



**THE PORT AUTHORITY OF NY & NJ**

November 27, 2006

**VIA E-MAIL**

Ms. Anne B. Cahill  
Corporate Secretary  
Power Authority of the State of New York  
123 Main Street, 15M  
White Plains, NY 10601

**RE: 2007 Revision to New York City Governmental Customers Production Rates**

Dear Ms. Cahill:

The Port Authority of New York and New Jersey is submitting the following comments on NYPA's proposal to increase the "Fixed Costs" component of the production rates charged to New York City Governmental (SENY) Customers. The comments are submitted pursuant to the State Administrative Procedures Act in response to NYPA's proposed revisions to rates for New York City Governmental Customers for Rate Year 2007 as published in the New York State Register dated October 11, 2006 under I.D. No. PAS-41-06-00033-P. The comments are also being submitted as part of the joint Annual Planning and Pricing Process for setting new rates as envisioned by our Long Term Agreement with NYPA.

The Port Authority is recommending that NYPA reduce the 2007 Fixed Costs component of its revenue requirements forecast by at least \$ 5.6 million. The \$5.6 million includes reductions of \$4 million to the non-fuel operations and maintenance costs (\$3.3 million for the new 500-megawatt combined cycle unit and \$0.7 million for the 875-megawatt Poletti steam unit) and \$1.6 million to the shared services costs. In addition, we recommend that NYPA seriously consider a more streamlined and expedient method for resetting rates based on changes to fixed costs on a yearly basis by entertaining a proposal to index fixed costs to an inflation benchmark.

Over the past several months, the Port Authority has been working collaboratively with NYPA and with the other major SENY and our respective consultants to analyze and review the proposed production rate increases for Rate Year 2007. Our review focused on numbers contained in the Preliminary Staff Report and Southeastern New York Government Customers Annual Planning Process Analysis including the 2007 Cost-of-Service and on NYPA's responses to customers' information requests.

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We have attached a copy of a review dated November 21, 2006 of the Fixed Cost component of the 2007 Cost of Service that was prepared by SAIC, a consultant to the Port Authority and the Metropolitan Transportation Authority. The Port Authority relied in the main on the findings contained in that review as the basis for its cost reduction recommendations.

Sincerely yours,

Gail Yvette Davis  
Senior Policy Manager

Enc.

**COPY TO:**

Louise Morman, NYPA  
Helle Maide, NYPA  
Cruz C. Russell, Port Authority  
Ronald Senio, Port Authority