

**MINUTES OF THE MEETING  
OF  
THE GOVERNANCE COMMITTEE**

**October 26, 2010**

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A meeting of the Governance Committee was held at New York Power Authority's Niagara Power Project – Power Vista Visitor's Center, Lewiston, NY and via videoconference at 123 Main Street, White Plains, at approximately 9:00 a.m.

**The following Members of the Governance Committee were present:**

*Trustee Eugene L. Nicandri, Chairperson*  
*Trustee D. Patrick Curley*

**Vice Chairman Jonathan Foster was excused from attending.**

**Also in attendance were:**

<i>Gil Quiniones</i>	<i>Chief Operating Officer</i>
<i>Terryl Brown</i>	<i>Executive Vice President and General Counsel</i>
<i>Joan Tursi</i>	<i>Senior Vice President – Corporate Support Services</i>
<i>Joseph Gryzlo</i>	<i>Vice President of Labor Relations and Chief Ethics and Compliance Officer</i>
<i>Patricia Leto</i>	<i>Vice President - Procurement</i>
<i>Lesly Pardo</i>	<i>Vice President – Internal Audit</i>
<i>Karen Pasquale</i>	<i>Vice President – Enterprise Shared Services</i>
<i>Karen Delince</i>	<i>Corporate Secretary</i>
<i>Rod Mullin</i>	<i>Director Fuel Planning &amp; Operations, Fuel Operations</i>
<i>Dennis Eccleston</i>	<i>Chief Information Officer</i>
<i>Mark O'Connor</i>	<i>Director – Real Estate</i>
<i>Michael Saltzman</i>	<i>Director – Media Relations</i>
<i>Shannon Sramek</i>	<i>Senior Treasury Analyst</i>
<i>Lorna Johnson</i>	<i>Assistant Corporate Secretary</i>
<i>Louise Nestler</i>	<i>Assistant Ethics Officer</i>
<i>Sheila Baughman</i>	<i>Senior Secretary, Corporate Secretary's Office</i>

1. **Minutes of the Regular Meeting of July 27, 2010**

The minutes of the Committee's July 27, 2010 meeting were adopted.

2. **Procurement and Real Estate Reports**

Ms. Karen Pasquale presented an overview of the Authority's Procurement activities, with Ms. Joan Tursi, Ms. Patricia Leto, Mr. Mark O'Connor, Mr. Rod Mullin, Ms. Shannon Sramek and Mr. Joseph Gryzlo reporting on disposal of personal property, fossil fuel purchases, corporate finance activity and acquisition and disposal of real property.

**2.1 Procurement Contract Activity**

Ms. Pasquale highlighted the following procurement contract activities:

- As of September 30, 2010, there were 1955 contracts with a total estimated value of more than \$2.5 billion not including fossil fuel or corporate finance expenditures.
- The total procurement expenditures against these contracts thus far in 2010 exceed \$262 million.
- 9% of these contracts are for construction work.
- 45% are for the purchase of equipment and commodities.
- 16% are for consulting contracts (e.g., engineering, design, and specialized analysis).
- 30% are for other services, such as technician work and contracted personnel.
- While approximately 61% of the total number of non-fuel contracts thus far in 2010 covered by the Report exceeded \$25,000, the total value of those contracts was approximately 99.6% of the total non-fuel expenditures.
- Approximately 96% of the total dollars expended (excluding fuels and corporate finance) were for contracts that were competitively bid, therefore 4% represent sole source awards. The basis for the sole source awards included the purchase of highly specialized spare parts and services from original equipment manufacturers and procurement of services on an emergency basis and from proprietary sources.

**2.2 Disposal of Personal Property**

Ms. Tursi reported that on April 24, 2010, the Authority participated in two auctions conducted on behalf of the Fleet Operations Division by the firm JJ Kane Auctioneers in Rome, New York. The auction resulted in the sale of 59 units, comprising of vehicles and special equipment. The Authority received a net amount of \$210,639.50 after commission and transportation costs were deducted. The Authority also participated in an online auction on December 22, 2009 handled by the firm Auctions International. Three additional Fleet units were sold at the auction, which resulted in the net proceeds of \$4,500. The reportable unit total for 2010 to date is 49 with a net amount of \$455,000 and 91 units under \$5,000 each for a total of \$99,000.

Ms. Leto reported that there were two transactions for the disposal of scrap metal at St. Lawrence for a total of \$65,187. Ms. Leto also report on the start of the sale of the assets from the Charles Poletti Power Plant. The first sale was for equipment and materials related to the Condenser, Feedwater Heater and Generator Hydrogen Cooler. After evaluating the two bids received, an award was made to Utility Investment Recovery LLC of Wilmington, NC for a total amount of \$801,920.



**POWER AUTHORITY OF THE STATE OF NEW YORK**  
**2010 YTD REPORT OF DISPOSAL OF PERSONAL PROPERTY OVER \$5,000**  
**FLEET OPERATIONS**

DESCRIPTION	PURCHASER	SALE PRICE	Commission/ Transportation Fees	PRICE RECEIVED * by the Authority
1994 EAGER BEAVER TRAILER	CRASH SCRAP METALS INC	\$11,000.00	\$580.00	\$10,420.00
1995 CLARK FORKLIFT	APOLLO NORTHEAST SALES & SVCS INC	\$6,250.00	\$325.00	\$5,925.00
1996 DODGE D2500 PICKUP	SDE EQUIPMENT SALES	\$6,999.00	\$8.00	\$6,991.00
1998 CHEVY K3500 PICKUP	UPSTATE AUTO SALES INC	\$5,600.00	\$418.00	\$5,182.00
1998 INTR AERIAL MANLIFT	RICHARD MARKIEL	\$27,500.00	\$1,030.00	\$26,470.00
1998 MACK SNOW PLOW	VILLAGE TRUCK SALES	\$10,500.00	\$520.00	\$9,980.00
1998 NEW HOLLAND TRACTOR	CASSONE TRUCK SALES & LEASING INC	\$13,500.00	\$589.00	\$12,911.00
1999 FORD F350	UPSTATE AUTO SALES INC	\$6,500.00	\$445.00	\$6,055.00
1999 FORD F550	UPSTATE AUTO SALES INC	\$6,950.00	\$458.50	\$6,491.50
1999 HICO HT081-8	CC POWER LLC	\$27,000.00	\$1,060.00	\$25,940.00
1999 HICO HT081-8	CC POWER LLC	\$23,000.00	\$815.00	\$22,185.00
1999 HICO HT081-8	4496213 CANADA INC	\$21,000.00	\$880.00	\$20,120.00
1999 KENWORTH T80 TRACTOR	JABLONSKI EXCAVATING INC	\$11,500.00	\$595.00	\$10,905.00
2000 CHEVY CUBE VAN	UPSTATE AUTO SALES INC	\$6,850.00	\$455.50	\$6,394.50
2000 FORD EXPEDITION	RIDGE ROAD LEASING LLC	\$5,700.00	\$421.00	\$5,279.00
2001 CHEVY K2500	UPSTATE AUTO SALES INC	\$6,500.00	\$379.00	\$6,121.00
2001 CHEVY TAHOE	JACOB SKABELUND	\$6,250.00	\$387.50	\$5,862.50
2001 CHEVY TAHOE	LISA NAI	\$6,000.00	\$380.00	\$5,620.00
2001 DODGE D2500	UPSTATE AUTO SALES INC	\$7,500.00	\$475.00	\$7,025.00
2001 DODGE D3500	UPSTATE AUTO SALES INC	\$6,950.00	\$392.50	\$6,557.50
2001 FORD F550	RIDGE ROAD LEASING LLC	\$16,500.00	\$695.00	\$15,805.00
2002 CHEVY TAHOE	NANCY PECKHAM	\$9,100.00	\$473.00	\$8,627.00

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2002 CHEVY TAHOE	UPSTATE AUTO SALES INC	\$6,000.00	\$380.00	\$5,620.00
2003 CHEVY TAHOE	ROBERT DAWES	\$7,900.00	\$437.00	\$7,463.00
2003 CHEVY TAHOE	CHRIS BUSHNELL	\$5,500.00	\$365.00	\$5,135.00
2003 CHEVY TAHOE	MCGUIRE TREE REMOVAL	\$8,100.00	\$443.00	\$7,657.00
2003 CHEVY TAHOE	M & J CONSTRUCTION CO	\$7,700.00	\$431.00	\$7,269.00
2003 HONDA CIVIC	ROADRUNNER EXPRESS LUBE LLC	\$6,500.00	\$445.00	\$6,055.00
2003 HONDA CIVIC	ROADRUNNER EXPRESS LUBE LLC	\$6,500.00	\$445.00	\$6,055.00
2003 HONDA CIVIC	DAVID WILSON	\$6,750.00	\$452.50	\$6,297.50
2004 BOBCAT TOOLCAT LOADER	W E MCCARTHY INC	\$18,000.00	\$1,122.25	\$16,877.75
2004 CHEVY TAHOE	QUICK STOP EXPRESS INC	\$6,250.00	\$437.50	\$5,812.50
2004 CHEVY TAHOE	QUICK STOP EXPRESS INC	\$6,250.00	\$387.50	\$5,862.50
2004 CHEVY TAHOE	W & W DIRT WORX	\$6,500.00	\$425.00	\$6,075.00
2004 CHEVY TAHOE	W & W DIRT WORX	\$6,500.00	\$395.00	\$6,105.00
2004 TOYOTA PRIUS	CARSBAZAR INC	\$5,750.00	\$402.50	\$5,347.50
2004 TOYOTA PRIUS	BARBARA MCCONNELL	\$5,750.00	\$402.50	\$5,347.50
2004 TOYOTA PRIUS	CARSBAZAR INC	\$6,000.00	\$430.00	\$5,570.00
2004 TOYOTA PRIUS	AMBER HORNYAK	\$5,500.00	\$395.00	\$5,105.00
2004 TOYOTA PRIUS	CARSBAZAR INC	\$5,750.00	\$402.50	\$5,347.50
2004 TOYOTA PRIUS	CARSBAZAR INC	\$5,750.00	\$402.50	\$5,347.50
2005 CHEVY TAHOE	QUICK STOP EXPRESS INC	\$5,200.00	\$386.00	\$4,814.00
2005 FORD ESCAPE	KELVIN WIEBE	\$6,500.00	\$445.00	\$6,055.00
2005 FORD F250 PICKUP	THE OL' STATION LLC	\$9,500.00	\$485.00	\$9,015.00

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DESCRIPTION	PURCHASER	SALE PRICE	Commission/ Transportation Fees	PRICE RECEIVED * by the Authority
2007 CAMOPLAST CAB	PRINOTH LTD	\$15,000.00	\$5.00	\$14,995.00
2007 CAMOPLAST CAB	PRINOTH LTD	\$15,000.00	\$5.00	\$14,995.00
2007 CAMOPLAST CAB	PRINOTH LTD	\$15,000.00	\$5.00	\$14,995.00
2007 CHEVY TAHOE	PAUL BURGESS JR	\$17,750.00	\$762.50	\$16,987.50
2008 CHEVY AVALANCHE	QUICK STOP EXPRESS INC	\$12,750.00	\$632.50	\$12,117.50
	FLEET SUBTOTAL:	\$478,299.00	\$23,108.75	\$455,190.25
	+ SUBTOTAL Page 1:	\$65,186.66	--	\$65,186.66
	GRAND TOTAL:	\$543,485.66	\$23,108.75	\$520,376.91

**2.3 Acquisition and Disposal of Real Property**

Mr. O'Connor reported on the on the acquisition and disposal of real property during the period from July 1 – September 20, 2010. Three outstanding transfers of jurisdiction were concluded between the Authority and the New York State Department of Transportation. Nine danger tree permits were acquired, which permits the Authority to eliminate dangerous vegetation on transmission lines. This is critical to the safe operation of the New York State transmission grid and to North American Electric Reliability Corporation (NERC) critical infrastructure compliance. The transmission facilities covered by these danger tree permits include the Niagara-Adirondack, Fitz-Edic, Willis-Plattsburgh, Plattsburgh-Vermont, Gilboa-New Scotland and Moses-Willis-Plattsburgh lines. This is an on-going effort. Six land use permits were issued for use of the Authority's easement areas. These permits, with their accompanying insurance requirements, assure that use of the Authority's easements is consistent with the operation of its transmission lines.

The Authority maintains facilities which it leases or subleases out to various tenants. The available space in the building at 123 Main Street is essentially 100% leased.

The Authority had agreed to convey 599 acres to adjoining towns or adjoining landowners by license agreement. To date, 510 of the 599 acres have been conveyed. During this period, 17 deeds to private adjoining landowners were finalized and recorded in the County Clerk's office. Further, four deeds were transmitted for the landowner's execution, of which 3 deeds remain unsigned and 19 deeds are awaiting final payment and acceptance of delivery by the landowner. At this time, the Authority has collected \$724,868 for the private parcels conveyed.

**2.4 Supplier Diversity Program Activities**

Ms. Pasquale highlighted the Authority's online utilization website for construction contractors, which went live the first of September. This was in response to a 2009 state law that requires contractors to post their utilization plans for New York State Certified Minority and Women-Owned Businesses ("M/WBEs"). It is accessible through the NYPA.gov website.

Ms. Leto said the Authority had awarded \$24.5 million dollars (11% of the Authority's reportable expenditures) to M/WBE enterprises. The state goal is 6%. Year to date, six different M/WBE financial dealers transacted over \$300 million or 27.23% in principle sales and purchases for the Authority. Additionally, two of the 12 legal contracts were awarded to M/WBEs during this quarter. Four new pieces of M/WBW legislation passed this quarter. These new laws are being incorporated into our policies and procedures.

Committee Chairman Nicandri asked that this information be forwarded to Trustee O'Luck.

## 2.5 Inventory Statistics

Ms. Leto reported that as of September 30, the current stock value was \$89,506,095 million. This figure includes \$1.7 million reduction for field poles issued to the NIA Rotor Poles Replacement project in 2009; additional spare parts associated with B/G LEM and Switchyard upgrades and additional stock requirements in preparation for Flynn 2011 outage.

The construction of the new Niagara Warehouse began in March 2010 and construction is proceeding on schedule. Construction completion of the new Niagara Warehouse and Office Facility is scheduled for July, 2011.

<b>Facility</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Niagara	18,294,572	*18,101,620	20,087,110
St. Lawrence	11,594,001	12,018,161	12,321,893
Blenheim-Gilboa	**7,383,455	6,004,365	5,924,953
Clark Energy Center	4,352,226	4,448,879	4,244,765
Poletti Project	14,483,476	14,340,348	14,243,881
Flynn Project	***13,288,533	12,149,737	12,157,549
500 MW Project	20,109,832	19,232,718	19,191,946
<b>Total Stock Value</b>	<b>\$89,506,095</b>	<b>\$86,295,828</b>	<b>\$88,172,097</b>

**2.6 Fossil Fuel Activities**

Mr. Mullin said that the total fuel purchases and related costs for the period of January – September 2010 was \$162 million. Natural gas purchases and associated costs came to \$161.5 million of the \$162 million. The balance was spent on fuel oil and associated costs. There were 27 natural gas and oil contracts in total and all purchases were subjected to competitive bidding.

2.7 **Corporate Finance Activity**

Ms. Sramek reported that the “Corporate Finance Addendum” for the Annual Report of Procurement Contracts identifies non-procurement items paid during the year for unique and specialized financial services requiring a broad depth of knowledge and expertise. The total to date for 2010 is \$1.4 million. These non procurement items include trustee and paying agent services, commercial paper remarketing services, escrow agent services and fees paid for revolving credit agreements supporting the Authority’s Variable Rate Debt Program. Approximately \$714,000 or 50% of the \$1.4 million was associated with the Authority’s revolving credit agreements.

**3. Recent Developments and Status of NYPA's Ethics and Compliance Program**

Mr. Gryzlo presented the Authority's Ethics and Compliance Program update. There continues to be an upward trend in case inquiries in the Ethics and Compliance arena. The key categories of ethics issues are: outside activities and employment, post employment, gifts and conflicts of interest. The report highlights a few cases but it is not comprehensive. One case, which contains both ethics and compliance issues, involves a number of former Authority employees that are now employed by the North East Power Coordinating Council, Inc. ("NPCC"). The NPCC is the regional entity responsible for assessing and enforcing the North America Electric Reliability Corporation ("NERC") Reliability standards. These employees are subject to the New York State Ethics Laws. There are post employment restrictions that are applicable to them. The Authority has counseled these former employees and engaged their new employer.

In response to a question by Chairman Nicandri, Mr. Gryzlo said that the Authority's Human Resources department conducts exit interviews with every employee who separates from the Authority which includes a review of the ethics post-employment restrictions and other ethics considerations.

In response to a question by Trustee Patrick Curley, Mr. Gryzlo said that we have not been formally challenged by a former employee regarding post employment restrictions.

Mr. Gryzlo said another key component of the ethics and compliance program is training and outreach. A session for new supervisors was recently held as part of Human Resources' Supervisory Development Training. The objective is to make all NYPA staff aware that the Ethics and Compliance office is a resource and to increase awareness of the Code of Conduct and ethics and compliance expectations.

In terms of compliance NPCC will be conducting a full scale audit in April 2011 of NYPA's compliance with NERC Reliability standards, which will take place off site. The Critical Infrastructure Protection ("CIP") Standards portion of the audit will be conducted on site. The Authority's Internal Audit department recently completed an audit of the Authority's compliance with CIP standards and made recommendations to strengthen certain components of the program.

Internal Audit also completed an assessment of the Authority's compliance with the Public Authorities Law, including the 2009 amendments contained in the Public Authorities Reform Act. The assessment concluded that compliance processes and related internal controls are effective.

**4. Amendments to Governance Charter**

Ms. Terryl Brown said the Governance Committee Charter had been amended, at the request of the Authority's Chairman Townsend, to expand the number of Trustees who may be members from three members to "up to five" members.

A motion by Trustee Curley to recommend the adoption of the amended Governance Committee Charter to the full NYPA Board of Trustees was unanimously adopted.

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

*“Mr. Chairman, I move that the Governance Committee conduct an executive session pursuant to Section 105 of the Public Officers Law in connection with discussions relating to matters concerning employment.”* On motion made and seconded, an Executive Session was held.

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

*“Mr. Chairman, I move to resume the meeting in Open Session.”* On motion made and seconded, the meeting resumed in open session.

**Next Meeting**

The next regular meeting of the Governance Committee is to be determined.

A motion to adjourn was adopted and the meeting closed at approximately 10:00 a.m.