



November 27, 2006

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 Secretary Cahill:

The Metropolitan Transportation Authority 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 envisaged by our Long Term Agreement with NYPA.

The MTA 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 resolving the fixed COSS issues on a yearly basis by entertaining a proposal to index fixed costs to an inflation benchmark.

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

I have attached a review of NYPA fixed costs and our comments as developed on behalf of MTA by SAIC, a consultant to the MTA. The MTA relied in the main part on the findings contained in this review as the basis for our cost reduction recommendation.

Sincerely yours,

Jesse Samberg
Director of Shared Services Initiatives

CC: Linda Kleinbaum
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