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

January 31, 2006

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the Hotel Utica at 11:01 a.m.:

Present:	Joseph J. Seymour, Chairman Frank S. McCullough, Jr., Vice Chairman Elise M. Cusack, Trustee Michael J. Townsend, Trustee

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Eugene W. Zeltmann	President and Chief Executive Officer
Timothy S. Carey	Chief Operating Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Vincent C. Vesce	Executive Vice President – Corporate Services and Administration
Steven DeCarlo	Senior Vice President – Transmission
Joseph Del Sindaco	Senior Vice President and Chief Financial Officer
Angelo S. Esposito	Senior Vice President – Energy Services and Technology
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Brian Vattimo	Senior Vice President – Public and Governmental Affairs
Edward A. Welz	Senior Vice President – Power Generation
Carmine J. Clemente	Deputy Secretary and Deputy General Counsel
Arthur T. Cambouris	Assistant General Counsel and Managing Attorney
Joseph J. Carline	Assistant General Counsel – Power and Transmission
Thomas P. Antenucci	Vice President – Project Management
Arnold M. Bellis	Vice President – Controller
Robert J. Deasy	Vice President – Energy Resource Management
John M. Hoff	Vice President – Procurement and Real Estate
Charles I. Lipsky	Vice President and Chief Engineer
Gary Paslow	Vice President – Governmental Affairs and Policy Development
Donald A. Russak	Vice President – Finance
William V. Slade	Vice President – Environmental Management
Thomas A. Warmath	Vice President and Chief Risk Officer
James H. Yates	Vice President – Major Accounts Marketing and Economic Development
Dennis T. Eccleston	Chief Information Officer
Angela D. Graves	Deputy Secretary
Michael E. Brady	Treasurer
Frederick E. Chase	Executive Director – Hydro Relicensing
John J. Suloway	Executive Director – Licensing, Implementation and Compliance
Thomas A. Davis	Director – Financial Planning
Paul F. Finnegan	Director – Upstate Public and Governmental Affairs
James F. Pasquale	Director – Business Power Allocation, Regulation and Billing
Daniel Wiese	Director – Corporate Security and Inspector General
Peter Scalici	Deputy Inspector General – Investigations
Steven Lockfort	Manager – Risk Reporting
Anthony C. Savino	Manager – Business Power Allocations & Compliance
Mary Jean Frank	Associate Secretary
Lorna M. Johnson	Assistant Secretary
Bonnie Fahey	Executive Administrative Assistant

Denise D'Ambrosio	Principal Attorney

Christopher J. Lyons	Fleet Manager for Special Vehicles and Rolling Equipment
Robert Moses	Bond, Schoeneck & King, PLLC

Chairman Seymour presided over the meeting. Executive Vice President, Secretary and General Counsel Blabey kept the Minutes.

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

The minutes of the Regular Meeting of December 13, 2005 were unanimously adopted.

2. Financial Reports for the Twelve Months Ended December 31, 2005

Mr. Bellis presented an overview of the reports to the Trustees. In response to a question from Chairman Seymour, Mr. Bellis said that the SENY losses in 2006 will be mostly due to shortfalls in revenues from Westchester County customers and that such losses are projected to be $25-$30 million, not including the Small Clean Power Plants.

3. Report from the President and Chief Executive Officer

President Zeltmann asked Mr. Welz to give a report on the status of the 500 MW plant. Mr. Welz said that the plant went into full commercial operation on December 31, 2005 and that, while there have been a few minor issues to take care of, the plant was running well. President Zeltmann added that when he had left the Energy Control Center this morning, the plant had been running at 500 MW capacity.

President Zeltmann extolled the extraordinary work the Trustees have done, saying he simply wanted to thank them for their efforts with regard to the sale of the nuclear plants and the fast-track construction of the Small Clean Power Plants. He thanked them for their support of him and of Authority staff, acknowledging the extraordinary political pressures they were under and expressing gratitude for their strength in diverting those pressures so the Authority could do its work. President Zeltmann mentioned the Trustees' steadfastness, suggestions, and strong support, naming former Trustees Ciminelli, Miller, Frey, DiMarco, and Rappleyea. He went on to say that without the help of Chairman Rappleyea, the Authority could not have accomplished the sale of its nuclear plants. President Zeltmann concluded by saying that he was very appreciative of the opportunity Governor Pataki had given him, as well as the strong support of the Trustees over the past 8-1/2 years.

4. Economic Development Power Programs – Extension to the Term of Service and Energy Cost Savings Benefits

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve extensions to the terms of service to December 31, 2006 for two existing economic development power program customers listed on Exhibit '4-A,' and Energy Cost Savings Benefits for three customers listed on Exhibit '4-B.' These customers have been recommended to receive such benefits by the Economic Development Power Allocation Board ('EDPAB').

Request to Approve Extension to the Term of Service for One Existing Economic Development Power Program Customer

BACKGROUND

"The New York Power Authority ('Authority') sells electricity to businesses under several State-authorized economic development programs. These power sales are made through the Economic Development Power Program, High Load Factor Manufacturer Program, Municipal Distribution Agency Industrial Power Program and other power sales programs. The capacity and energy for these sales are provided by market purchases and supported by other Authority sources as needed. In some instances, these customers are served directly by the Authority and in other cases the customers receive Authority power through resale arrangements with municipal distribution agencies or investor-owned utilities. Contracts range in length from five to more than 20 years.

DISCUSSION

"The customers detailed on Exhibit '4-A' have allocation contracts previously approved by the Trustees that expire prior to December 31, 2006. Staff is requesting that the Trustees extend these agreements until December 31, 2006 so these customers may receive the benefits associated with the recently passed law. The extensions will help maintain costs and enable the customers to compete more effectively. In addition, the customers will further secure employment levels in New York State.

"EDPAB recommended that the contracts be extended at its meeting on January 30, 2006.

Energy Cost Savings Benefits

BACKGROUND

"Chapter 313 of the Laws of 2005 was signed into law by Governor George E. Pataki on July 26, 2005. The new law allows certain Authority power program customers that would be exposed to bill increases as a result of higher market prices before December 31, 2006 to apply for an Energy Cost Savings Benefit ('ECSB'). Under the new law, businesses eligible to receive ECSBs are limited to Authority customers currently supplied power under the Economic Development Power, Municipal Distribution Agency and High Load Factor programs. The ECSB will be available for the period November 1, 2005 through December 31, 2006.

"Each application will be evaluated under criteria adopted by EDPAB in consultation with the Authority. The new law states that such criteria shall include:

- overall economic impact of the company in terms of jobs created or retained, payroll, capital investment and the use of in-state suppliers;
- the likelihood that absent approval a company would close, contract or relocate outside of New York State;
- the company's compliance with prior contractual commitments to retain and/or create jobs; and

- the extent to which a benefit would affect the overall productivity or competitiveness of the company and its existing in-state employment.

"EDPAB can recommend a partial or complete withdrawal of the ECSB if the company fails to maintain mutually agreed-upon commitments, including jobs, capital investment and power utilization.

"The legislation also authorizes the sale of Authority power into the wholesale market with net earnings from such sales (and other funds deemed feasible and advisable by the Trustees) to be used for the ECSB. Power available to fund the ECSB includes:

- up to 70 MW of unallocated replacement power;

- up to 38.6 MW of preservation power relinquished or withdrawn after the effective date of the new legislation; and

- up to 20 MW of power from the St. Lawrence/FDR project for the period ending December 31, 2006.

DISCUSSION

"At its meeting on January 30, 2006, EDPAB recommended that the Authority's Trustees approve the payment of ECSBs to the three businesses listed on Exhibit '4-B.' Collectively, these organizations have agreed to retain more than 500 jobs in New York State in exchange for these benefits. The companies will be eligible to receive these benefits until December 31, 2006.

"Staff recommends that the Trustees authorize a withdrawal of monies from the Operating Fund for the payment of the ECSBs, 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 for the companies listed on the Exhibits in the future.

FISCAL INFORMATION

"Funding of ECSBs for all the companies participating in the program is not expected to exceed $7.5 million. Payments will be made from the Operating Fund.

RECOMMENDATION

"The Senior Vice President and Chief Financial Officer and the Director – Business Power Allocations, Regulation and Billing recommend that the Trustees approve an extension to the term of service to December 31, 2006 for the existing economic development power program customer listed on Exhibit '4-A.' In addition, it is recommended that the Trustees approve the payment of Energy Cost Savings Benefits to the three customers listed on Exhibit '4-B.'

"The Chief Operating Officer, the Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Senior Vice President and Chief Financial Officer, 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. He pointed out that these were the last eligible companies to apply for the Energy Cost Savings Benefits ("ECSBs"). In response to a question from Chairman Seymour, Mr. Pasquale said that the $7.5 million in ECSBs was being funded primarily by monetizing 20 MW in hydro power.

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

RESOLVED, That the Trustees find that staff's review supports an extension of allocations from Authority economic development power programs for two existing customers listed on Exhibit "4-A" until December 31, 2006 and that such extensions be, and hereby are, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve the payment of Energy Cost Savings Benefits to the three customers listed on Exhibit "4-B";

NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves the payment of Energy Cost Savings Benefits to the companies listed in Exhibit "4-B" as submitted to this meeting, and that the Authority finds that such payments for Energy Cost Savings Benefits are in all respects reasonable, consistent with the requirements of the Authority's economic development programs 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 Energy Cost Savings Benefits as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to $7.5 million for all companies participating in the program, including those in Exhibit "4-B," 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, Economic Development and Supply Planning 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, Secretary and General Counsel; and be it further

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

5. **Allocation of 6,000 kW of Hydro Power**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve four allocations of available Replacement Power ('RP') or Expansion Power ('EP'), totaling 6,000 kW to four industrial companies.

BACKGROUND

"Under the RP Settlement Agreement, National Grid ('Grid'), 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 New York.

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

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 four companies, as set forth in Exhibits '5-A' and '5-B.' The Exhibits show, among other things, the amount of power requested by each company, the recommended allocation and 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 68 jobs.

RECOMMENDATION

"The Director – Business Power Allocations, Regulation and Billing recommends that the Trustees approve the allocation of 6,000 kW of hydro power to the companies listed in Exhibits '5-A' and '5-B.'

"The Chief Operating Officer, the Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, 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 Cusack, Mr. Pasquale said that three of the four applicants did not get the full allocation they requested for a variety of reasons, one of them being that the customer did not take into account that in a

retooling project, old equipment would be taken out of a plant, offsetting some of the electricity needed to operate the new equipment.

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

RESOLVED, That the allocation of 3,500 kW of Replacement Power and 2,500 kW of Expansion Power, as detailed in Exhibits "5-A" and "5-B," 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, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

New York Power Authority
Replacement Power
Recommendations for Allocations

Exhibit "5-A"
January 31, 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	FMC Corporation	Tonawanda	Erie	2,500	25	$2,861,000	$111,000	**2,500**	Until 8/31/07
A-2	Goodyear Dunlop Tires North America, Ltd	Tonawanda	Erie	1,250	17	$19,000,000	$84,000	**1,000**	Until 8/31/07
	Total RP Recommended				**42**	**21,861,000**		**3,500**	

(1) If the Niagara Project license is extended and delivery agreements finalized,
the full term of this contract will be for five years.

Exhibit "5-A1"
January 31, 2006

APPLICATION SUMMARY

Replacement Power

Company:	FMC Corporation
Location:	Tonawanda, New York
County:	Erie
IOU:	National Grid
Business Activity:	Manufacturer of diversified chemical products
Project Description:	Multiphased project includes (1) relocating Microbiology Laboratory from NJ; (2) relocating and expanding hair care blending operations from AZ (including installation of processing/blending equipment); (3) expanding peracetic acid global markets; (4) installing new boilers and heaters throughout the site; (5) relocating corporate administrative positions; and (6) launching new business opportunity using persulfates in environmental remediation applications (including manufacturing, sales, R&D, and marketing).
Prior Application:	Yes
Existing Allocation:	6,250 kW of Replacement Power
Power Request:	2,500 kW
Power Recommended:	2,500 kW
Job Commitment:	
Existing:	142 jobs
New:	25 jobs
New Jobs/Power Ratio:	10 jobs/MW
New Jobs – Avg. Wage and Benefits:	$111,000
Capital Investment:	$2,861,000
Capital Investment/MW	$1,144,400/MW
Summary:	FMC's expansion/growth initiatives depend on low-cost hydro power, which will allow the company to remain globally competitive. Electricity remains the company's major raw material.

APPLICATION SUMMARY

Replacement Power

Company:	Goodyear Dunlop Tires North America, Ltd
Location:	Tonawanda, New York
County:	Erie
IOU:	National Grid
Business Activity:	Manufacturer of tires for the automotive industry
Project Description:	Expansion includes installing extrusion line capable of making treads and sidewalls to increase production of both medium truck and motorcycle tire lines. Project includes addition of steel cutter, bead apexer, tier building machines, curing presses, trimmer with inspection station, conveyor, and miscellaneous support machinery and equipment, as well as 7,800-sq-ft addition between two buildings.
Prior Application:	Yes
Existing Allocation:	5,291 kW of RP and 6, 000 kW of EP
Power Request:	1,250 kW
Power Recommended:	1,000 kW
Job Commitment:	
Existing:	1,432 jobs
New:	17 jobs
New Jobs/Power Ratio:	17 jobs/MW
New Jobs – Avg. Wage and Benefits:	$84,000
Capital Investment:	$19,000,000
Capital Investment/MW	$19,000,000/MW
Summary:	This site produces passenger, light- and medium-truck, motorcycle, and all-terrain-vehicle tires for original and replacement markets. A low-cost power allocation will keep the company's costs down.

New York Power Authority
Expansion Power
Recommendations for Allocations

Exhibit "5-B"
January 31, 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)
B-1	Allegheny Technologies Incorporated	Lockport	Niagara	3,000	11	$9,500,000	$62,000	**1,000**	8/31/2007
B-2	Ford Motor Company	Buffalo	Erie	4,500	15	$214,000,000	$99,000	**1,500**	8/31/2007
	Total EP Recommended				**26**	**223,500,000**		**2,500**	

(1) Expansion Power resale agreements with NYSEG and GRID have automatic extension provisions until 2013 if the Niagara Project license is extended. Should the license be extended, the full term of these contracts will be for five years.

Exhibit “5-B1
January 31, 2006

APPLICATION SUMMARY

Expansion Power

Company:	Allegheny Technologies Incorporated (AllVac)
Location:	Lockport
County:	Niagara
IOU:	New York State Electric and Gas Corporation
Business Activity:	Manufacturer of specialty steel ingots
Project Description:	Project includes adding two new ARC furnaces, cooling water pumps, cooling tower, transformer, control room, and fully automated melt controls. Additional machinery and equipment will include power supply, plus an upgrade of capacity of VIM furnace. This will provide additional melting capacity for furnace and expand VIM furnace to 15-ton capacity from present 10-ton capacity.
Prior Application:	Yes
Existing Allocation:	200 kW of EP
Power Request:	3,000 kW
Power Recommended:	1,000 kW
Job Commitment:	
Existing:	55 jobs
New:	11 jobs
New Jobs/Power Ratio:	11 jobs/MW
New Jobs – Avg. Wage and Benefits:	$62,000
Capital Investment:	$9,500,000
Capital Investment/MW	$9,500,000/MW
Summary:	Allegheny Technologies is a felt facility of specialty steel ingots. The company would use this power to melt steel for use in power generation land-based turbunes, rotating and non-rotating aircraft engines and air frames, and biomedical applications. A low-cost hydro allocation will help the company implement a plant expansion, increase employment, and increase plant capacity.

Exhibit "5-B2
January 31, 2006

APPLICATION SUMMARY

Expansion Power

Company:	Ford Motor Company
Location:	Buffalo, New York
County:	Erie
IOU:	National Grid
Business Activity:	Manufacturer of various stamping and assemblies for automobiles
Project Description:	This new project will be contained in the existing stamping plant. Areas will be cleared of existing equipment to make room for the new equipment. The project will include facilities preparation, removal of old lines and blankers, relocation of equipment and subassemblies, equipment demolition, floor rework and rail and dock enhancements. The installation will consist of design, build, and installation of automation and support 10 new assembly lines, line tools, and manufacturing aids.
Prior Application:	Yes
Existing Allocation:	7,200 kW of EP & 5,000 kW of PFJ
Power Request:	4,500 kW
Power Recommended:	1,500 kW (up to 1,500 kW)
Job Commitment:	
Existing:	1,680 jobs
New:	15 jobs
New Jobs/Power Ratio:	10 jobs/MW
New Jobs – Avg. Wage and Benefits:	$99,000
Capital Investment:	$214,000,000
Capital Investment/MW	$142,666,667/MW
Summary:	This project will greatly enhance Buffalo Stamping's abilities to compete as a world-class stamping manufacturer. An additional hydro allocation is a key component to becoming more cost- effective and thereby securing additional capital investment to make this project a reality.

6. 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 35 Power for Jobs ('PFJ') customers as listed in Exhibits '6-A' and '6-B.' In addition, the Trustees are requested to approve modifications to the benefits for 69 customers who have applied to have their PFJ benefits reinstated after having been reduced by the Board for non-compliance with their job commitments as detailed in Exhibit '6-C.' These customers have been recommended to receive such extended benefits and modifications 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, the program's new sunset date.

"Section 189 of the New York State Economic Development Law, which was also amended by Chapter 59 of the laws of 2004, provided the statutory authorization for the extended benefits that could be provided to PFJ customers with contracts that expire before December 31, 2005. The statute authorized EDPAB to award extended benefits to an applicant '*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 their meeting of October 18, 2005, EDPAB approved criteria under which applicants whose extended benefits were reduced by the Board for non-compliance with their job commitments could apply to have their PFJ benefit reinstated in whole or in part. EDPAB authorized staff to create a short-form application, notify customers of the process, send said customers the application and evaluate reconsideration requests based on the approved criteria. To date, staff has mailed 195 applications, received 99 and completed review of 92.

DISCUSSION

"At its meeting on January 30, 2006, EDPAB recommended that the Authority's Trustees approve the allocations and/or electricity savings reimbursement rebates to the 35 businesses listed in Exhibits '6-A' and '6-B.' Exhibit '6-A' lists businesses that have requested and are being recommended for contract extensions, while Exhibit '6-B' lists those businesses that have requested and are being recommended for electricity savings reimbursements. Collectively, these organizations have agreed to retain more than 58,000 jobs in New York State in exchange for the contract extensions or rebates. The contracts will be extended and the rebate program will be in effect until December 31, 2006, the program's sunset. The power will be wheeled by the investor-owned utilities as indicated in the Exhibits.

"Also, at its meeting on January 30, 2006, based on their reconsideration criteria, EDPAB recommended that the Authority's Trustees approve modifications to the benefits for 69 customers that have applied to have their PFJ benefits reinstated after having been reduced by the Board for non-compliance with their job commitments. In addition, EDPAB also recommended that the benefits for 23 customers that requested modifications be left at the reduced amount as they did not meet any of the approved criteria.

"The Trustees are requested to approve contract extensions for the companies listed in Exhibit '6-A,' and the payment and funding of rebates for the companies listed in Exhibit '6-B' in a total amount currently not expected to exceed $4,200,000. 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 for the companies listed in the Exhibits in the future.

FISCAL INFORMATION

"Funding of rebates for the companies listed on Exhibit '6-B' is not expected to exceed $4.2 million. Payments will be made from the Operating Fund. To date, the Trustees have approved $27.7 million in rebates.

RECOMMENDATION

"The Senior Vice President and Chief Financial Officer and the Director – Business Power Allocations, Regulation and Billing recommend that the Trustees approve the contract extensions for, and the payment of electricity savings reimbursements to, the Power for Jobs customers listed in Exhibits '6-A' and '6-B.' It is also recommended that the Trustees approve modifications to the benefits for 69 customers that have applied to have their PFJ benefits reinstated after having been reduced by the Board for non-compliance with their job commitments as detailed in Exhibit '6-C.'

"The Chief Operating Officer, the Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, 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. Mr. Pasquale explained that the Authority had received approximately 100 requests for reconsideration of reduced allocations. Of those requests, the Economic Development Power Allocation Board ("EDPAB") was recommending that 40 companies' allocations be fully restored, 29 companies' allocation take-backs be half restored, 23 companies' reduced allocations stay the same, and seven companies' requests required follow-up to clarify whether they had met the reconsideration criteria. Vice Chairman McCullough, who is Chairman of EDPAB, said that Mr. Pasquale was describing the reconsideration process that had been adopted by EDPAB and described to the Trustees at their October meeting. Staff had developed the reconsideration criteria and the reconsideration process is in place and is working. He added that the appropriate State legislators will be notified of the actions taken with regard to the reconsideration process. In response to a question from Chairman Seymour, Mr. Pasquale said that the reasons for companies having their power allocations fully restored were such things as now meeting their job commitments or having gone through some extraordinary event, such as a flood or a fire. He said that those whose power allocation take-backs were partially restored usually claimed to be the victims of regional and global competition. He added that at least three staff had reviewed each reconsideration request and the final decision was based on consensus.

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 contract extensions and electricity savings reimbursements to the Power for Jobs customers listed in Exhibits "6-A" and "6-B," respectively; and

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve modifications to 69

allocations for customers that have applied to have their PFJ benefits reinstated after having been reduced by the Board for non-compliance with their job commitments as detailed in Exhibit "6-C";

NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves contract extensions for those companies listed in Exhibit "6-A," and the payment of electricity savings reimbursements to the companies listed in Exhibit "6-B," as submitted to this meeting, and that the Authority finds that such extensions and 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 to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves modifications to the benefits for 69 customers that have applied to have their PFJ benefits reinstated after having been reduced by the Board for non-compliance with their job commitments as detailed in Exhibit "6-C"; 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 $4.2 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, Economic Development and Supply Planning 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, Secretary and General Counsel; and be it further

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

New York Power Authority
Power for Jobs Extended Benefits
Recommendation for Contract Extensions
Companies Not In Job Compliance

Exhibit "6-A"
January 31, 2006

Line	Company	City	County	IOU	Original KW	Prior Job Committed	Jobs in Application 2005	Over (under)	% Over (under)	Compliance	Recommended KW	Jobs/Mw	Type	Service
1	Display Producers, Inc.	Bronx	Bronx	Con Ed	375	395	311	-84	-21%	No	300	1,037	Small	Produces display cases
			Total	**1**	**375**	**395**	**311**				**300**	**1,037**		

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

Exhibit "6-B"
January 31, 2006

Count	Company	City	County	IOU	KW	Jobs in Application	Jobs/MW	Type	Service
1	92nd Street YM-YWHA	New York	New York	CONED	200	516	2,580	NFP	Community/cultural center
2	Henry Street Settlement	New York	Bronx	CONED	300	688	2,293	NFP	Social services
3	Kingsbrook Jewish Medical Center	Brooklyn	Kings	CONED	1,200	2,091	1,743	NFP	Medical and research institution
4	Lincoln Center for the Performing Arts	New York	New York	CONED	3,000	2,312	771	NFP	Performing arts center
5	Liz Claiborne, Inc.	New York	New York	CONED	1,500	1,075	717	Large	Clothing and accessories manufacturer
6	Long Island Jewish Medical Center	Manhasset	Nassau	CONED	2,000	6,143	3,072	NFP	Healthcare center
7	New Museum of Contemporary Art	New York	New York	CONED	50	41	820	NFP	Art center
8	New York Presbyterian Hospital	New York	New York	CONED	5,000	6,958	1,392	NFP	Medical care
9	New York University	New York	New York	CONED	1,700	9,817	5,775	NFP	nstitution of higher education
10	North General Hospital	New York	New York	CONED	400	943	2,358	NFP	Hospital
11	NYU Medical Center	New York	New York	CONED	4,000	9,867	2,467	NFP	Medical center
12	Pepsi Cola Bottling Company	College Point	Queens	CONED	2,200	1,030	468	Large	Manufacturer & distributor of soft drinks
13	S. R. Guggenheim Museum	New York	New York	CONED	475	356	749	NFP	Art museum
14	South Street Seaport Museum	New York	New York	CONED	175	95	543	NFP	Museum of historic ships, maritime art and artifacts
	Con Ed		**Subtotal**	**14**	**22,200**	**41,932**	**1,889**		
15	AMETEK Hughes-Treitler Military Corp.	Garden City	Nassau	LIPA	500	189	378	Large	Manufacturer of heat exchangers
16	Enzo Clinical Labs, Inc.	Farmingdale	Suffolk	LIPA	200	256	1,280	Small	Medical lab
17	Good Samaritan Hospital	West Islip	Suffolk	LIPA	800	2,651	3,314	NFP	Healthcare center
18	John Hassall, Inc.	Westbury	Nassau	LIPA	450	111	247	Large	Manufacturer of specialty metal fasteners
	LIPA		**Subtotal**	**4**	**1,950**	**3,207**	**5,218**		
19	Diemolding Corporation	Canastota	Madison	GRID	200	305	1,525	Small	Thermoset plastic forming
20	Edward John Noble Hospital	Gouverneur	St. Lawrence	GRID	100	252	2,520	NFP	Healthcare center
21	Interface Solutions, Inc.	Fulton	Oneida	GRID	1,000	187	187	Large	Makes backing for vinyl flooring
22	LB Furniture Industries, LLC	Hudson	Columbia	GRID	500	170	340	Large	Manufacturer of restaurant seating
23	Lewis County General Hospital	Lowville	Rensselaer	GRID	200	382	1,910	NFP	Medical center
24	Mohawk Paper Mills	Cohoes	Albany	GRID	2,250	389	173	Large	Manufacturer of text and cover papers
25	Nathan Littauer Hospital & Nursing Home	Gloversville	Fulton	GRID	400	662	1,655	NFP	Hospital and nursing home
26	Natrium Products, Inc.	Cortland	Cortland	GRID	90	20	222	Small	Manufacturer of sodium bicarbonate
27	Queensboro Farm Products, Inc.	Canastota	Madison	GRID	500	79	158	Large	Milk manufacturing and processing plant
28	Revere Copper Products	Rome	Oneida	GRID	2,000	452	226	Large	Copper & brass products
29	Robison & Smith, Inc.	Gloversville	Fulton	GRID	384	176	458	Small	Linen & laundry supply
30	Snyder Industries, Inc.	N. Tonawanda	Niagara	GRID	350	94	269	Small	Machinery
31	Spancrete Northeast, Inc (Oldcastle)	South Bethlehem	Albany	GRID	350	113	323	Small	Precast products and installation
32	St. Joseph's Hospital Health Center	Syracuse	Onondaga	GRID	1,000	2,997	2,997	NFP	Healthcare center
33	Syracuse University	Syracuse	Onondaga	GRID	2,000	4,360	2,180	NFP	Institution of higher education
34	Welch Allyn Data Collection Inc.	Skaneateles Falls	Onondaga	GRID	2,000	2,294	1,147	Large	Medical and dental diagnostic equipment manufacturer
	NIMO		**Subtotal**	**16**	**13,324**	**12,932**	**971**		

Total	**34**	**37,474**	**58,071**	**1,550**

New York Power Authority
Power for Jobs Extended Benefits
Recommendations for Full or Partial Reinstatement
Contract Extension

Exhibit "6-C1"
January 31, 2006

Line	Company	City	Original KW	Jobs in Application 2005	Approved Reduction KW	Approved Allocation KW	Reconsideration Full/ Partial	Recommended Reinstated KW	Recommended Allocation After Reinstatement KW	Final Commitment Jobs	Service
1	Albany International Corp.	Albany	1,000	269	200	800	Full	200	1,000	269	Manufacturer of textiles
2	Amsterdam Printing & Litho	Amsterdam	500	840	50	450	Full	50	500	894	Personalized imprinting technology
3	Beechnut Nutrition Corp.	Canajoharie	1,500	308	350	1,150	Full	350	1,500	308	Manufacturer of baby food products
4	Blasch Precision Ceramics	Albany	400	60	100	300	Full	100	400	65	Advanced ceramic & refractories company
5	Byrne Dairy, Inc.	Syracuse	300	31	50	250	Full	50	300	40	Ice cream and other dairy products
6	Climax Manufacturing Co.	Carthage	1,500	289	200	1,300	Full	200	1,500	289	Paperboard mills
7	Codino's Italian Foods, Inc.	Scotia	150	28	50	100	Full	50	150	28	Food manufacturer
8	Crucible Specialty Metals	Syracuse	4,000	693	850	3,150	Full	850	4,000	693	Specialty steel manufacturer
9	Eastern Castings Corp.	Cambridge	250	29	50	200	Full	50	250	32	Aluminum foundry
10	Elmira College	Elmira	850	401	150	700	Full	150	850	494	Institution of higher education
11	Hadco (Sanmina)	Owego	2,000	898	450	1,550	Full	450	2,000	925	Makes cathode ray television picture tubes
12	Hadco Corp.	Owego	2,000	898	450	1,550	Full	450	2,000	898	Makes cathode ray television picture tubes
13	Harding Manufacturing Corporation	Rome	300	36	200	100	Full	200	300	36	Custom plastic injection molding
14	Henry Modell Inc. / Modell's NY Inc	Bronx	400	253	50	350	Full	50	400	253	Warehousing & distribution of sporting goods
15	Kaz Incorporated	Hudson	400	383	50	350	Full	50	400	383	Maker of consumer healthcare appliances
16	Keymark Corporation	Fonda	800	528	200	600	Full	200	800	528	Aluminum extruded products
17	Little Falls Hospital	Little Falls	200	278	50	150	Full	50	200	278	Hospital services
18	Novapak Corporation	Philmont	700	130	100	600	Full	100	700	130	Blowmolder of plastic containers
19	Orion Bus Industries	Oriskany	300	508	50	250	Full	50	300	508	State-of-the-art transit buses
20	Producto Machine Company - Ring & Pierce-	Jamestown	350	90	100	250	Full	100	350	90	Machined parts & custom components
21	Quebecor World Buffalo, Inc.	Depew	650	885	130	520	Full	130	650	885	Printer and publisher
22	Richards Machine Tool Co., Inc.	Lancaster	60	19	10	50	Full	10	60	19	Precision tooling and job shop
23	Roberson Memorial, Inc.	Binghamton	225	21	75	150	Full	75	225	21	Educational institution & museum
24	Rome Specialty Company, Inc.	Rome	135	18	35	100	Full	35	135	20	Manufacturer of fishing tackle
25	Samaritan Medical Center	Watertown	600	1126	100	500	Full	100	600	1,126	Health services
26	School House Companies	Gloversville	200	101	100	100	Full	100	200	101	Trucking & transportation
27	Staroba Plastic & Metal Products	Holland	700	121	200	500	Full	200	700	121	Manufacturer of corrugated paper
28	The Jewish Museum	New York	200	129	50	150	Full	50	200	190	Motor control products and oil filtration
29	Universal Instruments Corporation	Binghamton	3,000	625	1,300	1,700	Full	1,300	3,000	625	Electronics assembly equipment business
30	American Pipe & Plastics, Inc.	Binghamton	500	50	100	400	Partial	50	450	50	Manufacturing of polyvinyl chloride pipe
31	Auburn Vacuum Forming Co., Inc.	Auburn	125	17	75	50	Partial	38	88	17	Manufacture theroformed plastic components
32	BSU, Inc.	Ithaca	100	35	50	50	Partial	25	75	35	Assembly and design services
33	Buflovak, LLC	Buffalo	350	46	150	200	Partial	75	275	46	Mfr of process equipment
34	Canterbury Printing Co. of Rome, In	Rome	350	58	150	200	Partial	75	275	58	Publication & commercial printing
35	Carville National Leather Corp.	Johnstown	250	37	100	150	Partial	50	200	37	Leather finishing/coloring
36	Chapin Watermatics Inc.	Watertown	400	50	150	250	Partial	75	325	50	Maker of drip irrigation hoses
37	Cherry Creek Woodcraft Inc.	South Dayton	500	70	200	300	Partial	100	400	70	Manufacturer of trophies and plaques
38	CWR Manufacturing, Co.	Syracuse	200	60	100	100	Partial	50	150	60	High-quality cold-form metal fasteners
39	Deck Bros., Inc.	Buffalo	179	28	79	100	Partial	40	140	28	Machine shop
40	Exolon-ESK Company	Tonawanda	600	35	450	150	Partial	225	375	35	Abrasive products
41	Hardinge Inc.	Elmira	1,200	599	450	750	Partial	225	975	599	Machine tool metal cutting types
42	ILC Data Device Corporation	Bohemia	1,400	384	200	1,200	Partial	100	1,300	384	Assembly of printed circuit boards
43	International Fiber Corporation	North Tonawanda	400	76	100	300	Partial	50	350	76	Produces powdered cellulose and fibers
44	ITT Standard	Cheektowaga	1,000	239	250	750	Partial	125	875	239	Heat exchange
45	Kintz Plastics, Inc.	Howes Cave	300	105	50	250	Partial	25	275	105	Manufacturer of thermoformed plastic parts
46	Knowlton Specialty Paper	Watertown	650	94	100	550	Partial	50	600	94	Specialty paper manufacturer & converting
47	Lancaster Knives, Inc.	Lancaster	400	44	50	350	Partial	25	375	44	Manufacturer of industrial knives

New York Power Authority | **Exhibit "6-C1"**

Power for Jobs Extended Benefits | **January 31, 2006**

Recommendations for Full or Partial Reinstatement

Contract Extension

Line	Company	City	Original KW	Jobs in Application 2005	Approved Reduction KW	Approved Allocation KW	Reconsideration Full/ Partial	Recommended Reinstated KW	Recommended Allocation After Reinstatement KW	Final Commitment Jobs	Service
48	Niagara Fiberboard Inc.	Lockport	216	23	66	150	Partial	33	183	23	Makes recycled paperboard products
49	Par Foam Products, Inc.	Buffalo	185	136	35	150	Partial	18	168	136	Plastics, sponge, and rubber products
50	Sabin Metal Corporation	Scottsville	1,000	129	350	650	Partial	175	825	129	Large precious metal refiner
51	Schilling Forge, Inc.	Syracuse	250	35	50	200	Partial	25	225	35	Unfinished forging for industry
52	Tompkins Metal Finishing, Inc.	Batavia	400	72	100	300	Partial	50	350	72	Metal finishing
53	W. W. Custom Clad, Inc.	Canajoharie	300	51	100	200	Partial	50	250	51	Metal finishing
		Totals	**34,925**	**12,468**	**9,255**	**25,670**		**7,503**	**33,173**	**12,722**	

New York Power Authority
Power for Jobs Extended Benefits
Recommendations for Full or Partial Reinstatement of
Electricity Savings Reimbursements

Exhibit "6-C2"
January 31, 2006

Line	Company	City	Original KW	Prior Job Committed	Jobs in Application 2005	Over (under)	% Under	Reduced Allocation KW	Reconsideration Full/Partial KW	Recommended Allocation After Reinstatement KW	Final Commitment Jobs	Service
1	Audiosears	Stamford	187	105	74	-31	-30%	131	Full	190	81	Makes audio equipment
2	Dodge-Graphic Press Inc	Utica	300	100	66	-34	-34%	198	Full	300	66	Printing company
3	Fitzpatrick & Weller, Inc.	Ellicottville	1,000	230	107	-123	-53%	465	Full	1,000	107	Lumber & wood components
4	Kilian	Syracuse	400	345	214	-131	-38%	248	Full	400	214	Ball bearings
5	Manitoba	Lancaster	250	45	39	-6	-13%	217	Full	250	48	Metal recycling for non-ferrous metals
6	Norampac	Maspeth	600	267	195	-72	-27%	438	Full	600	195	Manufacturer of corrugated paper
7	Quad Graphics	Saratoga Springs	4,000	1,420	1,118	-302	-21%	3,149	Full	4,000	1118	Printing services
8	Seneca Foods Corporation	Marion	1,100	246	115	-131	-53%	514	Full	1,100	115	Canned fruits & vegetables
9	Syroco	Baldwinsville	550	427	183	-244	-57%	236	Full	550	183	Plastic injection molding manufacturer
10	Utica Corp. (TECT)	Whitesboro	1,200	395	225	-170	-43%	684	Full	1,200	225	Precision forging plant
11	Vail Ballou Press (Maple-Vail Book M	Binghamton	1,800	500	426	-74	-15%	1,534	Full	1,800	426	Book printer and distributor
12	Cooper Industries (Crouse-Hinds)	Syracuse	3,000	958	529	-429	-45%	1,657	Partial	2,350	529	Manufacturer of electrical equipment
13	Jada	Rochester	375	91	56	-35	-38%	231	Partial	300	56	Injection molder of thermoplastic materials
14	Lydall Manning	Green Island	1,200	133	111	-22	-17%	1,002	Partial	1,100	111	Specialty paper manufacturer
15	Specialized Packaging Group	Baldwinsville	200	190	148	-42	-22%	156	Partial	180	148	Printed folding cartons
16	Syracuse China	Syracuse	500	434	371	-63	-15%	427	Partial	460	371	Manufacturer of restaurant china
		Total	**16,662**	**5,886**	**3,977**	**-1,909**		**11,286**		**15,780**	**3,993**	

New York Power Authority
Power for Jobs Extended Benefits
Benefits to Remain at Reduced Amount
For Informational Purpose Only

Exhibit "6-C3"
January 31, 2006

Line	Company	City	Original KW	Prior Job Committed	Jobs in Application 2005	Over (under)	% Under	KW Reduction	Approved Allocation KW	Reinstate None of Takeback KW	Recommended Reinstatement Allocation KW	Service
1	A.T. Reynolds (Leisure Time)	Kiamesha Lake	500	116	59	-57	-49%	-246	Rebate	0	250	Meat wholesaler
2	Accumed Technologies, Inc.	Buffalo	125	224	163	-61	-27%	-34	100	0	100	Supplier of contract welding textile
3	B.H. Aircraft Company, Inc	Ronkonkoma	525	107	76	-31	-29%	-152	400	0	400	Produces noise suppression hardware
4	Canajo Manufacturing Company	Canajoharie	700	147	125	-22	-15%	-105	600	0	600	Makes confectionery products
5	Dupli Envelopes & Graphics Corp.	Syracuse	250	125	103	-22	-18%	-44	200	0	200	Quality envelope printing
6	F. P. Pla Tool & Manufacturing Co.,	Buffalo	100	40	26	-14	-35%	-35	50	0	50	Machine & tool shop
7	Graphic Controls LP, A Tyco Int. LT	Buffalo	600	300	264	-36	-12%	-72	550	0	550	Manufacturers medical recording charts
8	Hebeler Corporation	Tonawanda	350	149	122	-27	-18%	-63	300	0	300	Process equipment for various industries
9	Indian Country Inc.	Deposit	450	182	92	-90	-49%	-223	250	0	250	Supplier of custom wood components
10	J. C. Plastics, Inc.	Rochester	150	29	20	-9	-31%	-47	100	0	100	Plastic injection molding
11	Marlette National Corporation	Buffalo	500	102	66	-36	-35%	-176	300	0	300	Electroplating and metal finishing
12	Metalico, Inc.	Buffalo	100	73	64	-9	-12%	-12	75	0	75	Scrap iron & metal processing
13	Metweld	Altamont	200	121	71	-50	-41%	-83	100	0	100	Industrial equipment
14	Midstate Spring, Inc.	Syracuse	140	50	36	-14	-28%	-39	100	0	100	Makes precision springs, wire forms parts
15	Niagara Gear Corp.	Kenmore	100	41	36	-5	-12%	-12	85	0	85	Make precision ground spur
16	NIBCO, Inc.	South Glens Falls	1,000	179	44	-135	-75%	-754	250	0	250	Manufacturer of brass fittings
17	Pearl Leather Finishers, Inc.	Johnstown	500	145	107	-38	-26%	-131	350	0	350	Leather finisher
18	Remarketing Services (Fiserv)	Amherst	100	635	345	-290	-46%	-46	Rebate	0	50	Provider of vehicle remarketing and leasing
19	Rich Plan Food Service, Inc.	Clark Mills	200	61	7	-54	-89%	-177	25	0	25	Meat processing & frozen food storage
20	Sentry Metal Blast, Inc. (dba Sentry Metal Services)	Niagara Falls	250	41	23	-18	-44%	-110	150	0	150	Metal blasting and industrial coating
21	Spray Nine Corporation	Johnstown	400	171	120	-51	-30%	-119	300	0	300	Specialty cleaning chemicals
22	Stella D'Oro Biscuit Co., Inc.	Bronx	500	345	170	-175	-51%	-254	250	0	250	Precast products and installation
23	Syracuse Label Co., Inc.	Liverpool	300	151	103	-48	-32%	-95	200	0	200	Printing labels
		Totals	**8,040**	**3,534**	**2,242**	**-1,292**		**-3,029**	**4,735**	**0**	**5,035**	

7. Authorization to Execute One or More Forward-Starting, Floating-to-Fixed, Interest-Rate Swap Agreements Relating to Future Debt Issuances for the St. Lawrence/FDR Power Project and the Niagara Power Project

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the execution of one or more forward-starting, floating-to-fixed, interest-rate swap agreements that would commence in October 2007 relating to debt to be issued by the Authority at that time to finance a portion of the relicensing and modernization costs for both the St. Lawrence/FDR Power Project ('St. Lawrence') and the Niagara Power Project ('Niagara'). The interest-rate swap agreements would be in an aggregate notional amount not to exceed $350 million, with such swap agreements having a termination date of not later than November 15, 2037. The fixed rate to be paid by the Authority under the swap(s) relating to the taxable debt would not exceed 5.50%, and the fixed rate to be paid by the Authority under the swap(s) relating to the tax-exempt debt would not exceed 4.00%. The Trustees are also requested to authorize the Authority's execution of an agreement with Public Financial Management-Asset Management LLC ('PFM-AM'), a wholly owned subsidiary of Public Financial Management ('PFM'), to provide professional services to structure and bid the interest-rate swap transactions. The fee to be paid to PFM-AM for these services would not exceed $95,000.

BACKGROUND

"Pursuant to previous resolutions adopted by the Trustees, the Authority has issued approximately $213 million in fixed-rate bonds to finance St. Lawrence relicensing and modernization costs and approximately $66 million in fixed-rate bonds to finance Niagara relicensing and modernization costs. The Authority plans to issue up to approximately $350 million in additional fixed-rate bonds in October 2007 to finance the balance of such costs. It is expected that approximately $290 million of this amount will be federally taxable bonds and approximately $60 million will be tax-exempt bonds.

DISCUSSION

"Presently, long-term interest rates remain relatively low, and staff believes it is appropriate for the Authority to protect itself against interest rates rising between now and October 2007, when the issuance of fixed-rate bonds is anticipated in support of the hydroelectric facilities. After careful consideration and consultation with the Authority's financial and swap advisors, PFM and PFM-AM, respectively, staff has concluded that the best way the Authority can hedge against rising interest rates would be to enter into one or more forward-starting, floating-to-fixed rate, interest-rate swap agreements. If approved, the proposed agreements would consist of at least one London Interbank Offered Rate ('LIBOR') based swap in an aggregate notional amount not to exceed $290 million, which would serve as a hedge for the taxable bonds to be issued in October 2007, and/or at least one percentage of LIBOR-based swap in an aggregate notional amount not to exceed $60 million, which would serve as a hedge for the tax-exempt bonds to be issued at that time. The swap agreements would be awarded through a competitive bidding process that would be managed on behalf of the Authority by PFM-AM.

"Under the proposed swap agreements, the Authority would pay the counterparty(ies), during the term of the swap commencing on or after October 15, 2007, a fixed rate of no greater than 5.50% on the notional amount of the swap(s) relating to the taxable debt, and a fixed rate of not greater than 4.00% on the notional amount of the swap(s) relating to the tax-exempt debt. The counterparty(ies), in turn, would pay the Authority payments equal to: (i) in the case of the swap(s) relating to the taxable debt, the notional amount of the related swap(s) multiplied by 100% of LIBOR; and (ii) in the case of the swap(s) relating to the tax-exempt debt, the notional amount of the related swaps multiplied by a percentage of LIBOR, that percentage to be determined at pricing and equal to that which is expected to provide the best hedge for the Authority. A component of each fixed rate will be a forward premium currently estimated to be less than 10 basis points for both proposed swaps, which is low relative to where such premiums have been in recent years.

"Staff may deem it advisable in connection with the swap agreements to execute credit support annexes ('CSAs'). The CSAs would obligate the Authority and the counterparties to provide collateral to support the swap agreements if the Authority's or the counterparties' credit ratings were downgraded. Staff proposes that any such CSAs have provisions that would limit the aggregate amount of collateral to be transferred without further approval by the Trustees to $25 million. If the Trustees were to decline to approve such additional collateral, the counterparty to the swap agreement in question would have the option to terminate the swap agreement, with payment to be made in accordance with whether market conditions favored the Authority or the counterparty.

"As the swap agreements would be executed to hedge interest-rate volatility, the Authority expects to terminate the agreements when the 2007 bonds are issued. Accordingly, at the time of such termination, if interest rates are higher than the fixed payer rate of the swaps, the Authority would be the recipient of a termination payment by the counterparty(ies). The Authority would then issue fixed-rate bonds (reduced by an amount equal to the swap termination payment received) in the higher-interest-rate environment. Conversely, if interest rates are lower, the Authority would be required to make a termination payment to the counterparty(ies). The Authority would issue fixed-rate bonds (increased by an amount equal to the swap termination payment payable) in the lower-interest-rate environment. In both cases, by virtue of entering into the proposed swap(s), the Authority would have substantially hedged its interest-rate risk until October 2007.

"In entering into the proposed swaps, the Authority incurs two primary risks. First, it is anticipated that the swaps will be terminated in October 2007, at the market swap rates prevalent at that time, while the anticipated fixed-rate bonds will be issued at the market bond rates prevalent at that time. The Authority thus bears the risk that the swap and bond markets do not perfectly correlate.

"Second, the Authority is entering into the swap(s) to protect against an increase in the general level of interest rates. To the extent such an increase does not occur, the Authority incurs the opportunity cost of foregoing the ability to issue its anticipated fixed-rate bonds in an even lower-interest-rate environment. Since May 1994, long-term taxable interest rates have exceeded the projected fixed taxable swap rate more than 83% of the time, and long-term tax-exempt interest rates have exceeded the projected fixed tax-exempt swap rate more than 82% of the time. While staff is unable to forecast with any certainty what interest rates will be in October 2007, staff believes it is reasonable for the Authority to guard against an adverse change (i.e., increase) in borrowing rates while rates remain relatively low.

"The estimated savings or loss for the proposed hedging transactions compared to a hypothetical unhedged bond transaction in October 2007 is shown below assuming various interest-rate movements during the interim period.

Present Value of Net Debt Service (in millions)

Interest Rate Movement	Taxable 100% LIBOR	Tax-Exempt 67% LIBOR
	PV @ 5.43%	PV @ 3.75%
	$290.0	$60.0
- 50 bp	$269.5	$59.8
Difference	($20.5)	($0.2)
-25 bp	$277.6	$61.7
Difference	($12.4)	$1.7
+0 bp	$285.8	$63.7
Difference	($4.2)	$3.7
+25 bp	$294.1	$65.7
Difference	$4.1	$5.7
+50 bp	$302.5	$67.7
Difference	$12.5	$7.7
+75 bp	$311.0	$69.8
Difference	$21.0	$9.8
+100 bp	$319.6	$71.8
Difference	$29.6	$11.8

"Staff has analyzed the risks associated with entering into the proposed swap agreements, as discussed above, and finds that such risks are: (i) manageable, and (ii) reasonable in relation to the potential benefit.

FISCAL INFORMATION

"The proposed transactions are designed to lock into today's low interest rates for a new debt issue planned for the fall of 2007. The net benefit or cost of this transaction will be reflected in the cost-based rates set at that time.

RECOMMENDATION

"The Treasurer recommends that the Trustees authorize the President and Chief Executive Officer, the Senior Vice President and Chief Financial Officer and the Treasurer to execute on behalf of the Authority: (1) one or more forward-starting, floating-to-fixed rate, interest-rate swap agreements relating to debt to be issued by the Authority in October 2007 to finance a portion of the relicensing and modernization costs for both the St. Lawrence/FDR Power Project and the Niagara Power Project, in an aggregate notional amount not to exceed $350 million, with such swap agreements having a term not extending beyond November 15, 2037, and with a fixed rate of no greater than 5.50% on the notional amount of the swap(s) relating to the taxable debt and a fixed rate of not greater than 4.00% on the notional amount of the swap(s) relating to the tax-exempt debt, and (2) an agreement with Public Financial Management-Asset Management LLC to provide professional services to structure and bid the swap transactions consistent with the discussion above.

"The Chief Operating Officer, the Executive Vice President, Secretary and General Counsel, the Senior Vice President and Chief Financial Officer, the Vice President – Finance and I concur in the recommendation."

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

RESOLVED, That the President and Chief Executive Officer, the Senior Vice President and Chief Financial Officer and the Treasurer be, and each hereby is, authorized to execute on behalf of the Authority one or more forward-starting, floating-to-fixed-rate, interest-rate swap agreements with entities to be selected by the Vice President – Finance or the Treasurer as a result of a competitive bidding process, provided that: (1) the notional amount of the agreements, in the aggregate, shall not exceed $350 million; (2) the agreements shall consist of at least one London Interbank Offered Rate ("LIBOR") based swap in an aggregate notional amount not to exceed $290 million as a hedge for the taxable bonds and/or at least one swap based on a percentage of LIBOR in an aggregate notional amount not to exceed $60 million as a hedge for the tax-exempt bonds, both bond issuances being contemplated for October 2007; (3) the term of the agreements shall commence in October 2007 and shall not exceed November 15, 2037; (4) during the term of the agreements, the Authority shall not pay a fixed rate greater than 5.50% on the notional amount of the swap(s) relating to the taxable debt, nor a fixed rate greater than 4.00% on the notional amount of the swap(s) relating to the tax-exempt debt, and the counterparty(ies), in turn, shall pay the Authority payments equal to: (i) in the case of the swap(s) relating to the taxable debt, the notional amount of the swap(s) multiplied by 100% of LIBOR; and (ii) in the case of the swaps(s) relating to the tax-exempt debt, the notional amount of the swaps multiplied by a percentage of LIBOR, that percentage to be determined at pricing and equal to that which is expected to provide the best hedge for the Authority; (5) any credit support annexes shall allow for transfer of up to an aggregate of $25 million in collateral without further approval of the Trustees; (6) the swap agreements may provide for their termination if the Authority declines to provide additional collateral beyond the $25 million

discussed in clause (5) above; and (7) such agreements shall have such terms and conditions, not inconsistent with the requirements set forth in clauses (1)-(6) above, as either the Vice President – Finance or the Treasurer in his discretion shall deem necessary or advisable, with execution of the agreements constituting conclusive evidence of such approval; and be it further

RESOLVED, That the President and Chief Executive Officer, the Senior Vice President and Chief Financial Officer and the Treasurer be, and each hereby is, authorized to enter into an agreement with Public Financial Management-Asset Management LLC for a fee not to exceed $95,000 to provide professional services to structure and bid the interest-rate transactions; and be it further

RESOLVED, That prior to the release of any monies from the Operating Fund for the payment of collateral under any credit support annexes, the Vice President – Finance or the Treasurer shall certify that any such amount to be withdrawn for such purpose shall not be needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That the President and Chief Executive Officer, the Chief Operating Officer, the Senior Vice President and Chief Financial Officer, the Vice President – Finance, the Treasurer, the Deputy Treasurer and all other Authority officers be, 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 this resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

8. Authorization to Enter into NYISO Virtual Transaction Program and to Provide Collateral for the Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the Authority to: (1) participate in the New York Independent System Operator ('NYISO') Virtual Transaction Program (the 'Program') and to authorize the issuance of collateral in connection with the Program, provided that the amount of such collateral shall not exceed $2 million; and (2) either enter into agreements with one or more banks to provide letters of credit to meet the collateral requirements of the Program or post cash as collateral.

BACKGROUND

"Virtual transactions are widely used by NYISO Market Participants as a means of managing market price risk. The Authority has considerable financial exposure, particularly if its New York City units trip off line during periods when the units have high commitment levels (megawatts) in the Day Ahead Market ('DAM'). This situation ordinarily occurs during very warm or cold weather when the output of the Authority's plants is needed most to meet customer load requirements or when transmission outages limit power availability.

"A risk management technique using a virtual load bid offers protection against the adverse financial effects of a forced outage at one of the Authority's generators. The forced outage of a generator would require the Authority to buy energy in the Real-Time Market ('RTM') to replace the energy committed in the DAM had the unit not gone out of service.

DISCUSSION

"The Program permits the Authority and other Market Participants to manage the risk discussed above by allowing virtual load and generation bids to be submitted. When the Authority believes the DAM price will be less than the RTM price during specific situations, it may decide to bid virtual load. It would pay the DAM price to supply the virtual load and be paid the RTM price to settle the transaction. If the Authority believes the DAM price will be greater than the RTM price in certain circumstances, it may decide to bid virtual generation. It would be paid the DAM price for the virtual generation and it would pay the RTM price to settle the transaction. Staff would use this risk management tool on selective occasions, as authorized by the Vice President – Energy Resource Management, particularly when market price volatility is expected to be high, such as during extreme weather conditions.

"The exposure that the Authority might face with a virtual load bid is if its virtual load bid is selected and the RTM price drops below the DAM price. Likewise, the exposure that the Authority might face with a virtual generation bid is if its virtual generation bid is selected and the RTM price increases above the DAM price. Staff believes that this risk is manageable in that the Authority is not obliged to bid in either virtual market and has a choice each day as to when and whether to bid virtual load or generation and the amount of each such bid subject to the limitations below. Moreover, staff believes that the risk is outweighed by the 'insurance policy' against rising RTM prices offered by the virtual load bid mechanism. Purchasing trip risk insurance from power marketers is expensive and offers limited coverage over a multimonth period. Virtual load transactions provide the ability to target periods of maximum potential exposure.

"Staff is also requesting authorization to post collateral in connection with its bids in the Program. The NYISO currently requires the posting of collateral in the form of a cash deposit or irrevocable letters of credit ('LCs'). The amount of collateral is based on the maximum daily MWh of virtual energy specified by the Authority in its application (1,600 MWh) to the NYISO and a reference price that reflects recent energy market prices. The current required collateral for 1,600 MWh (based on 100 MW for the 16-hour peak period) of daily energy is approximately $400,000 but has exceeded $1 million in the past.

"Once the Authority's application is complete and the Authority is enrolled in the Program, an invoice for the exact amount of collateral will be supplied by the NYISO. The reference price is updated periodically by the NYISO, and if it increases or decreases by more than 10%, the NYISO will notify the participants that they may either adjust their maximum daily energy amount, increase their posted collateral or accept a refund from the NYISO of any excess collateral. Staff recommends setting an adequate level of collateral to be able to participate on a continuing basis in the Program's benefits without having to adjust downward the maximum daily energy amount to a point of diminishing benefits to the Authority. Under the authorization requested herein, the maximum amount of collateral expected to be posted (either in the form of cash or LCs) would not exceed $2 million.

"The Trustees are also requested to authorize the expansion, use and redesignation of the NYMEX Margin Reserve Fund ('Fund') as the source for this collateral. The Fund is part of the Operating Fund and was created and approved by the Trustees in their resolution of April 27, 2004 for margin and collateral requirements associated with commodity hedging transactions. The expansion and use of the Fund to include Virtual Program Transactions is consistent with its purpose. A redesignation of the Fund to Energy Hedging Reserve Fund would be appropriate given its expanded use.

"In connection with the Program, the Trustees are also requested to authorize the entry into agreements with one or more banks to allow the issuance of LCs pursuant to Program requirements, provided that the aggregate amount of the LCs to be issued pursuant to the Program would be limited, as discussed above.

FISCAL INFORMATION

"Any cash pledged would be held as collateral pursuant to the Program, and not used by the NYISO unless the Authority has failed to fulfill its obligations under the Program. Any LCs issued would be drawn on only if the Authority has failed to fulfill its obligations under the Program. The amounts to be pledged and the LCs to be issued would be limited, as discussed above.

RECOMMENDATION

"The Vice President – Energy Resource Management recommends that the Trustees authorize the participation in the New York Independent System Operator Virtual Transaction Program, including the posting of necessary collateral and the execution of bank agreements to allow for the issuance of letters of credit, as described and subject to the limitations discussed above.

"The Chief Operating Officer, the Executive Vice President, Secretary and General Counsel, the Senior Vice President and Chief Financial Officer, the Senior Vice President – Power Generation, the Vice President – Finance, the Vice President – Chief Risk Officer, the Treasurer and I concur in the recommendation."

Mr. Deasy presented the highlights of staff's recommendations to the Trustees. In response to a question from Chairman Seymour, Mr. Deasy said that the cost of the insurance the Authority paid for covering unexpected plant outages during one summer period was $2 million and that the virtual transaction program was a much more prudent tool, especially with the operation of the 500 MW plant.

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

RESOLVED, That the Vice President – Energy Resource Management is hereby authorized to enter the Authority into the New York Independent System Operator Virtual Transaction Program (the "Program"); that the Vice President – Energy Resource Management or his designee is authorized to enter into such agreements, execute such documents and take such actions as the Vice President – Energy Resource

Management or his designee deems necessary or advisable to participate in the Program, including any such agreements, documents or actions relating to collateral requirements, subject to the approval of the form of such agreements or documents by the Executive Vice President, Secretary and General Counsel or his designee, provided, however, that the aggregate amount of cash or letters of credit ("LCs") that could be issued pursuant to such collateral requirements shall not exceed $2 million, and provided further that no Authority funds shall be so pledged or LCs be issued unless the Vice President – Finance or Treasurer has certified that such funds or securities or the amount of such LCs are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations; and be it further

RESOLVED, That the Vice President – Finance and the Treasurer are each hereby authorized to enter into agreements (the "LC Agreements") with one or more banks to be selected by the Treasurer, having such terms and conditions as the Vice President – Finance or the Treasurer deems necessary or advisable, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, to provide for the issuance of letters of credit for the Program; and be it further

RESOLVED, That the Vice President – Finance or the Treasurer may authorize the issuance of LCs under the LC Agreements for the purpose of satisfying the Program's collateral requirements, subject to the limitations set forth above; and be it further

RESOLVED, That the NYMEX Margin Reserve Fund be redesignated as the Energy Hedging Reserve Fund and expanded to include collateral for the Virtual Program Transactions; and be it further

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

9. Information Technology Initiatives – Capital Expenditure Authorization

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital expenditures of $3,870,000 for the implementation of Information Technology ('IT') Initiatives in 2006 as per the Authority's Expenditure Authorization Procedures. These expenditures have been budgeted in the 2006 approved Capital budget.

BACKGROUND

"In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services or equipment purchase contracts in excess of $3 million, as well as personal services contracts in excess of $1 million if low bidder, or $500,000 if sole source or non-low bidder, requires Trustees' approval.

"For each of the past 10 years, in concert with the Business Units, IT has developed a list of initiatives designed to meet business needs by taking advantage of evolving technology applications. These application developments have been funded from a capital program called IT Initiatives. This capital program, which has typically totaled less than $3 million annually, has been approved by the Trustees in the Authority's Capital budget each December with funds later authorized and released by the President and Chief Executive Officer during the budget year. Since the request for 2006 is greater than $3 million, Trustee approval is requested as per the Authority's Expenditure Authorization Procedures.

DISCUSSION

"The following lists the 2006 IT Initiatives, along with the estimated cost of each Initiative:

- **Fuels Management System** **$ 250,000**
  This initiative will modify the existing FMS to accept multiple delivery points for a single purchase of gas and for each leg of the gas delivery for a single purchase.

- **Time & Attendance** **700,000**
  This project entails replacement of the TESS payroll time entry system with the SAP R/3 CATTS module. The existing TESS time-entry system is used by staff to feed the external payroll-processing environment, as well as for internal reporting. The new system will become an integral part of the SAP R/3 environment and eliminate existing interfaces.

- **Document Management Phase II** **200,000**
  The Document Management System is envisioned as an enterprise-wide initiative to streamline the handling of documents throughout NYPA. Phase II will bring additional functional areas into the corporate system.

  The new system will allow electronic storage, retrieval and automated retention rules on all types of documents, including memos, reports, policies and e-mails.

- **Marketing Forecasting** **350,000**
  This project will develop enhancements to the Short- and Long-Term Marketing Forecast Systems.

- **SAP R/3 – Upgrade to Netweaver Portal Platform** **200,000**
  Netweaver is the portal environment for SAP. Utilizing this environment provides additional flexibility and accessibility for the SAP Customer Information System which is planned for the new Billing Project.

- **ERM Henwood System** **200,000**
  The Henwood System, the main application for submitting bids into the NYISO market, will be upgraded to comply with ICAP/UCAP requirements.

- **Traders Portal** **300,000**
  This project represents Phase II enhancements to the new portal system that went online in December 2004. A number of enhancements and additional reports postponed until after completion of Phase I are planned.

- **Riskspectives Phase II** **400,000**
  Enhancements to the Riskspectives system to allow it to meet additional risk analysis requirements of the ERAC Group.

- **Human Capital Initiatives** **250,000**
  HR has requested a series of solutions to manage various issues related to Human Capital including Performance Management, Succession Planning, Recruitment Management, and Compensations Surveys.

- **IT Security Initiatives** **200,000**
  Security initiatives in the cyber environment required to harden the NYPA enterprise and minimize risk to our systems from cyber attack.

- **Direct Support Labor** **820,000**

Total $3,870,000

FISCAL INFORMATION

"Payments associated with these projects will be made from the Capital Fund.

RECOMMENDATION

"The Chief Information Officer – Information Technology recommends that the Trustees approve the Capital Expenditure of $3,870,000 for Information Technology Initiatives.

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

Mr. Eccleston presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Cusack, Mr. Eccleston said that the time and attendance project would replace the existing system, for which there is no longer technical support. The new system will be part of the Authority's SAP system. Responding to a question from Chairman Seymour, Mr. Eccleston said that the capital fund would be used to pay for these initiatives, some of which would be competitively bid.

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 amount and for the purpose listed below:

Capital	**Expenditure Authorization**
Information Technology Initiatives 2006	**$3,870,000**

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

10. Revisions to Transaction Authorization Limits for Energy-Related Transactions and Energy Hedging Transactions and Revisions to the Governing Policies for Energy Risk Management

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to: (1) revise the transaction authorizations previously delegated to the President and Chief Executive Officer and certain other officers and staff by the Trustees, for energy-related transactions and hedging transactions (see attached Exhibit '10-A'), and (2) amend the Governing Policies for Energy Risk Management (see attached Exhibit '10-B').

BACKGROUND

"The Trustees, by Resolutions dated October 29, 2002, April 27, 2004 and January 25, 2005, delegated authorization for energy-related transactions and hedging transactions to the President and Chief Executive Officer, certain other officers and staff. Such transaction authorization enables the acquisition or sale of energy and fuel to support the Authority's generation assets and to limit the Authority's exposure to the potential adverse financial impact of price changes in the energy commodity markets by enabling the implementation of hedging strategies.

"Given the increase and fluctuation of energy costs in the marketplace, coupled with the number of customers served by the Authority under fixed-price contracts, it is prudent for the Authority to enter into energy-related and hedging transactions that provide price protection and otherwise manage the risk of price volatility. The proposed revisions for revised limits on notational amounts, terms of transactions and cumulative volume trading would address the uncertainties of a continually evolving energy marketplace and the Authority's need to keep pace with such changes by providing flexibility in the marketplace while ensuring fiscal integrity and risk management for the Authority and its customers. The proposed revisions would, at the same time, lend uniformity and consistency to individual transaction authorizations and enable the integration of delegated authorizations into a single more streamlined decision-making matrix without, in any way, compromising either management oversight or the exercise of prudent risk controls. Finally, the revisions would accommodate recent changes in the Authority's organizational structure by establishing and eliminating transaction authorizations consistent with such changes.

"Also, revisions to the Governing Policies for Energy Risk Management are recommended to accommodate changes in the aforementioned trading limits and the Authority's organizational structure.

DISCUSSION

Revisions to the Transaction Authorization Limits for Energy-Related Transactions and Hedging Transactions

"The Trustees are requested to approve the proposed transaction authorization revisions detailed below and in Exhibit '10-A' of this item. The revisions would increase and provide uniformity to the limits of transactional authority, delegate and/or eliminate authority consistent with the Authority's changes in organizational structure, replace specific per-transaction and cumulative volume limits with revised cumulative limits and encapsulate the delegation of transactional authorities into a single table, dated October 29, 2002, as revised April 27, 2004 and January 25, 2005. Unless specifically revised, the transactional delegations approved and/or revised by the Trustees in prior resolutions shall continue in full force and effect. A summary of the proposed revisions follows:

(1) Increasing and/or establishing transaction authority for certain officers:

- President and Chief Executive Officer: From the current level of $25 million with a 24-month term for fuel and/or electric, physical and/or financial transactions, to $30 million per transaction with a 48-month term; and from the current level for emissions transactions of $5 million to $10 million with a 48-month term;

- Senior Vice President and Chief Financial Officer: From the current level of $25 million and 24-month term for financial fuel and electric transactions only, to $30 million with a 48-month term for fuel and/or electric, physical and/or financial transactions; and providing authorization for emissions transactions of $10 million with a 48-month term;

- Senior Vice President Marketing, Economic Development & Supply Planning: From the current level of $20 million and a 24-month term for financial and physical electric transactions, to $25 million with a 36-month term for financial and physical electric transactions; and providing authorization for emissions transactions of $1 million with a 36-month term;

- Vice President – Energy Resource Management: For financial transactions, from the current level of $15 million (oil) and $18 million (gas and electric) with a 15-month (oil) and 24-month (gas and electric) term; and for physical transactions from the current level of up to $20 million with an 18-month (oil and electric) and 24-month (gas) term; to $15 million per fuel (oil or gas) transaction and to $20 million per electric transaction with a 36-month term; and for emissions transactions, from the current level of $1.5 million ($NO_X$) and $2.0 million ($SO_2$) to $2 million for either NO_X or SO_2, with a 36-month term; and

- Director – Supply Planning, Pricing & Power Contracts: From the current level of $10 million with a 15-month term for financial electric transactions, and $15 million with a 12-month term for physical electric transactions, to $15 million with a 24-month term for both financial and physical transactions; and providing authorization for emissions transactions of $1 million with a 24-month term;

(2) Establishing transaction authority for officer positions now in the organizational structure:

- Chief Operating Officer: At the same levels as the President and Chief Executive Officer; and

- Senior Vice President – Power Generation: $25 million with a 36-month term for physical fuel transactions; and $4 million with a 36-month term for emissions transactions;

(3) Removing transaction authority for officer positions no longer in the organizational structure and/or from the delegation of authority tables:

- Executive Vice President – Power Generation: Consistent with the vacancy of the position due to retirement of the incumbent and subsequent reorganization, the authority for this position is eliminated; and

- Staff below the level of Vice President: Consistent with the ability of officers with transaction authority to delegate such authority, transaction authorization will be delegated and implemented within the parameters of, and in accordance with, the currently established process for delegation of authority;

(4) Replacing per-transaction and daily cumulative volume limits for electric and fuel transactions with an overall cumulative volume limit for physical and financial fuel transactions, such that the cumulative volume represented by the physical transactions plus the equivalent volume obligated by the financial transactions, if such were to be physically delivered, for a particular Authority generating facility or group of facilities cannot exceed the maximum volume of fuel that could be consumed and or stored at such facility(ies) during any time period; and replacing per-transaction and daily cumulative volume limits for financial electric transactions with an overall cumulative volume limit for physical electric transactions, such that the cumulative volume limit for physical electric transactions, for a particular Authority customer or customer group (i.e., SENY Governmental Customers), cannot exceed the maximum volume of electricity that could be consumed by that customer during any time period;

(5) Clarifying that the Trustee limits on the delegation of authority apply only to transactions with external counterparties, not internal transactions, as well as other minor changes to simplify the matrix of

transaction authorization by consolidating the limits for both financial and physical transactions into a single table, while highlighting the most important aspects of risk control, as reflected in Exhibit '10-A.'

(6) Expanding the scope of emissions-related transactions to include authorization for transactions based on 'green tag' or other as yet unnamed environmental attributes associated with renewable power.

(7) Revise the previously granted authority for the aggregate purchase cost of all NYMEX contracts (natural gas, fuel oil, jet kero contracts) from an aggregate purchase cost not to exceed $90 million to an aggregate purchase cost not to exceed $250 million.

Revisions to the Governing Policies for Energy Risk Management

"The Governing Policies for Energy Risk Management adopted by the Trustees on October 29, 2002 establish the philosophy, scope and structure for administration of the energy risk management program. To accommodate changes in the Authority's organizational structure and the continually changing nature of the energy market, four minor amendments to the Governing Policies are recommended. The first recommended amendment is a modification to Section 2.01(b) – President and Chief Executive Officer and the Energy Risk Management Committee ("ERMC"), to reflect a change in the Authority's organizational structure in that the Vice President – Chief Risk Officer would be authorized to chair the ERMC in the President's absence instead of the Executive Vice President – Power Generation. A second change to Section 2.01(b) is to add as standing members of the ERMC the Chief Operating Officer, the Chief Financial Officer and the Senior Vice President – Marketing, Economic Development and Supply Planning. The third recommended amendment is a modification to Section 2.02 – Activities, by deleting the two-year term limitation on hedging transactions. The fourth recommended amendment is deletion of the specific trading limits, and all reference to same, originally authorized by the Trustees. Trustee-authorized limits for value and term of transactions are presently covered by other Trustee resolutions and criteria. Attached, as Exhibit '10-B,' is the proposed revised Governing Policies for Energy Risk Management.

RECOMMENDATION

"The Vice President – Chief Risk Officer recommends that the Trustees approve the revisions discussed above and reflected in Exhibits '10-A' and '10-B' attached hereto.

"The Chief Operating Officer, the Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Senior Vice President and Chief Financial Officer, the Senior Vice President – Power Generation, the Vice President – Energy Resource Management, the Vice President – Finance and I concur in the recommendation."

Mr. Lockfort presented the highlights of staff's recommendations to the Trustees. In response to a question from Vice Chairman McCullough, Mr. Lockfort said that staff's recommendations would not increase the number of individuals with authorization to approve certain transactions. Mr. Warmath clarified that the same number of people were involved, but that titles had been substituted for names. Responding to a question from Chairman Seymour, Mr. Warmath said that he would chair the Risk Management Committee in the absence of the President. In response to another question from Chairman Seymour, Mr. Warmath said that the transaction authorization limit for NYMEX transactions had been increased from $90 million to $250 million because of the Long-Term Agreements with the SENY Governmental Customers and rising energy prices, with Mr. Deasy adding that natural gas prices have doubled in the last year alone. In response to a question from Vice Chairman McCullough, President Zeltmann said that information on Energy Risk Management activities would

be reported back to the Trustees on a periodic basis and that making the revisions requested would give the Authority's President and Chief Executive Officer the flexibility to deal with the volatility of the marketplace.

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

RESOLVED, That the transaction authorization limits for energy-related transactions and hedging transactions previously approved and/or revised by Resolutions of the Trustees dated October 29, 2002, April 27, 2004 and January 25, 2005 are hereby further revised as follows:

(1) Increasing and/or establishing transaction authority for certain officers:

- **<u>President and Chief Executive Officer</u>: From the current level of $25 million with a 24-month term for fuel and/or electric, physical and/or financial transactions, to $30 million per transaction with a 48-month term; and from the current level for emissions transactions of $5 million to $10 million with a 48-month term;**

- **<u>Senior Vice President and Chief Financial Officer</u>: From the current level of $25 million and 24-month term for financial fuel and electric transactions only, to $30 million with a 48-month term for fuel and/or electric, physical and/or financial transactions; and providing authorization for emissions transactions of $10 million with a 48-month term;**

- **<u>Senior Vice President Marketing, Economic Development & Supply Planning</u>: From the current level of $20 million and a 24-month term for financial and physical electric transactions, to $25 million with a 36-month term for financial and physical electric transactions; and providing authorization for emissions transactions of $1 million with a 36-month term;**

- **<u>Vice President – Energy Resource Management</u>: For financial transactions, from the current level of $15 million (oil) and $18 million (gas and electric) with a 15-month (oil) and 24-month (gas and electric) term; and for physical transactions from the current level of up to $20 million with an 18-month (oil and electric) and 24-month (gas) term; to $15 million per fuel (oil or gas) transaction and to $20 million per electric transaction with a 36-month term; and for emissions transactions from the current level of $1.5 million (NOX) and $2.0 million ($SO_2$) to $2 million for all emissions transactions, with a 36-month term; and**

- **<u>Director – Supply Planning, Pricing and Power Contracts</u>: From the current level of $10 million with a 15-month term for financial electric transactions, and $15 million with a 12-month term for physical electric transactions, to $15 million with a 24-month term for both financial and physical transactions; and providing authorization for emissions transactions of $1 million with a 24-month term;**

(2) Establishing transaction authority for officer positions now in the organizational structure:

- **<u>Chief Operating Officer</u>: At the same levels as the President and Chief Executive Officer; and**

- **<u>Senior Vice President – Power Generation</u>: $25 million with a 36-month term for physical fuel transactions; and $4 million with a 36-month term for emissions transactions;**

(3) Removing transaction authority for officer positions no longer in the organizational structure and/or from the delegation-of-authority tables:

- **<u>Executive Vice President – Power Generation</u>: Consistent with the vacancy of the position due to retirement of the incumbent and subsequent reorganization, the authority for this position is eliminated; and**

- **<u>Staff below the level of Vice President</u>: Consistent with the ability of officers with transaction authority to delegate such authority, transaction authorization will be delegated and implemented within the parameters of, and in accord with, the currently established process for delegation of authority;**

(4) Replacing per-transaction and daily cumulative volume limits for electric and fuel transactions with an overall cumulative volume limit for physical and financial fuel transactions, such that the cumulative volume represented by the physical transactions plus the equivalent volume obligated by the financial transactions, if such were to be physically delivered, for a particular Authority generating facility or group of facilities cannot exceed the maximum volume of fuel that could be consumed and or stored at such facility(ies) during any time period; and replacing per-transaction and daily cumulative volume limits for financial electric transactions with an overall cumulative volume limit for physical electric transactions, such that the cumulative volume limit for physical electric transactions, for a particular Authority customer or customer group (i.e., SENY Governmental Customers), cannot exceed the maximum volume of electricity that could be consumed by that customer during any time period;

(5) Clarifying that the Trustee limits on the delegation of authority apply only to transactions with external counterparties, not internal transactions, as well as other minor changes to simplify the matrix of transaction authorization by consolidating the limits for both financial and physical transactions into a single table, while highlighting the most important aspects of risk control, as reflected in Exhibit "10-A."

(6) Expanding the scope of emissions-related transactions to include authorization for transactions based on "green tag" or other as yet unnamed environmental attributes associated with renewable power.

(7) Revise the previously granted authority (Trustee resolution of 4-27-04) for the aggregate purchase cost of all NYMEX contracts (natural gas, fuel oil, jet kero contracts) from an aggregate purchase cost not to exceed \$90 million to an aggregate purchase cost not to exceed \$250 million.

The authorized revisions are fully detailed in Exhibit "10-A." Unless specifically revised above and as detailed in Exhibit "10-A," the delegations approved by the Trustees in prior resolutions continue in full force and effect; and be it further

RESOLVED, That the "Governing Policies for Energy Risk Management" adopted by the Trustees on October 29, 2002 establishing the philosophy, scope and structure for administration of the Energy Risk Management program are hereby revised and adopted in the form attached as Exhibit "10-B"; and be it further

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

Authorization Limits[1] for Energy- and Energy Hedging-Related Transactions[2]
(financial and physical settlement, spot and term tenure, excluding transactions with the NYISO)

	Physical	**Financial**		**Transaction Notional Value [3, 4, 5]**			Term[6, 4] (months)
Title[7]	--	OTC	NYMEX[8]	Fuel[9, 10] ($MM)	Electricity[11] ($MM)	Emissions[12] ($MM)	
President and Chief Executive Officer	√	√	√	30	30	10	48
Chief Operating Officer	√	√	√	30	30	10	48
Senior Vice President Business Services – Chief Financial Officer	√	√	√	30	30	10	48
Senior Vice President – Marketing, Economic Development & Supply Planning	√	√			25	1	36
Senior Vice President – Power Generation	√			25		4	36
Vice President – Energy Resource Management	√	√	√	15	20	2	36
Director – Supply Planning, Pricing & Power Contracts	√	√			15	1	24
Others – trading authorization limits delegated by respective department executive[13]							

Notes to table:

[1] All limits apply only to transactions with external counterparties and each limit operates independently of every other limit.

[2] The Vice President – Chief Risk Officer shall determine what instruments qualify as financial instrument or instruments that may be used for hedging purposes.

[3] Notional value for a specific transaction is calculated as the volume of the commodity, (or in the case of a derivative transaction, the volume of the underlying commodity), times the contracted per-volume price. For futures or options, this price is typically referred to as the strike price. Multiple transactions entered into with the same counterparty in a single day are considered a single transaction for purposes of this limit.

[4] Transactions exceeding the notional value or term authorization limits require the specific authorization of the Trustees, except in cases where the President and Chief Executive Officer is of the view, based on recommendations by the Vice President and Chief Risk Officer and/or other Authority officers, that a proposed transaction exceeding the limits must be entered into on an expedited basis to protect the Authority from adverse financial consequences. In these circumstances, the President and Chief Executive Officer shall be authorized to approve such transactions with the approval of the Chairman or in the absence or unavailability of the Chairman, the Vice Chairman; in the event that the President and Chief Executive Officer is not available, the Senior Vice President – Power Generation, in cases involving fuel-related transactions, and the Senior Vice President and Chief Financial Officer, in cases involving either financial, hedging or physical transactions, shall have the foregoing authority.

[5] In addition, in the case of any physical or financial transaction having a value of $15 million or more, prior to any officer or staff member approving such transaction under the authority granted hereunder, such officer or staff member would obtain the written concurrence of (a) those members of his or her staff at the level of Manager and above (or their designees in the case of their absence) having responsibility for such transaction, (b) the Executive Vice President, Secretary and General Counsel as to the acceptability of the contractual arrangement governing such transaction and (c) in the case of financial derivative and physical transactions, the Vice President – Chief Risk Officer, or, in his absence, his designee, as to the acceptability of the transaction from a risk management perspective.

[6] Transaction term is measured as the period from the date a transaction is entered through the last day of delivery. For example, a transaction entered in January 2007 to purchase natural gas for delivery during the month of January 2008 has a term of 13 months.

[7] Titles are representative of executive personnel under current Authority organizational structure. Where future organizational changes revise specific position titles, the designated transaction authorization levels are applicable to the individuals within those new titles provided that the President and Chief Executive Officer deems that such new title is the successor for the purpose of the delegations of authority herein.

[8] The aggregate purchase cost of all NYMEX contracts (natural gas, fuel oil, jet kero contracts) not to exceed $250 million. The Vice President – Energy Resource Management shall have the ability to delegate execution authority to enter NYMEX transactions to managers immediately reporting to him.

[9] Fuel-related transactions include the purchase or sale of physical fuel that can be burned at an Authority fossil-powered generation facility as well as financially settled derivative transactions where such fuels are the underlying commodity, or derivative transactions for fuels recognized as representative for hedging purposes of those fuels burned at an Authority fossil-powered generating facility. These transactions also include contracts for the transportation of fuel, as well as financially settled derivative transactions where transportation is the underlying commodity.

[10] The cumulative volume represented by the physical fuel transactions plus the equivalent volume obligated by the financial transactions, if such were to be physically delivered, for a particular NYPA generating facility or group of facilities (i.e., Small Clean Power Plants), cannot exceed the maximum volume of fuel that could be consumed and/or stored at such facility(ies) during any time period. The cumulative volume represented by the physical electricity, for a particular Authority customer or customer group (i.e., SENY Governmental

Customers), cannot exceed the maximum volume of electricity that could be consumed by that customer during any time period. The Vice President – Energy Resource Management shall delegate specific volumetric control limits to his immediate managers, and they to their respective staff, to ensure such total volumetric limits are not exceeded. Such delegation of volume limits shall be subject to the approval of the Vice President – Chief Risk Officer, or his designee.

11 Electricity-related transactions include the purchase or sale of electrical energy or capacity products locationally within the area controlled by the New York Independent System Operator ("NYISO"), or within an area contiguous to that controlled by the NYISO where protocols are in place to facilitate the transfer of such products to within NYISO's area. Electricity-related transactions also include financially settled derivative transactions where such electricity products are the underlying commodity. These transactions may also include contracts for the transmission of electrical energy, as well as financially settled derivative transactions where transmission is the underlying commodity.

12 Emissions-related transactions include the purchase or sale of nitrous oxide (NOx) or sulfur dioxide (SO_2) emissions credits under either U.S. Environmental Protection Agency or New York State Department of Environmental Conservation programs. The transactions may also include the purchase or sale of environmental attributes (green tags).

13 Trading authorization limits may be delegated on a short- or extended-term basis. In the case of extended-term delegation, any such delegation of limits may not exceed and must be less than the trading limits of the delegating executive or manager. Such limits must be reauthorized annually. All staff delegated extended-term trading authorization must certify their understanding of all applicable Authority policies and procedures on an annual basis. A written record of the specific extended-term delegated trading authorization limits will be signed by the staff member, and approved by the direct supervisor providing the cascading authority, the respective executive of those designated above and the Vice President – Chief Risk Officer. In the case of short-term delegation, such as during a period of vacation or illness, unless specifically stated otherwise, the full trading authorization limits are considered to be delegated.

New York Power Authority

GOVERNING POLICIES

FOR

ENERGY RISK MANAGEMENT

REVISION DATE:

ADOPTED BY THE BOARD OF TRUSTEES: **JANUARY 31, 2006**

Supercedes Prior Policy of: ***October 29, 2002***

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Article I. PURPOSE FOR THE ENERGY RISK MANAGEMENT PROGRAM

Section 1.01 Introduction

The New York Power Authority ("NYPA") is routinely exposed to energy price risk in the conduct of its operations. In most cases price volatility imposes a substantial and direct risk (or opportunity) to the goals of NYPA's business units as well as to their competitive posture. Management of these risks is important to our success.

This Policy deals with the philosophy, framework, and delegation of authority necessary to govern the activities of NYPA related to its energy risk management program ("Program").

NYPA will conduct risk management activities in a manner that supports NYPA's mission, mitigates energy-price exposure, and prevents unauthorized financial risk. Subordinate to those goals, the objective of cost reduction and the achievement of financial goals will be pursued within the constraints stated herein and as further delineated by management.

All Program objectives and activities will be conducted in accordance with this Policy. Controls and procedures to be further delineated by management shall be in conformance with this Policy.

Section 1.02 Scope

This Policy applies to all transactions related to electrical energy, capacity, ancillary services, transmission, natural gas, and fuel oil or other products used for generation including physical and financial derivatives that impact NYPA's energy market risk exposure.

Section 1.03 Risk Management Philosophy

The objective of the Program is to identify exposures to movements in energy prices; to understand the impact on the company's financial statements and its economic well-being; and to mitigate the impact of those exposures where they might exceed NYPA's appetite for risk, while maintaining adequate flexibility to improve financial performance.

NYPA will operate under a "non-speculative" philosophy. The successful management of NYPA's resources as outlined in its mission statement requires predictability in financial performance related to its core business dealings. Hedging activities will be conducted to secure more certainty in this regard. As an ancillary objective, the diligent measurement and awareness of risk factors will enable both optimization of operating decisions and optimization of physical assets thereby enhancing financial performance. Hedging will be conducted with a clear recognition of the hierarchy of risk management objectives:

1. **Match Core Business Objectives:** Secure fixed or floating price structures or related options on associated underlying commodities for energy products procurement and energy sales that are best suited to core business objectives.

   Under no circumstances shall transactions be executed for energy volumes in excess of those anticipated for serving customers or managing the performance of NYPA's generating assets.

2. **Mitigate Risk:** Given volatile energy markets, manage energy and energy product procurement costs and revenues toward the mitigation of potentially unfavorable results and the promotion of results that fall within acceptable, favorable boundaries.

3. **Improve Financial Performance:** Where practical and with deference to objectives #1 and #2, reduce costs or increase revenues through optimization of existing positions or optimization of existing positions used for hedging thereby enhancing net revenues.

Article II. ENERGY RISK MANAGEMENT POLICY

Section 2.01 Delegation of Authorities

(a) Board of Trustees

This Policy has been established by NYPA's Board of Trustees ("Trustees"), and the Trustees must approve any amendments to this Policy.

(b) President and Chief Executive Office and The Energy Risk Management Committee

The ERMC shall consist of the President and Chief Executive Officer; the Chief Operating Officer; the Executive Vice President, Secretary and General Counsel; the Senior Vice President and Chief Financial Officer; the Senior Vice President - Power Generation; the Senior Vice President – Marketing, Economic Development and Supply Planning; the Vice President - Chief Risk Officer; and such other officers as the President and Chief Executive Officer shall appoint. The ERMC shall be chaired by the President and Chief Executive Officer, or by the Vice President – Chief Risk Officer in his absence. The ERMC shall provide the President and Chief Executive Officer with advice as to the energy risk management activities of NYPA. Any necessary policies not explicitly delineated in this Policy shall be developed by the President and Chief Executive Officer, in consultation with the Energy Risk Management Committee ("ERMC"), must be approved by the Trustees, and, following such approval, shall be promulgated by the President and Chief Executive Officer. The President and Chief Executive Officer is granted the following authority, provided, however, that any determinations made pursuant to paragraph (3), below, must be approved by the Trustees prior to such determinations becoming effective:

1. To ensure that all energy-hedging activities of NYPA are in accordance with this Policy.

2. To establish procedures for the administration of the Program.

3. To initially determine upon consultation with the ERMC and then update as deemed appropriate NYPA's projected net revenue.

4. To determine restrictions and risk boundaries based upon the projected net revenue goal.

5. In order to react and adjust to the impact on the projected net revenue goal from daily changing market conditions, the President and Chief Executive Officer or his designee shall take such risk management actions as he deems necessary or advisable to meet the projected net revenue goal.
6. To delegate management responsibilities, prescribe permissible instruments and controls, and review the effectiveness of all aspects of the Program.
7. To establish, upon consultation with the ERMC, transaction authorities for NYPA staff.

(c) Controller's Office and Office of Internal Audit

The Controller's Office and Office of Internal Audit shall each conduct independent review of Program activities, particularly assuring the proper administration of controls and restrictions as to activities implemented under this policy. In fulfilling its role, the Controller's Office shall obtain independent counter party statements and timely receipt of primary documentation of transactions including confirmations. The Controller's Records shall not depend solely on verbal confirmations or representations derived from the Book, as described below, maintained by those involved directly with the administration of the Program.

Section 2.02 Activities

Permissible instruments for the purposes of risk management shall be restricted to the products and instruments specified by the President and Chief Executive Officer, upon consultation with the ERMC subject to the following restrictions.

Risk management transactions may include the following:

1. Hedging the cost of energy and energy products to be procured for normal business purposes.
2. Hedging the price of energy and energy products sold by NYPA.
3. Hedging the margin between energy procured and energy produced where NYPA owns conversion capacity (e.g., "spark spread").
4. Hedging the geographic cost differential for energy procured in order to reduce price uncertainty at the location of desired use (e.g., "basis" hedge between Henry Hub and Transco Zone 6 City-gate Natural Gas).
5. Dynamic Hedging (i.e., unwinding of hedges) will be permitted for the purpose of limiting the divergence of fixed position values from market opportunities, or to secure credits embedded in previous hedge transactions. This type activity or optimization of hedge positions will be subject to explicit constraints set by the President and Chief Executive Officer.
6. Contracts to provide energy, capacity and or ancillary services.

Section 2.03 Reporting

Maintenance of timely reports is critical to an orderly Program. At a minimum, in the case of NYPA energy risk management, this shall include a record of transactions; volumes and values of fixed and open positions, both physical and financial; the linking of financial hedges with physical volumes; and quantification of the company's exposure to market volatility. These shall be maintained in accordance with directives set by the President and Chief Executive Officer in consultation with the ERMC.

Periodically, but no less than annually, the President and Chief Executive Officer or his designee shall provide to the Trustees a report regarding policies and procedures established under this Policy, as well as Program results, and Policy compliance.

11. Informational Item: Annual Report Regarding Energy Risk Management Policies and Procedures

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Governing Policies for Energy Risk Management ('Governing Policies') direct the President and Chief Executive Officer or his designee to provide to the Trustees periodically, but no less than annually, a report on the results of the energy risk management program, including compliance with the Governing Policies and its implementing procedures. The following briefly describes program activities and developments for 2005 and recommends amendments to the Governing Policies (subject of a separate Trustee Resolution).

BACKGROUND

"The Governing Policies were adopted by the Trustees on October 29, 2002. The objectives of the Governing Policies are to identify exposures to energy and fuel price movements, to understand the potential financial impact of such exposure on the Authority and to mitigate, where appropriate or as deemed prudent by management, the possible adverse impact of such exposures while maintaining adequate flexibility to improve financial performance. The following parameters were established to facilitate the objectives:

- Scope of the program (all transactions related to physical commodities and derivatives for electrical energy, capacity, ancillary services, transmission, natural gas, fuel oil and related hedging transactions);
- Risk management philosophy (non-speculative);
- Energy Risk Management Committee ('ERMC') as the vehicle for establishing procedures for administering the program;
- Permissible risk management (hedging) instruments; and
- Requirement for reporting to the Trustees.

DISCUSSION

POLICIES AND PROCEDURES

"Amendments to the Governing Policies require Trustee approval. The Governing Policies had not been amended since its adoption by the Trustees in 2002, although proposed changes have been submitted for consideration under a separate Trustee item. There have been several revisions, with Trustee approval, to the initial hedging transaction authority (October 29, 2002 Resolution) for Energy Resource Management ('ERM') and Marketing, Economic Development and Supply Planning ('MED') staff. Additionally, several procedures, as reported in prior annual reports, have been developed and implemented by the ERMC and Energy Risk Assessment and Control ('ERAC') staff.

"Over the course of the past year, the ERMC and ERAC staff has issued one additional procedure further refining administration of the energy risk management program. This procedure is, in brief, as follows:

- Procedure 8.0 **– Counterparty Credit Risk Management** – Introduces and defines credit risk management practices as well as overall monitoring and control of the Authority's credit risk (see attached Exhibit '11-A').

"To reflect changes in the Authority's organizational structure and to maintain viability in the continually evolving and volatile energy market, it is recommended that the Governing Policies be amended by the Trustees as follows:

- Authorize the Vice President – Chief Risk Officer to chair the ERMC in the absence of the President and Chief Executive Officer instead of the Executive Vice President – Power Generation;

- Add the Chief Operating Officer, the Chief Financial Officer and the Senior Vice President – Marketing, Economic Development & Supply Planning, as standing members of the risk committee; and

- Eliminate the two-year term limit for hedge transactions (authority limits on the permissible term of a transaction are addressed and authorized under separate Trustee resolutions).

"These recommended amendments to the Governing Policies for Energy Risk Management are the subject of separate Trustee resolutions.

PROGRAM ACTIVITIES

"The Authority is routinely exposed to energy and fuel price risk in the conduct of its day-to-day operations. In most cases, price volatility holds significant potential risk to the business objectives of the Authority. ERAC, through policy development and interaction with various Authority business units, works to identify such risk and make it known to management. A primary ERAC mission is to spread the culture of risk awareness and identification throughout the Authority and to bring to bear analytical analysis in an attempt to quantify the range of risk-weighted outcomes of energy and fuel activities. To this end, during the last year, ERAC has undertaken the following:

- Continued to develop and refine the analytical model developed by a consultant for the Authority to project a range of potential regional forward electric prices, as well as economic generation levels within Authority environmental permit limitations;

- Continued to make incremental improvements in the Authority's processes and systems for capturing hedge transactions and measuring financial risk;

- Proposed to the Trustees specific guidelines for executing approval of hedge transactions to satisfy long-term agreement obligations for certain Governmental Customers (approved by the Trustees at their meeting of May 24, 2005); and

- Issued a Request for Proposal ('RFP') (Inquiry #Q-02-3606DG) and competitively selected a consultant to develop a 'blueprint' for a comprehensive computer system to record, track, report, manage and monitor energy commodity transactions and their associated risks. The resulting blueprint is expected to provide the technical foundation for a subsequent implementation RFP and capital expenditure project.

PROGRAM RESULTS AND COMPLIANCE

"ERAC, in coordination with the Human Resource Department's Performance Planning Group, developed three performance measures for the program. The first measure characterizes overall Authority financial risk exposure and is essentially a Value at Risk ('VaR') measurement for the Authority's portfolio of generation, customer load and hedge transactions. The second measure characterizes the collective financial quality of the counterparties used for the Authority's hedge transactions and is essentially calculated as a credit exposure weighted average of the counterparties' Standard & Poor's default ratings. Respectively, for the first and second measure, cumulative results below 7% and 1% were recognized under these measures, which are well below the corresponding established control limits of 20% and 3%, respectively. Annual results for a third 2005 ERAC performance measure, the Customer Satisfaction survey, which compares end-of-year to start-of-year stakeholder customer satisfaction, will not be available until the end-of-year survey is administered and tabulated.

"A new long-term agreement with certain of the Authority's Governmental Customers was executed. Among the provisions of the new agreement is one requiring mutual agreement in the selection of a qualified independent expert to review the Authority's risk management and control functions. The Governmental Customers and the Authority are currently working together to develop a scope-of-work document in preparation for possible issuance of an RFP to seek bids for such a qualified expert. Two salient features of the above new long-term agreement are a risk-sharing arrangement between the Governmental Customers and the Authority and a collaborative decision-making process on hedging the risks associated with serving the customer load.

"Overall, compliance with the policies and procedures established by the ERMC was very good. The few minor issues of procedural administrative noncompliance that arose were detected and corrected with no negative consequences to the Authority.

FUTURE PROGRAM INITIATIVES

"Given the doubling of monthly energy commodity hedging transactions from 2004 to 2005, the Authority's new risk-sharing arrangements with the Governmental Customers and concomitant increased workload, the Authority undertook an initiative (RFP Inquiry # Q-02-3606DG) to improve its energy commodity hedging work processes and information systems. The objectives of this project are to:

- Review and document all of the Authority's existing hedge-related work processes and information systems, including the Deal Capture, Credit Management, Risk Measurement and Settlement Processes; and

- Produce detailed information technology-specific recommendations for improving the functionality and efficiency of those processes, including: (1) a detailed blueprint that will provide the technical foundation for subsequent software development and system integration RFPs; (2) a marketplace assessment of the most relevant and highly used software providers and integrators; (3) recommendations as to whether the existing software should be enhanced or replaced; and (4) detailed cost estimates.

"At their meeting of December 13, 2005, the Trustees approved the award of a contract to the selected consultant to help the Authority with this initiative.

CONCLUSION

"Maintaining and implementing an independent energy risk assessment and control program is a major task and, due to the ever-changing character of relevant markets, an ongoing process. This year, the program focused on:

- Developing a detailed picture and understanding of the Authority's largest customer class, Governmental Customers, and the development, collaboratively, of specific shared-risk hedging strategies to mitigate risk exposure;

- Providing development and training for staff; and

- Ensuring that risk considerations continue to be a part of every business discussion and process.

"Progress and heightened awareness continues to be made toward implementing tools and techniques of risk management and spreading the risk-awareness philosophy of making risk assessment part of every business discussion. Going forward into 2006, the focus will be as follows:

- Continuing to identify, analyze and review the Authority's risk exposures;

- Continually enhancing the analytical tools for quantifying the changing risk exposure to both the Governmental Customers and the Authority overall caused by changing market prices and conditions;

- Maintaining a robust customer/client relationship between Energy Risk Assessment and Control and all other Authority business units;

- Making risk awareness part of every business discussion;

- Developing a technical blueprint to improve the functionality and efficiency of the Authority's Deal Capture, Credit Management, Risk Measurement and Settlement energy commodity hedging work processes and information systems; and

- Providing continued staff development and training."

12. Procurement (Services) Contract – On-Call Diving and Engineering Services – BIDCO Marine Group, Inc. – Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a five-year services contract to BIDCO Marine Group, Inc. ('BIDCO') of Buffalo, NY, in an amount not to exceed $1,750,000 for routine outage underwater inspection, debris management and minor underwater equipment/structure repair on an on-call basis at the Authority's facilities.

BACKGROUND

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

"The services to be provided are required to support operations and maintenance of the Authority's facilities. These services will be used when requirements are beyond the resources of the Authority's existing engineering staff or during emergencies when the Authority's staff is not immediately available.

DISCUSSION

"The eight proposals received in response to Bid Inquiry Q-02-3703-RH are listed in the following table:

Company and Location	Team Hourly Rate	No. Teams	Hourly Rate Rank	Technical Rank
Fathom Solutions, Clinton, CT	$393	1-2	1	3
BIDCO Marine Group, Buffalo, NY	$440	3-4	2	2
Hohl Industrial/Allen Marine, Tonawanda, NY	$466	2-3	3	2
McLaren Engineering, West Nyack, NY	$503	4	4	1
A. Dicesare Associates, Westport, CT	$515	2	5	3
WJ Castle, Lumberton, NJ	$569	2-3	6	2
Boswell Engineering, South Hackensack, NJ	$634	6	7	1
HPA Engineers, New York, NY	$663	4	8	1

"A team is composed of two divers, a dive tender and an on-site professional engineer. Rates shown are based on FDR/St. Lawrence rates and are escalated to the midpoint of the contract using the escalation rates provided by the bidders.

"While Fathom Solutions has the lowest hourly rate, the company is too small to serve the Authority's underwater inspection needs, particularly at Niagara and St. Lawrence where the depth of the water severely limits the time each diver can spend in the water. Furthermore, Fathom Solutions has minimal experience in the hydropower industry and no engineers on staff.

"BIDCO has the next lowest rate. This company has worked with the Authority previously, has experience with dams and hydropower facilities, offers in-house engineering and is proximate to the Authority's facilities. This company also has the capability to perform underwater welding and other repairs.

"McLaren, Boswell and HPA were rated higher technically because these companies offer in-house engineering and design services. However, BIDCO's qualifications are adequate for the anticipated inspection work and, with the company's lower rates, offer the best value to the Authority.

FISCAL INFORMATION

"Payments will be made from the yearly approved Operating Fund.

RECOMMENDATION

"The Vice President and Chief Engineer – Power Generation, the Director of Civil/Structural Engineering – Power Generation and the Regional Managers of Western New York, Central New York, Northern New York and Southeastern New York recommend that the Trustees authorize award of a contract in an amount not to exceed $1,750,000 to BIDCO Marine Group, Inc. of Buffalo, New York to perform routine outage underwater inspection, debris management and minor underwater equipment/structure repair on an on-call basis at the Authority's facilities.

"The Chief Operating Officer, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Corporate Services and Administration, the Senior Vice President – Chief Financial Officer, the Senior Vice President – Power Generation, the Vice President – Controller 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 Authority's Guidelines for Procurement Contracts, the award of a multiyear services contract to BIDCO Marine Group, Inc. is approved as recommended in the foregoing report of the President and Chief Executive Officer, for an amount not to exceed $1,750,000 to perform routine outage underwater inspection, debris management and minor underwater equipment/structure repair on an on-call basis at the Authority's facilities; and be it further

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

13. <u>Election of President and Chief Executive Officer and Delegation of Authority</u>

The Chairman submitted the following report:

SUMMARY

"The Trustees are requested to elect Timothy S. Carey as President and Chief Executive Officer ('CEO') of the Authority, effective close of business February 3, 2006.

BACKGROUND AND DISCUSSION

"Timothy S. Carey has served as Chief Operating Officer ('COO') of the Authority since his appointment to that position by President Zeltmann in September 2005. Prior to that appointment, from May 1999 to September 2005, Mr. Carey served as President and CEO of the Hugh L. Carey Battery Park City Authority ('BPCA'). During his tenure at BPCA, Mr. Carey oversaw the environmentally balanced development of this distinctive waterfront community that is home to the World Financial Center, 30 acres of parkland and more than 9,000 permanent residences. He also directed the process to develop the first sustainable 'green' residential high-rise building in the United States.

"From November 2000 to September 2005, Mr. Carey served as one of five members of the Power Authority's Board. He also served as a board member of the New York State Energy Research and Development Authority. Mr. Carey is also a member of the board of directors of Westchester Community College, where he currently serves as Chairman.

"Before his tenure at BPCA, Mr. Carey served as Chairman and Executive Director of the New York State Consumer Protection Board. From 1995 to 1996, Mr. Carey served as a cabinet member to Governor George E. Pataki as Director of Intergovernmental and Legislative Affairs. In 1984, Mr. Carey was elected to the Westchester County Legislature where he served five consecutive terms as representative of the City of Peekskill and the Town of Cortlandt.

RECOMMENDATION

"Based on his substantial knowledge of Authority matters, his management skills, and his strong expertise and record of exemplary service to the Authority as a Trustee and his recent service as COO, it is recommended that, pursuant to Section 2 of Article IV of the By-Laws, Timothy S. Carey be elected to fill the non-statutory position of President and Chief Executive Officer upon Eugene W. Zeltmann's retirement from that office effective close of business February 3, 2006, for a term expiring at the next annual meeting of the Trustees in April 2006, or until his successor is elected.

"In addition, David E. Blabey, Executive Vice President, Secretary and General Counsel has indicated that he will be stepping down as General Counsel in February. It is recommended that upon a vacancy in such office, the Trustees delegate their authority to make an interim appointment of a General Counsel to the President and Chief Executive Officer pending review of such appointment by the Trustees at the next annual meeting in April."

Chairman Seymour presented the highlights of his recommendations to the Trustees. He pointed out that in President Zeltmann and Mr. Carey, the Authority had two very qualified people with two very different backgrounds, President Zeltmann's being based in science and Mr. Carey's experience being in consumer affairs, management, economic development, and human relations. Vice Chairman McCullough added that he has known and worked with Mr. Carey for more than 30 years and that Mr. Carey is extremely capable and diverse in his

strengths. He added that Mr. Carey is well versed in the issues that the Authority is going to face going forward and wished him well.

The following resolution, as submitted by the Chairman, was unanimously adopted.

> **RESOLVED, That Timothy S. Carey of the Town of Cortlandt, New York, be, and hereby is, elected, pursuant to Section 2 of Article IV of the By-Laws, as President and Chief Executive Officer of the Power Authority, effective close of business on February 3, 2006, for a term of office expiring at the next annual meeting of the Trustees or until his successor is elected; and be it further**
>
> **RESOLVED, That in the event of a vacancy of the position of General Counsel, the President and Chief Executive Officer be, and hereby is, authorized to establish and prescribe the duties of a new position of General Counsel and is further authorized to fill this position until the next annual meeting of the Authority.**

14. Motion to Conduct an Executive Session

"Mr. Chairman, I move that the Authority conduct an executive session in connection with potential litigation relating to particular persons and corporations." Upon motion moved and seconded, an executive session was held.

15. Motion to Resume Meeting in Open Session

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

16. <u>Resolution – Eugene W. Zeltmann</u>

Saying that this was one of those bittersweet resolutions, the Chairman asked Vice Chairman McCullough to read a resolution to President Zeltmann commending him on his years of service to the Authority. Chairman Seymour said that President Zeltmann had done a yeoman's job, citing the 500 MW plant, the Small Clean Power Plants, and the sale of the nuclear plants, adding that the Authority was indebted to him. Chairman Seymour then presented President Zeltmann with a framed copy of the resolution and thanked him for his leadership, dedication, and hard work. President Zeltmann thanked all of the Trustees and said that serving at the Authority had been a great experience.

WHEREAS, Eugene W. Zeltmann has served with exemplary skill and dedication during nearly 8 l/2 years as President of the New York Power Authority, a period of momentous change and challenge for the Authority and the electric utility industry; and

WHEREAS, as the Power Authority's chief operating officer and, since April 2002, its chief executive officer, Mr. Zeltmann has brought extraordinary expertise and insight to bear on a wide range of issues, doing much to assure the Authority's successful adjustment to and participation in the New York Independent System Operator's competitive electricity markets; and

WHEREAS, as an honors graduate of Beloit College in chemistry and political science and the holder of a doctorate in physical chemistry from Johns Hopkins, Mr. Zeltmann has long moved with aplomb and accomplishment between the world of science and technology and that of public policy; and

WHEREAS, this uncommonly broad perspective has served him well not only at the Authority, but also as a Commissioner and Deputy Chairman of the New York State Public Service Commission and as an executive for more than a quarter-century at the General Electric Company; and

WHEREAS, Mr. Zeltmann's leadership, vision and understanding of technical issues have proved critical to the completion of such major Authority projects as the small, clean power plants in New York City and on Long Island, the 500-megawatt combined-cycle plant in Queens and the pioneering convertible static compensator at Marcy; and

WHEREAS, his commitment to protecting the environment and reducing dependence on foreign oil has enhanced the Authority's status as a national leader in promoting energy efficiency, clean new energy sources and electric-drive transportation; and

WHEREAS, Mr. Zeltmann has also played a pivotal role in successes ranging from the sale of the Power Authority's nuclear plants at a then-record price and the recovery from the 2003 blackout to the relicensing of the St. Lawrence-FDR Power Project on schedule and the timely submittal of the application for a new license for the Niagara Power Project; and

WHEREAS, his unparalleled empathy and concern for Power Authority staff members and others has been manifested in his steadfast support for the Authority's nationally recognized employee safety initiatives, its Culture Committee and its Supplier Diversity Program, and in his many civic and community activities; and

WHEREAS, his service as Chairman of the Electric Power Research Institute and leadership in other major industry organizations, as well as his numerous speeches and articles, have built widespread

awareness of the Authority's accomplishments while focusing attention on critical energy and environmental issues; and

WHEREAS, Mr. Zeltmann is retiring as the Power Authority's President and Chief Executive Officer;

NOW THEREFORE BE IT RESOLVED, That the Trustees of the Power Authority of the State of New York thank Gene Zeltmann for his years of outstanding service; acknowledge his lasting contributions to the Authority and the people of the state; and wish him, his wife, Susan, and their family many years of health and happiness.

January 31, 2006

17. <u>Next Meeting</u>

The next Regular Meeting of the Trustees will be held on **Tuesday, February 28, 2006, at 11:00 a.m., at the Clarence D. Rappleyea Building in White Plains,** 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 12:50 p.m.

David E. Blabey
Executive Vice President,
Secretary and General Counsel