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

December 18, 2007

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December 18, 2007

Minutes of the Regular Meeting of the Power Authority of the State of New York held at the Clarence D. Rappleyea Building, 123 Main Street, White Plains, NY at 11:00 a.m.

The following Members of the Board were present at the following locations:

Frank S. McCullough, Jr., Chairman (White Plains, NY)
D. Patrick Curley, Trustee (White Plains, NY)
James A. Besha, Sr., Trustee (White Plains, NY)
Robert E. Moses, Trustee (White Plains, NY)
Thomas W. Scozzafava, Trustee (White Plains, NY)
Elise M. Cusack, Trustee (Lewiston, NY) – was unable to participate due to technical difficulties

Michael J. Townsend, Vice Chairman – excused

Roger B. Kelley	President and Chief Executive Officer
Thomas J. Kelly	Executive Vice President, General Counsel and Chief of Staff
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer
Gil C. Quiniones	Executive Vice President – Energy Marketing and Corporate Affairs
Vincent C. Vesce	Executive Vice President – Corporate Services and Administration
Steven J. DeCarlo	Senior Vice President – Transmission
Angelo S. Esposito	Senior Vice President – Energy Services and Technology
William J. Nadeau	Senior Vice President – Energy Resource Management and Strategic Planning
Brian Vattimo	Senior Vice President – Public and Governmental Affairs
Edward A. Welz	Senior Vice President and Chief Engineer – Power Generation
James H. Yates	Senior Vice President – Marketing and Economic Development
Arnold M. Bellis	Vice President and Controller
John M. Hoff	Vice President – Procurement and Real Estate
Donald A. Russak	Vice President – Finance
William V. Slade	Vice President – Environment, Health and Safety
Thomas Warmath	Vice President and Chief Risk Officer
Thomas P. Antenucci	Vice President – Project Management
Joseph J. Carline	Assistant General Counsel – Power and Transmission
Daniel Wiese	Inspector General and Vice President – Corporate Security
Brian C. McElroy	Treasurer – Corporate Finance
Anne B. Cahill	Corporate Secretary
Angela D. Graves	Deputy Corporate Secretary
Dennis T. Eccleston	Chief Information Officer
Paul F. Finnegan	Executive Director – Public and Governmental Affairs
Thomas A. Davis	Director – Financial Planning
Joan Tursi	Director – Business Services
James F. Pasquale	Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing
Michael A. Saltzman	Director – Media Relations
Marilyn J. Brown	Manager – Market Pricing Analysis
Daniel J. Cappiello	Manager – Performance Planning
Alice T. Conway	Senior Benefits Administrator
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
Jack Murphy	Temporary Public Relations Counsel
Oksana U. Karaczewsky	Senior Procurement Compliance Coordinator

Mike Schneider	Contractor	
	Chris Isca	Contractor

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

Introduction

Chairman Frank McCullough said that the Trustees' Meeting was not being webcast in real time due to technical difficulties, but that a quorum was present at the meeting, since five of the seven Trustees were in the White Plains Office.

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

The Minutes of the Regular Meeting of November 27, 2007 were unanimously adopted.

2. **Financial Reports for the Eleven Months Ended November 30, 2007**

Mr. Bellis presented an overview of the reports for the Trustees.

Exhibit "2-A"
December 18, 2007

NEW YORK POWER AUTHORITY

FINANCIAL REPORTS

FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2007

Financial Reports
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NEW YORK POWER AUTHORITY
FINANCIAL REPORT
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2007

($ in millions)

	2007 YTD		November 2007	
Financial Summary	**Actual**	**Budget**	**Actual**	**Budget**
Net operating revenues	$250.8	$223.5	$15.2	$18.7
Net revenues (loss)	238.7	164.8	15.5	11.0
O&M (incl. administrative)	250.4	255.7	25.1	23.9
Generation (gwh's)	24,143	24,109	1,963	2,023

	Current	Prior Month	December 2006
Reserves	$451	$375	$348

Net revenues through November 30, 2007 were $238.7 which was $73.9 higher than budgeted including higher non-operating income ($46.6) and higher net operating revenues ($27.3). Non-operating income included higher earnings on investments due to higher balances, a mark-to-market gain on the Authority's investment portfolio, and lower than anticipated costs on variable rate debt. Higher net operating revenues at Blenheim-Gilboa ($12.6), the SCPP'S ($10.0) and the hydro facilities ($5.9), were due mainly to a higher volume of market-based sales and higher prices for capacity. The favorable variance at the transmission facilities ($8.7) was due primarily to higher than anticipated congestion payments to the Authority due to a higher level of congestion across the central-east interface (assigned to FACTS project TCC's). These positives were partially offset by a negative variance at Flynn ($10.7) due in part to the repair of the generator rotor and a timing difference for planned outage expenses.

Net revenues for the month of November were $15.5 which was $4.5 higher than anticipated resulting from higher non-operating income ($8.1) partially offset by lower net operating revenues ($3.6). Non-operating income included a mark-to-market gain on the Authority's investment portfolio, higher investment earnings, and lower costs on variable rate debt. Net operating revenues were lower primarily at the hydro facilites ($2.9, 7% lower generation), and at SENY ($2.1, higher O&M due to costs associated with the Poletti planned outage deferred from earlier in the year). Production for November was 11% lower than anticipated resulting in year-to-date generation (24,143 gwh) which was slightly higher than the budget (24,109 gwh). Through November, higher generation at the fossil facilities (181 gwh) was substantially offset by lower hydro production (147 gwh). The increase in the November operating reserve balance includes an installment payment of $83.7 received from Entergy relating to the year 2000 nuclear plant sale.

NYPA
Net Revenues
For The Eleven Months ended November 30, 2007
($ in 000'S)

	Annual Budget	Actual	Budget	Variance Favorable/ (Unfavorable)
Operating Revenues				
Customer	$1,826,711	$1,690,887	$1,670,163	$20,724
Market-Based Power Sales	737,570	825,803	695,910	129,893
Ancillary Services	67,499	52,523	61,000	(8,477)
NTAC and Other	81,763	79,724	74,531	5,193
Total Market-Based and ISO	886,832	958,050	831,441	126,609
	2,713,543	**2,648,937**	**2,501,604**	**147,333**
Operating Expenses				
Purchased Power:				
Entergy	155,370	145,297	141,920	(3,377)
Other	809,217	837,723	758,350	(79,373)
Ancillary Services	73,733	91,436	67,456	(23,980)
Fuel Consumed - Oil & Gas	519,480	489,248	471,922	(17,326)
Wheeling	325,869	303,089	302,034	(1,055)
Operations & Maintenance	281,152	250,422	255,706	5,284
Other expenses	142,609	127,761	130,723	2,962
Depreciation & Amortization	176,451	163,715	161,583	(2,132)
Allocation to Capital	(12,681)	(10,514)	(11,606)	(1,092)
	2,471,200	**2,398,177**	**2,278,088**	**(120,089)**
Net Operating Revenues	**242,343**	**250,760**	**223,516**	**27,244**
Interest Income and Realized Gains	56,743	76,032	52,109	23,923
Mark to Market Adjustment	1,000	10,932	1,000	9,932
Investment Income	57,743	86,964	53,109	33,855
Interest and Other Expenses	124,192	99,050	111,814	12,764
Net Revenues	**175,894**	**238,674**	**164,811**	**73,863**

New York Power Authority
Net Revenues by Facility
For the Eleven Months ended November 30, 2007
($ in 000's)

	Niagara/ St. Lawrence	B-G	SENY	SCPP	Market Supply Power	Flynn	Transmission	Eliminations & Adjmts	Total
Operating Revenues									
Customer	$ 306,911	$ 7,682	$ 1,037,758	$ 539	$ 210,477	$ 77,970	$ 78,399	$ (28,849)	$ 1,690,887
Market-Based Power Sales	145,166	86,014	505,958	136,857	39,783			(87,975)	825,803
Ancillary Services	44,614	2,581	4,842	750				(264)	52,523
NTAC and Other							79,724		79,724
Total Market-Based and ISO	189,780	88,595	510,800	137,607	39,783	-	79,724	(88,239)	958,050
	496,691	**96,277**	**1,548,558**	**138,146**	**250,260**	**77,970**	**158,123**	**(117,088)**	**2,648,937**
Operating Expenses									
Purchased Power:									
Entergy			145,297						145,297
Other	96,680	51,439	564,708	7,751	239,244		40	(122,139)	837,723
Ancillary Services	28,696	289	52,101	158	10,192				91,436
Fuel Consumed - Oil & Gas			367,997	69,114		52,137			489,248
Wheeling	9,264		283,693		9,692	440			303,089
Operations & Maintenance	86,332	23,704	50,247	14,250	1,292	16,706	57,891		250,422
Other expenses	22,969	3,196	14,911	1,328	47,286	780	10,864	26,427	127,761
Depreciation & Amortization	34,638	6,241	54,058	26,077	801	4,848	37,052		163,715
Allocation to Capital	(4,529)	(1,272)	(1,781)	(46)		(348)	(2,538)		(10,514)
	274,050	**83,597**	**1,531,231**	**118,632**	**308,507**	**74,563**	**103,309**	**(95,712)**	**2,398,177**
Net Operating Revenues	**222,641**	**12,680**	**17,327**	**19,514**	**(58,247)**	**3,407**	**54,814**	**(21,376)**	**250,760**
Investment and Other Income	10		7,251	125		20	208	79,350	86,964
Interest and Other Expenses	(24,871)	1,089	(30,485)	(22)	(44)	(2,294)	(24,624)	(17,799)	(99,050)
Net Revenues (loss)	197,780	13,769	(5,907) *	19,617	(58,291)	1,133	30,398	40,175	238,674
Budget	189,240	681	(11,435)	9,498	(57,396)	11,318	19,912	2,993	164,811
Variance	$ 8,540	$ 13,088	$ 5,528	$ 10,119	$ (895)	$ (10,185)	$ 10,486	$ 37,182	$ 73,863

*** Revenues for SENY include $18.5 million from the application of an energy charge adjustment to recover variable costs under the LT Supplemental Energy Supply Agreement.**

NEW YORK POWER AUTHORITY
VARIANCE FROM BUDGET
MAJOR FACTORS
For the Eleven Months Ended November 30, 2007
(Millions)

		Better/(Worse) than budget	
Niagara/St. Lawrence	o Higher customer revenues	$ 23.0	
	o Higher purchased power costs (primarily higher congestion)	(8.5)	
	o Higher ancillary service costs (residual adjustments)	(10.0)	
	o Lower St. Lawrence site O&M (lower than anticipated maintenance costs)	1.8	
	o Other (primarily lower interest costs)	2.3	
			$8.6
Blenheim-Gilboa	o Higher market-based revenues (higher volumes)	16.4	
	o Higher purchased power costs (higher volumes)	(3.3)	13.1
SENY	o Higher customer revenues (higher than anticipated ECA revenue)	22.9	
	o Higher market-based sales (higher volumes)	64.5	
	o Higher purchased power costs (higher volumes & prices)	(59.7)	
	o Higher ancillary service costs (primarily local reliability)	(11.3)	
	o Higher fuel costs (higher prices & higher generation)	(18.3)	
	o Other (primarily lower interest costs)	7.4	5.5
SCPP	o Higher revenues (primarily a higher volume of market-based sales)	35.5	
	o Higher purchased power costs (higher volumes)	(5.3)	
	o Higher fuel costs (primarily higher generation)	(17.1)	
	o Higher site O&M (emergency repair work)	(0.9)	
	o Other	(2.1)	10.1
Market Supply Power	o Higher revenues (primarily a higher volume of market-bases sales)	12.7	
	o Higher purchased power costs (higher volumes & prices)	(9.9)	
	o Higher ancillary service costs (residual adjustments)	(2.2)	
	o Other	(1.5)	(0.9)
Flynn	o Lower revenues	(24.5)	
	o Lower fuel costs (primarily lower generation - rotor failure)	18.1	
	o Higher site O&M (rotor repair & outage spending timing differences)	(4.5)	
	o Other	0.7	(10.2)
Transmission	o Higher revenues (including TCC revenues for the FACTS project)	5.0	
	o Lower allocated administrative expenses	2.8	
	o Other (includes lower interest costs)	2.7	10.5
Consolidating adjustments	(higher earnings on investments & higher positive mark-to-market adjustment)		37.2
Net Revenues			$ 73.9

NYPA
Operations & Maintenance
For the Eleven Months Ended November 30, 2007

	($'s in millions) Actual	Budget
Power Generation		
Headquarters Support	$10.4	$8.3
Blenheim-Gilboa	13.0	14.5
Charles Poletti	18.2	18.0
500 MW	11.2	9.4
R.M. Flynn	14.2	9.7
SCPP	13.0	12.2
Small Hydros	3.2	3.8
Niagara	35.4	35.2
St. Lawrence	15.1	16.9
	133.7	128.0
Transmission		
ECC/Headquarters	8.5	9.1
Transmission Facilities	35.0	35.2
	43.5	44.3
Corporate Support		
Executive Office	10.4	10.7
Business Services	28.0	29.1
HR & Corporate Support	16.4	16.6
Energy Marketing &Corporate Affairs	13.8	18.3
	68.6	74.7
Research & Development & Other	4.6	8.7
Total	$250.4	$255.7

Through November, O&M expenses were $5.3 million under budget. Underruns at HQ Corporate Support departments, R&D, and the Transmission facilities were partially offset by higher Power Generation spending.

HQ Corporate Support expenses were under budget by $6.1 million mostly due to under spending for the public awareness program, HQ communications, and IT contract services. R&D was under budget due to a significant delay in procurement of Electric Hybrid school Buses, reduced NYSERDA payments, and delayed spending for the PHEV Sprinter Van Project. Transmission spending was under budget by $0.8 million primarily due to less than expected contractor support for right-of-way maintenance and aircraft services.

Power Generation expenditures were $5.7 million higher than budgeted due primarily to overruns at Flynn ($4.5), Power Generation HQ ($2.1), and the 500MW plant ($1.8). The Flynn overrun was the result of an unscheduled outage for generator rotor damage, and a timing difference for planned outage expenses. Power Generation HQ was over budget due to lower than expected labor charged to capital projects. The 500MW plant reflected greater than anticipated routine maintenance work and outage costs. These negatives were partially offset by underruns at St. Lawrence and Blenheim-Gilboa. St. Lawrence was under budget by $1.8 million due to less than expected payroll charges for recurring maintenance, and lower consulting charges for the Robert Moses Power Dam Foundation Grouting. The variance at Blenheim-Gilboa ($1.5) included less than expected payroll charges for recurring maintenance (higher payroll charges for the LEM capital project), coupled with a delay in the Penstock & Tunnel Inspection.

NEW YORK POWER AUTHORITY
COMPARATIVE STATEMENT OF NET ASSETS
(IN THOUSANDS)

	NOVEMBER 2007	DECEMBER 2006	NET CHANGE
ASSETS:			
Electric Plant In Service, Less Accumulated Depreciation	$3,389,464	$3,078,037	311,427
Construction Work In Progress	176,793	163,034	13,759
Net Utility Plant	$3,566,257	$3,241,071	325,186
Restricted Funds	89,714	67,487	22,227
Construction Funds	273,435	105,648	167,787
Investment In Decommissioning Trust Fund	988,191	922,778	65,413
Current Assets:			
Cash	72	72	-
Investments In Government Securities	1,117,955	749,988	367,967
Interest Receivable On Investments	18,538	15,114	3,424
Receivables-Customers	148,552	205,471	(56,919)
Materials & Supplies-Plant & General	72,384	66,297	6,087
-Fuel	36,753	32,793	3,960
Prepayments And Other	40,443	62,902	(22,459)
Notes Receivable-Nuclear Sale	119,966	192,001	(72,035)
Deferred Charges And Other Assets	489,714	497,301	(7,587)
TOTAL ASSETS	**$6,961,974**	**$6,158,923**	**$803,051**
LIABILITIES AND OTHER CREDITS:			
Long-Term Debt - Bonds	$1,877,097	$1,735,262	141,835
Notes	150,000	156,145	(6,145)
Short-Term Notes Payable	272,624	272,282	342
Accounts Payable And Accrued Liabilities	999,643	636,683	362,960
Spent Nuclear Fuel Disposal	210,628	201,575	9,053
Decommissioning Of Nuclear Plants	988,191	922,778	65,413
Deferred Revenue	191,498	200,706	(9,208)
TOTAL LIABILITIES AND OTHER CREDITS	**4,689,681**	**4,125,431**	**564,250**
ACCUMULATED NET REVENUES-JANUARY 1	2,033,619	1,896,548	137,071
NET REVENUES	238,674	136,944	101,730
TOTAL LIABILITIES AND CAPITAL	**$6,961,974**	**$6,158,923**	**$803,051**

NYPA
SUMMARY OF NET GENERATION (MWH'S)
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2007

	Year-to-date November				Month of November 2007			
Facility	Actual	Budget	Variance (Actual vs Budget)	% Variance from Budget	Actual	Budget	Variance (Actual vs Budget)	% Variance from Budget
Niagara	11,900,655	12,060,000	(159,345)	-1.32%	1,107,488	1,190,000	(82,512)	-6.93%
St. Lawrence	6,178,261	6,140,000	38,261	0.62%	500,603	530,000	(29,397)	-5.55%
Combined	18,078,916	18,200,000	(121,084)	-0.67%	1,608,091	1,720,000	(111,909)	-6.51%
Poletti	1,767,375 (2)	1,595,507	171,868	10.77%	0 (2)	170,841	(170,841)	-100.00%
500MW	2,984,486	2,917,284	67,202	2.30%	270,464	230,859	39,605	17.16%
SCPP	785,379	581,445	203,934	35.07%	33,136	56,247	(23,111)	-41.09%
Blenheim Gilboa	(320,628)	(324,651)	4,023	-1.24%	(33,826)	(23,141)	(10,685)	46.18%
Small Hydro	138,071	168,074	(30,003)	-17.85%	16,799	17,327	(528)	-3.05%
R. M. Flynn	708,931 (1)	971,269	(262,338)	-27.01%	68,318 (1)	30,762	37,556	122.09%
Total	24,142,530	24,108,928	33,602	0.14%	1,962,982	2,202,895	(239,913)	-10.89%

(1) Unscheduled outage March 12 to June 6, 2007. A portion of work planned to be completed during the scheduled Fall 2007 outage was accelerated into this outage. Scheduled maintenance outage October 4 to November 12, 2007.
(2) A major maintenance outage was rescheduled from April 2007 to the Fall of 2007. A portion of work was completed during a smaller outage from April 17 to May 7, 2007. The remainder of the outage was completed October 20 to November 26, 2007.

NYPA
Capital Expenditures
For the Eleven Months Ended November 30, 2007

	($'s in millions)	
	Actual	**Budget**
New Generation	**$2.1**	**$1.8**
Energy Services	**114.8**	**92.1**
Existing Facilities	**433.6**	**452.8**
Transmission	**17.8**	**26.3**
Headquarters	**28.1**	**27.1**
General Plant and Minor Additions	**9.9**	**13.7**
	$606.3	**$613.8**

Capital expenditures for 2007 were 1.2% lower than the budget. **Existing Facilities** were under running the budget by $19.2 million primarily due to timing differences on payments related to the procurement of various equipment for the St. Lawrence LEM and consultant costs for the New License and Comprehensive Settlement Agreement projects. Also, the Niagara Unit 4 Standardization and Generator Stator Rewind Project have been postponed until the generator rewind failures are addressed. The underrun in **Transmission** of $8.5 million was primarily due to timing differences on the procurement of equipment for the Static Var Compensator and Tri-Lakes Reliability Project. Additionally, the Relay Replacement Program has been delayed to coordinate the installation with other planned projects. These underruns were partially offset by **Energy Services** overruns of $22.7 million primarily due to unbudgeted expenditures related to the Peak Load Management and the NYC Housing Authority Hot Water Tanks Program. In addition, accelerated construction activity at the Monroe County Landfill Gas Project, Nassau County EMS facility and SUNY Brockport Harrison Hall contributed to this overrun.

Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of $7.2 million for 2007. There were no new authorized expenditures this month.

Demand Side Management
Cost Summary (Inception to Date)
November 30, 2007
($ in 000's)

(A) DSM Projects

Authorized	Program	Prog	(A) Projects In-Progress	(B) Completed Projects	(C) Cumulative Cost	(D) Recoveries to Date	(E) Net Investment (C-D)
$183,050	Electrotechnologies LTEPA	ES-EPN	10,095	74,534	84,629	50,256	34,373
433,000	NYPA Energy Services Program	ES-ESN	83,767	109,049	192,816	58,690	134,126
530,000	SENY Govt Cust Energy Serv	ES-GSN	80,023	16,404	96,427	32,375	64,052
130,000	SENY HELP LTEPA	ES-LTN	12,059	75,667	87,726	62,010	25,716
1,200	MUNI Vehicle Program	ES-MVN		483	458	326	132
140,000	Non-Elect End Use LTEPA	ES-NEN	32,872	57,634	90,506	52,995	37,511
35,000	Peak Load Mgmt	ES-PLN	7,273	165	7,438		7,438
	Completed Programs						
5,000	Coal Conversion LTEPA	ES-CCN		5,000	5,000	3,466	1,534
5,000	County & Muni's	ES-CMN		1,919	1,919	1,919	0
13,000	Distributed Generation	ES-DGN		$1,440	$1,787	$1,191	$596
14,600	Industrial	ES-IPN		6,875	6,875	6,875	0
51,000	LI HELP	ES-LIN		47,505	47,505	47,257	248
15,000	SENY New Constr	ES-NCN		2,992	2,992	2,992	0
75,000	Public Housing LTEPA	ES-PHN		72,081	72,081	72,081	0
40,000	Public Schools	ES-PSN		38,941	38,941	38,895	46
130,000	SENY HELP	ES-SEN		134,305	134,305	134,305	0
60,000	Statewide	ES-SWN		56,733	56,733	55,665	1,068
4,085	Other			746	746	746	0
7,500	Wattbusters			5,441	5,441	5,441	0
$1,872,435			$226,089	$707,914	$934,325	$627,485	$306,840

(B) POCR Funding

LOANS

Authorized	Program	Loans Issued	Repayments		Outstanding Balance
$ 16,390	Colleges & Universities	$ 16,390	$ 16,167	(1)	$ 223

GRANTS

Authorized		Program	Issued
$9,105		Coal Conversion Pilot	$9,105
4,558		Hybrid Bus Program	4,558
663		Solar Grants	663
3,000		NYSERDA	3,000
25,768	(1)	Energy Services Programs	15,800
31,199	(1)	POCR Grants	13,435
$ 74,293			$ 46,561

(C) CASP Funding

Authorized		Program	Issued
$133,110	(2)	Coal Conversion	$118,819

(D) Board of Ed Funding

Authorized		Program	Issued
$39,010	(2)	Climate Controls (NYC BOE)	$35,077

(E) NYC Housing Auth Funding

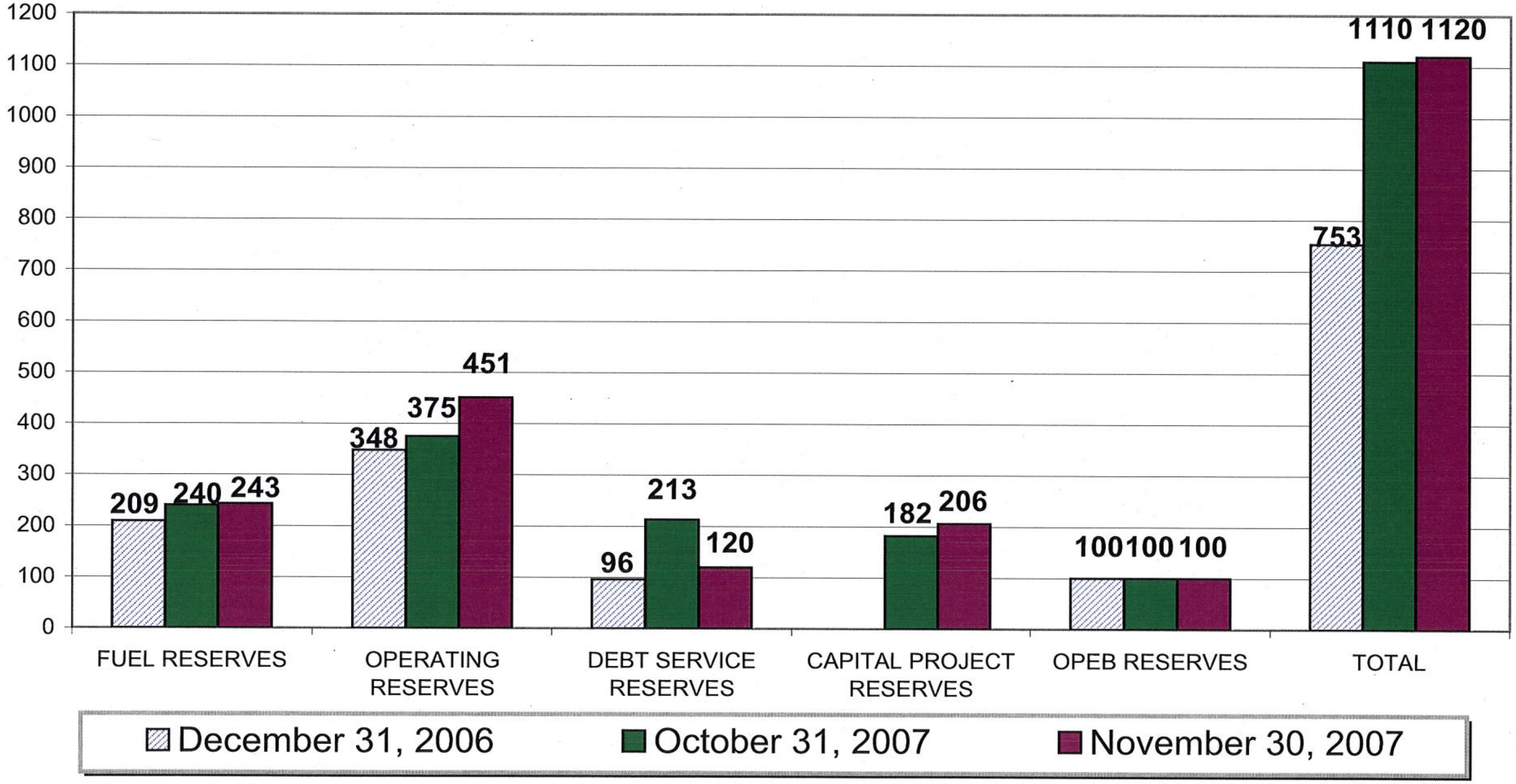
Authorized		Program	Issued
$25,708	(2)	NYCHA Hot Water Heaters	$19,830

(F) Lower Manhattan Energy Independence Initiative Program

Authorized		Program	Issued
$25,000	(2)	Lower Manhattan Energy Serv	$0

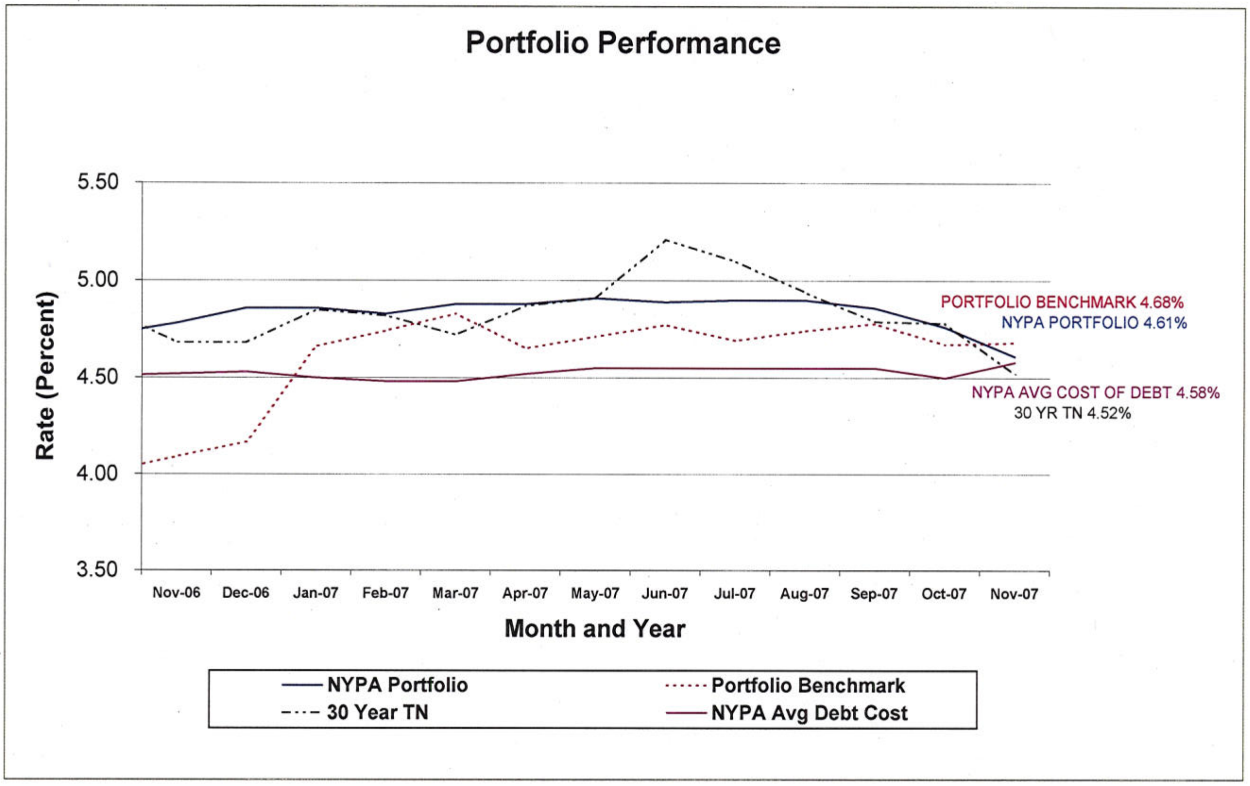
(1) Funds recovered via loan repayments are available and assigned to be used as grants in the Energy Services Program and for POCR Grant Program.
(2) Authorized funds reflect both principal received and the interest earned on such principal.

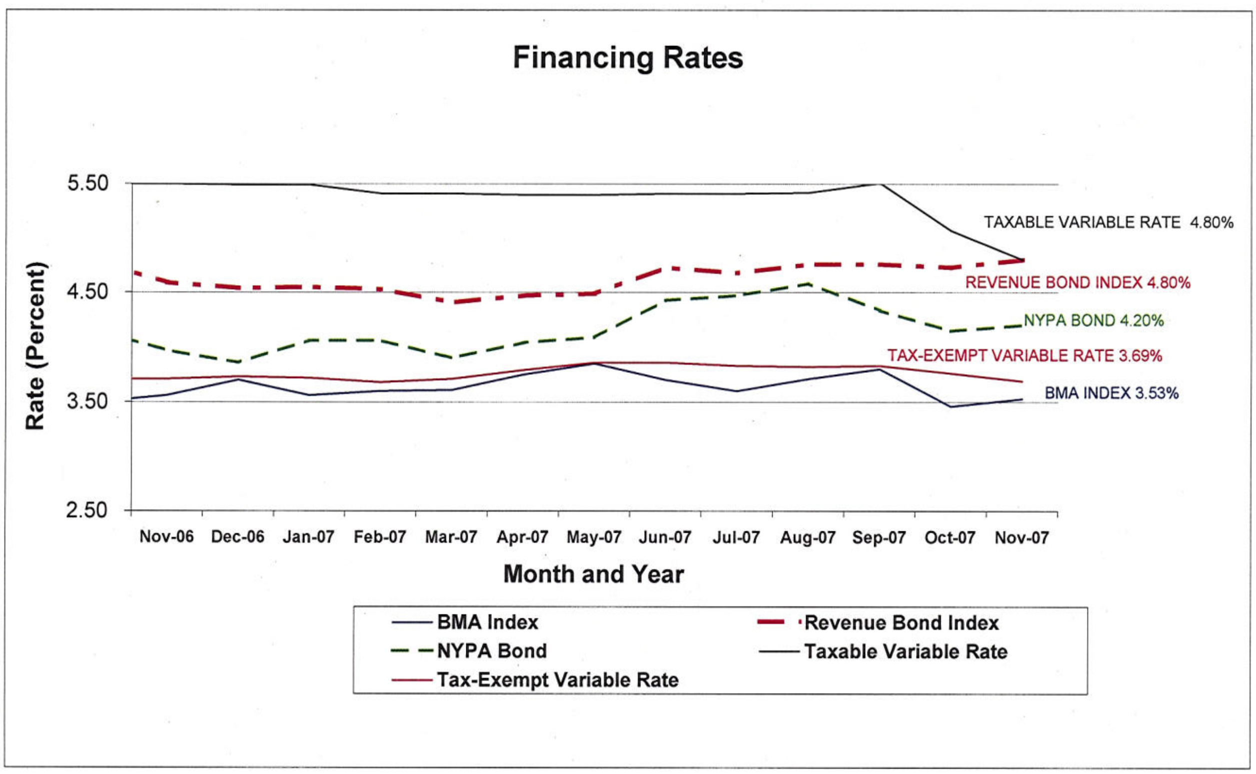
NEW YORK POWER AUTHORITY
OPERATING FUND
($ MILLIONS)



Fuel Reserves include $210.6 million for Nuclear Spent Fuel and $32.6 million for Energy Hedging Reserve Fund.

OPEB (Other Post Employment Benefits): The Authority's Trustees have authorized staff to initiate the establishment of a trust for its OPEB obligations and have designated $100 million as a reserve within the Operating fund for this purpose.


Portfolio Performance
5.50
5.00
4.50
4.00
3.50
Rate (Percent)
Nov-06 Dec-06 Jan-07 Feb-07 Mar-07 Apr-07 May-07 Jun-07 Jul-07 Aug-07 Sep-07 Oct-07 Nov-07
Month and Year
PORTFOLIO BENCHMARK 4.68%
NYPA PORTFOLIO 4.61%
NYPA AVG COST OF DEBT 4.58%
30 YR TN 4.52%
NYPA Portfolio
Portfolio Benchmark
30 Year TN
NYPA Avg Debt Cost


Financing Rates
5.50
4.50
3.50
2.50
Rate (Percent)
Nov-06 Dec-06 Jan-07 Feb-07 Mar-07 Apr-07 May-07 Jun-07 Jul-07 Aug-07 Sep-07 Oct-07 Nov-07
Month and Year
TAXABLE VARIABLE RATE 4.80%
REVENUE BOND INDEX 4.80%
NYPA BOND 4.20%
TAX-EXEMPT VARIABLE RATE 3.69%
BMA INDEX 3.53%
BMA Index
Revenue Bond Index
NYPA Bond
Taxable Variable Rate
Tax-Exempt Variable Rate

3. Report from the President and Chief Executive Officer

President Roger Kelley apologized for the Authority's internet difficulties that were interfering with real-time webcasting. He extended his wishes for happy holidays to the Trustees and all Authority staff, saying that it has been an eventful year and that he wanted to thank everyone for their efforts.

According to President Kelley, the Authority's proposed overall 2008 budget had been developed through meetings with the business unit heads and review of the operations and maintenance ("O&M"), capital, energy services and fuels budgets. He said that the 2008 proposed O&M, energy services and fuels budgets were at slightly higher levels than in 2007, but that the 2008 proposed capital budget was 74% less than the 2007 capital budget, primarily due to recognition of the Niagara relicensing settlement agreements in the 2007 budget.

President Kelley distributed the highlights of the Authority's new business plan to the Trustees, saying that the six strategic goals developed from the Authority's mission statement were in turn linked to objectives added by the business unit heads that would drive their departments' deliverables for 2008. He said that this was the first time the Authority's strategic plan was not a stand-alone document, adding that employee performance documents were also being streamlined in order to enhance the performance management process.

Updating the status of Request for Proposals #5 for 500 MW of capacity for New York City, President Kelley said that the bids would be opened on December 20th and that it was anticipated that staff would make its recommendation to the Trustees at their April 2008 meeting.

President Kelley said that the New York Independent System Operator's recently released reliability needs assessment report stated that the State's electricity resources were expected to be adequate through 2011, but that the additional capacity needs projected for the Southeastern New York region beginning in 2012 would become acute if additional resources are not marshaled by 2017. President Kelley said that the Authority's potential contribution to these needed additional resources include the extra capacity sought under RFP #5, possible construction of a new power plant and enhancement of the Authority's transmission facilities.

On December 10th, the Governor's Energy and Environmental Collaborative met in Albany. President Kelley said that the Authority is in good shape to assist the State in meeting the Governor's 15 by 15 goals. He said that the Authority is expected to spend upwards of $120 million in 2007 on energy efficiency measures for its government customers, adding that Mr. Gil Quiniones and Mr. Angelo Esposito had done a good job in exceeding previous projections for 2007. President Kelley said that it is anticipated that an additional $150

million will be spent on energy efficiency projects in 2008, with expenditures through 2015 projected to be $1.4 billion. The Long Island Power Authority anticipates expenditures of $100 million by 2015 through its own energy efficiency programs, which would bring energy efficiency expenditures by both authorities to nearly $2.5 billion.

President Kelley reported that the Authority is just beginning transmission studies aimed at improving both upstate and downstate transmission facilities by easing congestion.

In President Kelley's opinion, the Authority overall has had a very good year.

Chairman McCullough echoed President Kelley's sentiments, saying that 2007 had been a terrific year for the Authority, highlighting such achievements as the issuance of the new 50-year license for the Niagara power project, the community programs implemented as a result of the settlement agreements connected with the relicensing, the facility upgrades under way and President Kelley's smooth transition into his job. President Kelley mentioned the settlement agreements with Entergy and General Electric as additional 2007 accomplishments.

4. 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 30 Power for Jobs ('PFJ') customers as listed in Exhibit '4-A.' These customers have been recommended to receive such extended benefits by the Economic Development Power Allocation Board ('EDPAB').

BACKGROUND

"In July 1997, the New York State Legislature 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 amended the PFJ statute to accelerate the distribution of the power and increase the size of the program to 450 MW.

"In May 2000, legislation was enacted that authorized another 300 MW of power to be allocated under the PFJ program. Legislation further amended the program in July 2002.

"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.

"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. Chapter 645 of the Laws of 2006 included provisions extending program benefits until June 30, 2007. In 2007, a new law (Chapter 89 of the Laws of 2007) included provisions extending program benefits until June 30, 2008.

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

DISCUSSION

"At its meeting on December 18, 2007, EDPAB recommended that the Authority's Trustees approve electricity savings reimbursement rebates to the 30 businesses listed in Exhibit '4-A.' Collectively, these organizations have agreed to retain more than 27,000 jobs in New York State in exchange for the rebates.

"The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit '4-A' in a total amount currently not expected to exceed $2.8 million. Staff recommends that the Trustees authorize a withdrawal of monies from the Operating Fund for the payment of such amount, provided that such amount is not needed at the time of withdrawal for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. Staff expects to present the Trustees with requests for additional funding for rebates to the companies listed in Exhibit '4-A' in the future.

FISCAL INFORMATION

"Funding of rebates for the companies listed in Exhibit '4-A' is not expected to exceed $2.8 million. Payments will be made from the Operating Fund. To date, the Trustees have approved $104.2 million in rebates.

RECOMMENDATION

"The Executive Vice President and Chief Financial Officer and the Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommend that the Trustees approve the payment of electricity savings reimbursements to the Power for Jobs customers listed in Exhibit '4-A.'

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

Chairman McCullough said that the Economic Development Power Allocation Board ("EDPAB") meeting scheduled for earlier that morning had been postponed until Thursday, December 20th at 10 a.m. due to the internet difficulties that had made a videoconference impossible. He said that if the Trustees approved the rebates proposed in this item, such approval would be subject to EDPAB also approving them at its Thursday meeting. Mr. James Pasquale then presented the highlights of staff's recommendations to the Trustees.

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

WHEREAS, the Economic Development Power Allocation Board ("EDPAB") has recommended that the Authority approve electricity savings reimbursements to the Power for Jobs ("PFJ") customers listed in Exhibit "4-A";

NOW THEREFORE BE IT RESOLVED, That to implement such EDPAB recommendations, the Authority hereby approves the payment of electricity savings reimbursements to the companies listed in Exhibit "4-A," and that the Authority finds that such payments for electricity savings reimbursements are in all respects reasonable, consistent with the requirements of the PFJ program and in the public interest; and be it further

RESOLVED, That based on staff's recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to $2.8 million, and it is hereby found that amounts may properly be withdrawn from the Operating Fund to fund such payments; and be it further

RESOLVED, That such monies may be withdrawn pursuant to the foregoing resolution upon the certification on the date of such withdrawal by the Vice President – Finance or the Treasurer that the amount to be withdrawn is not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That the Senior Vice President – Marketing and Economic Development or his 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, General Counsel and Chief of Staff; and be it further

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

December 18, 2007

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

Exhibit "4-A"

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended Allocation KW	Jobs/MW	Type	Service
1	Elaine Kaufman Cultural Center	New York	New York	Con Ed	60	73	70	-3	-4%	Yes	60	1,167	NFP	Multi-arts center
2	Kingsbrook Jewish Medical Center	Brooklyn	Kings	Con Ed	1,200	2,403	2,325	-78	-3%	Yes	1,200	1,938	NFP	Medical and Research Institution
3	Lincoln Center for the Performing Arts	New York	New York	Con Ed	3,000	3,763	3,763	0	0%	Yes	3,000	1,254	NFP	Performing Arts Center
4	Long Island Jewish Medical Center	Manhasset	Nassau	Con Ed	2,000	6,143	6,958	815	13%	Yes	2,000	3,479	NFP	Healthcare Center
5	S. R. Guggenheim Museum	New York	New York	Con Ed	475	380	390	10	3%	Yes	475	821	NFP	Art Museum
	Total Con Ed		Subtotal	5	**6,735**	**12,762**	**13,506**				**6,735**			
6	Good Samaritan Hospital	West Islip	Suffolk	LIPA	800	2,805	3,088	283	10%	Yes	800	3,860	NFP	Healthcare Center
7	Kozy Shack, Inc.	Hicksville	Nassau	LIPA	1,000	265	251	-14	-5%	Yes	1,000	251	Large	Mfr. of puddings & snacks
8	Standard Microsystems Corp.	Hauppauge	Suffolk	LIPA	1,050	401	403	2	0%	Yes	1,050	384	Large	Maker and supplier of computer circuits
	Total LIPA		Subtotal	3	**2,850**	**3,471**	**3,742**				**2,850**			
9	Bank of New York	Oriskany	Oneida	N. Grid	500	759	791	32	4%	Yes	500	1,582	Large	Banking Services
10	Bison Foods - Div. of Upstate Farms	Buffalo	Erie	N. Grid	500	134	136	2	1%	Yes	500	272	Large	Dairy Products
11	Kilian Manufacturing Corporation	Syracuse	Onondaga	N. Grid	400	166	154	-12	-7%	Yes	400	385	Large	Mfr. ball bearings
12	Nathan Littauer Hospital & Nursing Home	Gloversville	Fulton	N. Grid	400	675	682	7	1%	Yes	400	1,705	NFP	Hospital and Nursing Home
13	PCI Paper Conversions, Inc.	Syracuse	Onondaga	N. Grid	400	235	223	-12	-5%	Yes	400	558	Large	Printed materials & adhesive manufacturing
14	Quad Graphics, Inc.	Saratoga Springs	Saratoga	N. Grid	4,000	958	1,068	110	11%	Yes	4,000	267	Large	Printing services
15	Queensboro Farm Products, Inc.	Canastota	Madison	N. Grid	500	79	81	2	3%	Yes	500	162	Large	Milk manufacturing and processing plant
16	Snyder Industries, Inc.	N. Tonawanda	Niagara	N. Grid	350	110	98	-12	-11%	Yes	350	280	Small	Machinery
17	Sorrento Lactalis, Inc.	Buffalo	Erie	N. Grid	1,500	364	496	132	36%	Yes	1,500	331	Large	Produces cheese as well as whey products
18	Welch Allyn Data Collection Inc.	Skaneateles Falls	Onondaga	N. Grid	2,000	1,275	1,302	27	2%	Yes	2,000	651	Large	Medical and dental diagnostic equipment
	Total National Grid		Subtotal	10	**10,550**	**4,755**	**5,031**				**10,550**			
19	Audio Sears	Stamford	Delaware	NYSEG	190	85	89	4	5%	Yes	190	468	Small	Makes audio equipment
20	Corning, Inc.- (Big Flats)	Big Flats	Chemung	NYSEG	500	131	117	-14	-11%	Yes	500	234	Large	Manufacturer of optical fiber products
21	Corning, Inc. (Costar Plant)	Oneonta	Otsego	NYSEG	900	181	172	-9	-5%	Yes	900	191	Large	Manufacturer of optical fiber products
22	Corning, Inc.- (Southside)	Corning	Steuben	NYSEG	1,500	798	882	84	11%	Yes	1,500	588	Large	Manufacturer of optical fiber products
23	Corning, Inc. (Sullivan Park)	Corning	Steuben	NYSEG	3,000	1448	1,495	47	3%	Yes	3,000	498	Large	Manufacturer of optical fiber products
24	Custom Electronics, Inc.	Oneonta	Otsego	NYSEG	150	55	62	7	13%	Yes	150	413	Small	Electronic components and assemblies
25	Soucy USA	Champlain	Clinton	NYSEG	400	183	201	18	10%	Yes	400	503	Large	Storage & Warehouse facility
26	Upstate Niagara Cooperative, Inc	Buffalo	Erie	NYSEG	600	150	154	4	3%	Yes	600	257	Large	Processes milk
27	Vail Ballou Press, Inc.	Binghamton	Broome	NYSEG	1,800	412	408	-4	-1%	Yes	1,800	227	Large	Book printer and distributor
	Total NYSEG		Subtotal	9	**9,040**	**3,443**	**3,580**				9,040			
28	International Business Machines - Sterling Forest	Poughkeepsie,	Orange	O&R	700	558	523	-35	-6%	Yes	700	747	Large	Computer Manufacturer
	Total O&R		Subtotal	1	**700**	**558**	**523**				**700**			
29	International Business Machines - Rochester	Rochester	Monroe	RGE	1,150	613	583	-30	-5%	Yes	1,150	507	Large	Computer Manufacturer
30	Newport Rochester	Rochester	Monroe	RGE	190	42	44	2	5%	Yes	190	232	Large	Mfg. spectrophotometers
	Total RG&E		Subtotal	2	**1,340**	**655**	**627**				**1,340**			
			Total	**30**	**31,215**	**25,644**	**27,009**				**31,215**	**865**		

5. Allocation of Hydropower

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve an allocation of available Replacement Power ('RP') totaling 12,000 kW to three industrial companies.

BACKGROUND

"Under Section 1005(13) of the Power Authority Act, as amended by Chapter 313 of the Laws of 2005, the Authority may contract to allocate or reallocate directly, or by sale for resale, 250 MW of firm hydroelectric power as Expansion Power 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.

"Each application for an allocation of EP or RP must be evaluated under criteria that includes, but need not be limited to, those set forth in Public Authorities Law Section 1005(13) (a), which sets forth general eligibility requirements, and (b), which sets forth the special criteria for revitalization allocations.

"Among the factors to be considered when evaluating a request for an allocation of hydropower are the number of jobs created as a result of a power allocation; the business' long term commitment to the region as evidenced by the current and/or planned capital investment in business' facilities in the region; the ratio of the number of jobs to be created to the amount of power requested; the types of jobs created, as measured by wage and benefit levels, security and stability of employment; and the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed.

"Among the factors to be considered when evaluating a request for revitalization purposes are whether or not the business is likely to partially close or relocate, resulting in loss of jobs, whether or not the business is an important employer in the community and whether or not the business has pursued other available sources of assistance to reduce energy costs.

"On October 22, 2003, the Authority, National 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 hydropower. 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 hydropower.

DISCUSSION

"Staff recommends and the Advisory Group supports the available power being allocated to the three companies set forth in Exhibit '5-A.' The Exhibit shows, among other things, the amount of power requested, the recommended allocation and additional employment and capital investment information. These projects will help maintain and diversify the industrial base of Western New York and provide new employment opportunities. They are projected to result in the creation of 470 jobs.

"Sorrento Lactalis, Inc. ('Sorrento') is seeking an allocation of Replacement Power for revitalization purposes. Sorrento, which produces Italian-style cheeses, is one of the largest private employers in Erie County, supporting approximately 500 direct jobs. In addition, the Buffalo facility purchases milk from 340 local diary farmers, supporting an estimated additional 6,000 indirect jobs. Consequently, 95% of the raw materials used in manufacturing at the facility are produced in New York State – adding $100 million to the State's economy.

"Sorrento's current business situation is problematic and the facility has been losing money annually. More than 500 jobs are currently at risk at Sorrento's Buffalo facility and 30 jobs have already been relocated from

Buffalo to Idaho. A Sorrento plant in Goshen, New York was closed in 2005, resulting in the loss of 120 jobs. Its parent company (Groupe Lactalis of France) has provided $29 million in cash subsidies since 2001. However, Groupe Lactalis has announced that the annual subsidy has ended and that the Buffalo facility must stop its downward spiral or the facility will be closed. The parent company has announced that $100 million in capital investment will be made available to its American facilities. Sorrento's Buffalo facility must convince Groupe Lactalis and its board that it is making efforts to reduce and stabilize costs in order to capture a percentage of the $100 million available for capital investment. Sorrento spent more than $1 million in 2006 on capital improvements. In addition, it received two grants from the New York State Energy Research and Development Authority for lighting and an energy consumption reduction study. Sorrento has applied to the Authority for an allocation of RP for revitalization purposes.

"Staff recommends that a 1,500 kW allocation of Replacement Power be made under revitalization criteria. The proposed contract would be for a non-renewable term of three years and be conditioned on Sorrento agreeing to incorporate the expansion in its capital plan for 2008. In return, Sorrento agrees that within 36 months of the takedown of power it will secure $10 million in new capital investment and relocate a product line from the West Coast, creating 25 jobs. (Sorrento will be able to apply for a new allocation for the increased load.) If within three years the company fails to meet the agreed-on targets, the 1,500 kW revitalization allocation will be returned to the Authority.

RECOMMENDATION

"The Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommends that the Trustees approve the allocation of 10,500 kW of hydropower to the companies listed in Exhibit '5-A' and a 1,500 kW allocation to Sorrento Lactalis, Inc. under the criteria for the evaluation of applications for power allocated for industry revitalization.

"The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Energy Marketing and Corporate Affairs, the Senior Vice President – Marketing and Economic Development and I concur in the recommendation."

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees. Trustee D. Patrick Curley recused himself from the vote on the resolution as it pertained to Brunner International, Inc.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted with Trustee D. Patrick Curley recusing himself from Brunner International, Inc. The item is subject to ratification by the Economic Development Power Allocation Board.

RESOLVED, That the allocation of 12,000 kW of Replacement Power, as detailed in Exhibit "5-A," be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the allocation of 1,500 kW of Replacement Power to Sorrento Lactalis, Inc. under the criteria for the evaluation of applications for power allocated for industry revitalization be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further

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

December 18, 2007

New York Power Authority
Replacement Power
Recommendations for Allocations

Exhibit "5-A"

Exhibit Number	Company Name	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term
A-1	Brunner International, Inc.	Medina	Orleans	3,200	50	$12,370,000	$47,000	**2,500**	Five Years
A-2	Government Employees Insurance Company	Amherst	Erie	12,000	420	$200,000,000	$37,000	**8,000**	Ten Years
A-3	Sorrento Lactalis, Inc.*	Buffalo	Erie	1,500	NA	NA	NA	**1,500**	Three Years
	Total RP Recommended				**470**	**$212,370,000**		**12,000**	

* Note Sorrento Lactalis, Inc's allocation is is made under Revitalization criteria

December 18, 2007

Exhibit "5-A1"

APPLICATION SUMMARY

Replacement Power

Company:	Brunner International, Inc.
Location:	Medina
County:	Orleans
IOU:	National Grid
Business Activity:	Manufacturer of parts for the heavy-duty truck industry
Project Description:	The project will include the expansion of the company's existing building by 10,000 to 20,000 square feet to support the installation of a new product line. In addition, the company will purchase and install new equipment, including presses, lathes, heat scanners, controls, robot machines and other manufacturing equipment.
Existing Allocation:	1,800 kW of EP and 1,200 kW of RP
Power Request:	3,200 kW
Power Recommended:	2,500 kW
Job Commitment:	
Existing:	291 jobs
New:	50 jobs
New Jobs/Power Ratio:	20 jobs/MW
New Jobs - Avg. Wage and Benefits:	$47,000
Capital Investment:	$12.37 million
Capital Investment per MW:	$4.95 million/MW
Summary:	Brunner manufactures parts for the heavy-duty truck industry. This expansion will help the company remain competitive in a global market. Brunner is also looking to expand in North and South Carolina, Kentucky and Mexico. A low-cost power allocation will help the company secure this expansion in Western New York.

December 18, 2007

Exhibit "5-A2"

APPLICATION SUMMARY

Replacement Power

Company:	Government Employees Insurance Company ("GEICO")
Location:	Amherst
County:	Erie
IOU:	National Grid
Business Activity:	Automobile insurance company
Project Description:	The project will include expanding GEICO's existing site with a new 25,000-square-foot raised-floor data center to serve as the new primary corporate data center. The company will purchase additional land necessary to accommodate the utility substations required to serve the facility. Equipment to be installed includes hundreds of servers, switches, routers, fire-suppression systems, switch gear and air-conditioning units.
Existing Allocation:	1,600 kW of Expansion Power
Power Request:	12,000 kW
Power Recommended:	8,000 kW
Job Commitment:	
Existing:	1,354 jobs
New:	420 jobs
New Jobs/Power Ratio:	53 jobs/MW
New Jobs - Avg. Wage and Benefits:	$37,000
Capital Investment:	$200 million
Capital Investment per MW:	$25 million/MW

Summary:

GEICO, which was incorporated in 1937, is the largest direct marketer and private passenger auto insurance company in New York State, based on direct written premiums. GEICO is a wholly owned subsidiary of Berkshire Hathaway, Inc. The company is planning a new data center. GEICO is looking at other sites, including locations in North Carolina, Georgia and West Virginia. A low-cost power allocation would make this project cost effective in western New York.

December 18, 2007

Exhibit "5-A3"

APPLICATION SUMMARY

Replacement Power - Revitalization

Company:	Sorrento Lactalis, Inc
Location:	Buffalo
County:	Erie
IOU:	National Grid
Business Activity:	Food processor manufacturing Italian-style cheeses
Project Description:	Sorrento is requesting power under the revitalization criteria to serve existing load. Sorrento has agreed that within 36 months it will secure $10 million in capital investment from its parent company and will relocate a product line from the West Coast.
Existing Allocation:	250 kW of Replacement Power and 1,500 kW of Power for Jobs
Power Request:	1,500 kW
Power Recommended:	1,500 kW
Job Commitment:	
Existing:	500 jobs
New:	0 jobs
New Jobs/Power Ratio:	NA
New Jobs - Avg. Wage and Benefits:	NA
Capital Investment:	NA
Capital Investment per MW:	NA
Summary:	The Buffalo plant has been manufacturing Italian-style cheeses for 55 years. This location also serves as a major distribution center for the East Coast. A hydro revitalization allocation will help Sorrento reduce and stabilize its costs, which is key to keeping the plant running. Reducing costs will signal to Sorrento's parent company that the plant can yield a higher cash flow to support a future capital investment in a new or relocated process line.

6. Productivity Improvement Request Reductions

The President and Chief Executive Officer submitted the following report:

SUMMARY

"It is requested that the Trustees approve reductions to the employment commitments for each of the nine companies listed in Exhibit '6-A.' These customers have clauses in their contracts that allow them to request a reduction in their commitments if the reduction is due to productivity improvements. Each of the nine companies that made the productivity improvement requests met the appropriate criteria.

BACKGROUND

"Each year, Authority staff initiates a review of all business power allocations and the customers' performance against agreed-upon job commitments. In 2005, the Authority had 290 contracts with 185 business customers, excluding Power for Jobs ('PFJ') agreements. In 2006, nine customers (with 15 contracts) requested a reduction to their base employment commitments due to productivity improvements made during the reporting period.

"The contracts contain a customer commitment to retain or add a specific number of jobs. A company may request a productivity review to have its job commitment reduced if the reduction in employment is due to increased efficiency or improved technology. Relocation of specific activities away from the facility will not be considered an increased efficiency, improved technology or productivity improvement. Employment reductions made due to reduced production or sales volume will not be considered as an increased efficiency, improved technology or productivity improvement.

"A recommendation to lower a customer's job commitment due to productivity improvements is made when:

1. The customer submits documentation of procedural or operational change; and

2. Staff conducts a site visit to verify the improvement(s) and the resulting reduction(s) in jobs.

"The most common types of productivity improvements are automation, job consolidation, rebalancing and new process/design change.

"Automation reduces employment by increasing efficiency or improving technology. Job consolidation and rebalancing are similar improvements – job consolidation takes two jobs and eliminates one by giving the other job the duties of that job, while rebalancing redistributes work among many workers while eliminating one or two workers. New process/design change is a new method of doing something or a new design for a part that requires fewer workers to produce the same amount of work or product.

"Two companies, Delphi Automotive Systems and North American Höganäs, will still be below their job commitments even after the reduction to their base employment commitments for their productivity improvements. However, both of these companies are in the automotive industry and, as directed by the Trustees at their April 2007 meeting, staff will defer action regarding the Authority's automotive customers for one year. The Annual Review of Jobs Trustee item that will be presented in 2008 will include a recommendation and justification for refreshing the job commitments of the Authority's automotive customers.

DISCUSSION

"Staff recommends that the Trustees approve action regarding the nine customers meeting the productivity improvement requirement for a reduction to their employment commitments in 15 contracts. Brief descriptions of those companies that meet the productivity improvement employment reduction requirements are listed in Section I.

"A summary of all contracts discussed in this item is provided as Exhibit '6-A.'

Section I.
Allocations to Continue with Job Commitment Changes for Productivity Improvements

Ceres Corporation,	Niagara Falls, Niagara County
Allocation:	1,700 kW, 1,600 kW and 1,300 kW of Replacement Power ('RP')
Jobs Commitment:	60 jobs for all allocations

Background: Ceres Corporation ('Ceres'), founded in 1976, was the first U. S. producer of cubic zirconia, as well as the first cubic zirconia manufacturer to develop and sell colored cubic zirconia. The product is used in the gem-cutting industry and is also used in jewelry. Ceres developed and sells the industry's leading diamond-testing instruments. For the past year, Ceres averaged 46.42 jobs, i.e., 77.36% of its contractual commitments. While the company is in the midst of developing a new product line and is growing, it implemented productivity improvement measures this past year, resulting in a reduced employment level of 47 jobs. One job was reduced due to new product design; 3 were reduced due to automation; 4 were reduced due to more efficient new equipment and 5 were reduced due to a new process.

Recommendation: Staff recommends that the Trustees reduce Ceres' 1,700 kW, 1,600 kW and 1,300 kW RP allocations' employment commitments by 13 jobs to 47 positions.

Delphi Automotive Systems,	Lockport, Niagara County
Allocation:	14,300 kW of Expansion Power ('EP')
Jobs Commitment:	5,246 jobs

Background: Delphi Automotive Systems ('Delphi'), formerly a division of General Motors ('GM'), manufactures radiators, condensers and heaters mainly for GM automobiles, but has diversified to other car makers as well. The company requested a productivity improvement reduction of its job commitment by 477 jobs. For the past year, Delphi averaged 3,527.17 jobs. The EP allocation is a 'vintage' contract, meaning that it has an 80% job ratio and two-year job average. The two-year average is 3,807.42 jobs, i.e., 72.58% of the company's commitment. Delphi has been in bankruptcy and is in the midst of restructuring. Early in 2006, Delphi was awarded an additional 10 MW revitalization allocation. Of the 477 jobs requested, only 365 job reductions qualified as actual productivity improvements. The 365 employment reductions made were accomplished through rebalancing job duties, job combinations, new methods of manufacturing parts, new designs for parts and restructuring of workstations.

Recommendation: Staff recommends that the Trustees reduce Delphi's 14,300 kW EP allocation employment commitment by 365 jobs to 4,881 positions.

E. I. Du Pont De Nemours & Co., Inc.,	Niagara Falls, Niagara County
Allocation:	790 kW of EP and 31,700 kW of RP
Jobs Commitment:	251 jobs and 198 jobs, respectively

Background: E. I. Du Pont De Nemours & Co., Inc. ('DuPont') has been in the chemicals business for more than 200 years and has been producing sodium chloride and lithium at this plant for more than 100 years. Both allocations are 'vintage' contracts, meaning that they have an 80% job ratio and a two-year job average. For the past two years, DuPont averaged 267.13 jobs, i.e., 106.42% and 134.91% of its contractual commitments, respectively. The company was able to reduce 9 jobs due to productivity improvements in 2006, with 5 jobs reduced through new computerized handling of every aspect of inventory and supply chain management and business planning, and 4 jobs reduced through new processes in handling personnel files and engineering.

Recommendation: Staff recommends that the Trustees reduce DuPont's employment commitments for both its 790 kW EP and 31,700 kW RP allocations by 9 jobs, to 242 and 189 positions, respectively.

FMC Corporation,	Tonawanda, Erie County
Allocation:	2,500 kW of RP
Jobs Commitment:	142 base jobs and 25 created jobs

Background: FMC Corporation - active oxidants division ('FMC'), at this site since 1960, manufactures peracetic acid, a biocide for the food industry, and persulfates, used in the cosmetics industry. At the time of the 2006 Annual Item, FMC had two allocations that required reporting, a 5.5 MW RP allocation with 71 jobs and a 750 kW RP allocation with 106 jobs. FMC took down 2 MW of its newest allocation of 2.5 MW with 142 base jobs and 25 created jobs in June 2007, with the remainder to be drawn down in June 2008. This 2.5 MW allocation will not be required to be reported until the 2008 Annual Item. For the past year, FMC averaged 105.33 jobs, i.e., 99.37% of its 106 jobs contractual commitment. FMC requested a reduction of 6 jobs due to productivity improvements made in 2006. The 6 jobs were reduced through installation of new high-efficiency equipment and a new computerized monitoring system.

Recommendation: Staff recommends that the Trustees reduce FMC's 2,500 kW RP allocation's base employment commitment by 6 jobs to 136 positions, for an overall reduction to 161 jobs.

Ford Motor Company, Buffalo, Erie County
Allocation: 4,300 kW and 2,900 kW of EP
Jobs Commitment: 1,772 jobs and 1,772 jobs, respectively

Background: Ford Motor Company ('Ford') opened its Buffalo Stamping Plant in 1950. Currently, Ford stamps doors, floor pans, quarter panels and some inner body components for the Fusion, Edge and Crown Victoria models. The components then go to other Ford assembly plants and distribution centers throughout the U. S. and Canada. For the past year, Ford averaged 1,556.50 jobs, i.e., 87.84% of its contractual commitment. The company requested a productivity improvement reduction of its job commitment by 113 jobs. Of the 113 jobs, only 106 qualified as productivity improvements. Ford's reduction comes from new product design, new equipment, job rebalancing on the lines, job combinations and new manufacturing processes.

Recommendation: Staff recommends that the Trustees reduce Ford's 4,300 kW and 2,900 kW EP allocation employment commitments by 106 jobs to 1,666 positions each.

Luvata Buffalo, Inc., Buffalo, Erie County
Allocation: 3,000 kW of RP
Jobs Commitment: 602 base jobs and 55 created jobs

Background: Luvata Buffalo, Inc. ('Luvata'), formerly Outokumpu American Brass or OAB Holdings, Inc., in business since 1906, manufactures copper and brass sheets and rolls. The company requested a productivity improvement reduction of its job commitment by 10 jobs. Luvata's reduction comes from rebalancing job duties (6 positions), eliminating a process (1 position) and new equipment (3 positions). For the past year, Luvata averaged 618.21 jobs, i.e., 102.69% of its contractual commitment. (Per its contract, the company is not yet required to have added the 55 new positions.)

Recommendation: Staff recommends that the Trustees reduce Luvata's RP allocation employment commitment by 10 jobs to a base of 592 base positions and 55 created positions.

Mele Manufacturing Co., Utica, Oneida County
Allocation: 475 kW of Economic Development Power ('EDP')
Jobs Commitment: 164 jobs

Background: Mele Manufacturing Co. ('Mele'), founded in 1912, manufactures, as well as resells, jewelry cases, custom packaging, desk accessories, legal binders and custom injection molding. However, the company has, for the most part, switched into a new business, manufacturing modular flooring, which is the growth part of the company. For the past year, Mele averaged 75.79 jobs, i.e., 46.21% of its contractual commitment. The company made major productivity improvements through design and process changes. Mele's new, highly efficient computerized and mechanized facilities require fewer workers than before, and the facilities' cost-efficient operations have enabled the company to continue its viability in Utica and sustain a level workforce. The company does not see much further growth, but does foresee stability. Mele maintains a strong job-to-MW ratio.

Recommendation: Staff recommends that the Trustees reduce Mele's 475 kW EDP allocation employment commitment by 88 jobs to 76 positions.

<u>North American Höganäs, Inc.</u>, Niagara Falls, Niagara County
Allocation: 1,000 kW of RP and 4,000 kW of EP
Jobs Commitment: 67 jobs and 71 jobs (vintage)

Background: North American Höganäs, Inc. ('NAHI'), formerly Pyron Corporation, founded in 1940, manufactures sponge iron and atomized steel powders for powder metallurgical processes in the auto and food additive industries. The company's powder metals are used in the automotive parts business for antilock brakes, brake pads, cams, transmission parts and steering systems, as well as an iron food supplement for cereals, breads, etc. The EP allocation, as a 'vintage' contract, has an 80% job ratio and a two-year job average. For the past year, NAHI averaged 37.92 jobs, i.e., 56.60% of its employment commitment, and for the past two years 38.21 jobs, i.e., 53.82% of its employment commitment, respectively. In 2005, after NAHI restructured the organization, sustainable employment levels were reached. An upswing in business in 2006 has continued into 2007, with expected growth in employment of 4 new jobs. NAHI has a new product in development that it expects will increase sales and employment. The company requested a productivity improvement reduction of its job commitment by 9 jobs for 2006. NAHI's reduction comes from rebalancing job duties (7 positions), a new process (1 position) and new equipment (1 position).

Recommendation: Staff recommends that the Trustees reduce NAHI's RP allocation employment commitment by 9 jobs to a base of 58 positions and reduce the company's EP allocation employment commitment by 9 jobs to a base of 62 positions (vintage).

<u>Occidental Chemical Corporation</u>, Niagara Falls, Niagara County
Allocation: 56,000 kW of RP and 38,700 kW of EP
Jobs Commitment: 230 jobs and 238 jobs, respectively

Background: Occidental Chemical Corporation ('Oxy') is the country's largest merchant marketer of chlorine and caustic soda, which is used for the plastics, pulp and paper, water purification, bleach and sanitation industries. The company requested a productivity improvement employment commitment reduction. Both allocations are 'vintage' contracts, meaning that they have an 80% job ratio and a two-year job average. For the past two years, Oxy averaged 244.13 jobs and 238.59 jobs, i.e., 106.14% and 100.25% of its contractual commitments, respectively. In 2006, Oxy reorganized its maintenance program reducing 6 jobs through rebalancing job schedules; 3 jobs through job combination; 1 job through a new computer system for monitoring; 1 job through a new process and 1 job through automation.

Recommendation: Staff recommends that the Trustees reduce Oxy's 56,000 kW RP and 38,700 kW EP allocation employment commitments by 12 jobs to 218 and 226 positions, respectively.

<u>RECOMMENDATION</u>

"The Director - Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommends that the Trustees adjust the job commitments for nine customers with 15 contracts due to productivity improvements as described above and set forth in Exhibit '6-A.'

"The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Energy Marketing and Corporate Affairs, the Senior Vice President – Marketing and Economic Development and I concur in the recommendation."

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Pasquale said that a decision by the Trustees on reducing power allocations to certain automotive companies in Western New York had been postponed in April and would be reconsidered at a Trustees' Meeting in 2008.

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

RESOLVED, That the Authority hereby approves adjustment of the future job commitment levels for nine customers (with 15 contracts) that made productivity improvements as described in the foregoing report of the President and Chief Executive Officer and as set forth in Exhibit "6-A"; and be it further

RESOLVED, That the Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing is hereby authorized to provide written notice to these companies whose allocations and job commitments are being reduced; and be it further

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

Exhibit "6-A"

I. ALLOCATIONS TO CONTINUE WITH JOB COMMITMENT CHANGES FOR PRODUCTIVITY IMPROVEMENTS

Company	Location	Type of Power	Allocation kW	Employment Commitment	Average 2006 Jobs	Average Annual % Achieved	Revised Commitment	Revised %
Ceres Corporation	Niagara Falls	RP	1,600	60	46	77%	47	100%
Ceres Corporation	Niagara Falls	RP	1,300	60	46	77%	47	100%
Ceres Corporation	Niagara Falls	RP	1,700	60	46	77%	47	100%
Delphi Automotive Systems LLC	Lockport	EP	14,300	5,246	V 3,807	73%	4,881	78%
E.I. Du Pont De Nemours & Co., Inc.	Niagara Falls	EP	790	251	V 267	106%	242	110%
E.I. Du Pont De Nemours & Co., Inc.	Niagara Falls	RP	31,700	198	263	133%	189	139%
FMC Corporation	Tonawanda	RP	2,500	167	105	NYR	161	NYR
Ford Motor Company	Buffalo	EP	4,300	1,772	1,557	88%	1,666	93%
Ford Motor Company	Buffalo	EP	2,900	1,772	1,557	88%	1,666	93%
Luvata Buffalo, Inc.	Buffalo	RP	3,000	602	618	103%	592	104%
Mele Manufacturing Co.	Utica	EDP	475	164	76	46%	76	100%
North American Hogänäs Corporation	Niagara Falls	RP	1,000	67	38	57%	58	66%
North American Hogänäs Corporation	Niagara Falls	EP	4,000	71	V 38	54%	62	61%
Occidental Chemical Corporation	Niagara Falls	RP	56,000	230	V 244	106%	218	112%
Occidental Chemical Corporation	Niagara Falls	EP	38,700	238	V 239	100%	226	106%

EP = Expansion Power **RP** = Replacement Power **V** = Vintage allocation – 2 year average
NYR = Not yet required to report jobs on this allocation.

7. Economic Development Plan - Use of Net Revenues Produced by Sale of Expansion Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

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

BACKGROUND

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

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

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

"The Authority approved five-year programs in 1990, 1996 and 2001 and a one-year program in 2006 under which EP net revenues were to be dedicated to helping maintain stable industrial rates. EDPAB has periodically approved such Plans for use of EP revenues to hold industrial rates at a stable level.

DISCUSSION

"Allocations of EDP have been a useful economic development tool. EDPAB has recommended allocations associated with the creation or retention of more than 95,000 jobs, totaling 428 MW, to date. The costs of providing EDP are greater than the revenues produced by such sales. In order to continue to market this power on a competitive basis consistent with the aim of the legislation creating EDPAB, the rates for industrial power must be kept low enough to be of sufficient economic incentive for industries to locate or expand in New York State.

"In December 2006, the Temporary State Commission on the Future of New York State Power Programs for Economic Development recommended numerous changes in the form and administration of the Authority's EDP programs. Any such changes would require legislation. Moreover, the Power for Jobs ('PFJ') and Energy Cost Savings Benefit ('ESCB') programs will end on June 30, 2008. The ECSB awards go to the same customers that benefit from current Industrial Incentive Award rate relief. Thus, pending clarification on the future of these programs, it is appropriate to again propose extensions of the Industrial Incentive Awards for one year instead of the usual five years.

"It is therefore proposed that the Authority's Chairman be authorized to submit the Authority's Plan to EDPAB for the ensuing one-year period providing for the use of 2006 net EP revenues of $7.283 million to support 2007 industrial rates, provided that the Chairman, at his discretion, may recommend to EDPAB a different use of such net revenues, consistent with statutory requirements. The Authority will report to EDPAB on the effect of using these funds.

RECOMMENDATION

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

"The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Energy Marketing and Corporate Affairs, the Senior Vice President – Marketing and Economic Development and I concur in the recommendation."

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

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

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

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

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

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

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to take final action to approve an increase in the rates for the sale of firm power to the New York City Governmental Customers ('Customers') in 2008. This proposed action is consistent with the rate-setting process set forth in the 2005 Agreements containing certain supplemental terms and conditions governing the supply of electricity ('Long-Term Agreements' or 'LTAs') executed by each of the Customers and the Authority.

"Under this proposed final action, staff seeks approval to increase the 'Fixed Costs' component (as defined in the LTAs) of the Customers' 2008 production rates. This proposition, by itself, would increase the estimated billed production revenues of these Customers by 2.6% on average as compared to 2007 rates. Secondly, the Trustees are requested to authorize a change in Service Tariff No. 100 regarding the effective date of production rate changes from using a proration method to a billing-period method. If approved by the Trustees, the effective date of the increase would be January 1, 2008. With the Tariff change, the increase would be applicable as of the January 2008 billing period.

BACKGROUND

"At their September 25, 2007 meeting, the Trustees directed the publication in the *New York State Register* ('*State Register'*) of a notice that the Authority proposed to increase the Fixed Costs component of the production rates to be charged in 2008 to the Customers. Customers were directly notified of the proposed rate increase by mail on September 26, 2007. The *State Register* notice was published on October 10, 2007 in accordance with the State Administrative Procedure Act ('SAPA'). Since this proposal would increase revenues to the Authority by more than 2%, a public forum was held, in accordance with the Authority's policy, at its New York City office on November 15, 2007. No oral comments were received. The public comment period originally scheduled to close on November 26, 2007 was extended to November 30, 2007 in response to the Customers' request for extension. Comments were filed, pursuant to SAPA procedures, by the City of New York (Department of Citywide Administrative Services) (the 'City') and the Port Authority of New York and New Jersey and the Metropolitan Transportation Authority ('PA/MTA').

"As indicated in the September 25th memorandum to the Trustees, under the LTAs, the Authority must establish Fixed Costs based on cost-of-service principles and make changes only under a SAPA proceeding with the approval of the Trustees. As the memorandum also indicated, the LTAs establish two distinct cost categories: Fixed Costs and Variable Costs. Fixed Costs include operation and maintenance ('O&M'), shared services (e.g., headquarters), debt service, other expenses (i.e., certain directly assignable costs) and a credit for investment and other income.

"Because the Variable Costs component is developed in collaboration with the Customers in accordance with the provisions of the LTAs previously approved by the Trustees, staff is not requesting the Trustees' approval of the Variable Costs component of the production rates for 2008 (i.e., fuel and purchased power, risk management, New York Independent System Operator ('NYISO') ancillary services and O&M reserve, less a credit for NYISO revenues from Customer-dedicated generation). In addition, in 2007 the Customers collectively selected an 'Energy Charge Adjustment ('ECA') with Hedging' cost-recovery mechanism offered under the LTA under which the Authority passes through all Variable Costs to the Customers. This cost- recovery mechanism employs a monthly charge or credit that reflects the difference between the projected Variable Costs of electricity recovered by the tariff rates and the monthly actual Variable Costs incurred by the Authority. This billing mechanism is already in effect and will continue through 2008.

DISCUSSION

"Based on staff's analysis, the final increase in Fixed Costs sought by this action is $20.7 million. This represents a $5.8 million decrease from the proposed Fixed Costs estimate. Under the LTAs, Customers' concerns must be considered in a confidential process prior to presenting any proposed changes to the Fixed Costs to the Trustees or issuing them for public comment. Numerous Customer data requests were subsequently presented to staff, and in all cases, responses to relevant questions were provided to the Customers. In addition, staff met with the Customers to further discuss their written comments prior to the November 30th deadline. The following formal written comments were filed in accordance with SAPA. A review and analysis of the five issues raised by the written comments is as follows:

Issue 1: Overall Fixed Costs Proposal for 2008

"Comments: The PA/MTA raised concerns regarding the proposed 17.9% Fixed Costs increase in the Preliminary 2008 Cost of Service ('COS'). Citing the level of increases over the past two years, these Customers state that changes should track the rate of inflation on the order of 2.68% for 2006 and 1.83% projected for 2007.

"Staff Analysis: Staff has reviewed the PA/MTA's comments that the Fixed Costs increases over the past two years have outpaced the Gross Domestic Product Implicit Price Deflator rate-of-inflation measure even though there have been no additions of new generating units dedicated to serving the Customers during that period.

"Of the $27.8 million proposed increase in the Fixed Costs component of the Preliminary 2008 Cost of Service, $6.7 million is directly attributable to a Customer request during the LTA negotiations in calendar year 2004 to levelize the Poletti debt service schedule, thereby reducing the impact on rates in the first two years of the LTA (this action has now become a net charge to the 2008 Preliminary COS). An additional $2.5 million is earmarked for outside consulting assistance to facilitate a collaborative resource planning effort with the Customers to explore replacing the capacity requirements of the Poletti project, which is scheduled to shut down in early 2010.

"Additionally, $9.3 million is for payment of the initial principal component of the debt service for the Small Hydro projects' variable-rate debt, of which almost $7.9 million, or 85%, is assignable to the Customers (the balance is recovered through the Westchester Governmental Customer rates). It should be noted that the same proportional market value of the total Small Hydro energy output is credited to the Customers. Finally, $6.7 million is the amortized cost of the competitively bid outsourcing of outage maintenance for the 500 MW Combined Cycle Unit ('500 MW CCU') alluded to in the PA/MTA comments.

"Staff contends that the level of Fixed Costs required should be predicated on the resources necessary to meet the Customers' needs and ensure effective operation of the facilities dedicated to them.

"Recommendation: The $2.5 million for outside consulting assistance to explore replacing the capacity requirements of the Poletti project is an estimate based on the anticipated work plan. Actual costs will depend on the results of the collaborative effort between the Authority and the Customers. In an effort to acknowledge the PA/MTA's concerns regarding the impact of the proposed increase on rates, staff recommends reducing the proposed 2008 Fixed Costs by $2.5 million for future supply planning work and proposes recovering only the actual costs for this effort from the Customers in a mutually agreed-upon manner. Staff also recommends levelizing the impact of the Small Hydro debt service through 2015, which, along with other minor allocation adjustments, would further reduce the proposed 2008 Fixed Costs increase by $3.3 million. This proposal would also be considerably beneficial to the Customers in the 2009 and 2010 rate years.

"These recommendations would reduce the proposed 2008 Fixed Costs by a total of $5.8 million, resulting in an increase of $20.7 million, or 13.5%, over 2007 Fixed Costs. This equates to an overall production increase of 0.36% to the Customers' rates for 2008.

Issue 2: O&M Component of Fixed Costs.

"Comments: The Customers raised concerns that the O&M components of Fixed Costs, specifically the 500 MW CCU and Poletti projects are excessive. The City contends that the projected O&M for consulting services should be reduced by $2.0 million based on its own assessment of historical costs.

"In a similar vein, the PA/MTA request an O&M reduction of $10 million, including $1.8 million for Poletti. The PA/MTA also request a $7.7 million reduction of the 500 MW CCU O&M based on their comparison of a group of 'peer units,' *i.e.*, generating plants of an allegedly similar nature elsewhere. Additionally, the PA/MTA request that staff consider outsourcing the operation of the 500 MW CCU and other fossil units to achieve perceived economies of scale, implies that the Authority is 'cross-subsidizing' other facilities through the Fixed Costs O&M and contends that the Authority might be overly risk averse, resulting in 'over-maintaining' the facilities dedicated to the Customers. The City claims that the $1.7 million for consulting services was above historical levels over the past five years. The PA/MTA state that the overall Poletti O&M increases should be less than the rate of inflation given that the plant is scheduled for retirement in early 2010 and should be 'capped' at 3% above the 2007 level, resulting in an overall O&M reduction of $1.8 million.

"Staff Analysis: Staff has reviewed both the City's and the PA/MTA's comments related to the Poletti O&M projection. Staff found these claims to be unsupported. The O&M estimates included in the 2008 Preliminary COS delivered to the Customers on May 15, 2007 was developed several months in advance of the formal 2008 O&M budget process, which was completed in early November. Consequently, the estimates in the Preliminary 2008 Cost of Service were based on very early cost projections. The final proposed 2008 O&M Poletti budget, which is also being presented for Trustee approval today, is $16.8 million, $2.7 million less than presented in the 2008 Preliminary COS, and is more in line with the Customers' expectations.

"Staff has also reviewed the PA/MTA's further claims that the O&M projection for the 500 MW CCU is 'excessive' based on their consultant's benchmarking analysis of a group of 'peer units,' *i.e.*, generating plants of an allegedly similar nature located mostly in the South and the West. Of the 17 units represented in the peer group, nine were greater than 1,000 MW, with one at almost 2,400 MW and five at less than 300 MW, which is not representative of 'peer units.' Two of the suggested 'peer units' located in the West that are more representative of the 500 MW CCU had actual O&M (unadjusted for any New York City cost differences) of $9.9 million and $8 million, respectively, compared to the $9.9 million projected in the 2008 Preliminary COS, before including the $6.7 million of levelized outage costs associated with the Wood Group long-term services agreement. The Customers did not indicate whether the peer group data included outage costs. Staff has determined that the Customers' claim of 'excessive' 500 MW CCU O&M costs per kW at 405% is unsupported by the data supplied.

"However, because the plant needs several minor upgrades and, in part, since the 500 MW CCU has provided more generation output than expected, (500,000 MWH, or 23%, through October), the maintenance requirements are projected to be above the 2008 Preliminary COS estimate to ensure efficient and reliable operation in 2008 and beyond.

"Staff has also reviewed the PA/MTA's comments regarding outsourcing operation of the fossil generating units dedicated to the Customers, cross-subsidization of costs and the Authority being overly averse to plant operating risks and has determined that these concerns should be addressed during the 2009 LTA Annual Process, scheduled to begin during the first quarter of 2008.

"Recommendation: Staff recommends no changes to the O&M component of the projected 2008 Fixed Costs for the Customer-dedicated generating facilities included in the 2008 Preliminary COS. The additional 500 MW CCU work noted above will be offset by the reduction in the final 2008 Poletti O&M budget.

Issue 3: Shared Services.

"Comments: The Customers request that the Authority reduce the Shared Services component of the Fixed Costs. Both the City and the PA/MTA justify their respective proposed reductions to this component by citing that the addition of an element to Shared Services, *i.e.*, Headquarters Direct Support, is 'inconsistent with past practices.'

The City requests a reduction of $5.1 million and the PA/MTA, through separate analysis, requests a $7.4 million reduction in Shared Services.

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

"These Shared Services estimates are based on the level of headquarters resources required to support the Customers and the proportional amount of corporate overhead allocated on the basis of labor assigned to the 500 MW CCU, Poletti and the Small Hydro projects. Historically, a hybrid allocation rate was developed from the labor allocations and direct-support cost projections. The Authority uses the same methodology to allocate the headquarters costs to the other Authority facilities.

"The Authority's financial system does not provide for a Southeastern New York ('SENY') organizational center to capture costs relating to the administrative aspects (direct support) of serving the Customers and,

consequently, all costs to serve these Customers flow through the Poletti, 500 MW CCU and Small Hydro projects. With the impending closure of Poletti in early 2010, there would have been a significant increase in the 500 MW CCU and Small Hydro allocation percentages to recover the same direct-support activities, including Marketing, Energy Risk Assessment and Control ('ERAC'), Energy Resource Management ('ERM'), Billing, etc. assigned through the Poletti project. To address this issue, staff segregated the direct-support activities under the Headquarters Direct Support component to separate these activities from the overall Shared Services. The methodology is exactly the same as in prior years, just presented differently.

"The main drivers for the proposed increase are incremental post-Poletti supply planning consulting work, an increase in the overall Headquarters budget and additional level of effort to support the LTAs and not due to the addition of the Headquarters Direct Support component. If the same methodology were applied to the Final 2007 COS, the Headquarters Direct Support Component of the $18.5 million of Shared Services would have been approximately $6.5 million.

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

Issue 4: Capital Costs – Other Capital Costs

"Comments: The Customers request that the Authority eliminate the Other Capital Costs. Both the City and the PA/MTA have requested, through separate analysis, a $2.9 million reduction for Other Capital Costs, citing a 'departure from previous cost of service practices.' The City also comments that 'NYPA has not identified specific financing instruments used to fund the claimed working capital requirement' and the PA/MTA states that 'NYPA can finance much of this investment through other cash flows that reduce the net cash-flow requirements of the organization.'

"Staff Analysis: Other Capital Costs represent the carrying costs or lost-opportunity costs for the Authority's investment in Plant Materials & Supplies for the Poletti and 500 MW CCU projects, oil inventory and NYMEX margin requirements dedicated to the Customers. Also included are the depreciation expense for capital additions to the Poletti and 500 MW CCU projects funded by the Authority's operating reserves, since all bond proceeds for the Poletti and 500 MW CCU projects have been exhausted.

"The items noted above are assets funded by the Authority solely for the Customers' benefit, which do not earn a return. In fact, due to the average cost-pricing nature of inventories, the Authority is reimbursed through rates for the average issued price from inventories and not the replenishment costs, which are generally higher.

"Staff contends that the $2.9 million of Other Capital Costs is a legitimate cost that should be passed on to the Customers and rejects the Customers' claim that these costs should be excluded from the 2008 Preliminary COS.

"Recommendation: For the reasons stated above, staff recommends no changes to the Other Capital Cost item.

Issue 5: Other Expenses – Asset Retirement Charges

"Comments: The PA/MTA comment that while they are in agreement that the COS correctly includes Poletti and 500 MW CCU site-remediation charges, there should be an offsetting credit to the Customers for the salvage value of equipment and residual value of the property after site demolition and restoration. The PA/MTA further suggest a formal agreement with the Authority addressing the Customers' role in the future use and/or value of the property after the retirement of the Poletti and 500 MW CCU facilities.

"Staff Analysis: Although the Poletti project is scheduled to close in early 2010, it is anticipated that actual decommissioning would occur simultaneously with the 500 MW CCU, sometime in 2030. Decommissioning does not presume or require that the land be disposed of and it is not possible at this time to foreclose the possibility that the land would continue to be used by the Authority for power generation purposes.

"Recommendation: Staff recommends no action at this time and will pursue further discussions with the Customers regarding the Poletti and 500 MW CCU post-retirement property value.

"Based on the foregoing analysis, the proposed increase of $20.7 million in the Fixed Costs component of the production rates will be implemented.

"In addition, subsequent to the issuance of the Notice of Proposed Rulemaking, staff recognized the need to revise Section 'H' of the Common Provisions in Service Tariff No. 100. Section 'H' currently states that 'rates and charges shall be applied to service on or after the effective date.' Where bills include periods before and after the effective date, the rates and charges will be prorated accordingly. As stated at the public forum, it is proposed that Section 'H' be modified for production rates only to be consistent with the ECA billing procedures and to be applied on a billing-period basis. Therefore, staff proposes to move Section 'H' relating to production rates from Section V Common Provisions to Section 'C' under Section VI General Provisions Applicable to Production and to modify the Section to read as set forth below:

Revised Section 'C': 'Effective Date of Rates and Charges'

> 'The foregoing rates and charges shall apply to any billing period that includes service on and after the effective date hereof, and are applicable for the entire billing period.'

"For this rate action, the new rates would be effective on January 1, 2008 and would be applicable to the January 2008 billing period. For the January 2008 billing period, the Customers have many different meter-read dates, all of which include energy usage occurring in December. Therefore, a portion of December's consumption will be billed at the new rates, since the meter-read dates in the January billing period occur after the January 1, 2008 effective date.

"The proration of the charges as described in the current Section 'H' will still apply to delivery rates. However, upon Trustee acceptance of Section 'C' relating to the effective dates of production charges, Section 'H' (which would be applicable only to delivery) will be moved to Section 'D' under General Provisions Applicable to Delivery.

"As mentioned, the final rates will combine the Trustee-authorized Fixed Costs increase with the Variable Costs increase achieved in accordance with LTAs. For the Trustees' information, the combined increase is $2.8 million and would represent an estimated 0.36% increase in production rates and an estimated 0.3% increase in average total bills. The combined Fixed Costs and Variable Costs increase would be equally applied to demand and energy charges. Also, the Customers will continue to be subject to the ECA through 2008. As prescribed by the LTAs, the Authority will issue revised tariffs reflecting the new rates for 2008 that incorporate both the final Fixed Costs and Variable Costs, as well as the 2008 ECA Base Rate.

"Exhibit '8-A' shows the overall estimated Customer bill impacts for 2008. Exhibit '8-B' shows both current and final 2008 Conventional and Time-of-Day production rates. Exhibit '8-C' is the public forum transcript, which indicates that no party made any oral comments on the Authority's proposal. Exhibit '8-D' includes the written comments filed by the Customers.

FISCAL INFOMATION

"The adoption of the Fixed Costs increase would result in an estimated $20.7 million of additional revenue to the Authority over current rates.

RECOMMENDATION

"The Manager – Market and Pricing Analysis, recommends that the Trustees authorize the Corporate Secretary to file a Notice of Adoption with the New York State Department of State for publication in the *New York State Register* for an increase in Fixed Costs and modification of Service Tariff No. 100 applicable to the New York City Governmental Customers under the Long-Term Agreements.

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

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

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

RESOLVED, That the Trustees adopt an increase in Fixed Costs applicable to the New York City Governmental Customers under the Long-Term Agreements and modify Service Tariff No. 100 as described in the foregoing report of the President and Chief Executive Officer; and be it further

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

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

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

EXHIBIT "8-A"

NEW YORK CITY GOVERNMENTAL CUSTOMERS
2008 ESTIMATED IMPACTS

Customer	Total Bill Impact percent
City of New York	0.3%
Metropolitan Transportation Authority	0.3%
New York City Housing Authority	0.2%
Port Authoirty of NY/NJ	0.2%
NY State Office of General Services	0.2%
NY Conventional Center Operating Corp.	0.2%
United Nations Develoment Corp.	0.2%
Empire State Development Corp.	0.3%
Hudson River Park Trust	0.2%
Roosevelt Island Operating Corp.	0.2%
Battery Park City Authority	0.2%
Overall Total for NYC Customers	0.3%

NEW YORK CITY GOVERNMENTAL CUSTOMERS
CONVENTIONAL PRODUCTION RATES

Service Class		Demand Rates $/kw/mo.		Base Energy Rates Cents/kWh *	
		Current	2008 Final	Current	2008 Final
62	General Small	n/a	n/a	10.160	10.196
64	Commercial & Industrial Redistribution	13.85	13.90	5.229	5.248
65	Electric Traction Systems and Platform Lighting	10.23	10.27	6.036	6.057
85s	NYC Transit Authority Substation	11.39	11.43	5.558	5.578
68/82	Multiple Dwellings Redistribution	12.23	12.27	5.395	5.414
69	General Large	10.10	10.14	5.651	5.671
80	NYC Street Lighting	11.14	11.18	5.379	5.398
91/93/98	NYC Public Buildings	10.32	10.36	5.980	6.001

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

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

Service Class		Demand Rates		On-Peak Base Energy Rates		Off-Peak Base Energy Rates	
		$/kw/mo.		Cents/kWh		Cents/kWh	
		Current	2008 Final	Current	2008 Final	Current	2008 Final
64	Commercial & Industrial Redistribution	11.38	11.42	7.541	7.568	4.171	4.186
68/82	Multiple Dwellings Redistribution	10.98	11.02	7.796	7.824	4.269	4.284
69	General Large	8.35	8.38	8.063	8.092	4.200	4.215
91/93/98	NYC Public Buildings	8.47	8.50	8.658	8.689	4.233	4.248
Rider A	Back-up and Maintenance power			16.061	16.118	2.917	2.927

The on-peak period for energy is weekdays from 7:00AM to 7:00PM, excluding holidays.
The off-peak period for energy is all other hours.

Notes

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

Exhibit "8-C"
December 18, 2007

POWER AUTHORITY OF THE STATE OF NEW YORK

---x

PROPOSED INCREASE IN NEW YORK
GOVERNMENTAL CUSTOMER RATES

---x

November 15, 2007
10:30 a.m.

501 Seventh Avenue
New York, New York

BEFORE:
ANGELA GRAVES
MARILYN BROWN

P R E S E N T :

GEORGE BRAUN
STEVEN DORSO
EVAN GLANZMAN
AMY LEVINE
L. HELLE MAIDE

* * *

MS. GRAVES: Good morning. My name is Angela Graves and I'm the Deputy Corporate Secretary of the New York Power Authority.

This public forum is being conducted by the Power Authority in accordance with the terms of the Policy and Procedure adopted by the Authority's Trustees in November 1990, which provide for the holding of public forums on all significant Authority production and transmission rate increase proposals; that is, increases of 2% or more. These forums are held in addition to the public notice and comment procedures required by the State Administrative Procedure Act and contracts with affected customers.

The purpose of this forum is to offer affected customers and the general public an opportunity to present data, views or positions concerning the proposed action to increase the Authority's rates for its New York City Governmental Customers. The record of the forum will assist the Trustees of the Authority in evaluating the proposed rate increase.

Notice of the holding of a public forum on the proposed rate action was published in the Miscellaneous Notices/Hearing Section of the New York State Register on October 10th, 2007. Customers were informed by direct mail of this Public Forum regarding the proposed rate modifications on September 26, 2007.

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

The record of this forum will remain open until November 26th, 2007, for the submission of any additional comments or statements. These should be addressed to the Authority's Corporate Secretary at 123 Main Street, 15-M, White Plains, New York 10601; or may be faxed to (914) 681-6949; or e-mailed to secretarysoffice@nypa.gov. Please see Ms. Johnson, the Assistant Corporate Secretary, on your way out if you have additional questions.

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

Copies of the stenographic

transcript of this forum are available to the public. You should contact the reporter to make arrangements to purchase such a copy. A copy of today's transcript will also be available for your review at the Authority's Corporate Secretary's office located at 123 Main Street, White Plains.

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

Ms. Brown.

MS. BROWN: Good morning. My name is Marilyn Brown. I am the Manager of the Market and Pricing Analysis at the New York Power Authority.

I am here today to present an overview of the proposed modifications to the 2008 production rates for the Authority's New York City Governmental Customers, referred to hereinafter as the "Customers."

In 2005, the Authority and the Customers entered into supplemental Long-Term Agreements, or LTAs, for the purchase of electric service through December 31, 2017. The LTAs replaced prior agreements entered into during the mid-1990s with most of these same customers. The LTAs established a new relationship between the Authority and the Customers that reflects the costs of procuring electricity in the restructured marketplace managed by the New York Independent System Operator, or NYISO. The LTAs define specific cost categories with respect to providing electric service, and prescribe a collaborative process for acquiring resources, managing risk and selecting a cost-recovery mechanism.

The LTAs separate all costs into two distinct categories: Fixed costs and variable costs. Fixed costs include operation and maintenance, or O&M, shared services, capital cost, other expenses (i.e., certain directly assignable costs) and a credit for investment and other income. Under the LTAs, the Authority must establish fixed costs based on cost-of-service principals and make changes only under the State Administrative Procedure Act, or SAPA, process. In addition, the LTAs contemplate that year-to-year changes in fixed costs will be reviewed by the Customers in advance of a filing made under SAPA. Under the LTAs, the Customers' concerns must be considered prior to presenting any proposed changes to the fixed costs to the Authority's Trustees or issuing them for public comment.

Under the LTAs, the Authority

also develops on an annual basis the variable costs (i.e. fuel and purchased-power expense, risk management, NYISO ancillary services and O&M reserve, less a credit for NYISO revenues from New York City Governmental Customer-Dedicated generation), which are subject to the Customers' review and comment. Each year's variable costs are determined in accordance with the methods and procedures set forth in the LTAs that were previously approved by the Trustees, and therefore are not subject to the SAPA process.

A preliminary staff report detailing the preliminary 2008 cost-of-service was published in May 2007 and submitted to the Customers for their review and comment as part of the rate-setting process set forth in the LTAs. Authority staff have been responding to the Customers' questions regarding the cost-of-service.

Based on the 2008 projected cost-of-service, a fixed costs increase of $26.5 million is proposed for the customers. Collectively, the fixed costs are projected to be $179.7 million in 2008 versus $153.2 million in 2007. Contributors to the additional fixed costs are increases in capital costs, 11.1 million; O&M, $7.9 million; shared services, $4.4 million and other expenses, $2.3 million, with credit offsets bringing the net total to $26.5 million. The $26.5 million represents a 17.3 percent increase in fixed costs and a 3.4 percent overall production rate increase. Staff proposes to apply the production increase equally to both the base demand and energy rates. All of the customers would be subject to this proposed increase.

The final 2008 production rates that will be incorporated into the tariffs will be a combination of the Trustee-Approved increase in fixed costs and the variable costs that are set outside of this SAPA process.

Additionally, we propose to make change to the electric service tariff for New York City Governmental Customers, Service Tariff No. 100, Provision V Section H which formerly had called for proration of customer bills. Based on staff analysis, we have determined that it is more appropriate for all customers to receive rate increases based on the billing period for better coordination with the Energy Charge Adjustment, or ECA, mechanism, and propose that this section be revised to state that rates and charges apply to bills rendered after the effective date and are applicable for the entire billing period.

As Ms. Graves stated earlier, the Authority will accept your comments on the proposed increase through November 26, 2007. Authority staff will consider all concerns that have been raised at this public forum and in comments filed with the Authority before returning to the Trustees at their December 18, 2007 meeting to request approval of a rate modification for 2008.

We look forward to receiving your comments. I will now turn the public forum back to Ms. Graves.

MS. GRAVES: Thank you, Ms. Brown.

At this time, 10:40, no one has appeared to speak at the forum. However, I will keep the forum open until 11:00 in the event someone arrives between now and then who would like to speak.

(Recess taken.)

MS. GRAVES: It is now 11 a.m. and no one has signed in to speak at this public forum. However, the record of the forum will remain open until November 26, 2007 for the submission of any additional comments or statements.

At this time, the public forum is officially closed. Thank you.

(Time noted: 11:00 a.m.)

I do hereby certify that the foregoing is a true and accurate transcript of the proceedings.

Reva Weiss

REVA WEISS

DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER

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New York, NY 10007
(212) 669-7111 • Fax: (212) 669-8992
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Martha K. Hirst
Commissioner

Citywide Personnel Services

Facilities Management & Construction

Municipal Supply Services

Real Estate Services

Citywide Equal Employment Opportunity

Citywide Occupational Safety & Health

Transportation Services

The City Record

CityStore

November 26, 2007

VIA E-MAIL AND EXPRESS MAIL

Anne Cahill, Corporate Secretary
New York Power Authority
123 Main Street, 15M
White Plains, New York 10601

Re: New York State Register ID No. PAS-41-07-00006-P, Rates for Sale of Power and Energy

Dear Secretary Cahill:

Pursuant to the provisions of the State Administrative Procedures Act, as well as the Long Term Agreement dated March 18, 2005, between the City of New York ("City") and the New York Power Authority ("NYPA"), the City hereby submits the attached Comments on the fixed cost component of the rates for the sale of firm power to governmental customers located in New York City, which are scheduled to be imposed on the City during 2008. The City hereby requests that the fixed cost component of the 2008 rates be reduced in accordance with the Comments.

Please feel free to contact Susan Cohen (212 669-3031) on my staff should you have any questions regarding the City's comments.

Sincerely,

Martha K Hirst

Martha K. Hirst

attachment
CC via email: Gil Quiniones
James Yates
Helle Maide
Ilene Lees
Donald P. Brosen
Susan Cohen
Robert M. Loughney

PRELIMINARY STATEMENT

Pursuant to the provisions of the State Administrative Procedures Act ("SAPA"), the City of New York ("City") hereby submits these comments on the New York Power Authority's ("NYPA") proposal to increase the "fixed costs" component of its overall rates for 2008 for its South Eastern New York ("SENY") governmental customers ("2008 SENY Rate Plan").[1]

The City currently contracts with NYPA for the purchase of full requirements electric supply service. The electricity purchased by the City is used to provide or support critical public services (e.g., schools, housing, health care, transportation) and for economic development purposes. It is estimated that the City will purchase over 900 megawatts ("MW") of electric capacity from NYPA in 2008 and pay NYPA approximately $305 million for that power.

BACKGROUND INFORMATION

In 1976, NYPA became a party with several major Southeastern New York customers ("SENY Customers") to an Application for Electric Service ("Applications for Service") under which NYPA furnishes capacity and energy to certain major SENY Customer facilities in New York State. These Applications for Service have been supplemented and amended from time to time pursuant to agreements executed by the SENY Customers and NYPA (collectively, the "Parties").

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[1] NYPA, Preliminary Staff Report, 2008 Cost of Service, (September 2007 Update).

On March 18, 2005, the Parties entered into a Long Term Agreement ("LTA") that addresses the rates NYPA will charge New York City Governmental Customers, including the City. The LTA, in part, provides for an annual rate-setting process that requires all costs to be based on NYPA's cost of providing service. The LTA designates different treatment for fixed cost and variable costs, as those terms are defined in the LTA. Fixed cost increases must be set consistent with accepted regulatory [cost-of-service] methodologies, and can be changed only through a rate case filing in accordance with SAPA. Variable costs, on the other hand, are subject to a contract-based annual rate-setting process ("Annual Process") that provides for the filing of estimated variable costs for the succeeding year ("Base Variable Costs"). The annual process also provides the NYC Governmental Customers with pricing options (these are cost recovery mechanisms for NYPA) for the variable costs, and some of those options include hedging opportunities.

The comments below focus on the fixed costs proposed in the 2008 SENY Rate Plan. The proposed variable cost component of the 2008 SENY Rate Plan will be addressed separately.

SUMMARY OF POSITION

The 2008 SENY Rate Plan proposes to increase the "fixed costs" component of the overall (production and delivery) rates by $27.8 million or 18 percent above fixed costs in the 2007 SENY Rate Plan. For the reasons set forth below, the City contends that certain components of the fixed cost estimate included in the 2008 SENY Rate Plan are overstated. Accordingly, the City requests that NYPA's 2008 fixed cost revenue requirement be reduced by $10 million as indicated in Table 1 below.

Table 1
Fixed Cost Revenue Adjustments

Item	Amount (million)
O & M	$(2.0)
Shared Services	$(5.1)
Capital Cost	$(2.9)
Total	$(10.0)

Specifically, the City seeks downward adjustments to the operations and maintenance ("O&M") expense for the Poletti, 500 MW Combined Cycle Unit ("CCU") and several small hydro facilities. In addition the City advocates a reduction in the expenses associated with the shared services and capital costs.

1. O&M Costs

The O&M expenses consist of costs associated with the operation of Poletti, 500 MW CCU and the Small Hydro facilities. The 2008 SENY Rate Plan calls for an increase of approximately $7.9 million or 24.4% in O&M costs from the annualized 2007 final cost-of-service. NYPA contends that the increase in the O&M costs is necessary due to increased consultant expenses, and the introduction of the amortized 500 MW long-term service agreements.[2]

Included in NYPA's proposed fixed O&M expense is $2.3 million associated with consulting costs, representing a significant increase from previous levels. In response to a discovery request, NYPA provided the historical O&M expense levels for the time period 2003 through 2007. The response provided by NYPA demonstrates that during this time period, NYPA incurred annual consultant expenses below $300,000, with the average of the yearly consultant expenses over this five-year time period of $200,000. NYPA through its Preliminary Staff Reports has failed to provide adequate justification as to why consultant fees are increasing by over 660% from the 2007 level.

Based on the historic five-year average for consultant expenses and, the failure of NYPA to adequately justify the significant increase in consultant expenses, the City requests that the 2008 consultant expense level of $2.3 million be reduced to the 2007 Rate Plan level of $300,000, a level that better reflects historical cost levels for consultant expenses. This adjustment results in a reduction to the fixed O&M expenses of **$2.0 million**.

If NYPA declines to adopt the aforementioned recommendation of the City, then NYPA should place the $2.0 million associated with the increase in consultant expenses in a separate account. Consultant expenses that exceed $300,000 would be reimbursed from the $2.0 million account. Interest, at the standard rate, would apply to the balance of that account on a monthly basis. The account would continue to operate until the funds are

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[2] NYPA is forecasting consultant expenses of $2.3 million for the 2008 Rate Plan. This represents an increase of $2.0 million from the 2007 actual costs, which are projected to be $300,000. The majority of this increase is allocated to the Poletti unit, which is slated for retirement in early 2010. In addition, NYPA has included the amortized expense of $6.7 million associated with the 500 MW long-term service agreement.

completely depleted. If, however, the funds are not depleted during 2008, the funds will be available to offset 2009 consultant expenses.

2. SHARED SERVICE EXPENSE

NYPA is proposing a Shared Service expense of $23.2 million. This is an increase in Shared Service expense of $4.5 million or approximately 23.8% greater than the final 2007 cost of service amount. The Shared Service expense is a component of Fixed Costs and has many subcomponents including the Headquarters Budget. The Headquarters Budget historically has included the Headquarters Direct Support expense. However, for 2008, NYPA separately listed the Headquarters Direct Support as a component of Shared Expense. Furthermore, rather than using the general Headquarters Budget allocation factor for Shared Services to allocate this expense, NYPA uses a so-called direct allocation to SENY Customers for the Headquarters Direct Support expense.

The significant increase in the requested Shared Service expense from the 2007 level is attributable to the direct allocation of Headquarters Direct Support expense to the SENY customers. As mentioned above, this expense item was not separately identified and assigned to SENY customers in either the 2006 or 2007 cost of service studies.

The 2008 cost of service study implies that the Headquarters Direct Support expense is an appropriate direct assignment of expense to SENY customers. However, this is not a direct assignment, but rather an unsupported recalculation of the allocation factor for SENY customers. In a data response NYPA states the following: "The $9 million allocation represents the estimated level of effort, by the cost centers identified in the 'Shared Services' worksheet, to support the LTA and associated customer requests." Therefore, NYPA, rather than making a direct assignment, is proposing to change the allocation factors utilized to allocate certain Headquarters Budget expense items. Modification of certain allocation factors in the absence of a complete cost of service study violates basic ratemaking principles. Traditionally, a cost of service study is conducted to properly assign all costs to customer classes. NYPA's proposal reflects piece-meal ratemaking in that only certain Headquarters Budget allocation factors were revised.

NYPA has not performed a complete analysis of the allocation factors that are used to allocate the Headquarters Budget expense items to SENY Customers. Furthermore, NYPA fails to demonstrate why it is appropriate to only reallocate certain Headquarters Budget items; NYPA's workpapers indicate that NYPA revised only the allocation of $22 million of the $100.2 million expenses for the Headquarters Budget.

The direct allocation of the Headquarters Direct Support expense to SENY Customers is inconsistent with past practices and simply represents a change in allocation factors for selected items without appropriate justification. The City recommends that the Headquarters Direct Support be allocated to SENY Customers utilizing the 17.6% allocation factor that is applied to Headquarters Budget expense for SENY Customers. Consequently, the $9 million for the Headquarters Direct Support expense should be reduced to $3.9 million, which represents the net difference of the original amount ($9 million) multiplied by the appropriate allocation factor (17.6 %). Utilizing the allocation factor for the Headquarters Budget results in an allocation of $3.9 million of Headquarters Direct Support cost to the SENY customers, which reduces the shared services expense by **$5.1 million**.

3. CAPITAL COST

NYPA has included in its 2008 Rate Plan, Capital Costs of $101.5 million. This is $12.1 million or 13.5% greater than the 2007 final cost of service amount for Capital Costs. In the 2008 requested amount NYPA includes $2.9 million, which is identified as "Other Capital Costs".

In response to a data request NYPA states that "Other Capital Costs" were not included in the development of the 2007 SENY cost of service. In addition NYPA states that the "Other Capital Costs" figure of $2.9 million is associated with working capital for inventory carrying cost and NYMEX margin carrying cost. In addition it includes a component associated for internally funded capital additions.

Based on this information, the "Other Capital Costs" item should be excluded from the 2008 fixed costs. First, including this cost represents a departure from previous cost of service practices. Second, NYPA has not identified specific financing instruments used to fund the claimed working capital requirement, i.e. NYPA states that this item is financed internally by NYPA.

The $2.9 million for "Other Capital Costs" is unnecessary because NYPA should have adequate internal funds available from revenues that NYPA receives from its customers before payments are due to suppliers. In other words, NYPA can use this "cost-free money" to finance the claimed working capital items. For example, NYPA collects on a monthly basis revenue from its customer base for future interest payments to bondholders, yet interest payments to bondholders are not due monthly, instead they are due either quarterly or semi-annually. As a result, NYPA has funds that have been supplied by its customers at no cost, which can be used to finance its working capital requirements. Because NYPA fails to demonstrate that it evaluated all sources of funds available to it to finance working capital requirements, the \$2.9 million for "Other Capital Costs" should be excluded from the 2008 cost of service study. Finally, it is unclear that the working capital requirements are not financed through debt service and included in the total \$91.8 million debt service obligation.

NYPA fails to adequately support inclusion of "Other Capital Costs" as a legitimate fixed cost item. Therefore, the City recommends that the entire **\$2.9 million** be excluded from the development of the fixed cost that is charged to SENY customers.

CONCLUSION

The City of New York requests that NYPA reduce the Fixed Costs included in the 2008 SENY Rate Plan in accordance with the Comments set forth above.

Dated: November 26, 2007

Martha K. Hirst
Commissioner
Department of
Citywide Administrative Services

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Comments of the Metropolitan Transportation Authority and the Port Authority of New York and New Jersey to the Proposed New York Power Authority 2008 Fixed Cost of Service

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Chapter 1: Executive Summary

Introduction

The Metropolitan Transportation Authority (MTA) and the Port Authority of New York and New Jersey (Port Authority) have requested that Science Applications International Corporation (SAIC) review and analyze the New York Power Authority's (NYPA) 2008 Preliminary Staff Report and New York City Governmental customer Annual Planning and pricing process Analysis in order to assess the reasonableness of the Fixed Cost component of the 2008 Cost of Service (Fixed Cost of Service). This report presents SAIC's key findings and recommendations.

Executive Summary

The analysis undertaken by SAIC indicates that NYPA's proposed 2008 SENY Customer Fixed Cost of Service of $182.7 million is excessively high and should be reduced by $20.3 million to $162.4M.

Specific Recommended Changes to the Fixed Cost of Service

Table 1 summarizes the Fixed Cost of Service proposed by NYPA, adjustments recommended and the revised fixed cost of service.

Item	NYPA's Proposed 2008 Fixed COS by NYPA	Proposed Adjustments to Fixed COS	Adjusted Fixed COS
Operations and Maintenance	$40.4M	$10.0M	$31.4M
Shared Services	$23.2M	$7.4M	$15.8M
Capital Costs	$101.5M	$2.9M	$98.6M
Other Expenses	$18.1M	$0M	$18.1M
Investment and Other Income	$(0.5) M	$0M	$(0.5) M
Total	$182.7M	$20.3M	$162.4M

Table 1 – Proposed 2007 Fixed COS, Recommended Adjustments and Adjusted Fixed COS

The report findings are:

1. Our current analysis of the 2008 Fixed Cost of Service indicates that the conclusions of the NYPA 2007 Fixed Cost of Service analysis performed by SAIC remain valid and the 2007 study should be resubmitted for consideration.

2. The Operations and Maintenance Costs for the New Combined-Cycle Unit ("CCU") continue to be excessively high. Comparison of the O&M Costs for the new CCU to other similar plants once again shows that this plant's non-fuel costs are significantly higher than its peers even when adjustments are made for the location of the plant. The peers have similar attributes in terms of size, capacity factor and number of start-ups. SAIC therefore recommends that the budgeted costs for this unit be reduced by $7.72M for 2008. In the absence of this budget reduction an expert firm should be retained to evaluate options for improving or increasing the operational and cost effectiveness of this unit and potentially other NYPA operated fossil units in the SENY Customers generating unit portfolio. The audit should include: (1) Benchmarking costs for the New CCU with other similar units; (2) An evaluation of the staffing level of the CCU; (3) An evaluation of the allocated overhead of the CCU and a measure of its reasonableness; and, (4) A recommendation for any alternative strategies that would reduce the cost of operating the CCU that would not compromise its reliability or shorten its useful operating life.

3. The allocation of Shared Services Expenses is inconsistent with past practices. In contrast with past practice, specific line items have been "directly assigned" to the SENY Customers. This is in contrast with past practice. Adjusting for this item reduces the allocation of Shared Services Expenses by $7.4M.

4. Capital costs are overstated by $2.9M. NYPA argues that capital costs should be increased in order to fund working capital. However, NYPA has not documented these instruments and furthermore should have adequate internal funds to finance working capital requirements.

5. NYPA should commit to providing the use of existing generating sites to the SENY Customers. Since the SENY Customers are required to pay the costs for site remediation for the Poletti Steam Unit, the 500 MW CCU and other generating assets, they should also be provided the use of these sites in the future. If the SENY Customers do not require these sites they should be provided the *fair-market value of these sites as a credit to their cost of service (or some other similar mechanism) when the sites are sold or otherwise disposed of by NYPA.*

Organization of this Report

Chapter 2 - Overview of the NYPA Fixed COS

Chapter 3 - Discussion and analysis of the O&M costs included in the fixed COS

Chapter 4 - Shared Services Expenses

Chapter 5 - Capital Costs in the Fixed COS

Chapter 6 - Other Expenses

Chapter 2: Overview of the NYPA Fixed COS Proposal for 2008

The NYPA Fixed COS includes all costs in the revenue requirement excluding fuel, purchased power and hedging costs. The total Cost of Service as proposed by NYPA for 2008 is detailed below in Table 2 below:

Fixed Costs		**$ Millions**
Operations & Maintenance	$	40.4
Shared Service	$	23.2
Capital Cost	$	101.5
Other Expenses	$	18.1
Investment and Other Income	$	(0.5)
Total Fixed Costs	**$**	**182.7**
Variable Costs		
O&M Reserve	$	2.0
Fuel Expense	$	360.8
Purchased Power	$	-
Energy	$	691.0
Capacity	$	29.1
Total Purchased Power	**$**	**720.1**
Ancillary Services	$	50.1
Total Variable Costs	**$**	**1,133.1**
Total Cost of Service		**1,315.8**

Table 2 - NYPA 2008 Cost of Service

The total fixed costs proposed by NYPA for 2008 are $182.7M compared to the final approved costs for 2007 of $154.9M, constituting an increase of 17.9 percent. A summary of the Fixed Cost of Service is illustrated in Figure 1 below:

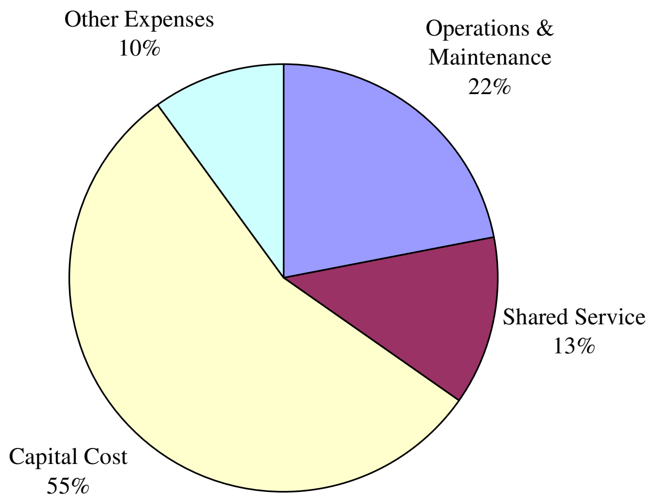

Figure 1 – Proposed 2008 Fixed Cost of Service by Category

Historical Changes in the Fixed Cost of Service

The Fixed COS has increased significantly over the past three years. Although some of this growth is explainable (e.g. the inclusion of the New CCU O&M costs) the growth in the Fixed COS has outpaced inflation. Table 3 details the Fixed COS by component for a three-year period including 2008.

Category		**Proposed 2008**		**2007**		**2006**
Operations & Maintenance	$	40.4	$	32.5		30.6
Shared Service	$	23.2	$	18.7		16
Capital Cost	$	101.5	$	89.4		85
Other Expenses	$	18.1	$	15.7		12.6
Investment and Other Income	$	(0.5)	$	(1.4)		-1.3
TOTAL FIXED COSTS	**$**	**182.7**	**$**	**154.9**	**$**	**142.9**

Table 3 – NYPA Fixed COS 2006 through Proposed 2008

NYPA's non-fuel costs generally should track the rate of inflation in the long-run, with some discrete changes to the cost of service when generating units are added or removed. However, as illustrates below each year's increase is a multiple of the overall rate of inflation.

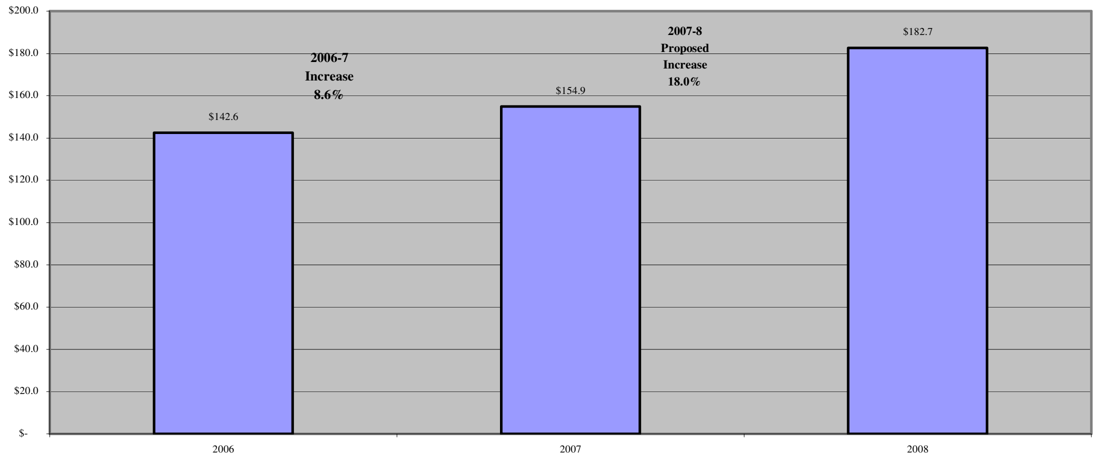

Figure 2 - Changes in the NYPA Fixed Cost of Service 2006-2008

Conclusions

SAIC has reached the following conclusions:

- In the past two years the Fixed O&M portion of the Cost of Service has increased by **27.9 percent**;
- During this same two-year time period no significant changes have occurred in NYPA's operations (e.g., introduction of a new generating unit) that would explain the significant increase in Fixed O&M cost;
- In the long-run these costs should the overall rate of inflation. The actual increase in the GDP-IPD for 2006 was 2.68 percent[1] and the projected increase for 2007 is 1.83 percent[2]. Therefore, the increases in the NYPA Fixed Cost of Service are running **616 percent** of the overall rate of inflation.

[1] Federal Reserve Bank of St Louis

[2] U.S. Department of Energy – Annual Energy Outlook 2007, Detailed Table 19.

Chapter 3: Operations and Maintenance Costs

Operation and Maintenance Costs are all non-fuel costs associated with the generation units operated by NYPA on behalf of the SENY Customers. These units include: (1) The Poletti Steam Unit; (2) The New CCU; (3) The small hydroelectric units.

The O&M Costs associated with the NYPA generating units are proposed to increase **24.9%** or **$7.9M** over approved 2007 levels. Note, the SENY Customers objected to the 2007 O&M Costs as being excessive and recommended a reduction of **$4.0M** in our comments to the 2007 budget.

NYPA's proposed 2008 O&M costs are detailed in Table 4 below:

Category	Poletti	500MW CCU	Small Hydro	Total
Total Site Payroll	$10.0	$4.1	$2.6	$16.7
Direct Purchases	$1.3	$0.7	$0.2	$2.2
Store Issues	$0.7	$0.5	$0.2	$1.4
Fees & Dues	$0.3	$0.1	$0.0	$0.4
Office & Station Expense	$0.5	$0.6	$0.2	$1.3
Contracted Services	$5.0	$3.8	$0.6	$9.4
Consultants	$1.7	$0.1	$0.5	$2.3
Other Expenses	$0.0	$0.0	$0.0	$0.0
Assessments	$0.0	$0.0	$0.0	$0.0
Subtotal	$19.5	$9.9	$4.3	$33.7
Amortized 500MW CCU Long Term Service Agreement		$6.7		$6.7
Total O&M ($M)	$19.5	$16.6	$4.3	$40.4
Capacity (MW)	883	462	250	1595
Average O&M Cost per KW of Summer Capacity	$ 22.08	$ 35.98	$ 17.20	$ 25.34

Table 4 – NYPA's Proposed 2008 Operations and Maintenance Costs

Poletti Steam Unit O&M

The Poletti Steam Unit is scheduled to be retired in 2010. In such circumstances SAIC would expect a general decrease in the level of spending at this facility. However, the opposite is occurring. Non-fuel O&M costs at this unit is budgeted to increase **$2.3M,** or **13.4%,** in 2008. The budgets for the Poletti Unit are detailed in Table 5 below:

				Increase	
Category	**2008**		**2007**	**Amount**	**Percent**
Total Site Payroll	$10.0	$	11.0	($1.0)	-9.1%
Direct Purchases	$1.3	$	0.6	$0.7	116.7%
Store Issues	$0.7	$	0.7	$0.0	0.0%
Fees & Dues	$0.3	$	0.2	$0.1	50.0%
Office & Station Expense	$0.5	$	0.2	$0.3	150.0%
Contracted Services	$5.0	$	4.3	$0.7	16.3%
Consultants	$1.7	$	0.2	$1.5	750.0%
Other Expenses	$0.0	$	-	$0.0	
Assessments	$0.0	$	-	$0.0	
Total	**$19.5**		**$17.2**	**$2.3**	**13.4%**

Table 5 - Poletti Non-Fuel O&M - 2007-8

The non-fuel O&M costs for a generating unit should generally track the rate of inflation in the long-run. Furthermore, a unit that is facing retirement should experience cost increases below the rate of inflation, or cost decreases. However, NYPA is proposing to increase the non-fuel O&M cost of this plant by 13.4% -- approximately 4.5 times the overall rate of inflation.

SAIC recommends that the non-fuel O&M costs of the Poletti Plant be capped at the rate of inflation – approximately 3%. The proposed budgeted costs of this plant for 2008 should be adjusted downward to **$17.7M** or **$1.8M** less than NYPA's request.

500MW Combined-Cycle O&M

NYPA has significantly changed the 500MW CCU O&M cost structure in 2008. NYPA has included for 2008 a line item for the amortized cost of a long-term service agreement covering services provided to NYPA by the Wood Group. SAIC attempted to secure a copy of this agreement from NYPA. The response to our request was a refusal to provide the document based upon confidentiality concerns ("The Agreement is deemed confidential and proprietary by the Wood group and cannot be released."). Discussions occurred about the document but it was never released to the customers. We find this response to be unacceptable. First, the $6.7M of the Service Agreement constitutes a significant percentage of the O&M Cost and the total Fixed Cost of Service. The SENY Customers must be allowed an opportunity to review these costs. The SENY Customers and their consultants object to these costs because they are material, and we provided an opportunity to properly review these costs.

In order to quantify a reasonable non-fuel O&M cost level for the 500MW CCU SAIC performed a benchmarking analysis of other combined-cycle combustion turbine generating units in the United States of similar size and capacity factor. The source for the data for the benchmarking was the SNL Database. The results are summarized in Table 6 below and the complete compilation of data is provided in Appendix A.

Analysis of Non-Fuel O&M Costs for Combined-Cycle Combustion Turbine Units		
500 MW CCU Operating Expenses	$	9,900
Amortized Maintenance Agreement Expense	$	6,700
Total Non-Fuel O&M Expense	$	16,600
MWH Output		2,733,600
Plant Capacity		462,000
Non-Fuel O&M Costs		
Average Non-Fuel O&M Cost per MWH	$	6.07
Average Non-Fuel O&M Cost per KW	$	35.93
Average of All Plants in US of Comparable Size and Load Factor		
Average Non-Fuel O&M Cost per MWH	$	1.64
Average Non-Fuel O&M Cost per KW	$	8.88
500 MW CCU Unit		
As a Percentage of Average Non-Fuel O&M Cost per MWH		369%
As a Percentage of Average Non-Fuel O&M Cost per KW		405%

Table 6 – Comparison of Non-Fuel O&M Costs – 500MW CCU to Peers

NYPA's non-fuel O&M costs for the 500 MW CCU are excessive. Stated in terms of non-fuel O&M cost per MWh, NYPA's costs are 369% of the average. The same costs stated in terms of non-fuel O&M per kW places NYPA at 405% of the average.

NYPA has attempted to explain away these high costs as resulting from: (1) The location of the plant (New York City); (2) The 500 MW CCU requires a significant number of starts and stops; (3) The customers have an option under the LTA for certain risk management options and NYPA feels it has to maintain the 500 MW CCU at a high level of reliability to protect the organization from financial risk.

SAIC acknowledges that operating an electric generating unit in New York City entails higher costs than elsewhere in the US. However, should the premium be several hundred percent of the average? The answer clearly is no. In this analysis, SAIC, as in the past, allowed the plant a more than 50% premium to account for operating the 500 MW CCU in New York City. This premium is more than adequate, in fact, is "generous" and should fully compensate NYPA for operating this plant in a high cost area.

The argument that the cost of the 500MW CCU should be higher because the plant has numerous start-ups is without merit. Combined-cycle combustion turbine units in the United States typically do not operate base-loaded. Because they burn natural gas or some type of petroleum fuel (e.g., distillate or No. 2 Fuel Oil) they are typically out of merit during the nights and on weekends. Therefore, in order to avoid operating out-of-merit, the operators cycle them often – in many cases on a daily basis. Evidence to support this assumption is provided in the Appendix A – the population of Combined-Cycle Combustion Turbine generating units with which the 500 MW CCU is compared. These units on average have a capacity factor of 61.63%. The 500 MW CCU has a capacity factor of 67.54%. Therefore, it is not unreasonable to conclude that these other plants are operated in a similar manner.

Lastly, in the course of various discussions, NYPA claims that it requires a high level of reliability to avoid economic risk if an outage should occur, that the sharing arrangements between NYPA and the SENY Customers puts NYPA at risk, and that a high than usual level of reliability is required for the 500MW CCU. SAIC is on the opinion that this argument is disingenuous given the premiums that NYPA has placed on various risk options.

SAIC finds that the non-fuel O&M costs for the 500MW CCU are out of line with similarly situated peers and offers the following opinions to explain why this unit's costs are so high. These points are being raised to provide guidance on areas to be explored for future cost containment efforts.

NYPA is Not a Major Operator of Fossil Generation – Unlike many of the other generating unit owners in the nation, NYPA does not have a significant fleet of fossil fuel-fired generation. For example, Florida Power and Light operates 8,880 MW of combined-cycle combustion turbines. Significant economies of scale are available to large fleet operators that may not available to NYPA. Therefore, NYPA should investigate outsourcing the operation of the 500 MW CCU as well as many of its other fossil assets to an outside operator.

Is Cross-Subsidization With Other NYPA Generating Units Occurring? – SAIC asked a number of questions addressing shared costs with other facilities such as the Flynn Combined-Cycle

Plant. The answers to these questions have so far not been complete enough, and leave this question unanswered. It is possible that a portion of the high costs of the 500MW CCU may be associated with shortcoming in NYPA accounting systems; current information does not permit a satisfactory response to the question.

Is NYPA Overly Risk Averse Due to the Design of the LTA? – The LTA contains certain risk options available to the SENY Customers which may result in NYPA "over-maintaining" its generation fleet as a hedge against potential losses. NYPA and the SENY customers should revisit the LTA to determine whether any of its terms and conditions may works against implementing the most efficient cost containment measures.

SAIC is of the opinion that a reduction the non-fuel operating costs for the 500MW CCU is justified. If a level of non-fuel O&M equal to 200% of the national average were used, the budget for the 500MW CCU would be reduced from **$16.6M** to **$8.880M** – a reduction of **$7.72M**. Second, NYPA should agree to allow a management audit of the fossil plant operations to occur during 2008. Included in this audit would be a strategy that would investigate the cost effectiveness of outsourcing not only the maintenance of these plants but also their operations.

Conclusion

The O&M budget for the generating units should be reduced by **$10.0M**.

Chapter 4: Shared Services Expense

The Shared Services Expenses proposed by NYPA for 2008 for the SENY Customers are **$23.2M,** which is an increase of **$4.5M,** or **23.8 percent,** over 2007. The Shared Services Expense category includes the cost of the NYPA Headquarters and the Research and Development (R&D) budgets. Table 7 details NYPA's calculation of shared services expenses.

Shared Service Expense								
Summary	Units	Total NYPA Budget	A/K	C/J/VF	Poletti	500MW	Total
Percent Allocation	%'s		0.26%	1.99%	12.81%	2.55%	17.61%
Allocation to Headquarters	$ millions	$ 78.1	$ 0.2	$ 1.6	$ 10.0	$ 2.0	$ 13.8
Research and Development	$ millions	$ 8.0	$ 0.0	$ 0.2	$ 1.0	$ 0.2	$ 1.4
Allocation to Capital	$ millions	$ (5.5)	$ (0.0)	$ (0.1)	$ (0.7)	$ (0.1)	$ (1.0)
Subtotal							$ 14.2
Headquarters Direct Support	$ millions						$ 9.0
Total Shared Services Expense							**$ 23.2**

Table 7 – Shared Services Expenses

An investigation of this increase points to the direct assignment of $9.0M of "Headquarters Direct Support." The direct assignment of these costs is inconsistent with past practices, and SAIC therefore recommends that a recalculated Shared Services Expense be determined based upon past practices.

Table 8 below details the recalculated Shared Services Expenses for the SENY Customers.

Shared Service Expense								
Summary	Units	Total NYPA Budget	A/K	C/J/VF	Poletti	500MW	Total
Percent Allocation	%'s		0.26%	1.99%	12.81%	2.55%	17.61%
Allocation to Headquarters	$ millions	$ 87.1	$ 0.2	$ 1.7	$ 11.2	$ 2.2	$ 15.3
Research and Development	$ millions	$ 8.0	$ 0.0	$ 0.2	$ 1.0	$ 0.2	$ 1.4
Allocation to Capital	$ millions	$ (5.5)	$ (0.0)	$ (0.1)	$ (0.7)	$ (0.1)	$ (1.0)
Subtotal						Subtotal	$ 15.8
Headquarters Direct Support							
Total Shared Services Expense							**$ 15.8**

Table 8 – Revised Shared Services Expenses

Conclusion

The revised allocation reduces the Shared Services expenses to the SENY Customers by **$7.4M,** which is a 15.5 percent decrease compared to 2007 Shared Services Expenses.

Chapter 5: Capital Costs

The Capital Cost component of the Cost of Service captures the debt service associated with the plants serving the SENY Customers. The Capital Costs assigned to the SENY Customers are detailed in Table 9 below:

	Fixed Debt		Variable Debt		
	Principal	**Interest**	**Principal**	**Interest**	**2008 Total**
Dedicated Project Debt					
Poletti 875 MW	$ 7.3	$ 1.3			$ 8.6
Astoria 500MW CCU	22.2	22.3	11.6	11.7	67.9
Small Hydro Projects:					
Ash-Kens			0.4	0.1	0.5
Crescent, Jarvis, VFerry	0.3	0.1	8.9	2.6	11.8
Dedicated Project Debt Subtotal	$ 29.9	$ 23.7	$ 20.9	$ 14.4	$ 88.8
Overhead Debt					
Greene County	0.9	0.2			$ 1.1
Arthur Kill	0.0	0.0			0.0
White Plains Office HQ	1.2	0.1			1.2
Project Studies Debt	0.2	0.0			0.3
Y2K (Year 2000 Project)	-	0.1			0.1
Interest Rate SWAP Expense				0.3	0.3
Overhead Debt Subtotal	$ 2.3	$ 0.4	$ -	$ 0.3	$ 3.0
Total Debt Service	$ 32.2	$ 24.0	$ 20.9	$ 14.7	$ 91.8
Poletti Bond Deferral					6.7
Other Capital Cost					2.9
Adjusted Debt Service					**$ 101.5**

Table 9 – Capital Costs

In response to a SAIC data request NYPA states that "Other Capital Costs" were not included in the development of the 2007 SENY Cost of Service. In addition, NYPA states that the "Other Capital Costs" figure of $2.9 million is associated with working capital for inventory carrying cost and NYMEX margin carrying cost. Further, NYPA includes a component associated for internally funded capital additions.

Based on this information, the "Other Capital Costs" item should be excluded from the 2008 fixed costs. First, including this cost represents a departure from previous Cost of Service practice. Second, NYPA can finance much of this investment through other cash flows that reduce the net cash flow requirements of the organization. Typically, in a rate case the utility would be required to file a "Lead-Lag" study to quantify these costs. It is our experience that sometimes the cash flow requirements can be negative – i.e., the entity generates a net positive cash flow. NYPA should remove this cost item and reduce the Capital Costs by **$2.9M**.

Chapter 6: Other Expenses

Other Expenses include the costs associated with Demand-Side Management, Load Research, special studies and other miscellaneous program costs. Table 10 details the costs requested by NYPA for 2008.

Other Expenses		
Demand Side Management	$	0.4
Governmental Customer Load Research Study		1.5
CRA Risk Audit Actual Expense		0.4
Other Post Employment Benefits		5.7
Asset Retirement Charge for Site Demolition and Restoration		
Poletti w/ Demineralizer		3.9
500MW CCU		3.6
Sintering Building		0.4
Special Studies Expense		0.9
Keep Cool Program		0.2
NYS Cost Recovery Fee		0.2
Fish Studies @ Poletti		0.9
Total	**$**	**18.1**

Table 10 - Other Expenses

Conclusions

No numeric adjustment in any line item in this cost category is being recommended. However, SENY customers should develop a formal agreement with NYPA regarding the Asset Retirement Charges associated with the Poletti Unit and the 500MW CCU. These costs in the 2008 Fixed COS equal $7.5M. Although the SENY Customers recognize that the cost of a project properly includes site remediation, these costs should be offset by the value of any salvaged equipment and the sale of the site. The sites for the Poletti Unit and the 500MW CCU are extremely valuable. Therefore, the following terms are suggested for the stipulation agreement:

- The SENY Customers have the right to develop the sites in the future for their own needs. All costs and benefits will accrue to the SENY Customers;
- If the SENY Customers choose not to develop these sites, the sales prices or fair-market value of these sites will be credited back to the SENY Customers;
- If the SENY Customers choose not to renew the LTA with NYPA, an apportionment of the value of the sites shall be made based upon a valuation study for the sites.

Appendix A

Appendix A

Power Plant Name	Fuel Type	Owner	NERC Region Code	State	Nameplate Capacity	Operating Capacity	Net Generation	Heat Rate	Capacity Factor (%)	Non-fuel Operating	Plant Operating Expenses	Plant Maintenance	Total Production Expense	Non-Fuel O&M per MWH	Non-Fuel O&M per KW
Manatee CC	Gas	Florida Power & Light Company	FRCC	FL	1,225.00	1,104.00	7,241,570	7,158	74.88	2,267,046	463,468,875	1,605,416	465,074,291	$ 0.53	$ 3.51
Martin 8	Gas	Florida Power & Light Company	FRCC	FL	1,225.00	1,104.00	6,404,914	7,063	66.23	2,192,046	402,308,267	1,833,581	404,141,848	$ 0.63	$ 3.65
Sanford CC	Gas	Florida Power & Light Company	FRCC	FL	2,378.00	1,900.00	11,921,003	7,277	71.62	3,824,460	769,092,572	4,472,005	773,564,577	$ 0.70	$ 4.37
Fort Myers	Gas	Florida Power & Light Company	FRCC	FL	1,775.00	1,422.00	9,792,667	7,116	78.61	3,582,855	619,917,947	4,326,345	624,244,292	$ 0.81	$ 5.56
Lauderdale	Gas	Florida Power & Light Company	FRCC	FL	1,053.00	886.00	5,835,983	8,068	75.19	2,970,824	419,831,909	2,085,301	421,917,210	$ 0.87	$ 5.71
Black Dog	Gas	Northern States Power Company - MN	MRO	MN	318.15	318.15	487,298	NA	40.35	770,147	18,174,115	1,626,621	19,800,736	$ 4.92	$ 7.53
Martin Combined Cycle	Gas	Florida Power & Light Company	FRCC	FL	1,224.00	940.00	5,734,578	7,292	69.64	1,999,616	371,473,247	5,189,037	376,662,284	$ 1.25	$ 7.65
Hines Energy Complex	Gas	Florida Power Corporation	FRCC	FL	1,655.75	1,660.00	7,154,180	7,185	49.20	7,553,512	401,070,561	7,582,474	408,653,035	$ 2.12	$ 9.12
H.L. Culbreath Bayside	Gas	Tampa Electric Company	FRCC	FL	2,014.16	1,841.00	6,970,590	NA	43.22	9,847,207	504,900,913	7,111,878	512,012,791	$ 2.43	$ 9.21
Fort St Vrain	Gas	Public Service Company of Colorado	WECC	CO	744.00	739.00	4,262,691	7,631	65.85	3,746,044	217,503,018	6,223,512	223,726,530	$ 2.34	$ 13.49
Coyote Springs 2	Gas	Avista Utilities	WECC	OR	287.00	279.00	1,458,982	7,026	59.70	2,599,884	85,019,555	1,237,259	86,256,814	$ 2.63	$ 13.75
McClain Energy Facility	Gas	Multi-Owned	SPP	OK	551.30	551.30	3,084,116	7,019	63.86	4,383,978	187,439,369	3,641,174	191,080,543	$ 2.60	$ 14.56
Tiger Bay	Gas	Florida Power Corporation	FRCC	FL	278.10	225.00	1,019,574	7,880	51.73	1,906,160	57,059,072	1,457,280	58,516,352	$ 3.30	$ 14.95
Comanche CC	Gas	Public Service Company of Oklahoma	SPP	OK	290.00	273.00	996,433	9,909	41.67	2,059,049	67,490,458	2,324,525	69,814,983	$ 4.40	$ 16.06
Theodore Cogeneration	Gas	Alabama Power Company	SERC	AL	273.87	274.00	1,097,288	8,418	45.72	2,253,857	76,991,680	2,436,503	79,428,183	$ 4.27	$ 17.12
Redhawk	Gas	Arizona Public Service Company	WECC	AZ	1,136.00	984.00	4,915,675	7,429	57.03	9,824,404	319,269,857	10,777,542	330,047,399	$ 4.19	$ 20.94
Coyote Springs	Gas	Portland General Electric Company	WECC	OR	266.40	243.00	1,216,613	7,609	57.15	2,022,694	40,562,065	3,169,641	43,731,706	$ 4.27	$ 21.37
Total						**14,743.45**	**79,594,155.00**		**61.63**	**$ 63,803,783**	**$ 5,021,573,480**	**$ 67,100,094**	**$ 5,088,673,574**	**$ 1.64**	**$ 8.88**

9. **<u>Increase in Westchester County Governmental Customer Rates – Notice of Adoption</u>**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to take final action to approve a modification in the rates for the sale of firm power to the Westchester County Governmental Customers ('Customers') in 2008. This proposed action is consistent with the rate-setting process set forth in the Supplemental Electricity Agreements executed by the Customers and the Authority, in addition to the terms of their original application for service.

"This proposed final action seeks approval to increase the production rates of the Customers by 15.05 % on average as compared to 2007 rates. Secondly, the Trustees are requested to authorize a change in Service Tariff No. 200 regarding the effective date of production rate changes from using a proration method to a billing-period method. If approved by the Trustees, the effective date of the increase would be January 1, 2008. With the Tariff change, the increase would be applicable as of the January 2008 billing period.

BACKGROUND

"At their September 25, 2007 meeting, the Trustees directed the publication in the *New York State Register* ("*State Register*") of a notice that the Authority proposed to increase the production rates by 18.1%. Customers were directly notified of the proposed rate increase by mail on September 26, 2007. The *State Register* notice was published on October 10, 2007 in accordance with the State Administrative Procedure Act ('SAPA'). Since this proposal would increase revenues to the Authority by more than 2%, a public forum was held, in accordance with the Authority's policy, at the White Plains office on November 14, 2007. No written or oral comments were submitted by Customers during the SAPA process. The public record was closed on November 26, 2007.

"In addition, in 2008 the Customers will be subject to an 'Energy Charge Adjustment ('ECA') with Hedging' cost-recovery mechanism, under which the Authority passes through all Variable Costs to the Customers. This cost-recovery mechanism employs a monthly charge or credit that reflects the difference between the projected Variable Costs of electricity recovered by the tariff rates and the monthly actual Variable Costs incurred by the Authority. This billing mechanism is already in effect and will continue through 2008.

DISCUSSION

"Based on staff's analysis, and informal questions and discussions with the County of Westchester, the final increase in production rates sought by this action is 15.05%. This represents a 3% decrease from the rate increase proposed by staff in September. The decrease is primarily attributable to changes in purchased-power expenses.

"Finally, subsequent to the issuance of the Notice of Proposed Rulemaking, staff recognized the need to revise Section 'H' of the Common Provisions in Service Tariff No. 200. Section 'H' currently states that rates and charges shall be applied to service on or after the effective date. Where bills include periods before and after the effective date, the rates and charges will be prorated accordingly. As stated at the public forum, it is proposed that Section 'H' be modified for production rates only to be consistent with the ECA billing procedures and to be applied on a billing-period basis. Therefore, staff proposes to move Section 'H' relating to production rates from Section V <u>Common Provisions</u> to Section 'B' under Section VI <u>General Provisions Applicable to Production</u> and to modify the Section to read as set forth below:

<u>Revised Section 'B': 'Effective Date of Rates and Charges'</u>

'The foregoing rates and charges shall apply to any billing period that includes service on and after the effective date hereof, and are applicable for the entire billing period.'

"For this rate action, the new rates would be effective on January 1, 2008 and would be applicable to the January 2008 billing period. For the January 2008 billing period, the Customers have multiple meter-read dates, all of which include energy usage occurring in December. Therefore, a portion of December's consumption will be billed at the new rates, since the meter-read dates in the January billing period occur after the January 1, 2008 effective date.

"The proration of the charges as described in the current Section 'H' will still apply to delivery rates. However, upon Trustee acceptance of the revisions to Section 'B' relating to effective dates of production charges, the existing Section 'H' (which will be applicable to delivery only) will be moved to Section 'D' under General Provisions Applicable to Delivery.

"Exhibit '9-A' shows the overall estimated Customer bill impacts for 2008. Exhibit '9-B' shows both current and final 2008 Conventional and Time-of-Day production rates. Exhibit '9-C' is the public forum transcript, which indicates that no party made any oral comments on the Authority's proposal.

FISCAL INFORMATION

"The adoption of the production rate increase would result in an estimated $6.2 million of additional revenue over current rates.

RECOMMENDATION

"The Manager, Market and Pricing Analysis recommends that the Trustees authorize the Corporate Secretary to file a Notice of Adoption with the New York State Department of State for publication in the *New York State Register* of an increase in production rates and modification of Service Tariff No. 200 applicable to the Westchester County Governmental Customers.

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

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

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

RESOLVED, That the Trustees adopt an increase in the production rates applicable to the Westchester County Governmental Customers and to modify Service Tariff No. 200 as described in the foregoing report of the President and Chief Executive Officer; and be it further

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

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

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

December 18, 2007

EXHIBIT "9-A"

WESTCHESTER COUNTY GOVERNMENTAL CUSTOMERS
2008 ESTIMATED IMPACTS

Customer	Total Bill Impact percent
Cities, Towns, Villages	8.3%
Housing Authorities	9.9%
School Districts	8.9%
Westchester County	10.2%
All Others	9.6%
Overall Total for All Westchester Customers	9.1%

December 18, 2007

EXHIBIT "9-B

WESTCHESTER COUNTY GOVERNMENTAL CUSTOMERS
PRODUCTION RATES

CONVENTIONAL		Demand Rates $/kW-mo.		Base Energy Rates Cents/kWh	
Service Class		**Current**	**2008 Final**	**Current**	**2008 Final**
62	General Small	n/a	n/a	8.494	9.772
64	Commercial & Industrial Redistribution	11.59	13.33	4.373	5.031
66	Westchester Street Lighting	n/a	n/a	7.140	8.215
68/82	Multiple Dwellings Redistribution	10.24	11.78	4.511	5.190
69	General Large	8.44	9.71	4.724	5.435

TIME-OF-DAY		Demand Rates $/kW-mo.		Base Energy Rates On-Peak Cents/kWh		Base Energy Rates Off-Peak Cents/kWh	
Service Class		**Current**	**2008 Final**	**Current**	**2008 Final**	**Current**	**2008 Final**
64	Commercial & Industrial Redistribution	9.51	10.94	6.304	7.253	3.486	4.011
68/82	Multiple Dwellings Redistribution	9.18	10.56	6.518	7.499	3.570	4.107
69	General Large	6.99	8.04	6.742	7.757	3.511	4.039
Rider A	Back-up and Maintenance power			13.428	15.449	2.439	2.806

The on-peak period for energy is weekdays from 7:00AM to 7:00PM, excluding holidays.
The off-peak period for energy is all other hours.

SC Notes:

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

POWER AUTHORITY OF THE STATE OF NEW YORK

---x

PROPOSED INCREASE IN WESTCHESTER COUNTY GOVERNMENTAL CUSTOMER RATES

---x

November 14, 2007
10:00 a.m.

123 Main Street
White Plains, New York

BEFORE:

ANNE CAHILL
MARILYN BROWN

A P P E A R A N C E S :

TOM ARANEO
CHRIS COPELAND
CONNIE M. CULLEN
JOHN DZIVBA
KATHLEEN FLEITZ
JOE LEARY
L. HELLE MAIDE

* * *

MS. CAHILL: Good morning. My name is Ann Cahill. I'm the Corporate Secretary for New York Power Authority.

This public forum is being conducted by the Power Authority in accordance with the terms of the Policy and Procedure adopted by the Authority's Trustees in November 1990, which provide for the holding of public forums on all significant Authority production and transmission rate increase proposals; that is, increases of 2 percent or more.

These forums are held in addition to the pubic notice and comment procedures required by the State Administrative Procedure Act and contracts with affected customers.

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

Notice of the holding of a public forum on the proposed rate action was published in the Miscellaneous Notices/Hearings Section of the New York State Register on October 10, 2007. Customers were informed by direct mail of the Public forum regarding the proposed rate modifications on September 26, 2007.

If you plan to make an oral statement this morning and have not filed out a card at the sign-in desk, please do so now. We ask that you give copies of your written statement to the reporter and me either before or after you deliver your remarks.

Although your written statement can be whatever length you like, we would ask those presenting an oral statement to limit their remarks to 10 minutes. If your oral statement summarizes a written statement, both will appear in the record.

The record of this forum will remain open until November 26, 2007, for the submission of any additional comments or statements. These should be addressed to the Authority's Corporate Secretary at 123 Main Street, 15-M, White Plains, New York 10601; or may be faxed to (914)681-6949; or e-mailed to secretarysoffice@nypa.gov. Please see Ms. Sforza, the Senior Secretary, on your way out if you have additional questions.

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

Copies of the stenographic transcript of this forum are available to the pubic. You should contact the reporter to make arrangements to purchase such a copy. A copy of today's transcript will also be available for your review at the Authority's Corporate Secretary's office located at 123 Main Street, White Plains.

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

Ms. Brown.

MS. BROWN: Good morning. My name is Marilyn Brown. I am the Manager of Market and Pricing Analysis at the New York Power Authority. I am here today to present an overview of the proposed modifications to the 2008 production rates for the Authority's Westchester County Governmental Customers.

The Authority provides electricity to 104 governmental customers in Westchester County, which includes the County of Westchester, school districts, housing authorities, cities, towns and villages.

At their meeting of December 19, 2006, the Trustees approved new Supplemental Electricity Agreements with the Westchester Customers. These agreements provided that, among other things:

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

Customers;

The Westchester Customers agree to be full-requirements customers of the Authority through December 31, 2008;

The Westchester Customers may fully terminate service on one year's written notice, which cannot be effective earlier than January 1, 2009;

And beginning in 2007, the Energy Charge Adjustment, or ECA, would be reactivated.

At their meeting of December 19, 2006, the Trustees also approved a 25.5% production rate increase and reinstitution of the ECA mechanism effective January 2007. The ECA is a monthly reconciliation of certain specified projected costs versus what was actually incurred. The difference is credited or charged (as applicable) to the Westchester Customers' monthly invoices.

The County of Westchester, which accounts for nearly 35% of the revenues in the Authority's Westchester customer segment, approved and executed the agreement in April 2007. Subsequently, more than 70 additionaL Westchester Customers have signed the agreement, with many more pending at this time. This rate modification will also be applicable to those Westchester Customers that have not executed the agreement, as the authority can modify their rates in accordance with the terms and conditions of their original allocation for service.

Consistent with the Authority's past rate-making practices and with the rate-setting process set forth in the agreements, the proposed increase is based on a pro forma cost-of-service. Under the agreements, the Authority must provide at least 30 days' notice to the

Westchester Customers in advance of any proposed increase to allow opportunity for their review and comment. This notice was sent to all Westchester Customers on August 24, 2007, and Authority staff have been responding to Westchester Customers' questions regarding the cost-of-service.

The pro forma preliminary 2008 cost-of-service for the Westchester Customers is $48.9 million, and revenues at current production rates are expected to be $41.4 million, resulting in a projected revenue deficiency of $7.5 million. Contributors to the increase in costs are additional Capital Costs of $1.1 million; Operation and Maintenance of $0.1 million; Shared Services of $0.2 million and a projected increase in the cost of purchased power and New York Independent System Operator ancillary services charges required to serve the Westchester Customers.

Therefore, staff is recommending that 2008 base production rates be increased by 18.1% over 2007 rates. On a total bill basis, the proposed increase would be 11% on average for the Westchester Customer, excluding a significant increase in delivery charges proposed by Consolidated Edison. Staff proposed to apply the production increase equally to both the base demand and energy rates.

The pro forma Preliminary 2008 Cost-of-Service for the west customers is summarized in Exhibit "A" of the September 25, 2007 Trustee agenda item. Exhibit "B" of the agenda item shows the current and proposed rates. Copies of these two exhibits are available here today.

After Trustee approval, the final 2008 production rates will be incorporated into the tariffs. Additionally, we propose to make a change to the Electric Service Tariff for Westchester County Governmental Customers, Service Tariff No. 200, Provision V, Section H, which formerly had called for proration of customer bills. Based on staff analysis, we have determined that it is more appropriate for all customers to receive rate increases based on the billing period for better coordination with the Energy Charge Adjustment, or ECA, mechanism, and propose that this section be revised to state that rates and charges apply to bills rendered after the effective date and are applicable for the entire billing period.

As Ms. Cahill stated earlier, the Authority will accept your comments on the proposed increase through November 26th, 2007. Authority staff will consider all concerns that have been raised at this public forum and in the comments filed with the Authority before returning to the Trustees at their December 18, 2007 meeting to request approval for a rate modification for 2008. We look forward to receiving your comments.

I will now turn the public forum back to Ms. Cahill.

MS. CAHILL: Thank you, Ms. Brown.

There has been no one signed up for the hearing to speak as of this time. It is now 10:41. I'm going to keep the hearing open until 11:00 just in case anyone arrives late, and if at 11 no one comes, we will close the hearing.

We can go off the record.

(Discussion off the record.)

THE HEARING OFFICER: It is now 11:00. No one has appeared to speak at the hearing, so we are going to now close the hearing, but I would just like to repeat that the record of the forum will remain open until November

26, 2007 for the submission of any additional comments or statements.

Thank you, everybody.

(Time noted: 11:00 a.m.)

I do hereby certify that the foregoing is a true and accurate transcript of the proceedings.

Reva Weiss

REVA WEISS

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10. 2008 Operation and Maintenance, Capital, Energy Services and Fuel Budgets

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the 2008 Budgets for Operation and Maintenance ('O&M'), Capital, Energy Services and Fuel Purchases, as follows:

	2008 Budget ($ million)
O&M	295.2
Capital	142.3
Energy Services	104.8
Fuel	562.0

BACKGROUND

"The Authority is committed to providing reliable, affordable and clean energy consistent with its dedication to safety, while promoting the development of energy-efficient technologies, for the benefit of the State of New York. The 2008 budgets are intended to provide the Authority's operating facilities and support organizations with the resources needed to meet the Authority's overall mission and strategic objectives.

DISCUSSION

O&M

"The O&M budget of $295.2 million represents an increase of $14.0 million, or 5.0%, from the 2007 budget. The increases by organization are as follows: Power Generation ($11.0 million); Transmission ($2.3 million) and Headquarters Support ($0.7 million).

"Payroll costs, which include salaries, overtime and fringe benefits, account for $162.5 million, or approximately 55%, of the budget. This represents a $6.0 million increase from the 2007 budget of $156.5 million. Factors contributing to the payroll increase include the incorporation of annual and bargaining unit increases and salary adjustments, reduced labor charged to capital projects and a slight increase in employee benefit costs. Non-payroll expenses of $132.7 million increased $8.0 million due to increased outside services to support numerous headquarters and transmission initiatives, as well as planned maintenance outages.

"Power Generation's 2008 budget is $11.0 million (7.8%) above the 2007 level, primarily due to greater outage costs, a shift of labor from capital to recurring maintenance, additional consultant support to review and analyze potential energy initiatives for the Southeastern New York ('SENY') area and salary, material and services escalation. The outage budget of $12.3 million includes a Hot Gas Path Inspection at the 500 MW plant along with maintenance outages at numerous Small Clean Power Plant ('SCPP') units. Major non-recurring projects include the Robert Moses Niagara Power Project ('RMNPP') Unit #6 Stator Repair ($2.4 million), Joint Works with Ontario Power Generation ($1.4 million), Crescent Fish Guidance System ($1.1 million), Vischer Ferry Regulating Structure Repair ($1.1 million) and the Lewiston Pump Generating Plant ('LPGP') Life Extension and Modernization Study ($0.9 million).

"The 2008 Transmission budget is $2.2 million (4.6%) above the 2007 level due to an increase in payroll, transmission line operations and maintenance support and the establishment of the North American Electric Reliability Corporation ('NERC') Compliance organization. Major ongoing initiatives include continuation of the Right-of-Way Maintenance program ($3.3 million), Tower Painting ($0.6 million) and Breaker and Insulator Maintenance ($0.5 million).

"Headquarters support departments are $0.7 million (1.0%) above the 2007 level, due primarily to the implementation of Strategic Planning programs ($1.2 million), increased Information Technology ('IT') maintenance agreements ($0.9 million), White Plains Office restacking and rehabilitation work ($0.8 million) and increased outside litigation support ($0.7 million), offset by the decision not to rebudget the $3.0 million for an Authority awareness campaign.

"The R&D budget of $8.8 million is unchanged from 2007.

Fuel

"The Fuel budget of $562.0 million is an increase of $31.5 million (5.9%) from 2007. This is a cash budget reflecting planned fossil-fuel purchases in 2008 for the Charles Poletti Power Project ('Poletti'), the Richard M. Flynn Power Plant ('Flynn'), the Small Clean Power Plants ('SCPPs') and the 500 MW plant. The budget assumes higher commodity prices and increased generation at Flynn and the SCPPs, offset by reduced generation at Poletti.

Capital

"The 2008 Capital budget totals $142.3 million, a decrease of $400.4 million (73.8%) from 2007. The decrease reflects the recognition of the $363.6 million cost of settlement obligations under the Niagara Relicensing Agreements in 2007. Included in this request are both new and ongoing capital projects, as well as general plant equipment purchases. Significant capital projects include $24.2 million and $20.3 million, respectively, for the Blenheim-Gilboa and St. Lawrence Life Extension projects, $17.7 million for the Static Var Compensator and Tri-Lakes Reliability Project, $16.5 million for agreed-upon commitments in the relicensing application for St. Lawrence and $8.5 million for Security Improvements at all facilities. Headquarters Administrative support projects, which total $26.4 million, primarily comprise IT-related initiatives and Fleet Management vehicle and equipment purchases.

Energy Services

"The Energy Conservation/Renewable projects account for $104.8 million, $2.6 million above the 2007 budget. Increases in the Peak Load Management and Energy Services programs for public entity customers are offset by a reduction in the Clean Air for Schools projects.

FISCAL INFORMATION

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

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

RECOMMENDATION

"The Executive Vice President and Chief Financial Officer and the Vice President and Controller recommend approval of the 2008 Operation and Maintenance, Fuel, Capital and Energy Services budgets as discussed herein.

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

Ms. Joan Tursi presented the highlights of staff's recommendations to the Trustees, thanking everyone involved in formulating the proposed budgets for making the 2007 process so successful. Chairman McCullough added that the proposed budget document had been sent to the Trustees prior to the meeting so that they would have a chance to review it in detail. Responding to a question from Trustee Thomas Scozzafava, Ms. Tursi said

that the Authority's net revenues for 2008, which are projected to be $186 million, should be adequate to support the 2008 budget.

In response to a question from Trustee James Besha, Ms. Tursi said that the capital expenditures budget fluctuates from year to year, but that it is significantly lower this year because the relicensing expenditures had already been budgeted in earlier years.

Chairman McCullough asked Ms. Tursi to provide all of the Trustees with a document that includes budgets for the past 10 years.

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

RESOLVED, That the 2008 budgets for Operation and Maintenance, Fuel, Capital and Energy Services expenditures, as discussed in the foregoing report of the President and Chief Executive Officer, are hereby approved; and be it further.

RESOLVED, That up to $83.3 million of monies in the Operating Fund are hereby authorized to be withdrawn from such Fund and deposited in the Capital Fund, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Subsections (1)(a)-(c) of Section 503 of the General Resolution Authorizing Revenue Obligations adopted on February 24, 1998, with the satisfaction of such condition being evidenced by a certificate of the Treasurer or the Deputy Treasurer; and be it further

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

O&M AND FUEL
2008 BUDGET
($ MILLIONS)

DEPARTMENT	2007	2008	% CHANGE
EXECUTIVE OFFICES	**11.7**	**12.3**	**5.2%**
BUSINESS SERVICES	**32.3**	**34.4**	**6.6%**
HUMAN RESOURCES AND CORP SUPPORT	**18.5**	**19.5**	**5.2%**
ENERGY MARKETING AND CORP AFFAIRS	**19.9**	**17.0**	**(14.4%)**
TRANSMISSION			
ENERGY CONTROL CENTER	5.4	5.8	7.0%
HEADQUARTERS SUPPORT	4.6	5.8	29.2%
CLARK ENERGY CENTER	10.5	10.8	2.6%
TRANSMISSION FACILITIES	28.0	28.3	1.0%
TOTAL TRANSMISSION	**48.5**	**50.7**	**4.6%**
POWER GENERATION			
POWER GENERATION - HQ	9.1	7.2	(21.6%)
BLENHEIM - GILBOA	15.9	14.8	(6.7%)
CHARLES POLETTI	19.7	20.4	3.9%
NIAGARA	38.6	44.4	14.9%
ST. LAWRENCE	18.5	18.3	(1.5%)
R.M. FLYNN	12.4	5.7	(54.4%)
SCPP	13.0	15.2	16.9%
SMALL HYDRO	4.2	6.7	60.7%
500 MW	10.0	19.8	97.8%
TOTAL POWER GENERATION	**141.5**	**152.5**	**7.8%**
R&D AND INSTITUTIONAL FUNDING	**8.8**	**8.7**	**(0.4%)**
TOTAL O&M BUDGET	**281.2**	**295.2**	**5.0%**
FUEL			
OIL	65.6	37.8	(42.4%)
GAS	464.4	524.0	12.8%)
HEDGING	0.5	0.2	(60.0%)
TOTAL FUEL BUDGET	**530.5**	**562.0**	**5.9%**

CAPITAL

2008 BUDGET

($ MILLIONS)

	2007	2008	% CHANGE
TRANSMISSION	**31.1**	**23.4**	**(24.8%)**
POWER GENERATION			
POWER GENERATION HQ.	0.4	0.8	
BLENHEIM - GILBOA	24.8	26.1	
CHARLES POLETTI	0.2	0.2	
R.M. FLYNN	7.9	0.6	
NIAGARA	399.1	17.4	
ST. LAWRENCE	37.4	39.8	
500 MW	6.9	7.4	
SCPP PROJECT	1.8	0.2	
	478.5	**92.5**	**(80.7%)**
ADMINISTRATION SUPPORT	**33.1**	**26.4**	**(20.2%)**
TOTAL CAPITAL BUDGET	**542.7**	**142.3**	**(73.8%)**

ENERGY SERVICES
2008 BUDGET
($ MILLIONS)

	2007	2008	% CHANGE
ENERGY CONSERVATION			
SENY CUSTOMER PROGRAMS	55.2	58.8	
OTHER NYPA-FUNDED PROGRAMS	35.6	39.8	
PETROLEUM OVERCHARGE RESTITUTION PROGRAM	2.5	2.5	
ENVIRONMENTAL BOND ACT AND BOE PROGRAMS	8.2	2.7	
OFFSET EMISSIONS PROJECTS	0.7	1.0	
TOTAL ENERGY SERVICES BUDGET	**102.2**	**104.8**	**2.5%**

11. **Approved Budget and Financial Plan Information Pursuant to Regulations of the Office of the State Comptroller**

SUMMARY

"In accordance with regulations of the Office of the State Comptroller ('OSC'), the Trustees are requested to approve a 2008 annual budget and four-year financial plan and authorize: (i) making the approved budget and four-year financial plan available for public inspection at not less than five convenient public places throughout New York State, (ii) submitting the approved budget and four-year financial plan to OSC and (iii) posting the approved budget and four-year financial plan on the Authority's website.

BACKGROUND

"OSC implemented new regulations in March 2006 that address the preparation of annual budgets and four-year financial plans by 'covered' public authorities, including the Authority. (See 2 NYCRR Part 203 ('Part 203'), attached as Exhibit '11-A.') These regulations establish various procedural and substantive requirements, discussed below, relating to the budgets and financial plans of public authorities.

DISCUSSION

"Part 203 sets forth specific requirements in connection with submitting, formatting, preparing supporting documentation for and monitoring annual budgets and financial plans of public authorities. On September 25, 2007, the Trustees approved for public release the Authority's proposed 2008 budget and four-year financial plan pursuant to Part 203.

"Under Part 203, it is now necessary and appropriate for the Trustees to adopt an approved 2008 budget and four-year plan (attached as Exhibit '11-B'). The approved 2008 budget and four-year plan must be available for public inspection not less than seven days before the commencement of the next fiscal year and the availability for public inspection must be for a period of not less than 45 days and in not less than five convenient public places throughout the State. The approved budget and four-year plan must be submitted to OSC, via electronic filing through the Public Authorities Reporting Information System maintained by OSC and the Authority Budget Office, within seven days of approval by the Trustees. The regulations also require the Authority to post the proposed budget and four-year financial plan on its website.

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

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

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

FISCAL INFORMATION

"There is no anticipated fiscal impact.

RECOMMENDATION

"The Vice President – Controller recommends that the Trustees approve the 2008 annual budget and four-year financial plan and authorize: (i) making the approved budget and four-year financial plan available for public inspection at no less than five convenient public locations throughout New York State, (ii) submitting the approved budget and four-year financial plan to the Office of the State Comptroller in the prescribed format and (iii) posting the approved budget and four-year financial plan on the Authority's website.

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

Mr. Thomas Davis presented the highlights of staff's recommendations to the Trustees. Chairman McCullough explained that the proposed budget and financial plan had been on the agenda at the September Trustees' Meeting and that the actions called for in this item were in compliance with regulations of the Office of the State Comptroller.

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

RESOLVED, That pursuant to 2 NYCRR Part 203, the attached 2008 annual budget and four-year financial plan, including its certification by the President and Chief Executive Officer, is approved in accordance with the foregoing report of the President and Chief Executive Officer; and be it further

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

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

PART 203

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

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

Section 203.1 Purpose.

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

§ 203.2 Applicability.

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

§ 203.3 Definitions.

For purposes of this Part:

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

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

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

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

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

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

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

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

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

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

§ 203.4 Submission of Budgets and Financial Plans.

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

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

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

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

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

§ 203.5 Budget and Financial Plan Format.

Each budget and financial plan shall:

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

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

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

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

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

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

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

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

§ 203.6 Budget and Financial Plan presentation.

Each budget or financial plan shall be accompanied by:

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

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

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

(d) a self-assessment of budgetary risks;

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

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

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

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

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

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

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

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

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

§ 203.7 Supporting Documentation.

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

§ 203.8 Reporting.

The chief financial officer shall:

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

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

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

§ 203.9 Certification.

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

§ 203.10 Covered Public Authorities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

December 18, 2007

New York Power Authority

Approved Budget and Financial Plan 2008-2011

(in compliance with 2 NYCRR Part 203)

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

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

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

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

In addition to Authority-supplied electricity, further customer electric energy needs are purchased from in-state generating companies, municipal electric systems, and out-of-state generating companies; principally via participation in the New York Independent System Operator ("NYISO") market. Also, a small amount of such energy is received from customer-owned generation.

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

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

Participants in these energy efficiency programs include departments, agencies or other instrumentalities of the State, the Authority's SENY governmental customers, the Authority's municipal electric system customers, public school districts or boards and community colleges located throughout New York State, county and municipal entities with facilities located throughout New York State, and various business/industrial customers of the Authority. By recently enacted legislation, the Authority is also authorized to engage in (1) energy efficiency services and clean energy technologies projects for public and non-public elementary and secondary schools in New York, (2) energy efficiency and conservation services and projects involving facilities using conventional or new energy technologies for certain specified military establishments in New York, and (3) replacement of inefficient refrigerators with energy efficient units in certain public and private multiple dwelling buildings.

On February 24, 1998, the Authority adopted its "General Resolution Authorizing Revenue Obligations" (as amended and supplemented, the "Bond Resolution"). The Authority has covenanted with bondholders under the Bond Resolution that at all times the Authority shall maintain rates, fees or charges, and any contracts entered into by the Authority for the sale, transmission, or distribution of power shall contain rates, fees or charges sufficient together with other monies available therefor:

(i) to pay all Operating Expenses of the Authority,

(ii) to pay the debt service on all Senior Indebtedness and the debt service on all Subordinated Indebtedness then outstanding, and all Parity Debt and Subordinated Contract Obligations, all as the same respectively become due and payable, and

(iii) to maintain any reserve established by the Authority pursuant to the General Resolution, in such amount as may be determined from time to time by the Authority in its judgement.

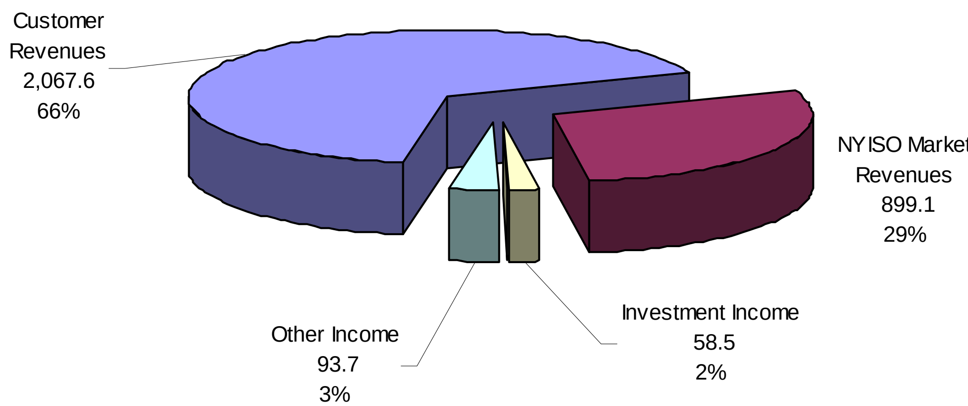
NYPA's Four-Year Projected Income Statements

(in Millions)

	2008	2009	2010	2011
Operating Revenues:				
Customer Revenues	$2,067.6	$2,324.4	$2,500.2	$2,499.1
NYISO Market Revenues	$899.1	$924.1	$768.5	$797.9
Total Operating Revenues	$2,966.7	$3,248.5	$3,268.7	$3,297.0
Operating Expenses:				
Purchased Power	($1,186.8)	($1,351.7)	($1,406.7)	($1,472.0)
Fuel oil and gas	($537.4)	($539.8)	($380.4)	($341.5)
Wheeling Expenses	($442.7)	($512.2)	($575.4)	($593.1)
O&M Expenses	($295.2)	($294.5)	($294.2)	($293.7)
Other Expenses	($165.9)	($161.2)	($162.3)	($160.8)
Depreciation and Amortization	($175.4)	($156.6)	($157.5)	($159.0)
Allocation to Capital	$8.0	$4.5	$4.0	$3.3
Total Operating Expenses	($2,795.4)	($3,011.6)	($2,972.5)	($3,016.9)
NET OPERATING REVENUES	**$171.3**	**$236.9**	**$296.2**	**$280.1**
Other Income:				
Investment Income	$58.5	$55.0	$70.2	$73.9
Other Income	$93.7	$92.8	$88.9	$88.0
Total Other Income	$152.2	$147.8	$159.1	$161.8
Interest Expense:				
Interest Expense	($137.1)	($133.5)	($126.5)	($122.9)
Total Interest Expense	($137.1)	($133.5)	($126.5)	($122.9)
NET REVENUES	**$186.4**	**$251.2**	**$328.9**	**$319.0**

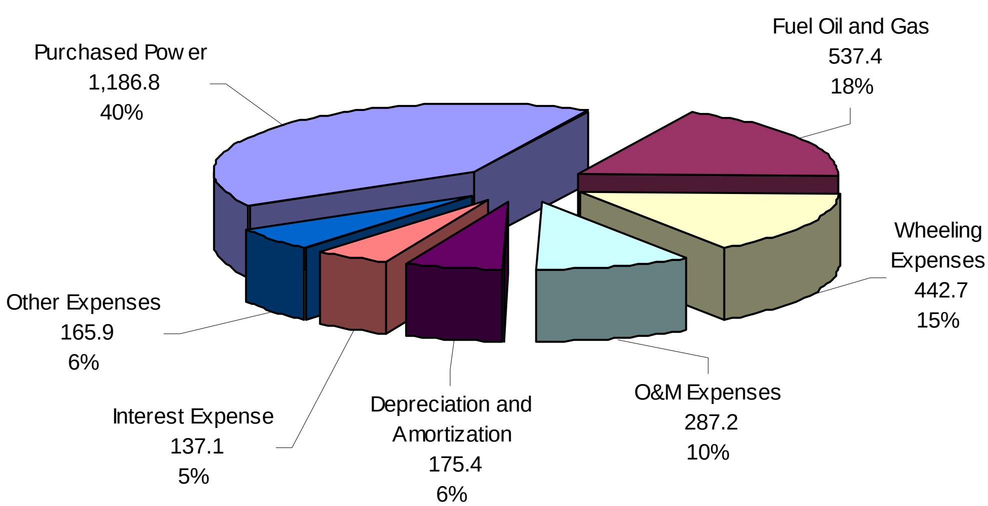
2008 Budget – Sources

(in Millions)



2008 Budget – Uses

(in Millions)



NYPA's Four-Year Projected Cash Budgets

(in Millions)

	2008	2009	2010	2011
Revenue Receipts:				
Sale of Power, Use of Transmission Lines,				
Wheeling Charges and other receipts	$2,966.7	$3,248.5	$3,268.7	$3,297.0
Earnings on Investments and Time Deposits	$58.5	$61.0	$72.2	$73.9
Total Revenues	$3,025.2	$3,309.5	$3,340.9	$3,370.9
Expenses:				
Operation and Maintenance, including				
Transmission of Electricity by others,				
Purchased Power and Fuel Purchases	($2,619.7)	($2,871.7)	($2,829.8)	($2,863.7)
Debt Service:				
Interest on Bonds and Notes	($116.3)	($109.6)	($104.0)	($98.5)
General Purpose Bonds Retired	($142.8)	($105.3)	($131.9)	($111.1)
Notes Retired	($6.0)	($6.5)	($7.0)	($7.6)
Total Debt Service	($265.1)	($221.4)	($242.9)	($217.2)
Total Requirements	($2,884.8)	($3,093.1)	($3,072.7)	($3,080.9)
NET OPERATIONS	**$140.4**	**$216.4**	**$268.2**	**$290.0**
Capital Receipts:				
Sale of Bonds, Promissory Notes & Commercial Paper	$112.2	$105.1	$104.4	$102.3
Less : Repayments	($49.3)	($50.0)	($50.0)	($50.0)
Earnings on Construction Funds	$8.5	$5.8	$3.3	$2.5
DSM Recovery Receipts	$60.7	$50.0	$50.0	$50.0
Other	$102.0	$102.0	$102.0	$102.0
Total Capital Receipts	$234.1	$212.9	$209.7	$206.8
Capital Additions & Refunds:				
Additions to Electric Plant in Service and				
Construction Work in Progress, and Other costs	($255.8)	($272.3)	($259.0)	($233.5)
Construction Escrow	($60.6)	($69.7)	($69.2)	($67.2)
Total Capital Additions & Refunds	($316.4)	($342.0)	($328.2)	($300.7)
NET CAPITAL	**($82.3)**	**($129.1)**	**($118.5)**	**($93.9)**
NET INCREASE / (DECREASE)	**$58.1**	**$87.3**	**$149.7**	**$196.1**

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

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

(b) Budget Process

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

The following is a general outline of the schedule of actions for both the proposed and approved budget forecast for 2008 and the overall four year financial plan for 2008-2011:

Proposed Budget and Financial Plan

- During July 2007 developed preliminary forecasts of electric prices (both energy and capacity) and fuel expenses; NYPA customer power and energy use; NYPA customer rates; generation levels at NYPA power projects reflecting scheduled outages; and purchased energy & power requirements and sources.
- During July – August 2007 developed preliminary operations & maintenance and capital expense targets.
- During August – September 2007 integrated above data to produce the budget and financial valuations.
- September 25, 2007 approval by NYPA’s Trustees to submit the proposed budget and financial plan for public inspection at five convenient locations and on NYPA’s internet website.

Approved Budget and Financial Plan

- During October − November 2007 updated forecasts of electric prices (both energy and capacity) and fuel expenses; NYPA customer power and energy use; NYPA customer rates; generation levels at NYPA power projects reflecting scheduled outages; and purchased energy & power requirements and sources.
- During October – November 2007 finalized operations & maintenance expenses and capital costs estimates.
- In November – December 2007 integrated above data to produce updated budget and financial valuations as well as produced sensitivity (scenario) valuations.
- December 18, 2007 authorization of NYPA’s Trustees to approve the updated budget and financial plan; and submit the document to the State Comptroller’s Office; and to make the document available for public inspection and on NYPA’s internet website.

(c) Budget Assumptions

NYISO Revenue and Expenses

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

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

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

In addition to the economic software package, NYPA employs additional hydrologic, hydraulic and statistical modules and models to forecast the generation levels at its Niagara and St. Lawrence-FDR hydroelectric projects. The level of hydroelectric generation is one of the more important determinative factors to the Authority's net revenue position.

Customer and Project Revenue

The customers projected to be served by the Authority for the financial plan period 2008-2011 and the rates paid by such customers vary with the NYPA facilities designated to serve such loads.

St. Lawrence-FDR and Niagara Customers. Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities are sold to investor-owned electric utilities, municipal electric systems, rural electric cooperatives, industrial customers, certain public bodies, and out-of-state public customers. The charges for firm power and associated energy sold by the Authority to the investor-owned utility companies for the benefit of rural and domestic customers, the municipal electric systems and rural electric cooperatives in New York State, two public transportation agencies, and seven out-of-state public customers have been established in the context of an agreement settling litigation respecting rates for hydroelectric power, judicial orders in that litigation, and contracts with certain of these customers. Essentially, the "settlement agreement" and relevant judicial orders preclude the inclusion of any expense associated with debt service for non-hydroelectric projects in the hydroelectric rates charged to wholesale customers for the benefit of rural and domestic customers, but specifically permit the inclusion of interest on indebtedness and continuing depreciation and inflation adjustment charges with respect to the capital costs of Niagara and St. Lawrence-FDR. For the purposes of the 2008-2011 financial plan, rate changes were incorporated as of May 1st for each of the four years based on the ratemaking principles established in the settlement agreement.

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

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

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

Under the 2005 LTA, the Authority modifies rates annually through a formal rate proceeding before the Authority if there is a change in fixed costs to serve the New York City governmental customers. Generally, changes in variable costs, which include fuel and purchased power, will be captured through contractual pricing adjustment mechanisms. Under these mechanisms, actual and projected variable costs will be reconciled and either charged or credited to the NYC governmental customers. The NYC governmental customers are committed to pay for any supply secured for them by the Authority which results from a collaborative effort.

Effective January 1, 2007, the Authority entered into a new supplemental electricity supply agreement with Westchester County. Under the new agreement, Westchester County will remain a full requirements customer of NYPA through at least December 31, 2008. The Authority may modify the rates charged the customer pursuant to a specified procedure; an energy charge adjustment mechanism is applicable; the customer is committed to pay for any supply resources secured for it by the Authority under a collaborative process; and NYPA will continue to make available financing for energy efficiency projects and initiatives, with costs thereof to be recovered from the customer. The Authority expects that all of the other Westchester Governmental customers will execute this form of agreement.

For purposes of the four year financial plan it is assumed that the New York City and Westchester customers will continue to be served and rates set to produce the projected net revenue position for each year.

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

Many of the programs or the individual contracts of the business customers served under these programs are set to expire during the financial plan time frame. However, the Authority assumes that the State Legislature will maintain a leading role for NYPA in fostering economic development over the 2008-2011 forecast period. Resultantly, NYPA has modeled the business customers and the not-for-profit institutions as continuing to be served.

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

Small Clean Power Plants ("SCPPs"). To meet capacity deficiencies and ongoing local requirements in the New York City metropolitan area, which could also adversely affect the statewide electric pool, the Authority placed in operation, in the summer of 2001, eleven 44-MW natural-gas-fueled SCPPs at various sites in New York City and one site in the service territory of LIPA. It is anticipated that for the entire 2008-2011 period, two of these plants will be retired pursuant to an agreement with New York City.

For the 2008 through 2011 forecast period, the installed capacity of the remaining SCPPs is used by the Authority to meet its NYISO mandated installed capacity needs or, if not needed for that purpose, is subject to sale to other users via bilateral arrangements or by sale into the NYISO capacity auction. NYPA sells the energy produced by the SCPPs into the NYISO energy market.

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

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

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

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

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

Investment and Other Income

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

Other Income. On November 21, 2000 ("Closing Date"), the Authority sold its nuclear plants (Indian Point 3 and James A. FitzPatrick Projects) to two subsidiaries of the Entergy Corporation for cash and non-interest bearing notes totaling $967 million maturing over a 15-year period. The present value of these payments recorded on the Closing Date, utilizing a discount rate of 7.5%, was $680 million. On an accrual basis the Authority expects to recognize interest income of $18.7 million in 2008, $17.8 million in 2009, $16.9 million in 2010, and $15.9 million in 2011. On a cash basis the Authority projects to receive $30 million payments in each year from 2008 through 2011.

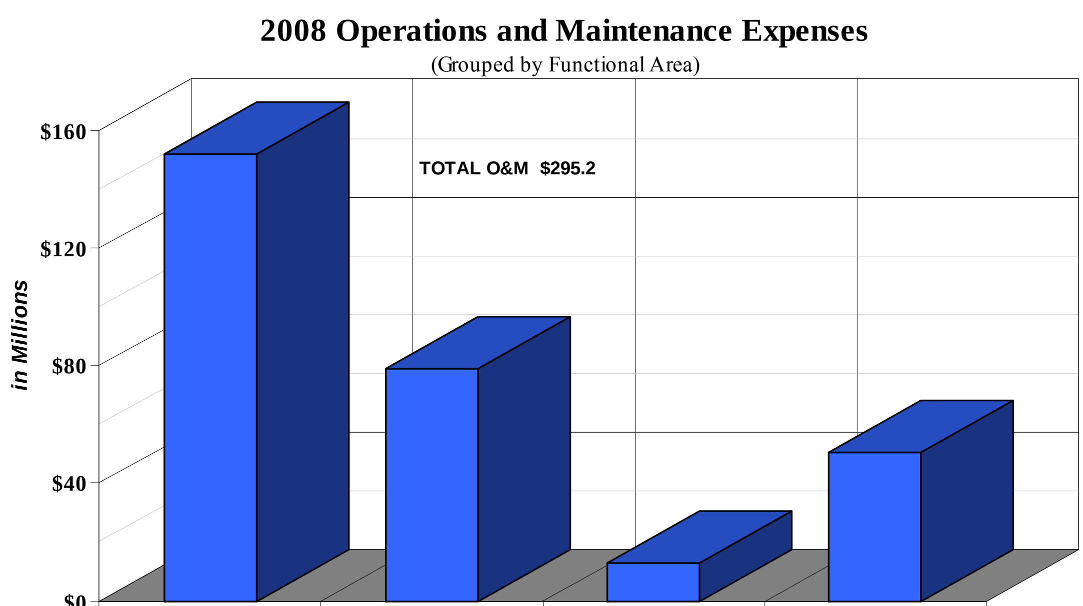
As part of the Authority's sale in 2000 of its two nuclear plants, the Authority entered into two "value sharing agreements" ("VSAs") with the Entergy subsidiaries. In essence, the agreements provide that Entergy subsidiaries will share with the Authority a certain percentage of all revenues they receive from power sales from the nuclear plants in excess of specific projected power prices for a 10 year period, covering 2005 – 2014. The Authority and the Entergy subsidiaries disputed the sharing amounts for 2005 and 2006 and the dispute was submitted to arbitration consistent with terms of the VSAs. During the arbitration period, NYPA and the Entergy subsidiaries also engaged in settlement discussions that ultimately resulted in a settlement of the dispute and the amendment of the VSAs. In essence, these amended VSAs provide for Entergy to pay the Authority a set price ($6.59 per MWh for Indian Point 3 and $3.91 per MWh for FitzPatrick) for all MWhs metered from each plant between 2007 and 2014, with the Authority being entitled to receive annual payments up to a maximum of $72 million. In all other material respects, the terms of the amended and original VSAs are substantially similar. For purposes of the 2008-2011 financial plan, it has been assumed that the maximum payment of $72 million will be garnered in each year.

Operations and Maintenance Expenses

NYPA's O&M plan for 2008 – 2011 assumes planned wage increases, stabilized benefit costs, planned maintenance outages and flat non-recurring spending, resulting in anticipated budget increases below inflation.

Operations and Maintenance Forecast by Cost Element
(in Millions)

	2008	2009	2010	2011
Payroll				
Regular Pay	$130.7	$133.7	$134.9	$137.6
Overtime	$7.9	$7.0	$6.5	$6.0
Other Payroll	$1.7	$2.0	$2.0	$2.0
Total Payroll	$140.3	$142.7	$143.4	$145.6
Benefits				
Employee Benefits	$30.1	$30.6	$31.8	$33.1
Pension	$12.1	$13.0	$13.0	$13.0
FICA	$10.6	$10.8	$11.0	$11.2
Total Benefits	$52.8	$54.4	$55.8	$57.3
Materials/Supplies	$19.0	$17.6	$16.9	$17.3
Fees	$7.4	$7.5	$7.5	$7.5
Office & Station	$15.0	$15.1	$14.7	$15.0
Maintenance Repair & Service Contracts	$81.1	$82.4	$79.1	$77.6
Consultants	$16.2	$15.8	$16.1	$16.4
Charges to:				
Outside Agencies	($13.1)	($16.3)	($16.7)	($17.0)
Capital Programs	($32.2)	($33.7)	($32.0)	($35.4)
Total Charges	($45.3)	($50.0)	($48.7)	($52.4)
Research & Development	$8.7	$9.0	$9.3	$9.4
TOTAL NYPA O&M	**$295.2**	**$294.5**	**$294.2**	**$293.7**



	Power Generation	Headquarters	Energy Services	Transmission
2008 O&M	$152.5	$79.3	$12.7	$50.7

Modifications to Proposed Budget and Financial Plan

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

Year	Proposed Budget & Financial Plan *(in Millions)*	Approved Budget & Financial Plan *(in Millions)*
2008	$161.9	$186.4
2009	$201.8	$251.2
2010	$205.0	$328.9
2011	$174.4	$319.0

The major drivers in the variance between the two plans are changes in investment income and other income. Other income has increased due to the negotiated settlement with Entergy concerning the VSAs dispute and investment income amounts increased due to higher anticipated reserve levels.

(d) Self – Assessment of Budgetary Risks

Regulatory Risks

On July 6, 2005, the U.S. Fish and Wildlife Service (''FWS'') initiated a status review under the Endangered Species Act (16 U.S.C. 1531 et seq.) to determine if listing the American eel as threatened or endangered is warranted. American eels are a fish species that migrate between freshwater and the ocean, and their wide range includes the Atlantic seaboard of the United States and Canada and the Great Lakes' drainages. In findings issued February 2, 2007, the FWS determined that such a listing is not warranted. However, in the event the FWS were to determine in the future to list the American eel as threatened or endangered, such a determination could potentially result in significant additional costs and operational restrictions on hydroelectric generating facilities located within the range of the species, including the Authority's St. Lawrence-FDR Project.

The Regional Greenhouse Gas Initiative ("RGGI") is a cooperative effort by Northeastern and Mid-Atlantic states to reduce carbon dioxide emissions commencing in 2009. Central to this initiative is the proposed implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The proposed program will require electricity generators to hold carbon dioxide allowances in a compliance account in a quantity that matches their total emissions of carbon dioxide for the compliance period. The Authority's Poletti, Flynn, SCPPs, and 500-MW Plant will be subject to the RGGI requirements. Depending on the final program design and prices of the allowances, the costs of compliance to the Authority and other generators in the region could be significant. No estimates of RGGI costs have been incorporated into the 2008-2011 financial plan.

Legislative and Political Risks

A series of legislative enactments call for NYPA to subsidize business customers and the State's general fund. Legislation enacted into law, as part of the 2000-2001 State budget, as amended in 2002, 2003 and 2004, provides that the Authority "as deemed feasible and advisable by the Trustees, is authorized to make an additional annual voluntary contribution into the state treasury to the credit of the general fund," in connection with the Power for Jobs Program. The Authority has made voluntary contributions totaling $219 million (including $50 million payments in March 2005 and December 2004) in addition to reimbursement payments to Power for Jobs customers, $37 million in 2005, $46 million for 2006 and a comparable amount forecasted for 2007, in connection with the Power for Jobs legislation. The Executive Budget for State Fiscal Year 2005-2006 extended the Power for Jobs Program to December 31, 2006, increased the cap on Authority contributions from $275 million to $394 million, and authorized the Authority to make additional voluntary contributions in the amount of $75 million to the State.

In August 2006, the Governor signed legislation which authorized NYPA to make voluntary contributions to the State's general fund and which authorized, and in some cases directed, NYPA to take certain actions with respect to a significant number of its Market Supply Power business customers. For the State's Fiscal Year 2006-2007 the law authorizes a voluntary contribution of $100 million and extended the Power for Jobs Program through June 30, 2007. In June 2007, additional legislation was enacted into law that extended the Power for Jobs Program through June 30, 2008 and provided for an additional voluntary contribution of $30 million for the State Fiscal Year 2007 – 2008 while raising the cap on voluntary contributions to $424 million.

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

As stated earlier, for the 2008-2011 financial plan, the Authority is presuming that continuation of service to the Market Supply Power business customers will remain a New York State priority. Forecasted voluntary subsidies and payments to the Market Supply Power Customers and the State's general fund are subject to the strictures and caveats of the preceding paragraph. Also, the modeling of such contributions should not be read to mean that the Authority believes such continuing subsidies are an appropriate way of promoting economic development in New York State.

Pursuant to legislation enacted into law in April 2006, the Temporary Commission on the Future of New York State Programs for Economic Development ("Temporary Commission") was established. On December 1, 2006, the Temporary Commission reported their findings on how to best meet the energy cost needs of statewide businesses. Among the Temporary Commission's recommendations include the centralization of the administration of the State's power programs; that the proceeds of certain unallocated hydroelectric power of the Authority be dedicated to economic development; that the duration of certain types of power allocation contracts be lengthened; that the Authority facilitate the expansion of the State's power infrastructure by continuing to enter into long term contracts with power producers for the construction of new generation and/or transmission facilities; the creation of stable funding sources for the State's power programs, potentially including the State Treasury and dedicated funding from the Authority subject to the Authority's bond covenants and reserve requirements; the expansion of geographic restrictions of certain Authority hydroelectric industrial programs; and the redeployment of hydroelectric power provided by the Authority to the "rural and domestic" (i.e., residential) customers of National Grid, NYSEG and RG&E for statewide economic development purposes. It is unclear at this point which, if any, of the Temporary Commission's recommendations will be enacted into law and how they would affect NYPA's estimated net revenues for the financial plan period.

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

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

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

Hydroelectric Generation Risk

For the 2008-2011 financial plan period, NYPA's net revenues are highly dependent upon generation levels at its Niagara and St. Lawrence-FDR Projects. The generation levels themselves are a function of the hydrological conditions prevailing on the Great Lakes, primarily, Lake Erie (Niagara Project) and Lake Ontario (St. Lawrence-FDR). Long-term generation levels at the two hydroelectric projects are about 20.0 terawatt-hours ("TWH") annually.

For 2008, NYPA's probabilistic hydroelectric generation models are forecasting an expected generation level of 17.6 TWH, which is below the long-term average. In 2009, the generation level is estimated at 18.2 TWH; in 2010 at 19.3 TWH; and in 2011 at approximately 19.5 TWH.

However, these generation amounts are expected values and hydrological conditions can vary considerably from year to year. For instance, during a recent eight year period, 1999-2006, hydroelectric generation was in a number of the years below the long-term average and manifested considerable volatility.

Net Hydroelectric Generation		
1999	18.7	TWH
2000	18.6	TWH
2001	17.6	TWH
2002	19.7	TWH
2003	18.3	TWH
2004	20.4	TWH
2005	20.7	TWH
2006	20.3	TWH

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

NYPA conducted high and low hydroelectric generation sensitivities for 2008 through 2010 that estimated the potential net revenues that could result over a range of hydroelectric generation occurrences. The generation range measured was the middle 50% of probability distribution outcomes. The effects on estimated net revenues, assuming all other factors remain unchanged, were as follows:

	Low Generation		**High Generation**	
	Hydroelectric Generation	NYPA Net Revenue *(in Millions)*	Hydroelectric Generation	NYPA Net Revenue *(in Millions)*
2008	17.0 TWH	$163	18.6 TWH	$223
2009	17.6 TWH	$227	19.4 TWH	$305
2010	18.0 TWH	$279	20.7 TWH	$395

Electric Price and Fuel Risk

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

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

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

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

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

Litigation Risk

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

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

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

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

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

Litigation in the case had been stayed to permit time for passage of such legislation and to await decisions of appeals in two relevant New York land claims litigations, involving the Cayuga and Oneida Nations, to which the Authority was not a party. In May 2006, the U.S. Supreme Court declined to review the U.S. Court of Appeals' (Second Circuit) decision in Cayuga Indian Nation et al. v Pataki et al. (2005) that had reversed a verdict awarding the Cayugas $248 million in damages and also dismissed the Cayuga land claim. The basis for the Second Circuit's dismissal of the land claim was that the Cayugas had waited too long to bring their land claim (laches). The Authority had raised the defense of laches in its answer in the St. Regis litigation and on November 26, 2006 the Authority and the State moved to dismiss the St. Regis Mohawks complaints as well as the United States' complaint on similar delay grounds. The Mohawks and the Federal government filed papers opposing those motions in July 2007 and the schedule provides for further briefing by the parties in November and December 2007.

(e) Revised Forecast of 2007 Budget

(in Millions)

	Original Budget 2007	Forecast 2007	Variance Better/(Worse) 2007
Operating Revenues:			
Customer Revenues	$1,850.1	$1,856.1	$6.0
NYISO Market Revenues	$919.0	$1,014.7	$95.7
Total Operating Revenues	$2,769.2	$2,870.7	$101.5
Operating Expenses:			
Purchased Power	($1,059.6)	($1,150.9)	($91.3)
Fuel oil and gas	($522.7)	($532.8)	($10.1)
Wheeling Expenses	($323.7)	($327.3)	($3.6)
O&M Expenses	($268.5)	($269.9)	($1.4)
Other Expenses	($137.6)	($226.2)	($88.6)
Depreciation and Amortization	($176.5)	($179.7)	($3.2)
Total Operating Expenses	($2,488.5)	($2,686.9)	($198.3)
NET OPERATING REVENUES	**$280.6**	**$183.8**	**($96.8)**
Other Income:			
Investment Income	$27.2	$59.9	$32.7
Other Income	$28.5	$95.7	$67.2
Total Other Income	$55.7	$155.6	$99.9
Interest Expense:			
Interest Expense	($129.2)	($112.6)	$16.6
Total Interest Expense	($129.2)	($112.6)	$16.6
NET REVENUES	**$207.2**	**$226.9**	**$19.7**

(f) Reconciliation of 2007 Budget and 2007 Revised Forecast

Estimates of 2007 Net Revenues have increased primarily from increases in investment income and other income and decreases in interest expenses. The investment income increase is due to higher returns and higher than anticipated fund balances. Other Income increases as a result of the Entergy settlement of the "VSAs" dispute. Lower interest expense results from lower variable interest rates and the accelerated retirement of some debt.

Lower forecasted hydro generation (19.60 TWH compared to 20.38 TWH in current year's budget) at the Niagara and St. Lawrence-FDR project results in reduced market sales from these projects as well as increased purchased power costs in the form of substitute and alternative market purchases for a number of the projects' customers. Other expenses are projected to increase due to anticipated voluntary contributions.

(g) Statement of 2006 Financial Performance
(in Millions)

	Original Budget 2006	Actual 2006	Variance Better/(Worse) 2006
Operating Revenues:			
Customer Revenues	$1,829.0	$1,729.8	($99.2)
NYISO Market Revenues	$1,092.1	$930.1	($161.9)
Total Operating Revenues	$2,921.1	$2,659.9	($261.2)
Operating Expenses:			
Purchased Power	($1,290.8)	($1,060.8)	$230.0
Fuel oil and gas	($623.6)	($523.1)	$100.6
Wheeling Expenses	($302.1)	($295.5)	$6.6
O&M Expenses	($251.2)	($256.0)	($4.8)
Other Expenses	($137.9)	($177.4)	($39.5)
Depreciation and Amortization	($176.4)	($173.4)	$3.0
Total Operating Expenses	($2,782.0)	($2,486.1)	$296.0
NET OPERATING REVENUES	**$139.0**	**$173.8**	**$34.8**
Other Income:			
Investment Income	$26.7	$36.5	
Other Income	$35.1	$35.9	
Total Other Income	$61.8	$72.4	$10.6
Interest Expense:			
Interest Expense	($114.9)	($108.6)	$6.3
Total Interest Expense	($114.9)	($108.6)	$6.3
NET REVENUES	**$85.9**	**$137.6**	**$51.7**

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

NYPA AUTHORIZED POSITIONS

	2008	2009	2010	2011
Headquarters	616	616	616	616
Power Generation*	809	800	774	774
Transmission	206	200	200	200
TOTAL	**1631**	**1616**	**1590**	**1590**

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

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

As the Authority is projecting positive net revenues for the 2008-2011 financial plan period, there are no planned gap-closing programs.

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

See discussion in "Other Income" section.

(k) Shift in Material Resources

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

(l) Debt Service

Projected Debt Outstanding (FYE)

(in Thousands)

	2008	2009	2010	2011
Revenue Bonds				
Series 1998A	-	-	-	-
Series 2000A	77,215	77,215	77,215	77,215
Series 2001A	-	-	-	-
Series 2002A	167,685	144,655	120,560	95,625
Series 2003A	209,090	204,785	200,310	195,645
Series 2006A	154,340	144,315	133,845	122,970
Series 2007A	82,025	82,025	82,025	82,025
Series 2007B	256,710	256,710	256,710	256,710
Series 2007C	263,710	263,710	263,710	263,710
Total Revenue Bonds	1,210,775	1,173,415	1,134,375	1,093,900
Adjustable Rate Tender Notes	143,995	137,505	130,500	122,935
Auction Rate Notes				
Series 3	36,050	34,625	33,150	31,625
Series 4	36,050	34,625	33,150	31,625
Total Auction Rate Notes	72,100	69,250	66,300	63,250
Commercial Paper Notes				
Series 1	300,000	300,000	300,000	300,000
Series 2	242,150	196,590	127,590	81,815
Series 3	215,707	210,874	198,642	184,810
Extendible - Series 1	85,000	80,000	75,000	70,000
Total Commercial Paper Notes	842,857	787,464	701,232	636,625
GRAND TOTAL	**2,269,727**	**2,167,634**	**2,032,407**	**1,916,710**

Planned Use of Debt Issuances

(in Thousands)

TYPE	Amount	Assumed Interest Rate	Project / Description
Period January 1, 2008 - December 31, 2008			
Tax Exempt Commercial Paper	$8,229.0	4.00%	Energy Services Program
Taxable Commercial Paper	$17,700.0	5.10%	Tri-Lakes Transmission
	$5,317.0	5.10%	Energy Services Program
	$125,000.0	5.10%	OPEB
Total Taxable Commercial Paper	$148,017.0		
TOTAL ISSUED 2008	**$156,246.0**		
Period January 1, 2009 - December 31, 2009			
Taxable Commercial Paper	$3,099.6	5.75%	Tri-Lakes Transmission
	$4,830.0	5.75%	Energy Services Program
Total Taxable Commercial Paper	$7,929.6		
TOTAL ISSUED 2009	**$7,929.6**		
Period January 1, 2010 - December 31, 2010			
Taxable Commercial Paper	$3,705.0	5.75%	Energy Services Program
TOTAL ISSUED 2010	**$3,705.0**		
Period January 1, 2011 - December 31, 2011			
Taxable Commercial Paper	$2,940.0	5.75%	Energy Services Program
TOTAL ISSUED 2011	**$2,940.0**		

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

Debt Service as Percentage of Pledged Revenues (Accrual Based)
(in Thousands)

	2008		2009		2010		2011	
Revenue Bonds	**Debt Service**	**% of Rev.**	**Debt Service**	**% of Rev.**	**Debt Service**	**% of Rev.**	**Debt Service**	**% of Rev.**
Series 1998A	$4,022	0.14%	$0	0.00%	$0	0.00%	$0	0.00%
Series 2000A	$4,054	0.14%	$4,054	0.12%	$4,054	0.12%	$4,054	0.12%
Series 2001A	$38,740	1.31%	$0	0.00%	$0	0.00%	$0	0.00%
Series 2002A	$30,971	1.04%	$30,970	0.95%	$30,939	0.95%	$30,722	0.93%
Series 2003A	$15,741	0.53%	$15,742	0.48%	$15,741	0.48%	$15,741	0.48%
Series 2006A	$17,231	0.58%	$17,231	0.53%	$17,232	0.53%	$17,235	0.52%
Series 2007A	$3,896	0.13%	$3,896	0.12%	$3,896	0.12%	$3,896	0.12%
Series 2007B	$15,152	0.51%	$15,152	0.47%	$15,152	0.46%	$15,152	0.46%
Series 2007C	$12,836	0.43%	$12,836	0.40%	$12,836	0.39%	$12,836	0.39%
Total Revenue Bonds	$142,643	4.81%	$99,881	3.07%	$99,850	3.05%	$99,636	3.02%
Adjustable Rate Tender Notes	$11,819	0.40%	$12,116	0.37%	$12,409	0.38%	$12,727	0.39%
Auction Rate Notes								
Series 3	$2,777	0.09%	$2,774	0.09%	$2,769	0.08%	$2,828	0.09%
Series 4	$2,777	0.09%	$2,774	0.09%	$2,769	0.08%	$2,828	0.09%
Total Auction Rate Notes	$5,554	0.19%	$5,548	0.17%	$5,538	0.17%	$5,655	0.17%
Commercial Paper Notes								
Series 1	$11,768	0.40%	$12,297	0.38%	$13,109	0.40%	$13,109	0.40%
Series 2	$49,791	1.68%	$74,212	2.28%	$54,576	1.67%	$24,426	0.74%
Series 3	$14,276	0.48%	$27,887	0.86%	$27,268	0.83%	$27,242	0.83%
Extendible - Series 1	$8,600	0.29%	$8,400	0.26%	$8,200	0.25%	$8,000	0.24%
Total Commercial Paper Notes	$84,435	2.85%	$122,796	3.78%	$103,153	3.16%	$72,777	2.21%
Grand Total Debt Service	**$244,451**	**8.24%**	**$240,341**	**7.40%**	**$220,950**	**6.76%**	**$190,795**	**5.79%**

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

Scheduled Debt Service Payments (Accrual Based)

Outstanding (Issued) Debt

	Principal	Interest	Total
2008	123,112,041	103,189,849	226,301,890
2009	122,061,545	98,198,624	220,260,169
2010	106,719,160	93,826,163	200,545,323
2011	80,806,268	89,394,654	170,200,923

Proposed Debt

	Principal	Interest	Total
2008	11,020,000	7,126,514	18,146,514
2009	11,645,000	8,434,464	20,079,464
2010	12,305,000	8,099,371	20,404,371
2011	13,010,000	7,582,877	20,592,877

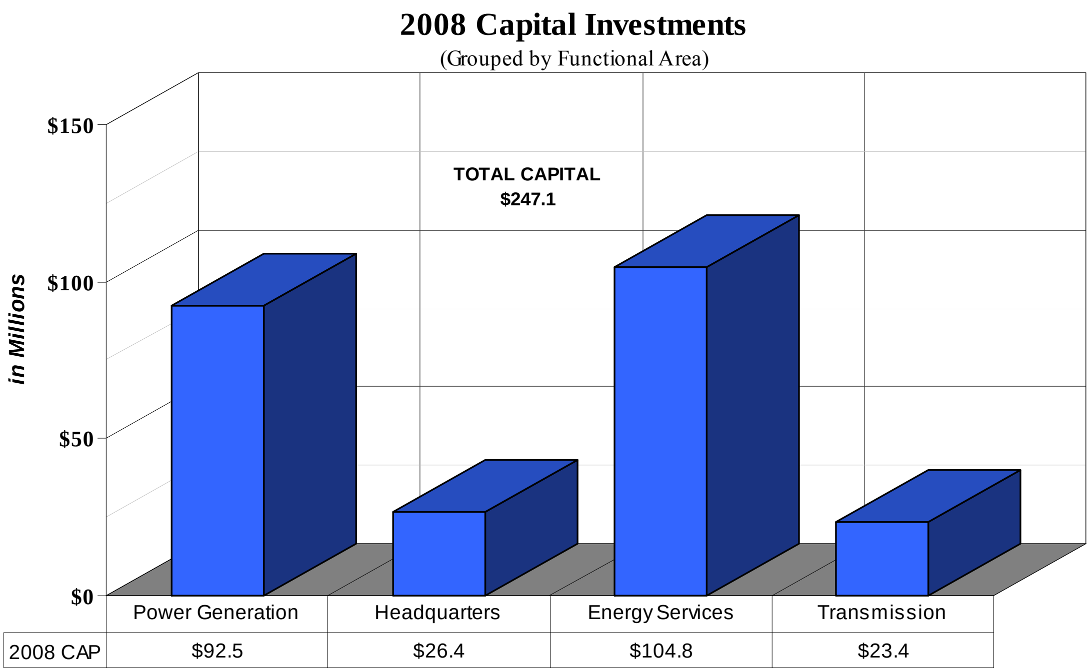
Total Debt

	Principal	Interest	Total
2008	134,132,041	110,316,362	244,448,403
2009	133,706,545	106,633,088	240,339,632
2010	119,024,160	101,925,534	220,949,694
2011	93,816,268	96,977,531	190,793,800

(m) Capital Investments and Sources of Funding

The Authority currently estimates that it will expend approximately $0.98 billion for various capital improvements over the financial plan period 2008-2011. The Authority anticipates that these expenditures will be funded using existing construction funds, internally-generated funds and additional borrowings. Such additional borrowings are expected to be accomplished through the issuance of additional commercial paper notes and/or the issuance of long-term fixed rate debt. Projected capital requirements during this period include:

(in Millions)	2008	2009	2010	2011
Niagara Relicensing	$5.1	$5.0	$5.0	$5.0
St. Lawrence Relicensing	$17.5	$7.9	$2.5	$2.2
Niagara LPGP and STL-FDR Life Extension and Modernization	$20.3	$22.7	$30.3	$30.1
Blenheim-Gilboa Life Extension and Modernization	$24.2	$23.1	$23.2	$8.0
Energy Services & Technology	$104.8	$105.5	$115.2	$113.1
Other	$75.2	$99.1	$73.5	$65.6
TOTAL	**$247.1**	**$263.3**	**$249.7**	**$224.1**



Certification of Assumptions and Method of Estimation for Budget and Financial Plan 2008-2011 in accordance with the Comptroller's Regulation § 203.9 Certification

December 18, 2007

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

To the best of my knowledge and belief after reasonable inquiry, I, the undersigned, certify that the "Authority's Method of Estimation for Budget and Financial Plan 2008-2011" is based on reasonable assumptions and methods of estimation and that the regulations enumerated in Part 203, "Budget and Financial Plan Format, Supporting Documentation and Monitoring - Public Authorities" have been satisfied.

Roger B. Kelley
President and Chief Executive Officer

12. **Compliance Requirements - Critical Cyber** **<u>Security - Capital Expenditure Authorization</u>**

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to approve capital expenditure funding in the amount of $7 million for the implementation of upgrades for Critical Cyber Security to achieve compliance with new Federal Energy Regulatory Commission ('FERC') standards.

<u>BACKGROUND</u>

"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.

"FERC adopted new Reliability Standards for Cyber Security in the Bulk Power System on August 6, 2007. These standards were developed and issued by the North American Electric Reliability Corporation ('NERC') in 2006. The proposed standards require owners and operators of the grid to establish plans, protocols and controls to safeguard physical and electronic access to systems, train personnel on security matters, report security incidents and be prepared to recover information.

"The new reliability standards for cyber security are represented in eight Critical Infrastructure Protection (CIP) standards:

- CIP-002 Critical Cyber Asset Identification – requires the identification of critical assets and the critical cyber assets supporting them using a risk-based assessment methodology.

- CIP-003 Security Management Controls – requires the development and implementation of security management controls to protect critical cyber assets.

- CIP-004 Personnel and Training – requires that personnel with access to critical cyber assets go through identity verification, criminal background checks and employee training.

- CIP-005 Electronic Security Perimeters – requires the identification and protection of an electronic security perimeter and access points for the critical cyber assets.

- CIP-006 Physical Security of Critical Cyber Assets – requires a security plan, access controls, monitoring system and access control logs and their retention.

- CIP-007 Systems Security Management – requires the identification of methods, processes, and procedures for securing the systems identified as critical cyber assets.

- CIP-008 Incident Reporting and Response Planning – requires the identification, classification and reporting of cyber security incidents related to critical cyber assets.

- CIP-009 Recovery Plans for Critical Cyber Assets – requires the establishment of recovery plans for critical cyber assets using established business continuity and disaster recovery techniques and practices.

"These eight new standards provide a comprehensive set of requirements to protect the bulk power system from malicious cyber attacks. Because of the scope of facilities covered by these standards and the investment in security upgrades required by most utilities, the implementation plan calls for a two-year phase-in to achieve full compliance with all requirements. The utility industry will be making progressive improvements in security measures through the end of 2009 to meet the new standards.

Term	**Definition**
Bulk Electric Systems	Electrical generation resources, transmission lines, interconnections with neighboring systems and associated equipment, generally operated at voltages of 100 kV or higher.
Critical Assets	Facilities, systems, and equipment which, if destroyed, damaged, degraded or otherwise rendered unavailable, would affect the reliability or operability of the Bulk Electric System.
Cyber Assets	Programmable electronic devices and communication networks, including hardware, software and data.
Critical Cyber Assets	Cyber Assets that are essential to the reliable operation of Critical Assets.
Electronic Security Perimeter	Logical boundary surrounding a network to which Critical Cyber assets are connected and for which access is controlled.
Physical Security Perimeter	Physical completely enclosed border (six walls) surrounding computer rooms, telecommunications rooms, operations centers and other locations in which Critical Cyber Assets are housed and for which access is controlled.
Critical Cyber Incident	Any malicious act or suspicious event that compromises, or was an attempt to compromise, the Electronic Security Perimeter or Physical Security Perimeter of a Critical Cyber Asset, or disrupts, or was an attempt to disrupt, the operation of a Critical Cyber Asset.

"The utility industry must be compliant by the end of 2009 or face penalties and sanctions. The following table lists the financial impacts.

Potential Utility Fines

	Violation Severity Level							
Violation Risk Factor	**Lower**		**Moderate**		**High**		**Severe**	
	Range Limits		**Range Limits**		**Range Limits**		**Range Limits**	
	Low	High	Low	High	Low	High	Low	High
Lower	$1,000	$ 3,000	$2,000	$ 7,500	$ 3,000	$ 15,000	$ 5,000	$ 25,000
Medium	$2,000	$ 30,000	$4,000	$100,000	$ 6,000	$200,000	$10,000	$ 335,000
High	$4,000	$125,000	$8,000	$300,000	$12,000	$625,000	$20,000	$1,000,000

DISCUSSION

"The Authority has developed a plan to achieve compliance with the new cyber security standards by mid 2009. This plan requires a team effort by Power Generation, Transmission, the Office of the Inspector General and Information Technology. This work, which is under way, will require additional hardware and software systems to be procured and implemented in 2008-09. Authority policies and procedures will need to be reviewed and revised, as required, to ensure compliance. The major portions of this work include:

- Firewall Equipment for Real-Time Systems
- Network Infrastructure Changes
- Logging Systems
- Event Monitoring
- Access Control Improvements
- Employee Risk Assessments
- Development of New Policies and Procedures
- Vulnerability Assessments
- Disaster Recovery Improvements

"All of the above efforts will begin in 2008 and some will not be completed until 2009. Expenditures of $4.2 million are planned for 2008, with $2.8 million planned for 2009.

FISCAL INFORMATION

"Payments for capital expenditures will be made from the Capital Fund. Funding for subsequent years will be included in the budget submittals for those years.

RECOMMENDATION

"The Chief Information Officer – Information Technology recommends that the Trustees approve capital expenditures of $7 million for Critical Cyber Security compliance requirements.

"The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Corporate Services and Administration, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Energy Marketing and Corporate Affairs, the Senior Vice President and Chief Engineer – Power Generation, the Senior Vice President – Transmission, the Inspector General and Vice President – Corporate Security and I concur in the recommendation."

Mr. Dennis Eccleston presented the highlights of staff's recommendations to the Trustees. Responding to a question from Chairman McCullough, Mr. Eccleston said that this request covered critical cyber security expenditures to be made in 2008 and 2009.

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**
Critical Cyber Security Compliance Requirements	
Current Request	**$7,000,000**
TOTAL AMOUNT AUTHORIZED	**$7,000,000**

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

13. **Procurement (Services) and Other Contracts –**
Business Units and Facilities – Awards

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the multiyear procurement contracts listed in Exhibit '13-A' for the Authority's Business Units/Departments and Facilities. Detailed explanations of the nature of such services, the bases for the new awards if other than to the lowest-priced bidders and the intended duration of such contracts, are set forth in the discussion below.

BACKGROUND

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

"The Authority's Expenditure Authorization Procedures ('EAPs') require the Trustees' approval for the award of non-personal services, construction 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.

DISCUSSION

"The terms of these contracts will be more than one year; therefore, the Trustees' approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, which range in estimated value from $10,000 to $6 million. Except as noted, these contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

Contracts in Support of Business Units/Departments and Facilities:

Business Services

"The four contracts with Deloitte & Touche LLP, PA Consulting Group, Satyam Computer Services Ltd. and The Brattle Group ('Deloitte,' 'PACG,' 'Satyam' and 'Brattle,' respectively) (Q07-4134; PO#s TBA) would become effective on or about December 19, 2007, subject to the Trustees' approval. The purpose of these contracts is to provide for risk management consulting services within three primary areas: risk modeling, fair value determination or validation of derivative transactions and risk management consulting (in connection with internal controls, hedge effectiveness, trading controls, counterparty credit and other matters, as may be required). Bid documents were downloaded electronically from the Authority's Procurement website by 43 firms, including those that may have responded to a notice in the New York State Contract Reporter. Four proposals were received and evaluated. A thorough review of the proposals indicated that no single firm was fully responsive to all requirements set forth in the Request for Proposals ('RFP'). Each firm demonstrated specific expertise, experience, skills, strengths and qualifications in different areas that complement each other and, which taken as a whole, would provide the Authority with the ability to award specific well-defined tasks to the best-qualified firm that can complete each task most efficiently. Staff therefore recommends award of contracts to all four bidders, Deloitte, PACG, Satyam and Brattle, respectively. The intended term of these contracts is up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, $2.4 million.

"The contract with Avotus Corporation ('Avotus') (Q07-4095; PO# TBA) would become effective on January 1, 2008, subject to the Trustees' approval. The purpose of this contract is to provide for telecommunications expense management services for the Authority's wireline and wireless telecommunications assets. The objective is to determine the best, most cost-effective outsourced solution to manage such services as contract compliance, sourcing, ordering and provisioning, inventory, usage, business intelligence, invoice management and dispute resolution under one long-term service agreement. Bid documents were downloaded electronically from the Authority's Procurement website by 36 firms, including those that may have responded to a notice in the New York State Contract Reporter. Nine proposals were received and evaluated. The evaluation criteria included technical qualifications, functional qualifications, experience, company/staffing resources and responsiveness to the bid requirements. Three firms were eliminated in the first evaluation round; the remaining six firms were invited to make presentations to Authority staff, resulting in the elimination of four additional firms. Staff recommends award of a contract to Avotus, the lowest-priced bidder (of the two remaining qualified bidders), which provides additional functionality to better manage such Authority assets and expenses. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $330,000 (including contingency).

Corporate Services and Administration

"The four contracts with C.T. Male Associates, P.C., Dana L. Drake, L.S., Stantec Consulting Services, Inc. and TVGA Consultants ('CT Male,' 'Drake,' 'Stantec' and 'TVGA,' respectively) (Q07-4163; PO#s TBA) would become effective on January 1, 2008, subject to the Trustees' approval. The purpose of these contracts is to provide for regional surveying and mapping services in support of the routine operation and maintenance of all Authority facilities and offices, as well as ancillary projects and transmission lines, as may be required. In addition to property surveys, these services are required to support engineering, construction, licensing, transmission, environmental and, occasionally, legal and marketing initiatives. Since the existing contracts for such services expire at the end of the year, and the need for such services is ongoing, staff prepared a new RFP. Bid documents were downloaded electronically from the Authority's Procurement website by 67 firms, including those that may have responded to a notice in the New York State Contract Reporter. Nineteen proposals were received and evaluated on weighted criteria that included, but were not limited to, each firm's experience, staff qualifications, technical proposal, ability to perform the work and meet schedules/deadlines and quality assurance/quality control. The proposals were evaluated separately for each region. Each firm selected will provide services for Authority facilities in a specific region of the State (Blenheim-Gilboa, St. Lawrence, Southeastern New York ('SENY'), including the White Plains Office/Poletti/Small Clean Power Plants, Niagara and Clark Energy Center regions and/or related counties, respectively). Based on pricing and qualifications, staff recommends award of contracts to the following firms: C. T. Male for the Blenheim-Gilboa and St. Lawrence regions, Drake for the St. Lawrence region (to continue work related to previously performed surveys and as a backup to the C. T. Male contract), Stantec for the SENY region and TVGA for the Niagara and Clark Energy Center regions. The intended term of these contracts is up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, $6 million. Total commitments and expenditures for all four contracts will be tracked against the approved total.

"The three contracts with Kucera International Inc. ('Kucera'), Aero-Metric, Inc. and James W. Sewall Company ('Sewall') (Q07-4166; PO#s TBA) would become effective on January 1, 2008, subject to the Trustees' approval. The purpose of these contracts is to provide for statewide photogrammetric services (including aerial photography, mapping support and associated analyses) in support of the routine operation and maintenance of all Authority facilities and offices, ancillary projects and transmission lines, as may be required. Such services are needed to support real estate, environmental, operations and relicensing activities, on an 'as required' basis, and, especially, to identify any problems along the Authority's 1,000 miles of transmission line right-of-way. Since the existing contract for such services expires at the end of the year, and the need for such services is ongoing, staff prepared a new RFP. Bid documents were downloaded electronically from the Authority's Procurement website by 38 firms, including those that may have responded to a notice in the New York State Contract Reporter. Ten proposals were received and evaluated on weighted criteria that included, but were not limited to, each firm's experience, staff qualifications, technical proposal, ability to perform the work and meet schedules/deadlines and quality assurance/quality control. Based on pricing and qualifications, staff recommends award of contracts to three firms: Kucera, Aero-Metric and Sewall, the three lowest-priced bidders that were responsive to the bid requirements and qualified to perform the work. This will afford the Authority additional flexibility and competitive pricing. The intended term of these contracts is up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total aggregate amount expected to be expended for the term of the contracts, $500,000. Total commitments and expenditures for all three contracts will be tracked against the approved total.

"The four contracts with Alexander Building Corporation, C.W. Brown, Inc., Construction Force Services, Inc. and Scully Construction LLC ('Alexander,' 'CWB,' 'CFS' and 'Scully,' respectively) (Q07-4171; PO#s TBA) would become effective on January 1, 2008, subject to the Trustees' approval. The purpose of these contracts is to provide for on-call general contracting services at the Authority's Clarence D. Rappleyea Building in White Plains. Bid documents were downloaded electronically from the Authority's Procurement website by 19 firms, including those that may have responded to a notice in the New York State Contract Reporter. Five proposals were received and evaluated. Following receipt of the original proposals, a Post-Bid Addendum was issued to the five bidders to clarify labor rate pricing. Four bidders submitted responses, which were further evaluated by Authority staff. Based on the 2008 project schedule and anticipated project list for subsequent years, staff recommends the award of contracts to four firms: Alexander, CWB, CFS and Scully, the lowest-priced bidders that were responsive to the bid requirements and are qualified to perform the work. The award of multiple contracts will afford the Authority sufficient resources and flexibility to complete all requisite work in a timely manner, and will keep prices competitive. The intended term of these contracts is up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, $6 million. Total commitments and expenditures for all four contracts will be tracked against the approved total.

"The contract with E. K. Ward & Associates, Inc., a New York State certified Minority/Woman-Owned Business Enterprise ('M/WBE') (Q07-4162; PO# TBA) would become effective on January 1, 2008, subject to the Trustees' approval. The purpose of this contract is to provide for executive coaching services to enhance the performance and/or development of individuals within the Authority. Bid documents were downloaded electronically from the Authority's Procurement website by 25 firms, including those that may have responded to a notice in the New York State Contract Reporter. Nine proposals were received and evaluated. Staff recommends award of a contract to E. K. Ward, the most technically qualified firm with reasonable pricing, in accordance with the Authority's Guidelines for Procurement Contracts pertaining to the award of personal services contracts. The intended term of this contract is up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $500,000.

Energy Marketing and Corporate Affairs

Public and Governmental Affairs

"The contract with AG Design (Q02-4048; PO# TBA) would become effective on January 1, 2008, subject to the Trustees' approval. The purpose of this contract is to provide for on-premises Macintosh computer graphics training for the Authority's graphic communications group. Bid documents were downloaded electronically from the Authority's Procurement website by 12 firms, including those that may have responded to a notice in the New York State Contract Reporter. Four proposals were received and evaluated. Staff recommends award of a contract to AG Design, the lowest-priced bidder that meets the bid requirements and is qualified to perform the services. The intended term of this contract is two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $10,000.

Energy Services and Technology

"The two contracts with Airmatic Compressor Systems, Inc. ('Airmatic') and Wood Brothers Air Compressors, LLC ('Wood Brothers') (Q07-4159; PO#s TBA) would become effective on January 1, 2008, subject to the Trustees' approval. The purpose of these contracts is to provide for audits and site surveys for energy-efficient compressed air system replacement or upgrade for various facilities throughout the five boroughs of New York City and in Westchester County, as part of the Authority's Energy Services program. Bid documents were downloaded electronically from the Authority's Procurement website by 18 firms, including those that may have responded to a notice in the New York State Contract Reporter. Four proposals were received and evaluated. Staff recommends award of two contracts, one to Airmatic and one to Wood Brothers, the lowest-priced bidders that meet the bid requirements and are qualified to perform the work. The award of two contracts would afford the Authority additional resources to complete this work. The intended term of these contracts is up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the combined total amount expected to be expended for the term of the contracts, $300,000. It should be noted that all costs will be recovered by the Authority.

"The contract with the Electric Power Research Institute ('EPRI'; PO# TBA) would become effective on January 1, 2008, subject to the Trustees' approval. The purpose of this contract is to provide for the Authority's participation in the full portfolio of EPRI Environment sector programs (which are in addition to the Authority's existing membership agreement with EPRI). The Authority has participated in a very limited number of Environment sector programs under the membership contract with EPRI, which included air quality, electromagnetic fields, fish protection and hydroelectric generation study areas. Developments related to environmental issues affecting the Authority's generation and transmission capabilities, coupled with the Authority's expanded role in urban fossil generation, suggest that the Authority could gain significant value by expanding its participation in the EPRI Environment sector. Participation in program areas associated with the regulatory response to greenhouse gas control, the relationship between air quality and adverse health outcomes and environmental issues associated with transmission facility maintenance would bring value to the Authority's efforts to meet both its obligations as a public power producer and its strategic initiative to demonstrate environmental leadership. Additionally, participation in the EPRI occupational health and safety target (program) would further support the Authority's strategic objective to be an industry leader in safety performance. The intended term of this contract is two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $890,000. It should be noted that EPRI has offered significant discounts to members that agree to a multiyear, full-portfolio purchase, resulting in a 50% discount for the first year and a 37.5% discount for the second year (which is less than the cost of adding the additional programs on an individual basis).

<u>Power Resource Planning and Acquisition</u>

"Effectively meeting the in-city capacity needs of its New York City governmental customers is one of the Authority's most important priorities. The Authority is currently in the process of determining how best to meet the shortfall in such capacity following the anticipated closure of its Charles Poletti Power Project in 2010. Options being considered include purchase of capacity through a competitive bid process and/or acquiring assets providing such capacity. To this end, staff conducted an emergency competitive bid to provide for consulting services to support an asset valuation analysis of the Ravenswood 2450 MW Generating Plant in order to determine whether all or part of this facility could be part of the Authority's New York City governmental customer supply portfolio. Due to the urgency in retaining an appropriate advisor to perform this work as soon as possible in order to support an anticipated bid schedule set by the Public Service Commission, bid documents were sent to seven qualified firms that were invited to submit proposals. Three proposals were received and evaluated. Staff recommended the award of the subject contract to Levitan and Associates, Inc. ('LAI'), the lowest-priced bidder that is also well-qualified to perform these services. LAI provided an excellent description of the expected work tasks to perform the evaluation and associated work, demonstrating a good understanding of the process. In addition, the firm has the necessary experience to effectively complete the asset valuation, with specific experience in performing valuations of generation assets in New York City on behalf of other area utilities and investors, and has established working relationships with the various governmental and regulatory organizations involved in the upcoming processes. Due to the need to commence services immediately, the contract with LAI (4500148082) became effective on September 25, 2007, subject to the Trustees' subsequent approval as soon as practicable, in accordance with the Authority's procurement policies and EAPs. The intended term of this contract is up to two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $1,000,000. It should be noted that the Authority will seek to recover all costs of this contract from the benefiting customers.

<u>Power Generation</u>

"The contract with American Electrical Testing Co., Inc. ('AETC'; Q07-4132; PO# TBA) would become effective on January 1, 2008, subject to the Trustees' approval. The purpose of this contract is to provide for switchyard maintenance services for nine of the Authority's Small Clean Power Plants ('SCPPs') at six SCPP sites (as well as for the Vernon Boulevard site, on an emergency basis) to ensure their continued integrity and reliable operation. Services include preventative maintenance at prescribed intervals, general inspections and testing of the protective relay system, including those sites associated with feeder protection and interconnection to the local utility. Bid documents were downloaded electronically from the Authority's Procurement website by 24 firms, including those that may have responded to a notice in the New York State Contract Reporter. Five proposals were received and evaluated. Following receipt of the original proposals, a Post-Bid Addendum was issued to the five original bidders to request pricing for a reduced work scope. Five responses were received and evaluated. Staff recommends award of a contract to AETC, the lowest-priced bidder that is qualified to perform the work and meets the bid requirements. The intended term of this contract is two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $1 million (including contingency).

"The contract with Bancker Construction Corp. ('Bancker'; 6000083530; PO# TBA) would become effective on January 1, 2008, subject to the Trustees' approval. The purpose of this contract is to provide for excavating services for the Charles Poletti Power Project. Services include all labor, supervision, equipment and materials to excavate and reinforce trenches/holes of various depths and lengths to uncover underground water, steam fuel, oil and electrical utilities; pump any water out of any excavations that become filled due to rain and leakage and respond to any emergent excavation issues in a timely manner. Bid documents were sent to four firms, including those that may have responded to a notice in the New York State Contract Reporter. Two proposals were received and evaluated. Staff recommends award of a contract to Bancker, the lowest-priced evaluated bidder that is qualified to perform such work. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $300,000.

"The contract with Brockway Sanitation Service ('Brockway'; 6000086476; PO# TBA) would become effective on January 1, 2008, subject to the Trustees' approval. The purpose of this contract is to provide for sewage removal and disposal services for the St. Lawrence/FDR Power Project. Services include annual pumping of several septic tanks and other holding tanks on an 'as needed' basis, transportation and sewage disposal at a registered wastewater treatment facility. Bid documents were sent to two firms, including those that may have responded to a notice in the New York State Contract Reporter. One proposal was received and evaluated. Staff recommends award of a contract to Brockway, the sole responding bidder, which is qualified to perform such work and which has provided satisfactory service under the current contract. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $100,000.

"Due to the need to commence services, the contract with Buffalo Industrial Diving Co., Inc. ('BIDCO'; 4600001847) became effective on November 1, 2007, subject to the Trustees' subsequent approval as soon as practicable, in accordance with the Authority's procurement policies and EAPs. The purpose of this contract is to provide for diving services to perform penstock inspections at the Niagara Power Project on an 'as needed' basis. Inspection services include, but are not limited to, providing all labor, equipment and materials to perform video and, as necessary, visual inspection of the internal surface of the penstock (either with a remotely operated vehicle or by human personnel). Such inspections will include a detailed examination of each weld in the penstock (a complete 360-degree sweep of each weld). Such inspections must report any cracking, scraping or other abnormal conditions found in steel, and any debris or other forms of underwater development or collection. Bid documents were downloaded electronically from the Authority's Procurement website by 10 firms, including those that may have responded to a notice in the New York State Contract Reporter. Three proposals were received and evaluated. Staff recommended award of the subject contract to BIDCO, the lowest-priced evaluated bidder that is qualified to perform such work. The intended term of this contract is three years and two months, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $150,000.

"The contract with C & S Engineers, Inc. (Q07-4165; PO# TBA) would become effective on or about December 19, 2007, subject to the Trustees' approval. The purpose of this contract is to provide for design engineering and inspection services for the brick façade and window project in the Administration Building at the St. Lawrence/FDR Power Project. Services shall include providing all labor, materials, equipment and supervision necessary to produce construction drawings and specifications, as well as to provide inspection services for the project during the design phase, and also to provide support through construction and project closeout/as-built acceptance, as needed. Bid documents were downloaded electronically from the Authority's Procurement website by 33 firms, including those that may have responded to a notice in the New York State Contract Reporter. Three proposals were received and evaluated. Staff recommends award of a contract to C & S Engineers, the lowest-priced bidder that meets the bid requirements and is qualified to perform the work. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $439,000.

"The two contracts with Chalmers & Kubeck, Inc. and Frank D. Riggio Company, Inc. (Q07-4180; PO#s TBA) would become effective on or about January 1, 2008, subject to the Trustees' approval. The purpose of these contracts is to provide for all labor, supervision, tools and equipment to perform repairs on globe, gate, check, safety and plug valves at the Authority's Charles Poletti Power Plant, 500 MW Combined Cycle Plant, Richard M. Flynn Power Plant and Small Clean Power Plants. The contractors are required to troubleshoot, disassemble valves and provide a written inspection report with recommendations for repair of the aforementioned plant valves, including boiler safety valves. The contractors will provide such on-call services on a 24/7, 'as needed' basis and will respond within a few hours of receiving the call for service. Bid documents were downloaded electronically from the Authority's Procurement website by 13 firms, including those that may have responded to a notice in the New York State Contract Reporter. Two proposals were received and evaluated. Staff recommends award of contracts to both bidders, Chalmers & Kubeck and Frank D. Riggio, which are qualified to perform the work and meet the bid requirements. The intended term of these contracts is up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total estimated amount expected to be expended for the term of the contracts, $500,000.

"The contract with General Electric Co. ('GE'; 4600001844) would become effective on January 1, 2008, subject to the Trustees' approval. The purpose of this contract is to provide for all labor, supervision, equipment, materials, tools and supplies necessary to clean up to five hydroelectric generators at the St. Lawrence/FDR Power Project, using a dry ice (CO_2) cleaning process, and to install six PDA couplers into the high-voltage winding system per the Authority's specification and drawings. Bid documents were sent to two firms, including those that may have responded to a notice in the New York State Contract Reporter. Two proposals were received and evaluated. Staff recommends award of a contract to GE, the lower-priced bidder, which is qualified to perform such work. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $250,000.

"The contract with Integrated Systems and Power, Inc. ('Integrated S&P'; Q07-4138; PO# TBA) would become effective on January 1, 2008, subject to the Trustees' approval. The purpose of this contract is to provide for an annual fire system inspection and maintenance agreement for five Small Clean Power Plant ('SCPP') sites (excluding Vernon Boulevard and Brentwood). Services include annual testing and certification of all applicable equipment and components of the Siemens Cerberius Pyrotronics MXL-IQ fire system installed at the respective SCPPs. Bid documents were downloaded electronically from the Authority's Procurement website by 11 firms, including those that may have responded to a notice in the New York State Contract Reporter. Two proposals were received and evaluated. Staff recommends award of the subject contract to Integrated S&P, the lowest-priced bidder, which is qualified to perform the work and meets the bid requirements. The intended term of this contract is up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $105,000.

"The contract with Morrisonville Septic Tank Service ('Morrisonville'; 6000086475; PO# TBA) would become effective on January 1, 2008, subject to the Trustees' approval. The purpose of this contract is to provide for sewage removal and disposal services for the Plattsburgh substation. Services include annual pumping of a septic tank on an 'as needed' basis, transportation and sewage disposal at a registered wastewater treatment facility. Bid documents were sent to two firms, including those that may have responded to a notice in the New York State Contract Reporter. One proposal was received and evaluated. Staff recommends award of a contract to Morrisonville, the sole responding bidder, which is qualified to perform such work and which has provided satisfactory service under the current contract. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $20,000.

"The contract with Most Healthcare Systems, Inc. (Q07-4188; PO# TBA) would become effective on January 1, 2008, subject to the Trustees' approval. The purpose of this contract is to provide for annual medical/occupational physical examinations and other medical services for approximately 75 employees at the Charles Poletti Power Project, as required by all applicable safety and health standards. Such examinations will be performed on site in a medical trailer to be provided by the aforementioned firm. Bid documents were downloaded electronically from the Authority's Procurement website by 12 firms, including those that may have responded to a notice in the New York State Contract Reporter. Four proposals were received and evaluated. Staff recommends award of a contract to Most Healthcare, the lowest-priced bidder that meets the bid requirements and is qualified to provide the services. The intended term of this contract is up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $80,000.

FISCAL INFORMATION

"Funds required to support contract services for various Business Units/Departments and Facilities have been included in the 2008 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

RECOMMENDATION

"The Senior Vice President – Public and Governmental Affairs, the Vice President – Procurement and Real Estate, the Vice President – Engineering, the Vice President – Project Management, the Vice President – Environment, Health and Safety, the Vice President and Chief Risk Officer, the Director – Energy Services, the Director – Power Resource Planning and Acquisition, the Director – Human Capital and Development, the Chief Information Officer, the Chief Technology Development Officer, the Director – Corporate Support Services, the Regional Manager – Northern New York, the Regional Manager – Western New York, the Regional Manager – Central New York and the Regional Manager – Southeastern New York recommend the Trustees' approval of the award of multiyear procurement contracts to the companies listed in Exhibit '13-A' for the purposes and in the amounts set forth above.

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement services contracts set forth in Exhibit "13-A," attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

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

Awd-A122007final

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

EXHIBIT "A"
December 18, 2007

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
BUS SERV - ERAC	Q07-4134; 4 awards: 1. DELOITTE & TOUCHE 2. PA CONSULTING GROUP 3. SATYAM COMPUTER SERVICES LTD. 4. THE BRATTLE GROUP (PO #s TBA)	12/19/07 (on or about)	Provide for risk management consulting services within 3 areas: risk modeling, fair value determination or validation of derivative transactions & risk mgmt consulting (re internal controls, hedge effectiveness, trading controls, counterparty credit and other matters, as may be required)	12/31/10	B/P	*Note: represents aggregate total for 3-year term		$2,400,000*
BUS SERV - IT	AVOTUS CORP. (Q07-4095; PO# TBA)	01/01/08	Provide for telecommunications expense management services for the Authority's wireline & wireless assets	12/31/10	B/S	*Note: represents total for 3-year term		$330,000*
CORP SERV & ADMIN - Proc&RealEstate	Q07-4163; 4 awards: 1. CT MALE ASSOCIATES 2. DANA L. DRAKE, LS 3. STANTEC CONSULTING 4. TVGA CONSULTANTS (PO #'s TBA)	01/01/08	Provide for regional surveying and mapping services	12/31/12	B/P	*Note: represents aggregate total for 5-year term		$6,000,000*
CORP SERV & ADMIN - Proc&RealEstate	Q07-4166; 3 awards: 1. KUCERA INTERNATIONAL INC. 2. AERO-METRIC, INC. 3. JAMES W. SEWALL COMPANY (PO#s TBA)	01/01/08	Provide for statewide photogrammetric services	12/31/12	B/P	*Note: represents aggregate total for 5-year term		$500,000*

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

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

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
CORP SERV & ADMIN - CorpSprtServ	Q07-4171; 4awards: 1. ALEXANDER BUILD-ING CORP. 2. CW BROWN, INC. 3. CONSTRUCTION FORCE SERVICES, INC. 4. SCULLY CONSTRUCTION (PO#s TBA)	01/01/08	Provide for on-call general contracting services for the Rappleyea Building	12/31/10 (+ option to extend for 2 additional years)	B/C	*Note: represents total for 5-year term (including contingency)		$6,000,000*
CORP SERV & ADMIN - HC&D	E.K. WARD & ASSOCI-ATES, INC. (Q07-4162; PO# TBA)	01/01/08	Provide for executive coaching services	12/31/10 (+ option to extend for 2 additional years)	B/P	*Note: represents total for 5-year term		$500,000*
ENERGY MARKETING & CORP AFF - Pub&GovAffairs	AG DESIGN (Q02-4048; PO# TBA)	01/01/08	Provide for computer graphics training (on-premises)	12/31/09	B/P	*Note: represents total for 2-year term		$10,000*
ENERGY MARKETING & CORP AFF - ES&T	Q07-4159; 2 awards: 1. AIRMATIC COMPRESS-OR SYSTEMS, INC. 2. WOOD BROTHERS AIR COMPRESSORS, LLC (PO#s TBA)	01/01/08	Provide for audits and site surveys for energy-efficient compressed air system replacement or upgrade	12/31/10	B/P	*Note: represents total for 3-year term **All costs will be recovered by the Authority.**		$300,000*
ENERGY MARKETING & CORP AFF - ES&T	ELECTRIC POWER RESEARCH INSTITUTE (PO# TBA)	01/01/08	Provide for participation in full portfolio of EPRI Environment sector programs	12/31/09	S/N	*Note: represents total for 2-year term		$890,000*

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

Exhibit "13-A"
December 18, 2007

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

EXHIBIT "A"
December 18, 2007

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
ENERGY MARKETING & CORP AFF - Power Resource Planning and Acquisition	LEVITAN AND ASSOCIATES, INC. (4500148082)	09/25/07	Provide for consulting services for asset evaluation analysis of the potential acquisition of the Ravenswood Generating Facility	09/24/08 (+ option to extend for 1 additional year)	B/P	$1,000,000 *Note: represents total for 2-year term	$70,880	**$1,000,000***
POWER GEN - SCPPs	AMERICAN ELECTRICAL TESTING CO., INC. (Q07-4132; PO# TBA)	01/01/08	Provide for switchyard maintenance services for six SCPP sites	12/31/09	B/S	*Note: represents total for 2-year term (including contingency)		**$1,000,000***
POWER GEN - POL	BANCKER CONSTRUCTION CORP. (6000083532; PO# TBA)	01/01/08	Provide for excavating services at POL	12/31/10	B/C	*Note: represents total for 3-year term		**$300,000***
POWER GEN - STL	BROCKWAY SANITATION SERVICE (6000086476; PO# TBA)	01/01/08	Provide for sewage removal and disposal services at STL	12/31/10	B/S	*Note: represents total for 3-year term		**$100,000***
POWER GEN - NIAGARA	BUFFALO INDUSTRIAL DIVING CO., INC. (4600001847)	11/01/07	Provide for diving services to perform penstock inspections at NIA	12/31/10	B/S	$150,000 ("Target Value") *Note: represents total for 3-year, 2-month term	$ 0	**$150,000***
POWER GEN - PROJ MGMT + STL	C & S ENGINEERS, INC. (Q07-4165; PO# TBA)	12/19/07 (on or about)	Provide for design engineering services for brick façade and window project for the Administration Building at STL	12/31/10	B/P	*Note: represents total for 3-year term		**$439,000***
POWER GEN - POL, 500MW, FLYNN and SCPPs	Q07-4180; 2 awards: 1. CHALMERS & KUBECK 2. FRANK D. RIGGIO CO. (PO3s TBA)	01/02/08	Provide for valve repair services for POL, 500 MW, Flynn & SCPPs	12/31/10	B/S	*Note: represents aggregate total for 3-year term		**$500,000***

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

Exhibit "13-A"
December 18, 2007

Awd-A122007

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

EXHIBIT "A"
December 18, 2007

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
POWER GEN - STL	GENERAL ELECTRIC COMPANY (4600001844)	01/01/08	Provide for cleaning of up to 5 hydroelectric generators using a dry ice process & installing 6 PDA couplers into the high voltage winding system	12/31/10	B/S	*Note: represents total for 3-year term		$250,000*
POWER GEN - SCPPs	INTEGRATED SYSTEMS AND POWER, INC. (Q07-4138; PO# TBA)	01/01/08	Provide for annual fire system inspections & maintenance at 5 SCPP sites	12/31/10	B/S	*Note: represents total for 3-year term		$105,000*
POWER GEN - STL	MORRISONVILLE SEPTIC TANK SERVICE (6000086475; PO# TBA)	01/01/08	Provide for sewage removal and disposal services at Plattsburgh substation	12/31/10	B/S	*Note: represents total for 3-year term		$20,000*
POWER GEN - POL	MOST HEALTHCARE SYSTEMS, INC. (Q07-4188; PO# TBA)	01/01/08	Provide for annual medical/ occupational physical examinations & other medical services for POL employees	12/31/10	B/P	*Note: represents total for 3-year term		$80,000*

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

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

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the continuation and funding of the procurement (services) and other contracts listed in Exhibit '14-A' in support of projects and programs for the Authority's Business Units/Departments and Facilities. The Trustees are also requested to approve an increase in the compensation ceiling of the contracts with Quantec LLC and CEA Technologies, Inc. Detailed explanations of the nature of such services, the reasons for extension, the additional funding required and the projected expiration dates are set forth below.

BACKGROUND

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

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

DISCUSSION

"Although the firms identified in Exhibit '14-A' have provided effective services, the issues or projects requiring these services have not been resolved or completed, and the need exists for continuing these contracts. The Trustees' approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the EAPs in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services at the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

"Extension of each of the contracts identified in Exhibit '14-A' is requested for one or more of the following reasons: (1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; (2) to accommodate an Authority or external regulatory agency schedule change that has delayed, reprioritized or otherwise suspended required services; (3) the original consultant is uniquely qualified to perform services and/or continue its presence and re-bidding would not be practical or (4) the contractor provides a proprietary technology or specialized equipment, at reasonably negotiated rates, that the Authority needs to continue until a permanent system is put in place.

Contracts in Support of Business Units/Departments and Facilities:

Energy Marketing and Corporate Affairs

Public and Governmental Affairs

"At their meeting of June 29, 2004, the Trustees approved the award of a contract to Stone & Webster, Inc. ('S&W'; 4500092440) in the amount of $750,000, to provide for design services for three Habitat Improvement Projects ('HIPs') at Coles Creek, Little Sucker Brook and Nichols Island Pool and for improvements to the Wilson Hill Wildlife Management Area ('WHWMA') at the St. Lawrence/FDR Power Project, in compliance with the requirements set forth in the New License Settlement Agreement. The original award, which was competitively bid, became effective on July 1, 2004 for an initial term of 3.5 years, with an option to extend for up to two additional years. An additional $169,324 was subsequently authorized to perform the geotechnical testing program for WHWMA and Nichols Island HIP, address comments from the Army Corps of Engineers on the WHWMA improvements, revise the WHWMA dike design to reduce costs, assess alternatives to the proposed discharge scheme from WHWMA to the Grasse River and design an alternative discharge (i.e., pump house) for WHWMA. To date, S&W has completed geotechnical work in support of design work for WHWMA and Nichols Island Pool; the design for WHWMA dike improvements and water control structures; an assessment of an alternate method of discharging water from WHMWA and 90% of the design for the pump house at WHWMA. Additional work to be completed under this contract includes completion of the design of the WHWMA pump house, support during construction, which is now under way, preparation of record drawings and completion of the design of recreational facilities; the remaining work will be completed in 2008 and 2009. (No further work on the Little Sucker Brook or Nichols Island Pool HIPs will need to be completed under this contract. The Coles Creek HIP is complete.) It should be noted that a new dike designed to separate two WHWMA pools will need to be redesigned and/or relocated due to unsatisfactory subsurface conditions – the presence of a pre-1860 log road under the centerline of the new dike – unearthed during construction. Work related to this redesign effort will be performed under a separate contract. A two-year extension is now requested to exercise the contract option to continue the aforementioned services through project completion. The current contract amount is $919,324; it is anticipated that no additional funding will be required for the extended term. The Trustees are requested to approve the extension of the subject contract through December 31, 2009, with no additional funding requested.

Marketing and Economic Development

Increase in Compensation Ceiling:

“The contract with Quantec LLC (4500140940**)** provides for consulting services in connection with the Consolidated Edison Company of New York, Inc. (‘Con Ed’) delivery service rate case, which was initiated earlier this year. The Authority is obligated to actively intervene in all Con Ed rate cases on behalf of its governmental customers. The original award, which was competitively bid, became effective on May 25, 2007 for a term of one year, in the amount of $350,000. An additional $200,000 was subsequently authorized in accordance with the Authority’s EAPs, to support additional settlement negotiations and litigation in the last quarter of 2007. (Since the Public Service Commission staff rejected an early settlement proposal by Con Edison in early October, the Authority can expect a fully litigated case, unlike the prior such rate case, which moved quickly to settlement discussions and bypassed submittal and review of all briefs.) A seven-month extension is now requested to enable the consultant to assist the Authority with complex issues assigned to working groups that will likely be established and are expected to meet regularly throughout 2008, as well as to allow additional time for the resolution of the rate case and the consultant’s participation in any additional customer meetings related to this matter, as may be necessary. The current contract amount is $550,000; staff anticipates that an additional $200,000 will be required for the extended term. The Trustees are requested to approve the extension of the subject contract through December 31, 2008, as well as the additional funding requested, thereby increasing the compensation ceiling to $750,000.

Energy Services and Technology

Increase in Compensation Ceiling:

“At their meeting of December 14, 2004, the Trustees approved the award of a three-year contract to CEA Technologies, Inc. (‘CEATI’; 4500101572) in the amount of $675,000 to provide for the continuation of the Authority’s membership and participation in the activities of 11 Interest Groups of the Canadian Electricity Association. Such membership and project participation, ongoing since 1999 under previously issued contracts, provide the Authority with an opportunity to collaborate with Canadian and other participating utilities and to identify technology issues and challenges of common concern and work cooperatively to find cost-effective solutions. Such Interest Groups include: Dam Safety, Hydraulic Plant Life, Water Management, Strategic Options for Sustainable Power Generation, Life Cycle Management of Substation Equipment and Apparatus, Power System Planning and Operation, Transmission Line Asset Management, Overhead Line Design Issues and Wind and Ice Storm Mitigation, Transmission Underground Cables, Electro-Magnetic Tool Program and Customer Energy

Solutions. These groups bring together leading experts from more than 40 participating utilities representing both large and small Canadian, other North American, European and Asian utilities. Continuing involvement with these Interest Groups provides significant benefits to the Authority by providing access to the latest technical information available in the field, as well as co-funding opportunities for various Authority-sponsored projects. The existing contract became effective on January 1, 2005. A three-year extension is now requested in order to provide for the continuation of the aforementioned membership and projects. For administrative purposes, staff recommends issuing a Change Order to the existing contract rather than issuing a new sole- source award. The current contract amount is $743,675 (which includes $675,000 previously approved by the Trustees and an additional $68,675 subsequently authorized in accordance with the EAPs); it is anticipated that additional funding in the amount of $875,000 will be required for the extended term, to include Interest Group participation fees, certain Technology Watch fees and specific project participation in the CEATI programs. The Trustees are requested to approve the extension of the subject contract through December 31, 2010, as well as the additional funding requested, thereby increasing the compensation ceiling to $1,618,675.

<u>FISCAL INFORMATION</u>

"Funds required to support contract services for various Headquarters Office Business Units/Departments and Facilities have been included in the 2008 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

<u>RECOMMENDATION</u>

"The Senior Vice President – Public and Governmental Affairs, the Vice President – Procurement and Real Estate, the Vice President – Environment, Health and Safety, the Executive Director – Licensing, Implementation and Compliance, the Chief Technology Development Officer, the Manager – Power Contracts and the Regional Manager – Northern New York recommend the Trustees' approval of the extensions, additional funding and increase in compensation ceiling of the procurement contracts discussed within the item and/or listed in Exhibit '14-A.'

"The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Corporate Services and Administration, the Executive Vice President – Chief Financial Officer, the Executive Vice President – Energy Marketing and Corporate Affairs, the Senior Vice President – Energy Services and Technology, the Senior Vice President and Chief Engineer – Power Generation, the Senior Vice President – Marketing and Economic Development and I concur in the recommendation."

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "14-A," attached hereto, is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, increases in the compensation ceilings of the contracts with Quantec LLC and CEA Technologies, Inc. are hereby approved, as recommended in the foregoing report of the President and Chief Executive Officer, in the amounts and for the purposes listed below:

O&M	**Contract Approval (Increase in Compensation Ceiling)**	**Projected Closing Date**
Provide for consulting services in connection with the Consolidated Edison Company of New York, Inc. delivery service rate case:		
Quantec LLC 4500140940		
Previously approved amount	**$350,000**	**12/31/08**
Additional amount authorized per EAPs	**200,000**	
Additional amount requested	**200,000**	
REVISED COMP. CEILING	**$ 750,000**	
Provide for the Authority's membership and participation in the activities of 11 Interest Groupsof the Canadian Electricity Assn.:		
CEA Technologies, Inc. ("CEATI") 4500101572		
Previously approved amount	**$675,000**	**12/31/10**
Additional amount authorized per EAPs	**68,675**	
Additional amount requested	**875,000**	
REVISED COMP. CEILING	**$1,618,675**	

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

Exhibit "14-A"
December 18, 2007

Ext-A122007final

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

EXHIBIT "A"
December 18, 2007

Plant Site/ Bus. Unit	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
Contracts in support of Headquarters Business Units and the Facilities:								
ENERGY MARKETING & CORP AFF - Pub&GovAffairs and STL	STONE & WEBSTER ENGINEERING NY, PC 4500092440	07/01/04	Provide for design services for three Habitat Improvement Projects (at Coles Creek, Little Sucker Brook and Nichols Island Pool) & Improvements to the Wilson Hill Wildlife Management Area at STL	12/31/09	B/P	$919,324 ***Note: represents original approved amount of $750K + an additional $169,324. NO ADDITIONAL FUNDING REQUESTED.**	$588,283	**$919,324***
Increases in Compensation Ceiling:								
ENERGY MARKETING & CORP AFF - MED	QUANTEC LLC 4500140940	05/25/07	Provide for consulting services in connection with the Con Ed delivery service rate case	12/31/08	B/P	$550,000 ***Note: represents original approved amount of $350K + an additional $200K authorized per the EAPs + CURRENT REQUEST for an additional $200K**	$237,595	**$750,000***
ENERGY MARKETING & CORP AFF - ES&T / R&TD	CEA TECHNOLOGIES, INC. ("CEATI") 4500101572	01/01/05	Provide for membership and participation in the activities of 11 Interest Groups of the Canadian Electricity Association	12/31/10	S/N	$743,675 ***Note: includes $675,000 originally approved by the Trustees + an additional $68,675 authorized per the EAPs + CURRENT REQUEST for an additional $875,000.**	$520,215	**$1,618,675***

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

15. **Employees' Savings Plan – Amendments to Plan**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to amend the Employees' Savings Plan (the 'Plan') to: (a) eliminate the requirement that employees complete one year of service in order to be eligible for the employer matching contributions; (b) provide for the addition of a designated Roth account; (c) authorize non-spousal beneficiaries to roll over distributions into qualified IRAs and (d) add two additional qualifying events for which Plan members could seek a hardship withdrawal (repair of certain qualifying damage to an employee's principal residence and payments for specific family members' burial or funeral expenses). In addition, Trustee approval is sought for the addition of T. Rowe Price Retirement Date Funds to the Plan and the removal of the T. Rowe Price Growth & Income Fund and International Stock Fund from the Plan, with the transfer of the assets of those funds into the T. Rowe Price Equity Index Trust and the Dodge & Cox International Stock Fund, respectively.

BACKGROUND

"At their meeting of February 28, 1984, the Trustees approved the implementation of the Employees' Savings Plan, otherwise known as the 401(k) Plan. The Plan is designed to provide employees with a means of saving through a tax-deferred compensation arrangement. Under the Plan, employees may elect to defer receiving part of their salary and to have this deferred compensation invested in a selection of investments. The Plan also provides for employer matching contributions and employee post-tax contributions. At present, more than 95% of eligible employees participate in the Plan. As of December 31, 2006, Plan assets totaled $199,387,222.

"The Trustees have provided specific authorization for the Employees' Savings Plan Committee ('Plan Committee') to act on the Trustees' behalf in certain circumstances. However, the Plan document states that 'this authorization does not extend to Plan amendments or modifications reflecting policy determinations, such as, but not limited to, any change of investment options, investment manager or employer match.' The changes and amendments to the Plan described below which are being submitted to the Trustees for their approval were approved by the Plan Committee, comprising Arnold Bellis, Vice President and Controller (Chair); Thomas Kelly, Executive Vice President, General Counsel and Chief of Staff; Vincent Vesce, Executive Vice President – Corporate Services and Administration; Steven DeCarlo, Senior Vice President - Transmission and Alice Conway, Senior Benefits Administrator.

DISCUSSION

1. Employer Matching Contributions

"The Plan provides for a one-year waiting period before an employee is eligible to receive the employer match. In the current recruitment environment, the Authority is looking for enhancements to increase its ability to attract high-caliber talent, particularly in the engineering field. Overall, despite a competitive employee benefits package, the Plan Committee determined that a change to the one-year waiting period is recommended to allow the Authority to remain competitive in its recruitment efforts. The one-year waiting period for matching contributions is no longer a common feature in other employers' Plans. Based on the Authority's 2006 experience, the cost is projected to be less than $50,000 per year. Not every new hire joins the Plan immediately and/or contributes the 6% required for a full match of their contributions.

2. Roth Option

"The Plan Committee also voted to add the option of a Roth Account and to amend the Plan accordingly. As of 2006, 401(k) Plans are allowed to provide for Roth Accounts. A Roth Account is a separate account to which contributions may be made with after-tax dollars, with the distributions from such an account generally being non-taxable. This type of account provides an alternative investment opportunity for Plan participants. An amendment to the Plan is required in order to allow for Roth contributions.

3. Non-spousal Beneficiaries

"The Pension Protection Act of 2006 added a provision that would allow non-spousal beneficiaries to roll over distributions from a 401(k) account to a qualifying account elsewhere. Pending legislation mandates this as a 401(k) Plan feature; however, that legislation is not likely to be enacted soon. The Plan Committee has voted to approve an amendment to the Plan to allow for this non-spousal beneficiary rollover.

4. Additional Categories of Hardship Withdrawals

"The Internal Revenue Code has also been amended to provide two more events that qualify for a hardship withdrawal. These events include expenses for repair of damage to a primary residence under enumerated casualty scenarios (such as Hurricane Katrina) and funeral or burial expenses for certain designated family members. The Plan Committee recommends that the Authority's Plan be amended to allow for these hardship withdrawals.

5. Addition of New Funds

"The Plan Committee has decided to add the T. Rowe Price Retirement Date Funds to the Plan. These funds are managed funds with a specific retirement date in mind. Each retirement fund offers a diversified portfolio of mutual funds designed to automatically adjust in line with the targeted date. The Committee determined that these funds provided a good option for Plan participants who were not interested in actively monitoring their accounts. The T. Rowe Price funds were reviewed and determined to have better ratings than comparable products offered by other companies.

6. Changes in Investments

"The Plan Committee periodically conducts reviews of the Plan's investment options to make sure they meet Plan participants' needs and Plan objectives. The Plan Committee made a decision to remove the T. Rowe Price Growth & Income Fund and replace it with the comparable T. Rowe Price Equity Index Trust, which has a significantly lower overall investment management fee. In addition, the T. Rowe Price International Stock Fund is recommended to be replaced with the Dodge & Cox International Stock Fund. The Committee determined that the T. Rowe Price International Stock Fund was not meeting performance expectations and found the Dodge & Cox International Stock Fund to be a preferable option in the international market. The decision to remove and replace these funds was made after a careful review and analysis of the Plan's investments. Performance was not the sole factor in the decision to remove these investments from the Plan; risk, return, diversification and cost were also considered.

FISCAL INFORMATION

"It is estimated that the cost of the change to the waiting period for the employer match will amount to under $50,000 a year. Future years' costs will vary depending on hiring trends.

"The other additions and changes to the Plan have no cost impact to the Authority.

RECOMMENDATION

"The Executive Vice President – Corporate Services and Administration recommends that the Trustees approve these amendments and changes to the Employees' Savings Plan approved by the Employees' Savings Plan Committee.

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

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

RESOLVED, That the following Amendments and Changes to the Employees' Savings Plan ("Plan") are approved:

- **Elimination of the requirement that employees complete one year of service in order to be eligible for the employer matching contributions;**
- **Addition of a designated Roth Account to the Plan;**
- **Authorization for non-spousal beneficiaries to roll over distributions into qualified IRAs;**
- **Addition of two qualifying events for which Plan members may seek a hardship withdrawal (repair of certain qualifying damage to an employee's principal residence and payments for specific family members' burial or funeral expenses);**
- **Addition of T. Rowe Price Retirement Date Funds to the Plan; and**
- **Removal of the T. Rowe Price Growth & Income Fund and International Stock Fund from the Plan and the transfer of those funds' assets into the T. Rowe Price Equity Index Trust and the Dodge & Cox International Stock Fund, respectively;**

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

16. **2008 Revolving Credit Agreement**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve a $775 million Revolving Credit Agreement ('RCA') with a syndicate of seven banks led by JPMorgan Chase Bank, N. A. ('JPMorgan') for an initial term not to exceed February 1, 2011, to replace an expiring agreement that provides liquidity support for the Authority's Series 1, 2 and 3 Commercial Paper Notes, and to authorize an extension of such RCA not to exceed February 1, 2012.

BACKGROUND

"The Authority currently has $581 million of Series 1, 2 and 3 Commercial Paper Notes outstanding and expects to issue an additional $125 million to $150 million of additional Notes in 2008. In accordance with the Commercial Paper Notes Resolution, the Authority is required to maintain in full force and effect a Credit Agreement while the Notes are outstanding. The current Revolving Credit Agreement will expire on January 31, 2008.

DISCUSSION

"The Authority invited 11 banks having AA ratings from at least one rating agency to submit proposals for a $775 million facility. Only one proposal for the full $775 million requested was received, and that was from JPMorgan, which would act as agent for a syndicate of seven banks providing the credit facility.

Bank commitments would be as follows:

JPMorgan Chase Bank, N. A.	$157,500,000
The Bank of Nova Scotia	$157,500,000
State Street Bank and Trust Company	$110,000,000
Landesbank Baden-Wurttemburg	$100,000,000
Bayerische Landesbank	$100,000,000
BNP Paribas	$100,000,000
The Bank of New York	$ 50,000,000
Total	$775,000,000

"The JPMorgan proposal would provide the credit facility for an annual commitment fee of 20 basis points (20/100 of 1%) payable on the unused amount of the facility and equivalent to an average of $1,573,000 per year. In the event the Authority has to draw on the line, the interest rates would be the higher of the JPMorgan Prime Rate or the Federal Funds rate plus 0.50% for the first 180 days. The Authority may also select a Eurodollar Rate Loan, which would bear interest based on LIBOR plus a margin that is determined by the Authority's long-term credit rating. After 180 days, the loan would convert to a two-year term loan if not repaid.

"There would be annual administrative fees of $15,000 per year payable to JPMorgan and legal fees of its counsel would not exceed $32,000.

"A second proposal for a $300 million liquidity facility was received from Dexia Credit Local ('Dexia'). While the limited proposal from Dexia was less expensive at 17 basis points, if the Authority awarded only a portion of the line to the JPMorgan syndicate, pricing on that line would be 22 basis points, or 2 basis points higher than for the entire line. After analysis, staff determined that awarding the entire line to the JPMorgan syndicate was overall less expensive than having two lines.

FISCAL INFORMATION

"The annual cost of the proposed line along with the Administrative Agent fee and legal fees will be paid from the Operating Fund.

RECOMMENDATION

"The Treasurer recommends that the Trustees: (1) approve the execution of the 2008 Revolving Credit Agreement with JPMorgan and the banks listed above with a borrowing capacity not to exceed $775 million and for an initial term not to exceed February 1, 2011 and (2) authorize an extension of such agreement not to exceed February 1, 2012.

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

Mr. Brian McElroy presented the highlights of staff's recommendations to the Trustees. Responding to a question from Chairman McCullough, Mr. McElroy said that the syndicated Revolving Credit Agreement recommended by staff would cost $51,000 less than issuing individual Revolving Credit Agreements. In response to a question from Trustee Besha, Mr. McElroy said that the Dexia Credit Local proposal had been for $300 million.

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

RESOLVED, That the Trustees authorize the execution by the Executive Vice President and Chief Financial Officer, the Vice President – Finance or the Treasurer, subject to the approval of the form thereof by the Executive Vice President, General Counsel and Chief of Staff, on behalf of the Authority, of the 2008 Revolving Credit Agreement ("2008 RCA") between the Authority and JPMorgan Chase, N. A., as Administrative Agent, and the banks listed in the foregoing report of the President and Chief Executive Officer, with such Agreement having such terms and conditions as the executing officer deems necessary or advisable, such execution to be conclusive evidence of such determinations, provided that such Agreement shall have an initial term not exceeding February 1, 2011 and shall not exceed $775 million in borrowing capacity; and be it further

RESOLVED, That the Executive Vice President and Chief Financial Officer, the Vice President – Finance or the Treasurer are, and each hereby is, authorized to execute an extension of the 2008 RCA, provided that such extension shall not in the aggregate extend the 2008 RCA beyond February 1, 2012; and be it further

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

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

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

"Mr. Chairman, I move that the Authority conduct an Executive Session for the purpose of discussing matters leading to the award of contracts to particular corporations." Upon motion duly made and seconded, an Executive Session was held.

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

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

19. **Niagara-Adirondack Tie Line – Acquisition of Property**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the acquisition of 'danger tree' easements by purchase, appropriation or condemnation to remove trees that threaten the continued safe operation of the Niagara-Adirondack Tie Line ('NATL'). The proposed easements described in Exhibit '19-A' will encumber 50-foot-wide strips of land adjacent to both the northerly and southerly right-of-way boundaries of the NATL.

BACKGROUND

"The 300-foot-wide NATL right-of-way runs from the Niagara Power Project to the Edic Substation near Utica and, as the major east-west transmission facility in New York State, is responsible for transporting as much as 6-8% of the State's total electric load. The rights-of-way for the NATL were acquired in the early 1960s before the Authority established the policy of acquiring danger tree easements contemporaneously with transmission line easements. As no such danger tree easement exists abutting the NATL easement from the original acquisition, the Authority has either purchased temporary danger tree permits or permanent easements to remove trees adjacent to the NATL or, in the vast majority of cases, purchased the right to cut individual trees. Acquisition of danger trees has been increasingly difficult with changes in land use such as suburbanization of areas in the vicinity of Authority transmission lines.

"Due to the importance of the NATL to the reliability of electric service in New York, the recently mandated federal compliance criteria and the threat presented by danger trees to both the operation of the line and the health and safety of those people living proximate to the line, it is necessary to acquire permanent tree-cutting rights in these cases.

DISCUSSION

"The transmission line maintenance department has identified trees on each of the subject properties that threaten the continued safe operation of the NATL. A danger tree is defined as a tree outside the Authority's existing easement that, either currently or in the near future, could fall into the transmission line wire security zone, the 15 feet surrounding the transmission line conductor. Additional criteria used in defining a danger tree include the species, condition and lean of the tree; soil conditions; terrain and other variables that might influence the tree's potential to fall toward the transmission line conductor. Such an occurrence could cause a flash-over or possible outage of that transmission line. In fact, flash-overs, and the consequential outages, played a central role in the August 2003 blackout that severed power to millions of people in the Northeast, the Midwest and Canada. To prevent these occurrences and their associated hazardous consequences, off-right-of-way trees must be monitored and danger trees eliminated once identified.

"The Authority's Transmission Business Unit has identified six properties that contain danger trees where the Authority is attempting to negotiate easement agreements for the purpose of cutting danger trees outside the current right-of-way (hereinafter 'danger tree easements') with the owners. These properties, located in the Town of Victor, Ontario County, are shown in Exhibit '19-A.' Therefore, it is hereby requested that the Trustees approve the acquisition of these danger tree easements either by purchase or through the use of eminent domain given the importance of the transmission line to the State power grid and the number of trees identified as a threat to the safe operation of the line. In addition to the reviews of the situation conducted by the transmission line maintenance department and the system forester, the Senior Vice President – Transmission has personally inspected the sites and concurs that the trees must be acquired by either purchase, appropriation or condemnation.

FISCAL INFORMATION

"Payment will be made from the Operating Fund.

RECOMMENDATION

"The Senior Vice President – Transmission, the Vice President – Environment, Health and Safety and the Director – Real Estate recommend that the Trustees approve the acquisition of the permanent easement rights shown and described on the Niagara Power Project, Niagara-Adirondack Tie Line Map Nos. OV-1438, Parcel No. 1438; OV-1439, Parcel No. 1439; OV-1440, Parcel No. 1440; OV-1441, Parcel Nos. 1441A and 1441B; OV-1442, Parcel No. 1442 and OV-1443, Parcel Nos. 1443A and 1443B by either purchase or eminent domain and further delegate to the President and Chief Executive Officer and/or the Executive Vice President, General Counsel and Chief of Staff the authority to approve the payments to be made for the acquisition of the real property rights.

"The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Corporate Services and Administration, the Vice President – Procurement and Real Estate 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 provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds it necessary to acquire by purchase, appropriation or condemnation the real property shown and described on Power Authority of the State of New York, Niagara Power Project, Niagara-Adirondack Tie Line, Map Nos. OV-1438, Parcel No. 1438; OV-1439, Parcel No. 1439; OV-1440, Parcel No. 1440; OV-1441, Parcel Nos. 1441A and 1441B; OV-1442, Parcel No. 1442 and OV-1443, Parcel No. 1443 and hereby finds and determines that such real property is required for a public use and hereby determines that such real property is reasonably necessary for the operation and maintenance of the Niagara-Adirondack Tie Line, and that because of the urgent situation caused by the danger trees, the public interest will be endangered by any delay in the acquisition of these danger tree easements; and be it further

RESOLVED, That in the opinion of the Authority the acquisition of the real property shown and described on Power Authority of the State of New York, Niagara Power Project, Niagara-Adirondack Tie Line, Map Nos. OV-1438, Parcel No. 1438; OV-1439, Parcel No. 1439; OV-1440, Parcel No. 1440; OV-1441, Parcel Nos. 1441A and 1441B; OV-1442, Parcel No. 1442 and OV-1443, Parcel No. 1443 is *de minimis* in nature so that the public interest will not be prejudiced by the acquisition of such real property without a public hearing; and be it further

RESOLVED, That the President and Chief Executive Officer and the Executive Vice President, General Counsel and Chief of Staff are hereby authorized to acquire any and/or all of the sites identified in Exhibit "19-A" by purchase, appropriation or condemnation and are hereby authorized to approve the payments to be made for such acquisitions; and be it further

RESOLVED, That the President and Chief Executive Officer, the Vice President – Procurement and Real Estate and the Director – Real Estate be, and each of them hereby is, authorized and directed to execute on behalf of the Authority such certificates, requests and directions on terms and conditions substantially in accordance with the foregoing report of the President and Chief Executive Officer as are necessary or desirable for the acquisition of such real property, subject to the approval of the Executive Vice President, General Counsel and Chief of Staff; and be it further

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

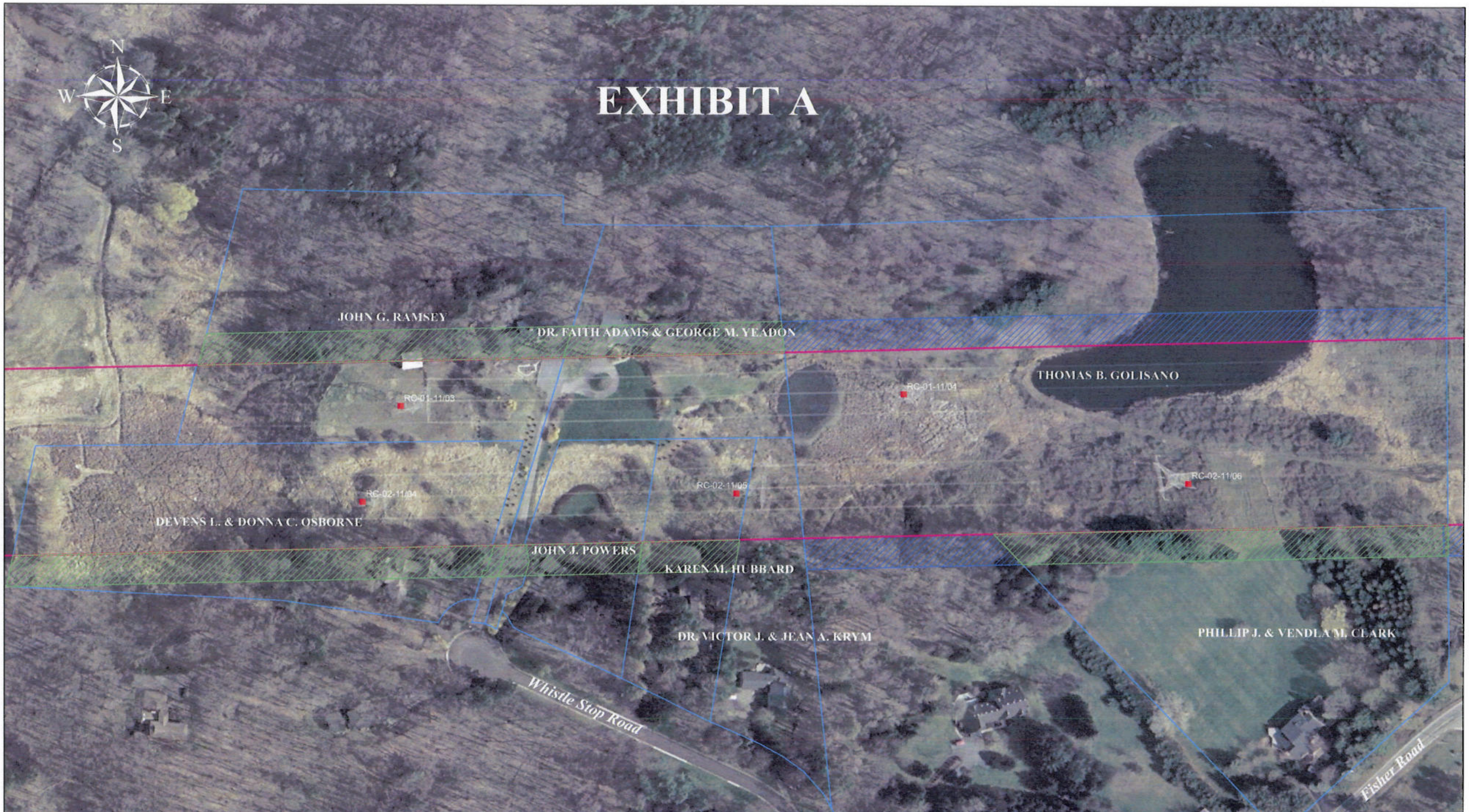
December 18, 2007

Exhibit "19-A1"

Reputed Owner	**Map No.**	**Acreage**
Devans and Donna Osborne	OV-1438	0.9
Phillip and Vendla Clark	OV-1439	0.8
John and Carmen Powers	OV-1440	0.2
John Ramsey	OV-1441	0.7
Karen Hubbard	OV-1442	0.2
Faith Adams and George Yeado	OV-1443	0.4

Exhibit "19-A-2"
December 18, 2007

EXHIBIT A



Legend

- Tax Parcel (Property) Lines
- Transmission Structures
- Existing Danger Tree Easement
- NYPA Transmission Right-Of-Way Limits
- Proposed Danger Tree Easements

Proposed Danger Tree Easement Areas

Map No.	Parcel No(s).	Owner	Area
OV-1438	1438	Osborne	0.9 Ac.
OV-1439	1439	Clark	0.8 Ac.
OV-1440	1440	Powers	0.2 Ac.
OV-1441	1441A, 1441B	Ramsey	0.7 Ac.
OV-1442	1442	Hubbard	0.2 Ac.
OV-1443	1443A, 1443B	Adams & Yeadon	0.4 Ac.

New York Power Authority
Niagara - Adirondack Tie Line
Proposed Danger Tree Easements
at Whistlestop Area
Town of Victor, Ontario County

JGW 11/15/07 Whistlestop_Trustees 2007.PDF

20. **Voluntary Contributions to the State Treasury**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the Authority's voluntary contribution of $205 million to New York State, as authorized by Chapter 91 of the Laws of 2007 ('Chapter 91').

BACKGROUND

"On August 16, 2006, the Governor signed Chapter 645 of the Laws of 2006 ('Chapter 645') which, among other things, authorized the Authority, if deemed 'feasible and advisable' by its Trustees, to make certain contributions, totaling $175 million, to the State's general fund. That legislation also extended until June 30, 2007 and otherwise modified the Authority's Power for Jobs ('PFJ') and Energy Cost Savings Benefit ('ECSB') programs. Specifically, that law authorized a contribution to the general fund of not less than $75 million for the State's fiscal year ('SFY') 2005-06 and of not less than $100 million for SFY 2006-07. Chapter 645 also set a cap of $394 million on the total contributions to be paid by the Authority. At the time, the Authority had paid a total of $219 million to the State based on prior legislative and Trustee authorizations.

"Following passage of that legislation, on December 19, 2006, the Trustees adopted a resolution that deferred 'final determination as to the amount of the voluntary contributions to the State of New York until a further evaluation of the programmatic, financial and business circumstances' surrounding Chapter 645's extension of the PFJ and ECSB programs and its effect on the Authority.

"On June 29, 2007, the Governor signed Chapter 91 of the Laws of 2007 ('Chapter 91'), which repeated the authorizations found in Chapter 645 and added a new one authorizing, should the Trustees find it 'feasible and advisable,' an additional voluntary contribution of not less than $30 million for SFY 2007-08 and raising the cap for such contributions to a total of $424 million. To date, the Authority has not paid any of the additional $205 million authorized by these laws, but if such amount is paid the cap will have been met. On that same date, Chapter 29 of the Laws of 2007 was signed by the Governor, thereby extending the PFJ and ECSB programs for an additional year to June 30, 2008.

DISCUSSION

"Staff has now reviewed all relevant and appropriate fiscal parameters set forth in the Trustees' resolution of December 19, 2006. Given the financial condition of the Authority, its estimated revenues, operating expenses, debt service and reserve requirements, staff recommends that it is feasible for the Authority to make the voluntary contributions of $205 million authorized by the PFJ legislation and to pay the anticipated added costs associated with the extension of the PFJ and ECSB programs through June 30, 2008 without compromising its financial integrity. Accordingly, the Authority now has the ability to meet the financial obligations and contributions contemplated by Chapter 91.

FISCAL INFORMATION

"Staff has determined that the funds are available to make voluntary contributions totaling $175 million to the State's general fund by December 31, 2007, with the remaining $30 million to be paid by March 31, 2008. These payments represent the amounts authorized by legislation during the three state fiscal years 2005-06 through 2007-08.

RECOMMENDATION

"The Vice President – Finance requests that the Trustees determine that the payment to the State Treasury of $205 million is feasible and advisable and authorize such payment, in accord with the provisions of Chapter 91 of the Laws of 2007.

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

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

RESOLVED, That the Trustees hereby authorize a payment to the State Treasury of $205 million from the Authority's Operating Fund pursuant to the Power for Jobs legislation discussed in the foregoing report of the President and Chief Executive Officer, with payment of $175 million authorized to be made on or before December 31, 2007 and $30 million authorized to be made on or before March 31, 2008; and be it further

RESOLVED, That the amount of $205 million to be used for the payment to the State Treasury described in the foregoing resolution is not 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 as a condition to making the payments specified in the foregoing resolutions, on the day of such payment the Vice President – Finance or the Treasurer shall certify that such monies to be used for the payment to the State Treasury described in the foregoing resolutions are not then 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 Chairman, the Vice Chairman, the President and Chief Executive Officer, the Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Chief Financial Officer, the Vice President – Controller, the Vice President – Finance, the Treasurer, the Corporate Secretary and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and 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, which they, or any of them, may deem necessary or advisable in order to effectuate the foregoing resolution, subject to the approval as to the form thereof by the Executive Vice President, General Counsel and Chief of Staff.

21. **Other Business**

Chairman McCullough wished everyone happy holidays and a healthy and happy new year.

22. **Next Meeting**

The next Regular Meeting of the Trustees will be held on **Tuesday, January 29, 2008, at 11:00 a.m., at the Clarence D. Rappleyea Building, White Plains, New York,** unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

On motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 2:10 p.m.

Anne B. Cahill
Corporate Secretary