit is scheduled for July 16 and bids are due August 2.

Relicensing – Blenheim-Gilboa Project

The baseline study effort is well underway. The desktop phase of the Cover Type/Wildlife Habitat mapping study is completed. Field verification will take place the week of July 9.

Water Quality monitoring continues. Data has been generally consistent with historic information. Inflow into the system is very low due to limited precipitation.

A meeting with the Wildlife Management Task Force is scheduled for July 9. A brief overview and discussion of the relicensing process will be provided at the meeting.

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. Unit disassembly has been completed. Alstom's site team has mobilized. Installation of 30 stiffeners and weld build-up on the sealring flange and stayring flange at the site are complete. Milling machine installation is complete. Machining of stay ring flange, sealring flange, register and discharge ring machining commenced and is expected to be completed on or about August 17. Fabrication of the turbine runner has been completed at Alstom, Sorel, Canada, and is ready for delivery to the site. Refurbishment of other components continue at Alstom. The unit is expected to return to service on December 21, 2012. 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 is scheduled to begin on October 1, 2012 and will be completed on November 23, 2012. The unit control upgrade and auxiliary system designs and fabrication are proceeding; the factory acceptance testing of this equipment along with the new Static Exciter, Unit Circuit Breaker and Iso Phase Bus are scheduled to occur within the next four months. The components for the first new turbine are in transit from Slovenia to Hitachi's facility located in Japan for assembly and the completed turbine is scheduled to arrive at LPGP in April 2013. The first unit outage is scheduled to begin December 2012 with the program completion scheduled for 2020.

RMNPP Unit 2 Standardization

Voith has encountered delays with the stator fabrication. They mobilized additional skilled craft and completed the stator on June 16th instead of the planned date of June 2nd. Additional delays were encountered with the physical installation of the stator in the unit due to the unforeseen field conditions as compared with the drawings regarding the concrete and sole plates, concrete had to be removed in order for the stator to fit properly. Niagara staff reviewed their re-assembly activities and available resources and the new return to service date is July 31, 2012.

Technical Compliance – NERC Reliability Standards

In June, the Northeast Power Coordinating Council (NPCC) continued its off-site spot check audit of NYPA's Purchasing and Selling Entity (PSE) function for NERC Reliability Standards IRO-005-3a, Requirement 10 – Reliability Coordination - Current Day Operations and VAR-001-2, Requirement 5 - Voltage and Reactive Control. The draft NPCC audit report was received in late June 2012. The NPCC Spot Check team found NYPA to have no findings of non-compliance, zero (0) Possible Violations, zero (0) Areas of Concern and zero (0) Recommendations. The NPCC Spot Audit report is expected to be finalized by the end of July 2012.

In June, the NYPA Reliability Standards and Compliance (RSC) group completed an internal "Targeted Reliability Standards Compliance Assessment" of the Niagara Power Project. This assessment was constructed as an internal control mechanism with the specific objective of ensuring that the facility's' personnel continue to use the NYPA policies and procedures relating to the NERC Critical Infrastructure Protection (CIP) standards. The assessment did not reveal any possible violations of NYPA's policies and procedures or of the NERC reliability standards. The Niagara Power Project and the supporting headquarters personnel demonstrated a very good understanding of and are committed to their role in ensuring that NYPA remains compliant with the NERC CIP standards.

In June, NYPA staff continued to manage 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 NPCC a potential violation of the requirement R2 of PRC-005-1 on February 11, 2011. The associated mitigation plan closure documents are being reviewed by NPCC staff. NPCC has not yet contacted NYPA about settlement discussions related to this violation.

b. **CIP-004-3 R2 - Cyber Security - Personnel and Training** (NERC Violation ID: NPCC20122-00446): NYPA self-reported to NPCC a potential 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, submitted to NERC for approval on May 18, and were approved by NERC and submitted to FERC on June 14.

c. **CIP-004-3 R4 - Cyber Security - Personnel and Training** (NERC Violation ID: NPCC2012-200459): NYPA self-reported to NPCC a potential violation of requirement R4 of CIP-004-3 on March 12, 2012. The mitigation plan was submitted in April 2012 and completed in late June 2012. The mitigation plan closure documents are being assembled for submittal to NPCC in July 2012.

d. **CIP-006-3 R4 - Cyber Security – Physical Security of Critical Cyber Assets** (NERC Violation ID: NPCC2012-200657): NYPA self-reported to NPCC a potential violation of requirement R4 of CIP-006-3 on June 21, 2012. The self report is being reviewed by NPCC staff.

In June, NYPA continued 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 next status update must be submitted to NERC via NPCC in July 2012. The assessment has revealed that there are about 261 line clearance discrepancies in NYPA's 1,400 miles of transmission lines; about 52 of which are on lines rated as high priority. Staff is developing a mitigation plan to eliminate the discrepancies on the high priority lines by the end of 2012. Field verification surveys are planned which may confirm fewer discrepancies requiring mitigation. NYPA is in the process of reviewing each discrepancy for environmental and licensing impacts. Contact has been established with other utilities to seek their assistance in remediating some of the discrepancies. In addition, NYPA plans to meet with NYS Public Service Commission to review discrepancies on Article VII lines. NYPA plans to meet with the NYISO once feedback has been gathered from the other utilities and the impact assessment completed to confirm the mitigation plans for the high priority lines.

On June 21, the Federal Energy Regulatory Commission (FERC) issued a proposal that would approve the North American Electric Reliability Corporation's (NERC) revisions to the definition of the bulk electric system to provide greater clarity and ensure consistency in identifying system elements across the nation's reliability regions. Under the new definition, all assets operating at 100kV or greater will be elements of the bulk electric system. NERC's Notice of Proposed Rulemaking (NOPR) also proposes to approve NERC's new rules of procedure for adding elements to and removing them from the definition on a case-by-case basis. While proposing to approve the revisions to the definition of bulk electric system, the NOPR also seeks comment on certain issues, including the exclusion of certain facility configurations from the definition. Pursuant to this new definition, NYPA staff in June began a reliability compliance gap analysis for 35 transmission assets, under NYPA's current NERC functional registrations, that will become newly subject to the NERC reliability standards.

Research and Technology Development

The joint NYPA / EPRI project entitled "Life Management of Creep Strength Enhanced Ferritic (CSEF) Steels, Grade 91" was completed and the final report issued by EPRI. Early failures can occur in power plant components fabricated from CSEF steels unless the required condition of the microstructure is developed and maintained during processing. The objective of this project was to establish requirements of optimizing manufacture and construction practices for Grade 91 components based on the best available information in order to ensure that deficient material is never installed.

Staff developed an efficient Generator Scheduling Program for St. Lawrence optimizing the MW-output from the plant based on water-flow and water-head. Working with the System Applications department, the performance of the developed algorithms was compared with the existing SCADA system. The results matched the SCADA output and were sometimes better under certain operating conditions. System Applications' staff requested R&TD to develop a reverse algorithm for optimizing water flow based on MW-outputs and heads. These two modules for optimizing flow versus MW-output are the basis for other additional operational modules which need to be developed in future. The requirements for this program were obtained in consultation with the System Applications and Hydro Engineering departments, but the choice and efficacy of algorithms are the unique expertise of R&TD staff.

Working with Niagara staff, R&TD performed a site survey on all of 13 (Robert Moses) and five (switchyard) transformers in preparation for the installation of the Kelman On-line Transformer Gas Analyzers. The location and nature of the mounting pads were identified for every transformer along with top and bottom oil sampling feeds. NYPA had procured nine Kelman gas analyzers for installation at Marcy and Astoria, but decided to make the installation of this equipment at Niagara a higher priority. Niagara staff agreed to support the installation and perform modifications on existing drawings but the job may likely be completed in 2013 in view of other priority tasks at the site. Kelman Gas Analyzers perform periodic (every four hours) dissolved gas analysis (DGA) of transformer oil indicating the transformer's health. Traditionally, DGA analysis was done through manual sampling every six months.

Work on the Dynamic Line Rating project included staff coordination with IT and Computer Systems Engineering regarding configuring the server PC and transferring the required system data from the NYPA Energy Management System to the server. Part of the work has been done and it should be completed this summer. In addition, revised installation drawings from Commonwealth Associates regarding the equipment installations for the NR-2 transmission line were received. A revised schedule was submitted by Commonwealth for finishing all the work for the project by mid-July 2012.

Staff met with EPRI and Elimpus Inc. representatives and performed a detailed evaluation of the antenna array system installed at St. Lawrence, Clark Energy Center, and Niagara. Elimpus Inc. displayed new models of antenna systems which were portable (hand-carried and car mounted) as well as fixed systems. Elimpus was requested to provide a quote so that NYPA can initiate a cost-benefit analysis. Based on NYPA's analysis, EPRI will make a decision recommending that existing antenna array systems be reused or dismantled. The vendor agreed with EPRI plans to initiate a new interest group to share information and experiences between different utilities and perform post-event analysis. Continuous monitoring of partial discharge from antenna array systems is used to indicate the health of the equipment and thus aids in early detection and prevention of failures. Antenna array systems are suitable for monitoring partial discharges emanating from current transformers, potential transformers, bushings, arrestors, insulators and disconnect switches in substations but not from transformers and metal-caged circuit breakers.

R&TD staff, along with EPRI and Asset Management staffs, met at the Harlem River Substation (Bronx) to finalize the on-site location of an infrared camera installation. This camera will allow substation-wide infrared/visualization monitoring and should alert operators to any problems such as a previous transformer bushing fire. Staff agreed on two potential locations for the camera installation and discussed the technical details [software application to manage the system, wireless technology to transmit data, and mode of power supply to sustain the system (solar or AC)]. R&TD requested a teleconference with engineers responsible for the Harlem River Substation in order to schedule support for the project.

A meeting was held at CEC with NYSERDA, RPI, and site staff regarding the New York State Synchrophasor Measurement project. The group reviewed the equipment purchase / installation and research & development work conducted as part this project. RPI staff also updated the patches on the Flexible Integrated Phasor System (FIPS) software which enhances the user interface and provides real-time synchrophasor information for various applications. Discussions were also conducted with site staff regarding the export of Energy Management System's PSS/E output files to the FIPS software. Several options were reviewed and site staff requested R&TD staff to seek Cyber Security and IT approvals

Energy Resource Management

NYISO Markets

In June, Energy Resource Management (ERM) bid 2.15 million MWh of NYPA generation into the NYISO markets, netting almost $50.3 million in power supplier payments to the Authority. Year-to-date net power supplier payments are $242 million.

Fuel Planning & Operations

In June, NYPA's Fuels Group transacted $17.0 million in natural gas and oil purchases, compared with $19.0 million in June 2011. Year-to-date natural gas and oil purchases are $95.2 million, compared with $117.3 million at this point in 2011. The total $22.1 million decrease is mainly due to the cost of fuel/lower generation at the 500-MW Combined Cycle Plant (-$18.8 million for fuel cost and -$15.3 for March/April outage), Small Clean Power Plants (-$10.8 million) and the Richard M. Flynn Power Plant (-$13.0 million), which was offset by the start up of the Astoria Energy II Plant (+$35.8 million) in July of 2011.

Regional Greenhouse Gas Initiative

On June 6th, Auction 16 of the Regional Greenhouse Gas Initiative[6] was held. During the auction, RGGI allowances cleared at the CPI-adjusted auction price floor of $1.93/ton for Vintage 2012. NYPA did not participate in the June auction because the majority of NYPA's estimated required allowances for 2012 were purchased in March. Any remaining allowances needed for 2012 can be secured through two more quarterly auctions to be held in September and December. Since the inception of this program, NYPA has spent $25 million on 11 million RGGI allowances, or $2.28/ton on average. Year to date, NYPA has spent $1.93/ton on average for Vintage 2012 allowances.

GLOSSARY

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

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

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

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

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

[6] **Regional Greenhouse Gas Initiative (RGGI) –** A cooperative effort by Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont. These nine states have capped CO_2 emissions from the power sector, and will require a 10 percent reduction in these emissions by 2018. RGGI is composed of individual CO_2 Budget Trading Programs in each of the nine participating states. Regulated power plants can use a CO_2 allowance issued by any of the nine participating states to demonstrate compliance with the state program governing their facility. Taken together, the nine individual state programs function as a single regional compliance market for carbon emissions, the first mandatory, market-based CO_2 emissions reduction program in the United States. New Jersey was a tenth state within the RGGI program but New Jersey's governor pulled the state out of the program in 2011.

[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.

[6] **Regional Greenhouse Gas Initiative (RGGI) –** A cooperative effort by Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont. These nine states have capped CO_2 emissions from the power sector, and will require a 10 percent reduction in these emissions by 2018. RGGI is composed of individual CO_2 Budget Trading Programs in each of the nine participating states. Regulated power plants can use a CO_2 allowance issued by any of the nine participating states to demonstrate compliance with the state program governing their facility. Taken together, the nine individual state programs function as a single regional compliance market for carbon emissions, the first mandatory, market-based CO_2 emissions reduction program in the United States. New Jersey was a tenth state within the RGGI program but New Jersey's governor pulled the state out of the program in 2011.

New York Power Authority

Report of the Chief Financial Officer

For the Six Months Ended June 30, 2012

Report of the Chief Financial Officer
For the Month Ended June 30, 2012
Executive Summary

Results of Operations

Net income for the six months ended June 30 prior to the recognition of the voluntary contributions to New York State was $152.3 million, which was $28.6 million higher than the budget. Net income through June including the voluntary contributions was $77.3 million compared to a budget of $38.7 million resulting in a $38.6 million favorable variance. Year-to-date results included a higher net margin on sales ($7.1 million), higher non-operating income ($5.9 million), lower operations and maintenance expenses ($12.0 million), lower other operating expenses ($6.3 million), and lower than anticipated voluntary contributions to New York State ($10 million). Higher net margins on sales through June ($7.1 million) included positive variances in the MSP market area ($8.9 million, lower purchased power costs) and at the SCPP's ($10.5 million, higher capacity revenues), partially offset by negative results at Niagara ($10.9 million, lower energy prices). Non-operating income was higher than expected due primarily to lower than budgeted interest costs resulting from lower rates. Operations and maintenance expenses were lower than anticipated primarily due to timing differences in projects at Niagara, the Small Clean Power Plants and the transmission facilities. Other operating expenses reflected lower than anticipated costs related to the Industrial Incentive awards and Western New York economic development fund primarily due to lower market energy prices. Through June, voluntary contributions to New York State amounted to $75 million versus the $85 million budgeted. Production through June was 6% higher than budget reflecting higher net generation at St. Lawrence (11%), Niagara (6%) and the fossil facilities (2%).

Results for the six months ended June 30, 2012 ($77.3 million) were $5.3 million higher than the same period in 2011 ($72 million). The positive impact of lower purchased power costs at Niagara ($21.6 million) was partially offset by a higher voluntary contribution to New York State ($10 million) and lower non-operating income ($5.9 million) resulting from a mark-to-market loss on the Authority's investment portfolio. Purchased power costs were lower in 2012 due to higher net generation and the need to purchase additional power at Niagara in 2011 due to an early year transmission line outage. Voluntary contributions were $75 million through June 2012 compared to $65 million through June 2011.

Cash & Liquidity

The Authority ended the month of June with total operating funds of $1,279 million as compared to $1,205 million at the end of 2011. The increase ($74 million) is primarily attributable to net cash from operations and the value sharing payment received from Entergy of $72 million substantially offset by $75 million in voluntary contributions to New York State.

Year-end Projection

While financial results through June show the Authority running ahead of budget, projections indicate that net income is expected to trend down to approximately $159 million - an estimated $8 million below the budget by year-end. 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 have declined by approximately 30% relative to the budget primarily due to lower natural gas prices. While much of the Authority's generation is sold under contract to benefitting customers, the relatively small proportion of Authority generation in the wholesale market for its own account is affected by these lower prices resulting in a negative impact on net income.

- **Capacity Prices** – An increase in market-based capacity prices is being observed as a result of a pending increase in the locational capacity requirement for the New York City load pocket and an increased capacity requirement for the Rest-of-State market. In addition, prices are firming up as a result of approximately 600 MW's in generation being retired since the beginning of the year and the announced moth-balling of several additional generating stations in 2012 throughout New York in response to lower prices and lower demand. The resulting increase in market-based capacity prices is having a positive effect on the financial results, particularly for Blenheim-Gilboa 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. Early spring run-off resulting from little snow-pack during the winter season, and below average spring rainfall over the Great Lakes has begun to have a negative effect on projected generation levels at the Niagara and St. Lawrence hydroelectric facilities.

- **O&M and Other Expenses** – O&M spending, running under budget through June, is expected to finish the year near 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.

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

Net Income
Six months ended June 30, 2012
($ in millions)

	Actual	Budget	Variance
Niagara	$63.5	$64.8	($1.3)
St. Lawrence	5.2	5.0	0.2
Blenheim-Gilboa	(6.1)	(9.4)	3.3
SENY	15.8	16.6	(0.8)
SCPP	5.4	(7.2)	12.6
Market Supply Power	(15.3)	(24.5)	9.2
Flynn	7.9	5.6	2.3
Transmission	18.6	19.5	(0.9)
Non-facility	(17.7)	(31.7)	14.0
Total	**$77.3**	**$38.7**	**$38.6**

Major Factors	**Better (Worse)**
Niagara Lower net margins on sales ($10.9) due to lower energy prices, substantially offset by lower O&M ($4.7, timing of non-recurring projects) and lower other operating expenses ($4.7, primarily Industrial Incentive Awards).	($1.3)
Blenheim Gilboa Primarily higher capacity revenues.	3.3
SCPP Primarily higher capacity revenues (due to higher prices) and lower O&M (timing, Gowanus Bulkhead & Sinkhole Repairs).	12.6
Market Supply Power Lower purchased power costs due to lower prices.	9.2
Other facilities	0.8
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.	14.0
Total	**$38.6**

Net Income
Six Months Ended June 30, 2012 and June 30, 2011
($ in millions)

	2012	2011	Variance Favorable/ (Unfavorable)
Operating Revenues	**1,254.7**	**1,234.2**	**20.5**
Operating Expenses			
Fuel consumed - oil & gas	95.2	117.2	22.0
Purchased power and ancillary services	338.1	471.9	133.8
Wheeling	261.8	228.2	(33.6)
Operations and maintenance	170.1	147.1	(23.0)
Other expenses	104.0	82.1	(21.9)
Depreciation and amortization	112.8	80.6	(32.2)
Allocation to capital	(4.5)	(3.2)	1.3
Total Operating Expenses	**1,077.5**	**1,123.9**	**46.4**
Net Operating Income	**177.2**	**110.3**	**66.9**
Investment and other income	71.0	71.0	-
Mark to Market Adjustment	(2.2)	3.7	(5.9)
Total Nonoperating Income	**68.8**	**74.7**	**(5.9)**
Contributions to New York State	75.0	65.0	(10.0)
Interest and other expenses	93.7	48.0	(45.7)
Total Nonoperating Expenses	**168.7**	**113.0**	**(55.7)**
Net Nonoperating Income (Loss)	**(99.9)**	**(38.3)**	**(61.6)**
Net Income	**77.3**	**72.0**	**5.3**

Net income through June 2012 ($77.3 million) was $5.3 million higher than the comparable period in 2011 ($72 million). The positive impact of lower purchased power costs at Niagara ($21.6 million) was partially offset by a higher voluntary contribution to New York State ($10 million) and lower non-operating income ($5.9 million) resulting from a mark-to-market loss on the Authority's investment portfolio.

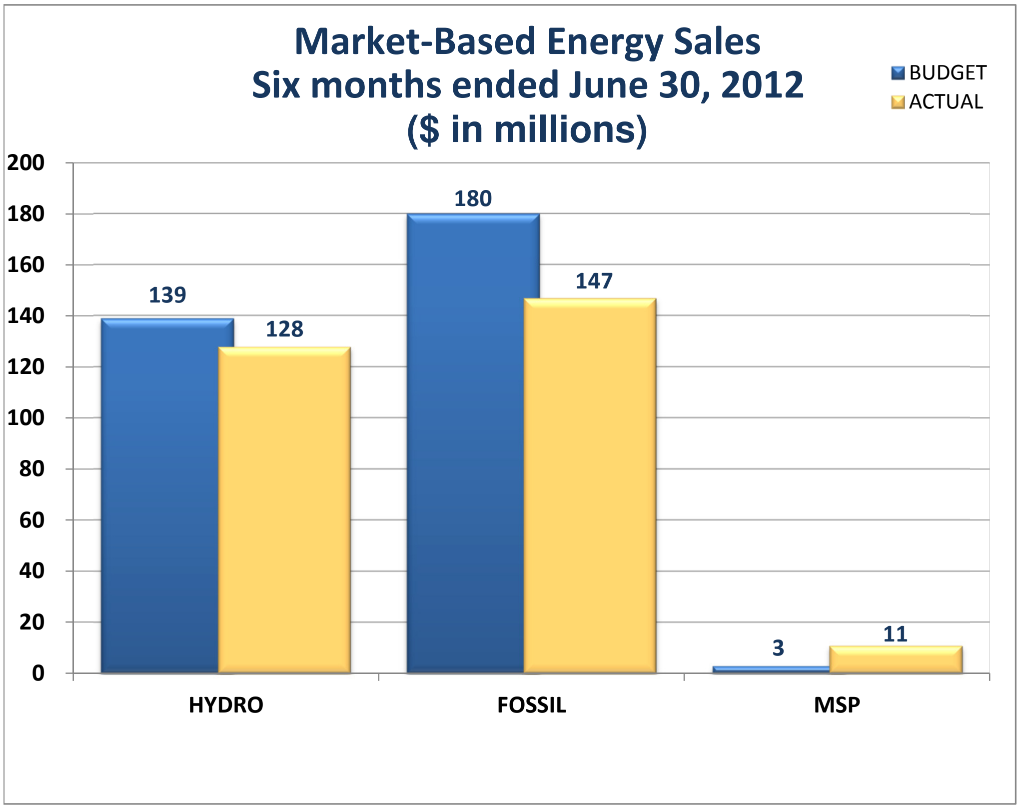
Purchased power costs were lower at Niagara in 2012 due to higher net generation and the need to purchase additional power in 2011 due to an early year transmission line outage.

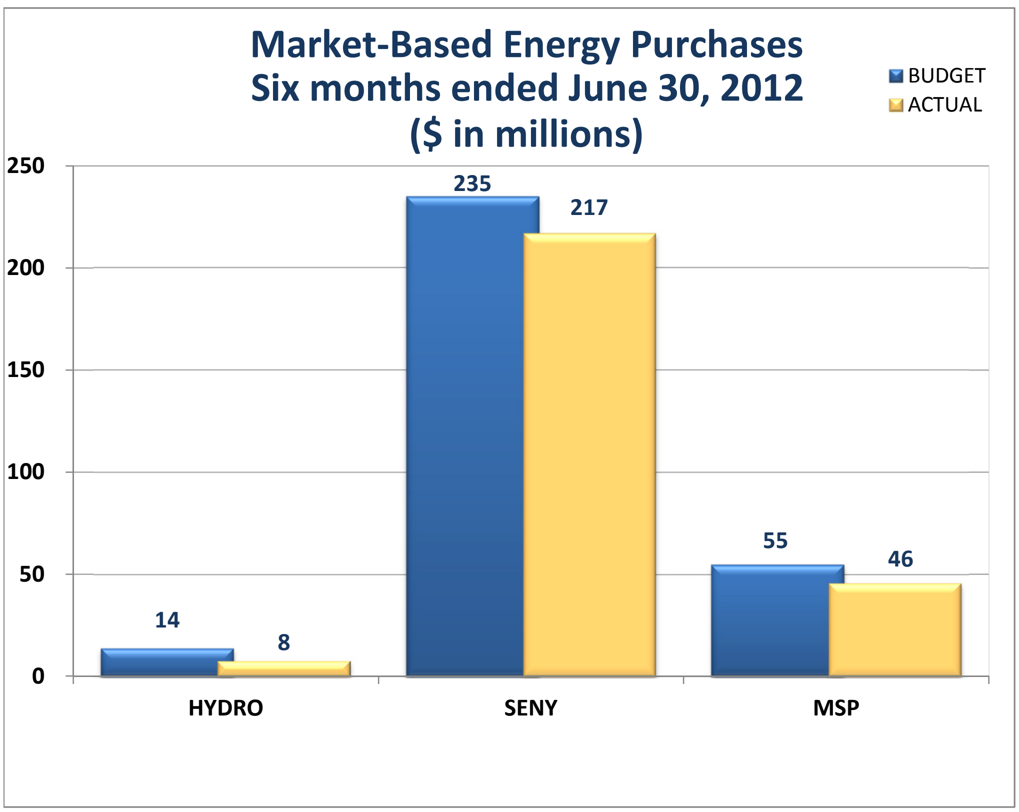
Year-to-date voluntary contributions were $75 million in 2012 compared to $65 million through June 2011.

Year-to-year variances in operations and maintenance, depreciation and amortization, and interest expense were due primarily to Astoria II which went into commercial operation on July 1, 2011. These variances were offset by recoveries in operating revenues and had minimal impact on NYPA's current year net income.

NewYork Power Authority

RESULTS OF OPERATIONS





REVENUES

SALES (MWH)

	BUDGET	ACTUAL
Hydro*	3,208,309	3,906,954
Fossil	2,798,997	3,200,818
MSP	78,941	327,874
TOTAL	6,086,247	7,435,646
PRICES ($/MWH)		
Hydro*	$41.61	$30.26
Fossil	$61.78	$40.13
MSP	$37.37	$32.08
AVERAGE	$50.84	$34.57

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

REVENUES

SALES (MWH)

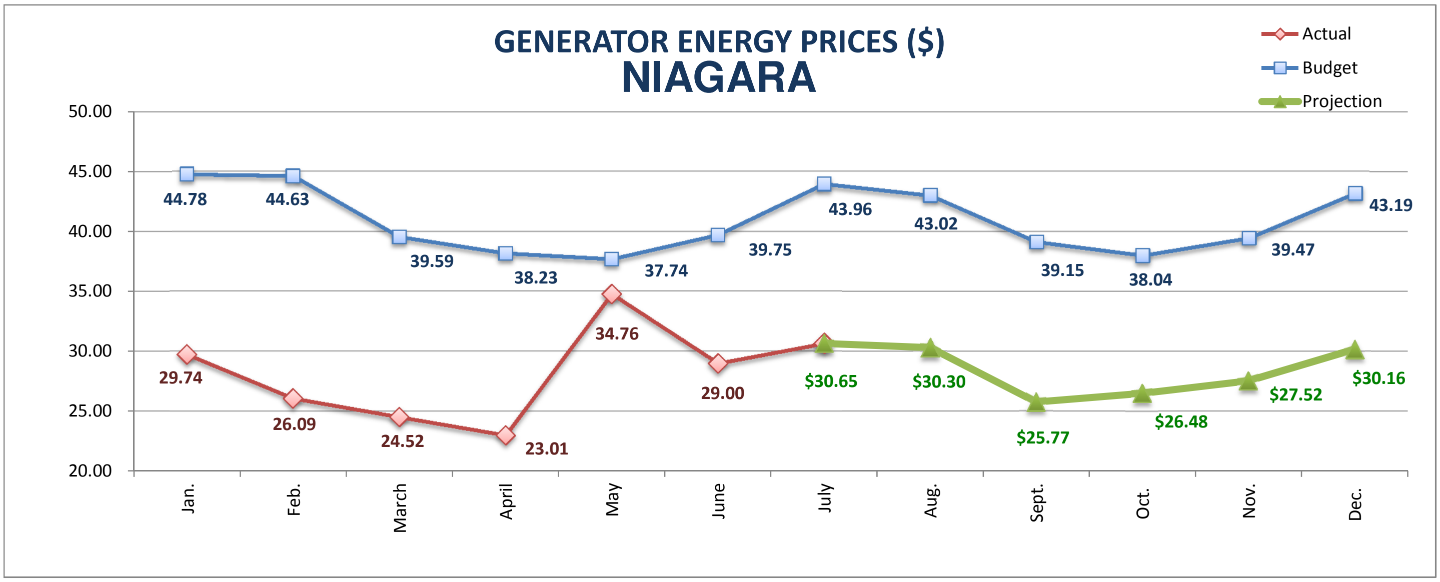
	BUDGET	ACTUAL
Niagara	1,999,990	2,461,153
St. Law.	987,191	1,269,297
PRICES ($/MWH)		
Niagara	$40.47	$29.34
St. Law.	$37.96	$27.32

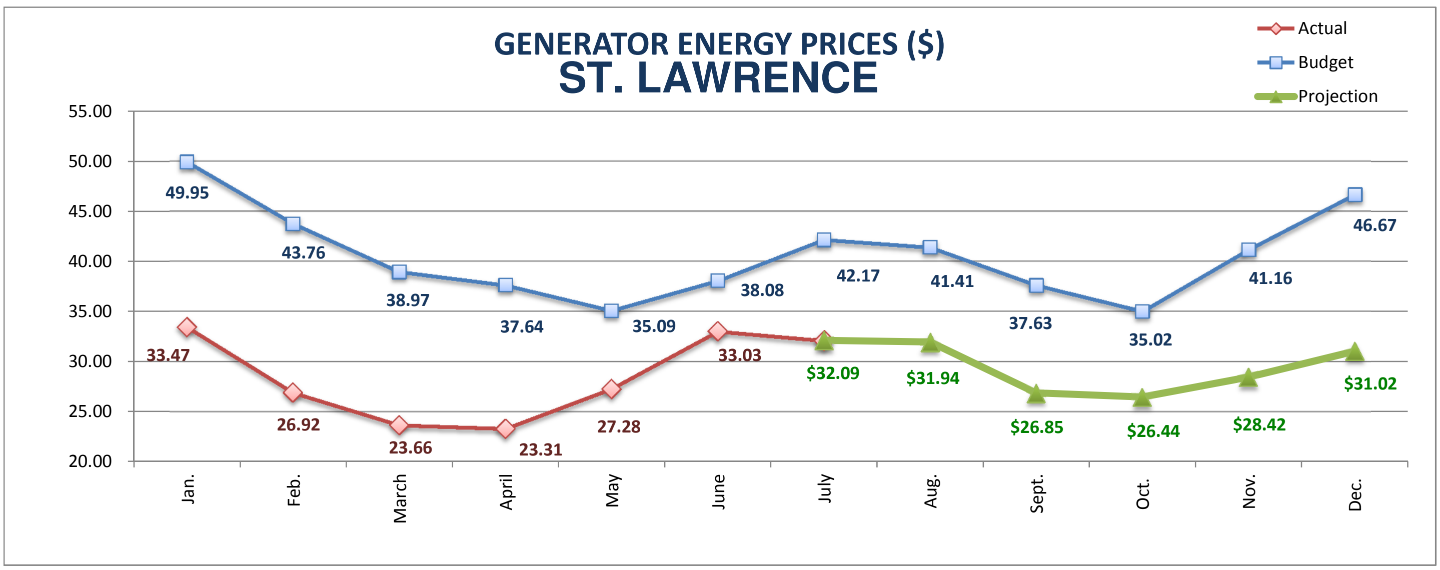
COSTS

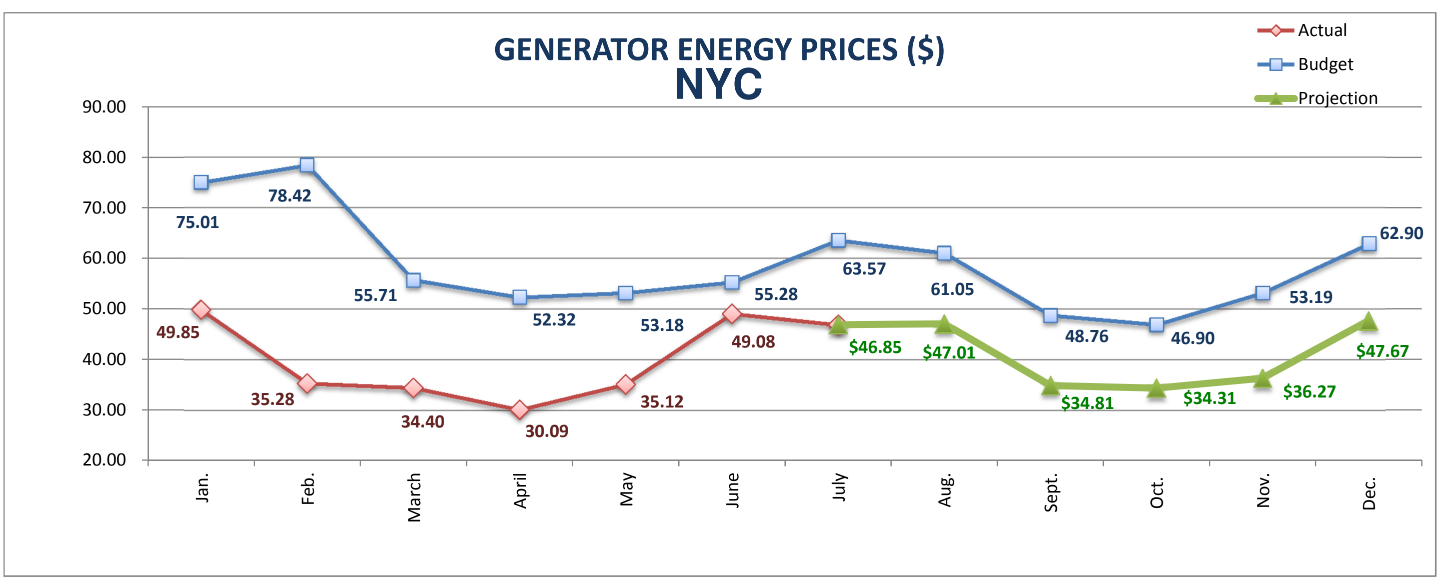
PURCHASES (MWH)

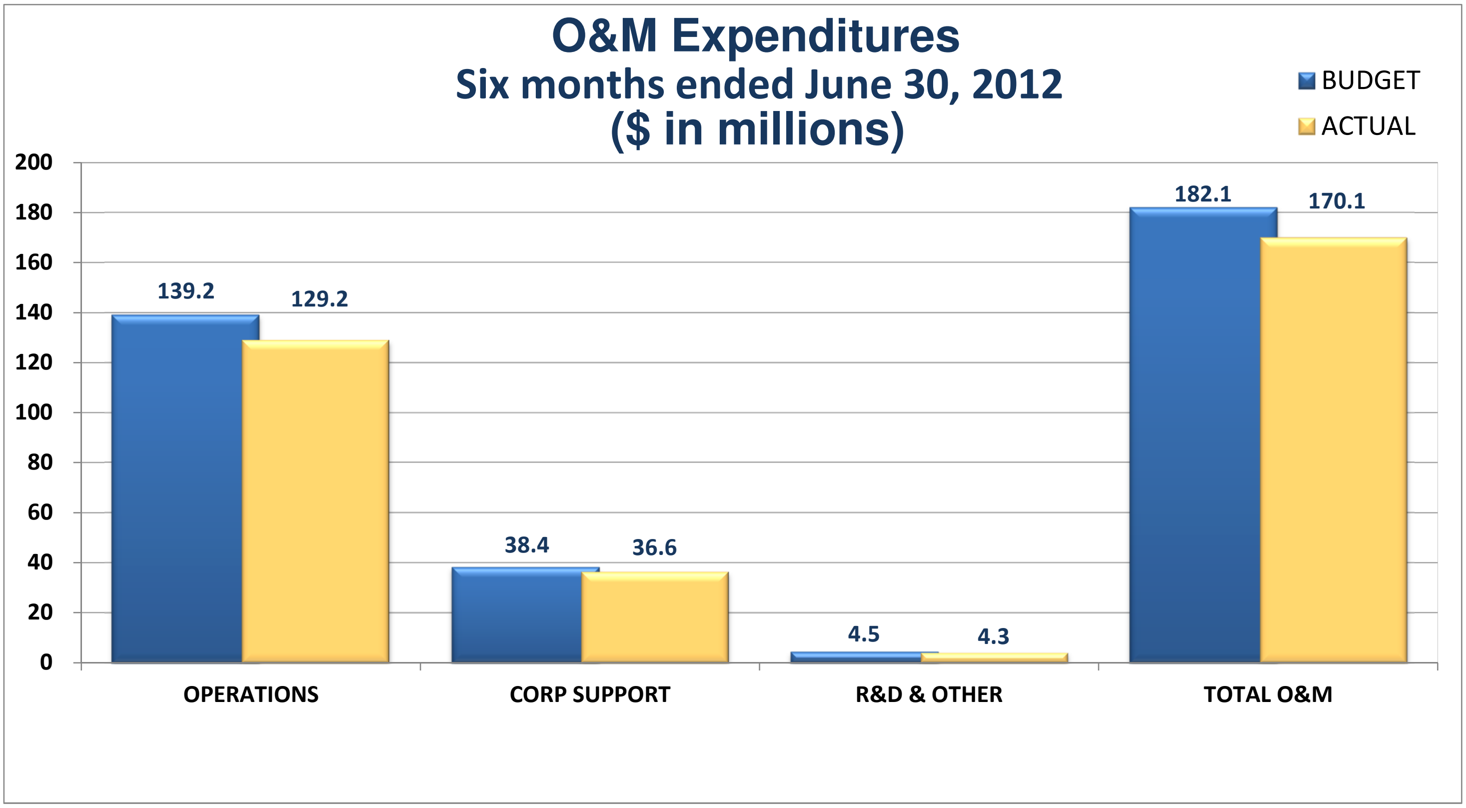
	BUDGET	ACTUAL
Hydro	576,327	343,085
SENY	4,313,179	4,403,927
MSP	1,339,785	1,516,213
TOTAL	6,229,291	6,263,225
COSTS ($/MWH)		
Hydro	$23.99	$21.94
SENY	$54.55	$49.34
MSP	$41.21	$30.17
AVERAGE	$48.85	$43.20

RESULTS OF OPERATIONS
Market Energy Prices





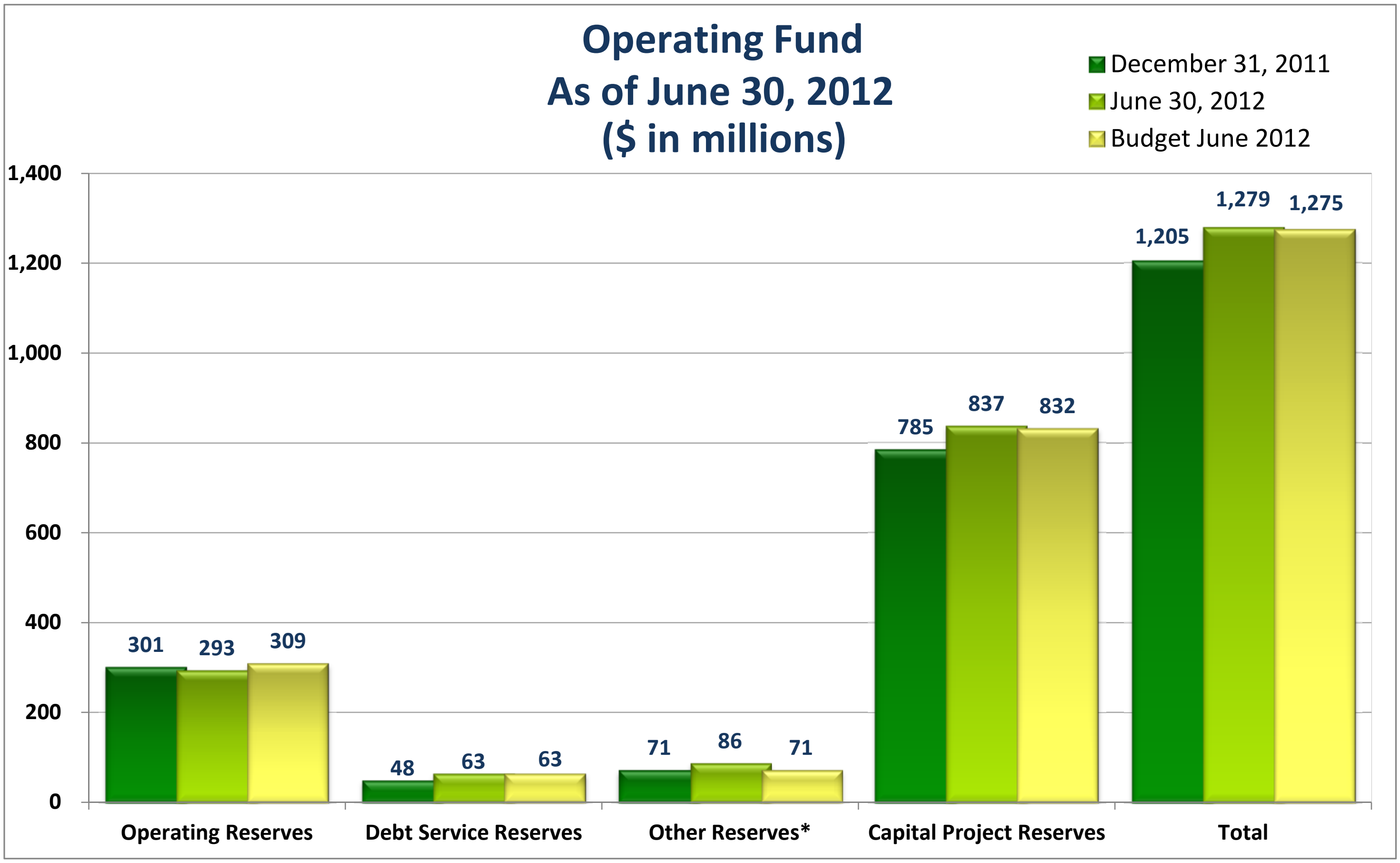




- For the six months ended June 30, 2012, O&M expenses were $12 lower than the budget.

- Operations expenditures were lower than anticipated primarily due to timing differences in projects at Niagara (RMNPP Head-gate Refurbishment and Unit #2 Standardization), the SCPP's (Gowanus Bulkhead & Sinkhole Repairs) and the transmission facilities (Transmission LEM Assessment 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, partially offset by earlier than expected expenses for IT maintenance.

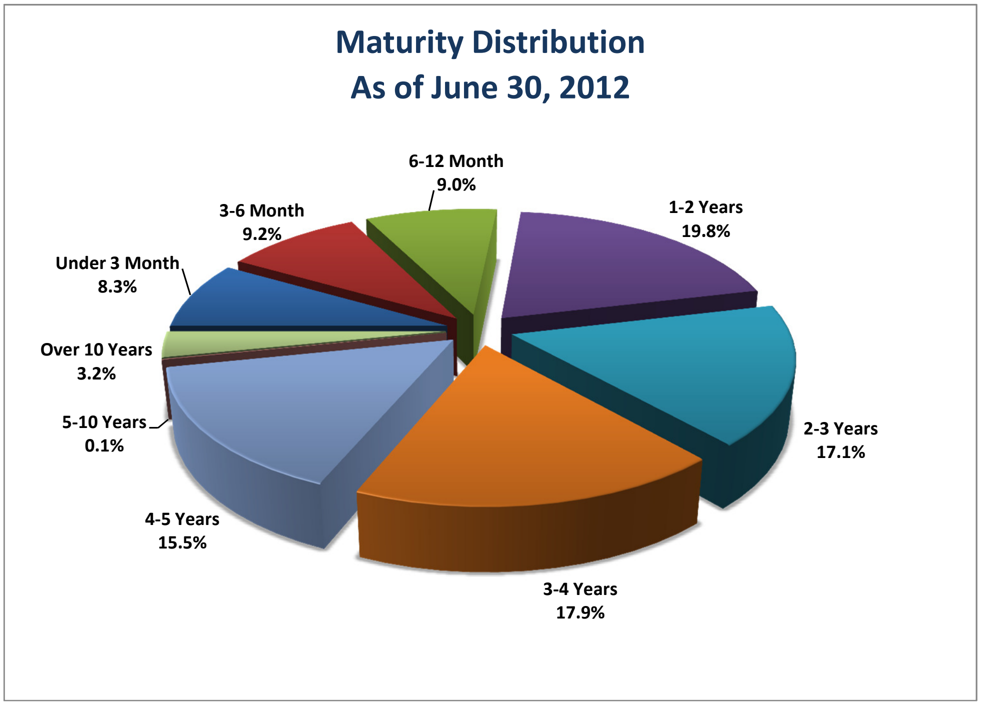


The increase of $74 in the Operating Fund (from $1,205 to $1,279) was primarily attributable to positive net cash provided by operating activities and the Value Sharing payment of $72 received from Entergy, substantially offset by $75 in voluntary contributions to New York State.

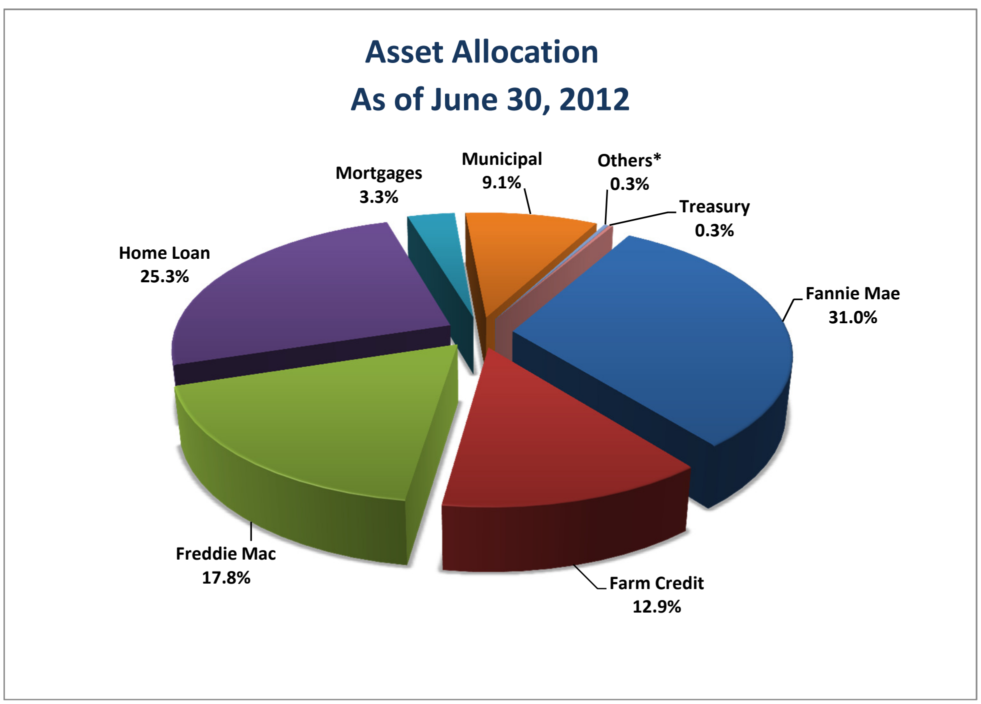
* Includes $71 in Energy Hedging/Fuel Reserves and $15 in the Western New York Economic Development Fund. The Western New York Economic Development Fund represents net earnings from the sale of unallocated Expansion Power and Replacement Power from August 30, 2010 to May 31, 2012. These reserves will be used to fund economic development projects by private businesses located within New York State, as approved by the Board at the June 2012 meeting.

New York Power Authority

CASH AND LIQUIDITY INVESTMENT PORTFOLIO

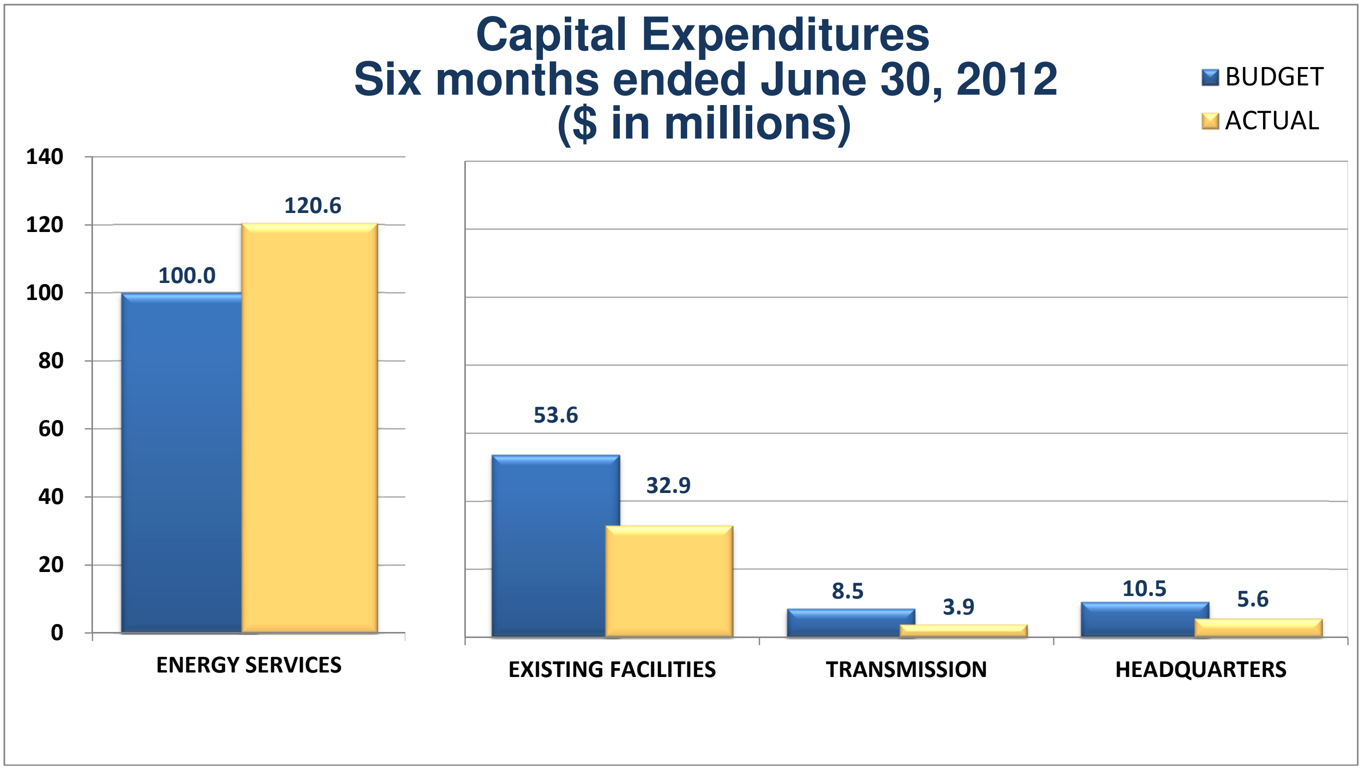


MATURITY DISTRIBUTION ($ in millions)	
Under 3 Month	$110.6
3-6 Month	123.3
6-12 Month	119.8
1-2 Years	263.8
2-3 Years	227.5
3-4 Years	238.9
4-5 Years	206.2
5-10 Years	1.2
Over 10 Years	42.0
Total	**$1,333.3**



ASSET ALLOCATION ($ in millions)	
Fannie Mae	$413.5
Farm Credit	172.5
Freddie Mac	237.8
Home Loan	337.0
Mortgages	43.4
Municipal	121.6
Others*	4.0
Treasury	3.5
Total	**$1,333.3**

*Includes CDs and Repos



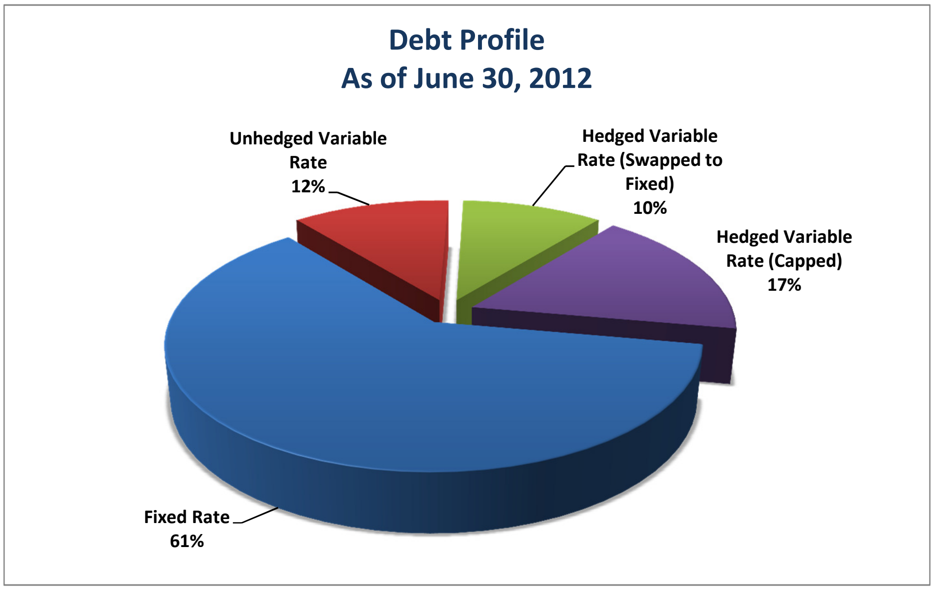
- Existing Facilities were under budget by $20.7 primarily due to delays related to the Niagara and Blenheim Gilboa relicensing projects, the St. Lawrence Microwave Communication project and Astoria Infrastructure Upgrade.
- Transmission expenditures were less than anticipated due to delays in the Transmission 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 $20.6 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 $12.7 through June. The following expenditure was authorized for June:

  Lewiston Pump Generating Plant 5 Ton Crane $0.9

Debt Activity
YTD June 30, 2012
($ in millions)

	Beginning Balance	New Issues	Scheduled Retirements	Additional Retirements	Ending Balance
Fixed Rate Debt	$1,083.4	-	-	-	$1,083.4
Variable Rate Debt	274.7	-	-	-	274.7
Variable Rate Energy Srvcs Debt	395.4	24.2	-	12.7	406.9
Sub-total Variable Rate Debt	670.1	24.2	-	12.7	681.6
Total	**$1,753.5**	**$24.2**	**-**	**$12.7**	**$1,765.0**

DEBT



DEBT PROFILE	
($ in millions)	
Fixed Rate	$1,083.4
Unhedged Variable Rate	201.4
Hedged Variable Rate (Swapped)	180.2
Hedged Variable Rate (Capped)	300.0
Total	**$1,765.0**

Interest Rate Derivatives

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

Open Positions

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

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

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

Summary of Derivative Positions ($ in millions)

Transaction	Counterparty	Notional Amount*	Effective Date	Type of Swap	Mark-to-Market
1998B	Goldman Sachs Mitsui Marine Derivatives	$19.6	11/15/2002	Floating-to-Fixed	($1.4)
1998B	Merrill Lynch Cap. Srvcs	32.7	11/15/2002	Floating-to-Fixed	(2.3)
1998B	Citigroup Financial Prod.	13.1	11/15/2002	Floating-to-Fixed	(0.9)
ARTN	Merrill Lynch Cap. Srvcs	114.8	9/1/2006	Floating-to-Fixed	(12.8)
CP - 1	Morgan Stanley Cap. Srvcs	300.0	1/26/2011	CAP	-
Totals		**$480.2**			**($17.4)**

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

ENERGY DERIVATIVES

Results

Year-to-date, energy derivative settlements have resulted in a net loss of $83.99 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	$ (0.62)	$ -	$ 0.13	$ 0.10	$ 0.22
Customer Contracts	$ (83.37)	$ (67.46)	$ (56.92)	$ (74.43)	$ (198.81)
Total	**$ (83.99)**	**$ (67.46)**	**$ (56.79)**	**$ (74.34)**	**$ (198.59)**

[1] *Reflects June preliminary settlements.*

At the end of June, the fair market value of outstanding positions was at an unrealized loss of $198.59 million for positions extending through 2017.

Market Summary

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

Exhibit 1: August to December 2012 Forward Price

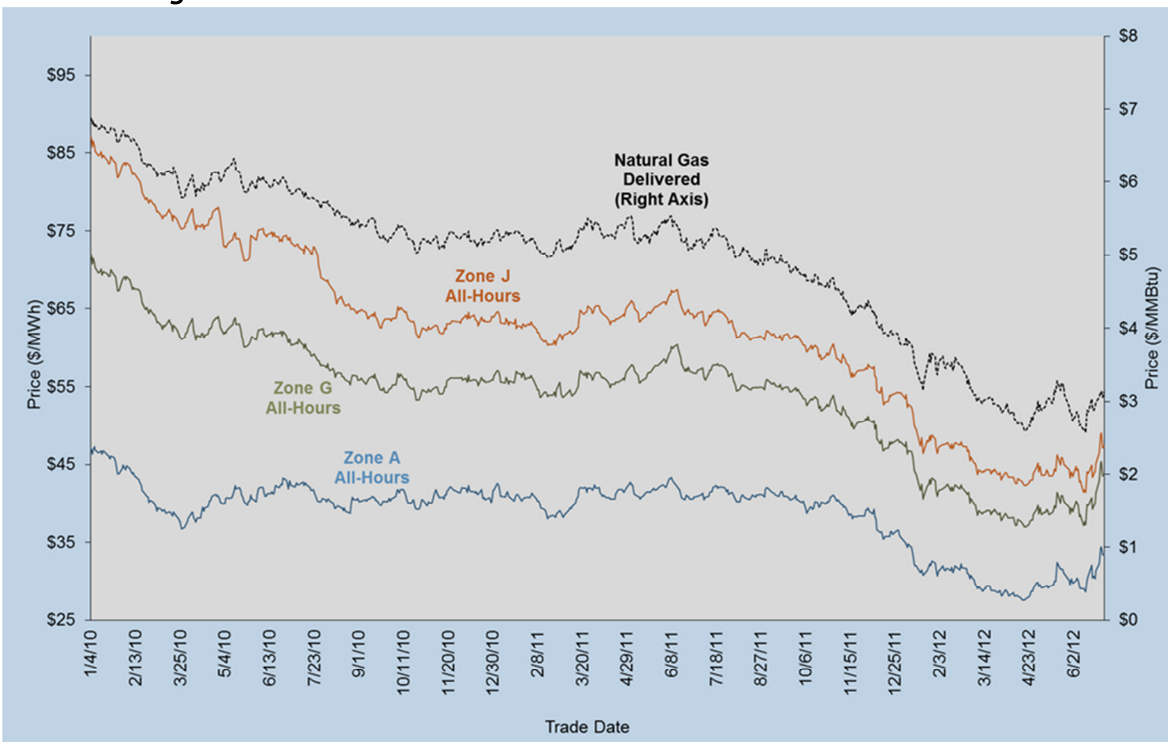
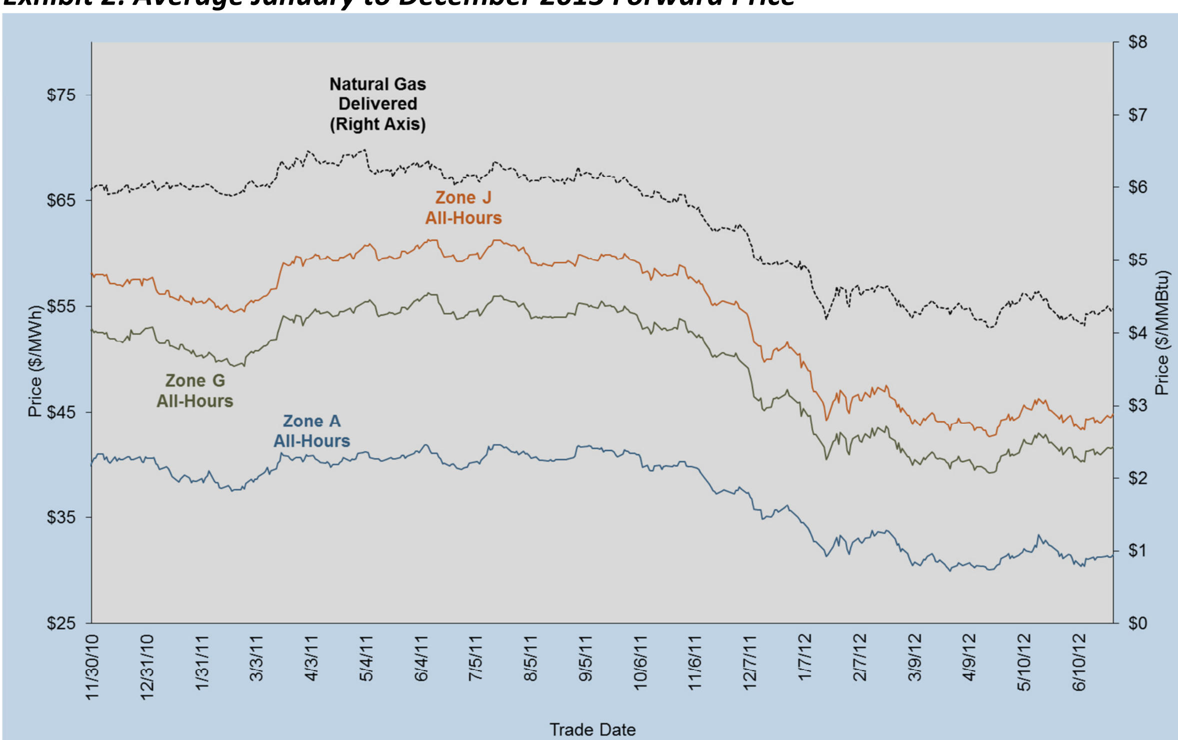


Exhibit 2: Average January to December 2013 Forward Price



STATEMENT OF NET INCOME
For the Six Months Ended June 30, 2012
($ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable
	Operating Revenues			
$2,173.0	Customer	**$954.9**	**$1,050.2**	**($95.3)**
552.7	Market-based power sales	232.7	265.6	(32.9)
28.9	Ancillary services	12.1	15.4	(3.3)
118.3	NTAC and other	55.0	57.2	(2.2)
699.9	Total	**299.8**	**338.2**	**(38.4)**
2,872.9	**Total Operating Revenues**	**1,254.7**	**1,388.4**	**(133.7)**
	Operating Expenses			
752.9	Purchased power	314.7	358.7	44.0
329.5	Fuel consumed - oil & gas	95.2	167.6	72.4
76.5	Ancillary services	23.3	37.7	14.4
610.2	Wheeling	261.8	271.9	10.1
370.9	Operations and maintenance	170.1	182.1	12.0
222.2	Depreciation and amortization	112.8	111.1	(1.7)
194.3	Other expenses	104.0	110.3	6.3
(11.7)	Allocation to capital	(4.4)	(5.5)	(1.1)
2,544.8	**Total Operating Expenses**	**1,077.5**	**1,233.9**	**156.4**
328.10	**Net Operating Income**	**177.2**	**154.5**	**22.7**
	Nonoperating Revenues			
86.9	Post nuclear sale income	50.7	50.7	-
42.1	Investment income	20.3	21.1	(0.8)
(10.0)	Mark to market - investments	(2.2)	(5.0)	2.8
119.0	**Total Nonoperating Revenues**	**68.8**	**66.8**	**2.0**
	Nonoperating Expenses			
85.0	Contributions to New York State	75.0	85.0	10.0
195.1	Interest and other expenses	93.7	97.6	3.9
280.1	**Total Nonoperating Expenses**	**168.7**	**182.6**	**13.9**
$167.0	**Net Income**	**$77.3**	**$38.7**	**$38.6**

COMPARATIVE BALANCE SHEETS
June 30, 2012
($ in millions)

Assets		June 30, 2012	June 30, 2011	December 31, 2011
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	1,305.3	1,143.2	1,233.0
	Interest receivable on investments	5.8	5.4	5.6
	Accounts receivable - customers	229.5	233.4	188.0
	Materials and supplies, at average cost:			
	Plant and general	81.7	76.5	80.1
	Fuel	22.7	15.2	23.0
	Prepayments and other	219.0	153.1	263.5
	Total Current Assets	**1,864.1**	**1,626.9**	**1,793.3**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	1,146.9	1,072.1	1,089.8
	Other	73.7	81.7	76.4
	Total Restricted Funds	**1,220.6**	**1,153.8**	**1,166.2**
Capital Funds	Investment in securities and cash	86.0	102.6	97.2
	Total Capital Funds	**86.0**	**102.6**	**97.2**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,376.1	3,314.2	3,414.5
	Capital lease, less accumulated amortization	1,097.7	-	1,126.5
	Construction work in progress	132.9	122.7	133.4
	Net Utility Plant	**4,606.7**	**3,436.9**	**4,674.4**
Other Noncurrent Assets	Receivable - NY State	318.0	318.0	318.0
	Deferred charges, long-term receivables and other	645.3	585.8	614.4
	Notes receivable - nuclear plant sale	121.8	136.1	143.0
	Total other noncurrent assets	**1,085.1**	**1,039.9**	**1,075.4**
	Total Assets	**$8,862.5**	**$7,360.1**	**$8,806.5**
Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	$866.6	$841.8	$905.9
	Short-term debt	300.3	325.0	373.7
	Total Current Liabilities	**1,166.9**	**1,166.8**	**1,279.6**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,105.6	1,149.9	1,107.4
	Adjustable rate tender notes	114.8	122.9	122.9
	Commercial paper	266.6	287.9	204.2
	Total Long-term Debt	**1,487.0**	**1,560.7**	**1,434.5**
Other Noncurrent Liabilities	Nuclear plant decommissioning	1,146.9	1,072.1	1,089.8
	Disposal of spent nuclear fuel	216.3	216.2	216.2
	Capital lease obligation	1,239.7	-	1,241.3
	Deferred revenues and other	232.9	271.2	249.6
	Total Other Noncurrent Liabilities	**2,835.8**	**1,559.5**	**2,796.9**
Net Assets	Total Net Assets	**3,372.8**	**3,073.1**	**3,295.5**
	Total Liabilities and Net Assets	**$8,862.5**	**$7,360.1**	**$8,806.5**

SUMMARY OF OPERATING FUND CASH FLOWS
For the Six Months Ended June 30, 2012
($ in millions)

Operating Fund	
Opening	$1,204.6
Closing	1,279.2
Increase/(Decrease)	**74.6**
Cash Generated	
Net Operating Income	177.2
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	112.8
Net Change in Receivables, Payables & Inventory	(137.2)
Other	(2.9)
Net Cash Generated from Operations	**149.9**
(Uses)/Sources	
Utility Plant Additions	(49.3)
Debt Service	
Commercial Paper 2	(16.4)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(7.5)
ART Notes	(8.3)
Investment Income	12.9
Entergy Value Sharing Agreement	72.0
Voluntary Contributions to NY State	(81.0)
Other	2.3
Total (Uses)/Sources	**(75.3)**
Net Increase in Operating Fund	**$74.6**

July 31, 2012
Exhibit "4-A"

Compliant Allocations – To Continue With No Change

	Company	Location	County	Type of Power	Allocation kW	Employment Commitment	Average Jobs Reported 2011	Average Annual % Achieved
1	3M	Tonawanda	Erie	EP	500	330	338	103
2	3M (2)	Tonawanda	Erie	EP	1000	290	338	117
3	ADM Milling Co.	Buffalo	Erie	RP	1900	70	89	127
4	ADM Milling Co.	Buffalo	Erie	EP	1500	84	89	106
5	Allegheny Technologies Incorporated(2)	Lockport	Niagara	EP	200	46	71	154
6	Alcoa Reynolds	Massena	St Lawrence	PP	478000	1065	1118	105
7	Allied Frozen Storage, Inc. (1)	West Seneca	Erie	RP	600	54	60	111
8	API Heat Transfer, Inc. (1)	Buffalo	Erie	RP	300	340	268	79
9	APP Pharmaceuticals, LLC	Grand Island	Erie	RP	1000	481	623	129
10	APP Pharmaceuticals, LLC(2)	Grand Island	Erie	RP	1000	506	623	123
11	Ascension Industries(1)	North Tonawanda	Niagara	RP	150	135	151	112
12	Ashland Advanced Materials, Inc. (1)	Niagara Falls	Niagara	EP	3500	75	30	40
13	Ashton Potter (USA) LTD(1)	Cheektowaga	Erie	RP	700	48	48	100
14	Aurubis Buffalo (formerly Luvata)	Buffalo	Erie	RP	250	16	634	3,962
15	Aurubis Buffalo (formerly Luvata) (2)	Buffalo	Erie	RP	8060	483	634	131
16	Aurubis Buffalo (formerly Luvata)	Buffalo	Erie	RP	3000	634	634	100
17	Avery Dennison Information Systems(2)	Buffalo	Erie	RP	250	82	120	146
18	Brunner, Inc.	Medina	Orleans	EP	1500	160	357	223
19	Brunner, Inc.	Medina	Orleans	EP	300	160	357	223
20	Brunner, Inc.	Medina	Orleans	RP	1200	160	357	223
21	Brunner, Inc. (2)	Medina	Orleans	RP	2500	160	357	223
22	Buffalo Tungsten Inc. *(New York Tungsten)* (2)	Depew	Erie	RP	1250	40	75	187
23	Buffalo Tungsten Incorporated	Depew	Erie	RP	800	62	75	121
24	C+S Wholesale Grocers, Inc.—Cheektowaga	Cheektowaga	Erie	EP	300	50	53	106
25	Carleton Technologies Inc./ DBA Cobham Mission Systems Division(2)	Orchard Park	Erie	EP	700	140	284	203
26	Ceres Crystal Industries Inc.	Niagara Falls	Niagara	RP	1600	47	60	127
27	Ceres Crystal Industries Inc.	Niagara Falls	Niagara	RP	1300	47	60	127

	Company	Location	County	Type of Power	Allocation kW	Employment Commitment	Average Jobs Reported 2011	Average Annual % Achieved
28	Ceres Crystal Industries Inc. (2)	Niagara Falls	Niagara	RP	1700	47	60	127
29	Citigroup, Inc. (1)	Amherst-Getzille	Erie	RP	1100	500	930	186
30	Cliffstar Corporation	Dunkirk	Chautauqua	EP	500	455	489	108
31	Confer Plastics Inc. (2)	North Tonawanda	Erie	RP	300	91	201	221
32	Curtis Screw Co., Inc.	Buffalo	Erie	RP	350	150	179	119
33	Curtis Screw Co., Inc.	Buffalo	Erie	RP	300	150	179	119
34	Curtis Screw Co., Inc. (2)	Buffalo	Erie	RP	1100	150	179	119
35	Delaco Kasle Steel/DKP Buffalo LLC	Tonawanda	Erie	EP	750	57	94	165
36	DLWB LLC	Tonawanda	Erie	RP	250	14	16	115
37	Dunkirk Specialty Steel, Inc.	Dunkirk	Chautauqua	EP	5800	180	220	122
38	E.I. du Pont de Nemours & Co., Inc.	Buffalo	Erie	RP	675	605	617	102
39	E.I. du Pont de Nemours & Co., Inc.	Buffalo	Erie	RP	1300	285	617	216
40	E.I. du Pont de Nemours & Co., Inc.	Niagara Falls	Niagara	RP	31700	177	234	132
41	E.I. du Pont de Nemours & Co., Inc.	Buffalo	Erie	EP	1800	390	617	158
42	E.I. du Pont de Nemours & Co., Inc.	Niagara Falls	Niagara	EP	790	230	234	102
43	E.I. du Pont de Nemours & Co., Inc.	Buffalo	Erie	RP	500	264	617	234
44	E.I. du Pont de Nemours & Co(2)	Niagara Falls	Niagara	RP	3000	260	234	90
45	EPCO Carbon Dioxide Products, Inc. (1)	Medina	Erie	RP	1000	20	10	48
46	Fairbanks Farms AFA Foods(2)	Ashville	Niagara	EP	700	110	135	123
47	Fieldbrook Foods Corporation	Dunkirk	Chautauqua	EP	1000	420	504	120
48	Fieldbrook Foods Corporation	Dunkirk	Chautauqua	EP	2000	420	504	120
49	Flexo Transparent, Inc.	Buffalo	Erie	RP	380	100	113	113
50	Ford Motor Company(1)	Buffalo	Erie	EP	1500	950	773	81
51	FMC Corporation Active Oxidants Division	Tonawanda	Erie	RP	5500	71	174	245
52	FMC Corporation Active Oxidants Division	Tonawanda	Erie	RP	750	106	174	164
53	FMC Corporation Active Oxidants Division	Tonawanda	Erie	RP	2500	161	174	108
54	Globe Metallurgical Inc. / Globe Specialty Metals Inc(1)	Niagara Falls	Niagara	EP	7353	500	95	19
55	Globe Metallurgical Inc. / Globe Specialty Metals Inc(1)	Niagara Falls	Niagara	RP	32647	500	95	19

	Company	Location	County	Type of Power	Allocation kW	Employment Commitment	Average Jobs Reported 2011	Average Annual % Achieved
56	Global Abrasive Products, Inc.	Lockport	Niagara	EP	150	45	41	91
57	GEICO	Amherst	Erie	EP	1600	736	2,008	273
58	General Mills	Buffalo	Erie	RP	3100	432	465	108
59	General Mills	Buffalo	Erie	Vintage - RP	1000	563	465	83
60	General Mills	Buffalo	Erie	Vintage - EP	1000	520	465	89
61	General Motors Components Holdings	Lockport	Niagara	EP	10000	950	1,739	183
62	General Motors Components Holdings LLC	Lockport	Niagara	EP	14300	950	1,739	183
63	General Motors Corporation	Buffalo	Erie	EP	800	500	1,130	226
64	General Motors Corporation	Buffalo	Erie	EP	13800	500	1,130	226
65	General Motors Corporation	Buffalo	Erie	EP	5000	500	1,130	226
66	General Motors Corporation	Buffalo	Erie	RP	725	500	1,130	226
67	General Motors Corporation	Buffalo	Erie	RP	2000	500	1,130	226
68	General Motors Corporation	Buffalo	Erie	EP	1100	500	1,130	226
69	Goodyear Dunlop Tires N.America Ltd.	Tonawanda	Erie	RP	4191	589	1,323	225
70	Goodyear Dunlop Tires N.America Ltd.	Tonawanda	Erie	Vintage -RP	250	1422	1,323	93
71	Goodyear Dunlop Tires N.America Ltd.	Tonawanda	Erie	RP	850	1422	1,323	93
72	Goodyear Dunlop Tires N.America Ltd.	Tonawanda	Erie	RP	800	1449	1,323	91
73	Goodyear Dunlop Tires N.America Ltd.	Tonawanda	Erie	EP	6000	1412	1,323	94
74	Graphic Controls Corp.	Buffalo	Erie	RP	250	265	274	104
75	Habasit Belt America	Buffalo	Erie	EP	200	80	73	91
76	Hammond Manufacturing Company Inc. (2)	Cheektowaga	Erie	RP	100	24	35	146
77	Honeywell International(2)	Buffalo	Erie	RP	300	168	165	98
78	Hurtubise Tire, Inc. (1)	North Tonawanda	Niagara	RP	180	18	8	45
79	Hydro-Air Components, Inc.	Buffalo	Erie	EP	250	55	148	270
80	I Squared R Element Co., Inc.	Akron	Erie	RP	500	60	77	128
81	International Imaging Materials, Inc.	Amherst	Erie	EP	1250	336	337	100
82	Linde LLC BOC Gases-	Buffalo	Erie	EP	10500	40	38	94
83	Life Technologies Corp.	Grand Island	Niagara	RP	400	398	531	133

	Company	Location	County	Type of Power	Allocation kW	Employment Commitment	Average Jobs Reported 2011	Average Annual % Achieved
84	Life Technologies Corp.	Grand Island	Niagara	RP	375	488	531	109
85	Mayer Brothers Apple Products Inc	West Seneca	Erie	EP	200	113	135	119
86	Metaullics Systems Co.	Sanborn	Niagara	RP	1000	29	57	195
87	Metaullics Div of Pyrotek Inc.	Sanborn	Niagara	RP	500	8	18	230
88	Moldtech, Inc.	Lancaster	Erie	EP	250	75	68	91
89	Moog Inc.	East Aurora	Erie	EP	750	371	2,488	670
90	Moog Inc.	East Aurora	Erie	EP	3000	1229	2,488	202
91	Moog Inc.	East Aurora	Erie	EP	500	1987	2,488	125
92	Nestle Purina Petcare Company	Dunkirk	Chautauqua	EP	900	261	336	129
93	Nestle Purina Petcare Company	Dunkirk	Chautauqua	EP	2000	261	336	129
94	Nestle Purina Petcare Company	Dunkirk	Chautauqua	EP	500	284	336	118
95	Niacet Corporation	Niagara Falls	Niagara	EP	500	82	97	119
96	Niacet Corporation	Niagara Falls	Niagara	RP	1000	54	97	180
97	Niacet Corporation	Niagara Falls	Niagara	RP	400	66	97	147
98	Niacet Corporation(1)	Niagara Falls	Niagara	RP	500	92	97	106
99	Niagara Sheets, LLC(1)	North Tonawanda	Niagara	RP	850	64	68	107
100	Norampac Industries Inc.-Niagara Falls(2)	Niagara Falls	Niagara	EP	1600	126	125	99
101	North American Hoganas	Niagara Falls	Niagara	EP	4000	57	61	106
102	North American Hoganas	Niagara Falls	Niagara	RP	1000	53	114	216
103	Occidental Chemical Corporation	Niagara Falls	Niagara	RP	56000	206	210	103
104	Occidental Chemical Corporation	Niagara Falls	Niagara	EP	38700	214	212	98
105	Olin Corporation Chlor-Alkali Products	Niagara Falls	Niagara	RP	15000	135	216	160
106	Olin Corporation Chlor-Alkali Products	Niagara Falls	Niagara	RP	21300	160	216	135
107	Olin Corporation Chlor-Alkali Products	Niagara Falls	Niagara	RP	2290	41	216	406
108	Olin Corporation Chlor-Alkali Products	Niagara Falls	Niagara	RP	40860	160	216	135
109	PCB-Machining Solutions Inc.	Lackawanna	Erie	RP	250	41	166	406
110	Praxair, Inc.	Niagara Falls	Niagara	RP	37050	70	88	125
111	Praxair, Inc.	Niagara Falls	Niagara	RP	9000	70	88	125

	Company	Location	County	Type of Power	Allocation kW	Employment Commitment	Average Jobs Reported 2011	Average Annual % Achieved
112	Praxair, Inc.	Niagara Falls	Niagara	EP	2000	68	88	129
113	Praxair, Inc.	Tonawanda	Erie	RP	2000	1000	1,344	134
114	Praxair, Inc.	Tonawanda	Erie	EP	2000	900	1,344	149
115	Praxair, Inc.	Tonawanda	Erie	RP	750	1352	1,344	99
116	Precious Plate, Inc. (2)	Niagara Falls	Niagara	RP	800	145	169	117
117	Precious Plate, Inc. (1)	Niagara Falls	Niagara	RP	400	164	169	103
118	Protective Industries	Buffalo	Erie	EP	250	310	288	93
119	Republic Engineered Products, Inc.	Blasdell	Erie	RP	2000	276	270	98
120	Republic Engineered Products, Inc.	Blasdell	Erie	EP	7400	276	270	98
121	RHI Monofrax, Ltd.	Falconer	Chautauqua	EP	2082	250	238	95
122	Rosina Food Products, Inc.	Cheektowaga	Erie	EP	400	134	219	164
123	Rosina Food Products, Inc.	West Seneca	Erie	EP	200	171	185	108
124	Saint Gobain - Advance Ceramics(1)	Niagara Falls	Erie	RP	1000	186	157	84
125	Saint Gobain - Boron Nitride Division(2)	Amherst	Erie	RP	2500	55	65	117
126	Saint Gobain - Boron Nitride Division	Amherst	Erie	RP	570	63	65	102
127	Saint Gobain - Structural Ceramics	Niagara Falls	Niagara	RP	3450	112	157	140
128	Saint Gobain - Structural Ceramics	Niagara Falls	Niagara	RP	300	165	157	95
129	Saint Gobain - Structural Ceramics	Niagara Falls	Niagara	RP	1400	169	157	93
130	Saint Gobain Abrasives Company	Niagara Falls	Niagara	RP	2100	51	66	128
131	Saint Gobain Abrasives Company	Niagara Falls	Niagara	RP	100	51	66	128
132	Saint Gobain Abrasives Company	Niagara Falls	Niagara	RP	1100	69	66	95
133	Servotronics, Inc. (2)	Elma	Erie	EP	500	145	166	115
134	Sorrento Lactalis, Inc.	Buffalo	Erie	RP	250	402	517	129
135	Sorrento Lactalis, Inc. (1)	Buffalo	Erie	RP	1500	500	517	103
136	Sotek/Belrix(2)	Buffalo	Erie	RP	100	53	70	133
137	Special Metals Corporation	Dunkirk	Chautauqua	EP	1000	81	74	92
138	Steuben Foods Corporation	Elma	Erie	EP	5000	500	512	102
139	Steuben Foods Corporation	Elma	Erie	EP	3000	4140	512	124

	Company	Location	County	Type of Power	Allocation kW	Employment Commitment	Average Jobs Reported 2011	Average Annual % Achieved
140	Steuben Foods Corporation	Elma	Erie	EP	750	374	512	137
141	Stollberg, Inc.	Niagara Falls	Niagara	EP	300	30	68	226
142	The Carriage House Cos - Fredonia (Red Wing Co)	Fredonia	Chautauqua	EP	750	440	474	108
143	Time Release Sciences Inc.	Buffalo	Erie	RP	200	65	96	147
144	Time Release Sciences Inc. (1)	Buffalo	Erie	RP	250	70	96	137
145	TitanX Engine Cooling, Inc.	Jamestown	Chautauqua	EP	1000	310	401	129
146	Treibacher Schleifmittel Corp.	Niagara Falls	Niagara	RP	750	35	33	95
147	Unifrax Corporation - 360 Firetower	Niagara Falls	Niagara	RP	1000	147	218	148
148	Unifrax Corporation - Corp. (1)	Niagara Falls	Erie	RP	3500	238	218	92
149	Unifrax Corporation - Sanborn	Niagara Falls	Erie	RP	1000	6	10	12
150	Unifrax Corporation - Tonawanda	Niagara Falls	Erie	RP	2600	55	218	396
151	Upstate Niagara Cooperative, Inc. (2)	West Seneca	Erie	EP	1000	134	173	129
152	Washington Mills Tonawanda Inc. (1)	Tonawanda	Erie	RP	300	70	38	55
153	Western New York Energy, LLC (2)	Medina	Orleans	RP	5000	50	48	97
154	Yahoo Inc. (1)	Lockport	Niagara	EP	15000	125	84	67
155	ZEMCO	Buffalo	Erie	EP	500	502	548	109
156	ZEMCO(2)	Buffalo	Erie	EP	1000	275	548	322
157	ZEMCO	Buffalo	Erie	EP	750	275	548	199

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

(1) *These 19 customers with 20 allocations have more time to ramp up to their full commitment levels.*
(2) *These 23 allocations were selected and reviewed by the auditing team Dannible & McKee. While the audit results indicated some job reporting discrepancies, these allocations remained compliant using the audited employment levels.*

July 31, 2012
Exhibit "4-B"

Non-Compliant Allocations to Continue With No Change

Company	Location	County	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment	Average Jobs Reported 2011	External Job Audit 2011	Average Annual % Achieved 2011 [1]
Aurubis Buffalo, Inc.[2][3] (formerly Luvata)	Buffalo	Erie	Apr-94	RP	250	831	634	642	77
Bernzomatic- (Worthington Cylinders) [2]	Medina	Orleans	Nov-06	EP	600	210	186	179	85
C&S Wholesale Grocers, Inc. – Lancaster[2] [3]	Lancaster	Erie	Oct-90	EP	550	682	559	548	80
CertainTeed Corporation[2] [3]	Buffalo	Erie	Jan-04	EP	3100	157	113	106	66
Ford Motor Company	Buffalo	Erie	Feb-03	EP	2900	950	773		81
Ford Motor Company	Buffalo	Erie	Dec-94	EP	4300	950	773		81
Greatbatch, Inc. [2] [3]	Clarence	Erie	Apr-04	EP	1500	368	305	304	83
Ingram Micro Corp. [2] [3]	Williamsville	Erie	Sep-87	EP	900	1525	1336	1258	86
International Imaging Materials, Inc. [2] [3]	Amherst	Erie	Mar-85	EP	1000	499	337	331	66
International Imaging Materials, Inc. [2] [3]	Amherst	Erie	Jan-89	RP	250	393	337	331	84
Lockheed Martin	Niagara Falls	Niagara	Feb-93	RP	250	45	37		83
Niagara LaSalle Corporation	Buffalo	Erie	Jan-04	RP	700	92	75		82
PEMCO-Precision Electro Minerals Co. Inc.	Niagara Falls	Niagara	Aug-89	RP	800	22	18		81
Rosina Food Products, Inc. [3]	Cheektowaga	Erie	Apr-06	EP	200	270	219		81
The Carriage House Cos - Dunkirk [2]	Dunkirk	Chautauqua	May-99	EP	500	199	169	170	85
Tulip Corporation [2] [3]	Niagara Falls	Niagara	May-61	RP-Vintage	1200	122	92	87	71
Tulip Corporation [2] [3]	Niagara Falls	Niagara	Oct-90	EP	300	110	92	87	79
Washington Mills Electro Minerals Corp. [2] [3]	Niagara Falls	Niagara	Dec-86	RP	9700	171	104	111	65

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

[1] *Average Annual % Achieved based on audited number where available.*
[2] *These customers' allocations were selected for the job reporting audit by Dannible & McKee. The audit results indicated job reporting discrepancies, however, the allocations remain non-compliant using the audited employment level.*
[3] *These allocations are compliant when considered against their reduced July 2013 commitments that were approved by the Trustees as part of the WNY contract extension initiative in 2010.*

July 31, 2012
Exhibit "4-C"

Non-Compliant Allocations Recommended for ESD Review

Company	Location	County	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment	Average Jobs Reported 2011	External Job Audit 2011	Average Annual % Achieved 2011 (1)
Buffalo Newspress Inc. (2)	Buffalo	Erie	Jan-94	EP	200	149	111	115	77
Coyne Textile Services(2)	Buffalo	Erie	Mar-95	EP	350	93	41	44	47
Niagara Ceramics Corporation(2)	Buffalo	Erie	Jan-94	RP	850	190	94	91	48
Niagara Ceramics Corporation (2)	Buffalo	Erie	Mar-04	EP	250	190	94	91	48
Niagara LaSalle Corporation	Buffalo	Erie	Jan-04	RP	700	164	75		46
Nuttall Gear Company	Niagara Falls	Niagara	Feb-93	EP	350	135	95		70
RubberForm Recycled Products, LLC	Lockport	Niagara	Apr-06	EP	500	30	14		47
TAM Ceramics Group of New York	Niagara Falls	Niagara	Oct-59	RP - vintage	7000	100	57		57
TAM Ceramics Group of New York	Niagara Falls	Niagara	Dec-88	EP - vintage	500	100	57		57

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

(1) *Average Annual % Achieved based on audited number where available.*
(2) *These 6 customers' allocations were selected for the job reporting audit by Dannible & McKee. The audit results indicated job reporting discrepancies, however, the allocations remain non-compliant using the audited employment level.*

New York Power Authority
Expansion Power
Recommendation for Allocations

Exhibit "5-A"
July 31, 2012

Exhibit Number	Company Name	Program	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage & Benefits	Power Recommended (kW)	Contract Term
A-1	BlackRock, Inc.	EP	TBD	TBD	2,500	25	$37,500,000	$88,400	**2,000**	7 Years
A-2	Graphic Controls Acquisition Corp.	EP	Buffalo	Erie	130	25	$760,000	$49,100	**130**	7 Years

APPLICATION SUMMARY
Expansion Power

Company:	Blackrock, Inc.
Location:	TBD
IOU:	National Grid or NYSEG
Business Activity:	Independent investment management firm
Project Description:	The project involves construction and build-out of a 50,000 sq. ft. data center and technical support facility for the firm's global investment operations. The project would include generators, UPS equipment, cooling and server equipment. The facility will be constructed with future expansion in mind.
Existing Allocation(s):	None
Power Request:	2,500 kW
Power Recommended:	2,000 kW
Job Commitment:	
Existing:	0 jobs
New:	25 jobs
New Jobs/Power Ratio:	12.5 jobs/MW
New Jobs - Avg. Wage and Benefits:	$88,400
Capital Investment:	$37.5 million
Capital Investment/MW:	$18.75 million/MW
Other ED Incentives:	None
Summary:	Blackrock, Inc. is proposing to make a $37.5 million investment in Western New York by constructing a state-of-the-art data center in the Buffalo-Niagara area. The company would create 25 new, well-paying technical staff jobs. The company is looking at several alternate sites including southern Canada and Pennsylvania. Electricity is a significant cost driver for siting the new facility. A hydropower allocation is a critical incentive necessary for the company to decide to build the data center in Western New York.

July 31, 2012
Exhibit "5-A-2"

APPLICATION SUMMARY
Expansion Power

Company:	Graphic Controls Acquisition Corporation
Location:	Buffalo
IOU:	National Grid
Business Activity:	Specialty printing operations
Project Description:	The proposed project involves construction of a clean-room within the company's Buffalo facility to prepare for the installation of a new product line that will produce syringe filters. The filters are used in medical and pharmaceutical processes. The equipment to be installed consists of injection molding machines and assembly machinery.
Existing Allocation(s):	250 kW RP, 120 kW EP, 155 kW RNY
Power Request:	130 kW
Power Recommended:	130 kW
Job Commitment:	
Existing:	265 jobs
New:	25 jobs
New Jobs/Power Ratio:	192 jobs/MW
New Jobs - Avg. Wage and Benefits:	$49,100
Capital Investment:	$760,000
Capital Investment/MW:	$5.8 million/MW
Other ED Incentives:	None
Summary:	Graphic Controls operates printing presses producing medical charts and casino slot tickets for both the national and international markets. The introduction of this new product line of syringe filters will expand the company's manufacturing footprint in Western New York and create 25 new jobs for the community. The Buffalo plant is vying for this project as an alternative to expanding its sister plant in Germany, where the filters are already produced. An allocation of hydropower would be an incentive for the corporation to locate the new operation in Buffalo instead of its facility in Germany.

STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY 12224

ANDREW M. CUOMO
GOVERNOR

July 23, 2012

John S. Dyson
Maple Tor Farm
37 Wing Road
Millbrook, NY 12545

Dear John:

I want to thank you for your service as Vice Chairman and Trustee of the New York Power Authority during a critical period at NYPA. I recognize that this has entailed considerable sacrifices on your part, and I respect your desire to redirect your focus to the business and personal areas of your life.

When I asked you to become a NYPA Trustee, we knew the Authority faces a number of challenges that required your direct attention and involvement. You have exceeded my expectations in addressing these issues and guiding the Authority toward a promising future of renewed service to the state.

Thank you again. My very best wishes and personal regards to you, Kathe, and your family.

Sincerely,

ANDREW M. CUOMO