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

December 19, 2006

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

Present:	Frank S. McCullough, Jr., Chairman
	Michael J. Townsend, Vice Chairman
	Elise M. Cusack, Trustee
	Robert E. Moses, Trustee
	Thomas W. Scozzafava, Trustee
	Joseph J. Seymour, Trustee
	Leonard N. Spano, Trustee

Timothy S. Carey	President and Chief Executive Officer
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer
Thomas J. Kelly	Executive Vice President and General Counsel
Vincent C. Vesce	Executive Vice President – Corporate Services and Administration
Robert J. Deasy	Senior Vice President – Energy Resource Management
Steven J. DeCarlo	Senior Vice President – Transmission
Angelo S. Esposito	Senior Vice President – Energy Services and Technology
Louise M. Morman	Senior Vice President – Marketing and Economic Development
William J. Nadeau	Senior Vice President – Energy Resource Management and Strategic Planning
Brian Vattimo	Senior Vice President – Public and Governmental Affairs
Edward A. Welz	Senior Vice President and Chief Engineer – Power Generation
Thomas P. Antenucci	Vice President – Project Management
Arnold M. Bellis	Vice President – Controller
Arthur M. Brennan	Vice President – Internal Audit and Compliance
John M. Hoff	Vice President – Procurement and Real Estate
Donald A. Russak	Vice President – Finance
William V. Slade	Vice President – Environment, Health and Safety
Thomas H. Warmath	Vice President and Chief Risk Officer
Daniel Wiese	Vice President and Inspector General – Corporate Security
James H. Yates	Vice President – Major Account Marketing and Economic Development
Anne B. Cahill	Corporate Secretary
Angela D. Graves	Deputy Corporate Secretary
Michael E. Brady	Treasurer
Dennis T. Eccleston	Chief Information Officer
Joseph J. Carline	Assistant General Counsel – Power and Transmission
Amy J. Levine	Principal Attorney II
Timothy Sheehan	Principal Attorney II – Finance Affairs
Denise D'Ambrosio	Principal Attorney I
Frederick E. Chase	Executive Director – Hydro Relicensing
Paul F. Finnegan	Executive Director – Public and Governmental Affairs
John J. Suloway	Executive Director – Licensing, Implementation and Compliance
Jordan Brandeis	Director – Supply Planning, Pricing and Power Contracts
Connie Cullen	Director – Media Relations
Thomas A. Davis	Director – Financial Planning
Lydia Helle Maide	Director – Major Accounts Group
James F. Pasquale	Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing
Joan Tursi	Director – Budgets
Mary Jean Frank	Associate Corporate Secretary
Steven Lockfort	Manager – Risk Reporting
John J. Canale	Project Manager
Oksana U. Karaczewsky	Senior Procurement Compliance Coordinator
Jeffrey Carey	Special Assistant to President and Chief Executive Officer
Jack Murphy	Temporary PR Counsel

Steven Mitnick	Transition Office of New York State Governor-Elect Eliot Spitzer
Eileen M. Natoli	Director, Governor's Office of Regulatory Reform
Jim Rolson	Reporter, Bloomberg News
Jay Simonis	Manager, Endicott Interconnect

Chairman McCullough presided over the meeting. Secretary Cahill kept the Minutes.

1. **Approval of the Minutes**

The Minutes of the Regular Meeting of November 28, 2006 were unanimously adopted.

2. **Financial Reports for the Eleven Months Ending November 30, 2006**

Mr. Bellis provided the Financial Reports for the eleven months ending November 30, 2006.

3. Report from the President and Chief Executive Officer

President Carey welcomed Steven Mitnick, a member of Governor-Elect Spitzer's transition team, to the meeting.

4. Allocation of 2,100 kW of Hydro Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve two allocations of available Replacement Power ('RP'), totaling 2,100 kW, to two industrial companies.

BACKGROUND

"Under the RP Settlement Agreement, National Grid ('Grid') (formerly Niagara Mohawk Power Corporation), with the approval of the Authority, identifies and selects certain qualified industrial companies to receive delivery of RP. Qualified companies are current or future industrial customers of Grid that have or propose to have manufacturing facilities for the receipt of RP within 30 miles of the Authority's Niagara Switchyard. RP is up to 445,000 kW of firm hydro power generated by the Authority at its Niagara Power Project that has been made available to Grid, pursuant to the Niagara Redevelopment Act (through December 2005) and Chapter 313 of the 2005 Laws of the State of New York.

DISCUSSION

"On October 22, 2003, the Authority, Grid, Empire State Development Corporation and the Buffalo Niagara Enterprise signed a Memorandum of Understanding ('MOU') that outlines the process to coordinate marketing and allocating Authority hydro power. The entities noted above have formed the Western New York Advisory Group ('Advisory Group') with the intent of better using the value of this resource to improve the economy of Western New York and the State of New York. Nothing in the MOU changes the legal requirements applicable to the allocation of hydro power.

"Based on the Advisory Group's discussions, staff recommends that the available power be allocated among two companies as set forth in Exhibit '4-A.' The Exhibit shows, among other things, the amount of power requested by each company, the recommended allocation and additional employment and capital investment information. These projects will help maintain and diversify the industrial base of Western New York and provide new employment opportunities. They are projected to result in the creation of 32 jobs.

RECOMMENDATION

"The Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommends that the Trustees approve the allocation of 2,100 kW of hydro power to the companies listed in Exhibit '4-A.'

"The Executive Vice President and General Counsel, the Senior Vice President – Marketing and Economic Development, the Vice President – Major Accounts Marketing and Economic Development and I concur in the recommendation."

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Seymour, Mr. Pasquale said that eligibility for hydro power allocations was limited to companies within a 30-mile radius of the Niagara plant. President Carey pointed out that the projects planned by the companies requesting the allocations involve an investment of company capital as well.

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

> **RESOLVED, That the allocation of 2,100 kW of Replacement Power, as detailed in Exhibit "4-A," be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

New York Power Authority
Replacement Power
Recommendations for Allocations

Exhibit "4-A"
December 19, 2006

Exhibit Number	Company Name	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term (1)
A-1	EPCO Carbondioxide Products, Inc	Medina	Orleans	2,100	20	$7,000,000	$64,000	**1,000**	Until 8/31/07
A-2	Saint-Gobain Ceramics & Plastic, Inc	Niagara Falls	Niagara	1,270	12	$4,600,000	$58,000	**1,100**	Until 8/31/07
	Total RP Recommended				**32**	**11,600,000**		**2,100**	

(1) If the Niagara Project license is extended and delivery agreement finalized, the full term of these contracts will be for five years.

Exhibit "4-A1"
December 19, 2006

APPLICATION SUMMARY

Replacement Power

Company:	EPCO Carbondioxide Products Inc.
Location: Medina	
County:	Orleans County
IOU:	National Grid
Business Activity:	Manufacturer of purified liquid carbon dioxide
Project Description:	EPCO will install a new 300-ton per-day liquid CO_2 manufacturing plant, complete with compressor skids, clean-up systems, control systems and storage tanks. The project will include a building to house the equipment. In addition, the company will invest in tractor and trailers.
Prior Application:	None
Existing Allocation:	None
Power Request:	2,100 kW
Power Recommended:	1,000 kW
Job Commitment:	
Existing:	0 jobs
New:	20 jobs
New Jobs/Power Ratio:	20 jobs/MW
New Jobs – Avg. Wage and Benefits:	$64,000
Capital Investment:	$7 million
Capital Investment Per MW	$7 million/MW
Summary:	EPCO manufactures purified liquid carbon dioxide. The company purchases CO_2 gas, which is a by-product of ammonia and ethanol plants and gas wells. After purchasing the gas, EPCO purifies and liquefies it at its liquefaction plants adjacent to the host facilities. EPCO then sells the liquid CO_2 to both wholesalers and end users of CO_2. Electricity is a critical component of the overall manufacturing cost of CO_2, representing about 40-50% of the total cost.

Exhibit "4-A2"
November 28, 2006

APPLICATION SUMMARY

Replacement Power

Company:	Saint-Gobain Ceramics & Plastic, Inc.
Location: Niagara Falls	
County:	Niagara County
IOU:	National Grid
Business Activity:	Manufacturer of ceramic abrasive grain
Project Description:	Saint-Gobain will add additional capacity for both existing products and new products that have been developed by the company's R&D group. The company will purchase and install new equipment, including processing kilns, electrically heated dryers and other supporting equipment and machines.
Prior Application:	Yes
Existing Allocation:	2,200 kW of RP
Power Request:	1,270 kW
Power Recommended:	1,100 kW
Job Commitment:	
Existing:	57 jobs
New:	12 jobs
New Jobs/Power Ratio:	11 jobs/MW
New Jobs – Avg. Wage and Benefits:	$58,000
Capital Investment:	$4.6 million
Capital Investment Per MW	$4.2 million/MW
Summary:	This investment is crucial to the future viability of this operation, since it shifts the mix of products away from standard seeded gel abrasive, which is being replaced by new and more advanced products. Saint Gobain will add specialty products that have diversified markets. The project will also help the company's competitiveness in the worldwide markets that it serves, as well as help it compete with its sister plant in France that is in a position to develop and manufacture these products. In addition, Niagara County will support training grants for Saint Gobain.

5. Power for Jobs Program - Extended Benefits

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve extended benefits for 49 Power for Jobs ('PFJ') customers as listed in Exhibit '5-A.' These customers have been recommended to receive such extended benefits by the Economic Development Power Allocation Board ('EDPAB').

BACKGROUND

"In July 1997, the New York State Legislature and Governor George E. Pataki approved a 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 receive three-year contracts for PFJ electricity.

"The PFJ program originally made 400 megawatts ('MW') of power available. The program was to be phased in over three years, with approximately 133 MW made available each year. In July 1998, as a result of the initial success of the program, the Legislature and Governor Pataki amended the PFJ statute to accelerate the distribution of the power, making a total of 267 MW available in Year One. The 1998 amendments also increased the size of the program to 450 MW, with 50 MW to become available in Year Three.

"In May 2000, legislation was enacted that authorized another 300 MW of power to be allocated under the PFJ program. The additional MW were described in the statute as 'phase four' of the program. Customers that received allocations in Year One were authorized to apply for reallocations; more than 95% reapplied. The balance of the power was awarded to new applicants.

"In July 2002, legislation was signed into law by Governor Pataki that authorized another 183 MW of power to be allocated under the program. The additional MW were described in the statute as 'phase five' of the program. Customers that received allocations in Year Two or Year Three were given priority to reapply for the program. Any remaining power was made available to new applicants.

"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 had to choose to receive an 'electricity savings reimbursement' rebate and/or a power contract extension. The Authority was also authorized to voluntarily fund the rebates, if deemed feasible and advisable by the Trustees.

"PFJ customers whose contracts expired on or prior to November 30, 2004 were eligible for a rebate to the extent funded by the Authority from the date their contract expired through December 31, 2005. As an alternative, such customers could choose to receive a rebate to the extent funded by the Authority from the date their contract expired as a bridge to a new contract extension, with the contract extension commencing December 1, 2004. The new contract would be in effect from a period no earlier than December 1, 2004 through the end of the PFJ program on December 31, 2005.

"PFJ customers whose contracts expired after November 30, 2004 were eligible for rebate or contract extension, assuming funding by the Authority, from the date their contracts expired through December 31, 2005.

"Approved contract extensions entitled customers to receive the power from the Authority pursuant to a sale-for-resale agreement with the customer's local utility. Separate allocation contracts between customers and the Authority contained job commitments enforceable by the Authority.

"In 2005, provisions of the approved State budget extended the period PFJ customers could receive benefits until December 31, 2006. In 2006, a new law (Chapter 645 of the Laws of 2006) included provisions extending program benefits until June 30, 2007.

"Section 189 of the New York State Economic Development Law, which was amended by Chapter 59 of the Laws of 2004, provided the statutory authorization for the extended benefits that could be provided to PFJ customers. The statute stated that an applicant could receive extended benefits '*only if it is in compliance with and agrees to continue to meet the job retention and creation commitments set forth in its prior power for jobs contract.'*

"Chapter 313 of the Laws of 2005 amended the above language to allow EDPAB to consider continuation of benefits on such terms as it deems reasonable. The statutory language now reads as follows:

> *An applicant shall be eligible for such reimbursements and/or extensions only if it is in compliance with and agrees to continue to meet the job retention and creation commitments set forth in its prior power for jobs contract**, or such other commitments as the board deems reasonable***. (emphasis supplied)

"At its meeting of October 18, 2005, EDPAB approved criteria under which applicants whose extended benefits EDPAB had reduced for non-compliance with their job commitments could apply to have their PFJ benefits reinstated in whole or in part. EDPAB authorized staff to create a short-form application, notify customers of the process, send customers the application and evaluate reconsideration requests based on the approved criteria. To date, staff has mailed 200 applications, received 109 and completed review of 108.

DISCUSSION

"At its meeting on December 19, 2006, EDPAB recommended that the Authority's Trustees approve electricity savings reimbursement rebates to the 49 businesses listed in Exhibit '5-A.' Collectively, these organizations have agreed to retain more than 69,000 jobs in New York State in exchange for rebates. The rebate program will be in effect until June 30, 2007, the program's sunset.

"The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit '5-A' in a total amount currently not expected to exceed $4.6 million. Staff recommends that the Trustees authorize a withdrawal of monies from the Operating Fund for the payment of such amount, provided that such amount is not needed at the time of withdrawal for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. Staff expects to present the Trustees with requests for additional funding for rebates to the companies listed in the Exhibit in the future.

FISCAL INFORMATION

"Funding of rebates for the companies listed on Exhibit '5-A' is not expected to exceed $4.6 million. Payments will be made from the Operating Fund. To date, the Trustees have approved $60 million in rebates.

RECOMMENDATION

"The Executive Vice President and Chief Financial Officer and the Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommend that the Trustees approve the payment of electricity savings reimbursements to the Power for Jobs customers listed in Exhibit '5-A.'

"The Executive Vice President and General Counsel, the Senior Vice President – Marketing and Economic Development, the Senior Vice President – Public and Governmental Affairs, the Vice President – Major Account Marketing and Economic Development and I concur in the recommendation."

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Pasquale said that all of the companies whose allocations had been reduced had been notified of the reduction, as well as the process for reconsideration of the reductions.

Chairman McCullough added that a very high percentage of those companies had applied for such reconsideration.

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

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve electricity savings reimbursements to the Power for Jobs customers listed in Exhibit "5-A";

NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves the payment of electricity savings reimbursements to the companies listed in Exhibit "5-A," and that the Authority finds that such payments for electricity savings reimbursements are in all respects reasonable, consistent with the requirements of the Power for Jobs program and in the public interest; and be it further

RESOLVED, That based on staff's recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to $4.6 million, and it is hereby found that amounts may properly 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 Vice President – Finance or the 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 – Marketing and Economic Development or her designee be, and hereby is, authorized to negotiate and execute any and all documents necessary or desirable to effectuate the foregoing, subject to the approval of the form thereof by the Executive Vice President and General Counsel; and be it further

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

New York Power Authority
Power for Jobs Extended Benefits
Recommendation for Electricity Savings Reimbursements

Exhibit "5-A"
December 19, 2006

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended KW	Jobs/MW	Type	Service
1	Bank of New York	New York	New York	Con Ed	4,700	6,831	6,917	86	1%	Yes	4,700	1,472	Large	Banking Services
2	Charmer Industries, Inc.	Astoria	Queens	Con Ed	750	732	810	78	11%	Yes	750	1,080	Large	Distributors of wines and spirits
3	Columbia University - Trustees	New York	New York	Con Ed	750	719	723	4	1%	Yes	750	964	NFP	Educational and Student Services
4	Edison Price Lighting, Inc.	New York	New York	Con Ed	400	160	157	-3	-2%	Yes	400	393	Large	Manufacturer and sales of lighting fixtures
5	Greater Jamaica Development Corp.	Jamaica	Queens	Con Ed	375	121	136	15	12%	Yes	375	363	NFP	Urban & Community Development
6	Home for Contemporary Theater & Art	New York	New York	Con Ed	30	18	17	-1	-6%	Yes	30	567	NFP	Arts venue
7	Lincoln Center for the Performing Arts	New York	New York	Con Ed	3,000	2,312	2,328	16	1%	Yes	3,000	776	NFP	Performing Arts Center
8	Long Island Jewish Medical Center	Manhasset	Nassau	Con Ed	2,000	6,143	6,009	-134	-2%	Yes	2,000	3,005	NFP	Healthcare Center
9	Manhattan School of Music	New York	New York	Con Ed	200	176	343	167	95%	Yes	200	1,715	NFP	International conservatory of music
10	Memorial Sloan-Kettering Cancer Cen	New York	New York	Con Ed	5,000	8,100	8,472	372	5%	Yes	5,000	1,694	NFP	Medical Center
11	New York Presbyterian Hospital	New York	New York	Con Ed	5,000	6,958	7,765	807	12%	Yes	5,000	1,553	NFP	Medical care
12	NYU Medical Center	New York	New York	Con Ed	4,000	9,867	10,455	588	6%	Yes	4,000	2,614	NFP	Medical Center
13	S. R. Guggenheim Museum	New York	New York	Con Ed	475	356	358	2	1%	Yes	475	754	NFP	Art Museum
14	Streamline Plastics Co., Inc.	Bronx	Bronx	Con Ed	200	67	46	-21	-31%	No	140	329	Small	Miscellaneous plastics products
15	The Brooklyn Historical Society	Brooklyn	Kings	Con Ed	30	16	17	1	6%	Yes	30	567	NFP	Community Services
16	Blythedale Children's Hospital	Valhalla	Westchester	CONED	150	356	369	13	4%	Yes	150	2,460	NFP	Children's hospital
	Total Con Ed		**Subtotal**	**16**	**27,060**	**42,932**	**44,922**				**27,000**			
17	Ametek Hughes-Treitler	Garden City	Nassau	LIPA	500	189	181	-8	-4%	Yes	500	362	Large	Manufacturer of heat exchangers
18	John Hassall, Inc.	Westbury	Nassau	LIPA	450	111	106	-5	-5%	Yes	450	236	Large	Manufacturer of specialty metal fasteners
19	North Shore Health System	Manhasset	Nassau	LIPA	2,600	5,840	6,444	604	10%	Yes	2,600	2,478	NFP	Medical Services
20	Ultimate Precision Metal	Farmingdale	Suffolk	LIPA	250	107	122	15	14%	Yes	250	488	Small	Manufactures controlled enclosures
	Total LIPA		**Subtotal**	**4**	**3,800**	**6,247**	**6,853**				**3,800**			
21	Bank of New York	Oriskany	Oneida	Nat. Grid	500	651	748	97	15%	Yes	500	1,496	Large	Banking Services
22	Clarkson University	Potsdam	St. Lawrence	Nat. Grid	1,500	621	652	31	5%	Yes	1,500	435	NFP	Higher education
23	Cooper Hand Tools	Cortland	Cortland	Nat. Grid	2,200	190	115	-75	-39%	No	1,330	86	Large	Metal machining and casting
24	Cooper Industries	Syracuse	Onondaga	Nat. Grid	3,000	958	529	-429	-45%	No	2,350	225	Large	Manufacturer of electrical equipment
25	Corning, Inc. (Canton)	Canton	St. Lawrence	Nat. Grid	1,500	272	260	-12	-4%	Yes	1,500	173	Large	Manufacturer of optical fiber, glass & ceramic products
26	Dodge-Graphic Press Inc	Utica	Herkimer	Nat. Grid	300	100	66	-34	-34%	No	300	220	Small	Printing Company
27	Edward John Noble Hospital	Gouverneur	St. Lawrence	Nat. Grid	100	252	258	6	2%	Yes	100	2,580	NFP	Healthcare center
28	Fiber Glass Industries Inc.	Amsterdam	Montgomery	Nat. Grid	700	142	137	-5	-4%	Yes	700	196	Large	Produces high strength woven fabrics
29	Fitzpatrick & Weller, Inc.	Ellicottville	Cattaraugus	Nat. Grid	1,000	230	107	-123	-53%	No	1,000	107	Large	Lumber & wood components
30	Ford Motor Company	Buffalo	Erie	Nat. Grid	5,000	1,706	1,685	-21	-1%	Yes	5,000	337	Large	Automotive components stamping
31	Kilian Manufacturing Corporation	Syracuse	Onondaga	Nat. Grid	400	345	214	-131	-38%	No	400	535	Large	Mfr. ball bearings
32	Lewis County General Hospital	Lowville	Lewis	Nat. Grid	200	382	389	7	2%	Yes	200	1,945	NFP	Medical Center
33	PCI Paper Conversions, Inc.	Syracuse	Onondaga	Nat. Grid	400	224	235	11	5%	Yes	400	588	Large	Printed materials & adhesive manufacturing
34	Quad Graphics, Inc.	Saratoga Springs	Saratoga	Nat. Grid	4,000	1,420	1,118	-302	-21%	No	4,000	280	Large	Printing services
35	Sorrento Lactalis, Inc.	Buffalo	Erie	Nat. Grid	1,500	358	464	106	30%	Yes	1,500	309	Large	Produces cheese as well as whey products
36	Specialized Packaging Radisson, Inc	Baldwinsville	Onondaga	Nat. Grid	200	190	148	-42	-22%	No	180	822	Small	Produces printed folding cartons
37	Standard Manufacturing Co., Inc.	Troy	Rensselaer	Nat. Grid	160	152	30	-122	-80%	No	30	1,000	Small	Apparel
38	Syracuse Plastics, Inc.	Liverpool	Onondaga	Nat. Grid	400	123	57	-66	-54%	No	400	143	Large	Maker of plastic parts and components
39	Syracuse University	Syracuse	Onondaga	Nat. Grid	2,000	4,360	4,592	232	5%	Yes	2,000	2,296	NFP	Institution of Higher Education
40	Turbine Components Technologies (Utica Corp)	Whitesboro	Oneida	Nat. Grid	1,200	395	225	-170	-43%	No	1,200	188	Large	Precision forging plant
	Total National Grid		**Subtotal**	**20**	**26,260**	**13,071**	**12,029**				**24,590**			

New York Power Authority
Power for Jobs Extended Benefits
Recommendation for Electricity Savings Reimbursements

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended KW	Jobs/MW	Type	Service
41	A. T. Reynolds & Sons, Inc.	Kiamesha Lake	Sullivan	NYSEG	500	116	59	-57	-49%	No	250	236	Small	Spring water and Ice Mfr.
42	Agri-Mark, Inc	Chateaugay	Franklin	NYSEG	500	106	116	10	9%	Yes	500	232	Large	Cheese Manufacturer
43	Audio Sears	Stamford	Delaware	NYSEG	187	105	74	-31	-30%	No	190	389	Small	Makes audio equipment
44	Endicott Interconnect Technologies	Endicott	Broome	NYSEG	5,000	5,500	3,852	-1,648	-30%	No	3,500	1,101	Large	Computers & research
45	Upstate Farms Cooperative	LeRoy	Erie	NYSEG	600	160	151	-9	-6%	Yes	600	252	Large	Processes milk into a variety of milk products
46	Vail Ballou Press, Inc.	Binghamton	Broome	NYSEG	1,800	500	426	-74	-15%	No	1,800	237	Large	Book printer and distributor
	Total NYSEG		**Subtotal**	**6**	**8,587**	**6,487**	**4,678**				**6,840**			
47	Flower City Printing, Inc.	Rochester	Monroe	RGE	650	245	257	12	5%	Yes	650	395	Large	Commercial printer
48	Seneca Foods Corporation	Marion	Wayne	RGE	1,100	246	115	-131	-53%	No	1,100	105	Large	Canned fruits & vegetables
49	UCB Manufacturing Inc. (Medeva Pharma)	Rochester	Monroe	RGE	2,000	395	475	80	20%	Yes	2000	238	Large	Manufacturer of pharmaceutical products
	Total RGE		**Subtotal**	**3**	**3,750**	**886**	**847**				**3,750**			
			Total	**49**	**69,457**	**69,623**	**69,329**				**65,980**	**1,051**		

Note: Some of the companies listed above have had part or all of their allocation restored though the reconsideration process.

6. Power for Jobs Program - Extended Benefits - 2007

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve extended benefits for two Power for Jobs ('PFJ') customers as listed in Exhibits '6-A' and '6-B' until June 30, 2007 to reflect recently enacted changes in the law. These customers have been recommended to receive such extended benefits by the Economic Development Power Allocation Board ('EDPAB').

BACKGROUND

"In July 1997, the New York State Legislature and Governor George E. Pataki approved a 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 receive three-year contracts for PFJ electricity.

"The PFJ program originally made 400 megawatts ('MW') of power available. The program was to be phased in over three years, with approximately 133 MW made available each year. In July 1998, as a result of the initial success of the program, the Legislature and Governor Pataki amended the PFJ statute to accelerate the distribution of the power, making a total of 267 MW available in Year One. The 1998 amendments also increased the size of the program to 450 MW, with 50 MW to become available in Year Three.

"In May 2000, legislation was enacted that authorized another 300 MW of power to be allocated under the PFJ program. The additional MW were described in the statute as 'phase four' of the program. Customers that received allocations in Year One were authorized to apply for reallocations; more than 95% reapplied. The balance of the power was awarded to new applicants.

"In July 2002, legislation was signed into law by Governor Pataki that authorized another 183 MW of power to be allocated under the program. The additional MW were described in the statute as 'phase five' of the program. Customers that received allocations in Year Two or Year Three were given priority to reapply for the program. Any remaining power was made available to new applicants.

"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 had to choose to receive an 'electricity savings reimbursement' rebate and/or a power contract extension. The Authority was also authorized to voluntarily fund the rebates, if deemed feasible and advisable by the Trustees.

"PFJ customers whose contracts expired on or prior to November 30, 2004 were eligible for a rebate to the extent funded by the Authority from the date their contract expired through December 31, 2005. As an alternative, such customers could choose to receive a rebate to the extent funded by the Authority from the date their contract expired as a bridge to a new contract extension, with the contract extension commencing December 1, 2004. The new contract would be in effect from a period no earlier than December 1, 2004 through the end of the PFJ program on December 31, 2005.

"PFJ customers whose contracts expired after November 30, 2004 were eligible for rebate or contract extension, assuming funding by the Authority, from the date their contracts expired through December 31, 2005.

"Approved contract extensions entitled customers to receive the power from the Authority pursuant to a sale-for-resale agreement with the customer's local utility. Separate allocation contracts between customers and the Authority contained job commitments enforceable by the Authority.

"In 2005, provisions of the approved State budget extended the period PFJ customers could receive benefits until December 31, 2006.

"Section 189 of the New York State Economic Development Law, which was amended by Chapter 59 of the Laws of 2004, provided the statutory authorization for the extended benefits that could be provided to PFJ customers. The statute stated that an applicant could receive extended benefits '*only if it is in compliance with and agrees to continue to meet the job retention and creation commitments set forth in its prior power for jobs contract.*'

"Chapter 313 of the Laws of 2005 amended the above language to allow EDPAB to consider continuation of benefits on such terms as it deems reasonable. The statutory language now reads as follows:

> *An applicant shall be eligible for such reimbursements and/or extensions only if it is in compliance with and agrees to continue to meet the job retention and creation commitments set forth in its prior power for jobs contract**, or such other commitments as the board deems reasonable***. (emphasis supplied)

"At its meeting of October 18, 2005, EDPAB approved criteria under which applicants whose extended benefits EDPAB had reduced for non-compliance with their job commitments could apply to have their PFJ benefits reinstated in whole or in part. EDPAB authorized staff to create a short-form application, notify customers of the process, send customers the application and evaluate reconsideration requests based on the approved criteria.

"In 2006, a new law (Chapter 645 of the Laws of 2006) included provisions extending program benefits until June 30, 2007.

DISCUSSION

"At its meeting on December 19, 2006, EDPAB recommended that the Authority's Trustees approve a contract extension to the business listed on Exhibit '6-A.' Exhibit '6-B' lists a business that EDPAB is recommending to continue to receive electricity savings reimbursements. Together, these organizations have agreed to retain more than 400 jobs in New York State in exchange for the contract extension or rebate. The contract will be extended and the rebate program will be in effect until June 30, 2007, the program's newly enacted sunset date. The power will be wheeled by the investor-owned utilities as indicated in the Exhibits.

FISCAL INFORMATION

"The cost of the rebate to the customer listed on Exhibit '6-A' will not be known until 2007. Payments will be made from the Operating Fund. To date, the Trustees have approved $60 million in rebates.

RECOMMENDATION

"The Executive Vice President and Chief Financial Officer and the Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommend that the Trustees approve the contract extension for, and the extension of eligibility to receive electricity savings reimbursements to the Power for Jobs customers listed in Exhibits '6-A' and '6-B.'

"The Executive Vice President and General Counsel, the Senior Vice President – Marketing and Economic Development, the Senior Vice President – Public and Governmental Affairs, the Vice President – Major Account Marketing and Economic Development and I concur in the recommendation."

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

> **WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve a contract extension and electricity savings reimbursement to the Power for Jobs customers listed in Exhibits "6-A" and "6-B";**
>
> **NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the**

Authority hereby approves a contract extension for the company listed in Exhibit "6-A," and the extension of eligibility to receive electricity savings reimbursements to the company listed in Exhibit "6-B"; and be it further

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

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

New York Power Authority **Exhibit "6-A"**

Power for Jobs Extended Benefits 2007 **December 19, 2006**

Recommendation for Contract Extensions

Line	Company	City	County	IOU	KW	Jobs in Application 2006	JobsMW	Type	Service
1	Deutsch Relays, Inc	Hauppauge	Suffolk	LIPA	300	112	373	Small	High reliability relay manufacturer

Total	**1**	**300**	**112**	**373**

New York Power Authority **Exhibit "6-B"**

Power for Jobs Extended Benefits 2007 **December 19, 2006**

Recommendation for Electricity Savings Reimbursements

Line	Company	City	County	IOU	KW	Jobs in Application 2006	Jobs/MW	Type	Service
1	Pepsi Bottling Group, LLC	Latham	Ulster	Grid	1,200	356	297	Large	Manufacturer/ distributor of carbonated soft drinks, water and juices.

Total	**1**	**1,200**	**356**	**297**

7. Economic Development Plan – Use of Net
<u>Revenues Produced by Sale of Expansion Power</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve Economic Development Plans ('Plan') covering the use of net revenues produced by the sale of Expansion Power ('EP') and to authorize the submission of such Plan to the Economic Development Power Allocation Board ('EDPAB') for the period of one year.

BACKGROUND

"Chapter 32 of the Laws of 1987: (a) authorized the Authority to enter into new contracts for the sale of Expansion Power to customers in Western New York; (b) provided for the sale of industrial power as Economic Development Power ('EDP') under newly established criteria and (c) established EDPAB to review applications for EDP and to recommend approved applications to the Authority.

"The eighth unnumbered paragraph of Section 1005 of the Public Authorities Law ('PAL'), as amended by Chapter 32, directs the Authority to identify net revenues produced by the sale of EP and, further, to identify an amount of such net revenues to be used solely for Industrial Incentive Awards. These awards are to be made in conformance with a Plan, covering all such net revenues, that is submitted by the Authority to the EDPAB and is approved by EDPAB pursuant to Section 188 of the Economic Development Law ('EDL').

"Net revenues are defined by Section 1005 as any excess of revenues properly allocated to the sales of EP over costs and expenses properly allocated to such sales. The Authority is directed in Section 1005 to identify net revenues no less often than annually. Section 188 of the EDL provides that EDPAB is to review each Plan applying the same economic development criteria as those used to evaluate applications for power. The statute does not specify a definition of Industrial Incentive Awards.

"In 1990, 1996 and 2001, the Authority approved a five-year program under which EP net revenues were to be dedicated to helping maintain stable industrial rates. EDPAB has periodically approved such Plans for use of EP revenues to hold industrial rates at a stable level.

DISCUSSION

"Allocations of EDP have been a useful economic development tool. EDPAB has recommended allocations associated with the creation or retention of more than 81,000 jobs, totaling 193 MW, to date. The costs of providing EDP are greater than the revenues produced by such sales. In order to continue to market this power on a competitive basis consistent with the aim of the legislation creating EDPAB, the rates for industrial power must be kept low enough to be of sufficient economic incentive for industries to locate or expand in New York State.

"The Authority's Economic Development Power programs were recently reviewed by the Temporary State Commission on the Future of New York State Power Programs for Economic Development and numerous changes in the form and administration of these programs was recommended. Any such changes would require legislation. Moreover, the Power for Jobs ('PFJ') and the Energy Cost Savings Benefit ('ECSB') programs will end on June 30, 2007. The ECSB awards go to the same customers that benefit from current Industrial Incentive Award rate relief. Thus, pending clarification on the future of these programs, it is appropriate to propose extensions of the Industrial Incentive Awards for one year instead of the usual five-year extension.

"It is therefore proposed that the Authority's Chairman be authorized to submit the Authority's Plan to EDPAB for the ensuing one-year period, providing for the use of all net EP revenues to support industrial rates, provided that the Chairman, at his discretion, may recommend to EDPAB a different use of such net revenues, consistent with statutory requirements. The Authority will report to EDPAB on the effect of using these funds.

<u>RECOMMENDATION</u>

"The Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommends that the Trustees authorize the Chairman to submit to the Economic Development Power Allocation Board for approval for the ensuing one-year period, Economic Development Plans that provide for the use of net revenues from the sale of Expansion Power to support industrial rates, provided that the Chairman, at his discretion, may recommend to the Economic Development Power Allocation Board a different use of such net revenues consistent with statutory requirements.

"The Executive Vice President and General Counsel, the Senior Vice President – Marketing and Economic Development and I concur with the recommendation."

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees. Chairman McCullough said that the future of this plan depends on the actions of the State Legislature in the coming session. Responding to a question from Trustee Seymour, Chairman McCullough said that this plan covers just one year, instead of the usual five years, because of the uncertainties as to the future of the economic development power programs. He said that management would be monitoring any changes made and reporting back to the Trustees on them.

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

RESOLVED, That the Authority hereby approves Economic Development Plans that provide for the use of net revenues from the sale of Expansion Power to support industrial rates for a one-year period, or for such other use as determined by the Chairman, consistent with statutory requirements, in accordance with the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman or his designee be, and hereby is, authorized to submit annually for the next year Economic Development Plans to the Economic Development Power Allocation Board for review and approval; and be it further

RESOLVED, That the Chairman or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate such Economic Development Plans; and be it further

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

8. Modification of Westchester County Governmental Customer Pricing and Implementation of Energy Charge Adjustment Clause – Notice of Adoption

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to take final action to approve a modification in the rates for the sale of firm power to the Westchester County Governmental Customers ('Westchester Customers' or 'Customers') in 2007.

"This proposed final action is twofold. First, staff seeks approval to increase the production rates of the Westchester Customers by 25.8% on average as compared to 2006 rates effective with the January 2007 billing cycle. Second, Trustee approval is requested to reinstitute a monthly Energy Charge Adjustment ('ECA') mechanism applicable to the Westchester Customers. Implementation of these two elements will ensure that the Authority fully recovers the actual costs to supply electricity to the Customers.

BACKGROUND

"At their September 26, 2006 meeting, the Trustees directed the publication in the *New York State Register* ('*State Register*') of notice that the Authority proposed to revise the production rates for the Westchester Customers and to reinstitute a monthly ECA mechanism, effective January 1, 2007. Notification of the proposed rate modification was published in the *State Register* on October 11, 2006. The public comment period closed on November 27, 2006, in accordance with the State Administrative Procedure Act ('SAPA'). Since this proposal would increase revenues to the Authority by more than 2%, a public forum was held at the Authority's White Plains office on November 15, 2006, consistent with Authority policy. No party made any public comments at the public forum, and no written comments were submitted to the Authority through the end of the public comment period.

DISCUSSION

"Because the production rates for the Westchester Customers remained unchanged from February 1990 through December 2004, with only modest increases in 2005 and 2006, a significant increase in the base rates is needed to recover the Authority's actual costs of serving the Customers. Significant cost components that drive this proposed rate increase include the cost of purchased power, the cumulative effects of inflation since 1990 and charges associated with the New York Independent System Operator ('NYISO').

"The 2007 production rate increase is based on a *pro forma* Cost-Of-Service ('COS'). The *pro forma* 2007 COS for the Westchester Customers is $44.4 million and revenues at current production rates are expected to be $35.3 million, resulting in a projected revenue deficiency of $9.1 million. The new base production rates proposed would result in a 25.8% increase over 2006 rates. Staff proposes to apply the production increase equally to both the base demand and energy rates. Both the current and proposed new rates are contained in the table in Exhibit '8-A.'

"In order for the Authority to recover all costs incurred to serve the Westchester Customers, the ECA mechanism will be reinstituted, replacing the tariff modifications approved by the Trustees in 1994. Under this ECA mechanism, Authority invoices to the Westchester Customers will include a charge or credit each month that reflects the difference between the projected cost of electricity recovered by the base rates and the actual costs incurred by the Authority for, among other things, purchased power and NYISO charges. Exhibit '8-B' contains the final ECA tariff provision. Staff supplied the Trustees with the mark-ups to the existing tariff provision at their September 26th meeting.

"Exhibit '8-C' contains the public forum transcript, which indicates that no party made any comments on the Authority's proposal. Also, as indicated, the Authority received no written comments on its proposed rulemaking. Because there were no public comments of any kind, this memorandum recommends the adoption without modification of the September 26th proposed rulemaking.

FISCAL INFORMATION

"The adoption of the production rate increase would result in an estimated $9.1 million of additional revenue over current rates.

RECOMMENDATION

"The Vice President – Major Account Marketing and Economic Development recommends that the Trustees authorize the Corporate Secretary to file a Notice of Adoption with the New York State Department of State for publication in the *New York State Register* of a modification in production rates and implementation of an Energy Charge Adjustment clause applicable to the Westchester County Governmental Customers.

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

"The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Marketing and Economic Development, the Vice President – Controller, the Vice President – Major Account Marketing and Economic Development, the Vice President – Finance, the Assistant General Counsel – Power and Transmission and I concur in these recommendations."

Mr. Yates presented the highlights of staff's recommendations to the Trustees. In response to questions from Trustee Seymour, Ms. Morman said that the Authority's electricity rates would still be lower than those of Con Edison and National Grid for the next couple of years and that it was conceivable in the future that these municipalities may not want to purchase their power from the Authority. She said that the next item deals with this possibility by providing for shorter contract terms for these customers.

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

RESOLVED, That the Trustees adopt a modification in production rates and implementation of an Energy Charge Adjustment clause applicable to the Westchester County Governmental Customers as described in the foregoing report of the President and Chief Executive Officer; and be it further

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

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

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

EXHIBIT "8-A"
December 19, 2006

WESTCHESTER COUNTY GOVERNMENTAL CUSTOMERS
PRODUCTION RATES

CONVENTIONAL:

Service Class		Demand Rates $/kW-mo.		Base Energy Rates Cents/kWh	
		Current	**2007 Final**	**Current**	**2007 Final**
62	General Small	n/a	n/a	6.752	8.494
64	Commercial & Industrial Redistribution	9.21	11.59	3.476	4.373
66	Westchester Streetlighting	n/a	n/a	5.676	7.140
68/82	Multiple Dwellings Redistribution	8.14	10.24	3.586	4.511
69	General Large	6.71	8.44	3.755	4.724

TIME-OF-DAY:

Service Class		Demand Rates $/kW-mo.		Base Energy Rates			
				On-Peak Cents/kWh		Off-Peak Cents/kWh	
		Current	**2007 Final**	**Current**	**2007 Final**	**Current**	**2007 Final**
64	Commercial & Industrial Redistribution	7.56	9.51	5.011	6.304	2.771	3.486
68/82	Multiple Dwellings Redistribution	7.30	9.18	5.181	6.518	2.838	3.570
69	General Large	5.56	6.99	5.359	6.742	2.791	3.511

Notes:

In addition to the base energy rates, a monthly energy charge adjustment will apply.
The on-peak period for demand is weekdays from 8:00AM to 6:00PM, including holidays.
The on-peak period for energy is weekdays from 8:00AM to 10:00PM, including holidays.
The off-peak period for demand and energy is all other hours.

Final Tariff Revision

Production Service Tariffs 11, 12, 13 and 77

F. Energy Charge Adjustment:

The charges for electric service hereunder will be subject each month to an addition or a deduction when the "average cost of energy" for the previous month, as stated herein increases or decreases from the "base cost of energy" as defined below.

The "base cost of energy" shall be equal to (a) the sum of the projected cost of fuel, purchased power, ancillary services and other NYISO-related charges and hedging costs to be incurred to serve the Westchester Governmental Customers for the calendar year in question, less (b) any projected NYISO capacity, energy, or ancillary service revenues or credits to be received by the Authority associated with providing service to the Westchester Governmental Customers, as well as any other projected NYISO credits or revenues associated with providing service to the Westchester Governmental Customers (*e.g.*, as a generator or a load serving entity), including Transmission Congestion Credits and rents associated with transmission paths determined by the Authority to be used in serving the Westchester Governmental Customers for the calendar year; all divided by the projected kilowatthour sales to such Westchester Governmental Customers for the calendar year.

The "base cost of energy" expressed in cents per kilowatthour is 7.021 cents. Such base cost may be amended from time to time.

The "average cost of energy" shall be equal to (a) the sum of the costs of fuel, purchased power, ancillary services and other NYISO-related charges and hedging costs actually incurred in the previous month to serve the Westchester Governmental Customers, less (b) any NYISO capacity, energy, and ancillary service revenues or credits actually received in the previous month by the Authority and associated with the service provided by the Authority to the Westchester Governmental Customers as well as any other NYISO credits or revenues actually received by the Authority and associated with providing service to the Westchester Governmental Customers (*e.g.*, as a generator or a load serving entity), including Transmission Congestion Credits and rents associated with transmission paths determined by the Authority to be used in serving the Westchester Governmental Customers; all divided by the total kilowatt hours sold to such Westchester Governmental Customers for such previous month.

The "average cost of energy" as determined hereinabove will be adjusted from time to time as determined by the Authority to permit reconciliation of revenues derived from Energy Charge Adjustments billed to the Westchester Governmental Customers in prior billing periods with energy-related costs applicable to such billing periods.

The difference between the "average cost of energy", including adjustments, and the “base cost of energy” shall be added to or subtracted monthly from the charges for electric service to the Westchester Governmental Customers.

COPY

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PUBLIC FORUM BY THE NEW YORK POWER AUTHORITY REGARDING THE PROPOSED MODIFICATION IN RATES FOR WESTCHESTER COUNTY GOVERNMENTAL CUSTOMERS

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New York Power Authority
123 Main Street
White Plains, New York
November 15, 2006
2:00 p.m.

HUDSON REPORTING & VIDEO, INC.
124 West 30th Street, 2nd Fl.
New York, New York 10001
Tel: 212-273-9911 Fax: 212-273-9915

MS. CAHILL: Good afternoon, everybody. My name is Anne Cahill. I'm the Corporate Secretary of the New York Power Authority. This Public Forum is being conducted by the Power Authority in accordance with the terms of the Policy and Procedure adopted by the Authority's Trustees in November 1990, which provide for the holding of public forums on all significant Authority production and transmission rate increase proposals; that is, increases of 2% or more. These forums are held in addition to the public notice and comment procedures required by the State Administrative Procedure Act and contracts with affected customers.

The purpose of this forum is to offer affected customers and the general public an opportunity to present data, views or positions concerning the proposed action to modify the rates of the Authority's Westchester County Governmental Customers. The record of the forum will assist the Trustees of the Authority in evaluating the proposed rate modifications.

Notice of the holding of a public forum on the proposed rate action was published in the Miscellaneous Notices/Hearings Section of the New York State Register on October 11, 2006. Customers were informed by direct mail of this Public Forum regarding the proposed rate modifications on September 28, 2006.

If you plan to make an oral statement this afternoon and have not filled out a card at the sign-in desk, please do so now. We ask that you give copies of your written statement to the reporter and me either before or after you deliver your remarks. Although your written statement can be whatever length you like, we would ask those presenting an oral statement to limit his or her remarks to ten minutes. If your oral statement summarizes a written statement, both will appear in the Record.

The record of this forum will remain open until November 27, 2006 for submission of any additional comments or statements. These should be addressed to the Authority's Corporate Secretary at 123 Main Street, 15-M, White Plains, New York 10601, and may be faxed to (914)681-6949 or e-mailed to anne.cahill@nypa.gov. Please see Ms. Frank, the Associate Corporate Secretary, on the way out if you have additional questions.

Full stenographic minutes of this Forum will be made and will be incorporated, along with the written submissions, into the record that will be reviewed by the Authority's Trustees.

Copies of the stenographic transcript of this forum are available to the public. You should contact the reporter to make arrangements to purchase such a copy. A copy of today's transcript will also be available for your review at the Authority's Corporate Secretary's office located in this building.

At this point, I will turn the microphone over to Ms. Marilyn Brown, the Authority's Manager of Market and Pricing Analysis, who will describe the proposed rate modifications for the Westchester County Governmental Customers. I will then call on speakers, starting with any elected officials.

MS. BROWN: Good afternoon, my name is Marilyn Brown. I am the Manager of Market and Pricing Analysis. I am here today to talk about the reasons for the proposed modifications to production rates of the Westchester County Governmental Customers.

As background, in 1996 the majority of Westchester County Governmental Customers signed Supplemental Power Service Agreements with the Authority. The County of Westchester signed an additional Supplemental Agreement in 2001. These Supplemental Agreements contained, among other things, commitments from the Customers to remain full-requirements electricity customers of the Authority for certain fixed terms, in return for which the Authority agreed to constrain its ability to raise production rates from those established in 1990. The Supplemental Agreements also affirmed the Stabilized Energy Charge Adjustment, or Stabilized ECA, tariff modifications adopted by the Authority's Trustees in 1994, which is still in effect today. The Stabilized ECA allowed the Authority to pass through to Customers only the costs of demand side management programs and decontamination and decommissioning ("D&D") charges related to the Indian Point 3 nuclear plant, owned and operated by the Authority at that time. The Trustees took this action in order to mitigate the impact on Customers of the ongoing, extended outage of the Indian Point 3 nuclear plant.

Under the Supplemental Agreements, the Westchester Governmental Customers realized rates frozen at 1990 levels for ten years. Then, in both January 2005 and January 2006, as permitted by the Supplemental Agreements, the Authority increased production rates by 2.4% based on a prescribed index. These pricing arrangements essentially insulated the Westchester Governmental Customers from the significant increases in costs that the Authority has experienced in serving them over the last several years. The Supplemental Agreements could no longer accommodate additional costs and volatility resulting from industry restructuring and changes in the Authority's supply portfolio. Therefore, the Authority gave the Customers the requisite three-year notice of termination of the Supplemental Agreements, to be effective at the end of 2006, with the intent that rates in 2007 would fully recover the actual costs to supply electricity to these Customers.

In March 2006, in anticipation of these changes, staff advised the Westchester County Governmental Customers of the likelihood of a substantial increase in their electricity costs and a fundamental change to their pricing structure beginning January 2007.

At their meeting of September 26, 2006, the Trustees directed that pubic notice of a proposed modification of Westchester County Governmental Customer rates be published in the State Register and, in accordance with Authority policy, that a public forum be held to hear comments of customers and the public. Immediately after the Trustees authorized notice of the proposed action, copies of the

Authority's 2007 rate modification proposal were sent to affected Customers. The Authority will fully evaluate all comments received and recommend final action on the proposed rates at the December 2006 Trustees meeting. I have additional copies of the Authority's 2007 rate modification plan available with me today.

Consistent with the Authority's past rate making practices, the proposed increase is based upon a projected Cost-of-Service. The projected 2007 Cost-of-Service for the Westchester Governmental Customers is $44.4 million and revenues at current production rates are expected to be $35.3 million resulting in a projected revenue deficiency of $9.1 million. Significant cost components that drive this proposed increase include the cost of purchased power, the cumulative effects of inflation since 1990 and charges associated with the New York Independent System Operator, or NYISO, which is the administrator of New York State's bulk power transmission system.

The new base production rates proposed would result in a 25.8% increase over 2006 rates. Staff proposes to apply the production increase equally to both the base demand and energy rates. These new rates would be effective with the January 2007 billing cycle.

In order for the Authority to recover all costs incurred to serve the Westchester Governmental Customers, staff proposes to reinstitute a monthly Energy Charge Adjustment or ECA mechanism, replacing the tariff modifications approved by the Trustees in 1994. Under this proposed ECA mechanism, Authority invoices to the Westchester Governmental Customers will include a charge or credit each month that reflects the difference between the projected cost of electricity recovered by the base rates and the actual costs incurred by the Authority for, among other things, purchased power and NYISO charges.

It is important to note that staff has been engaged in an ongoing discussion with the County of Westchester regarding terms of a suitable new agreement that would include provisions and pricing reflecting the additional costs and risks of supplying the Westchester County Governmental Customers. If such an agreement is reached, staff will return to the Trustees under a separate proposal to request authorization to execute the new agreement with the Westchester Governmental Customers. In the event that a new agreement is not concluded on January 1, 2007, or if certain Westchester Governmental Customers opt not to sign the new agreement, it is necessary to proceed with this proposed action so that new production rates will be in effect by January 1, 2007, to be applicable to any and all Westchester Governmental Customers that have not executed a new agreement.

As we have stated earlier, the Authority will accept your comments on the proposed production rates until November 27, 2006. The Power Authority staff looks forward to your comments. That ends my presentation. I will now turn it back to Ms. Cahill.

MS. CAHILL: Thank you. I just would

like the record to reflect that no one has signed up to speak so far. It is approximately 2:10 and we will keep this portion of the comment period open until approximately 2:30, just in case anyone arrives late.

(Off the record.)

MS. CAHILL: I would like the record to reflect that it is now 2:30. No one has appeared to speak at this forum, but the record of the forum will remain open until November 27th for the submission of any additional comments or statements.

Thank you, everybody.

CERTIFICATE

I, LORI DESKIN, a Notary Public within and for the State of New York, do hereby certify:

That the transcript hereinbefore set forth is an accurate and true record of the proceedings.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of November, 2006.

Lori Deskin

9. Increase in New York City Governmental Customer Rates – Notice of Adoption

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to take final action to approve an increase in the rates for the sale of firm power to the New York City Governmental Customers ('NYC Governmental Customers' or 'Customers') in 2007.

"This proposed action is consistent with the rate-setting process set forth in the Long-Term Agreements ('LTAs') for the purchase of electric service executed by each of the Customers and the Authority. Under this proposed final action, staff seeks approval to increase the 'Fixed Costs' component (as defined in the LTAs) of the Customers' 2007 production rates. This proposition, by itself, would increase the estimated billed production revenues of these Customers by 1.8% on average as compared to 2006 rates.

BACKGROUND

"At their September 26, 2006 meeting, the Trustees directed the publication, in the *New York State Register* ('*State Register*'), of a notice that the Authority proposed to increase the Fixed Costs component of the production rates to be charged in 2007 to the Customers. Customers were directly notified of the proposed rate increase by mail on September 27, 2006. The *State Register* notice was published on October 11, 2006. Since this proposal would increase revenues to the Authority by less than the 2% required for a public forum under Authority procedures, none was held for this proposed action. The public comment period closed on November 27, 2006. Comments were filed pursuant to State Administrative Procedure Act ('SAPA') procedures by the City of New York's Department of Citywide Administrative Services ('City') and jointly by the Port Authority of New York & New Jersey and the Metropolitan Transportation Authority ('PA/MTA').

"As indicated in the September 26th memorandum to the Trustees, under the LTAs the Authority must establish Fixed Costs based on cost-of-service principles and make changes only under a SAPA proceeding, with the approval of the Trustees. As the memorandum also indicated, the LTAs establish two distinct cost categories: Fixed Costs and Variable Costs. Fixed Costs include operation and maintenance ('O&M'), shared services (e.g., headquarters), debt service, other expenses (i.e., certain directly assignable costs) and a credit for investment and other income.

"Staff is not requesting the Trustees' approval of the Variable Costs component of the production rates (i.e., fuel and purchased power, risk management, New York Independent System Operator ('NYISO') ancillary services and O&M reserve, less a credit for NYISO revenues from Customer-dedicated generation) as that is developed in collaboration with the Customers in accordance with the provisions of the LTAs. As prescribed by the LTAs previously approved by the Trustees, the Authority will issue revised tariffs reflecting the new rates for 2007 that incorporate both the final Fixed Costs and Variable Costs. For 2007, the Customers have collectively selected an 'Energy Charge Adjustment ('ECA') with Hedging' cost-recovery mechanism offered under the LTA under which the Authority will pass through all Variable Costs to the Customers, including those of certain agreed-upon hedging transactions. This cost-recovery mechanism also employs the LTA's pre-established ECA under which Authority invoices will include a charge or credit each month that reflects the difference between the projected cost of electricity recovered by the tariff rates and the actual costs incurred by the Authority.

DISCUSSION

"Based on staff's analysis, the final increase in Fixed Costs sought by this action is $12.2 million. Under the LTAs, Customers' concerns must be considered in a confidential process prior to presenting any proposed changes to the Fixed Costs to the Trustees or issuing them for public comment. Numerous Customer data requests were subsequently presented to staff, and in all cases, responses to relevant questions were provided to the Customers. In addition, Customers filed formal written comments in accordance with SAPA. A review and analysis of these written comments is as follows:

A. Comments on Proposed Fixed Costs Increase.

"Issue 1: O&M Component of Fixed Costs.

"Comments: The Customers raised concerns that the 500 MW Combined Cycle Unit ('500 MW CCU') and Poletti plant O&M components of Fixed Costs are too high. The City contends that the 500 MW CCU's projected O&M should be reduced by $2.0 million based on its assessment of the projected 2006 actual cost (based on nine months of actual 2006 expenses provided by NYPA) and further requests an amortization through 2009 for what it deems to be a non-recurring $2.3 million projected 2007 outage expense. City Comments at 3-4. In a similar vein, the PA/MTA requests a 500 MW CCU O&M reduction of $3.3 million based on PA/MTA's view that the modern technology and newness of the plant compels a lower Fixed Costs O&M. PA/MTA also requests that the unit's outage costs be amortized rather than expensed in 2007. Regarding Poletti, PA/MTA requests an O&M reduction of $0.7 million based on a comparison of a group of 'peer units' (i.e., generating plants of an allegedly similar nature elsewhere). PA/MTA Comments at 2-3, 13-17.

"Staff Analysis: 2006 is the 500 MW CCU's first year of operation and to date has exceeded the projected generation output without incident, largely because the facility is brand new. The actual O&M expenses are currently less than projected in the areas of contracted services support, materials and waste removal due in part to the better-than-expected operational level. This 'under-run' is also, in part, attributable to budgeted operations staff positions not yet filled.

"However, because the 500 MW CCU has provided more generation output than expected, the O&M projection for the 2007 Fixed Costs component includes additional costs needed to ensure effective operation in 2007. Moreover, the plant was frequently called on to 'ramp up' and 'ramp down' in response to market price signals, which accelerates the need for increased maintenance expenses. As a result, in addition to the recurring baseline costs of operation, the O&M projection reflects the expected cost of the turbine inspection and repair outages, as well as preventive maintenance tasks that are based on the expected number of actual hours of operation and amount of output. These cost items are included in the proposed final 2007 O&M budget, which is also being presented for Trustee approval today. In short, the operational experience of the 500 MW CCU in 2006 is expected to continue in 2007. Accordingly, the Authority cannot accept the City's argument to lower this component based on nine months of 2006 Fixed Costs data because that would put the Authority at risk for under recovery. For the same reasons, PA/MTA's argument that the plant's 'state of the art' technology, by itself, justifies no increase to this component is misplaced, and must be rejected.

"Staff has also reviewed PA/MTA's comments regarding peer performance and has determined that the peer groups it has used are not representative because this comparison ignores the conditions under which the 500 MW CCU and Poletti projects must operate.

"Staff has considered the Customers' comments on amortizing the 500 MW CCU outage costs. The current outage schedule includes more extensive Hot Gas Path Inspection outages in 2008 followed by additional turbine inspection outages in 2010. Due to the schedule of these outages, staff does not see any benefit to amortizing the outage cost through 2009 as suggested.

"Recommendation: For the reasons stated above, staff recommends no changes to the 500 MW CCU and Poletti O&M component of the Fixed Costs category.

"Issue 2: Shared Services.

"Comments: The Customers request that the Authority reduce the Shared Services component of the Fixed Costs. Both the City and PA/MTA have requested, through separate analyses, a $1.6 million reduction in Shared Services. City Comments at 4; PA/MTA Comments at 17-19.

"Staff Analysis: The Shared Services component of the Fixed Costs consists of the portion of the headquarters O&M budget not directly assignable to any facility or project, plus the Research & Development O&M budget offset by the allocation to capital projects.

"These Shared Services allocations are based on the level of headquarters resources required to support the NYC Governmental Customers and the proportional amount of labor assigned to support the 500 MW CCU, Poletti and Small Hydro projects. The Authority uses the same methodology to allocate the headquarters costs to the other Authority facilities.

"Neither the City nor PA/MTA justifies its proposed reductions to this component. The City simply states that the Authority's allocator percentage used to calculate Shared Services, a weighted average based on labor ratios applied to non-directly assignable headquarters costs, should remain unchanged from 2006. However, Authority staff provided updated cost data to show that this allocator percentage rose 1.64%, and the City does not provide any compelling reason to reject staff's explanation. PA/MTA proffered an alternative analysis regarding the Shared Services costs at the 500 MW CCU, but that analysis is unconvincing. PA/MTA does not rebut staff's methodology and the supporting cost data staff supplied to the Customers, but rather extrapolates based on the 11 employees that work at that site, ignoring the Authority's allocation methodology. See PA/MTA Comments at 19.

"Recommendation: For the reasons stated above, staff recommends no changes to the Shared Services component of the Fixed Costs category.

"Issue 3: Other Expenses – Decommissioning and Asset Retirement Charges.

"Comments: The City comments that the 3.5% inflation factor used to calculate the Decommissioning and Asset Retirement Charges for the Poletti project and the 500 MW CCU are too high and should be revised using an inflation factor of 2.7%. The City also believes that the residual value of the land for the Poletti project and the 500 MW CCU should be factored in the calculation which in effect would reduce the Decommissioning and Asset Retirement charges. City Comments at 5-6.

"Staff Analysis: The long-term inflation rate staff used for the calculations (3.5%) is an Authority corporate-wide assumption used in all of its long-term planning studies. The City suggested a 2.7% rate based on a U. S. Department of Energy estimate. However, staff continues to believe that the Authority's inflation rate is a reasonable and appropriate measure of long-term inflation. In fact, Authority staff has analyzed the U. S. Department of Labor's statistics on inflation, which are widely available, and has calculated that the annualized inflation factor over the past 30 years was 4.3%, which is greater than staff's estimate.

"The City also contends that the residual value of the land for these two facilities should be factored in the calculation for the cost of decommissioning. However, decommissioning activities do not presume or require that the land be disposed of at the time of the decommissioning. Moreover, it is not possible at this time to foreclose the possibility that the land would continue to be used by the Authority for power generation purposes. As no determination has been made as to the disposition of the land at the time of decommissioning; it is not appropriate to make any adjustments on this basis.

"Recommendation: For the reasons stated above concerning the amortization of decommissioning costs, the inflation rate and value of land, staff recommends no changes to this cost item.

B. Other Comments.

"PA/MTA raised the following concerns regarding the Fixed Costs component that are not germane to the matters presented for Trustee approval as described in this memorandum:

"Issue 3: Alternative Approach to Establishing Portions of Fixed Costs for 2008-09.

"Comments: PA/MTA suggests adopting a fixed cost-of-service level for the generator O&M and Shared Services components of the Fixed Costs and applying an escalation factor to those items for the 2008 and 2009 rate years.[1] The PA/MTA proposal would use the components established for 2007 as the baseline to which the escalation factor would be applied. It states that this would decrease the administrative burden of reviewing these

[1] PA/MTA recommends the Gross Domestic Product Implicit Price Deflator.

costs annually, provide budget certainty for all parties and provide the Authority an incentive to reduce costs. PA/MTA Comments at 21.

"Staff Analysis: PA/MTA would essentially re-open the terms of the LTAs relating to Fixed Costs rate setting and Customer review. Such a dramatic change to the contract terms is certainly not warranted based on any recent experiences, and could not be adopted by the Authority absent a negotiated agreement.

"Moreover, the LTA process, in which the Fixed Costs are submitted to the Customers mid-year prior to their implementation and subject to review and inquiry, provides a number of concrete benefits to the Customers. Such submission and review may capture significant Fixed Costs reductions that benefit the Customers, or significantly lower what would otherwise be a large cost increase proposed by staff but which might contain flaws. Doing away with the submission of a cost-of-service may also disadvantage the Authority by not allowing proper cost recovery. In only the second year in which the Fixed Costs have been determined under the LTA, experience suggests that it has worked satisfactorily for both the Authority and the Customers.

"However, staff would not necessarily rule out various means to streamline the rate-setting process and is open to discussing this matter further with Customers if there is continued interest.

"Recommendation: Staff believes that the Fixed Costs procedures contained in the LTA are satisfactory, and does not recommend any changes at this time. Staff also believes that it is bound by the existing LTAs.

C. Final Recommendation.

"Based on the foregoing analysis, the proposed increase in the Fixed Costs component of the production rates will be implemented without modification.

"As mentioned, the final rates will combine the Trustee-authorized Fixed Costs increase with the Variable Costs increase achieved in accordance with LTAs. For the Trustees' information, the combined increase is $98.6 million and would represent an estimated 14.4% increase in production rates, and an estimated 10.5% increase in average total bills. The combined Fixed Costs and Variable Costs increase would be equally applied to demand and energy charges.

"Exhibit '9-A' shows the overall estimated Customer bill impacts for 2007. Exhibit '9-B' shows the final 2007 Conventional and Time-of-Day production rates. Exhibit '9-C' contains the comments filed by the Customers.

FISCAL INFOMATION

"The adoption of the Fixed Costs increase would result in an estimated $12.2 million of additional revenue to the Authority over current rates.

RECOMMENDATION

"The Vice President – Major Account Marketing and Economic Development, recommends that the Trustees authorize the Corporate Secretary to file a Notice of Adoption with the New York State Department of State for publication in the *New York State Register* for an increase in Fixed Costs applicable to the New York City Governmental Customers under the Long-Term Agreements.

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

"The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Marketing and Economic Development, the Vice President – Controller, the Vice President – Major Account Marketing and Economic Development, the Vice President – Finance, the Assistant General Counsel – Power and Transmission and I concur in the recommendation."

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

RESOLVED, That the Trustees adopt an increase in Fixed Costs applicable to the New York City Governmental Customers under the Long-Term Agreements, as described in the foregoing report of the President and Chief Executive Officer; and be it further

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

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

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

Exhibit "9-A"
December 19, 2006

NEW YORK CITY GOVERNMENTAL CUSTOMERS
2007 ESTIMATED IMPACTS

Customer	(A) Bill Impact (000)	(B) Current Rate Bills (000)	(C) Bill Impact percent (A) / (B)
City of New York	$44,622	$445,828	10.0%
Metropolitan Transportation Authority	$31,134	$268,506	11.6%
New York City Housing Authority	$12,371	$124,899	9.9%
Port Authoirty of NY/NJ	$6,030	$57,969	10.4%
NY State Office of General Services	$3,311	$34,008	9.7%
NY Conventional Center Operating Corp.	$500	$5,338	9.4%
United Nations Develoment Corp.	$317	$3,362	9.4%
Empire State Development Corp.	$56	$542	10.3%
Hudson River Park Trust	$63	$649	9.7%
Roosevelt Island Operating Corp.	$41	$443	9.3%
Battery Park City Authority	$21	$240	8.8%

Exhibit "9-B"
December 19, 2006

NEW YORK CITY GOVERNMENTAL CUSTOMERS
CONVENTIONAL PRODUCTION RATES

Service Class		Demand Rates $/kw/mo.		Base Energy Rates Cents/kWh *	
		Current	2007 Final	Current	2007 Final
62	General Small	n/a	n/a	8.881	10.160
64	Commercial & Industrial Redistribution	12.11	13.85	4.571	5.229
65	Electric Traction Systems and Platform Lighting	8.94	10.23	5.276	6.036
85s	NYC Transit Authority Substation	9.96	11.39	4.858	5.558
68/82	Multiple Dwellings Redistribution	10.69	12.23	4.716	5.395
69	General Large	8.83	10.1	4.940	5.651
80	NYC Street Lighting	9.74	11.14	4.702	5.379
91/91/98	NYC Public Buildings	9.02	10.32	5.227	5.980

* In addition to the indicated base energy rates, there is an Energy Charge Adjustment that varies monthly.

NEW YORK CITY GOVERNMENTAL CUSTOMERS
TIME-OF-DAY PRODUCTION RATES

Service		Demand Rates		On-Peak		Off-Peak	
Class				Base Energy Rates		Base Energy Rates	
		$/kw/mo.		Cents/kWh		Cents/kWh	
		Current	2007 Final	Current	2007 Final	Current	2007 Final
64	Commercial & Industrial Redistribution	9.95	11.38	6.592	7.541	3.646	4.171
68/82	Multiple Dwellings Redistribution	9.60	10.98	6.815	7.796	3.732	4.269
69	General Large	7.30	8.35	7.048	8.063	3.671	4.200
91/91/98	NYC Public Buildings	7.40	8.47	7.568	8.658	3.700	4.233

Notes
(1) The on-peak period for demand is weekdays from 8 AM to 6 PM, including holidays.
(2) The on-peak period for energy is weekdays from 8 AM to 10 PM, including holidays.
(3) The off-peak period for energy and demand is all other hours.
(4) In addition to the indicated base energy rates, there is an Energy Charge Adjustment that varies monthly.

10. Westchester County Governmental Customers –
New Supplemental Electricity Agreements

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the execution of new supplemental electricity agreements ('New Supplemental Agreements') with each of the 104 Westchester County Governmental Customers ('Westchester Customers' or 'Customers'), as listed in Exhibit '10-A.'

BACKGROUND

"The Authority has served governmental customers in southeastern New York State since their transfer from the Consolidated Edison Company of New York, Inc. ('Con Edison') beginning in 1976 as part of the Authority's purchase of the Indian Point 3 Nuclear and Charles Poletti Power (then the Astoria 6) Plants. A total of 104 governmental customers located in Westchester County purchase Authority electricity under an Application for Electric Service ('Original Agreements') in order to serve myriad government facilities, including office buildings, public schools, public housing, hospitals, water and wastewater treatment plants, parks and police and fire stations. In 2005, the Westchester Customers accounted for about $55 million in total revenue to the Authority, of which two-thirds was for electricity supply.

"In 1996, and again in 2001, the majority of Westchester Customers signed Supplemental Power Service Agreements with the Authority ('Supplemental Agreements'). These Supplemental Agreements contained, among other things, commitments from the Customers to remain full-requirements electricity customers of the Authority for certain fixed terms, in return for which the Authority agreed to constrain its ability to raise production rates from those established in 1990.

"Under the Supplemental Agreements, the Westchester Customers realized rates frozen at 1990 levels for 10 years. Then, in both January 2005 and January 2006, as permitted by the Supplemental Agreements, the Authority increased production rates by 2.4% based on a prescribed index. These pricing arrangements essentially insulated the Westchester Customers from the significant increases in costs the Authority has experienced in serving them over the last several years. Because the Supplemental Agreements signed a decade ago did not accommodate these significant changes in costs and industry structure, the Authority gave the Customers the requisite three-year notice of termination of the Supplemental Agreements to be effective at the end of 2006. In January 2007, absent new supplemental electricity agreements, the Authority would serve the Westchester Customers under their Original Agreements, whereby the Authority would fully recover the actual costs to supply electricity to the Customers. The New Supplemental Agreements have been developed at the request of the County of Westchester.

"Over the course of the last year, staff has been engaged in ongoing discussions with the County of Westchester regarding terms of a suitable new agreement that would include provisions and pricing reflecting the additional costs and risks of supplying the Westchester Customers.

DISCUSSION

"The attached form of agreement (Exhibit '10-B') is a result of discussions with the County of Westchester and the Authority. The principal features of the New Supplemental Agreement are as follows:

- The Customers agree to be full-requirements electricity customers of the Authority through December 31, 2008, with the right to purchase renewable energy from a non-Authority source and supply limited amounts of their load with distributed generation.

- As early as January 1, 2009, the Customers can elect to purchase any quantity of supply from non-Authority sources and cease being full-requirements customers.

- The Customers may fully terminate service from the Authority on one year's written notice, which cannot become effective earlier than January 1, 2009. On full termination of service, the Customers' Original Agreements would also be terminated.

- The Customers confirm their acceptance of the proposed increase in production rates for 2007, as well as a tariff change implementing a revised Energy Charge Adjustment ('ECA') mechanism. The Trustees are being requested to take final action to approve these rate modifications at their meeting today.

- The Authority can modify the Customers' rates at any time based on a fully supported *pro forma* cost-of-service and the State Administrative Procedure Act process, subject to review and comment by the Customers.

- The Customers are committed to pay for any supply resources secured for them by the Authority under a collaborative Request for Proposals or similar process. If a Customer terminates the agreement, it will be subject to an exit fee that represents the Customer's *pro rata* share of any resources that are added to the Authority's portfolio of production resources through a collaborative procurement process.

- If Customers elect to purchase renewable energy credits/attributes from the Authority, the cost/benefits of such attributes will be borne directly by the Customers through an appropriate bill surcharge/credit. Customers have the right to purchase or enter into agreements for renewable energy and/or credits/attributes from sources other than the Authority.

- The Authority and the Customers will continue to work in partnership to identify energy efficiency and clean energy technology projects at the Customers' facilities and to implement such projects that the Authority and the Customers agree are economically feasible. The costs of such programs shall be borne by the Customers in the same manner as under the current cost-recovery mechanisms for Authority energy efficiency projects.

"The agreement, substantially in the form attached as Exhibit '10-B,' is expected to be submitted for approval to the County of Westchester Board of Acquisition and Contract within the next two weeks. The County of Westchester accounts for nearly 35% of the revenues in the Authority's Westchester County Governmental Customer segment. In addition, this agreement, substantially in the form attached but tailored to the specific Customer, will also be offered to the other Westchester Customers noted on Exhibit '10-A.' Each will require approval by their governing board or responsible public official before the Authority can execute the agreement with each Customer.

FISCAL INFORMATION

"Once executed, the New Supplemental Agreements will secure approximately $90 million in production revenues to the Authority through December 31, 2008.

RECOMMENDATION

"The Director – Major Accounts Governmental recommends that the Trustees authorize the execution of agreements, substantially in the form attached hereto as Exhibit '10-B,' with the County of Westchester and other governmental entities in the County, conditioned on the County of Westchester's providing written notice that all necessary approvals of the New Supplemental Agreement have been obtained.

"The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Marketing and Economic Development, the Vice President – Controller, the Vice President – Major Account Marketing and Economic Development, the Vice President – Finance, the Assistant General Counsel – Power and Transmission and I concur in the recommendation."

Ms. Maide presented the highlights of staff's recommendations to the Trustees. Chairman McCullough said that this adjustment in the Authority's rate structure was long overdue.

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

> **RESOLVED, That the Senior Vice President – Marketing and Economic Development, or her designee, is authorized to execute agreements between the Westchester County Governmental Customers listed in Exhibit "10-A" and the Authority, conditioned on the County of Westchester's providing written notice that all necessary approvals of such agreement have been obtained, in substantially the form attached hereto as Exhibit "10-B," with such amendments, deletions and supplements along with any other documents necessary 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 President and Chief Executive Officer and the Senior Vice President – Marketing and Economic Development 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 issue, execute and deliver any and all tariffs, agreements, certificates and other documents to give effect to such agreements and to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

Exhibit “10-A”
December 19, 2006

List of Westchester County Governmental Customers

County of Westchester
Abbott Union Free School District
Ardsley Union Free School District
Ardsley, Village of
Bedford Central School District
BOCES – South Westchester
Briarcliff Manor Union Free School District
Briarcliff Manor, Village of
Bronxville Union Free School District
Bronxville, Village of
Buchanan, Village of
Byram Hills Central School District No. 1
Chappaqua Central School District
Cortlandt, Town of
Croton Harmon Union Free School District
Croton-on-Hudson, Village of
Dobbs Ferry Union Free School District
Dobbs Ferry, Village of
Eastchester Fire District
Eastchester Union Free School District
Eastchester, Town of
Edgemont Union Free School District
Elmsford Union Free School District
Elmsford, Village of
Fairview Fire District
Greenburgh Central School District No, 7
Greenburgh Graham Union Free School District
Greenburgh Housing Authority
Greenburgh, Town of
Greenville Fire District
Harrison Central School District
Harrison Fire District No. 4
Harrison, Town of
Hartsdale Fire District
Hastings-on-Hudson Union Free School District
Hastings-on-Hudson, Village of
Hawthorne Cedar Knolls Union Free School District
Hendrick Hudson School District
Irvington Union Free School District
Irvington, Village of
Lake Mohegan Fire District
Lakeland Central School District
Larchmont, Village of
Mamaroneck Union Free School District
Mamaroneck, Town of
Mamaroneck, Village of
Millwood Fire District
Montrose Fire District

Mt. Kisco Housing Authority
Mt. Kisco, Village of
Mt. Pleasant-Blythedale School District
Mt. Pleasant Central School District
Mt. Pleasant Cottage Union Free School District
Mt. Pleasant, Town of
Mt. Vernon School District
Mt. Vernon, City of and Housing Authority
New Castle, Town of
New Rochelle Municipal Housing Authority
New Rochelle School District
New Rochelle, City of
North Castle South Fire District No. 1
North Castle, Town of
North Tarrytown Housing Authority
Northern Westchester Joint Water Works
Ossining Union Free School District
Ossining, Town of
Ossining, Village of
Peekskill School District
Peekskill Housing Authority
Peekskill, City of
Pelham Manor, Village of
Pelham Union Free School District
Pelham, Village of
Pleasantville Union Free School District
Pleasantville, Village of
Pocantico Hills Central School District
Port Chester Housing Authority
Port Chester, Village of
Port Chester-Rye Union Free School District
Rye Brook, Village of
Rye City School District
Rye Neck Union Free School District
Rye, City of
Rye, Town of
Scarsdale Union Free School District
Scarsdale, Village of
Sleepy Hollow, Village of
Tarrytown Municipal Housing Authority
Tarrytown Union Free School District
Tarrytown, Village of
Tuckahoe Housing Authority
Tuckahoe Union Free School District
Tuckahoe, Village of
Valhalla Union Free School District
Verplanck Fire District
Westchester Joint Water Works
White Plains Housing Authority
White Plains School District

White Plains, City of
Yonkers City Board of Education
Yonkers Housing Authority
Yonkers Parking Authority
Yonkers, City of
Yorktown, Town of

Form of

SUPPLEMENTAL AGREEMENT

This Supplemental Agreement ("Agreement") contains certain supplemental terms and conditions governing the supply of electricity to _________________ ("Customer") by New York Power Authority ("NYPA") (and, together with the Customer, the "Parties") under the Application for Service between NYPA and the Customer dated_________, ____ ("Application for Service"). This Agreement shall be effective as of January 1, 2007 ("Effective Date") and, subject to Article VII, supersedes and replaces all previous supplemental agreements between the Customer and NYPA.

By executing this Agreement, the Customer agrees, subject to the specific provisions hereof: (a) to be a full requirements electricity customer of NYPA for calendar years 2007 and 2008, except as provided in Article I; (b) thereafter to be a customer of NYPA with the right to self-supply or purchase from non-NYPA sources any portion of its load upon notice to NYPA as set forth herein; and (c) to support and pay for its share of supply resources dedicated to Westchester County and the other governmental entities located in the County ("Westchester Governmental Customers"), as those supply resources may be modified or expanded from time to time as a result of a collaborative process, discussed further herein, plus all other costs as NYPA may set forth through the filing of a cost-of-service ("COS") .

The Application for Service, the applicable tariffs and NYPA's Rules and Regulations continue in full force and effect, except to the extent modified by this Agreement. In the event of any conflicts in the terms of the Agreement and the Application for Service, tariffs or Rules and Regulations, this Agreement shall control.

I. Terms of Sale, Termination and Non-NYPA Supply

A. NYPA agrees to sell, and Customer agrees to purchase full requirements electricity from NYPA commencing January 1, 2007 through December 31, 2008. Thereafter, Customer may, consistent with this Agreement, at its option:

1. purchase its full electricity requirements from NYPA,

2. purchase electricity from both NYPA and non-NYPA sources, or
3. purchase electricity entirely from non-NYPA sources upon full termination.

B. Customer or NYPA may fully terminate this Agreement for any reason upon at least one (1) year's prior written notice to the other Party, to be effective no earlier than January 1, 2009. No full termination of service will become effective sooner than January 1st following the one-year notice. Any full termination of service under this Agreement shall operate to terminate the Application for Service and all other documents pertaining to the provision of electric service by NYPA to Customer, provided that such agreements shall remain in effect for as long as necessary to effect final billings and account settlements.

C. At any time under this Agreement, Customer may install distributed generation resources at or adjacent to its facilities provided Customer gives NYPA sufficient notice of the commencement of such supply. For calendar years 2007 and 2008, the aggregate of such generation added at Customer's facilities in a given calendar year shall not exceed the greater of three percent (3%) per year of Customer's highest coincident peak billing demand or 250 kW. Sufficient notice under this subsection C shall be deemed to be at least two (2) months prior to the start of the New York Independent System Operator ("NYISO") capability period in which the distributed generation resource is expected to commence service.

D. At any time under this Agreement, Customer may elect to self-supply or purchase from non-NYPA sources physical renewable energy, provided that Customer gives NYPA notice at least two (2) months prior to the start of the NYISO capability period in which the physical renewable energy resource is expected to commence service.

E. Commencing in 2009 and thereafter, and for portions of the Customer's load not otherwise covered by resources identified in subsections C and D above, Customer may partially terminate service under this Agreement and secure supply from non-NYPA sources for any portion of its load, provided that Customer gives NYPA sufficient written notice indicating the amount and commencement date of such non-NYPA supply. Sufficient notice under this subsection E shall be deemed to be at least two (2) months prior to the start of the NYISO capability period in which the non-NYPA supply resource is expected to commence.

F. If the Customer commences delivery of any non-NYPA supply resources under the terms set forth in subsection E above, for that portion of Customer's load NYPA reserves the right to discontinue its role as Load-Serving Entity at the NYISO for the Customer upon one month's notice.

II. Production and Delivery Rates and Other Charges

A. <u>2007 Production Rates</u>: Customer accepts NYPA's proposed production rates and COS for 2007, as well as a tariff change implementing a revised Energy Charge Adjustment ("ECA") provision, scheduled to take effect in January 2007, as to which NYPA's Trustees, on December 19, 2006, approved under the State Administrative Procedure Act ("SAPA").

B. <u>Subsequent Production Rates</u>: Any subsequent proposed rate or other tariff modification (i.e., after the above 2007 proposed rates and tariffs are adopted) by NYPA to Customer will be based on a projected, *pro forma* COS and other appropriate documentation subject to Customer review and comment. NYPA will calculate any future COS in a manner generally consistent with the COS for the 2007 rate year, which shall include the costs of supply resources (both capacity and energy) used to supply Westchester Governmental Customers in 2007, and the costs attributable to any other new Short- or Long-Term Resources as appropriate (but excluding any existing or future NYPA "in-city" resources, unless otherwise mutually agreed); as well as any hedging costs and all NYISO expenses and/or credits related to such supply resources. New Short-Term Resources are supply resources with a term no greater than a Capability Period (as defined by the NYISO) which are secured independently by NYPA in the normal course of meeting Westchester Governmental Customer requirements. New Long-Term Resources are resources secured pursuant to Article III, below.

With respect to any proposed change to the COS, NYPA shall forward to the Customer an explanation of all reasons for the increase/decrease and shall also identify the sources from which NYPA will obtain the total increased revenues and the bases upon which NYPA proposes to allocate the increased costs among its customers. NYPA will endeavor to provide customer with the same prior notice of a proposed rate modification as NYPA provides to its New York City Governmental Customers, but in any event NYPA will provide such notice no less than thirty (30) days' prior to the filing of proposed action under SAPA with respect to such a modification.

Upon the conclusion of any SAPA process concerning Customer's production rates, the applicable tariff will be updated to include the revised demand and energy rates to be charged to Customer effective for the succeeding billing period. In addition, the tariff applicable to Customer will include an Energy Charge Adjustment ("ECA") provision to capture monthly fluctuations in costs incurred in serving Customer, substantially in the form which NYPA's Trustees approved on December 19, 2006, under SAPA.

Upon request from Customer, NYPA will provide calculations and supporting information concerning changes in the ECA.

C. Delivery Rates: NYPA will pass on to Customer, on a basis that is revenue neutral to NYPA, all charges related to the supply of electricity to Customer assessed by the Consolidated Edison Company of New York, Inc. ("Con Edison") or any other entity from which NYPA is required to secure transmission and delivery service. To the extent necessary and practicable, NYPA will use a true-up mechanism to assess charges for under-recovery and apply credits for over-recovery of Con Edison delivery charges. NYPA shall be obligated to actively intervene and collaborate with the Westchester Governmental Customers (along with NYPA's other affected customers) in all rate cases concerning these delivery service charges before the appropriate regulatory bodies with the objective of assuring that any increase in or modification to the delivery service charges is fair and reasonable to all of NYPA's customers. Nothing in this Agreement shall limit in any way Customer's right to intervene and fully participate in any court or administrative proceeding having as its subject matter, directly or indirectly, such delivery charges.

D. Recovery of Taxes, Fees, and Other External Charges: Tariff charges shall be subject to increase or decrease by NYPA at any time (either through an adjustment factor applied to the base rates or through the ECA, as appropriate) due to changes in applicable taxes, fees, assessments or other external charges (excluding fines and penalties) that are levied on NYPA (or that NYPA is required to collect from Customer) by federal, state and local government entities, or by grid or market operators such as the NYISO or its successors, it being the Parties' intent that these external charges be passed through to Customer as incurred, without mark-up. NYPA will use reasonable efforts to provide timely notice of the imposition of any such charges and nothing shall impede any such Customer's right to challenge such taxes, fees or charges. The Parties shall cooperate to minimize any new taxes, fees, assessments, market rules or other charges that result in increased costs levied upon NYPA in association with the sale of electricity to Customer.

III. New Long-Term Supply Resources

During the term of this Agreement, Customer may desire NYPA to solicit additional long-term supply resources to the supply portfolio serving Customer and/or the Westchester Governmental Customers through a Request for Proposals ("RFP") or similar process. If the Customer so requests, NYPA agrees to collaborate with the Customer in such RFP or similar process.

Prior to entering into any such new long-term supply resource agreement between NYPA and a supplier ("RFP Contract(s)"), NYPA shall obtain the consent of Customer, and the agreement of the Customer to an extension of its Agreement that will be coterminous with the term of the longest of any such RFP Contract, with no right of full or partial early termination by Customer, absent mutual agreement. Such mutual agreement shall provide for payment of an exit fee based on the net stranded costs related to RFP Contract(s) entered into under this Article III and arising from the Customer's termination as calculated by NYPA in a commercially reasonable manner.

NYPA shall permit other Westchester Governmental Customers a reasonable amount of time to elect to receive an extension of their respective Agreement(s) on substantially the same terms as set forth in this agreement. The rates for any Customer subject to the extension described above shall reflect all the costs incurred and benefits derived by NYPA under any such RFP Contract based on COS principles as noted in Article II above for the duration of Customer's electricity purchases under this Agreement.

If Customer does not choose to enter into an extension of this Agreement, its rates shall not include any costs incurred or benefits derived by NYPA under any such RFP Contract.

IV. Partnership on Energy Efficiency & Renewable Energy

A. Energy Efficiency: Parties will work in partnership to identify energy efficiency and clean energy technology projects at the Customer's facilities and to implement such projects that are economically feasible and agreeable to the Parties. NYPA will finance, for the Customer, energy efficiency and clean energy technology programs each year over the term of the Agreement that will assist the Customer in implementing projects that promote energy efficiency and improving the environment. The costs of such programs will be borne by Customer. Projects will be implemented under existing, revised or new cost recovery agreement(s), as necessary.

B. Renewable Energy: If Customer elects to purchase renewable energy attributes/credits and/or physical renewable energy from NYPA, the cost/benefits of such attributes/credits and/or physical renewable energy will be borne directly by Customer through an appropriate bill surcharge/credit. Customer has the right to purchase or enter into agreements for renewable energy attributes/credits and/or physical renewable energy from a source other than NYPA.

V. Approvals

Execution of this Agreement has been authorized and approved by the governing board, authorized executive or commissioner of the Customer whose approval is required for the execution of this Agreement, and by NYPA's Board of Trustees.

VI. Amendment

This Agreement may be amended at any time but only upon a written agreement signed by both Parties.

VII. Prior Claims

Nothing contained herein shall be read to preclude either Party from asserting claims or bringing actions related to service and/or bills rendered prior to the Effective Date of this Agreement.

AGREED:

[CUSTOMER]

BY: ___________________________________

TITLE: ________________________________

DATE: ________________________________

AGREED:

NEW YORK POWER AUTHORITY

BY: _______________________________________

TITLE: ____________________________________

DATE: ____________________________________

Approved as to Form:	Approved as to Form:
______________________________	______________________________
[Title] [Customer]	Executive Vice President and General Counsel New York Power Authority

11. 2007 Operation and Maintenance, Capital and Fuel Budgets

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the 2007 Budgets for Operation and Maintenance ('O&M'), Capital and Fuel Purchases as follows:

	2007 Budget ($ million)
O&M	281.2
Capital	644.9
Fuel	534.3

BACKGROUND

"The Authority is committed to providing reliable, affordable energy; retaining and creating jobs in New York State and promoting the development of energy-efficient technologies. The Authority continues to undertake and implement projects, strategically positioning itself to meet the challenges of a changing electric market. The 2007 budgets are intended to provide the Authority's operating facilities and support organizations with the resources needed to meet its overall mission and strategic objectives.

DISCUSSION

O&M

"The O&M budget of $281.2 million represents an increase of $21.2 million, or 8.2%, from the 2006 budget. The timing of several planned maintenance outages accounts for $10.3 million, almost 50% of the increase. Non-outage expenses increased $10.9 million, or 4.2% from 2006, most of which comprises wage and fee increases. The increases by organization are as follows: Power Generation ($12.3 million), Headquarters Support ($8.3 million) and Transmission ($0.6 million).

"Payroll costs, which include salaries, overtime and fringe benefits, account for $156.5 million, or approximately 56%, of the budget. This represents a $0.3 million reduction from the 2006 budget of $156.7 million. Factors contributing to the payroll decrease include staff reductions and anticipated attrition in 2007, increased vacancies, increased labor charged to capital projects and a reduction in pension costs reflecting a reduced NYPA contribution rate to the NYS retirement system. These factors are offset by projected salary increases. Non-payroll expenses of $124.7 million increased $21.5 million due to planned maintenance outages and increased outside services to support numerous headquarter initiatives.

"Power Generation's 2007 budget is $12.3 million (9.5%) above the 2006 level primarily due to $10.5 million in planned outages at Flynn, Poletti and the 500MW plants, coupled with increased FERC fees ($1.2 million), consultant support for energy supply RFPs ($1.2 million) and increased utility expenses ($0.5 million). This increase is offset by lower personnel costs resulting from position eliminations and anticipated attrition in 2007, increased vacancies and a decrease in fringe benefits expense. Major non-recurring projects include the Niagara Headgate Refurbishment ($1.3 million), Joint Works with Ontario Power Generation ($1.2 million), B-G Penstock and Tunnel Inspection ($1.0 million), Niagara 480/508 Elevated Drain Rehabilitation ($1.0 million), Niagara Penstock Manhole Inspection and Repairs ($0.7 million), Niagara Landfill Remediation ($0.7 million) and St. Lawrence Foundation Inspection and Grouting ($0.6 million).

"The 2007 Transmission budget is $0.6 million (1.3%) above the 2006 level due to an increase in payroll, transmission line operations and maintenance support and energy management system consultant support. Major ongoing initiatives include continuation of the Right-of-Way Maintenance program ($2.7 million), Breaker and Insulator Maintenance ($0.5 million) and Tower Painting ($0.4 million).

"Headquarters support departments are $8.3 million (11.2%) above the 2006 level, due primarily to the initiation of a communications program to raise community awareness and understanding of the Authority ($3.0 million), increased outside litigation support ($1.0 million), LEED support and certification costs ($0.9 million) and yearly salary increases.

"The R&D budget of $8.8 million is unchanged from 2006.

Fuel

"The Fuel budget of $534.3 million is a decrease of $97.2 million (15.4%) from 2006. This is a cash budget reflecting planned fossil-fuel purchases in 2007 for Poletti, Flynn, the Small Clean Power Plants ('SCPPs') and the 500 MW plant. The budget assumes lower commodity prices, reduced generation at Poletti and Flynn, offset by increased generation at the 500 MW plant. Outages at Poletti, Flynn and the 500MW plants were factored into the fuel budget.

Capital

"The 2007 Capital budget totals $644.9 million, an increase of $361.7 million (127.7%) from 2006. Included in this request are both new and ongoing capital projects, as well as general plant equipment purchases. The increase reflects the recognition of the cost of $363.6 million in settlement obligations under the Niagara Relicensing Agreements.

"The Energy Conservation/Renewable projects account for $102.2 million (15.8%) of the 2007 request and reflect the same level of projected work for Energy Services and Technology programs for both Southeastern New York ('SENY') governmental and other public entity customers. Other significant capital projects include $22.3 million and $19.9 million, respectively, for the B-G and St. Lawrence Life Extension projects and $17.0 million for the Static Var Compensator and Tri-Lakes Reliability project. Headquarters Administrative support projects total $33.0 million, including the billing system replacement and numerous other IT initiatives.

FISCAL INFORMATION

"Payment will be made from the Operating Fund for Operation and Maintenance and Fuel Purchases.

"Payment will be made from the Capital Fund or Energy Conservation Effectuation Fund for capital expenditures.

RECOMMENDATION

"The Executive Vice President and Chief Financial Officer and the Vice President – Controller recommend approval of the 2007 Operation and Maintenance, Fuel and Capital budgets as discussed herein.

"The Executive Vice President and General Counsel, the Executive Vice President - Corporate Services and Administration, the Senior Vice President and Chief Engineer – Power Generation and I concur in the recommendation."

Ms. Tursi presented the highlights of staff's recommendations to the Trustees. Chairman McCullough said that this budget anticipates the relicensing of the Niagara project and the financial commitments made by the Authority in the relicensing settlement agreements. President Carey thanked Ms. Tursi, Mr. Bellis and their staffs for their work on the budget, as well as the entire senior management team. He said that the quarterly budget review meetings he had instituted were extremely helpful in helping management monitor the budget on a more frequent basis. Chairman McCullough added that the quarterly meetings were extremely valuable, making the budget a living document and roadmap for the Authority's programs and holding the department heads accountable for their departments' expenditures.

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

RESOLVED, That the 2007 budgets for Operation and Maintenance, Fuel and Capital expenditures, as discussed in foregoing report of the President and Chief Executive Officer, are hereby approved; and be it further

RESOLVED, That up to $138 million of monies in the Operating Fund are hereby authorized to be withdrawn from such Fund and deposited in the Capital Fund, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Subsections (1) (a)-(c) of Section 503 of the General Resolution Authorizing Revenue Obligations adopted on February 24, 1998, with the satisfaction of such condition being evidenced by a certificate of the Treasurer or the Deputy Treasurer; and be it further

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

Exhibit "11-A"
December 19, 2006

O&M AND FUEL
2007 BUDGET
($ MILLIONS)

DEPARTMENT	***2006***	***2007***	***% CHANGE***
EXECUTIVE OFFICES	***10.3***	***11.7***	***13.9%***
BUSINESS SERVICES	***30.8***	***32.5***	***5.5%***
MARKETING	***7.0***	***6.6***	***(4.6%)***
HUMAN RESOURCES AND CORP SUPPORT	***23.2***	***27.8***	***19.4%***
TRANSMISSION			
ENERGY CONTROL CENTER	*5.0*	*5.4*	*7.7%*
HEADQUARTERS SUPPORT	*4.1*	*4.6*	*10.6%*
CLARK ENERGY CENTER	*10.1*	*11.6*	*42.5%*
TRANSMISSION FACILITIES	*28.7*	*26.9*	*(6.2%)*
TOTAL TRANSMISSION	***47.9***	***48.5***	***1.3%***
ENERGY EFFICIENCY	***2.8***	***3.8***	***35.0%***
POWER GENERATION			
POWER GENERATION - HQ	*7.1*	*9.1*	*28.3%*
BLENHEIM - GILBOA	*14.9*	*15.9*	*6.4%*
POLETTI	*16.0*	*19.7*	*22.8%*
NIAGARA	*45.5*	*38.6*	*(15.2%)*
ST. LAWRENCE	*17.5*	*18.5*	*5.7%*
FLYNN	*5.2*	*12.4*	*140.2%*
SCPP	*10.4*	*13.0*	*24.9%*
SMALL HYDRO	*3.8*	*4.2*	*10.5%*
500 MW	*8.7*	*10.0*	*15.0%*
TOTAL POWER GENERATION	***129.2***	***141.5***	***9.5%***
R&D AND INSTITUTIONAL FUNDING	***8.8***	***8.8***	***0.2%***
TOTAL O&M BUDGET	***260.0***	***281.2***	***8.2%***
FUEL			
OIL	*91.1*	*72.4*	*(20.5%)*
GAS	*539.9*	*461.4*	*(14.5%)*
HEDGING	*0.5*	*0.5*	*0.0%*
TOTAL FUEL BUDGET	***631.5***	***534.3***	***(15.4%)***

CAPITAL
2007 BUDGET
($ MILLIONS)

	2006	2007	% % CHANGE
ENERGY CONSERVATION			
SENY CUSTOMER	52.0	55.2	
OTHER NYPA-FUNDED	35.1	35.6	
DISTRIBUTED GENERATION	0.2	0.0	
PETROLEUM OVERCHARGE RESTITUTION	2.5	2.5	
ENVIRONMENTAL BOND ACT AND BOE	10.0	8.2	
OFFSET EMISSIONS PROJECTS	3.0	0.7	
	102.8	**102.2**	**-0.6%**
TRANSMISSION	**26.9**	**31.1**	**15.6%**
POWER GENERATION			
BLENHEIM - GILBOA	30.6	24.8	
POLETTI	0.4	0.2	
FLYNN	0.0	7.9	
NIAGARA	40.7	399.1	
ST. LAWRENCE	37.0	37.9	
500 MW	18.3	6.9	
SCPP PROJECT	5.4	1.8	
	132.4	**478.6**	**261.5%**
ADMINISTRATION SUPPORT	**21.1**	**33.0**	**56.4%**
TOTAL CAPITAL BUDGET	**283.2**	**644.9**	**127.7%**

12. Approved Budget and Financial Plan Information Pursuant to New Regulations <u>of the Office of the State Comptroller</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"In accordance with new regulations adopted by the Office of the State Comptroller ('OSC'), the Trustees are requested to approve a 2007 annual budget and four-year financial plan and authorize: (i) making the approved budget and four-year financial plan available for public inspection at not less than five convenient public places throughout New York State, (ii) submitting the approved budget and four-year financial plan to OSC and (iii) posting the approved budget and four-year financial plan on the Authority's web site.

<u>BACKGROUND</u>

"Following rulemaking proceedings undertaken pursuant to the State Administrative Procedure Act, OSC implemented new regulations on March 29, 2006 that address the preparation of annual budgets and four-year financial plans by 'covered' public authorities, including the Authority. (See 2 NYCRR Part 203 ['Part 203,' attached as Exhibit '12-A'].) As illustrated below, these regulations establish various new procedural and substantive requirements relating to the budgets and financial plans of public authorities.

<u>DISCUSSION</u>

"Part 203 sets forth specific requirements in connection with submitting and formatting, preparing supporting documentation for and monitoring both proposed and approved annual budgets and financial plans of public authorities. On October 24, 2006, the Trustees approved for public release the Authority's <u>proposed</u> 2007 annual budget and four-year financial plan pursuant to Part 203.

"Under Part 203, it is now necessary and appropriate for the Trustees to adopt an <u>approved</u> 2007 budget and four-year financial plan (attached as Exhibit '12-B'). The approved 2007 budget and four-year financial plan must be made available for public inspection, whenever practicable, not less than seven days before the commencement of the next fiscal year and shall be submitted to OSC within seven days of approval by the Trustees in an electronic format prescribed by OSC. The regulations also require the Authority to post the approved budget and four-year financial plan on its web site.

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

"Other key elements that must be incorporated in each approved budget and four-year financial plan are a description of the budget process and the principal assumptions, as well as a self-assessment of risks to the budget and financial plan. Additionally, the approved budget and financial plan must include a certification by the chief operating officer (defined as the executive officer responsible for overseeing the day-to-day activities of an authority) that, to the best of his or her knowledge and belief after reasonable inquiry, the approved budget and financial plan are based on reasonable assumptions and methods of estimation and that the Part 203 regulations have been satisfied.

"Finally, as indicated in the proposed budget and four-year financial plan, the approved budget and four-year financial plan uses updated estimates of generation, fuel prices, electric prices, operation and maintenance expenses, capital costs and other revenue and expense items. The approved budget and four-year financial plan includes a section discussing the differences between the proposed and approved budget and four-year financial plans.

FISCAL INFORMATION

"There is no anticipated fiscal impact.

RECOMMENDATION

"The Vice President – Controller recommends that the Trustees approve the attached 2007 annual budget and four-year financial plan and authorize (i) making the approved budget and four-year financial plan available for public inspection at no less than five convenient public locations, (ii) submitting the approved budget and four-year financial plan to the Office of the State Comptroller in the prescribed format and (iii) posting the approved budget and four-year financial plan on the Authority's web site.

"The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer and I concur in this recommendation."

Mr. Davis presented the highlights of staff's recommendations to the Trustees. Chairman McCullough opined that the effort to develop these documents represented a tremendous undertaking and a job well done. He said that these documents provided the Authority with another roadmap for the longer term. In response to a question from Trustee Seymour, Mr. Davis said that New York Independent System Operator market revenues and fuel expenses were expected to be down in 2010 because of the anticipated retirement of the Poletti plant.

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

RESOLVED, That pursuant to 2 NYCRR Part 203, the attached 2007 annual budget and four-year financial plan, including its certification by the President and Chief Executive Officer, is approved in accordance with the foregoing report of the President and Chief Executive Officer; and be it further

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

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

PART 203

BUDGET AND FINANCIAL PLAN FORMAT, SUPPORTING DOCUMENTATION AND MONITORING – PUBLIC AUTHORITIES

(Statutory Authority: Constitution, art. X, § 5; State Finance Law §8[14])

Section 203.1 Purpose.

The purpose of this Part is to set forth specific requirements in connection with the submission and format of, the preparation of supporting documentation for, and the monitoring of, annual budgets and financial plans of the public authorities listed in this Part. All requirements of this Part apply immediately upon the effective date of this Part, except as otherwise consented to by the State Comptroller at the request of individual public authorities, upon good cause shown.

§ 203.2 Applicability.

Except as provided in the next sentence, this Part shall apply to every authority, commission or public benefit corporation identified as a "public authority" in section 203.10 of this Part, unless a waiver is granted by the State Comptroller upon good cause shown. The Metropolitan Transportation Authority and its Agencies shall continue to be governed by 2 NYCRR Part 202 with the exception that subdivisions a through e of section 203.4, subdivisions d and g of section 203.6, and subdivision b and c of section 203.8 of this Part shall also apply to the Metropolitan Transportation Authority and its Agencies; provided, however, that with respect to the Metropolitan Transportation Authority and its Agencies, the definitions set forth in Part 202 of this chapter shall be used for purposes of determining compliance with the applicable provisions of this Part.

§ 203.3 Definitions.

For purposes of this Part:

(a) "Affiliate" shall mean a corporate body or company controlling, controlled by, or under common control with another corporate body.

(b) "Board" shall mean the governing board, members of the public authority, board of directors, board of trustees or trustees or other similar governing body as described in the laws, articles of incorporation or corporate by-laws creating and/or governing the authority.

(c) "Budget" shall mean the proposed and approved budgets, and any amendments or modifications thereto, of the public authority. The budget shall include all the organizations, programs, activities, and functions of the public authority that comprise its accounting entity in accordance with accounting principles generally accepted in the United States of America.

(d) "Chief financial officer" shall mean the treasurer, chief fiscal officer or other executive level officer directly responsible for overseeing the financial activities of the public authority.

(e) "Chief operating officer" shall mean the executive director or other executive level officer responsible for overseeing the day-to-day activities of the public authority.

(f) "Debt" shall mean bonds, notes, contractual financing arrangements, or other evidences of indebtedness issued by the public authority for any purpose.

(g) "Financial Plan" shall mean the budget for the current fiscal year and revenue and expenditure projections, in a format consistent with the budget, for at least the three following years.

(h) "Gap" shall mean the difference between projected revenues and other financing sources and expenditures and other financing uses for any given fiscal year before proposed management actions that would increase revenues or reduce costs.

(i) "Gap-closing program" shall mean any combination of management actions that reduce costs or increase revenues that lower a gap in any given fiscal year.

(j) "Subsidiary" shall mean a corporate body or company (i) having more than half of its voting shares owned or held by a public authority specified in this section, or (ii) having a majority of its directors, trustees or members in common with the directors, trustees or members of a public authority specified in this section or as designees of a public authority specified in this section.

§ 203.4 Submission of Budgets and Financial Plans.

(a) All public authorities shall prepare an annual budget and financial plan in accordance with this Part.

(b) The budget and financial plan, and all amendments or modifications thereto, shall be approved by the Board.

(c) All proposed budgets and financial plans shall be made available for public inspection at least 30 days before approval by the Board, and not less than 60 days before the commencement of the next fiscal year.

(d) All approved budgets and financial plans shall be made available for public inspection, whenever practicable, not less than 7 days before the commencement of the next fiscal year, and shall be submitted to the State Comptroller within 7 days of approval by the board, in an electronic format prescribed by the State Comptroller.

(e) For purposes of making budgets and financial plans available for public inspection under subdivisions (c) and (d) of this section, the public authority shall make the budgets and financial plans available for a period of not less than 45 days in not less than five convenient public places throughout the area of jurisdiction of the authority and notify the State Comptroller of such locations. The public authority shall also post the budgets and financial plans on its website, if any.

§ 203.5 Budget and Financial Plan Format.

Each budget and financial plan shall:

(a) be prepared in accordance with accounting principles generally accepted in the United States of America on a modified accrual basis. When an organization, program, activity or function that is reportable under such principles is not included in the budget, the budget shall clearly disclose this exclusion and the associated justification;

(b) be based on reasonable assumptions and methods of estimation;

(c) be organized in a manner consistent with the authority's programmatic and functional activities;

(d) include detailed estimates of projected operating revenues and other sources of funding;

(e) include detailed estimates of personal service expenses related to employees (e.g., salary and wage costs, overtime, health insurance and pension costs) and personal service contracts with outside contractors;

(f) include detailed estimates of non-personal service operating expenses (e.g., materials and supplies, contracts, and rentals);

(g) include estimates of projected debt service expenditures; and

(h) include a corresponding cash budget and financial plan, and identify all material cash adjustments.

§ 203.6 Budget and Financial Plan presentation.

Each budget or financial plan shall be accompanied by:

(a) an explanation of the public authority's relationship with the unit or units of government, if any, on whose behalf or benefit the authority was established;

(b) a description of the budget process, including the dates of key budget decisions;

(c) a description of the principal budget assumptions, including sources of revenues, staffing and future collective bargaining costs, and programmatic goals;

(d) a self-assessment of budgetary risks;

(e) a revised forecast of the current year's budget;

(f) a reconciliation that identifies all changes in estimates from the projections in the previously approved budget or plan;

(g) a statement of the last completed fiscal year's actual financial performance in categories consistent with the proposed budget or financial plan;

(h) a projection of the number of employees, including sources of funding, the numbers of full-time and full-time equivalents, and functional classifications;

(i) a statement of each revenue-enhancement and cost-reduction initiative that represents a component of any gap-closing program and the annual impact on revenues, expenses and staffing;

(j) a statement of the source and amount of any material non-recurring resource that is planned for use in any given fiscal year;

(k) a statement of any transactions that shift material resources from one year to another and the amount of any reserves;

(l) a statement of borrowed debt projected to be outstanding at the end of each fiscal year covered by the budget or financial plan; the planned use or purpose of debt issuances; scheduled debt service payments for both issued and proposed debt; the principal amount of proposed debt and assumed interest rate(s); debt service for each issuance as a percentage of total pledged revenues, listed by type or category of pledged revenues; cumulative debt service as a percentage of available revenues; and amount of debt that can be issued until legal limits are met; and

(m) a statement of the annual projected capital cost broken down by category and sources of funding, and for each capital project, estimates of the annual commitment, total project cost, expected date of completion and the annual cost for operating and maintaining those capital projects or capital categories that, when placed into service, are expected to have a material impact on the operating budget.

§ 203.7 Supporting Documentation.

The public authority shall prepare working papers that detail the assumptions and methods of estimation used to calculate all operating and capital budget projections, consistent with prudent budgetary practices. The working papers shall be completed contemporaneously with the release of the budget or plan and shall include a statement supporting the reasonableness of each estimate, and the underlying information on which the estimate is based, such as actual results from prior years, inflationary trends and economic data, assumptions regarding the cost of future collective bargaining agreements, utilization, demographic and other pertinent data.

§ 203.8 Reporting.

The chief financial officer shall:

(a) provide to the Board a written mid-year update on the budget and associated financial plan and should present at least quarterly updates to the Board on the status of actual revenues and expenses compared to annual budget targets. The mid-year report shall explain and quantify material variances that are due to timing or have a budgetary impact, and include an assessment of the annual impact. The report also shall include the status of capital projects, including but not limited to, commitments, expenditures and completions, and an explanation of material cost overruns and delays;

(b) report publicly not later than 90 days after the close of each fiscal year on actual versus budgeted results; and

(c) inform the State Comptroller in writing at any point during the fiscal year when the chief financial officer learns of the potential financial impact of any adverse development that would materially affect the budget or financial plan.

§ 203.9 Certification.

Included in each budget and financial plan shall be a certification by the chief operating officer to the effect that, to the best of his or her knowledge and belief after reasonable inquiry, the budget or plan, as the case may be, is based on reasonable assumptions and methods of estimation and that these regulations have been satisfied. The certification shall be presented to the Board and shall be released to the public along with the budget or financial plan, as the case may be.

§ 203.10 Covered Public Authorities.

The following entities, including any and all affiliates and subsidiaries, shall be considered "public authorities" for purposes of this Part:

1. Agriculture and New York State Horse Breeding Development Fund, created by or existing under section 330 of the Racing, Pari-mutuel Wagering and Breeding Law.

2. Albany Port District Commission, created by or existing under section 1 of chapter 192 of the laws of 1925.

3. Battery Park City Authority, created by or existing under section 1973 of the Public Authorities Law.

4. Buffalo Fiscal Stability Authority, created by or existing under section 3852 of the Public Authorities Law.

5. Capital District Transportation Authority, created by or existing under section 1303 of the Public Authorities Law.

6. Central New York Regional Transportation Authority, created by or existing under section 1328 of the Public Authorities Law.

7. Community Facilities Project Guarantee Fund, created by or existing under section 14 of chapter 1013 of the laws of 1969.

8. City University Construction Fund, created by or existing under section 6272 of the Education Law.

9. Development Authority of the North Country, created by or existing under section 2703 of the Public Authorities Law.

10. Dormitory Authority of the State of New York, created by or existing under section 1677 of the Public Authorities Law.

11. Erie County Fiscal Stability Authority, created by or existing under section 3952 of the Public Authorities Law.

12. Erie County Medical Center Corporation, created by or existing under section 3628 of the Public Authorities Law.

13. Executive Mansion Trust, created by or existing under section 54.05 of the Arts and Cultural Affairs Law.

14. Hudson River-Black River Regulating District, created by or existing under section 15-2137 of the Environmental Conservation Law.

15. Hudson River Park Trust, created by or existing under section 5 of chapter 592 of the laws of 1998.

16. Industrial Exhibit Authority, created by or existing under section 1651 of the Public Authorities Law.

17. Life Insurance Guaranty Corporation, created by or existing under section 7503 of the Insurance Law.

18. Long Island Power Authority, created by or existing under section 1020-c of the Public Authorities Law.

19. Metropolitan Transportation Authority, created by or existing under section 1263 of the Public Authorities Law.

20. Municipal Assistance Corporation for the City of New York, created by or existing under section 3033 of the Public Authorities Law.

21. Municipal Assistance Corporation for the city of Troy, created by or existing under section 3053 of the Public Authorities Law.

22. Nassau County Interim Finance Authority, created by or existing under section 3652 of the Public Authorities Law.

23. Nassau Health Care Corporation, created by or existing under section 3402 of the Public Authorities Law.

24. Natural Heritage Trust, created by or existing under section 55.05 of the Arts and Cultural Affairs Law.

25. Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation, created by or existing under section 3 of chapter 688 of the laws of 1979.

26. New York Convention Center Operating Corporation, created by or existing under section 2562 of the Public Authorities Law.

27. New York State Bridge Authority, created by or existing under section 527 of the Public Authorities Law.

28. New York State Energy Research and Development Authority, created by or existing under section 1852 of the Public Authorities Law.

29. New York State Environmental Facilities Corporation, created by or existing under section 1282 of the Public Authorities Law.

30. New York State Housing Finance Agency, created by or existing under section 43 of the Private Housing Finance Law.

31. New York Job Development Authority, created by or existing under section 1802 of the Public Authorities Law.

32. New York Local Government Assistance Corporation, created by or existing under section 3233 of the Public Authorities Law.

33. New York State Archives Partnership Trust Board, created by or existing under section 4 of the New York State Archives Partnership Trust Act, as added by section 1 of chapter 758 of the laws of 1992.

34. New York State Foundation for Science, Technology and Innovation, created by or existing under section 3151 of the Public Authorities Law.

35. New York State Olympic Regional Development Authority, created by or existing under section 2608 of the Public Authorities Law.

36. New York State Project Finance Agency, created by or existing under section 2 of chapter 7 of the laws of 1975.

37. New York State Sports Authority, created by or existing under section 2463 of the Public Authorities Law.

38. New York State Theatre Institute Corporation, created by or existing under section 9.05 of the Arts and Cultural Affairs Law.

39. New York State Thoroughbred Breeding and Development Fund Corporation, created by or existing under section 245 of the Racing, Pari-mutuel Wagering and Breeding Law.

40. New York State Thoroughbred Racing Capital Investment Fund, created by or existing under section 253 of the Racing, Pari-mutuel Wagering and Breeding Law.

41. New York State Thruway Authority, created by or existing under section 352 of the public Authorities Law.

42. New York State Urban Development Corporation, created by or existing under section 4 of the New York State Urban Development Corporation Act, as added by section 1 of chapter 174 of the laws of 1968.

43. New York Wine/Grape Foundation, created by or existing under section 2 of chapter 80 of the laws of 1985.

44. Niagara Frontier Transportation Authority, created by or existing under section 1299-c of the Public Authorities Law.

45. Ogdensburg Bridge and Port Authority, created by or existing under section 725 of the Public Authorities Law.

46. Port of Oswego Authority, created by or existing under section 1353 of the Public Authorities Law.

47. Power Authority of the State of New York, created by or existing under section 1002 of the Public Authorities Law.

48. Rochester-Genesee Regional Transportation Authority, created by or existing under section 1299-dd of the Public Authorities Law.

49. Roosevelt Island Operating Corporation, created by or existing under section 3 of chapter 899 of the laws of 1984.

50. Roswell Park Cancer Institute Corporation, created by or existing under section 3553 of the Public Authorities Law.

51. State of New York Mortgage Agency, created by or existing under section 2403 of the Public Authorities Law.

52. State of New York Municipal Bond Bank Agency, created by or existing under section 2433 of the Public Authorities Law.

53. State University Construction Fund, created by or existing under section 371 of the Education Law.

54. United Nations Development Corporation, created by or existing under section 4 of chapter 345 of the laws of 1968.

55. Westchester County Health Care Corporation, created by or existing under section 3303 of the Public Authorities Law.

Exhibit "12-B"
December 19, 2006

BUDGET and FINANCIAL PLAN 2007-2010

In compliance with 2 NYCRR Part 203

New York Power Authority

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

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

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

To provide electric service, the Authority owns and operates six major generating facilities, eleven small electric generating facilities, and five small hydroelectric facilities and a number of transmission lines, including major 765-kV and 345-kV transmission facilities. The most recent addition to the generation stock is a new combined-cycle electric generating plant in New York City that has a nominal capacity rating of 500 MW (the ''500-MW Project'') and that entered into commercial operation on December 31, 2005. NYPA's other five major generating facilities consist of two large hydroelectric facilities ("Niagara" and "St. Lawrence-FDR"), a large pumped-storage hydroelectric facility ("Blenheim-Gilboa") and two oil-and-gas-fired facilities in NYC ("Poletti Project") and Long Island ("Flynn Project").

The Authority also supplies a significant portion of its customers' needs through purchased power, both energy and capacity, principally from the New York Independent System Operator ("NYISO"). In addition to Authority-supplied electricity, electric energy consumed in New York State is purchased from in-state generating companies, municipal electric systems, and out-of-state generating companies, with a small amount of such energy being derived from consumer-owned generation.

To maintain its position as a low cost provider of power in a changing environment, the Authority has recently undertaken and continues to carry out a multifaceted program, including: (a) the upgrade and re-licensing of the Niagara and St. Lawrence-FDR projects; (b) new long-term supplemental electricity supply agreements with its governmental customers located mainly within the City of New York ("NYC governmental customers"); (c) the construction of the 500-MW Project; (d) a significant reduction of outstanding debt; and (e) implementation of an energy and fuel risk management program.

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

Participants in these energy efficiency programs include departments, agencies or other instrumentalities of the State, the Authority's SENY governmental customers, the Authority's municipal electric system customers, public school districts or boards and community colleges located throughout New York State, county and municipal entities with facilities located throughout New York State, and various business/industrial customers of the Authority. By recently enacted legislation, the Authority is also authorized to engage in (1) energy efficiency services and clean energy technologies projects for public and non-public elementary and secondary schools in New York and (2) energy efficiency and conservation services and projects involving facilities using conventional or new energy technologies for certain specified military establishments in New York.

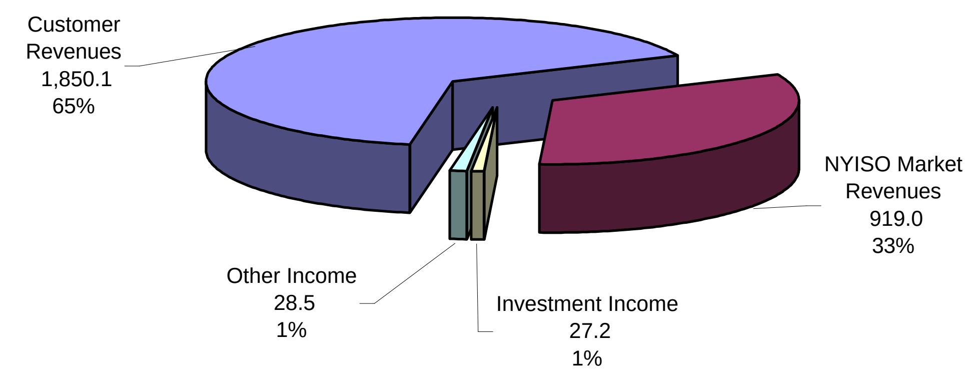
On February 24, 1998, the Authority adopted its "General Resolution Authorizing Revenue Obligations" (the "Bond Resolution"). The Bond Resolution addresses all of the Authority's "Projects", which it defines as any project, facility, system, equipment or material related to or necessary or desirable in connection with the generation, production, transportation, transmission, distribution, delivery, storage, conservation, purchase or use of energy or fuel, whether owned jointly or singly by the Authority, including any output in which the Authority has an interest authorized by the Act or by other applicable State statutory provisions, provided, however, that the term "Project" shall not include any Separately Financed Project as that term is defined in the Bond Resolution. The Authority has covenanted with bondholders under the Bond Resolution that at all times the Authority shall maintain rates, fees or charges, and any contracts entered into by the Authority for the sale, transmission, or distribution of power shall contain rates, fees or charges sufficient together with other monies available therefor (including the anticipated receipt of proceeds of sale of Obligations, as defined in the Bond Resolution, or other bonds, notes or other obligations or evidences of indebtedness of the Authority that will be used to pay the principal of Obligations issued under the Bond Resolution in anticipation of such receipt, but not including any anticipated or actual proceeds from the sale of any Project) to meet the financial requirements of the Bond Resolution. Revenues of the Authority (after payment of operating expenses and accumulation of reserves) are applied first to the payment of, or accumulation as a reserve for payment of, interest on and the principal or redemption price of Obligations issued under the Bond Resolution and the payment of Parity Debt issued under the Bond Resolution.

NYPA's Four-Year Projected Income Statements

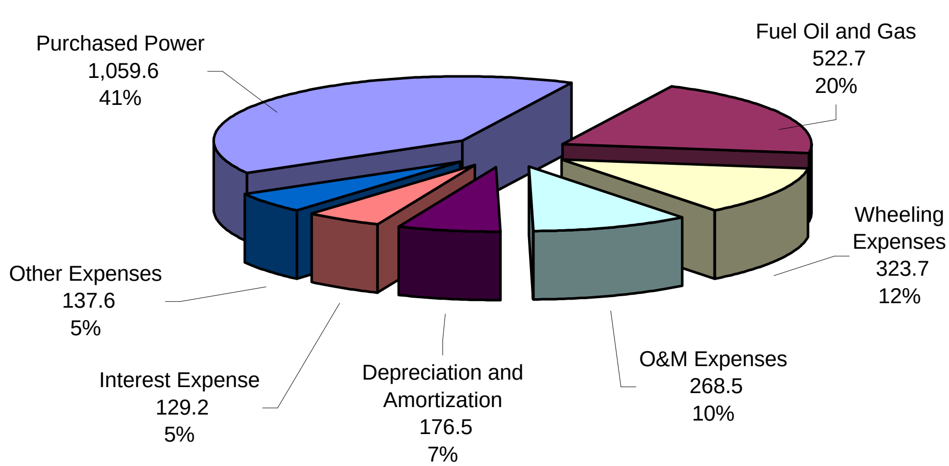
(in Millions)

	2007	2008	2009	2010
Operating Revenues:				
Customer Revenues	$1,850.1	$1,885.9	$1,958.5	$2,064.6
NYISO Market Revenues	$919.0	$902.8	$980.0	$740.3
Total Operating Revenues	$2,769.2	$2,788.6	$2,938.5	$2,805.0
Operating Expenses:				
Purchased Power	($1,059.6)	($1,080.7)	($1,204.5)	($1,279.2)
Fuel oil and gas	($522.7)	($494.2)	($514.8)	($328.0)
Wheeling Expenses	($323.7)	($333.2)	($338.6)	($342.3)
O&M Expenses	($281.2)	($275.0)	($276.9)	($285.4)
Other Expenses	($137.6)	($141.3)	($141.6)	($133.5)
Depreciation and Amortization	($176.5)	($173.3)	($153.5)	($151.4)
Allocation to Capital	$12.7	$5.7	$4.3	$4.0
Total Operating Expenses	($2,488.5)	($2,492.0)	($2,625.6)	($2,515.8)
NET OPERATING REVENUES	**$280.6**	**$296.6**	**$313.0**	**$289.1**
Other Income:				
Investment Income	$27.2	$29.2	$25.8	$26.0
Other Income	$28.5	$23.3	$23.6	$22.2
Total Other Income	$55.7	$52.5	$49.4	$48.2
Interest Expense:				
Interest Expense	($129.2)	($145.1)	($139.6)	($134.1)
Total Interest Expense	($129.2)	($145.1)	($139.6)	($134.1)
NET REVENUES	**$207.2**	**$204.0**	**$222.8**	**$203.2**

2007 Budget – Sources
(in Millions)



2007 Budget – Uses
(in Millions)



NYPA's Four-Year Projected Cash Budgets

(in Millions)

	2007	2008	2009	2010
Revenue Receipts:				
Sale of Power, Use of Transmission Lines,				
Wheeling Charges and other receipts	$2,798.9	$2,788.6	$2,938.5	$2,805.0
Earnings on Investments and Time Deposits	$33.3	$33.8	$30.4	$30.4
Total Revenues	$2,832.2	$2,822.4	$2,968.9	$2,835.4
Expenses:				
Operation and Maintenance, including				
Transmission of Electricity by others,				
Purchased Power and Fuel Purchases	($2,444.8)	($2,388.4)	($2,529.0)	($2,418.7)
Debt Service:				
Interest on Bonds and Notes	($116.3)	($115.6)	($109.3)	($103.7)
General Purpose Bonds Retired	($200.5)	($142.0)	($108.0)	($130.1)
Notes Retired	($6.1)	($6.0)	($6.5)	($7.0)
Total Debt Service	($322.9)	($263.6)	($223.8)	($240.8)
Total Requirements	($2,767.7)	($2,652.0)	($2,752.8)	($2,659.5)
NET OPERATIONS	**$64.5**	**$170.4**	**$216.1**	**$175.9**
Capital Receipts:				
Sale of Bonds, Promissory Notes & Commercial Paper	$470.9	$11.2	$22.6	$19.8
Less : Repayments	($219.2)	($49.3)	($50.0)	($50.0)
Earnings on Construction Funds	$2.6	$8.0	$5.2	$2.7
DSM Recovery Receipts	$43.5	$60.7	$50.0	$50.0
Other	$93.7	$30.0	$30.0	$30.0
Total Capital Receipts	$391.5	$60.6	$57.8	$52.5
Capital Additions & Refunds:				
Additions to Electric Plant in Service and				
Construction Work in Progress, and Other costs	($653.7)	($243.8)	($237.9)	($219.6)
Construction Escrow	$214.6	$58.6	$66.3	$54.6
Total Capital Additions & Refunds	($439.1)	($185.2)	($171.6)	($165.0)
NET CAPITAL	**($47.6)**	**($124.6)**	**($113.8)**	**($112.5)**
NET INCREASE / (DECREASE)	**$16.9**	**$45.8**	**$102.3**	**$63.4**

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

NYPA is a corporate municipal instrumentality and political subdivision of the State of New York created in 1931 and authorized by the Power Authority Act of the State of New York (the ''Power Authority Act'') to help provide a continuous and adequate supply of dependable electric power and energy to the people of New York State. The Authority's operations are overseen by seven Trustees. NYPA's Trustees are appointed by the Governor of the State, with the advice and consent of the State Senate. The Authority is a fiscally independent public corporation that does not receive State funds or tax revenues or credits. NYPA generally finances construction of new projects through sales of bonds and notes to investors and pays related debt service with revenues from the generation and transmission of electricity. Income of the Authority and properties acquired by it for its projects are exempt from taxation. However, the Authority is authorized by Chapter 908 of the Laws of 1972 to enter into agreements to make payments in lieu of taxes with respect to property acquired for any project where such payments are based solely on the value of the real property without regard to any improvement thereon by the Authority and where no bonds to pay any costs of such project were issued prior to January 1, 1972.

(b) Budget Process

As an electric utility, NYPA operates in a capital intensive industry where operating revenues and expenses are significant and highly variable due to the volatility of electricity prices and fuel costs. NYPA's operations are not only subject to electric and fuel cost volatility, but changing water flows have a direct effect on hydroelectric generation levels. The proposed budget and financial plan relied on an early August snapshot of these inputs, while the approved budget and financial plan utilizes estimates of these markets and conditions as they were appraised in October 2006. The Authority's experiences with these markets and conditions have shown that they can significantly change over time and therefore substantial differences in operating revenues and expenses between the proposed and approved budget and financial plans are to be expected.

The following is a general outline of the schedule of actions for both the proposed and approved budget forecast for 2007 and the overall four year financial plan for 2007-2010:

Proposed Budget and Financial Plan

- During August 2006 developed preliminary forecasts of electric prices (both energy and capacity) and fuel expenses; NYPA customer power and energy use; NYPA customer rates; generation levels at NYPA power projects reflecting scheduled outages; and purchased energy & power requirements and sources.
- During August – September 2006 developed preliminary operations & maintenance and capital expense targets.
- During September – October 2006 integrated above data to produce the budget and financial valuations.
- October 24, 2006 approval by NYPA's Trustees to submit the proposed budget and financial plan for public inspection at five convenient locations and on NYPA's internet website.

Approved Budget and Financial Plan

- During October 2006, updated forecasts of electric prices (both energy and capacity) and fuel expenses; NYPA customer power and energy use; NYPA customer rates; generation levels at NYPA power projects reflecting scheduled outages; and purchased energy & power requirements and sources.
- During October – November finalized operations & maintenance expenses and capital costs estimates.
- In November – December 2006 integrated above data to produce updated budget and financial valuations as well as produced sensitivity (scenario) valuations.
- December 19, 2006, seek authorization of NYPA's Trustees to approve the updated budget and financial plan; and submit the document to the State Comptroller's Office; and to make the document available for public inspection and on NYPA's internet website.

(c) Budget Assumptions

NYISO Revenue and Expenses

The Authority schedules power to its customers and buys and sells energy in an electricity market operated by the New York Independent System Operator. The majority of NYPA's operating expenses are due to various NYISO purchased power charges in combination with generation related fuel expenses. A significant amount of the Authority's revenues result from sales of the Authority's generation into the NYISO market.

In order to budget these expenses and revenues, the Authority utilizes a customized economic statistical software package that develops forward curves. The software package develops forecasts of fuel costs, NYISO super-zone load projections, and wholesale electricity prices and simulates the economic dispatch of statewide generation resulting from these supply and demand factors. Employing a probabilistic approach to uncertainty through the use of multiple scenarios for loads, fuel prices, and other key inputs, this software package is particularly designed to provide not only price forecasting, but also the crucial underlying volatility data required for accurate valuation of power contracts, generating assets, and energy derivative products. For budget purposes, the prices of the multiple scenarios are averaged to produce an expected value. Key outputs of the software are:

- Forecasts of expected electric price and associated uncertainty for each NYISO super-zone.
- Monte Carlo like scenarios of NYISO super-zone loads and electric and fuel prices that efficiently span the range of possibilities.
- Transmission flows within the NYISO and between the NYISO and external entities.
- Operating margin for specific plants over a period of time.
- Conditional expectations of peak loads in future years.
- Capacity additions commensurate with the above conditional expectations.
- Supply curves (cost vs. load) for specific hours and scenarios.
- Power generated by specific plants over a period of time.

In addition to the economic software package, NYPA employs additional hydrologic, hydraulic and statistical modules and models to forecast the generation levels at its Niagara and St. Lawrence hydroelectric projects. The level of hydroelectric generation is one of the more important determinative factors to the Authority's net revenue position. During the past year, NYPA undertook an evaluation of its hydrological and hydraulic models and recently found statistical evidence of a downward bias in the models' estimation of water flow levels for the rivers feeding the Niagara and St. Lawrence projects. As a result, there has been an upward adjustment made to these projects' generation levels in the approved budget and four-year financial plan.

Customer and Project Revenue

The customers projected to be served by the Authority for the financial plan period 2007-2010 and the rates paid by such customers vary with the NYPA facilities designated to serve such loads.

St. Lawrence-FDR and Niagara Customers. Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities are sold to investor-owned electric utilities, municipal electric systems, rural electric cooperatives, industrial customers, certain public bodies, and out-of-state public customers. The charges for firm power and associated energy sold by the Authority to the investor-owned utility companies for the benefit of rural and domestic customers, the municipal electric systems and rural electric cooperatives in New York State, two public transportation agencies, and seven out-of-state public customers have been established in the context of an agreement settling litigation respecting rates for hydroelectric power, judicial orders in that litigation, and contracts with certain of these customers. Essentially, the "settlement agreement" and relevant judicial orders preclude the inclusion of any expense associated with debt service for non-hydroelectric projects in the hydroelectric rates charged to wholesale customers for the benefit of rural and domestic customers, but specifically permit the inclusion of interest on indebtedness and continuing depreciation and inflation adjustment charges with respect to the capital costs of Niagara and St. Lawrence-FDR. For the purposes of the 2007-2010 financial plan rate changes were incorporated as of May 1st for each of the four years based on the ratemaking principles established in the settlement agreement.

The basic rates for Niagara expansion and replacement power industrial customers and St. Lawrence-FDR industrial customers are subject to annual adjustment in May of each year based on contractually agreed upon economic indices. For purposes of the four-year financial plan, projections were made concerning the movements and magnitudes of these indices.

SENY Governmental Customers. Power and energy purchased by the Authority in the NYISO capacity and energy markets, as supplemented by sales of power and energy by Authority resources at Poletti, the 500 MW Project, the small hydro projects and Blenheim-Gilboa, are sold to various municipalities, school districts and public agencies in the New York City and Westchester County area.

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

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

Under these mechanisms, actual and projected variable costs will be reconciled and either charged or credited to the NYC governmental customers. The NYC governmental customers are committed to pay for any supply secured for them by the Authority which results from a collaborative effort.

NYPA is near final negotiation of a contract renewal with its Westchester governmental customers which will allow for full cost recovery through an energy charge adjustment mechanism.

For purposes of the four year financial plan it is assumed that the New York City and Westchester customers will continue to be served and rates set to produce a roughly break-even net revenue position.

Market Supply Power Customers. The Authority administers an array of power programs for economic development that supply power to businesses and not-for-profit institutions in New York State. Currently more than 400,000 jobs across the Empire State are linked to these power programs. For a number of these customer programs such as the Economic Development Power program, the High Load Factor Power program, the Municipal Development Agency Power program, and the Power for Jobs program, the Authority has no physical assets to supply power and energy to these customers and NYPA must buy these products in the NYISO market or negotiate bilateral arrangements with other power suppliers.

Many of the programs or the individual contracts of the business customers served under these programs are set to expire during the financial plan timeframe. However, the Authority assumes that the State Legislature will maintain a leading role for NYPA in fostering economic development over the 2007-2010 forecast period. Resultantly, NYPA has modeled the business customers and the not-for-profit institutions as continuing to be served.

Blenheim-Gilboa Customers. The Authority uses all but 50 MW of the Blenheim-Gilboa Pumped Storage Power Project output to meet the requirements of the Authority's business and governmental customers and to provide services in the NYISO market. The Authority also has a contract for the sale of 50 MW of firm capacity from the Blenheim-Gilboa Project to the Long Island Power Authority ("LIPA"). Service under the contract with LIPA commenced on April 1, 1989 and will terminate April 30, 2015, unless terminated by LIPA upon not less than 6 months advance notice. For purposes of the four-year financial plan it is assumed that the LIPA contract is not terminated and the current charges remain in effect throughout the forecast horizon.

Small Clean Power Plants ("SCPPs"). To meet capacity deficiencies and ongoing local requirements in the New York City metropolitan area, which could also adversely affect the statewide electric pool, the Authority placed in operation, in the summer of 2001, eleven 44-MW natural-gas-fueled SCPPs at various sites in New York City and one site in the service territory of LIPA. It is anticipated that during late 2007, two of these plants will be retired pursuant to an agreement with New York City.

For the 2007 through 2010 forecast period, the installed capacity of the remaining SCPPs is used by the Authority to meet its NYISO mandated installed capacity needs or, if not needed for that purpose, is subject to sale to other users via bilateral arrangements or by sale into the NYISO capacity auction. NYPA sells the energy produced by the SCPPs into the NYISO energy market.

Flynn. The Flynn Project is a combined-cycle facility with a nameplate rating of 164 MW. The Authority is supplying the full output of the Project to LIPA pursuant to a capacity supply agreement (the ''CS Agreement'') between the Authority and LIPA, which commenced in 1994 and had an initial term of 20 years. The CS Agreement was amended, effective January 1, 2004, by an agreement, which extended the CS Agreement to April 30, 2020. The amended agreement modified the pricing provisions for the period January 1, 2004 to December 31, 2008 and either party has the right to terminate the extension on or before April 30, 2012.

For purposes of the four-year financial plan it is assumed that the agreement between LIPA and NYPA remains in effect throughout the period.

Transmission Project. The Authority owns approximately 1,400 circuit miles of high voltage transmission lines, more than any other utility in New York State, with the major lines being the 765-kV Massena-Marcy line, the 345-kV Marcy-South line, the 345-kV Niagara-to-Edic transmission line, and the 345-kV Long Island Sound Cable.

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

With the implementation of the NYISO arrangement in November 1999, all transmission service over the Authority's facilities is either pursuant to the NYISO tariffs or pre-existing Authority contracts with NYPA realizing its $165 million annual revenue requirement via the NTAC, TSC or through existing customer contracts. For purposes of the four-year financial plan it is assumed that these revenue producing vehicles remain in effect and the Authority earns its annual revenue requirement.

Investment and Other Income

Investment Income. Investment of the Authority's funds is administered in accordance with the applicable provisions of the Bond Resolution and with the Authority's investment guidelines. These guidelines comply with the New York State Comptroller's investment guidelines for public authorities and were adopted pursuant to Section 2925 of the New York Public Authorities Law. The Authority's investments are restricted to (a) collateralized certificates of deposit, (b) direct obligations of or obligations guaranteed by the United States of America or the State of New York, (c) obligations issued or guaranteed by certain specified federal agencies and any agency controlled by or supervised by and acting as an instrumentality of the United States government, and (d) obligations of any state or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which is rated in any of the three highest long-term rating categories, or the highest short-term rating category, by nationally recognized rating agencies. The Authority's investments in the debt securities of Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corp. (FHLMC) were rated Aaa by Moody's Investors Services (Moody's) and AAA by Standard & Poor's (S&P) and Fitch Ratings (Fitch). All of the Authority's investments in U.S. debt instruments are issued or explicitly guaranteed by the U.S. Government.

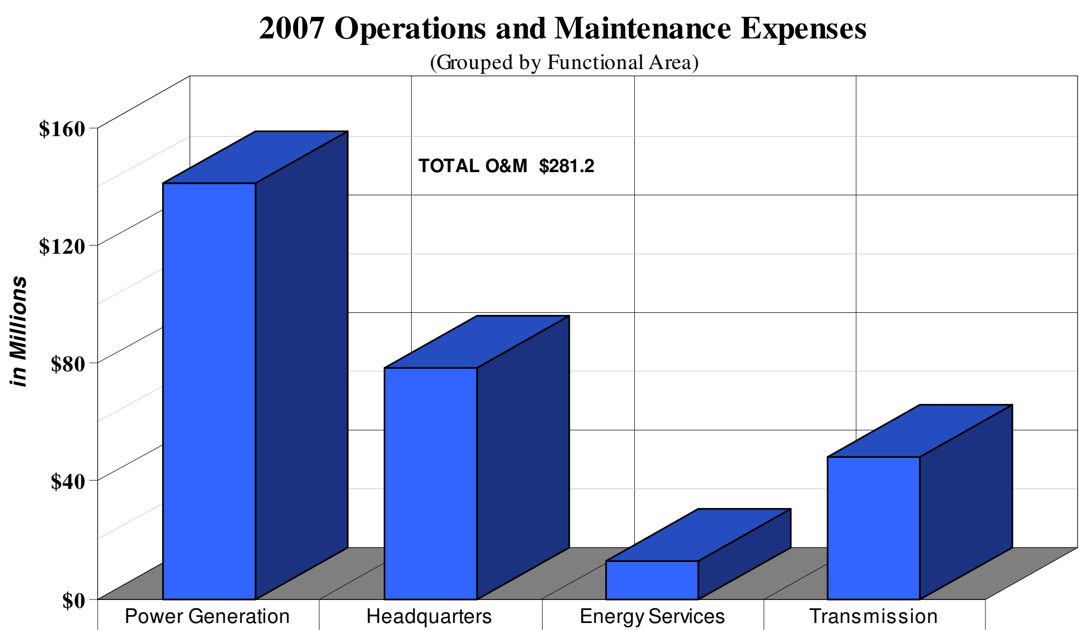
Other Income. On November 21, 2000 ("Closing Date"), the Authority sold its nuclear plants (Indian Point #3 and James A. FitzPatrick Projects) to two subsidiaries of the Entergy Corporation for cash and non-interest bearing notes totaling $967 million maturing over a 15-year period. The present value of these payments recorded on the Closing Date, utilizing a discount rate of 7.5%, was $680 million. On an accrual basis the Authority expects to recognize interest income of $23.4 million in 2007, $18.7 million in 2008, $17.8 million in 2009 and $16.9 million in 2010. On a cash basis the Authority projects to receive a $93 million payment in 2007 and $30 million payments in each year from 2008 through 2010.

Operations and Maintenance Expenses

NYPA's O&M plan for 2007 – 2010 assumes planned wage increases, stabilized benefit costs, planned maintenance outages and flat non-recurring spending, resulting in anticipated budget increases below inflation.

Operations and Maintenance Forecast by Cost Element
(in Millions)

	2007	2008	2009	2010
Payroll				
Regular Pay	$128.3	$132.2	$134.5	$136.9
Overtime	$7.6	$7.0	$7.0	$7.0
Other Payroll	$1.9	$2.0	$2.0	$2.0
Total Payroll	$137.8	$141.2	$143.5	$145.9
Benefits				
Employee Benefits	$29.9	$31.4	$33.0	$34.6
Pension	$12.6	$13.0	$13.5	$13.9
FICA	$9.8	$10.0	$10.2	$10.4
Total Benefits	$52.3	$54.4	$56.7	$58.9
Materials/Supplies	$16.9	$16.8	$17.2	$17.5
Fees	$7.2	$7.5	$7.5	$7.5
Office & Station	$17.8	$15.1	$15.4	$15.8
Maintenance Repair & Service Contracts	$77.6	$70.5	$67.4	$71.7
Consultants	$14.0	$10.0	$10.2	$10.4
Charges to:				
Outside Agencies	($15.7)	($15.8)	($16.1)	($16.4)
Capital Programs	($35.4)	($33.9)	($34.2)	($35.4)
Total Charges	($51.1)	($49.7)	($50.3)	($51.8)
Research & Development	$8.7	$9.0	$9.3	$9.5
TOTAL NYPA O&M	**$281.2**	**$274.9**	**$276.9**	**$285.4**



	Power Generation	Headquarters	Energy Services	Transmission
2007 O&M	$141.5	$78.6	$12.6	$48.5

Modifications to Proposed Budget and Financial Plan

The following is a comparison of the estimated net revenues between the proposed and approved budget and financial plans:

Year	Proposed Budget & Financial Plan *(in Millions)*	Approved Budget & Financial Plan *(in Millions)*
2007	$137.6	$207.2
2008	$180.8	$204.0
2009	$174.5	$222.8
2010	$182.5	$203.2

The major drivers in the variance between the two plans are changes in estimated hydroelectric generation levels and predicted electricity prices.

Estimated hydroelectric generation levels have increased in the approved budget and financial plan to 20.4 terawatt-hours ("TWH") in 2007; 20.4 TWH in 2008; 21.2 TWH in 2009 and 20.8 TWH in 2010 compared to the proposed budget and financial plan estimates of 18.95 TWH in 2007; 19.7 TWH in 2008; 20.3 TWH in 2009 and 20.5 TWH in 2010. The general effects of the increased hydropower availability are greater market sales and/or reduced purchased power costs.

The estimated electricity prices in the approved budget and financial plan are generally about 12% lower in 2007 and about 3% to 8% lower in the 2008-2010 period compared to the proposed budget and financial plan. This leads to reduced purchased power costs while somewhat lowering generation sales revenue.

In addition to these major drivers, estimated operation and maintenance expenses for 2007 have increased roughly 2% in the approved budget and financial plan from what had been estimated in the proposed budget and financial plan.

(d) <u>Self – Assessment of Budgetary Risks</u>

Regulatory Risks

In 1958 the Federal Power Commission issued the Authority a license for a period of 50 years, effective as of September 1, 1957 and expiring August 31, 2007, for the construction, operation and maintenance of the Niagara Project. Under the Niagara Redevelopment Act, pursuant to which the license was granted, the Authority must give preference to public bodies and non-profit cooperatives in disposing of half of the Project's total output. A reasonable amount of such total output subject to preference (not in excess of 10% of total output) must be made available to neighboring states. Failure of the Authority to receive a license renewal for the Niagara Project could have a material adverse impact on the Authority's financial condition. The Authority filed its application for a new Niagara Project license with FERC on August 18, 2005.

The Authority must obtain a new license for the Niagara Project from FERC to continue operating the Project after the license expiration date. However, if on the license expiration date, a new license has not been issued, federal law requires annual relicensing of operation of the Niagara Project to the Authority pending a determination as to the issuance of the new Niagara Project license. If such a license was granted to another entity, the Authority would be entitled to compensation from such entity for its investment in the Project in accordance with applicable provisions of federal law.

On July 6, 2005, the U.S. Fish and Wildlife Service (''FWS'') initiated a status review under the Endangered Species Act (16 U.S.C. 1531 et seq.) to determine if listing the American eel as threatened or endangered is warranted. American eels are a fish species that migrate between freshwater and the ocean, and their wide range includes the Atlantic seaboard of the United States and Canada and the Great Lakes' drainages. The timing and nature of the FWS's future determinations in this matter are uncertain. However, in the event the FWS ultimately determines to list the American eel as threatened or endangered, such a determination could potentially result in significant additional costs and operational restrictions on hydroelectric generating facilities located within the range of the species, including the Authority's St. Lawrence-FDR Project.

The Regional Greenhouse Gas Initiative ("RGGI") is a cooperative effort by Northeastern and Mid-Atlantic states to reduce emissions of carbon dioxide. Central to this initiative is implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The proposed program will require electric power generators in participating states to reduce carbon dioxide emissions. RGGI rules, as currently conceived, will impact the operations of all Authority fossil-fueled generation power plants. NYPA will likely need to curtail generation and/or buy carbon dioxide allowances to remain in compliance. The economic effect of RGGI is not estimable at this point.

Legislative and Political Risks

A series of legislative enactments call for NYPA to subsidize business customers and the State's general fund. Legislation enacted into law, as part of the 2000-2001 State budget, as amended in 2002, 2003 and 2004, provides that the Authority "as deemed feasible and advisable by the Trustees, is authorized to make an additional annual voluntary contribution into the state treasury to the credit of the general fund," in connection with the Power for Jobs Program. The Authority has made voluntary contributions totaling $219 million (including $50 million payments in March 2005 and December 2004) in addition to reimbursement payments to Power for Jobs customers, $37 million in 2005 and $48 million forecasted for 2006, in connection with the Power for Jobs legislation. The Executive Budget for State Fiscal Year 2005-2006 extended the Power for Jobs Program to December 31, 2006, increased the cap on Authority contributions from $275 million to $394 million, and authorized the Authority to make additional voluntary contributions in the amount of $75 million to the State.

On August 16, 2006, the Governor signed S8440/A12013 (Chap. 645 Laws of 2006) which authorized NYPA to make voluntary contributions to the general fund and which authorized, and in some cases directed, NYPA to take certain actions with respect to a significant number of its Market Supply Power business customers. For the State fiscal year 2006-2007 the law authorizes a voluntary contribution of $100 million and extends the Power for Jobs Program through June 30, 2007.

Approval of any payments to subsidize the State's general fund and to subsidize the customers under the foregoing legislation is, for the most part, conditional upon the Trustees' determination that such payments are deemed "feasible and advisable" at the discretion of NYPA's Trustees. The Trustees' decision as to whether and to what extent such payments are feasible and advisable will be made based on the exercise of their fiduciary responsibilities and in light of the requirements of the General Purpose Bond Resolution, other legal requirements, and all the facts and circumstances known to them at the time of the decision. Many of those circumstances are not known at the present time.

As stated earlier, for the 2007-2010 financial plan, the Authority is presuming that continuation of service to the Market Supply Power business customers will remain a New York State priority. Therefore**, for modeling purposes only** for the duration of the 2007 through 2010 financial plan, a <u>maximum</u> of $100 million annually in total has been incorporated as aggregate payments or subsidies to the Market Supply Power business customers and the State's general fund. These forecasted voluntary subsidies and payments are subject to the strictures and caveats of the preceding paragraph. Also, the modeling of such contributions should not be read to mean that the Authority believes such continuing subsidies are an appropriate way of promoting economic development in New York State. On December 1, 2006, the Temporary Commission on the Future of New York State Programs for Economic Development ("Temporary Commission") reported their findings on how to best meet the energy cost needs of statewide businesses. It is unclear at this point which, if any, of the Temporary Commission's recommendations will be implemented and how they would affect NYPA's estimated net revenues for the financial plan period.

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

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

In Executive Order No. 111, dated June 10, 2001 (the ''Executive Order''), the Governor, among other things, required State agencies and other affected entities, as defined in the Executive Order, with responsibility for purchasing energy to increase their purchases of energy generated from the following technologies: wind, solar thermal, photovoltaics, sustainably managed biomass, tidal, geothermal, methane waste and fuel cells. State agencies and other affected entities must seek to purchase sufficient quantities of energy from these technologies so that 10 percent of the overall annual electric energy requirements of buildings owned, leased or operated by such entities will be met through these technologies by 2005, increasing to 20 percent by 2010. No agency or affected entity will be exempt from these goals except pursuant to criteria to be developed by the New York State Energy Research and Development Authority. For the purposes of the Executive Order, ''State agencies and affected entities'' means agencies and departments over which the Governor has Executive authority and all public benefit corporations and public authorities the heads of which are appointed by the Governor. While the Authority's Chairman is appointed by the Trustees and not the Governor, the Authority has voluntarily determined to comply with the Order and to assist any of its governmental customers with their compliance obligations. It is uncertain what impact this Order will have on the sale by the Authority of power and energy to those Authority governmental customers coming within the scope of the Executive Order, but it may require the Authority to offer power from the enumerated technologies to such customers or, failing the Authority's providing such power, it may result in such customers seeking suppliers other than the Authority for a portion of their power and energy requirements.

Hydroelectric Generation Risk

For the 2007-2010 financial plan period, NYPA's net revenues are highly dependent upon generation levels at its Niagara and St. Lawrence-FDR Projects. The generation levels themselves are a function of the hydrological conditions prevailing on the Great Lakes, primarily, Lake Erie (Niagara Project) and Lake Ontario (St. Lawrence-FDR). Long-term generation levels at the two hydroelectric projects are about 20.2 terawatt-hours ("TWH") annually. For 2007, NYPA's probabilistic hydroelectric generation models are forecasting an expected generation level of 20.4 TWH, which is slightly above the long-term average. In 2008, the generation level is estimated at 20.4 TWH; in 2009 at 21.2 TWH; and in 2010 at approximately 20.8 TWH.

However, these generation amounts are expected values and hydrological conditions can vary considerably from year to year. For instance, during a recent eight year period, 1998-2005, hydroelectric generation was in a number of the years below the long-term average and manifested considerable volatility.

Net Hydroelectric Generation		
1998	23.7	TWH
1999	18.7	TWH
2000	18.6	TWH
2001	17.6	TWH
2002	19.7	TWH
2003	18.3	TWH
2004	20.4	TWH
2005	20.7	TWH

Poor hydrological conditions would adversely affect NYPA's estimated net revenues for the Financial Plan horizon and would likely compel NYPA's Trustees to lower or not approve any contributions to the discretionary subsidy policy described above.

NYPA conducted a low hydroelectric generation sensitivity for 2007 and 2008 that had a 25% probability that hydroelectric generation would be at or below a certain point of occurrence. The effect on estimated net revenues, assuming all other factors remain unchanged, was as follows:

	Hydroelectric Generation at 25% Probability	NYPA Net Revenue *(in Millions)*
2007	19.4 TWH	$159.6
2008	19.7 TWH	$169.6

If hydroelectric generation levels were to fall at or lower than the 25% probability level, it is clear that net revenues for 2007 and 2008 would be severely impacted and NYPA's Trustees could significantly reduce or consider eliminating any budgeted subsidy or contribution to the Authority's market power supplied business customers and the State general fund.

Electric Price and Fuel Risk

The Authority dispatches power from its generating facilities in conjunction with the NYISO. The NYISO coordinates the reliable dispatch of power and operates markets for the sale of electricity and ancillary services within New York State. The NYISO collects charges associated with the use of the transmission facilities and the sale of energy, capacity, and services through the markets that it operates and remits those proceeds to the owners of the facilities in accordance with its tariff and to the sellers of the electricity and services in accordance with their respective bids and applicable NYISO market procedures. Under the NYISO Open Access Transmission Tariff, certain charges for ancillary services (which include NYISO operating costs), congestion, losses, and a portion of the Authority's transmission costs are assessed against the Authority and other entities responsible for serving ultimate customers. Because of the Authority's active participation in the NYISO markets, such costs are significant and are currently being passed through to most Authority customers.

Under NYISO procedures, Load Serving Entities (''LSEs'') represent electricity end-users in dealings with the NYISO. The Authority is an LSE for large segments of its load in New York State and must ensure it has sufficient installed capacity to meet its customers' needs and NYISO reliability rules, either through ownership of such capacity, bilateral installed capacity purchase contracts or auction purchases conducted by the NYISO. As an LSE, the Authority is also obligated to ensure that it has enough energy to meet its customers' energy needs. These needs can be met in the NYISO regime through the Authority's own generation, bilateral purchases from others, or purchases of energy in the NYISO ''day-ahead'' market (''DAM'') (wherein bids are submitted for energy to be delivered the next day) or in the NYISO ''real time'' market. A bilateral purchase is a transaction where a generator or a power marketer that has access to power and an LSE agree upon a specified amount of energy being supplied to the LSE by the generator or power marketer at specified prices.

This procedure has provided the Authority with economic benefits from its units' operation when selected by the NYISO and may do so in the future. However, such bids also obligate the Authority to supply the energy in question during a specified time period, which does not exceed two days, if the unit is selected. If a forced outage occurs at the Authority plant which is to supply such energy, then the Authority is obligated to pay during the Short Term Period (1) in regard to the Excess Energy amount, the difference between the price of energy in the NYISO real time market and the Market Clearing Price in the DAM, and (2) in regard to the Contract Energy amount, the price of energy in the NYISO real time market which is offset by the Contract Price. This real time market price may be subject to more volatility than the DAM price. The risk attendant with this outage situation is that, under certain circumstances, the Market Clearing Price in the DAM and the Contract Price may be well below the price in the NYISO real time market, with the Authority having to pay the difference. In times of maximum energy usage, this cost could be substantial. This outage cost risk is primarily of concern to the Authority in the case of its Poletti unit and the 500-MW Project because of their size, nature, and location.

In addition to the risk associated with Authority generation bids into the DAM, the Authority could incur substantial costs in times of maximum energy usage in purchasing replacement energy for its customers in the DAM or through other supply arrangements to make up for lost energy due to an extended outage of its units and non-performance of counterparties to energy supply contracts.

In April 2002, the Authority created the position of Vice President, Chief Risk Officer—Energy Risk Assessment and Control. This officer reports to the Executive Vice President and Chief Financial Officer and is responsible for establishing policies and procedures for identifying, reporting and controlling energy-price- and fuel-price-related risk exposure and risk exposure connected with energy- and fuel-related hedging transactions. This type of assessment and control has assumed greater importance in light of the Authority's participation in the NYISO energy markets and the sale of its two nuclear plants, and the commercial operation of its 500-MW Project. In recent years, the Authority has increased its dependence on purchased power to meet its customers' needs. This has made the Authority more susceptible to risks posed by increases in purchased power costs and fuel costs. To deal with this greater risk, the Authority has obtained and is in the process of obtaining power purchase agreements (or their financial equivalents) to meet a significant portion of its customer load. Even with these planned arrangements, the Authority will still have exposure to purchased power price risks to the extent it purchases power in the NYISO day-ahead and real-time markets. Also, with the addition of the Authority's 500-MW Project, the Authority will face increased fuel price risk to the extent it uses its own fossil-fuel generation to meet its customers' needs. The risk management program implemented by the Vice President, Chief Risk Officer—Energy Risk Assessment and Control is designed to mitigate such risks.

Litigation Risk

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

On May 30, 2001, the United States District Court (the Court) denied, with one minor exception, the defendants' motion to dismiss the land claims. However, the Court barred the Federal government and one of the tribal plaintiffs, the American Tribe of Mohawk Indians (the Tribe) from re-litigating a claim to 144 acres on the mainland which had been lost in the 1930s by the Federal government. The Court rejected the State's broader defenses, allowing all plaintiffs to assert challenges to the islands and other mainland conveyances in the 1800s, which involved thousands of acres.

On August 3, 2001, the Federal government sought to amend its complaint in the consolidated cases to name only the State and the Authority as defendants. The State and the Authority advised the Court that they would not oppose the motion but reserved their right to challenge, at a future date, various forms of relief requested by the Federal government.

The Court granted the Federal government's motion to file an amended complaint. The tribal plaintiffs still retain their request to evict all defendants, including the private landowners. Both the State and the Authority answered the amended complaint. In April 2002, the tribal plaintiffs moved to strike certain affirmative defenses and, joined by the Federal government, moved to dismiss certain defense counterclaims. In an opinion, dated July 28, 2003, the Court left intact most of the Authority's defenses and all of its counterclaims.

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

Litigation in the case had been stayed to permit time for passage of such legislation. However, in May 2006, the U.S. Supreme Court declined to review the U.S. Court of Appeals' (Second Circuit) decision in Cayuga Indian Nation et al. v Pataki et al. (2005) that had reversed a verdict awarding the Cayugas $248 million in damages and also dismissed the Cayuga land claim. The basis for the Second Circuit's dismissal of the land claim was that the Cayugas had waited too long to bring their land claim (laches). The Authority had raised the defense of laches in its answer in the St. Regis litigation. In light of the decision in Cayuga Indian Nation, the Magistrate has ruled that dispositive motions by defendants must be filed by November 6, 2006 and responses thereto by January 15, 2007.

(e) Revised Forecast of 2006 Budget

(in Millions)

	Original Budget 2006	Forecast 2006	Variance Better/(Worse) 2006
Operating Revenues:			
Customer Revenues	$1,909.2	$1,826.4	($82.8)
NYISO Market Revenues	$1,011.9	$843.6	($168.3)
Total Operating Revenues	$2,921.1	$2,670.0	($251.1)
Operating Expenses:			
Purchased Power	($1,290.8)	($1,069.9)	$220.9
Fuel oil and gas	($623.6)	($528.2)	$95.4
Wheeling Expenses	($302.1)	($297.1)	$5.0
O&M Expenses	($251.2)	($254.7)	($3.5)
Other Expenses	($137.9)	($177.2)	($39.3)
Depreciation and Amortization	($176.4)	($173.4)	$0.0
Total Operating Expenses	($2,782.1)	($2,500.5)	$281.6
NET OPERATING REVENUES	**$139.0**	**$169.5**	**$30.5**
Other Income:			
Investment Income	$26.7	$40.3	$13.6
Other Income	$35.1	$30.1	($5.0)
Total Other Income	$61.8	$70.4	$8.6
Interest Expense:			
Interest Expense	$114.9	$108.9	$6.0
Total Interest Expense	$114.9	$108.9	$6.0
NET REVENUES	**$85.9**	**$131.0**	**$45.1**

(f) Reconciliation of 2006 Budget and 2006 Revised Forecast

Net Revenues estimates have increased due to higher generation (20.2 TWH update compared to 18.45 TWH in current year's budget) at the Niagara and St. Lawrence-FDR projects. The 2006 budgeted fuel and electric prices were greatly influenced by the market reaction that followed the devastating event of Hurricane Katrina. Variances in operating revenues, purchased power expenses and fuel costs are mainly explained by actual electric and fuel prices being significantly lower than estimates rather than the impact of production variances. The variance in Other Expenses is due to an accounting recognition of the estimated impact of certain provisions of Chapter 645 of the Laws of 2006. These provisions were not anticipated at the time NYPA's 2006 budget was developed.

(g) Statement of 2005 Financial Performance

(in Millions)

	Original Budget 2005	Actual 2005	Variance Better/(Worse) 2005
Operating Revenues:			
Customer Revenues	$1,584.0	$1,670.6	$86.6
NYISO Market Revenues	$640.6	$836.7	$196.1
Total Operating Revenues	$2,224.7	$2,507.3	$282.7
Operating Expenses:			
Purchased Power	($936.6)	($1,158.3)	($221.8)
Fuel oil and gas	($337.5)	($377.9)	($40.4)
Wheeling Expenses	($285.6)	($298.7)	($13.1)
O&M Expenses	($256.6)	($253.5)	$3.1
Other Expenses	($185.3)	($195.8)	($10.5)
Depreciation and Amortization	($156.5)	($149.0)	$7.5
Total Operating Expenses	($2,158.0)	($2,433.2)	($275.2)
NET OPERATING REVENUES	**$66.6**	**$74.1**	**$7.5**
Other Income:			
Investment Income	$16.5	$22.2	$5.7
Other Income	$41.5	$39.5	($2.1)
Total Other Income	$58.0	$61.6	$3.6
Interest Expense:			
Interest Expense	($84.4)	($77.2)	$7.2
Total Interest Expense	($84.4)	($77.2)	$7.2
NET REVENUES	**$40.3**	**$58.5**	**$18.2**

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

NYPA AUTHORIZED POSITIONS

	2007	2008	2009	2010
Headquarters	613	613	613	613
Power Generation*	828	819	813	774
Transmission	196	196	196	196
TOTAL	**1637**	**1628**	**1622**	**1583**

* Includes the anticipated retirement of the Poletti plant in 2010.

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

As the Authority is projecting positive net revenues for the 2007-2010 financial plan period, there are no planned gap-closing programs.

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

See discussion about "Other Income".

(k) Shift in Material Resources

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

(l) Debt Service

Projected Debt Outstanding (FYE)
(in Thousands)

	2007	2008	2009	2010
Revenue Bonds				
Series 1998A	$76,295	$22,850	$16,975	$15,265
Series 2000A	$77,215	$77,215	$77,215	$77,215
Series 2001A	$42,385	$0	$0	$0
Series 2002A	$457,840	$435,705	$412,675	$388,580
Series 2003A	$213,240	$209,090	$204,785	$200,310
Series 2006A	$163,930	$154,340	$144,315	$133,845
Series 2007A	$346,000	$341,750	$337,290	$332,600
Total Revenue Bonds	$1,376,905	$1,240,950	$1,193,255	$1,147,815
Adjustable Rate Tender Notes	$150,000	$143,995	$137,505	$130,500
Auction Rate Notes				
Series 3	$37,425	$36,050	$34,625	$33,150
Series 4	$37,425	$36,050	$34,625	$33,150
Total Auction Rate Notes	$74,850	$72,100	$69,250	$66,300
Commercial Paper Notes				
Series 1	$291,771	$296,629	$318,216	$337,252
Series 2	$243,600	$242,150	$196,590	$127,590
Series 3	$142,700	$143,770	$137,840	$130,850
Extendible - Series 1	$90,000	$85,000	$80,000	$75,000
Total Commercial Paper Notes	$768,071	$767,549	$732,646	$670,692
GRAND TOTAL	**$2,369,826**	**$2,224,594**	**$2,132,656**	**$2,015,307**

Planned Use of Debt Issuances

(in Thousands)

TYPE	Amount	Assumed Interest Rate	Project / Description
Period January 1, 2007 - December 31, 2007			
Tax Exempt Commercial Paper	$27,755	4.50%	Niagara Upgrade and Re-Licensing
	$24,088	4.50%	Energy Services Program
Total Tax Exempt Commercial Paper	$51,843		
Taxable Commercial Paper	$15,500	6.50%	Tri-Lakes Transmission
	$55,589	6.50%	Niagara Upgrade and Re-Licensing
	$1,937	6.50%	Energy Services Program
Total Taxable Commercial Paper	$73,026		
Revenue Obligation Bonds	$346,000	5.1923%	Hydro Project Re-Licensing and Upgrade (includes refunding of approximately $182 million in Commercial Paper)
TOTAL ISSUED 2007	**$470,869**		
Period January 1, 2008 - December 31, 2008			
Tax Exempt Commercial Paper	$4,858	4.50%	Energy Services Program
Taxable Commercial Paper	$4,800	6.50%	Tri-Lakes Transmission
	$1,567	6.50%	Energy Services Program
Total Taxable Commercial Paper	$6,367		
TOTAL ISSUED 2008	**$11,225**		
Period January 1, 2009 - December 31, 2009			
Tax Exempt Commercial Paper	$21,587	4.50%	Energy Services Program
Taxable Commercial Paper	$963	6.50%	Energy Services Program
TOTAL ISSUED 2009	**$22,550**		
Period January 1, 2010 - December 31, 2010			
Tax Exempt Commercial Paper	$19,036	4.50%	Energy Services Program
Taxable Commercial Paper	$751	6.50%	Energy Services Program
TOTAL ISSUED 2010	**$19,787**		

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

Debt Service as Percentage of Pledged Revenues (Accrual Based)

(in Thousands)

	2007		2008		2009		2010	
Revenue Bonds	**Debt Service**	**% of Rev.**	**Debt Service**	**% of Rev.**	**Debt Service**	**% of Rev.**	**Debt Service**	**% of Rev.**
Series 1998A	$34,680	1.21%	$10,054	0.35%	$3,093	0.10%	$2,928	0.10%
Series 2000A	$4,054	0.14%	$4,054	0.14%	$4,054	0.14%	$4,054	0.14%
Series 2001A	$46,561	1.62%	$38,740	1.34%	$0	0.00%	$0	0.00%
Series 2002A	$44,592	1.55%	$44,592	1.54%	$44,591	1.50%	$44,561	1.59%
Series 2003A	$12,121	0.42%	$15,741	0.54%	$15,742	0.53%	$15,741	0.56%
Series 2006A	$16,594	0.58%	$17,231	0.60%	$17,231	0.58%	$17,232	0.61%
Series 2007A	$2,935	0.10%	$21,950	0.76%	$21,950	0.74%	$21,950	0.78%
Total Revenue Bonds	$161,536	5.63%	$152,361	5.27%	$106,660	3.59%	$106,466	3.79%
Adjustable Rate Tender Notes	$12,590	0.44%	$12,934	0.45%	$13,156	0.44%	$13,397	0.48%
Auction Rate Notes								
Series 3	$3,060	0.11%	$3,049	0.11%	$3,035	0.10%	$3,019	0.11%
Series 4	$3,060	0.11%	$3,049	0.11%	$3,035	0.10%	$3,019	0.11%
Total Auction Rate Notes	$6,121	0.21%	$6,097	0.21%	$6,070	0.20%	$6,038	0.21%
Commercial Paper Notes								
Series 1	$13,138	0.46%	$13,815	0.48%	$14,434	0.49%	$15,385	0.55%
Series 2	$21,855	0.76%	$59,035	2.04%	$82,957	2.79%	$62,643	2.23%
Series 3	$15,104	0.53%	$8,855	0.31%	$9,824	0.33%	$8,987	0.32%
Extendible - Series 1	$9,275	0.32%	$9,050	0.31%	$8,825	0.30%	$8,600	0.31%
Total Commercial Paper Notes	$59,373	2.07%	$90,755	3.14%	$116,041	3.91%	$95,616	3.40%
GRAND TOTAL DEBT SERVICE	**$239,620**	**8.35%**	**$262,148**	**9.06%**	**$241,926**	**8.15%**	**$221,516**	**7.88%**

Note: NYPA has no legal limit with regards to debt issuance.

Scheduled Debt Service Payments (Accrual Based)

Outstanding (Issued) Debt

	Principal	Interest	Total
2007	$126,410,167	$107,060,732	$233,470,899
2008	$142,739,938	$94,839,161	$237,579,099
2009	$128,356,372	$88,137,955	$216,494,327
2010	$112,990,806	$82,084,798	$195,075,604

Proposed Debt

	Principal	Interest	Total
2007	$0	$6,148,879	$6,148,879
2008	$4,250,000	$20,318,445	$24,568,445
2009	$4,460,000	$20,972,080	$25,432,080
2010	$4,690,000	$21,749,906	$26,439,906

Total Debt

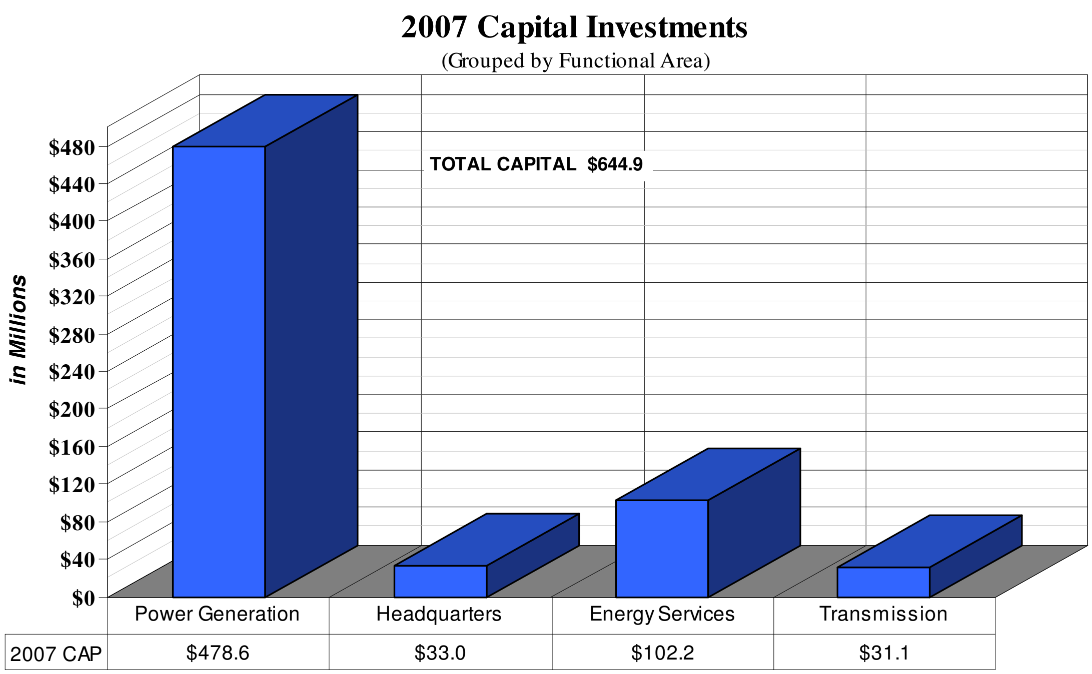
	Principal	Interest	Total
2007	$126,410,167	$113,209,611	$239,619,778
2008	$146,989,938	$115,157,606	$262,147,544
2009	$132,816,372	$109,110,035	$241,926,407
2010	$117,680,806	$103,834,704	$221,515,509

(m) Capital Investments and Sources of Funding

The Authority currently estimates that it will expend approximately $1.264 billion for various capital improvements over the financial plan period 2007-2010. The Authority anticipates that these expenditures will be funded using existing construction funds, internally-generated funds and additional borrowings. Such additional borrowings are expected to be accomplished through the issuance of additional commercial paper notes and/or the issuance of long-term fixed rate debt. Projected capital requirements during this period include:

(in Millions)	2007	2008	2009	2010
Niagara Relicensing	$ 371.0	$ 5.7	$ 6.3	$ 6.7
St. Lawrence Relicensing	$ 14.4	$ 13.5	$ 7.6	$ 2.5
St. Lawrence Life Extension and Modernization	$ 19.9	$ 20.1	$ 20.5	$ 20.3
Blenheim-Gilboa Life Extension and Modernization*	$ 22.3	$ 26.5	$ 25.5	$ 15.0
Energy Services & Technology	$ 102.2	$ 103.2	$ 103.2	$ 103.2
Other	$ 115.1	$ 47.5	$ 47.2	$ 44.1
TOTAL	**$ 644.9**	**$ 216.5**	**$ 210.3**	**$ 191.8**

* the Blenheim-Gilboa Life Extension and Modernization program began in 2003 and is anticipated to be completed in 2010 for a total cost of $ 135 million.



Certification of Assumptions and Method of Estimation for Budget and Financial Plan 2007-2010 in accordance with the Comptroller's Regulation § 203.9 Certification

December 19, 2006

To the Board of Trustees
Power Authority of the State of New York

To the best of my knowledge and belief after reasonable inquiry, I, the undersigned, certify that the Authority's budget [or plan] is based on reasonable assumptions and methods of estimation and that the regulations enumerated in Part 203, "Budget and Financial Plan Format, Supporting Documentation and Monitoring - Public Authorities" have been satisfied.

Timothy S. Carey
President & Chief Executive Officer

**13. Robert Moses Niagara Power Project –
Standardization of the Upgrade Program
Prototype Unit – Expenditure Authorization**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital expenditures of $9.1 million to standardize the design of Unit 4, the first upgraded turbine-generator at the Robert Moses Niagara Power Project ('Project').

BACKGROUND

"Based on economic analyses, the Authority adopted a plan in 1991 to rehabilitate and upgrade the generating units to increase the Project's use of available water, improve operating efficiency of each unit, allow additional operating flexibility and provide for life extension and modernization of the facilities. The current upgrade program involves an upgrade of each of the 13 generating units at the Project from a nominal output of 175 MVA to 215 MVA; work included replacement of the turbine, modifications to the generator, replacement of the transformer and other associated equipment modifications and replacement.

"After receiving Federal Energy Regulatory Commission ('FERC') approval in 1989, the upgrade program of the Project units began in 1991. Installation of the prototype turbine-generator on Unit 4 was completed in 1993 without some of the technological advancements made on the later upgraded units. Upgrade work on the remaining units was completed at a rate of one per year, with the program to be completed in December 2006 when the last (13^{th}) unit was upgraded. The overall upgrade program will be completed on schedule and under budget.

"Unit 4 was the first unit to be upgraded at the start of the program. For this reason, and through the development of the technology used throughout the program, Unit 4 was considered a 'prototype unit' with the understanding that it would eventually be necessary to bring it up to the same standards, design and technologies as the later upgraded units.

"With the conclusion of the 13-unit upgrade program, it is appropriate to plan for the replacement and repair of equipment on the prototype unit.

DISCUSSION

"The Project upgrade program, now approaching completion, includes rebuilding the existing wicket gates, installing new greaseless bushings and line boring the lower wicket gate bores. The first two units that were upgraded (4 and 13) were provided with Teflon-lined type bushings, while the later units used a Teflon-epoxy plug design in their bushings. The lined bushings have been reported to have higher-than-expected failure rates at other facilities.

"The standardization work will include replacement of Teflon-lined bushings with plug-type greaseless bushings, which have a proven record of performance. Additional work required from the technology advancements made during progression of the upgrade program will include:

- Replacement of the obsolete rotating excitation system with solid-state excitation.
- Rotor rim reshrink to maintain the rotor centerline, minimize generator vibrations and improve performance and extend the life-cycle of the rotor and rotor poles.
- Operating ring modifications that replace thordon material with Deva material.
- Stationary wear rings evaluation and replacement if excessive wear is determined.
- Installation of stainless steel facing plates.
- Head cover evaluation and repair if needed.

"It is anticipated that some level of standardization will also be required for no more than two additional units completed in the early stages of the program. Once the scope of work for any further standardization has been fully defined, Trustee approval will be requested.

"The Authority's Expenditure Authorization Procedure will be followed for implementation of the prototype standardization, as well as any future unit standardization efforts.

FISCAL INFORMATION

"Payments for costs associated with the standardization of Unit 4 at the Project will be made from the Capital Fund.

RECOMMENDATION

"The Vice President – Project Management, the Vice President – Procurement and Real Estate, the Vice President – Engineering, the Regional Manager – Western New York and the Project Manager recommend that the Trustees authorize capital funding of $9.1 million for the standardization of Unit 4 at the Robert Moses Niagara Power Project.

"The Executive Vice President and General Counsel, the Executive Vice President – Corporate Services and Administration, the Senior Vice President and Chief Financial Officer, the Senior Vice President and Chief Engineer – Power Generation, the Vice President – Controller and I concur in the recommendation."

Mr. Canale presented the highlights of staff's recommendations to the Trustees. In response to a question from Chairman McCullough, President Carey said that this project is separate and apart from the Life Extension and Modernization ("LEM") project at Niagara, which will be finished this month on time and under budget. He said that this project is necessary to bring the units that were first replaced under the LEM project up to the higher standards of the units that were completed last. President Carey also noted that the LEM project began 15 years ago.

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

RESOLVED, That capital expenditures are hereby approved in accordance with the Authority's Expenditure Authorization Procedures, as recommended in the foregoing report of the President and Chief Executive Officer, in the amounts and for the purposes listed below:

Description	**Current Estimate**	**Previously Authorized**	**Current Request**	**Total Authorized Amount**
Engineering/ Design & Construction Management	**$ 460,000**	**$0**	**$ 460,000**	**$ 460,000**
Procurement	**$2,773,000**	**$0**	**$2,773,000**	**$2,773,000**

Construction	**$5,047,000**	**$0**	**$5,047,000**	**$5,047,000**
Authority Direct/Indirect	**$ 820,000**	**$0**	**$ 820,000**	**$ 820,000**
Totals				**$9,100,000**

AND BE IT FURTHER RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, 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.

14. Proposed Niagara University Hydropower Contracts – Notice of Public Hearing

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize a public hearing, pursuant to Section 1009 of the Public Authorities Law, on a proposed contract with Niagara University ('University'). The proposed contract for sale of Niagara Project ('Project') power and energy is part of the Niagara University Relicensing Settlement Agreement ('NURSA') dated May 23, 2006 between the University and the Authority in exchange for the University's support of the Authority's Niagara Project relicensing efforts.

"The form of the Niagara University contract is attached as Exhibit '14-A.'

BACKGROUND

"The existing 50-year license issued to the Authority under the Federal Power Act for the Project expires on August 31, 2007. At their meeting of June 28, 2005, the Trustees authorized the President and Chief Executive Officer (and his designees) to file an Application for a New License ('Application') with the Federal Energy Regulatory Commission ('FERC') for the Project; to file related applications with the New York State Department of State and the New York State Department of Environmental Conservation and an Offer of Settlement with FERC ('Offer of Settlement'); to enter into and execute settlement agreements and to execute such other documents and take such other actions as may be necessary or convenient in connection with such actions. The Application was filed with FERC on August 18, 2005 and the Offer of Settlement was filed with FERC the following day.

"The Offer of Settlement included four separate settlement agreements reached by the Authority with parties participating in the Alternative Licensing Process ('ALP') commenced by the Authority in 2002 in accordance with FERC regulations. The Relicensing Settlement Agreement Addressing New License Terms and Conditions was executed by the state and federal agencies involved in the relicensing process and by certain public and private entities concerned with ecological issues; the Host Community Relicensing Settlement Agreement Addressing Non-License Terms and Conditions was executed by the Project 'Host Communities'[1] the Relicensing Settlement Agreement between the Power Authority of the State of New York and the Tuscarora Nation was executed by the Tuscarora Nation and the Relicensing Settlement Agreement Addressing Allocation of Niagara Project Power and Energy to Neighboring States was executed by the Authority's out-of-state hydropower customers.

"Since its filing, the Offer of Settlement has been supplemented twice with the NURSA and the Erie County/City of Buffalo Relicensing Settlement Agreement. These Agreements were filed with FERC on May 26, 2006 and June 30, 2006, respectively, after being approved by the Trustees at their meetings of May 23, 2006 and June 27, 2006, respectively.

"During the course of the ALP, the University raised a number of issues generally arising out of the proximity of the campus to the Project, and settlement negotiations between the University and the Authority commenced in December 2004. These negotiations resulted in the NURSA, which includes an allocation of up to 3 MW of Project power to the University. The NURSA represents complete settlement of all issues raised by the University during the relicensing proceeding.

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[1] The Host Communities consist of the seven municipal entities that would exercise taxing jurisdiction over areas encompassed by the Project boundary established by FERC if Project lands were taxable. These communities are the City of Niagara Falls, Niagara County, the Towns of Lewiston and Niagara and three school districts: Lewiston-Porter, Niagara-Wheatfield and the City of Niagara Falls.

DISCUSSION

"The proposed contract would make available up to 3 MW of Project power and energy to the University. If the University's electric usage exceeds 3 MW, it must procure the additional power and energy from a third party. The proposed contract contemplates delivery of power and energy to the University at the Project switchyard. It will be the University's responsibility to arrange for delivery to its meter(s).

"The NURSA provides that the University will pay rates equivalent to the lowest production rate charged by the Authority (directly or indirectly) to an entire class of Western New York hydropower business customers (including for example, Replacement or Expansion Power customers) plus any charges assessed or imposed in connection with such supply by the New York Independent System Operator ('NYISO'). The Authority will provide Unforced Capacity (a measure of a generator's installed capacity that is a function of its availability on-peak) in the amounts necessary to meet the University's Unforced Capacity obligations associated with the up-to-3-MW allocation in accordance with the rules and tariffs of the NYISO. Neither ancillary services nor renewable or 'green' attributes are included in such allocation.

"The Authority's obligation to sell power and energy to the University pursuant to the NURSA shall become effective on the latest of: (1) the first day after the date of the 'Acceptance of the New License'[2], (2) the date on which the Authority and the University execute a contract for the sale of power and energy or (3) September 1, 2007. The proposed contract runs through September 1, 2025, the same as the current Niagara contracts with the municipal and rural electric cooperative customers and the Neighboring States. A successor contract will be required to meet the terms of the NURSA.

"The Authority agreed to commence the statutory contract approval process for the new proposed contract now with the expectation that the process would be concluded in early 2007, to take effect as stated above. If the license is not granted to the Authority, the contract would be of no force and effect.

FISCAL INFORMATION

"The 3 MW of Project power and energy that will be sold to the University under the proposed contracts will be sold at the then-effective Replacement/Expansion Power rate that fully recovers the Authority's costs.

RECOMMENDATION

"The Executive Director of Hydropower Relicensing recommends that the Trustees authorize a public hearing on the proposed contracts with Niagara University to be held at a time and date authorized by the Chairman. It is further recommended that, pursuant to Section 1009 of the Public Authorities Law, the Corporate Secretary be authorized to transmit copies of the proposed contracts to the Governor and legislative leaders.

"The Executive Vice President and General Counsel, the Senior Vice President – Marketing and Economic Development, the Senior Vice President – Public and Governmental Affairs and I concur in the recommendation."

Mr. Vattimo presented the highlights of staff's recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Vattimo said that these contracts were subject to the Authority's obtaining a new license to operate the Niagara power project.

[2] "Acceptance of the New License" is defined in the NURSA as the date upon which the Authority files its acceptance of the New License with FERC, or the date of the expiration of the existing original license, August 31, 2007, whichever occurs later.

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

RESOLVED, That the Authority hereby authorizes a public hearing on the terms of the proposed contract for the sale of hydroelectric power and energy generated by the Authority to Niagara University substantially in the form attached hereto as Exhibit "14-A," to be held at a subsequent time and date authorized by the Chairman; and be it further

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

RESOLVED, That the President or his designee be, and hereby is, authorized, subject to approval of the form thereof by the Executive Vice President and General Counsel, to enter into such other agreements, and to do such other things as may be necessary or desirable to implement sales to Niagara University as required by the Niagara University Relicensing Settlement Agreement filed with the Federal Energy Regulatory Commission in support of the anticipated new Niagara Project license and as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

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

Exhibit "14-A"
December 19, 2006

POWER AUTHORITY

OF THE

STATE OF NEW YORK

30 South Pearl Street
Albany, New York

AGREEMENT FOR THE SALE

OF NIAGARA PROJECT POWER AND ENERGY

TO Niagara University

Service Tariff No. NP-1- Firm Non-Preference
Hydroelectric Power and Energy

Draft
November 15, 2006

POWER AUTHORITY OF THE STATE OF NEW YORK

30 South Pearl Street
Albany, New York

AGREEMENT FOR THE SALE OF HYDROPOWER AND ENERGY

Niagara University hereby enters into this Agreement with the Power Authority of the State of New York for electric service as follows:

I. Definitions

a. **Acceptance of the New License** shall mean the date upon which the Power Authority files its acceptance of the New License with FERC, or the date of the expiration of the existing original license, August 31, 2007, whichever occurs later.

b. **Agreement** means this Agreement.

c. **Authority** is the Power Authority of the State of New York.

d. **Contract Demand** will be the amounts set forth in Section II or such other amount as may be determined in accordance with the provisions of this Agreement.

e. **Customer** is Niagara University.

f. **Electric Service** is Power and Energy available to Customer in accordance with applicable Service Tariffs, Rules and other contract documents.

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

h. **FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which new license will become effective after expiration of the Project's original license issued on January 30, 1958.

i. **Firm Hydroelectric Power and Energy** are firm power and associated energy from the Authority's Niagara Power Project, intended to be available at all times except for limitations provided in this Agreement, the Rules, applicable Service Tariff or in other contract documents.

j. **NRA** means the federal Niagara Redevelopment Act (18 USC §§836, 836a)

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

l. **Project** means the Niagara Power Project, FERC Project 2216.

m. **Project Power and Energy** means Firm Hydroelectric Power and Energy produced by the Project.

n. **Relicensing Settlement Agreement** means the Niagara University Relicensing Settlement Agreement dated May 23, 2006 between Niagara University and the Authority.

o. **Rules** are the applicable provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York).

p. **Service Tariffs** are schedules establishing rates and other conditions for sale of Electric Services to Customer.

II. Electric Service to be Provided

a. The Authority shall provide Electric Service pursuant to Service Tariffs for Power and/or Energy to enable the Customer to receive its allocations from the Project in accordance with the provisions of the FERC License and Relicensing Settlement Agreement, in the amounts set forth below:

Firm Hydroelectric Power and Energy Service pursuant to
Service Tariff No. NP-1 - 3,000 KiloWatts (Contract Demand)

The Authority shall provide Unforced Capacity in amounts necessary to meet Customer's NYISO Unforced Capacity obligations associated with the foregoing allocation of Firm Non-preference Hydroelectric Power and Energy Service in accordance with the rules and tariffs of the NYISO. Neither Ancillary Services (as defined in the rules and tariffs of the NYISO), nor renewable or "green" attributes (as may be defined from time to time by the New York Public Service Commission or other agency having jurisdiction over such matters) are included in such allocation.

b. The Contract Demands for Project Power and Energy may be modified by the Authority if the amounts of such Project Power and Energy available for sale from the Project are modified as required to comply with any ruling, order or decision of any regulatory or judicial body having jurisdiction.

III. Rules, Regulations and Service Tariffs

The Rules and Service Tariff No. NP-1 (NP-1), as now in effect and/or such superseding tariff(s) or other tariff(s) as the Authority may later promulgate, all as such Rules and Service Tariffs may be later amended from time to time by the Authority, are hereby incorporated into this Agreement with the same force and effect as if herein set forth at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariffs and the Rules, the provisions of the Service Tariffs shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and the Service Tariffs, the provisions of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to Customer of any proposed change in the above Rules and Service Tariffs, but in no event shall Authority provide less notice than that provided to similarly affected customers within New York State.

IV. Transmission and Delivery of Power and Energy

Authority shall make Project Power and Energy available to Customer at the Project Switchyard. It is the Customer's responsibility to act as the Load Serving Entity (“LSE”) or arrange for another entity to do so on its behalf. Customer, or the entity acting as LSE on its behalf, shall arrange for the transmission of the Project Power and Energy supplied hereunder from the Project Switchyard to Customer’s points of delivery consistent with the terms of the Open Access Transmission Tariff (OATT) or other applicable tariff of the NYISO and Customer shall be responsible for all costs associated with the transmission and delivery of the allocation.

V. Rates

Project Power and Energy shall be sold to Customer hereunder at rates equivalent to the lowest production rate charged by the Authority (directly or indirectly) to an entire class of Western New York hydropower business customers (including for example, Replacement or Expansion Power customers) plus any charges assessed or imposed in connection with such supply by the New York Independent System Operator. Such rates are currently as set forth in the attached Service Tariff NP-1, which tariff may be amended from time to time consistent with the foregoing.

VI. Appointment of Customer Agent

Upon reasonable prior written notice to the Authority, Customer shall have the right to delegate to an agent any or all duties under this Agreement (“Customer’s Agent”) and the Authority acknowledges that such duties may be performed by Customer's Agent. Such duties delegated to Customer's Agent may include the keeping of all records required by Authority, the payment of any or all amounts due to the Authority under this Agreement and any or all such other duties contained in this Agreement as may be specified by Customer; provided that the Customer may choose to assume and perform any or all of the duties previously delegated to Customer's Agent and provided further that nothing herein, including Customer's designation of such an agent, shall be deemed to be approval by the Authority of an assignment of any of Customer's duties and obligations under its Agreement with the Authority. Customer may, on reasonable prior written notice to the Authority, designate a different party as Customer's Agent at any time during the term of this Agreement.

VII. Term and Termination of Service

Once initiated, service under the Agreement shall continue until the earliest of (a) termination by Customer with respect to all or part of its allocation upon ninety (90) days prior written notice, (b) termination by the Authority pursuant to the Rules upon required notice, or (c) September 1, 2025, at which time a new agreement will be entered between the Authority and the Customer to provide Customer with Project Power and Energy for the remainder of the licensing period in the amount and for the rate then in effect which complies with the terms of the Niagara University Relicensing Settlement Agreement. The Authority may cancel service hereunder or modify the quantities of Project Power and Energy allocated to Customer only (a) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency), or (b) as otherwise provided herein or in the Rules. The parties recognize that the provision of Power and Energy, as set forth in Section 3.4.1, constitutes substantial consideration to Niagara University for its assent to the Relicensing Settlement Agreement. Notwithstanding the foregoing, upon mutual agreement this Agreement shall be extended beyond such date on a month to month basis pending execution of any successor agreement between the Customer and Authority.

Nothing herein is intended to limit the rights of the Customer under the Relicensing Settlement Agreement and the Authority and Customer understand and agree that the Authority is obligated under such Relicensing Settlement Agreement to make a total of 3 MW of Project Power and Energy available to Customer for the term of the FERC License, whether through extension of this Agreement or by subsequent agreement.

VIII. Notification

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

To the Authority; Manager – Power Contracts
New York Power Authority
123 Main Street
White Plains, NY 10601

To the Customer: President – Niagara University
Niagara University, NY 14109

cc: General Counsel – Niagara University

IX. Applicable Law and Venue

This Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License and the Niagara Redevelopment Act. Any action or proceeding arising out of or relating to this Agreement shall be brought in state courts located in Albany County, New York.

X. Successors and Assigns

This Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the legal successors and assigns of either Party hereto; provided, however, that no assignment by either Party or any successor or assignee of such Party of its rights and obligations hereunder shall be made or become effective without the prior written consent of the other Party in each case obtained, which consent shall not be unreasonably withheld.

XI. Previous Agreements and Communications

This Agreement, together with the Relicensing Settlement Agreement, shall constitute the sole and complete agreement of the Parties hereto with respect to the matters herein set forth. Such Agreements supersede all previous communications between the Parties hereto, either oral or written, with reference to the subject matter hereof. No modifications of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

XII. Acceptance and Approvals

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act, and upon execution by the Parties, this Agreement, the provisions of which shall survive for the term hereof, together with the Service Tariffs and Rules both as they may be amended, shall constitute the contract between the Parties for Electric Service hereunder.

XIII. Severability and Voidability

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

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

XIV. Effectiveness of Agreement

This Agreement shall take effect on the latest of: (i) one day after the “Acceptance of the New License” as defined in the Niagara University Relicensing Settlement Agreement, (ii) the date of this Agreement’s execution under Article XII above or (iii) the effective date specified in NP-1.

Niagara University

BY ____

Title ____

Date ____
(Seal)
Attest by: _______________________________________

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY ____

Title____

Date ____
(Seal)
Attest by: _______________________________________

POWER AUTHORITY OF THE STATE OF NEW YORK

30 South Pearl Street, Albany, NY 12207

Service Tariff No. NP-1

Schedule of Rates for Firm
Hydroelectric Power and Energy Service

EFFECTIVE:

September 1, 2007

APPLICABLE:

To sale of Niagara Firm Hydroelectric Project Power and Energy to certain customers eligible for service under a Niagara Project relicensing agreement.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES (effective May 1, 2006):

Capacity Rate: $4.64 per kilowatt per month of Billing Demand at the Project switchyard.

Base Energy Rate: 7.93 mills per kilowatt-hour

Future rates shall be as determined by the Authority consistent with the provisions of the Application for Service.

MINIMUM MONTHLY CHARGE:

The product of the Capacity Rate and the Billing Demand.

POWER FACTOR:

Not less than 95% lagging or leading, except as otherwise specified in the Customer's accepted Application for Electric Service.

DEFINITIONS:

Billing Demand: The Billing Demand shall be the lesser of a) Customer's Contract Demand or b) the maximum 30 minute integrated demand measured during the Billing Period adjusted for losses.

Billing Energy: Energy provided by Authority under this service tariff.

Billing Period: Any period of approximately thirty (30) days, generally ending with the last day of each calendar month.

GENERAL PROVISIONS:

General Provisions for service supplementing or modifying the Rules and Regulations for Power Service and Service Tariff No. NP – 1 with regard to deliveries to Customer are as follows:

A Availability of Energy

Where Customer is taking service solely from Authority, the Billing Energy shall be the total number of kilowatt-hours recorded on Customer's meter during the Billing Period, adjusted for losses.

Where Customer takes service from other sources in addition to service supplied hereunder, the Billing Energy shall be determined by multiplying the total number of kilowatt-hours recorded on Customer's meter during the Billing Period, adjusted for losses, times the ratio of the Contract Demand to the maximum 30 minute integrated demand measured during the Billing Period adjusted for losses. Such ratio shall not be greater than unity (1.0).

The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Customer if such reductions are necessary due to low flow (i.e., hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Customer in later billing periods.

B Adjustment of Rates

To the extent not inconsistent with the attached Application for Electric Service, the rates contained in this Service Tariff NP-1 may be revised from time to time on not less than thirty (30) days written notice to Customer.

C Delivery

For the purpose of this Service Tariff, Power and/or Energy shall be deemed to be offered when Authority is able to supply Power and Energy to Customer or its agent at the Niagara Project Switchyard. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer. If, despite such offer, there is a failure of delivery by Customer or its Delivery Agent, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D Payment by Customer for Power and/or Energy

1 Customer shall pay for Power and/or Energy during any Billing Period the sum of a) and b) below:

a. For Firm Hydroelectric Power and Energy the capacity rate per kilowatt for Firm and Peaking Power & Energy specified in this Service Tariff or any modification thereof applied to Customer's Billing Demand for the Billing Period: and

b. The Energy rate specified in this Service Tariff or any modification thereof applied to the amount of Billing Energy delivered by Authority to Customer during such Billing Period.

2. Bills computed under Service Tariff NP-1 are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill and adjustments, if necessary, will be made thereafter.

E Supplementary Provision

Sections 454.2 (c) and 454.5 of the Rules are inapplicable to this Service Tariff.

15. Lease of Office Space in the Clarence D. Rappleyea Building to Thomas M. Bona, P.C.

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the execution of a lease of approximately 10,656 square feet of office space on the 6th floor of the Clarence D. Rappleyea Building ('Building'), White Plains, as shown on Exhibit '15-A' attached hereto, by the Authority as landlord to Thomas M. Bona, P.C. ('Bona') as tenant. The proposed lease is for a term of 10 years at an average annual base rent of $24.70 per square foot, plus electricity at an average annual rate of $2.78 per square foot and adjustments to recover increases in taxes and operating expenses over a base year as more specifically described in Exhibit '15-B' attached hereto.

BACKGROUND

"By deed dated July 10, 1991, the Authority acquired the Building, a commercial office building containing approximately 420,195 rentable square feet ('rsf'). Currently, the Authority is leasing approximately 167,300 rsf of the Building to various tenants. Bona has an existing lease with the Authority for the 10,656 square feet of office space on the 6th floor. The existing lease provided for an extension term of five years upon written notice nine months prior to the expiration date. Since Bona decided not to exercise his extension term and the existing lease will expire as of June 30, 2007, he has instead requested a new, longer-term lease with the Authority that will result in up to five additional years of rent revenue estimated to be in excess of $1,200,000.

DISCUSSION

"Thomas Bona started the firm in 1988, with a primary focus on representing insurance companies. Bona has requested that the Authority enter into a new lease for the approximately 10,656 square feet of office space. Preliminary negotiations on this space have resulted in the basic lease terms set forth in Exhibit '15-B.' The existing lease would have only provided for a five-year extension had Bona exercised his option. The new lease provides for a term of 10 years, which is more beneficial to the Authority. It should be noted that this new lease with Bona, an existing tenant, is significantly more beneficial than a lease with a new tenant. A lease with a new tenant would involve a period of free rent (up to 10 months) and a much higher allowance (probably a minimum of $35 rsf) for building out new space. The new lease with Bona will not involve any free rent and will result in an allowance of less than $10 rsf for painting and re-carpeting.

"Title 5A of Article 9 of the Public Authorities Law ('Act') and the Guidelines for Disposal of Real Property ('Guidelines') require that the purpose and terms of such disposal be documented in writing and approved by resolution of the Trustees. Further, the Act and the Guidelines require that an explanatory statement be prepared concerning the circumstances of each such disposal for real property leased for a term of more than five years if the total estimated rent over the term is in excess of $100,000. Such statement shall be transmitted to the New York State Comptroller, the Director of the New York State Division of the Budget, the Commissioner of the New York State Department of General Services and the New York State Legislature not less than 90 days in advance of the disposal. Accordingly, this transfer is subject to approval by the Trustees and the timely filing of the required statement. This Trustee item, if adopted, would constitute the foregoing required explanatory statement and Trustee action.

"In order to fulfill these requirements, staff is recommending that the Authority enter into a short-term (three-month) bridge agreement to fulfill the notification requirements under the Act and then on the expiration of the bridge agreement to enter into the Lease for a term of nine years and nine months.

FISCAL INFORMATION

"Payment for tenant improvements as set forth in Exhibit '15-B' will be made from the Operating Fund.

RECOMMENDATION

"The Vice President – Procurement and Real Estate, the Director – Real Estate and the Director – Corporate Support Services recommend that the Trustees approve entering into a lease agreement with Thomas M. Bona, P.C. for commercial office space in the Clarence D. Rappleyea Building in White Plains, on terms substantially in accordance with the foregoing and Exhibit '15-B' attached hereto.

"The Executive Vice President and General Counsel, the Executive Vice President – Corporate Services and Administration and I concur in the recommendation."

Mr. Hoff presented the highlights of staff's recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Hoff said that by this action the Trustees would be approving a three-month bridge contract and then a nine-year and nine-months lease for the remainder of the term.

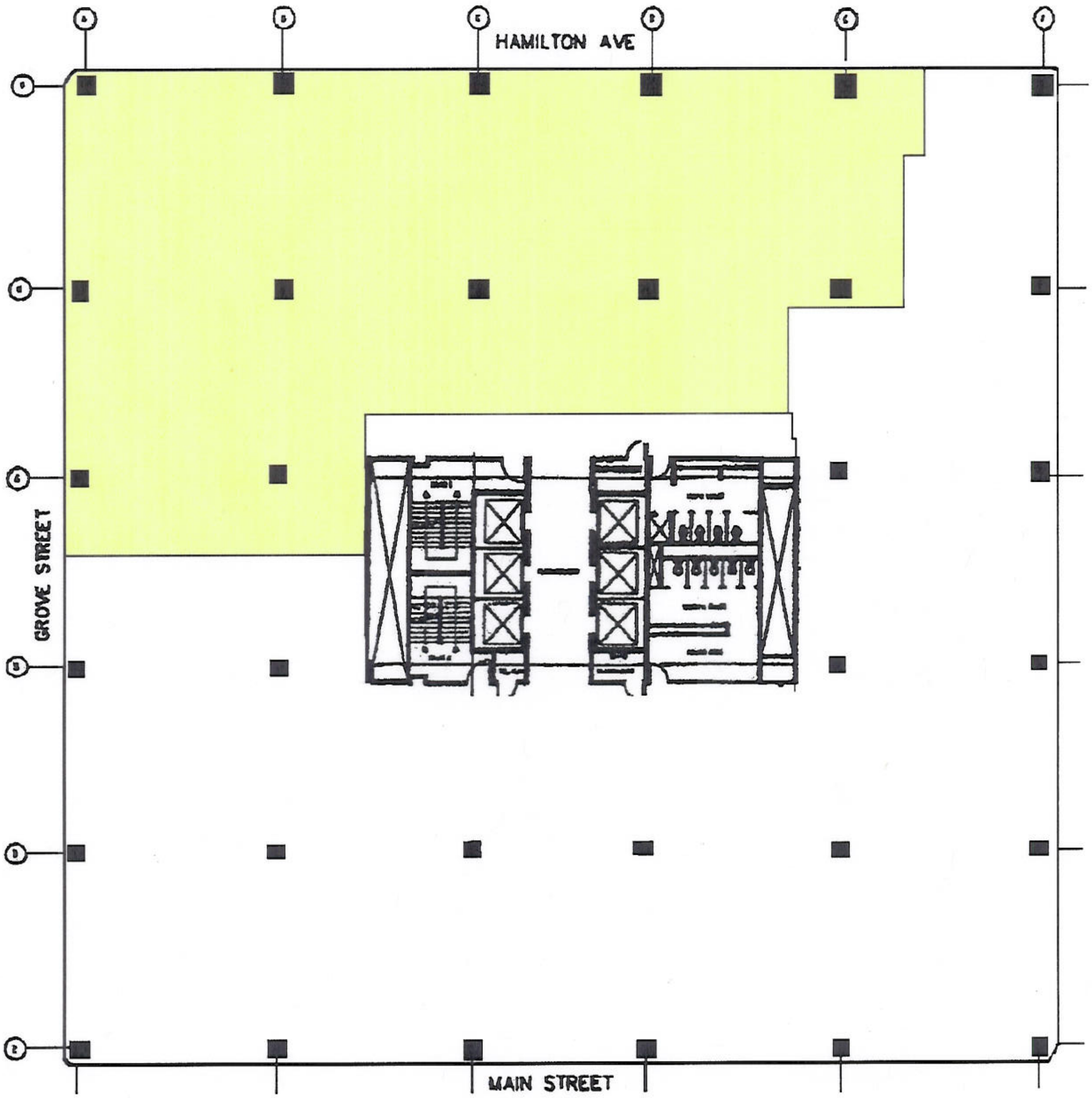
The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the President and Chief Executive Officer, the Executive Vice President – Corporate Services and Administration or the Vice President – Procurement and Real Estate be, and hereby is, authorized to enter into a lease agreement for office space in the Clarence D. Rappleyea Building, White Plains, with Thomas M. Bona, P.C. on substantially the terms set forth in the foregoing report of the President and Chief Executive Officer and Exhibit "15-B" and subject to approval of the lease documents by the Executive Vice President and General Counsel; and be it further

RESOLVED, That the Executive Vice President – Corporate Services and Administration, the Vice President – Procurement and Real Estate 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 approval by the Executive Vice President and General Counsel; and be it further

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

Exhibit "15-A"
December 19, 2006



THOMAS M. BONA, P.C.
PORTION OF THE 6TH FLOOR
(NOT TO SCALE FOR GENERAL INFORMATION ONLY)

Exhibit “15-B”
December 19, 2006

PREMISES	Clarence D. Rappleyea Building, White Plains, 6^{th} floor, 10,656 rentable square feet
LEASE TERM	10 years (from January 1, 2007 to December 31, 2016)
LEASE COMMENCEMENT	January 1, 2007 (tenant's current lease terminates December 31, 2006), but only if tenant is not in default of any term of its current lease, including the payment of rent and additional expenses.
BASE RENT	Years 1-3 - $22.50/s.f. - $239,760 per annum Years 4-6 - $24.50/s.f. - $261,072 per annum Years 7-10 - $26.50/s.f. - $282,384 per annum The base rent is exclusive of any additional rent, including electricity.
RENT COMMENCEMENT DATE	January 1, 2007
CANCELLATION OPTION	Tenant shall have a one-time option to terminate the lease for all of the premises effective on the date preceding the seventh anniversary of the Rent Commencement Date. Tenant shall provide landlord with eight months’ written notice of its election to exercise its termination option and shall pay landlord, prior to the termination date, only the unamortized portion of landlord's expenses specific to this lease transaction. Such expenses shall include the tenant improvements paid for by landlord, brokerage commissions and legal expenses. This amount shall be predetermined and specified in the Cancellation Option clause of the lease. Tenant may not be in default at the time of such exercise.
TENANT ELECTRIC	Landlord shall provide electricity to tenant and tenant shall pay as additional rent an electric inclusion factor on the schedule set out below: Years 1-3 - $2.50/s.f. - $26,640 per annum Years 4-6 - $2.75/s.f. - $29,304 per annum Years 7-10 - $3.00/s.f. - $31,968 per annum

OPTION TO RENEW	Provide one five-year option to renew the lease. The base rent for the renewal term shall not exceed 95% of the "average base rental" in the building at that time. Notwithstanding the foregoing, in no event shalll the base rent be less than the rent payable at the time of such renewal.
LANDLORD'S CONTRIBUTION	Landlord to provide at landlord's cost improvements to the premises as follows: (i) Carpet the entire premises with building standard-grade carpet. (ii) Paint with one coat of paint or provide building standard wall. (iii) Any upgrades or additional work requested by tenant in excess of landlord's contribution shall be borne by tenant at tenant's sole cost and expense. Approximate cost to landlord is $100,000.
ESCALATIONS	Tenant to pay its proportionate share of any increases in real estate taxes and operating expenses over its base year, which is to be established at 2007.
PARKING	Landlord to allocate 1.75 spaces per 1,000 square feet of leased area at $85 per non-reserved spot and $105 per reserved spot.
SECURITY DEPOSIT	Landlord shall require tenant to place on deposit an amount of $79,920 representing four months' rental. In addition, landlord will retain the current amount of the security deposit in the amount of approximately $39,000.
BROKERAGE	As exclusive broker for tenant, Rakow Commercial Realty Group, Inc., shall be paid a three-quarters commission for the new term by landlord upon lease execution. This amount is approximately $75,000.

16. Sublease of Office Space in the Paramount Building, 1633 Broadway, New York City, to Cellfish Media, LLC

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the execution of a sublease of approximately 9,000 square feet of office space on the 20th floor of the Paramount Building ('Building'), 1633 Broadway, New York City, as shown on Exhibit '16-A' attached hereto, by the Authority as sublandlord to Cellfish Media, LLC ('Cellfish') as subtenant. The proposed sublease is for a term of approximately two years at an annual base rent of $45 per square foot plus electricity at an annual rate of $2.25 per square foot and adjustments to recover increases in taxes and operating expenses over a base year as more specifically described in Exhibit '16-B' attached hereto.

BACKGROUND

"At their meeting of September 29, 1987, the Trustees approved the execution of a lease for 169,234 square feet of office space at the Building as the new site for the Authority's New York City office. The term of that lease was for 20 years. The premises under lease initially included the entire 19th, 21st and 22nd floors and approximately 45% of the 20th floor. It was further agreed that Paramount, the landlord, would vacate the balance of the 20th floor, consisting of approximately 23,369 square feet, within five years from the date of the lease and this additional space would then be included in the Authority's Lease. This additional space was turned over to the Authority by Paramount on June 21, 1993 and the Authority's obligation to pay rent on this additional space commenced November 21, 1993.

DISCUSSION

"Anticipating the turnover of this space and recognizing the downsizing of the Authority's staff and diminished space needs, the Authority in December 1992 actively marketed to sublease a significant portion of the space on the 20th floor of the Building. By subsequent meeting of November 30, 1993, the Trustees approved the execution of a sublease for 12,423 rentable square feet ('rsf') of office space in the Building to Mendelsohn, Kary, Bell & Natoli, P.C. ('Mendelsohn') to expire on June 30, 2004. The sublease provided for an option to extend for a period of approximately five years. By First Amendment of Sublease dated March 20, 2002, the sublease was amended in certain respects to provide for a reduction of 3,423 rsf and the extension of the term for approximately four years and six months to December 30, 2008.

"Mendelsohn contacted the Authority and advised that due to the retirement of two of its senior partners, its business has decreased and virtually all of its partners and staff will be joining other firms as of January 1, 2007. Mendelsohn has requested to negotiate a reasonable financial arrangement in consideration of terminating its lease as of December 31, 2006.

"The Authority was contacted by Newmark Knight Frank with a proposal to sublease the 9,000 rsf to Cellfish, formerly known as Lagardere Active North. Cellfish is a new digital content, marketing and distribution group that creates original branded content such as music ringtones, wallpapers, animations, games and community applications aimed at the mobile generation.

"Preliminary negotiations with Cellfish have resulted in the proposed basic lease terms that are set out as Exhibit '16-B.' The proposed sublease with Cellfish will offset the obligation of Mendelsohn for the remaining two years of its sublease.

FISCAL INFORMATION

"The Authority currently pays its lease obligations out of the Operating Fund. By recouping fixed rents under this proposed lease of $47.25 per square foot, the Authority will substantially offset its existing liability.

RECOMMENDATION

"The Vice President – Procurement and Real Estate, the Director – Real Estate and the Director – Corporate Support Services recommend that the Trustees approve entering into a sublease agreement with Cellfish Media, LLC for commercial office space in the Paramount Building at 1633 Broadway, New York City, on terms substantially in accordance with the foregoing and Exhibit '16-B' attached hereto.

"The Executive Vice President and General Counsel, the Executive Vice President – Corporate Services and Administration and I concur in the recommendation."

Mr. Hoff presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Seymour, Mr. Hoff said that this transaction was not subject to the requirements of the Public Authorities Accountability Act because the Authority's original lease with the owners of the building had been signed in 1988, with the sublease signed in 1994. Mr. Kelly added that legal staff had reviewed this and determined that this transaction did not involve the disposal of an interest in Authority real property because the Authority does not own the building. Mr. Hoff said that the new sublease would be subject to the approval of the building owner.

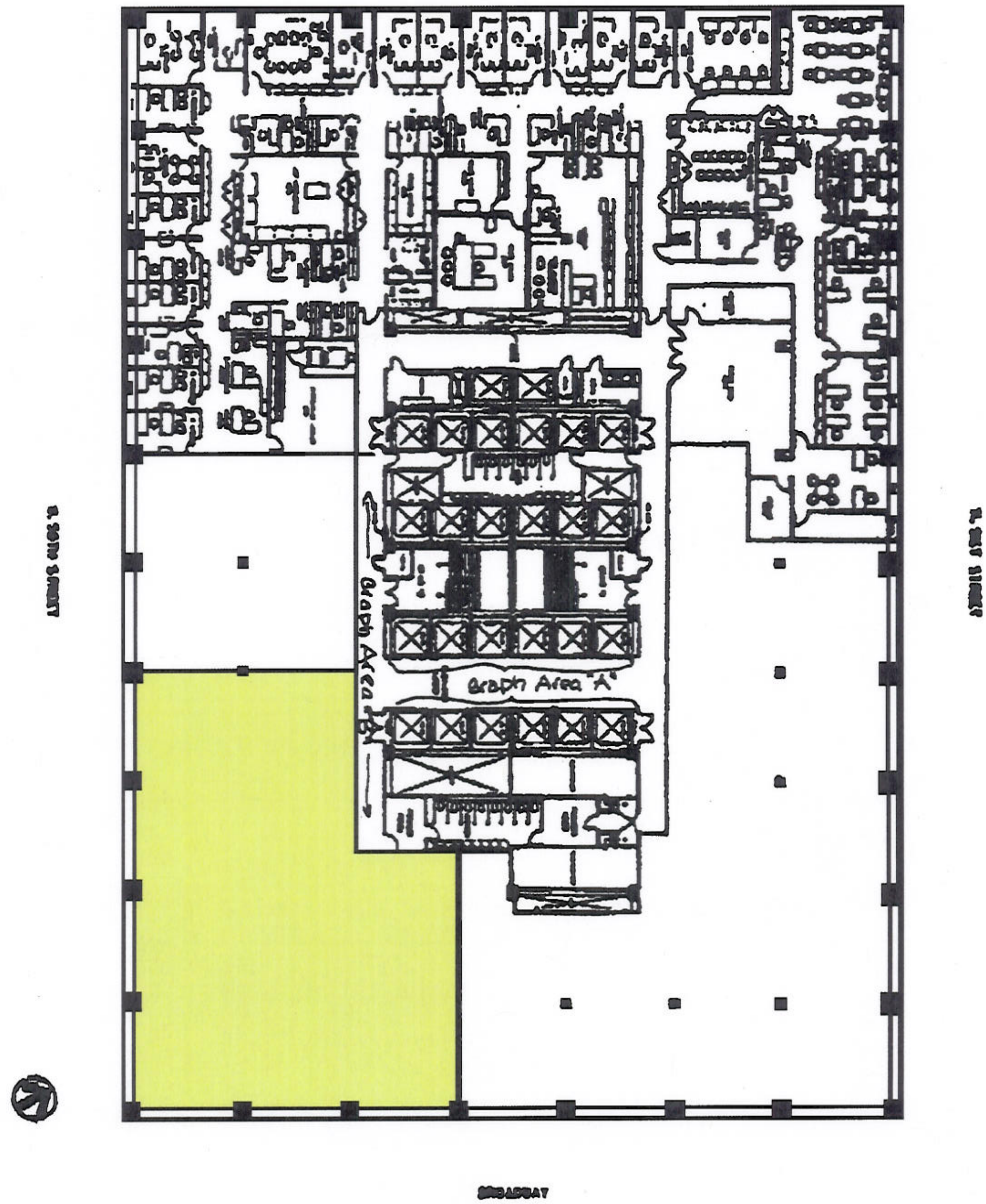
The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the President and Chief Executive Officer, the Executive Vice President – Corporate Services and Administration or the Vice President – Procurement and Real Estate be, and hereby is, authorized to enter into a sublease agreement for office space in the Paramount Building, 1633 Broadway, New York City, with Cellfish Media, LLC on substantially the terms set forth in the foregoing report of the President and Chief Executive Officer and Exhibit "16-B" and subject to approval of the sublease documents by the Executive Vice President and General Counsel; and be it further

RESOLVED, That the Executive Vice President – Corporate Services and Administration, the Vice President – Procurement and Real Estate 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 approval by the Executive Vice President and General Counsel; and be it further

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

Exhibit "16-A"
December 19, 2006



CELLFISH MEDIA , LLC
PORTION OF THE 20TH FLOOR
1633 BROADWAY
(NOT TO SCALE SHOWN FOR GENERAL INFORMATION ONLY)

Exhibit "16-B"
December 19, 2006

PREMISES	1633 Broadway, 20th Floor, 9,000 rentable square feet
LEASE TERM	Approximately Two (2) Years running from January 15, 2007 to December 29, 2008
BASE RENT	$45.00/s.f. - $405,000 per annum The base rent is exclusive of any additional rent including electricity.
RENT COMMENCEMENT DATE	No earlier than January 15, 2007
TENANT ELECTRIC	Landlord shall provide electricity to Tenant and Tenant shall pay as additional rent, an electric inclusion factor as set out below: $2.25/s.f. - $20,250.00 per annum
LANDLORD'S CONTRIBUTION	None
ESCALATIONS	Tenant to pay its proportionate share of any increases in real estate taxes and operating expenses over its base year, which is to be established at 2007.
SECURITY DEPOSIT	None
BROKERAGE	Mendelsohn, Kary, Bell & Natoli, P.C. to pay Newmark Knight Frank as exclusive broker for subtenant one full commission upon lease execution and Paramount's consent.

17. INFORMATIONAL ITEM: Permit for Temporary Use of Office Space in the Clarence D. Rappleyea Building to Westchester County Narcotics Initiative and Westchester County Office of the District Attorney

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize two separate permit transactions. The first is a permit amendment for the Westchester County Narcotics Initiative ('Westchester Narcotics') for the use of approximately 2,052 rentable square feet ('rsf') of office space on the 7th floor of the Clarence D. Rappleyea Building ('Building') in White Plains. This amendment would extend the term of the current permit for an additional two years to December 31, 2008 and increase the consideration for the permit to $30,780.00, inclusive of electricity, effective as of January 1, 2007.

"The second transaction is to amend a permit with the Westchester County Office of the District Attorney ('DA') for the use of approximately 1,506 rsf of office space on the 7th floor of the Building. This amendment would extend the current permit, which expires on July 31, 2007, for an additional 17 months until December 31, 2008 and increase the consideration for the permit to $22,590, inclusive of electricity.

BACKGROUND

"By deed dated July 10, 1991, the Authority acquired the Building, a commercial office building containing approximately 420,195 rsf. Currently, the Authority is leasing approximately 167,300 rsf of the Building to various tenants. Westchester Narcotics has had a Temporary Use Permit since February 1999 subject to revocation at any time and for any reason at the sole discretion of the Authority upon 30 days' written notice. Additionally, the DA has had a permit with the Authority for office space since August 2002 with the same 30-day revocation notice.

DISCUSSION

"At the request of the DA, the Authority entered into Temporary Use Permits to assist the DA's office in obtaining additional office space at reasonable rates for two of its departments. This additional space reduces the County's costs and provides for additional staffing requirements to further the public health, safety or welfare of the citizens of Westchester County.

"The Authority has not determined this property to be surplus to the Authority's needs and the permits are revocable on 30 days' prior written notice. Therefore, these two transactions do not fall within the Authority's guidelines and procedures for disposal of real property and are not subject to the Public Authority Accountability Act of 2005."

Mr. Hoff presented the highlights of staff's recommendations to the Trustees. He said that this transaction was not considered a transfer of an interest in real property under the Public Authorities Accountability Act.

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

"Mr. Chairman, I move that the Trustees conduct an Executive Session pursuant to Section 105 of the Public Officers Law, in connection with discussions relating to proposed, pending and current litigation and matters concerning the appointment, employment, promotion, demotion, dismissal or removal of particular persons or corporations." Upon motion moved and seconded, an Executive Session was held.

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

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

20. Procurement (Services) and Other Contracts –
<u>Business Units and Facilities – Awards</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to approve the award and funding of the multiyear procurement contracts listed in Exhibit '20-A' for the Authority's Business Units/Departments and Facilities. Detailed explanations of the nature of such services, the bases for the new awards if other than to the lowest-priced bidders and the intended duration of such contracts, are set forth in the discussion below.

<u>BACKGROUND</u>

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

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

<u>DISCUSSION</u>

"The terms of these contracts will be more than one year; therefore, the Trustees' approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, which range in estimated value from $30,000 to $30,000,000. Except as noted, these contract awards do <u>not</u> obligate the Authority to a specific level of personnel resources or expenditures.

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

<u>Contracts in Support of Business Units/Departments and Facilities</u>:

<u>Corporate Services and Administration</u>

"The five contracts with **CSL Enterprises, Inc. dba Reel Vision Productions ('CSL'; Q02-3950), Derek LaRock ('LaRock'; Q02-3949-1), EMSTAR Media, Inc. ('EMSTAR'; Q02-3948), Pioppi Video Entertainment Corp. ('Pioppi'; Q02-3947) and Yuk (Tommy) Ng ('Ng'; Q02-3951) (PO#s TBA)** would become effective on January 1, 2007, subject to the Trustees' approval. The purpose of these contracts is to provide for various video-related services for the Authority. Services include videography, video editing, video producer-director-editor services, video systems maintenance engineer and video production assistant/technician. The five bid documents were downloaded electronically by numerous firms, including those that may have responded to a notice in the New York State Contract Reporter. One proposal was received in response to each Request For Proposals ('RFP') and evaluated. It should be noted that these services are performed an on 'as needed' basis, and certain bidders cannot commit to furnishing such experienced personnel on that basis, thus limiting the bid response. Based on their ability to perform such work, as well as reasonable pricing, staff recommends the award of contracts to five firms: CSL, LaRock, EMSTAR, Pioppi and Ng, the sole responding bidders to each respective RFP, which are qualified to perform such services. The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the combined total amount expected to be expended for the term of the contracts, $750,000.

"The Tri-Lakes Reliability Project (the 'Project') consists of upgrades to Niagara Mohawk Power Corporation's ('NMPC') transmission system, including the installation of Static Var Compensators at Tupper Lake and Lake Colby in 2007 and construction of a new overhead 46 kV transmission line by 2008. NMPC (a wholly owned subsidiary of National Grid) will be responsible for the design, engineering, procurement, construction, installation, testing and overall management of the Project, subject to oversight by the Authority. The Authority will finance the shares of the total cost for both NMPC and the Villages of Tupper Lake and Lake Placid, and will be reimbursed for such costs. In order to monitor the Project effectively from both a cost and implementation perspective, the Authority requires strong oversight of the Project and has established requirements for an independent review of the Project. Such review will be performed by an owner's representative who will perform a systematic verification that the critical components are designed, constructed, installed and functioning in a manner consistent with the performance requirements of the Project. To this end, a Request for Proposals **(Q02-3863)** was prepared and bids were solicited; the original bids were rejected. As a result of re-bidding, the 25 firms who had downloaded the original bid documents were invited to submit new proposals for the re-bid of the revised bid document. The original solicitation was noticed in the New York State Contract Reporter and re-bidding occurred within 45 days. Four proposals were received (of which one was subsequently rescinded). The remaining three proposals were evaluated and the highest cost proposal was not considered further. The remaining two proposals were evaluated in detail, based on criteria that included: qualifications, composition and organization of the proposed team; experience as an owner's representative, in reviewing transmission line design and construction specifications, and construction inspection and oversight; responses to the Request for Proposal Exhibits; schedule compatibility and clarity of proposal. Based on a detailed review of both proposals and interviews with both firms, the evaluation panel determined that although both firms were qualified to perform the services, E-PRO submitted the more technically responsive and lowest cost proposal. Staff therefore recommended award of the subject contract to **E-PRO Engineering & Environmental Consulting, LLC ('E-PRO'; 4500133754)**. Due to the need to commence services, the contract became effective on or about December 13, 2006, subject to the Trustees' subsequent approval as soon as practicable, in accordance with the Authority's procurement policies and EAPs. The purpose of this contract is to provide for owner's representative services for the Project, as more fully described above. Services include, but are not limited to, design review and analysis, inspection services, value analysis, construction monitoring, monthly reports and other tasks. The intended term of this contract is approximately two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $653,000, including contingency.

"The contract with **Joanne Darcy Crum, LS, a New York State certified Woman-Owned Business Enterprise ('Crum'; Q02-3935; PO# TBA)**, would become effective on March 7, 2007, subject to the Trustees' approval. The purpose of this contract is to provide for routine land surveying support services for the Engineering, Licensing and Real Estate divisions, including hydro project relicensing compliance and various other efforts, and also to perform work associated with ongoing maintenance and management of the Geographic Information System ('GIS'), under the direction and supervision of Authority staff. Bid documents were downloaded electronically from the Authority's Procurement website by 25 firms, including those that may have responded to a notice in the New York State Contract Reporter. Two proposals were received and evaluated. Staff recommends award of a contract to the Crum firm, the lowest-priced bidder qualified to perform such work. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $321,000.

"The contract with **Laro Service Systems, Inc. ('Laro'; Q02-3957; PO# TBA)** would become effective on January 1, 2007, subject to the Trustees' approval. The purpose of this contract is to provide for air-conditioning maintenance services for the 8th and 9th floors of 501 Seventh Avenue, New York City (housing the Authority's New York Office and the New York State Office of Alcoholism and Substance Abuse Services, 'OASAS'). Services include monthly preventive maintenance, as well as quarterly coil cleaning and service for variable air valve boxes, as needed. Bid documents were downloaded electronically from the Authority's Procurement website by eight firms, including those that may have responded to a notice in the New York State Contract Reporter. Two proposals were received and evaluated. Staff recommends award of a contract to Laro, the lowest-priced bidder who is qualified to perform such services. The intended term of this contract is up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $150,000.

"The two contracts with **Parkway Exterminating Company, Inc. and Superior Pest Solutions ('Parkway' and 'Superior') (Q02-3937; PO#s TBA)** would become effective on January 1, 2007, subject to the Trustees' approval. The purpose of these contracts is to provide for pest control services for the Clarence D. Rappleyea building in White Plains, as well as the 8th and 9th floors of 501 Seventh Avenue in New York City (housing the Authority's New York Office and space leased to the New York State Office of Alcoholism and Substance Abuse Services, 'OASAS'), respectively. Bid documents were sent to six firms, including those that may have responded to a notice in the New York State Contract Reporter. Five proposals were received and evaluated. Based on their ability to perform such work, as well as reasonable pricing, staff recommends the award of contracts to two firms, Parkway (the lowest-priced bidder for the Rappleyea building/garage) and Superior (the lowest-priced bidder for 501 Seventh Avenue). The intended term of these contracts is up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the combined total amount expected to be expended for the term of the contracts, $55,000.

"The Authority's B-350 King aircraft was purchased in June, 2000 for $5,582,350. The Authority's B-350 serves at the Authority's single corporate aircraft and on average logs more than 50% more flight hours annually than the typical B-350 in operation elsewhere. This reflects the multitude of trips of Authority staff to the Authority's various facilities throughout New York State, including remote locations in Massena, New York. While the aircraft has performed well, it is now six years old and the future cost of maintenance and recommended technology upgrades, including overhaul of both engines, and replacement of the avionics system, will dramatically increase our operating costs. These additional costs are expected to approximate $2,000,000 over the next several years. Given the foregoing, it is prudent to consider replacement of the existing B-350 King aircraft with a new B-350 which is built to a higher safety and operational standard than the present aircraft and includes the desired technology upgrades. Given the fact that the Authority's pilots are trained on the B-350 aircraft, and have only flown Beechcraft aircraft such as the B-350 for the Authority, from a standardization and safety perspective purchasing a new B-350 as the replacement aircraft is the most practicable option. Given the relatively short distances by nautical miles between our facilities and headquarters location, the purchase of a small jet is not practical, and could not be accommodated at some of the airports that the Authority's corporate aircraft flies into. The estimated cost of a new B-350 King aircraft, with custom modifications is approximately $6,500,000. Given the anticipated amount of flight hours and cycles that the Authority's current B-350 will have in 2007, it has an expected trade-in or resale value of approximately $2.6 or $2.7 million. The Authority has evaluated the options of leasing over a five-year period versus direct purchase of a new B-350 aircraft and has determined that purchase of a new aircraft is the optimal course of action from a financial perspective. The Trustees are requested to delegate authorization to the President and Chief Executive Officer to approve the direct purchase of a new King aircraft. A sole source contract will be negotiated with the aircraft supplier, **Raytheon Aircraft Company (PO# TBA)**. The replacement aircraft will assure continued safe and reliable operation of the Authority's flight operations.

"The contract with **S. A. Comunale Company, Inc. (Q02-3936; PO# TBA)** would become effective on January 1, 2007, subject to the Trustees' approval. The purpose of this contract is to provide for maintenance services for the sprinkler system at the Authority's Clarence D. Rappleyea Building and garage. Services include repairs of leaking, rusted or worn-out sprinkler pipes and valves and replacement parts. Bid documents were sent to four firms, including those that may have responded to a notice in the New York State Contract Reporter. Staff recommends award of a contract to S. A. Comunale, the sole responding bidder, which is qualified to perform such work. The intended term of this contract is up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $200,000.

"The contract with **Valco Energy Systems, Inc. ('Valco'; Q02-3933; PO# TBA)** would become effective on January 1, 2007, subject to the Trustees' approval. The purpose of this contract is to provide for maintenance and minor repair services for two Cleaver Brooks boilers (150hp) that heat the Authority's Clarence D. Rappleyea building in White Plains. Services include: comprehensive emergency service (e.g., for burners, controls, boiler feedwater pumps and fuel oil transfer pumps) by a qualified field engineer on a '24/7' basis, with a three-hour response time; annual complete boiler cleaning and inspection and monthly preventive maintenance and fine-tuning services. Bid documents were sent to six firms, including those that may have responded to a notice in the New York State Contract Reporter. Four proposals were received and evaluated. Staff recommends award of a contract to Valco, the lowest-priced bidder, which is qualified to perform such work. The intended term of this contract is up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $150,000.

Power Generation

"The two contracts with **Abscope Environmental, Inc. and Empire Control Abatement, Inc. ('Abscope' and 'Empire') (Q02-3917; PO#s TBA)** would become effective on January 1, 2007, subject to the Trustees' approval. The purpose of these contracts is to provide for planned and emergency response asbestos abatement services at Authority facilities in the Albany/Central New York and downstate/Southeastern New York ('SENY') geographic regions, respectively. Such services include asbestos abatement, transport and disposal services and emergency response services for asbestos removal, repair, encapsulation, enclosure or cleanup, on an 'as needed' basis, at Authority facilities in the aforementioned geographic regions. The work will be performed by licensed asbestos contractors, in accordance with all applicable federal, state and local regulations and Authority specifications, and within a response time to each Authority facility of not more than three hours. Bid documents were downloaded electronically from the Authority's Procurement website by 20 firms, including those that may have responded to a notice in the New York State Contract Reporter. Five proposals were received (of which one was subsequently rescinded); four bids were evaluated (two were for the Albany/Central New York and two for the downstate/SENY region). Each bidder was determined to be technically qualified and able to perform such work; each bidder's cost proposal, which was based on a predetermined formula that weighted each bid item as an estimated percentage of projected use, was then assessed. The bid items for each bidder were tabulated and a weighted average bid number was generated. The lowest-weighted-average bid was determined to be the lowest-priced bidder. Staff therefore recommends the award of two contracts to the following firms: (1) Abscope, the lowest-priced bidder for the Albany/Central New York Region and (2) Empire, the lowest-priced bidder for the downstate/SENY Region. The intended term of these contracts is up to two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the combined total amount expected to be expended for the term of the contracts, $500,000.

"The contract with **The Aulson Company, Inc. ('Aulson'; Q02-3914; PO# TBA)** would become effective on January 1, 2007, subject to the Trustees' approval. The purpose of this contract is to provide for the labor, equipment and materials to transport, clean/sandblast, repair (as needed) and paint a total of 160 wicket gates for the overhaul of eight turbine units at the St. Lawrence/FDR Power Project, as part of the Life Extension and Modernization Program. After cleaning and painting, the wicket gates will be sent to the Clark Energy Center for machining by Authority staff, before being returned to the St. Lawrence Project for reassembly. Bid documents were downloaded electronically from the Authority's Procurement website by nine firms, including those that may have responded to a notice in the New York State Contract Reporter. One proposal was received and evaluated. (The firms which did not submit proposals cited factors such as lead abatement requirements, other work for electric utilities or lack of experience as reasons why they did not respond to this Request for Proposals.) Based on its qualifications and ability to perform such work (as confirmed by a site visit to its shop), in addition to its reasonable pricing and ability to meet schedule requirements, staff recommends award of a contract to Aulson, the sole responding bidder, which is qualified to perform such services. The intended term of this contract is five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $439,000, including contingency.

"Due to the need to commence pre-planning services required for the 500 MW plant outage, currently scheduled for January 2007, a Letter of Intent, as authorized by the President and Chief Executive Officer, was issued to **Day & Zimmermann NPS, Inc. ('D&Z NPS'; Q02-3882; 4600001730)**, notifying them of this award of contract effective January 1, 2007, subject to formal approval by the Trustees at their December 2006 meeting. The purpose of this contract is to provide for general maintenance support services at the Charles Poletti, 500 MW and Richard M. Flynn Power Plants. Such services will generally consist of providing skilled craft labor to supplement and assist the Authority's plant employees during periods of routine maintenance, scheduled outages, emergency shutdown or technical inspections, as directed by Authority management at the three facilities. The following categories of work may be required: general plant maintenance, plant modifications and corrections and retrofit work. Bid documents were downloaded electronically from the Authority's Procurement website by 39 firms, including those that may have responded to a notice in the New York State Contract Reporter. Six proposals were received and evaluated. Based on their qualifications, extensive experience and ability to perform such work, in addition to their competitive pricing, staff recommended award of the subject contract to D&Z NPS, the low qualified bidder. Another bidder with comparable pricing to that of D&Z NPS was not considered acceptable due to their financial condition. In addition, the D&Z NPS rates for Workers' Compensation, liability insurance percentages and overhead and fee percentages will remain firm for the duration of the contract; the only increases will be in the actual craft labor rates as determined by increases in the New York State Prevailing Wage Rates and applicable collective bargaining agreements. The intended term of this contract is up to four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $9,000,000.

"The Authority's operating projects, through the course of their normal operating practices, generate hazardous and other regulated waste materials. In order to act in an environmentally responsible manner and to limit the Authority's potential long-term liability for costly remediation of contaminated disposal facilities and associated litigation, the Authority's environmental staff has instituted a program of stringent review, inspection and evaluation of solid and hazardous waste treatment, disposal, recycling and transportation vendors and facilities. To this end, the Authority from time to time solicits qualification statements in the New York State Contract Reporter from potential providers of regulated/hazardous waste disposal services, as well as reviewing such potential providers as may become known to the Authority's environmental staff. The approval process consists of a multimedia environmental audit of individual facilities, discussions with appropriate federal and state regulatory agencies concerning each facility's compliance record and an evaluation of available financial and insurance records. Depending on the type of material handled, the audit covers various environmental areas, including air, water, hazardous waste, chemical and oil bulk storage and emergency response. The purpose of the audit is to determine compliance with applicable laws and regulations, and to assess the level of risk of site contamination that could result from the facility's waste management practices. Facility approval is based on an evaluation of these elements and subsequent determination by the Authority's environmental staff that the potential for harm to the environment from facility operations is minimal, and, therefore, that risk of liability to the Authority is minimal. Standard 'framework' contracts are established with vendors that have been approved through the process described above. Appropriate environmental audits continue to be conducted during the contract term, and any decline in service quality will result in termination of the contract. As a result of such solicitation, evaluation of qualification statements and facility audits by the Authority's environmental staff, the award of two contracts to the firms **DuPont Secure Environmental Treatment ('DuPont SET'; 4600001740) and TCI of NY, LLC ('TCI'; 4600001738)** is recommended. The proposed contracts would provide for regulated/hazardous waste disposal services for Authority facilities statewide, specifically, DuPont SET for wastewater treatment services and TCI for the transportation and recycling of transformers containing less than 50 parts per million of polychlorinated biphenyls ('PCBs'). Currently, the Authority has an existing contract with an approved wastewater treatment facility and with an approved transformer recycling facility, respectively. The addition of DuPont SET and TCI to the existing Authority-approved disposal facilities would provide the Authority with more flexibility and competitiveness. Both contractors and their respective facilities have been audited by the Authority's environmental staff and have met their stringent review, inspection and audit standards; both hold the proper permits, meet insurance requirements and are financially viable. The proposed contracts would become effective on December 20, 2006 for an intended term of four years, subject to the Trustees' approval, which is hereby requested. (They will be coterminous with the other environmental waste disposal contracts previously approved by the Trustees at their meeting of December 13, 2005.) Funding for these contracts will be drawn from the previously approved total aggregate amount of $5,000,000 for all such environmental waste disposal contracts.

"Due to the need to commence services, the contract with **Envirologic of New York, Inc. ('Envirologic'; 4600001680)** became effective on July 26, 2006, subject to the Trustees' subsequent approval as soon as practicable, in accordance with the Authority's procurement policies and EAPs. The purpose of this contract is to provide for on-call lead and asbestos services for the St. Lawrence/FDR Project. Services include, but are not limited to, inspection, sampling, abatement design and project monitoring, as well as all supervision, labor, equipment and material to perform such services. Bid documents were sent to 15 firms, including any that may have responded to a notice in the New York State Contract Reporter. Eight proposals were received and evaluated. Staff recommended award of the subject contract to Envirologic, the lowest-priced bidder, which is qualified to perform the work. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $30,000.

"Due to the need to commence services, the contract with **Life Science Laboratories Inc. ('LSL'; 4600001646)** became effective on June 5, 2006, subject to the Trustees' subsequent approval as soon as practicable, in accordance with the Authority's procurement policies and EAPs. The purpose of this contract is to provide for analytical laboratory and sampling services for various outfalls at the St. Lawrence/FDR Project. Such environmental analyses also include the identification of contaminants in drinking water, wastewater, waste oils, soil samples and hazardous waste, as needed. Services are conducted by this certified laboratory in accordance with specified New York State Department of Health and Department of Environmental Conservation methodologies, and also include State Pollutant Discharge Elimination System ('SPDES') analyses. Bid documents were sent to 15 firms, including any that may have responded to a notice in the New York State Contract Reporter. Three proposals were received and evaluated. Staff recommended award of the subject contract to LSL, the lowest-priced bidder, which is qualified to perform the work. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $90,000.

"Due to the need to commence services, the contract with **Longo Electrical-Mechanical, Inc. ('Longo'; 4600001706)** became effective on October 1, 2006, subject to the Trustees' subsequent approval as soon as practicable, in accordance with the Authority's procurement policies and EAPs. The purpose of this contract is to provide for inspection, repair and rewind services for various-size motors (ranging from 100 to 10,000 horsepower) at the power plants in the Authority's SENY region. Bid documents were sent to 11 firms, including any that may have responded to a notice in the New York State Contract Reporter. Staff recommended award of the subject contract to Longo, the sole responding bidder, which is qualified to perform the work. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $450,000.

"Due to the need to commence services, the contract with **Modern Disposal Services, Inc. ('MDS'; 4600001709)** became effective on November 1, 2006, subject to the Trustees' subsequent approval as soon as practicable, in accordance with the Authority's procurement policies and EAPs. The purpose of this contract is to provide for disposal services for non-hazardous waste (i.e., construction and demolition materials), used tires, recyclable paper and other acceptable non-hazardous solid waste, for the Niagara Power Project. Services include, but are not limited to, disposal of Authority-delivered materials at the vendor's landfill, container services, disposal of used tires and other acceptable solid wastes. Bid documents were sent to five firms, including any that may have responded to a notice in the New York State Contract Reporter. Staff recommended award of the subject contract to MDS, the sole responding bidder, which is qualified to perform the work. The intended term of this contract is four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $200,000.

"The contract with **North American Energy Services ('NAES'; Q02-3896; PO# TBA)** would become effective on or about December 20, 2006, subject to the Trustees' approval. The purpose of this contract is to provide for operations and maintenance ('O&M') support services for 10 gas turbine units (LM6000s) and related equipment installed as part of the Small Clean Power Plants Project at six locations in New York City. (The Brentwood unit is operated and maintained by Authority personnel from the Richard M. Flynn Power Plant.) O&M support continues to be required on a daily basis to provide ongoing daily operating and prevention and maintenance activities, verify site integrity, troubleshoot problems and related activities; to support outage-related activities and to provide additional support during the peak summer season, as may be required, since the Authority does not have sufficient staffing resources to perform such services. Bid documents were downloaded electronically from the Authority's Procurement website by 17 firms, including those that may have responded to a notice in the New York State Contract Reporter. Four proposals were received and evaluated. Based on its qualifications, resources, experience and ability to perform the work, as well as the lowest overall quoted compensation terms, including the annual management fee, staff recommends award of a contract to NAES, the lowest-priced bidder. The intended term of this contract is five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $30,000,000 (which includes estimated adjustment for labor cost increases, inflation and unforeseen contingencies).

"Due to the need to commence services, the contract with **Professional Health Services, Inc. ('PHS'; 4600001694)** became effective on August 28, 2006, subject to the Trustees' subsequent approval as soon as practicable, in accordance with the Authority's procurement policies and EAPs. The purpose of this contract is to provide for annual physical examinations, as well as respirator clearance and fit tests, where applicable, for approximately 200 employees at the St. Lawrence/FDR Project, as required by all applicable safety and health standards, federal and State requirements and Authority policy. Bid documents were sent to three firms, including any that may have responded to a notice in the New York State Contract Reporter. Staff recommended award of the subject contract to PHS, the sole responding bidder, which is qualified to perform such services. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $132,900.

"The contract with the **State University of New York at Stony Brook, Division of Occupational and Environmental Medicine ('SUNY Stony Brook'; Q02-3910; PO# TBA)** would become effective on January 1, 2007, subject to the Trustees' approval. The purpose of this contract is to provide for annual physical examinations and miscellaneous medical services for approximately 25 employees at the Richard M. Flynn Plant, as required by all applicable safety and health standards, federal and State requirements and Authority policy. Services include, but are not limited to, annual physical examinations and records management services, as well as respirator clearance tests, where applicable, and additional testing for crane operators and various occupational/industrial exposures, such as asbestos and high noise. Bid documents were retrieved electronically from the Authority's Procurement website by nine firms, including those that may have responded to a notice in the New York State Contract Reporter. Staff recommends award of a contract to SUNY Stony Brook, the sole responding bidder, which is qualified to perform such services. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $35,000.

Transmission

"The contract with **Areva T&D Inc. ('Areva'; 4600001726)** would become effective on January 1, 2007, subject to the Trustees' approval. The purpose of this contract is to provide for the refurbishment of three Cogenel air blast breaker units at the Clark Energy Center. The breakers are used for voltage control on the 765 kV transmission line. Although the breakers have been inspected and maintained at regular intervals during the more than 20 years they have been in service, no major overhaul has ever been performed. An evaluation of internal and external breaker components, as well as refurbishment services, is now recommended. The proposed award is made on a sole-source basis, since Areva is the original equipment manufacturer and, as such, has access to all design and manufacturing specifications, and is the only known source that can rebuild the breaker to original manufacturer's specifications and certify the rebuild. A notice of the intended sole source award was also published in the New York State Contract Reporter, to which there were no respondents. Staff therefore recommends award of the subject contract to Areva, which is uniquely qualified to perform such work. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $600,000.

"The contract with **Global Energy Decisions Inc. dba Henwood Energy Services ('Global'; 4600001725)** would become effective on January 1, 2007, subject to the Trustees' approval. The purpose of this contract is to provide for the continuation of maintenance services for GimsPlus software installed at the Energy Control Center ('ECC'). This proprietary software provides the communication link between the ECC's Energy Management System ('EMS') and the New York Independent System Operator's ('NYISO') Market Information System ('MIS'). Services include program improvements, changes and/or debugging and new versions of the program developed by the licensor in an effort to improve software performance and to keep up with NYISO MIS changes and requirements. The proposed award is made on a sole-source basis, since Global acquired the GimsPlus application in 2005 and is therefore considered the original equipment manufacturer and software licensor. A notice of the intended sole source award was also published in the New York State Contract Reporter, to which there were no respondents. Staff therefore recommends award of the subject contract to Global, which is uniquely qualified to provide such software and services. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $220,000.

"The contract with **Siemens Power Transmission & Distribution, Inc. ('Siemens'; Q02-3961; PO# TBA)** would become effective on January 1, 2007, subject to the Trustees' approval. The purpose of this contract is to provide for the continuation of a Software Subscription Agreement ('SSA') and Maintenance Service Agreement ('MSA') in support of the proprietary Spectrum software that is the core of the upgraded Siemens Energy Management System ('EMS') installed at the ECC. The SSA services include base software releases and patches developed by the licensor. The MSA services include consultation on software applications, software fault analysis, installation of software patches, technical support on a '24/7' basis and third-party software license maintenance fees. The proposed award is made on a sole-source basis, since Siemens is the original equipment manufacturer and the developer of the Spectrum software installed at the ECC. A notice of the intended sole-source award was also published in the New York State Contract Reporter, to which there were no respondents. Staff therefore recommends award of a contract to Siemens, which is uniquely qualified to provide such software and services. The intended term of this contract is six years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $1,562,800 (comprising a firm commitment of $962,800 for the MSA/SSA and third-party software license renewals for six years and an estimated $600,000 for projected additional/ emergent support services, as may be required).

FISCAL INFORMATION

"Funds required to support contract services for various Business Units/Departments and Facilities have been included in the 2007 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

RECOMMENDATION

"The Deputy General Counsel, the Vice President – Procurement and Real Estate, the Vice President – Environmental, Health and Safety, the Vice President – Project Manaagement, the Executive Director – Licensing, Implementation and Compliance, the Director – Corporate Support Services, the Regional Manager – Northern New York, the Regional Manager – Western New York, the Regional Manager – Central New York, the Regional Manager – Southeastern New York, the General Manager – CEC and the Director of Operations – Flynn, recommend the Trustees' approval of the award of multiyear procurement contracts to the companies listed in Exhibit '20-A' for the purposes and in the amounts set forth above.

"The Executive Vice President and General Counsel, the Executive Vice President – Corporate Services and Administration, the Executive Vice President – Chief Financial Officer, the Senior Vice President – Energy Services and Technology, the Senior Vice President and Chief Engineer – Power Generation, the Senior Vice President – Transmission, the Senior Vice President – Public and Governmental Affairs and I concur in the recommendation."

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, the award and funding of the multiyear procurement services contracts set forth in Exhibit "20-A," attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

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

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

EXHIBIT "20-A"
December 19, 2006

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
CORP SERV **$653,000*** & ADMIN - Pub&GovAffairs-RegulatoryAffairs	E-PRO ENGINEERING & ENVIRONMENTAL CONSULTING, LLC (Q02-3863; 4500133754)	12/13/06 (on or about)	Provide for Owner's Representative services for the Tri-Lakes Reliability Project	12/31/08	B/P	*Note: represents total for 2-year term (including contingency)		
CORP SERV **$321,000*** & ADMIN - Proc&RealEstate	JOANNE DARCY CRUM, LS (Q02-3935; PO# TBA)	03/07/07	Provide for land surveying support services at B-G Real Estate	02/28/10	B/P	*Note: represents total for 3-year term		
CORP SERV & ADMIN - CorpSuppServ	LARO SERVICE SYSTEMS, INC. (Q02-3957; PO# TBA)	01/01/07	Provide for maintenance services for air conditioning system at 501 7^{th} Ave (8^{th} & 9^{th} floors)	12/31/09 (+ option to extend for 2 additional years)	B/S	*Note: represents total for 5-year term		**$150,000***
CORP SERV **$55,000*** & ADMIN - CorpSuppServ	Q-02-3937; 2 awards: 1. PARKWAY EXTERMINATING CO., INC. 2. SUPERIOR PEST SOLUTIONS (PO#s TBA)	01/01/07	Provide for pest control services for Rapp. Bldg and 8^{th} & 9^{th} floors of 501 7^{th} Ave, NYC (for NYO and OASAS)	12/31/09 (+ option to extend for 2 additional years)	B/S	*Note: represents combined total for 5-year term		
CORP SERV & ADMIN - CorpSuppServ	SA COMUNALE CO., INC. (Q02-3936; PO# TBA)	01/01/07	Provide for maintenance services for sprinkler system at Rappleyea Building and garage	12/31/09 (+ option to extend for 2 additional years)	B/S	*Note: represents total for 5-year term		**$200,000***
CORP SERV & ADMIN - CorpSuppServ	VALCO ENERGY SYSTEMS, INC. (Q02-3933; PO# TBA)	01/01/07	Provide for maintenance & minor repair services for 2 Cleaver Brooks Boilers at Rapp. Bldg	12/31/09 (+ option to extend for 2 additional years)	B/S	*Note: represents total for 5-year term		**$150,000***

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement

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

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
CORP SERV & ADMIN - CorpSuppServ	5 awards (PO#s TBA): 1. CSL ENTERPRISES, INC. dba Reel Vision Productions (Q02-3950) 2. DEREK LA ROCK (Q02-3949-1) 3. EMSTAR MEDIA, INC. (Q02-3948) 4. PIOPPI ENTERTAIN-MENT CORP. (Q02-3947) 5. YUK (TOMMY) NG (Q02-3951)	01/01/07	Provide for various video-related services	12/31/09	B/P	*Note: represents combined total for 3-year term		**$750,000***
COPR SERV & ADMIN - CorpSuppServ	RAYTHEON AIRCRAFT COMPANY (PO# TBA)	12/20/06 (on or about)	Provide for purchase of replacement Beechcraft King Air B-350 aircraft, subject to approval of the President & CEO	09/01/07	S/E	*Note: represents estimated total purchase price		**est $6,500,000***

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Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
POWER GEN - Environmental, Health & Safety	Q-02-3917; 2 awards: 1. ABSCOPE ENVIRON-MENTAL, INC. 2. EMPIRE CONTROL ABATEMENT, INC. (PO#s TBA)	01/01/07	Provide for planned and emergency response asbestos abatement services at Authority facilities in Albany/Central New York and downstate/SENY regions, respectively	12/31/07 (+ option to extend for 1 additional year)	B/S	*Note: represents combined total for 2-year term		**$500,000***
POWER GEN - PROJ MGMT/ STL	THE AULSON CO., INC. (Q02-3914; PO# TBA)	01/01/07	Provide for transport, cleaning and painting of 160 wicket gates at STL	12/31/11	B/S	*Note: represents total for 5-year term (including contingency)		**$439,000***

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement

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

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
POWER GEN - POL, 500MW & FLYNN	DAY & ZIMMERMANN NPS, INC. (4600001730)	01/01/07	Provide for general maintenance services for POL, 500 MW & FLYNN plants	12/31/09 (+ option to extend for 1 additional year)	B/S	*Note: represents total for 4-year term		**$9,000,000***
POWER GEN - Environmental, Health & Safety	DU PONT SECURE ENVIRONMENTAL TREATMENT (4600001740)	12/20/06	Provide for wastewater treatment services for Authority facilities statewide	12/31/10	C/S	*Note: to be drawn from previously-approved aggregate total of $5,000,000 for regulated/hazardous waste disposal contracts		*
POWER GEN - STL	ENVIROLOGIC OF NEW YORK INC. (4600001680)	07/26/06	Provide for on-call lead and asbestos services for STL	07/25/09	B/S	$30,000 *Note: represents total for 3-year term	$0	**$30,000***
POWER GEN - STL	LIFE SCIENCE LABORATORIES INC. (4600001646)	06/05/06	Provide for analytical laboratory and sampling services for STL	06/04/09	B/S	$90,000 *Note: represents total for 3-year term	$13,000	**$90,000***
POWER GEN - SENY plants	LONGO ELECTRICAL-MECHANICAL, INC. (4600001706)	10/01/06	Provide for inspection and repair services for various size motors	09/30/09	B/S	$450,000 *Note: represents total for 3-year term	$27,486	**$450,000***
POWER GEN - NIA	MODERN DISPOSAL SERVICES INC. (4600001709)	11/01/06	Provide for non-hazardous waste disposal services for NIA	10/31/10	B/S	$200,000 ("Target Value") *Note: represents total for 4-year term	$45,000	**$200,000***
POWER GEN - **$30,000,000*** POL for SCPPs	NORTH AMERICAN ENERGY SERVICES (Q02-3896; PO# TBA)	12/20/06	Provide for operations & maintenance support services for 10 gas turbine Units (SCPPs)	12/31/11	B/S	*Note: represents total for 5-year term		

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement

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

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
POWER GEN - STL	PROFESSIONAL HEALTH SERVICES (4600001694)	08/28/06	Provide for annual physical examinations & respirator clearance and fit tests for employees at STL	08/27/09	B/P	$132,900 *Note: represents total for 3-year term	$44,300	**$132,900***
POWER GEN - FLYNN	SUNY STONY BROOK - DIV of OCCUPATIONAL & ENVIRON. MEDICINE (Q02-3910; PO# TBA)	01/01/07	Provide for annual medical examinations & related services for employees at Flynn	12/31/09	B/P	*Note: represents total for 3-year term		**$35,000***
POWER GEN - Environmental, Health & Safety	TCI OF NY, LLC (4600001738)	12/20/06	Provide for transportation and recycling of transformers	12/31/10	C/S	*Note: to be drawn from previously-approved aggregate total of $5,000,000 for regulated/hazardous waste disposal contracts		*
******								
TRANSMISSION - CEC	AREVA T&D INC. (4600001726)	01/01/07	Provide for refurbishment of three Cogenel air blast breakers at CEC	12/31/09	S/S	*Note: represents total for 3-year term		**$600,000***
TRANSMISSION - CEC	GLOBAL ENERGY DECISIONS INC. dba HENWOOD ENERGY SERVICES (4600001725)	01/01/07	Provide for maintenance services for proprietary GimsPlus software	12/31/09	S/S	*Note: represents total for 3-year term		**$220,000***
TRANSMISSION - CEC	SIEMENS POWER TRANSMISSION & DISTRIBUTION (Q02-3961; PO# TBA)	01/01/07	Provide for Software Subscription Agreement + Maintenance Service Agreement to support EMS Spectrum software System at the ECC	12/31/12	S/P	*Note: represents total for 6-year term		**$1,562,800***

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement

**21. Procurement (Services) Contracts –
Business Units and Facilities –
Extensions, Approval of Additional Funding
and Increase in Compensation Ceiling**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the continuation and funding of the procurement (services) contracts listed in Exhibit '21-A' in support of projects and programs for the Authority's Business Units/Departments and Facilities. The Trustees are also requested to approve an increase in the compensation ceiling of the contract with Crowley Webb and Associates, Inc. Detailed explanations of the nature of such services, the reasons for extension, the additional funding required and the projected expiration dates are set forth below.

BACKGROUND

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

"The Authority's Expenditure Authorization Procedures ('EAPs') require the Trustees' approval when the cumulative change order value of a personal services contract exceeds the greater of $250,000 or 35% of the originally approved contract amount not to exceed $500,000, or when the cumulative change order value of a non-personal services, construction, equipment purchase or non-procurement contract exceeds the greater of $500,000 or 35% of the originally approved contract amount not to exceed $1,000,000.

DISCUSSION

"Although the firms identified in Exhibit '21-A' have provided effective services, the issues or projects requiring these services have not been resolved or completed, and the need exists for continuing these contracts. The Trustees' approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the EAPs in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services at the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

"Extension of each of the contracts identified in Exhibit '21-A' is requested for one or more of the following reasons: (1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; (2) to accommodate an Authority or external regulatory agency schedule change that has delayed, reprioritized or otherwise suspended required services; (3) the original consultant is uniquely qualified to perform services and/or continue its presence and re-bidding would not be practical or (4) the contractor provides a proprietary technology or specialized equipment, at reasonably negotiated rates, that the Authority needs to continue until a permanent system is put in place.

Contracts in Support of Business Units/Departments and Facilities:

Business Services

"At their meeting of March 26, 2002, the Trustees approved the award of a five-year contract to **Ceridian Employer Services (4500056531)**, as well as funding in the amount of $1,465,000, to provide for payroll processing services for all Authority employees. The contract, which was awarded as the result of a competitive search, became effective on April 1, 2002. Due to the complexity of the payroll system, the conversion and transition period was extended to approximately three years. The current authorized commitments are $1,225,000 (of the total $1,465,000 previously approved by the Trustees) and the approved term will expire on March 31, 2007. Because of the customized nature of the enhancements and upgrades implemented by Ceridian to accommodate the Authority's complex payroll processing requirements, Ceridian is considered to be uniquely qualified to perform such services and, as such, to be the sole provider of such services at this time. A three-year extension is therefore requested to use the remaining contract funds for the full five-year period intended under the contract, with no additional funding in excess of the previously approved $1,465,000 for the extended term. The Trustees are requested to approve the additional extension of the subject contract through March 31, 2010, with no additional funding requested.

Corporate Services and Administration

Increase in Compensation Ceiling

"At their meeting of June 27, 2006, the Trustees approved the award of a contract to **Crowley Webb and Associates, Inc. (4500127159)** to provide for media consulting services for 'branding' the Authority, in order to begin a communication and education program of the Authority's benefits to the people of New York State. The Trustees also approved an initial award amount of $400,000, with additional funding to be requested after the media branding program was developed, for an initial term of one year, with an option to extend for one additional year. The current contract amount is $400,000. With the development of the media program near completion, staff anticipates that additional funding in the amount of $3,000,000 will be required for the production of the 2007 branding campaign, including the purchase of airtime and print media. The Trustees are requested to approve the additional funding, thereby increasing the compensation ceiling to $3,400,000.

Energy Services and Technology

"The contract with **Siemens Power Transmission & Distribution, Inc. (4500116708)** provides for services to implement operating performance improvements and enhancements to the Authority's Convertible Static Compensator ('CSC') at Marcy, as well as to investigate the possibility of using the CSC as an ice-melting device for the MSU-1 transmission line connecting Marcy and Massena buses. Although the CSC is mostly used for voltage control, in 2004 the New York Independent System Operator ('NYISO') also requested a temporary change in the operating configuration of the CSC, for the purpose of redirecting power flows in order to avert a potential system emergency. To this end, the subject contract was awarded on a sole-source basis to the original equipment manufacturer, which is uniquely qualified to perform such services. The contract became effective on December 15, 2005 for a term of one year. Most of the scheduled off-site tasks have been completed; however, some on-site work, which requires that the CSC be taken out of service, is still outstanding due to scheduling delays. The NYISO has indicated that it cannot grant permission for an outage of the CSC when other voltage support equipment throughout the state is also out of service. Therefore, an additional six-month extension is requested in order to provide sufficient time to complete all work under this contract. The current contract amount is $190,240; it is anticipated that no additional funding will be required for the extended term. The Trustees are requested to approve the extension of the subject contract through June 30, 2007, with no additional funding requested.

"The contract with **Turner Engineering Co. (4500116711)** provides for consulting services in connection with the regenerative energy braking improvement project for New York City Transit AC drive subway trains. The original award, which was competitively bid, became effective on December 5, 2005 for a term of one year. An interim extension through December 19, 2006 was subsequently authorized in accordance with the Authority's Guidelines for Procurement Contracts and EAPs. Due to delays caused by the unavailability of test trains and general outages required to complete the Phase I performance evaluation, an additional one-year extension is now requested in order to provide sufficient time to complete all required services. In addition, the scope and associated costs for Phase II could not be determined at the time of award, since they required the results of Phase I. The current contract amount is $650,000; it is anticipated that an estimated additional $300,000 may be required to complete Phase II services. The Trustees are requested to ratify the previously authorized interim extension and to approve the additional extension of the subject contract through December 31, 2007, as well as the additional funding requested. It should be noted that all costs will be recovered by the Authority.

"At their meeting of January 29, 2002, the Trustees approved the award of two contracts to the firms **PB Power, Inc. and Ameresco Select, Inc. (formerly Select Energy Services, Inc.) (4600000758 and 4600000761,**

respectively) for program management and implementation services in support of the previously approved Energy Services Program (‘ESP’), for an initial term of three years, with an option to extend for up to two additional years with the approval of the President and Chief Executive Officer, which was subsequently exercised. The Trustees also approved the allocation of previously approved ESP funding, totaling $100 million, to these two contracts as projects are assigned. While many projects have been completed successfully, the progress of other projects previously assigned under these contracts has been delayed due to the following: (1) customer delays in approving the project design and/or changes to the scope of work (e.g., City of Rome for wastewater treatment process upgrade, lighting and motors; City of Auburn for lighting, motors, boilers, HVAC and Energy Management System (‘EMS’); Office of General Services (‘OGS’) Ten Eyck for HVAC system upgrades, boilers, chillers) and (2) customer delays in approving/signing the Customer Installation Commitment (‘CIC’) (e.g., SUNY Brockport Phase 3A for HVAC upgrades, EMS, windows, lighting; OGS Suffolk State Office Building facilities for new atrium skylight and curtain wall, outdoor lighting, combined heat and power project and fuel cell; Rockland County facilities for roofing and insulation). Staff anticipates that, should all such projects move forward, they will be completed by June 2009. In addition, construction is currently under way on other projects, most of which are expected to be completed in 2007 (e.g., SUNY Brockport Phase 2 for HVAC, occupancy sensors, exit signs, heat exchangers and EMS; several Nassau County buildings for EMS, HVAC and motors; SUNY Buffalo for windows). An extension of two years and five months is therefore requested to complete all such previously assigned projects. The current contract amounts total $65 million; staff anticipates that no additional funding in excess of the previously approved $100 million combined total will be required for the extended term. The Trustees are requested to approve the additional extension of the subject contract through June 30, 2009, with no additional funding requested. It should be noted that all costs will be recovered by the Authority.

FISCAL INFORMATION

“Funds required to support contract services for various Headquarters Office Business Units/Departments and Facilities have been included in the 2007 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

“Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the Project’s Capital Expenditure Authorization Request (‘CEAR’). Payment for contracts in support of the Energy Services Program will be made from the Energy Conservation Effectuation and Construction Fund. All costs, including Authority overheads and the cost of advancing funds, will be recovered by the Authority, consistent with other Energy Services and Technology Programs.

RECOMMENDATION

“The Deputy General Counsel, the Vice President – Controller, the Vice President – Procurement and Real Estate, the Director – Energy Services, the Chief Technology Development Officer, the Deputy Director – Media Relations and the General Manager – Clark Energy Center recommend the Trustees’ approval of the extensions, additional funding and increase in compensation ceiling of the procurement contracts listed in Exhibit ‘21A.’

“The Executive Vice President and General Counsel, the Executive Vice President – Corporate Services and Administration, the Executive Vice President – Chief Financial Officer, the Senior Vice President – Energy Services and Technology, the Senior Vice President and Chief Engineer – Power Generation, the Senior Vice President – Transmission, the Senior Vice President – Public and Governmental Affairs and I concur in the recommendation.”

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, each of the contracts listed in Exhibit “21-A,” attached hereto, is hereby approved and extended for the period of

time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, an increase in the compensation ceiling of the contract with Crowley Webb and Associates, Inc. is hereby approved, as recommended in the foregoing report of the President and Chief Executive Officer, in the amount and for the purpose listed below:

O & M	Contract Approval (Increase in Compensation Ceiling)	Projected Closing Date
Provide for media consulting services for "branding" the Authority:		
Crowley Webb and Associates, Inc. 4500127159		
Previously approved amount	$ 400,000	
Additional amount requested	3,000,000	06/30/07*
REVISED COMPENSATION CEILING	$3,400,000	

*** Note: The Trustees previously approved an initial award of one year, with an option to extend for one additional year (through 6/30/08)**

AND BE IT FURTHER RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, 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.

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

EXHIBIT "21-A"
December 19, 2006

Plant Site/ Bus. Unit	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
Contracts in support of Headquarters Business Units and the Facilities:								
BUSINESS SERVICES - ACCOUNTING	CERIDIAN EMPLOYER SERVICES 4500056531	04/01/02	Provide for payroll processing services	03/31/10	C/S	$1,225,000	$690,570	**$1,465,000***
						***Note: includes $1,465,000 previously approved by the Trustees; NO additional funding requested**		
**								
Increase in Compensation Ceiling:								
CORP SERV & ADMIN - Pub&GovAffairs	CROWLEY WEBB AND ASSOCIATES, INC. 4500127159	07/01/06	Provide for media consulting services for branding the Authority	06/30/07 (+ previously-approved option to extend for 1 additional year)	B/P	$400,000	$32,775	**$3,400,000***
						***Note: includes $400,000 previously approved by the Trustees + CURRENT INCREASE of $3 million**		
**								
ES&T - Energy Services	2 contracts: 1. PB POWER INC. (4600000758) 2. AMERESCO SELECT formerly SELECT ENERGY SERVICES INC. (4600000761)	02/01/02	Provide for program management & implementation services for SENY Energy Services programs	06/30/09	B/C	$65,000,000 (combined "Target Value")	$64,199,284	**$100,000,000***
						***Note: represents $100,000,000 combined total previously approved by the Trustees; NO additional funding requested All costs will be recovered by the Authority.**		
ES&T - R&TD	SIEMENS POWER TRANSMISSION & DISTRIBUTION 4500116708	12/15/05	Provide for CSC performance improvements at Marcy	06/30/07	S/P	$190,240	$25,000	**$190,240***
						***Note: NO additional funding requested**		

1 **Award Basis:** **B= Competitive Bid; S= Sole Source; C= Competitive Search**
2 **Contract Type:** **P= Personal Service; S= Service, C= Construction; E= Equipment; N= Non-Procurement**

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

Plant Site/ Bus. Unit	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
ES&T - R&TD	TURNER ENGINEER-ING CO. 4500116711	12/05/05	Provide for consulting services in connection with the Regenerative Energy Braking Improve-ment Project with NYCT	12/31/07	B/P	$650,000	$434,818	**$950,000***

***Note**: **includes original $475,000 + additional $175,000 authorized per EAPs + CURRENT INCREASE of $300,000 All costs will be recovered by the Authority.**

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= Service, C= Construction; E= Equipment; N= Non-Procurement

22. Conditional Award of Contract and Authorization to Negotiate a Strategic Alliance with NRG Energy, Inc. Regarding Proposed Advanced Clean Coal Power Plant Facility

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize a conditional award of a contract and the negotiation of a Strategic Alliance with NRG Energy, Inc. ('NRG'), the highest evaluated bidder in the Authority's 'Request for Proposals for Long-Term Supply of Advanced Clean Coal Power Plant Capacity and Energy and Other Products' issued on September 1, 2006 ('RFP'). NRG submitted a bid to construct an Integrated Coal Gasification Combined Cycle ('IGCC') plant at the site of its existing Huntley Station in Tonawanda, NY. NRG's proposal was the most favorable bid submitted, but staff determined that the price of NRG's proposal was too high to be workably competitive for the Authority, given the current market environment. By establishing the recommended Strategic Alliance with NRG, the parties can together pursue additional support that may be available through tax credits and/or other funding sources. If negotiating this Strategic Alliance is approved by the Trustees, the parties would work together to find an approach that would close the financial gap between the current proposal by NRG and a project that offers a purchase price more commercially acceptable to the Authority. As discussed more fully below, this Strategic Alliance will be subject to certain time and spending limitations.

"If the Strategic Alliance is successful, the price to the Authority can be brought to a level more in accord with the Authority's mission, and upon the satisfaction of the regulatory conditions precedent required for the Authority to enter into a written power purchase agreement with NRG (such as those required by the State Environmental Quality Review Act ('SEQRA')), the Trustees will be requested to authorize entering into negotiations with NRG for the execution of a long-term supply agreement.

BACKGROUND

"In his 2006 'State of the State' address, Governor Pataki outlined a comprehensive plan aimed at reducing the State's dependence on foreign oil without causing irreparable damage to our natural environment. The plan included, among other things, lending support to an advanced clean coal power plant initiative in the State utilizing our nation's most abundant fuel without the pollution of traditional coal plants.

'The Advanced Clean Coal Power Plant Initiative ('ACCPPI') was developed by a multi-agency team, lead by the Governor's Office of Regulatory Reform ('GORR'), and consisting of NYPA, New York State Energy Research and Development Authority ('NYSERDA'), Empire State Development, the Department of Environmental Conservation, the Department of Public Service, and other State Agencies as required. This '*Shovel Ready Team'* worked together to identify sites suitable for the development of 'clean coal' plants and CO_2 sequestration, with priority consideration given to existing brownfield properties (generally, abandoned or underused industrial or commercial property considered for redevelopment, often environmentally contaminated).

"Then, as a next step, the Authority issued an RFP for the purchase of up to 600 MW of electric generating capacity and associated energy from an advanced clean coal power plant. The RFP defined an advanced clean coal power plant as 'a plant which will in the most efficient and cost effective manner (1) produce a substantial reduction in plant emissions from that of a new, standard design sub-critical coal plant; and, (2) be built with provisions for future capability to capture and sequester carbon dioxide emissions.' As required in the RFP, an advanced clean coal power plant will be acting as a host site for NYSERDA research, development and deployment of technologies for capture and sequestration of carbon dioxide. Throughout this process, the Authority clearly set forth the imperative that the power purchase agreement 'must work within the competitive environment.'

DISCUSSION

The RFP and the Responses

"Issuance of the RFP and evaluation of the bids was done by the Authority's evaluation team, comprised of Business Services, Energy Services and Technology, Environmental Health and Safety, Law, Power Generation and Transmission groups. They were assisted by outside experts from the Electric Power Research Institute ('EPRI'), NYSERDA, the engineering firm of CH2MHill/ Lockwood Greene, and the economic analysis firm of Quantec, LLC, and Holland & Knight, the Authority's outside transaction counsel.

"Before bids were received, the evaluation team developed a structured selection process. They determined that the focus of their bid reviews would be four main evaluation criteria: the quality of resources committed to the proposed project (Team), evaluated cost of the delivered product (Economics), technical soundness of the project proposal, including capability for carbon dioxide capture and sequestration (Technology/Sequestration), and the likelihood of permitting the project while addressing community concerns (Permitting, Licensing and Community Issues). These four major review criteria were fully defined and each assigned a percentage weight by the evaluation team.

"On October 31, 2006 the Authority received responses to the RFP from four bidders, containing five separate bid options. A summary of the bids follows:

- AES Corporation ('AES') submitted two similar proposals: (1) construction of a 700 MW super-critical pulverized coal ('SCPC') plant at their existing Somerset facility in Somerset, Niagara County, NY, and (2) construction of a 526 MW SCPC plant by repowering of their existing Jennison facility in Bainbridge, Chenango County, NY. The bids were for supercritical steam conditions at 3690psig/1050°F/. The evaluation team expressed concern that these conditions were not sufficiently advanced to comply with the RFP requirements. In response AES indicated in further discussions that they could advance the steam temperatures to 1100°F, which, in the opinion of the review team, would meet the minimum advanced clean coal power plant requirements.

- Competitive Power Ventures ('CPV') proposed a 630 MW IGCC facility in Lackawanna, in western New York.

- Empire Synfuel LLC and Project Orange Associates, LLC ('Empire/POA') submitted a proposal for a coal-based synthetic natural gas (SNG) project, based on the Westinghouse plasma gasification technology, to be located in DeWitt, NY, near Syracuse; capable of producing sufficient quantities of SNG to power a 1,000+ MW power plant. A portion of the output from this facility would be piped to an existing co-generation facility in Syracuse. Empire/POA's bid included 40 MW of capacity and energy from the co-generation facility and additional quantities of SNG or any combination of these products.

- NRG Energy submitted a proposal for a 680 MW IGCC facility to be located at their existing Huntley Station in Tonawanda, NY.

Selection Process

"Competitive Power Ventures was eliminated as a result of the initial screening, as not meeting the minimum requirements of the RFP. Among other things, CPV did not demonstrate site control (i.e., the site on which the project is to be located is owned by a third party and CPV did not show rights in such property), and they did not address the issue of carbon sequestration.

"The four remaining proposals (AES Bainbridge, AES Somerset, Empire/POA and NRG) were then evaluated for scoring under the evaluation criteria. Following the initial review of the proposals, the selection team submitted questions, which the bidders responded to at on-site meetings at the Authority. Preliminary evaluations and scores were developed following these meetings. The leading two bidders (AES and NRG) were invited back to provide their 'best and final offers' and to make presentations to representatives of Senior Management. After these meetings, the final evaluation meeting was held and the evaluation scores were compiled. The proposal from NRG scored the highest and the evaluation team concluded that NRG's proposal best meets the objectives of the RFP.

"The decision to select NRG Energy, Inc. is supported by their scores on the evaluation criteria described above, and by the subject matter experts (Authority staff and consultants) who participated in this process. The evaluation matrix used in this scoring process was made available to the Trustees under separate cover.

"Of the proposals offered, the NRG proposal incorporates the highest efficiency, lowest emission, minimal water use, and a clear strategy for addressing community concerns. Their proposal includes the option to design the plant to be CO_2 capture ready from day one of operation. NRG's proposal for the CO_2 capture and compression equipment is based on proven technologies in existence today. The Huntley site chosen by NRG was one of the sites predefined by the *Shovel Ready Team* as suitable for CO_2 sequestration. The NRG project appears to be the most likely to receive permits in a timely manner, using the IGCC technology favored by interest groups opposed to conventional coal-fired generation.

"The NRG proposal to build a 680 MW sequestration ready IGCC facility at their existing Huntley Station in Tonawanda, NY would advance the market penetration of this promising clean coal technology, contribute to the current research on carbon capture and sequestration, and according to NRG, will bring more than $1 billion in investment, over 1,000 temporary construction jobs and about 100 permanent jobs to the local economy. It would also create additional business opportunities for air separation and chemical businesses in the area.

<u>Highest Evaluated Proposal: Does It Work for NYPA?</u>

"Having identified NRG's proposal as the one with the best overall score on the evaluation matrix, there remained the threshold question: is the power from the proposed power plant economic within the current market environment? The conclusion at this time is that it is not. Thus, the Authority's ability to award a power contract to a Clean Coal facility at this time is not prudently achievable given the gap between the bids and the expected price in the current market environment.

<u>Additional Efforts to Achieve the Goal of the RFP</u>

"One goal of the RFP, however, was to assist a new advanced clean coal technology to achieve commercial feasibility. Demonstrating the new technology's potential, especially for the carbon capture and sequestration capability, would call for additional efforts towards a solution that is workable in the current market environment. Instead of rejecting outright all proposals offered, it is recommended that the Authority work with NRG to exhaust all reasonable opportunities for securing financial assistance to drive down the cost of the NRG project and its output. Such assistance may include additional Federal and State support (including tax credits, tax exempt financing and other support) and grants from non-governmental organizations. If ample funding can be made available to offset the cost of the project, the Authority may see sufficient savings passed on in the purchase price of the product sold to the Authority to make the project economic. If such price is acceptable to the Authority (i.e., it is consistent with the Authority's mission of providing clean, economical energy for the benefit of its customers and the people of the State of New York), the State would reap the benefits of NRG's innovative IGCC facility that uses an abundant domestic fuel. Forming a Strategic Alliance with NRG is the best way to work toward this goal.

<u>Strategic Alliance with NRG</u>

"Upon Trustee approval, the Authority will invite NRG to work with the Authority in a Strategic Alliance to explore approaches, including funding opportunities, in order to bring down the cost of the NRG Huntley IGCC project, for the benefit of NRG and the Authority, as discussed more fully above. If NRG concurs, the parties will negotiate an agreement setting forth the terms of such alliance. The Strategic Alliance shall last no longer than eighteen months from the effective date of such agreement, unless both parties agree to an extension of such period.

<u>Conditional Award of Contract: Conditions Precedent to Recommended Trustee Action</u>

"If the Trustees approve negotiations with NRG of the Strategic Alliance, and the results of such Strategic Alliance are successful, subject to compliance with environmental requirements as set forth below, the Trustees will be requested to authorize entering into negotiations with NRG for a long-term supply contract for up to 600 MW from NRG's proposed IGCC Huntley facility.

Environmental Discussion

"Because any output purchased from the proposed NRG facilities will not come from existing assets, any contract ultimately negotiated by Authority staff will, in order for the Authority to be in compliance with its obligations under SEQRA, be executed after NRG's project has been the subject of the requisite environmental reviews, including the issuance of the appropriate findings and permits. If the other conditions precedent to the award of a contract to NRG as set forth herein are satisfied, then NRG shall be required to provide the Authority with the findings and permits or other authorizations to construct new transmission or generating facilities, which the Authority may use in completing its SEQRA evaluations and process (21 NYCRR § 461.13(b)). The Trustees then will be requested to authorize the completion of the Authority's finding statement under SEQRA by the Vice President – Environmental, Health and Safety who will review and consider any final Environmental Impact Statement prepared for any of the facilities and, with the concurrence of the Executive Vice President and General Counsel, determine that the Authority's SEQRA responsibilities have been fulfilled.

FISCAL INFORMATION

"At this time, the Authority would not be making a financial commitment to buy the output of the facility so that the fiscal impact will be limited to certain expenditures in support the effort to secure the additional financial support. Such expenditures are to be limited to no more than $500,000 over the eighteen month term of the Strategic Alliance. Payments would be made from the Authority's Operating Fund.

RECOMMENDATION

"The Director – Power Resource Planning and Acquisition and the Vice President – Finance recommend that the Trustees authorize that NRG Energy, Inc., the highest evaluated bidder in the Request for Proposals for Long-Term Supply of Advanced Clean Coal Power Plant Capacity and Energy and Other Products issued on September 1, 2006, be conditionally awarded a power purchase agreement and that the Authority enter into negotiation of the Strategic Alliance described above. Award of such contract would be contingent upon the success of the Strategic Alliance and fulfillment of the other conditions outlined above, including receipt of subsequent approval by the Trustees to enter into negotiations with NRG Energy, Inc. for such long-term power purchase agreement.

"The Executive Vice President and General Counsel, the Executive Vice President – Chief Financial Officer, the Senior Vice President – Energy Resource Management and I concur in the recommendation."

Mr. Brandeis presented the highlights of staff's recommendations to the Trustees and introduced Eileen Natoli from the Governor's Office of Regulatory Reform ("GORR"). President Carey said that Governor Pataki had selected GORR to head up the "shovel-ready" team developing this project and thanked Ms. Natoli for her leadership. He said that without her diligent efforts to issue the request for proposals, the project would not have progressed this far. Chairman McCullough said that the timeframe for this first phase of the project is 18 months, with Authority spending capped at $500,000 for that period. He said that staff would periodically update the Trustees on project progress and that both State and federal legislation, as well as grants, would be pursued to fund this worthwhile endeavor. Trustee Cusack said it would be great for Western New York if this project came to fruition, wishing the staff good luck in their efforts to make it happen.

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

WHEREAS, the Authority issued a Request for Proposals ("RFP") for the purchase of up to 600 MW of electric generating capacity and associated energy from an advanced clean coal power plant in New York State for the purpose of promoting such technology; and

WHEREAS, after evaluations of the bids, NRG Energy, Inc.'s ("NRG") Huntley Integrated Coal Gasification Combined Cycle ("ICGCC") proposal was the highest evaluated proposal; and

WHEREAS, the Authority determined that the highest evaluated bids, including NRG's, were priced at a level not consistent with the Authority's mission of being competitive in the current market environment, and that the award of a contract to the most qualified bidder at this time must be conditioned on satisfactory resolution of such economic issues; and

WHEREAS, to that end, and in order to further the goals of promoting new technologies capable of reducing the State's dependence on foreign oil without irreparably damaging the natural environment, the Authority proposes to enter into a Strategic Alliance with NRG to work together to explore approaches, including funding opportunities, that will bring down the cost of NRG's proposed Huntley IGCC project.

NOW, THEREFORE, BE IT RESOLVED, That NRG Energy, Inc., the highest evaluated bidder in the "Request for Proposals for Long-Term Supply of Advanced Clean Coal Power Plant Capacity and Energy and Other Products" issued on September 1, 2006 be conditionally awarded a power purchase agreement, contingent upon success of the Strategic Alliance and satisfaction of the conditions precedent described in the foregoing report of the President and Chief Executive Officer, including receipt of subsequent approval by the Trustees to enter into negotiations with NRG for such long-term power purchase agreement; and be it further

RESOLVED, That the Senior Vice President – Energy Resource Management, and the Director – Power Resource Planning and Acquisition are hereby authorized on behalf of the Authority to negotiate a Strategic Alliance with NRG Energy, Inc. as described in the foregoing report of the President and Chief Executive Officer, including, but not limited to an agreement or memorandum of understanding having such terms and conditions as are consistent with the attached memorandum of the President and Chief Executive Officer, and as are deemed necessary or advisable by the Executive Vice President and General Counsel; and be it further

RESOLVED, That the term of such agreement shall not exceed eighteen months, subject to extension as described in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Trustees authorize the expenditure of up to $500,000 in support of the efforts of the Strategic Alliance as described in the foregoing report of the President and Chief Executive Officer, which funds shall be paid from the Authority's Operating Fund; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer and the Executive Vice President and General Counsel and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions necessary or advisable to effectuate the foregoing resolution subject to the approval of the form thereof by the Executive Vice President and General Counsel.

23. Authorization of Actions to Initiate the Establishment of a Trust for Other Post-Employment Benefits

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize actions to initiate the establishment of a trust for post-employment employee benefits other than pension benefits.

BACKGROUND

"In 2004, the Governmental Accounting Standards Board ('GASB') issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions*. This standard requires governmental employers to account for 'other post-employment benefits' ('OPEB') on an 'accrual basis' as they are earned by the employee instead of the 'pay-as-you-go' costs incurred for the employee during retirement. OPEB includes medical, prescription drug, dental, vision, life and long-term care benefits for retirees and eligible beneficiaries. Similar GASB standards for pensions have existed since 1994. The new rules do not mandate the funding of accrued OPEB obligations by the set-aside of monies in advance to pay benefits in the future, only recognition of the accrued OPEB liability on the employer's financial statement. The amount of an unfunded liability, however, could significantly impact the employer's overall credit rating, with a concomitant impact on the cost of debt financing. Larger government employers like the Authority are required to begin reporting accrued OPEB liabilities no later than the first financial reporting period after December 15, 2006. The Authority began reporting its OPEB obligations in this manner in 2002.

"Governmental employers subject to GASB accounting must calculate and accrue an annual OPEB cost. The cost comprises the cost of benefits earned by active employees in the current year and an amount that amortizes over a reasonable period of time the cost of benefits for employees' prior service. If the annual OPEB cost is paid in full each year, it would be expected to provide sufficient resources to fund both the accumulated cost of benefits earned annually by active employees and the accumulated costs of amortized benefits attributable to employees' prior service. An OPEB liability is recognized in the employer's financial statements to the extent the annually accrued OPEB costs exceed employer contributions. To qualify as an OPEB contribution, the payments must be made directly to a trust that is (1) irrevocable, (2) dedicated to or on behalf of the employee in accordance with plan terms and (3) legally protected from creditors of the employer and plan administrator.

"An important factor in determining OPEB liabilities and costs is the interest rate used to discount future benefit payments to the present. GASB rules state that the discount rate used to compute the present value of the OPEB liabilities must reflect expected returns on assets used to pay benefits. If OPEB liabilities are not funded in advance, the discount rate would be the normal expected return on the assets of the employer. However, if the OPEB liabilities are funded in advance in a separate trust dedicated to provide OPEB benefits, the assets may be invested in longer-term investments (and with potentially fewer restrictions) with higher expected returns.

DISCUSSION

"The Authority provides certain OPEB benefits for eligible retired employees and their dependents. Effective January 1, 2002, the Authority implemented accrual accounting for its OPEB obligations and subsequently followed GASB 45 when it was issued in June 2004. To date, the Authority has financed its OPEB obligations on a pay-as-you-go basis. The Authority stated in its Financial Report for 2005 that its OPEB liability as of December 31, 2005 was approximately $322 million. Another actuarial analysis of OPEB benefits is in the process of being completed. It is reasonably anticipated that the OPEB liability will significantly increase given the Authority's continued pay-as you-go practice, calculation adjustments and increased OPEB costs.

"While not required, the establishment of a trust, in addition to assuring the Authority's ability to meet its OPEB obligations in the future, would reduce the cost of the obligations by allowing investment in longer-term, less restrictive and greater yielding investments. Based on recent discussions with the Authority's actuary, a 1% increase in the earnings of such a trust fund could yield a 15% decrease in the prior service liability and the annual

OPEB cost. This higher earnings rate is estimated to produce more than $70 million in present-value savings over a 30- year period. Further, now that GASB 45 is officially applicable to government entities, rating agencies have taken into account the OPEB liability when determining credit ratings and the establishment of a manageable plan by the Authority will aid in avoiding a negative impact. Preliminary review by staff and outside counsel indicates that the Authority can fund an irrevocable trust for OPEB obligations with general operating revenues, and/or by the issuance of taxable commercial paper, as may be appropriate.

"Given the Authority's steadily increasing OPEB liability and the cost savings potentially associated with higher fund earnings, it is the Authority's strong desire to establish a trust for its funding. To initiate the establishment of the trust the Authority must proceed to establish the parameters of the trust; develop investment guidelines; competitively search and/or solicit for a financial consultant, investment manager(s) and trustee and obtain other approvals as may be necessary. At this time, to prepare for funding the trust, a fiscally prudent amount up to $100 million should be designated as a reserve within the Operating Fund for payment of OPEB obligations from general operating revenues and/or funding by the subsequent issuance of taxable commercial paper. It is anticipated that the Authority will seek the Trustees' approval for, and actual funding of, the trust once the parameters of the trust document, investment management scheme and final funding plan are developed.

FISCAL INFORMATION

"There are no fiscal implications at this time other than ancillary costs associated with outside legal and financial consultants that will be paid from the Operating Fund under current contracts.

RECOMMENDATION

"The Vice President – Finance recommends that the Trustees approve the initiation of those steps necessary and reasonable to establish an other-post-employment-benefits Trust Fund and to fund the Authority's other-post-employment-benefits obligations on an actuarially accrued basis rather than a pay-as-you-go basis, including, but not limited to, drafting a trust document, establishing investment guidelines, procuring investment managers and trustees and designating funds in a fiscally appropriate amount from general operating funds and/or taxable commercial paper, as may be determined pursuant to a funding plan.

"The Executive Vice President and General Counsel and the Executive Vice President – Chief Financial Officer concur in this recommendation."

Mr. Russak presented the highlights of staff's recommendations to the Trustees. In response to a question from Vice Chairman Townsend, Mr. Russak said that an outside manager would oversee the trust, similar to the way the nuclear decommissioning fund is managed.

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

RESOLVED, That the Trustees hereby authorize actions by the Authority to initiate the establishment of a trust for employee benefits other than pension benefits by establishing the parameters of a trust; developing investment guidelines; competitively searching and/or soliciting for a financial management consultant, investment manager(s) and trustee and pursuing such other approvals as may be necessary; and be it further

RESOLVED, That the Trustees hereby authorize the Authority to provide for the anticipated funding of the trust by designating an amount up to $100 million as a reserve within the Operating Fund for payment of other-post-employment benefits obligations from general operating revenues and/or providing funding by the issuance of taxable commercial paper; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Executive Vice President – Chief Financial Officer, the Executive Vice President and General Counsel, the Vice President – Finance, the Treasurer and the Deputy Treasurer are, and each of them hereby is, authorized to do and perform or cause to be done and performed in the name and on behalf of the Authority all other acts, to execute and deliver or cause to be executed and delivered all other notices, requests, directions, consents, approvals, orders, applications, agreements, certificates and further documents or other communications of any kind under the corporate seal of the Authority or otherwise as he, she or they may deem necessary, advisable or appropriate to effect the intent of the foregoing resolution, subject to approval of the form thereof by the Executive Vice President and General Counsel.

24. Power for Jobs and Energy Cost Savings Benefits – Chapter 645 of the Laws of 2006 – Voluntary Contributions

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the basis for determining the Authority's voluntary contribution to New York State under Chapter 645 of the Laws of 2006 ('Chapter 645') associated with the State's fiscal year ('SFY') 2006-07.

BACKGROUND

"On August 16, 2006, the Governor signed Chapter 645, which authorized or, in some cases, directed the Authority to make contributions to the general fund and take certain actions with respect to its Power for Jobs ('PFJ') and Energy Cost Savings Benefit ('ECSB') programs. The Authority was previously authorized to make a voluntary contribution of not less than $75 million to the general fund for SFY 2005-06. For SFY 2006-07, Chapter 645 authorizes, upon a finding by the Trustees that it is feasible and advisable, a contribution of $100 million, with a cap of $394 million on the total amount to be paid by the Authority for all phases of the PFJ program. The Authority has paid none of the additional $175 million and, if the full additional amount is paid, the cap will have been met.

DISCUSSION

"Significantly, the proposed Executive Budget for SFY 2006-07 stated that the Authority's payment of the $175 million would represent 'the full financing of the power for jobs program from its inception …. and shall exempt the authority from any additional voluntary contributions or payments' for the period after December 31, 2006. While that language, if enacted, would have provided a degree of comfort to the Authority, the legislation as enacted includes no such language and staff considers it possible that the $394 million contribution 'cap' will be raised again as it has been several times in the past. Payments are not mandated, but are authorized if the Trustees deem such payments 'feasible and advisable.' Pursuant to this legislation, the Trustees can decline to make the payments if they determine them to be ill-advised and not feasible.

"At this point in time, based on the information currently available, staff recommends that the total amount of Authority monies to be applied to the estimated cost of extensions of the PFJ and ECSB programs for 2007, the related unfunded benefits created by Chapter 645 and a SFY 2006-07 voluntary contribution to the general fund be limited to an aggregate amount of $100 million.

FISCAL INFORMATION

"This has not yet been determined, but no funds will be transferred at this time.

RECOMMENDATION

"The Vice President – Controller requests that the Trustees approve the basis for determining the Authority's voluntary contribution to New York State under Chapter 645 of the Laws of 2006 associated with the State's fiscal year 2006-07.

"The Trustees are also requested to defer a final determination as to the amount of the voluntary contributions to the State of New York until further evaluation of the programmatic, financial and business circumstances surrounding the Power for Jobs and Energy Cost Savings Benefits Programs and their effect on the Authority is completed.

"The Executive Vice President and General Counsel the Executive Vice President and Chief Financial Officer and I concur in the recommendation."

Mr. Bellis presented the highlights of staff's recommendations to the Trustees. Trustee Seymour said that he would have to recuse himself from the vote on this item and Chairman McCullough requested that the minutes reflect the fact that Trustee Seymour had abstained from voting.

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

RESOLVED, That the Authority, in determining the amount of its 2006-07 voluntary contribution to the general fund under Chapter 645 of the Laws of 2006 ("Chapter 645") will take into account, among other factors, the estimated cost of extensions of the Power for Jobs ("PFJ") and Energy Cost Savings Benefit ("ECSB") programs for 2007 and the related unfunded benefits created by Chapter 645; and be it further

RESOLVED, That based on the information presently available to the Authority, the total amount of Authority monies to be applied to the extensions of the PFJ and ECSB programs for 2007, the related unfunded benefits created by Chapter 645 and a voluntary contribution pursuant to Chapter 645 is expected to be $100 million in the aggregate; and be it further

RESOLVED, That the Authority will defer a final determination as to the amount of a voluntary contribution pursuant to Chapter 645 until further evaluation of the programmatic, financial and business circumstances surrounding the PFJ and ECSB programs and their effect on the Authority can be completed; and be it further

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

25. **Resolution – Robert J. Deasy**

Trustee Moses read the text of the resolution aloud, after which Chairman McCullough presented Mr. Deasy with a framed copy of the resolution. Mr. Deasy said he had been overwhelmed with all of the kind words and accolades he had received in the past few weeks, including this resolution. He said that in his 30-plus years at the Authority, he had been afforded the opportunity to work on a variety of interesting and challenging projects. However, he said that the best part of working at the Authority had been the opportunity to work with such a talented and dedicated group of people, including Mr. Del Sindaco's group for the past year. Mr. Deasy thanked Chairman McCullough and President Carey in particular for their ongoing support and understanding of his work. Chairman McCullough said that the Authority was in Mr. Deasy's debt for a job well done and that everyone at the Authority wished Mr. Deasy the best in the future.

WHEREAS, Robert J. Deasy has played a pivotal and indispensable role in a succession of major events that have shaped the history of the New York Power Authority over the past 32 years; and

WHEREAS, in an extraordinary career spanning decades and disciplines, Mr. Deasy has distinguished himself through his singular blend of technical and financial acumen, his insatiable quest for knowledge and information and his dogged pursuit of solutions to the most intractable of problems; and

WHEREAS, Mr. Deasy's versatility, initially manifested through his degrees in electrical engineering and business, and repeatedly evidenced by his uncommon ability to take on new challenges, has served him and the Authority well in a wide range of areas; and

WHEREAS, when Mr. Deasy joined the Authority's Marketing staff fresh from eight years at American Electric Power, he was thrust into negotiations concerning power sales from the Indian Point 3 and Astoria 6 plants, to be acquired from Con Edison; and

WHEREAS, as his responsibilities grew, he was at the heart of demanding efforts concerning the 765-kilovolt and Marcy-South lines; purchases from Hydro-Quebec; the Sound Cable Project; and expansion of NYPA's economic development power programs; and

WHEREAS, in his 20th year at the Authority, and at a critical point for NYPA's nuclear power plants, Mr. Deasy assumed vital new responsibilities for internal oversight of the plants, helping to achieve significant improvements and to pave the way for their eventual sale at a record price; and

WHEREAS, with the coming of a competitive utility industry, his career entered another crucial phase, focused on energy resources, fuels, the intricacies of the New York Independent System Operator markets; and long-term supply planning; and

WHEREAS, the trademark thoroughness, keen insights, broad understanding of the power business and steady professionalism that he brought to this turbulent period have helped to ensure that the Authority's interests and those of its customers will be protected in the new energy marketplace; and

WHEREAS, qualities such as these have earned Mr. Deasy the respect of his colleagues at the Authority and counterparts in the power industry, made him a valued source of guidance and leadership and helped him develop a cadre of talented employees who will contribute to his considerable legacy; and

WHEREAS, Mr. Deasy is retiring after compiling a remarkable record of service to the Power Authority and the people of New York State;

NOW THEREFORE BE IT RESOLVED, That the Trustees of the Power Authority of the State of New York express their profound thanks to Bob Deasy for his many and varied accomplishments and convey to him; his wife, Geraldine; and their family sincere best wishes for many more years of health, happiness and success.

December 19, 2006

26. <u>Resolution – Michael E. Brady</u>

Trustee Seymour read the text of the resolution aloud, after which Chairman McCullough presented Mr. Brady with a framed copy of the resolution. Mr. Brady said that he wanted to echo what Mr. Deasy had said about the opportunity to work on so many interesting and challenging issues with such well-qualified and hard-working people. He said that any manager is only as good as his team and that he had been fortunate in having such a great team with which to work. He thanked the Trustees, President Carey and the Executive Management Committee for their support and said that his 33 years in public service had flown by. Mr. Brady added that he appreciated all of the good wishes coming his way and that he wished everyone at the Authority every success in the future.

WHEREAS, Michael E. Brady has brought immense benefit to the New York Power Authority and its customers through his skilled and conscientious management of the Authority's debt and investments; and

WHEREAS, Mr. Brady's tenure of nearly a decade at the Power Authority has been the latest chapter in a distinguished 33-year career in public service on the municipal, county and state levels; and

WHEREAS, upon his arrival at the Authority in 1997, Mr. Brady quickly became an integral part of the team developing a landmark $2.6 billion debt restructuring program that has positioned the Authority for success in the competitive power industry and promises cumulative debt-service savings of more than $700 million;

WHEREAS, following this extraordinary initiative, which earned him and his colleagues recognition as Employees of the Year, Mr. Brady further distinguished himself as a central figure in a series of major transactions that established his credentials for promotion to Acting Treasurer and then Treasurer; and

WHEREAS, in his four years in those positions, he has presided over the issuance of more than $1.5 billion in bonds and commercial paper, providing financing for vital projects and activities while at the same time reducing the Authority's debt by about $600 million through judicious refundings and accelerated debt retirements, and achieving further savings through negotiated cuts in credit support fees; and

WHEREAS, in addition to mastering the world of variable rate debt, derivatives, swaps and caps, with over $900 million in such instruments successfully bid, Mr. Brady has employed his strong interpersonal skills, unfailing patience and innate sense of fairness to balance and reconcile the priorities and proposals of underwriters and financial advisers, tax and bond counsel, rating agencies and a host of other essential and demanding constituencies; and

WHEREAS, Mr. Brady's careful and highly competent supervision of the Authority's investment portfolio has led to consistently outstanding performance, with ambitious targets exceeded during each year of his time in office; and

WHEREAS, the diligence, tenacity and respect for deadlines that Mr. Brady has brought to each of his varied assignments have been matched only by his perceptive recognition of the Power Authority's interests and his unswerving commitment to serving them; and

WHEREAS, Mr. Brady is retiring from the Power Authority, having helped to secure the Authority's financial strength for years to come;

NOW THEREFORE BE IT RESOLVED, That the Trustees of the Power Authority of the State of New York convey their deepest thanks to Mike Brady for his many contributions to the Authority; salute him for his exemplary career as a public servant; and wish him; his wife, Cathy; and their family a healthy, happy and rewarding future.

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27. Other Business

Chairman McCullough thanked the Trustees and the staff for their efforts in preparing for this meeting and wished everyone a happy holiday season and a health and happy new year.

28. Next Meeting

The next meeting of the Trustees will be held on **Tuesday, January 30, 2007, at 11:00 a.m., at the Clarence D. Rappleyea Building, White Plains, New York,** unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

On motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 12:37 p.m.

Anne B. Cahill
Corporate Secretary