

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

February 27, 2007

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Minutes of the Regular Meeting of the Power Authority of the State of New York held via video conference at the following participating locations at 11:30 a.m.:

- 1) New York Power Authority, 123 Main Street, White Plains, NY
- 2) New York Power Authority, Niagara Power Project, 5777 Lewiston Road, Lewiston, NY

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

Frank S. McCullough, Jr., Chairman (White Plains, NY)
Michael J. Townsend, Vice Chairman (White Plains, NY)
Elise M. Cusack, Trustee (Lewiston, NY)
Robert E. Moses, Trustee (White Plains, NY)
Thomas W. Scozzafava, Trustee (White Plains, NY)
Joseph J. Seymour, Trustee (White Plains, NY)
Leonard N. Spano, Trustee (White Plains, NY)

Timothy S. Carey	President and Chief Executive Officer, NYPA
Thomas J. Kelly	Executive Vice President and General Counsel, NYPA
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer, NYPA
Vincent C. Vesce	Executive Vice President – Corporate Services and Administration, NYPA
Steven J. DeCarlo	Senior Vice President – Transmission, NYPA
Angelo S. Esposito	Senior Vice President – Energy Services and Technology, NYPA
Louise M. Morman	Senior Vice President – Marketing and Economic Development, NYPA
William J. Nadeau	Senior Vice President – Energy Resource Management and Strategic Planning, NYPA
Brian Vattimo	Senior Vice President – Public and Governmental Affairs, NYPA
Edward A. Welz	Senior Vice President and Chief Engineer – Power Generation, NYPA
Thomas P. Antenucci	Vice President – Project Management, NYPA
Arnold M. Bellis	Vice President – Controller, NYPA
Arthur M. Brennan	Vice President – Internal Audit and Compliance, NYPA
John M. Hoff	Vice President – Procurement and Real Estate, NYPA
Donald A. Russak	Vice President – Finance, NYPA
Thomas H. Warmath	Vice President and Chief Risk Officer, NYPA
Daniel Wiese	Vice President and Inspector General – Corporate Security, NYPA
James H. Yates	Vice President – Major Accounts Marketing and Economic Development, NYPA
Anne B. Cahill	Corporate Secretary, NYPA
Angela D. Graves	Deputy Corporate Secretary, NYPA
Dennis T. Eccleston	Chief Information Officer, NYPA
Brian C. McElroy	Treasurer, NYPA
Lisa Cole	Deputy Treasurer, NYPA
Joseph J. Carline	Assistant General Counsel – Power and Transmission, NYPA
Paul F. Finnegan	Executive Director – Public and Governmental Affairs, NYPA
James F. Pasquale	Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing, NYPA
Michael A. Saltzman	Director – Medial Relations, NYPA
Marilyn J. Brown	Manager – Market and Pricing Analysis, NYPA
John M. Kahabka	Manager – Environmental Operations, NYPA
Joanne Wilmott	Manager – Community Relations, Niagara, NYPA
Mary Jean Frank	Associate Secretary, NYPA
Jack Murphy	Temporary PR Counsel, NYPA
Thomas Congdon	Special Assistant for Energy and Telecommunications, Governor Eliot Spitzer’s Office

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

1. **Opening Remarks**

Chairman McCullough welcomed Thomas Congdon, who serves as a Special Assistant for Energy in Governor Spitzer's Office, to the meeting.

2. **Approval of the Minutes**

The Minutes of the Regular Meeting of January 30, 2007 were unanimously adopted.

3. **Financial Reports for the Year Ended December 31, 2006 and the Month of January 2007**

Mr. Bellis presented an overview of the financial reports. He said that the Authority's independent auditor, Ernst & Young, had signed off on the Authority's financial statements for 2006 with an unqualified opinion. In response to a question from Trustee Seymour, Mr. Bellis said that Power for Jobs was one of several components of the Market Supply Power figured on page 3 of the financial reports. He said that, as a rule of thumb, the bottom-line loss shown in the financial reports can usually be attributed to the Power for Jobs reimbursements.

Exhibit "3-A"
February 27, 2007

NEW YORK POWER AUTHORITY
FINANCIAL REPORTS
FOR THE YEAR ENDED DECEMBER 31, 2006 (FINAL)
AND
THE MONTH OF JANUARY 2007

Financial Reports
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- 1 Financial Summary - Year Ended December 31, 2006
and the Month of January 2007

December 2006

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NYPA
Net Revenues
For The Year ended December 31, 2006
(\$ in 000'S)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
Operating Revenues			
Customer	\$1,735,778	\$1,829,029	(\$93,251)
ISO-Energy	766,013	947,271	(181,258)
Ancillary Services	82,391	64,654	17,737
NTAC and Other	82,963	80,134	2,829
Total ISO	<u>931,367</u>	<u>1,092,059</u>	<u>(160,692)</u>
	2,667,145	2,921,088	(253,943)
Operating Expenses			
Purchased Power:			
Entergy	164,369	158,785	(5,584)
Other	818,537	1,048,271	229,734
Ancillary Services	83,715	83,746	31
Fuel Consumed - Oil & Gas	523,043	623,649	100,606
Wheeling	296,351	302,119	5,768
Operations & Maintenance	263,613	259,965	(3,648)
Other expenses	180,703	137,904	(42,799)
Depreciation & Amortization	173,338	176,402	3,064
Allocation to Capital	(7,751)	(8,794)	(1,043)
	<u>2,495,918</u>	<u>2,782,047</u>	<u>286,129</u>
Net Operating Revenues	171,227	139,041	32,186
Interest Income and Realized Gains	74,143	63,763	10,380
Mark to Market Adjustment	310	(2,000)	2,310
Investment Income	<u>74,453</u>	<u>61,763</u>	<u>12,690</u>
Interest and Other Expenses	108,609	114,874	6,265
Net Revenues	<u><u>137,071</u></u>	<u><u>85,930</u></u>	<u><u>51,141</u></u>

New York Power Authority
Net Revenues by Facility
For the Year ended December 31, 2006
(\$ in 000's)

	Niagara/ St. Lawrence	B-G	SENY	SCPP	Market Supply Power	Flynn	Transmission	Eliminations & Adjmts	Total
Operating Revenues									
Customer	\$ 383,042	\$ 21,427	\$ 997,845	\$ 12,710	\$ 258,841	\$ 121,040	\$ 85,596	\$ (144,723)	\$ 1,735,778
ISO-Energy	55,505	67,200	491,299	110,027	52,479			(10,497)	766,013
Ancillary Services	65,782	5,747	9,012	877				973	82,391
NTAC and Other							82,963		82,963
Total ISO	121,287	72,947	500,311	110,904	52,479	-	82,963	(9,524)	931,367
Operating Expenses									
Purchased Power:									
Energy	77,045	51,833	164,369	6,565	281,522		47	(150,503)	164,369
Other	24,748	298	49,639	93	9,376			(439)	818,537
Ancillary Services			388,032	50,580		84,431			523,043
Fuel Consumed - Oil & Gas			275,686		10,625	386			296,351
Wheeling	100,182	27,335	47,983	13,150	1,641	8,379	64,943		263,613
Operations & Maintenance	20,393	3,219	11,030	868	53,270	715	12,647	78,561	180,703
Other expenses	33,690	5,961	59,157	29,288	849	5,236	39,157		173,338
Depreciation & Amortization	(3,338)	(938)	(1,313)	(34)		(257)	(1,871)		(7,751)
Allocation to Capital	262,374	87,708	1,546,611	100,510	357,283	98,890	114,923	(72,381)	2,495,918
Net Operating Revenues	241,955	6,666	(48,455)	23,104	(45,963)	22,150	53,636	(81,866)	171,227
Investment and Other Income	2		7,736	1,758		43	8	64,906	74,453
Interest and Other Expenses	(15,586)	333	(38,497)	(36)	(72)	(3,854)	(30,918)	(19,979)	(108,609)
Net Revenues (loss)	226,371	6,999	(79,216)	24,826	(46,035)	18,339	22,726	(36,939)	137,071
Budget	129,385	(4,775)	(26,860)	2,578	(57,824)	15,561	23,102	4,767	85,930
Variance	\$ 96,986	\$ 11,774	\$ (52,356)	\$ 22,248	\$ 11,789	\$ 2,778	\$ (376)	\$ (41,706)	\$ 51,141

* Reflects loss of \$109.2 million partially offset by \$30.0 million anticipated recovery from NYC Govt. customers (based on sharing plan elected for 2006 under LT Supplemental Energy Supply Agreement).

NEW YORK POWER AUTHORITY
VARIANCE FROM BUDGET
MAJOR FACTORS
For the Year Ended December 31, 2006
(Millions)

		Better/(Worse) than budget	
Niagara/St. Lawrence	o Lower customer & ISO energy revenues (lower prices)	\$ (62.2)	
	o Higher ancillary service revenues (primarily higher prices for regulation & reserves)	9.6	
	o Lower purchased power costs (lower volumes & prices)	143.1	
	o Lower O&M (primarily lower contractor services at Niagara)	4.5	
	o Other (lower interest costs)	2.0	
			\$ 97.0
Blenheim-Gilboa	o Higher customer & ISO revenues (higher capacity prices)	17.7	
	o Higher purchased power costs (higher volumes)	(4.3)	
	o Higher site O&M (thrust bearing repair)	(0.6)	
	o Higher allocated administrative expenses	(1.0)	
			11.8
SENY	o Lower revenues (primarily lower prices on sales to the ISO)	(120.8)	
	o Lower purchased power costs (lower prices)	36.9	
	o Lower fuel costs (primarily lower prices)	30.1	
	o Other (including lower interest costs)	1.4	
			(52.4)
SCPP	o Lower ISO energy revenues (lower prices) partially offset by higher capacity revenues	(7.9)	
	o Lower fuel costs (lower prices)	30.3	
	o Higher site O&M (Kent turbine blade repair)	(1.5)	
	o Other (mainly insurance recovery-Harlem River turbine repair)	1.3	
			22.2
Market Supply Power	o Lower revenues (primarily lower prices on sales to the ISO)	(27.1)	
	o Lower purchased power costs (lower prices)	30.5	
	o Other (primarily lower PFJ customer rebates)	8.4	
			11.8
Flynn	o Lower revenues (lower prices on Long Island)	(37.3)	
	o Lower fuel costs (primarily lower prices)	40.2	
	o Other	(0.1)	
			2.8
Transmission	o Higher revenues (NTAC)	1.2	
	o Higher O&M (right-of-way maintenance)	(0.9)	
	o Other	(0.7)	
			(0.4)
Consolidating adjustments	(includes estimated potential voluntary contribution of \$40.0 to NY State for the 2006/7 fiscal year)		(41.7)
Net Revenues			\$ 51.1

NYPA
Net Revenues
For The Month ended January 31, 2007
(\$ in 000'S)

	<u>Annual Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
Operating Revenues				
Customer	\$1,826,711	\$155,822	\$154,219	\$1,603
Market-Based Power Sales	737,570	53,468	54,937	(1,469)
Ancillary Services	67,499	6,722	6,530	192
NTAC and Other	81,763	7,285	7,037	248
Total Market-Based and ISO	<u>886,832</u>	<u>67,475</u>	<u>68,504</u>	<u>(1,029)</u>
	2,713,543	223,297	222,723	574
Operating Expenses				
Purchased Power:				
Entergy	155,370	14,584	13,909	(675)
Other	809,217	58,479	65,859	7,380
Ancillary Services	73,733	7,369	6,328	(1,041)
Fuel Consumed - Oil & Gas	519,480	42,468	46,126	3,658
Wheeling	325,869	20,098	20,133	35
Operations & Maintenance	281,152	22,420	23,894	1,474
Other expenses	137,604	12,208	11,467	(741)
Depreciation & Amortization	176,451	14,447	14,538	91
Allocation to Capital	(12,681)	(702)	(553)	149
	<u>2,466,195</u>	<u>191,371</u>	<u>201,701</u>	<u>10,330</u>
Net Operating Revenues	247,348	31,926	21,022	10,904
Interest Income and Realized Gains	56,743	5,596	4,702	894
Mark to Market Adjustment	1,000	(974)	-	(974)
Investment Income	<u>57,743</u>	<u>4,622</u>	<u>4,702</u>	<u>(80)</u>
Interest and Other Expenses	129,197	8,454	10,103	1,649
Net Revenues	<u>175,894</u>	<u>28,094</u>	<u>15,621</u>	<u>12,473</u>

New York Power Authority
Net Revenues by Facility
For the Month ended January 31, 2007
(\$ in 000's)

	Niagara/ St. Lawrence	B-G	SENY	SCPP	Market Supply Power	Flynn	Transmission	Eliminations & Adjmts	Total
Operating Revenues									
Customer	\$ 25,695	\$ 855	\$ 95,007	\$ 56	\$ 19,440	\$ 10,363	\$ 7,791	\$ (3,385)	\$ 155,822
Market-Based Power Sales	19,734	9,129	33,224	7,178	3,066			(18,863)	53,468
Ancillary Services	5,777	304	573	68			7,285		6,722
NTAC and Other								(18,863)	7,285
Total Market-Based and ISO	25,511	9,433	33,797	7,246	3,066	-	7,285	(18,863)	67,475
Operating Expenses									
Purchased Power:									
Energy			14,584						14,584
Other	6,669	6,336	47,317	378	20,509			(22,730)	58,479
Ancillary Services	2,403	36	4,009	6	915				7,369
Fuel Consumed - Oil & Gas			31,304	3,614		7,550			42,468
Wheeling	800		18,524		750	24			20,098
Operations & Maintenance	8,592	2,093	4,457	1,416	169	608	5,085		22,420
Other expenses	1,880	295	1,218	97	4,208	69	1,115	3,326	12,208
Depreciation & Amortization	2,910	507	4,902	2,344	72	438	3,274		14,447
Allocation to Capital	(302)	(85)	(119)	(3)		(23)	(170)		(702)
	22,952	9,182	126,196	7,852	26,623	8,666	9,304	(19,404)	191,371
Net Operating Revenues	28,254	1,106	2,608	(550)	(4,117)	1,697	5,772	(2,844)	31,926
Investment and Other Income			226					4,396	4,622
Interest and Other Expenses	(1,468)	81	(3,017)	(3)	(6)	(217)	(2,257)	(1,567)	(8,454)
Net Revenues (loss)	26,786	1,187	(183)	(553)	(4,123)	1,480	3,515	(15)	28,094
Budget	18,528	6	(1,136)	(585)	(4,877)	1,337	2,190	158	15,621
Variance	\$ 8,258	\$ 1,181	\$ 953	\$ 32	\$ 754	\$ 143	\$ 1,325	\$ (173)	\$ 12,473

NEW YORK POWER AUTHORITY
VARIANCE FROM BUDGET
MAJOR FACTORS
For the Month Ended January 31, 2007
(Millions)

		Better/(Worse) than budget	
Niagara/St. Lawrence	o Higher revenues (primarily a higher volume of market-based sales)	\$ 9.1	
	o Higher purchased power costs (primarily congestion)	(0.7)	
	o Higher Niagara site O&M (less than anticipated labor charged to capital)	(0.5)	
	o Other (lower interest costs)	0.4	
			\$ 8.3
Blenheim-Gilboa	o Higher market-based revenues (higher volumes)	3.4	
	o Higher purchased power costs (higher volumes)	(2.2)	1.2
SENY	o Lower revenues (primarily lower volumes on sales to the ISO)	(2.1)	
	o Higher purchased power costs (higher volumes)	(2.3)	
	o Lower fuel costs (lower generation partially offset by higher prices)	4.3	
	o Other (including lower interest costs)	1.1	1.0
SCPP	o Higher market based revenues (higher volumes)	1.8	
	o Higher fuel costs (higher generation)	(1.4)	
	o Other	(0.4)	-
Market Supply Power	o Lower revenues	(2.1)	
	o Lower purchased power costs (lower prices & volumes)	2.9	0.8
Flynn	o Lower revenues (lower prices on Long Island)	(0.8)	
	o Lower fuel costs (primarily lower prices)	0.8	
	o Other	0.1	0.1
Transmission	o Higher revenues	0.6	
	o Lower allocated administrative expenses	0.5	
	o Other	0.2	1.3
Consolidating adjustments			(0.2)
Net Revenues			\$ 12.5

NYPA
Operations & Maintenance
For the Month Ended January 31, 2007

	(\$'s in millions)	
	<u>Actual</u>	<u>Budget</u>
Power Generation		
Headquarters Support	\$1.4	\$0.7
Blenheim-Gilboa	1.1	1.2
Charles Poletti	1.1	1.5
500 MW	1.5	1.6
R.M. Flynn	0.4	0.4
SCPP	1.3	1.3
Small Hydros	0.2	0.3
Niagara	3.4	2.9
St. Lawrence	<u>1.7</u>	<u>1.7</u>
	12.1	11.6
Transmission		
ECC/Headquarters	0.8	0.9
Transmission Facilities	<u>2.9</u>	<u>3.0</u>
	3.7	3.9
Corporate Support		
Executive Office	0.7	0.9
Business Services	2.7	2.8
HR & Corporate Support	1.4	2.4
Marketing & Econ. Devel.	0.5	0.5
Energy Services	<u>0.3</u>	<u>0.5</u>
	5.6	7.1
Research & Development & Other	1.0	1.3
Total	<u>\$22.4</u>	<u>\$23.9</u>

For January 2007, O&M expenses were \$1.5 million under budget. Power Generation expenditures were \$0.5 million higher than budgeted. The Power Generation HQ overrun (\$0.7 million) reflected less than anticipated capital labor charges to the facilities. Niagara spending was \$0.5 million over budget due to overruns in recurring maintenance projects and less than anticipated labor charged to capital projects (mainly Unit # 4 Standardization). These negatives were partially offset by an underrun at Poletti (\$0.4 million) due primarily to lower than expected contract costs for routine maintenance. Transmission was slightly under budget resulting from less than expected charges for computer software. HQ Corporate Support expenses were collectively \$1.5 million under budget due to early year underspending for HQ building maintenance, legal consultants and fuel cell maintenance.

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

	<u>JANUARY 2007</u>	<u>DECEMBER 2006</u>	<u>NET CHANGE</u>
ASSETS:			
Electric Plant In Service, Less Accumulated Depreciation	\$3,064,240	\$3,078,037	(13,797)
Construction Work In Progress	173,023	163,694	9,329
Net Utility Plant	<u>\$3,237,263</u>	<u>\$3,241,731</u>	<u>(4,468)</u>
Restricted Funds	68,314	67,487	827
Construction Funds	91,333	105,648	(14,315)
Investment In Decommissioning Trust Fund	925,278	922,778	2,500
Current Assets:			
Cash	72	72	-
Investments In Government Securities	774,495	749,988	24,507
Interest Receivable On Investments	16,663	15,114	1,549
Receivables-Customers	208,904	205,471	3,433
Materials & Supplies-Plant & General	67,226	66,297	929
-Fuel	28,967	32,793	(3,826)
Prepayments And Other	52,951	62,902	(9,951)
Notes Receivable-Nuclear Sale	193,984	192,001	1,983
Deferred Charges And Other Assets	<u>517,871</u>	<u>497,301</u>	<u>20,570</u>
TOTAL ASSETS	<u>\$6,183,321</u>	<u>\$6,159,583</u>	<u>\$23,738</u>
LIABILITIES AND OTHER CREDITS:			
Long-Term Debt - Bonds	\$1,731,169	\$1,735,262	(4,093)
Notes	156,145	156,145	-
Short-Term Notes Payable	262,519	272,282	(9,763)
Accounts Payable And Accrued Liabilities	644,424	637,216	7,208
Spent Nuclear Fuel Disposal	202,425	201,575	850
Decommissioning Of Nuclear Plants	925,278	922,778	2,500
Deferred Revenue	<u>199,775</u>	<u>200,706</u>	<u>(931)</u>
TOTAL LIABILITIES AND OTHER CREDITS	<u>4,121,735</u>	<u>4,125,964</u>	<u>(4,229)</u>
ACCUMULATED NET REVENUES-JANUARY 1	2,033,492	1,896,548	136,944
NET REVENUES	<u>28,094</u>	<u>137,071</u>	<u>(108,977)</u>
TOTAL LIABILITIES AND CAPITAL	<u>\$6,183,321</u>	<u>\$6,159,583</u>	<u>\$23,738</u>

NYPA
SUMMARY OF NET GENERATION (MWH'S)
FOR THE MONTH ENDED JANUARY 31, 2007

Facility	Actual	Budget	Variance (Actual vs Budget)	% Variance from Budget
<i>Niagara</i>	<u>1,449,988</u>	<u>1,280,000</u>	<u>169,988</u>	<u>13.28%</u>
<i>St. Lawrence</i>	<u>574,946</u>	<u>520,000</u>	<u>54,946</u>	<u>10.57%</u>
<i>Combined</i>	<u>2,024,934</u>	<u>1,800,000</u>	<u>224,934</u>	<u>12.50%</u>
<i>Poletti</i>	119,579	183,618	(64,039)	-34.88%
<i>500MW</i>	185,210	201,769	(16,559)	-8.21%
<i>SCPP</i>	38,497	23,469	15,028	64.03%
<i>Blenheim Gilboa</i>	(45,250)	(30,837)	(14,413)	46.74%
<i>Small Hydro</i>	21,545	15,026	6,519	43.38%
<i>R. M. Flynn</i>	<u>109,900</u>	<u>107,866</u>	<u>2,034</u>	<u>1.89%</u>
<i>Total</i>	<u><u>2,454,415</u></u>	<u><u>2,300,911</u></u>	<u><u>153,504</u></u>	<u><u>6.67%</u></u>

NYPA
Capital Expenditures
For the Month Ended January 31, 2007

(\$'s in millions)

	<u>Actual</u>	<u>Budget</u>
New Generation	\$0.1	\$0.2
Energy Services	12.7	6.3
Existing Facilities	4.6	4.5
Transmission	3.7	3.6
Headquarters	1.0	1.5
General Plant and Minor Additions	<u>0.7</u>	<u>1.1</u>
	<u>\$22.8</u>	<u>\$17.2</u>

Capital expenditures for 2007 were 32.6% higher than the budget. **Energy Services** was \$6.4 million over budget primarily due to unplanned expenditures for the Red Hook Waste Water Treatment Plant Project which was authorized by the City in December 2006. **Headquarters** was underrunning the budget by \$0.5 million due to less than planned expenditures related to Billing System Replacement Project.

Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$6.2 million for 2007. The following are new expenditures this month:

RMNPP 100 ton Gantry Crane update	\$2.8
RMNPP Gantry Crane roll-up doors	1.3
St. Lawrence 18k potable water-line replacement	1.2
IT Infrastructure purchases	0.9

**Demand Side Management
Cost Summary (Inception to Date)
January 31, 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)
\$13,000	Distributed Generation	ES-DGN	\$1,790		\$1,790	\$335	\$1,455
183,050	Electrotechnologies LTEPA	ES-EPN	8,915	74,534	83,449	47,734	35,715
433,000	NYPA Energy Services Program	ES-ESN	59,469	91,386	150,855	44,968	105,887
530,000	SENY Govt Cust Energy Serv	ES-GSN	51,833	9,653	61,486	10,496	50,990
26,000	Landfill Gases Program	ES-LFN	662		662		662
130,000	SENY HELP LTEPA	ES-LTN	9,644	78,008	87,652	62,010	25,642
1,200	MUNI Vehicle Program	ES-MVN		458	458	214	244
140,000	Non-Elect End Use LTEPA	ES-NEN	28,990	57,634	86,624	26,655	59,969
35,000	Peak Load Mgmt	ES-PLN	5,497	165	5,662		5,662
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	1,859	60
14,600	Industrial	ES-IPN		6,875	6,875	6,664	211
51,000	LI HELP	ES-LIN		47,505	47,505	47,076	429
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	38,769	172
130,000	SENY HELP	ES-SEN		134,305	134,305	134,305	0
60,000	Statewide	ES-SWN		56,733	56,733	54,770	1,963
4,085	Other			746	746	746	0
7,500	Wattbusters			5,441	5,441	5,441	0
<u>\$1,898,435</u>			<u>\$166,800</u>	<u>\$684,376</u>	<u>\$851,176</u>	<u>\$560,581</u>	<u>\$290,595</u>

(B) POQR Funding

LOANS

Authorized	Program	Loans Issued	Repayments	Outstanding Balance
<u>\$ 16,390</u>	Colleges & Universities	<u>\$ 16,390</u>	<u>\$ 15,964 (1)</u>	<u>\$ 426</u>

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
25,825 (1)	Energy Services Programs	14,634
30,618 (1)	POCR Grants	12,610
<u>\$ 73,769</u>		<u>\$ 44,570</u>

(C) CASP Funding

Authorized	Program	Issued
\$132,823 (2)	Coal Conversion	\$118,819

(D) Board of Ed Funding

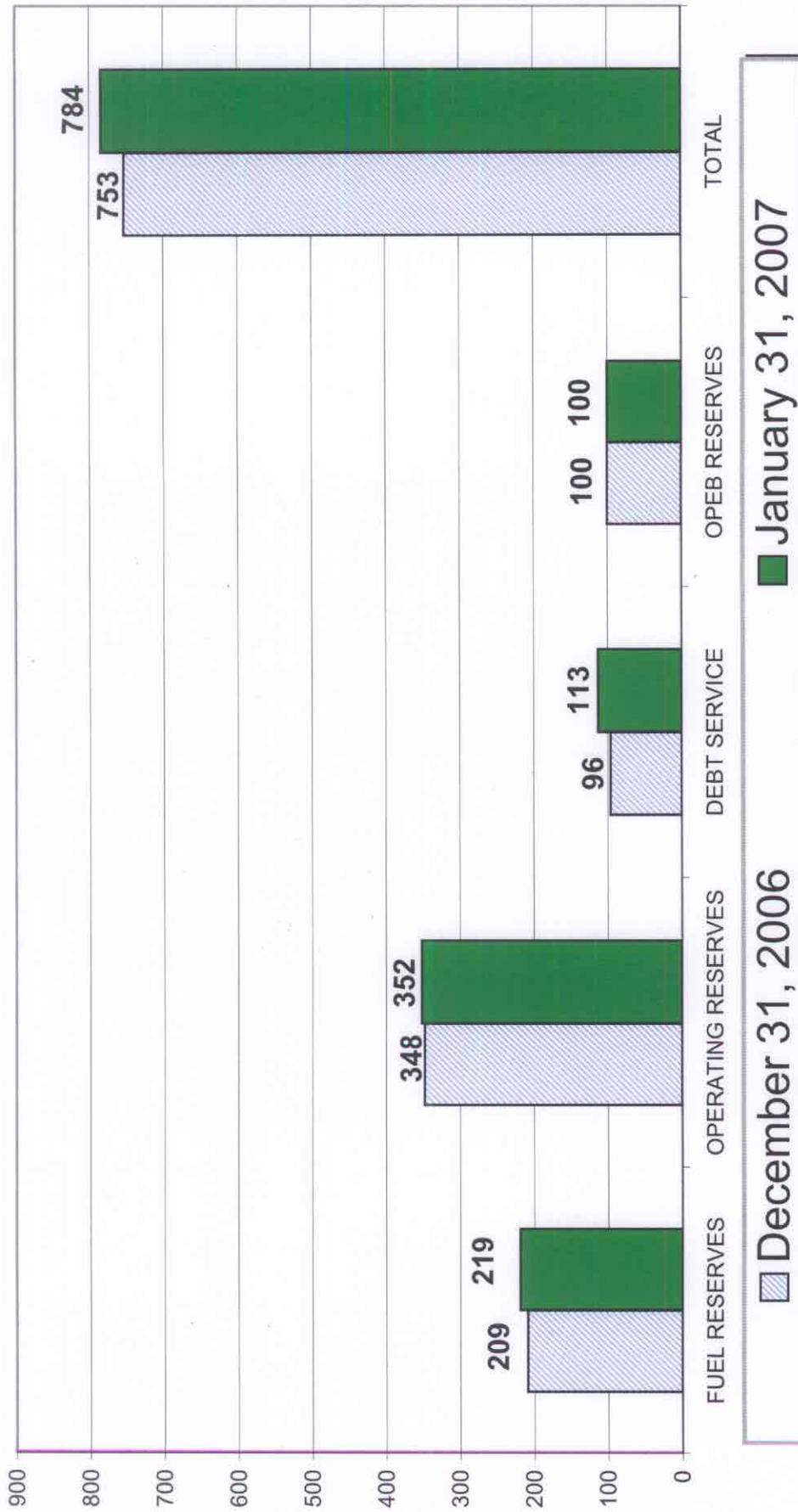
Authorized	Program	Issued
\$38,893 (2)	Climate Controls (NYC BOE)	\$34,710

(D) NYC Housing Auth Funding

Authorized	Program	Issued
\$12,950 (2)	NYCHA Hot Water Heaters	\$10,869

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

**NEW YORK POWER AUTHORITY
OPERATING FUND
(\$ MILLIONS)**



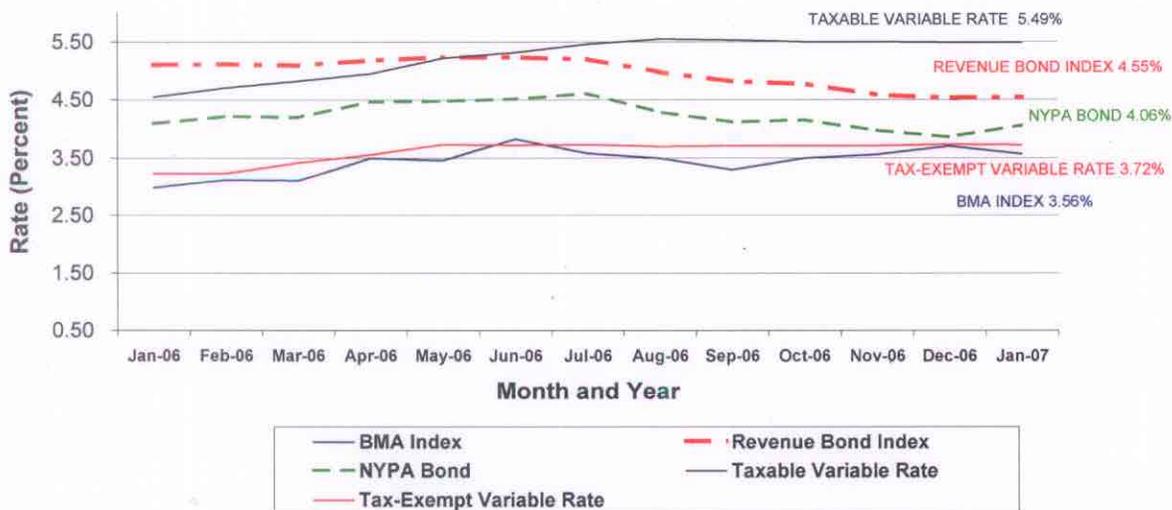
Fuel Reserves include \$202 million for Nuclear Spent Fuel and \$17 million for Energy Hedging Reserve Fund.

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



Financing Rates



4. **Report from the President and Chief Executive Officer**

President Carey said that 2006 had been a good year for the Authority and thanked all of the members of the Executive Management Committee and their staff for the good work they had done to accomplish this. He said that 2006 had also been a year of change in the Authority's senior management staff.

5. Allocation of 400 kW of Hydro Power

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 400 kW to Moldtech, Inc.

BACKGROUND

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

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

DISCUSSION

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

“Based on the Advisory Group’s discussions, staff recommends that the available power be allocated to Moldtech, Inc. as set forth in Exhibit ‘5-A.’ The Exhibit show, among other things, the amount of power requested by the company, the recommended allocation and additional employment and capital investment information. This project will help maintain and diversify the industrial base of Western New York and provide new employment opportunities. It is projected to result in the creation of 25 jobs.

RECOMMENDATION

“The Director – Business Power Allocations, Compliance & Municipal & Cooperative Marketing recommends that the Trustees approve the allocation of 400 kW of hydro power to Moldtech, Inc.

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

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

RESOLVED, That the allocation of 400 kW of Replacement Power, as detailed in Exhibit "S-A," be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further

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

New York Power Authority
 Replacement Power
 Recommendations for Allocations

Exhibit "5-A"
 February 27, 2007

Exhibit Number	Company Name	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term (1)
A-1	Moldtech, Inc	Amherst	Erie	500	25	\$3,600,000	\$38,000	400	Until 8/31/07
	Total RP Recommended				25	3,600,000		400	

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

APPLICATION SUMMARY

Replacement Power

Company: Moldtech, Inc.

Location: Amherst

County: Erie County

IOU: National Grid

Business Activity: Injection-molded rubber products

Project Description: The project includes purchasing a facility in Amherst to increase production capacity and meet growing sales demand. Moldtech will move all existing equipment, including 15 presses, to the Amherst facility. In addition, the company will install 7 new injection presses.

Prior Application: None

Existing Allocation: None

Power Request: 500 kW

Power Recommended: 400 kW

Job Commitment:

Existing:	48 jobs
New	25 jobs

New Jobs/Power Ratio: 63 jobs/MW

New Jobs - Avg. Wage and Benefits: \$38,000

Capital Investment: \$3.6 million

Capital Investment Per MW: \$9.0 million/MW

Summary: Moldtech has seen large growth over the last two years and expects 30-50% growth for 2007, requiring additional manufacturing space and equipment, since the company will have outgrown its current space in Lancaster, NY. The company is considering relocating to Indiana, including scoping an existing facility and negotiating electricity costs. A hydro allocation will help the company stay in Western New York by greatly enhancing the option to purchase a larger facility in Amherst and relocate manufacturing operations there. Moldtech is actively pursuing other economic development opportunities, including a capital grant from Empire State Development Corporation, as well as other incentives from local agencies.

6. Power for Jobs Program – Extended Benefits

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve extended benefits for 31 Power for Jobs (‘PFJ’) customers as listed in Exhibit ‘6-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, making a total of 267 MW available in Year One. The 1998 amendments also increased the size of the program to 450 MW, with 50 MW to become available in Year Three.

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

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

“Chapter 59 of the Laws of 2004 extended the benefits for PFJ customers whose contracts expired before the end of the program in 2005. Such customers had to choose to receive an ‘electricity savings reimbursement’ rebate and/or a power contract extension. The Authority was also authorized to voluntarily fund the rebates, if deemed feasible and advisable by the Trustees.

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

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

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

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

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

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

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

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

DISCUSSION

“At its meeting on February 26, 2007, EDPAB recommended that the Authority’s Trustees approve electricity savings reimbursement rebates to the 31 businesses listed in Exhibit ‘6-A.’ Collectively, these organizations have agreed to retain more than 32,000 jobs in New York State in exchange for rebates. The rebate program will be in effect until June 30, 2007, the program’s sunset.

“The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit ‘6-A’ in a total amount currently not expected to exceed \$2.9 million. Staff recommends that the Trustees authorize a withdrawal of monies from the Operating Fund for the payment of such amount, provided that such amount is not needed at the time of withdrawal for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. Staff expects to present the Trustees with requests for additional funding for rebates to the companies listed in the Exhibits in the future.

FISCAL INFORMATION

“Funding of rebates for the companies listed on Exhibit ‘6-A’ is not expected to exceed \$2.9 million. Payments will be made from the Operating Fund. To date, the Trustees have approved \$66.8 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 ‘6-A.’

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

Mr. Pasquale presented the highlights of staff’s recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Pasquale said that the eight companies that had received a reduction in their Power for Jobs (“PFJ”) allocation due to non-compliance with their agreed-to job levels had also received notification of the Authority’s process for reconsidering such PFJ reductions.

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

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve electricity savings reimbursements to the Power for Jobs customers listed in Exhibit “6-A”;

NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the

Authority hereby approves the payment of electricity savings reimbursements to the companies listed in Exhibit "6-A," and that the Authority finds that such payments for electricity savings reimbursements are in all respects reasonable, consistent with the requirements of the Power for Jobs program and in the public interest; and be it further

RESOLVED, That based on staff's recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to \$2.9 million, and it is hereby found that amounts may properly be withdrawn from the Operating Fund to fund such payments; and be it further

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

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

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

Recommendation for Electricity Savings Reimbursements

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application			Compliance	Recommended		Type	Service
							Over (under)	% Over (under)	KW		Jobs/MW			
1	Beth Israel Medical Center	New York	New York	Con Ed	3,800	4800	6,634	1,834	38%	Yes	3,800	1,746	NFP	Health Care Center
2	Charmer Industries, Inc.	Astoria	Queens	Con Ed	750	732	810	78	11%	Yes	750	1,080	Large	Distributors of wines and spirits
3	Lincoln Center for the Performing Arts	New York	New York	Con Ed	3,000	2,312	2,328	16	1%	Yes	3,000	776	NFP	Performing Arts Center
4	New York Presbyterian Hospital	New York	New York	Con Ed	5,000	6,958	7,765	807	12%	Yes	5,000	1,553	NFP	Medical care
	Total Con Ed		Subtotal	4	12,550	14,802	17,537				12,550			
5	Bruce's Bakery	Great Neck	Nassau	LIPA	75	54	56	2	4%	Yes	75	747	Small	Manufact. & distributor of baked goods
6	Good Samaritan Hospital	West Islip	Suffolk	LIPA	800	2,651	2,914	263	10%	Yes	800	3,642	NFP	Healthcare Center
7	IWCO Direct (Fala Direct)	Melville	Suffolk	LIPA	1,500	554	499	-55	-10%	Yes	1,500	333	Large	Direct-mail services
8	Madelaine Chocolates	Rockaway Beach	Queens	LIPA	575	500	535	35	7%	Yes	575	930	Large	Manufactures chocolate
9	Silver Lake Cookie Co.	Islip	Suffolk	LIPA	400	247	293	46	19%	Yes	400	733	Large	Manufacturer of specialty cookies
	Total LIPA		Subtotal	5	3,350	4,006	4,297				3,350			
10	Bristol-Myers Squibb Company	East Syracuse	Onondaga	N. Grid	5,000	936	1,069	133	14%	Yes	5,000	214	Large	Manufacturer of bulk antibiotics
11	Dielectric Laboratories, Inc.	Cazenovia	Madison	N. Grid	400	248	174	-74	-30%	No	400	435	Large	Ceramic capacitors
12	Edward John Noble Hospital	Gouverneur	St. Lawrence	N. Grid	100	252	258	6	2%	Yes	100	2,580	NFP	Healthcare center
13	Fiber Glass Industries Inc.	Amsterdam	Montgomery	N. Grid	700	142	137	-5	-4%	Yes	700	196	Large	Produces high strength woven fabrics
14	Fitzpatrick & Weller, Inc.	Ellicottville	Cattaraugus	N. Grid	1,000	230	107	-123	-53%	No	1,000	107	Large	Lumber & wood components
15	Kilian Manufacturing Corporation	Syracuse	Onondaga	N. Grid	400	345	214	-131	-38%	No	400	535	Large	Mfr. ball bearings
16	Lewis County General Hospital	Lowville	Lewis	N. Grid	200	382	389	7	2%	Yes	200	1,945	NFP	Medical Center
17	Mohawk Paper Mills	Cohoes	Albany	N. Grid	2,250	389	426	37	10%	Yes	2,250	189	Large	Manufacturer of text and cover papers
18	Nathan Littauer Hospital & Nursing Home	Gloversville	Fulton	N. Grid	400	662	677	15	2%	Yes	400	1,693	NFP	Hospital and Nursing Home
19	Oldcastle Precast Inc (Spancrete Northeast)	South Bethlehem	Albany	N. Grid	350	113	53	-60	-53%	No	160	331	Small	Precast products and installation
20	Organichem, Inc.	Rensselear	Rensselaer	N. Grid	1,000	183	330	147	80%	Yes	1,000	330	Large	Manufacturing pharmaceutical ingredients
21	Quad Graphics, Inc.	Saratoga Springs	Saratoga	N. Grid	4,000	1,420	1,118	-302	-21%	No	4,000	280	Large	Printing services
22	Queensboro Farm Products, Inc. - Canastota	Canastota	Madison	N. Grid	500	79	81	2	3%	Yes	500	162	Large	Milk manufacturing and processing plant
23	Revere Copper Products	Rome	Oneida	N. Grid	2,000	452	425	-27	-6%	Yes	2,000	213	Large	Copper & brass products
24	Robison & Smith, Inc.	Gloversville	Fulton	N. Grid	384	176	190	14	8%	Yes	384	495	Small	Linen & Laundry Supply
25	Sorrento Lactalis, Inc.	Buffalo	Erie	N. Grid	1,500	358	464	106	30%	Yes	1,500	309	Large	Produces cheese as well as whey products
26	St. Joseph's Hospital Health Center	Syracuse	Onondaga	N. Grid	1,000	2,997	3,071	74	2%	Yes	1,000	3,071	NFP	Healthcare Center
27	Standard Manufacturing Co., Inc.	Troy	Rensselaer	N. Grid	160	152	30	-122	-80%	No	30	1,000	Small	Apparel
28	Syracuse China Company	Syracuse	Onondaga	N. Grid	500	434	371	-63	-15%	No	460	807	Large	Manufactures restaurant china
29	Welch Allyn Data Collection Inc.	Skaneateles Falls	Onondaga	N. Grid	2,000	1,294	1,257	-37	-3%	Yes	2,000	629	Large	Medical and dental diagnostic equipment
	Total National Grid		Subtotal	20	23,844	11,244	10,841				23,484			
30	A. T. Reynolds & Sons, Inc.	Kiamesha Lake	Sullivan	NYSEG	500	116	59	-57	-49%	No	250	236	Small	Spring water and Ice Mfr.
31	Agri-Mark, Inc	Chateaugay	Franklin	NYSEG	500	106	116	10	9%	Yes	500	232	Large	Cheese Manufacturer
	Total NYSEG		2	1,000	222	175					750			

Total	31	40,744	30,274	32,850
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40,134	819
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7. **Transfers of Industrial Power**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the transfer of power allocations for six existing customers that have either changed their names for various business reasons and/or moved the location of their business.

BACKGROUND

“Four companies have requested that the Authority grant approval of their requests for the continued delivery of Authority power allocations to facilities that have all gained prior approval for an allocation with pre-existing company names and/or ownership. The present owners of these same facilities are now requesting that the Authority authorize the continuation of the power allocations granted to the previous company names and ownership associated with these facilities.

“Two companies have requested that the Authority grant approval of their requests to transfer their allocation to another facility for the reasons indicated below.

“The Trustees have approved transfers of this nature at past meetings.

DISCUSSION

“The proposed transferees are as follows:

“**Caplugs, LLC** (‘Caplugs’), located in Buffalo and in business since 1948, manufactures caps, plugs and temperature-control equipment through plastic injection molding, vinyl dip molding and extrusion. The company has a 250 kW Expansion Power (‘EP’) allocation for 310 jobs awarded by the Trustees at their meeting on March 31, 1998, originally to Protective Closures Co., Inc. and transferred by the Trustees to Caplugs, LLC at their March 30, 2004 meeting. In September 2005, Protective Industries, Inc. purchased all the assets of Caplugs, kept the Caplugs name and agreed to honor all terms and commitments with the Authority.

“**CoolBrands Dairy, Inc.**, (‘CoolBrands’), located in North Lawrence and in business since the early 1900s under various owners, produces cultured dairy products, cottage cheese and flavored yogurts. The Trustees approved a 1,000 kW Power for Jobs (‘PFJ’) allocation to Kraft Foods for 140 jobs at their meeting of September 28, 1998. At their meeting of June 28, 2005, the Trustees approved a transfer of the allocation to CoolBrands based on the purchase of assets and liabilities associated with the North Lawrence site in March 2005 and an agreement to honor all contract terms and conditions of the allocation agreement and continue manufacturing similar products. Recently, CoolBrands completed the sale of its assets and liabilities to North Lawrence Dairy, Inc., a subsidiary of Breyers Yogurt Company. The company will remain named North Lawrence Dairy, Inc. The company agrees to comply with all obligations associated with its allocation and will continue to manufacture the same or similar products in the same facility.

“**Hydro-Air Components, Inc.** (‘Hydro-Air’), located in Hamburg and in business since 1982, manufactures hydronic heating and cooling components and systems for the industrial and commercial construction industry. The Trustees approved a 250 kW EP allocation for 55 jobs at their meeting on June 25, 1996. Zehnder Group AG purchased all of Hydro-Air’s stock on July 1, 2006 and is keeping the Hydro-Air name. The company agrees to comply with all obligations to the Authority associated with its allocations. At their meeting of June 27, 2006, the Trustees approved a 250 kW Replacement Power (‘RP’) allocation for 55 base jobs and 150 new jobs; this allocation has not started yet. The company also wishes to transfer both allocations to its new manufacturing facility at a former brown-field site in Buffalo.

“**International Business Machines Corporation** (‘IBM’), located in White Plains, which provides advanced information services, products and technologies, uses the 1133 Westchester Avenue location as a sales and distribution support center for North America. IBM was awarded a 4.4 MW PFJ allocation for 1,884 jobs by the

Trustees at their meeting on January 27, 1998. The company applied for an electricity savings reimbursement for this allocation, which the Trustees approved at their July 26, 2005 meeting and have continued to approve since then. IBM wishes to reallocate the 4.4 MW, as it has transferred almost all of the jobs from the current location to three other locations: North Castle (2.4 MW), Corporate Headquarters (1.9 MW) and the IBM Learning Facility (100 kW). IBM agrees to comply with its obligations to the Authority associated with this electricity savings reimbursement.

“Photocircuits Corp. (‘Photocircuits’), located in Glen Cove and in business since 1986, is the largest manufacturer on Long Island and one of the largest independent printed circuit board manufacturers with primary production still in the U. S. The Trustees approved a 4,000 kW PFJ allocation in return for 2,028 jobs at their March 31, 1998 meeting and further extended the contract in 2001. Photocircuits had all of its assets acquired through bankruptcy by the American Pacific Financial Corporation (‘AMPAC’) on March 28, 2006. The new company will continue to use the Photocircuits name and remain at the same location. The company chose the electricity savings reimbursement option for receiving PFJ extended benefits. Photocircuits was below its job commitment in the application for PFJ extended benefits and had its allocation eligible for rebate reduced, as per the 2005 PFJ legislation, to 2,800 kW, but the company petitioned for full reinstatement to 4,000 kW with 983 jobs, which was approved by the Trustees at their meeting on March 28, 2006. The company will honor all commitments to the Authority associated with its PFJ allocation.

“Universal Linen Service Co., Inc. (‘Universal’), located in Rome and in business since 1972, provides commercial laundry services to the healthcare, hotel and restaurant industries. The Trustees approved a 175 kW PFJ allocation for 71 jobs at their meeting on March 30, 1999. Universal was ineligible for an extension or reimbursement after its contract expired in March 2004 due to it being more than 10% below its employment commitment, as provided for in the 2005 legislation. However, Universal became eligible for a reduced allocation for 2006 and was approved for 150 kW for 63 jobs by the Trustees at their September 20, 2005 meeting. Universal was approved for 2007 extended benefits by the Trustees at their meeting on November 28, 2006, for 150 kW for 30 jobs. R & S Textile Services, Inc. purchased all of Universal’s land, buildings and equipment on July 1, 2006. The company agrees to honor all terms of the agreement with the Authority and will be named **R & S Textile Services, Inc.**

RECOMMENDATION

“The Director – Business Power Allocations Compliance and Municipal and Cooperative Marketing recommends that the Trustees approve the transfer of power allocations for four existing customers that have changed their names or transferred their allocations for various business reasons and approve the transfer of two customers’ existing allocations to their new facilities.

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

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

RESOLVED, That the Authority hereby authorizes the transfers of six industrial power allocations in accordance with the terms described in the foregoing report of the President and Chief Executive Officer; and be it further

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

8. Energy Efficiency Improvements – NYPA Facilities Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize capital expenditures in the amount of \$2.5 million for the implementation of energy efficiency improvements at various Authority facilities under the NYPA Facilities Program (‘Program’). This amount will be in addition to \$8.5 million in funding previously approved by the Trustees for this Program.

BACKGROUND

“The Authority has been implementing energy services programs since the 1990s as part of its overall mission to provide clean, economical and reliable energy for the benefit of its customers and the people of New York State. The Trustees have approved more than \$1.8 billion in energy services programs and in 2006 achieved a milestone by investing more than \$117 million in projects throughout the State. To date, the Authority’s programs have reduced the demand for electricity by approximately 200 MW, resulting in savings of nearly \$96 million annually.

“Energy efficiency is a major corporate objective of the Authority, with \$6.5 million in energy efficiency projects completed under the program to date at the Authority’s own facilities and headquarters sites.

DISCUSSION

“Projects already implemented under the Program include energy efficiency upgrades at the Charles Poletti Power Project (‘Poletti’) (\$394,000), the Blenheim-Gilboa Pumped Storage Facility (\$226,000) and the St. Lawrence (‘St. Lawrence’) and Niagara (‘Niagara’) Hydro Power Projects (\$2.29 million). In addition, several projects were completed at the Authority’s headquarters offices in Albany and White Plains (\$3.55 million). Most recently, the Authority’s White Plains building was awarded a Gold Leadership in Energy and Environmental Design (‘LEED’) Certification from the United States Green Building Council. This was based on the work implemented under the Program in 2003, as well as additional work completed in 2006. To achieve the LEED Gold level, environmental improvements were made and energy efficiency work was done that resulted in a 50% reduction in the building’s energy consumption.

“In the future, funding under the Program will be used to complete an upgrade to the heating, ventilation and air-conditioning (‘HVAC’) system at Niagara. The scope of the Niagara HVAC project includes replacing aging motors that serve fans and pumps throughout the Power Project. Variable-speed drives will be installed to optimize the operation of both fan and pump motors. Carbon dioxide sensors will be installed on key air-handling units so that air flow to spaces can be modulated based on the space occupancy levels. Air-handling system controls will be installed in some spaces to optimize fan and damper operation. The total installed cost for the measures is \$2.025 million. The measures are expected to save about \$211,800 per year in electrical costs.

“Additional work beyond the Niagara HVAC project may result from a new Authority initiative to develop sustainable principles and guidelines that will examine the ‘greening’ of the design, construction, maintenance and operations of the Authority’s generation and transmission infrastructure, as well as other equipment assets and facilities. The overall objective of these efforts will be to enhance energy system reliability while reducing overall environmental impacts. Preliminary audits are planned for the Poletti Administration Building and the St. Lawrence Visitors’ Center in 2007, and the Energy Control Center in 2008.

FISCAL INFORMATION

“Funding for this program will be paid from the Capital Fund.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology recommends that the Trustees authorize additional funding of \$2.5 million for the NYPA Facilities Program to complete energy efficiency upgrades and improvements at the Authority’s power plant sites and headquarters offices.

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

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

RESOLVED, That pursuant to the Authority’s Expenditure Authorization Procedures, approval is hereby granted for the expenditure of up to \$2.5 million to finance the cost of energy efficiency measures at the Authority’s Power Plant sites and Headquarters Offices as recommended in the foregoing report of the President and Chief Executive Officer in the amount and for the purposes listed below:

<u>Capital Funds</u>	<u>Expenditure</u>
Purchase and installation of energy efficiency and clean technology equipment	\$2.5 million

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

**9. Proposed Hydropower Contract with
Niagara County and the Town of Lewiston
– Notice of Public Hearing**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize a public hearing, pursuant to Section 1009 of the Public Authorities Law, on proposed contracts with Niagara County (‘County’) and the Town of Lewiston (‘Lewiston’) for the sale of a total of 12.5 MW of Niagara Project Power. The 12.5 MW of power and energy under these two contracts is comprised of 9 MW for sale to the County and 3.5 MW for sale to Lewiston. The County and Lewiston, along with five other local entities¹ (collectively, ‘Host Communities’), signed the Host Community Relicensing Settlement Agreement Addressing Non-License Terms and Conditions dated June 27, 2005 (‘HCRSA’) with the Authority. Among other things, in exchange for the support of the Host Communities for the Authority’s Niagara Power Project (‘Project’) relicensing efforts, the Authority is required to provide 9 MW of Niagara Project hydropower to the County and 3.5 MW to Lewiston, for a total of 12.5 MW. The form of the proposed contracts with the County and Lewiston is attached as Exhibit ‘9-A.’

BACKGROUND

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

“Since its filing, the Offer of Settlement has been supplemented twice with two additional agreements. These Agreements were filed with FERC on May 26, 2006 and June 30, 2006, respectively, after being approved by the Trustees at their meetings of May 23, 2006 and June 27, 2006, respectively.

“During the course of the Alternative Licensing Process, the Host Communities raised a number of issues relating to the loss of taxable land as a result of the Project, and settlement negotiations between the Host Communities and the Authority commenced in 2004. These negotiations resulted in the HCRSA, which includes an allocation of 25² MW of Project power to the Host Communities. The HCRSA represents complete settlement of all issues raised by the Host Communities during the relicensing proceeding.

¹ The City of Niagara Falls School District, the City of Niagara Falls, the Lewiston-Porter School District, the Niagara Wheatfield School District and the Town of Niagara.

² The Authority has already identified a block of 24 MW for sale in 2007 if needed in order to meet its obligation to the Host Communities Fund. Current market forecasts, however, suggest that the Authority may be able to sell less than 24 MW in 2007 to fund the \$5 million initial payment to the Host Communities. If this assumption is correct, the Authority may have excess power available. For example, if the Authority only has to sell 22 MW of power in 2007 in order to realize \$5 million to support the Authority’s Host Community Fund, 2 MW might become available to the Authority.

The Authority has agreed that any excess power, up to 3MW, that becomes available (i.e., that portion of the 24 MW that is not required to be sold into the market in order to meet its \$5 million obligation under the HCRSA) will be provided to Lewiston by the Authority in the form of a power allocation.

DISCUSSION

“The proposed contracts are two of several that will implement the power allocations to the Host Communities. It would make available 9 MW of Project power and energy to the County and 3.5 MW to Lewiston. The power will come largely from the block of Niagara Project power now sold to the three Upstate investor owned utilities (National Grid, NYSEG and RG&E) for the benefit of their domestic and rural consumers under contracts that expire on August 31, 2007. The remainder of the power will come from the non-preference part of the power produced by the Niagara Project Upgrade. The proposed contracts for the County and Lewiston contemplate delivery of power and energy at the Project switchyard. It will be the responsibility of the County and Lewiston to arrange for delivery of the power or the benefits of the power to ultimate users.

“The Authority’s obligation to sell power and energy to the County and Lewiston, pursuant to the HCRSA, shall become effective on the latest of: (1) the first day after the date of the ‘Acceptance of the New License,’³ (2) the date on which the Authority and the Host Communities execute a contract for the sale of power and energy, or (3) September 1, 2007. The proposed contract runs through September 1, 2025, the same as the current Niagara contracts with the municipal and rural electric cooperative customers and the Neighboring States. A successor contract will be required to meet the terms of the HCRSA. If the license is not granted to the Authority, the contracts would be of no force and effect.

“Proposed contracts concerning the allocations of the remaining 12.5 MW of power for the other five Host Communities will be brought before the Trustees at a future meeting.

FISCAL INFORMATION

“The 12.5 MW of Project power and energy allocated to the County and Lewiston under the proposed contracts will be sold at the then-effective preference power rate that fully recovers the Authority’s costs.

RECOMMENDATION

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

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

Mr. Vattimo presented the highlights of staff’s recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Vattimo said that Authority staff anticipates holding the public hearing in May at the Niagara plant. Responding to a question from Trustee Seymour, Mr. Vattimo said that negotiations on some of the contracts were still ongoing. President Carey said that the plan is to hold just one hearing on all of the contracts.

³ “Acceptance of the New License” is defined in the HCRSA as the date upon which the Authority files its acceptance of the New License with FERC, or the date of the expiration of the existing original license, August 31, 2007, whichever occurs later.

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

RESOLVED, That the Authority hereby authorizes a public hearing on the terms of the proposed contracts for the sale of hydroelectric power and energy generated by the Authority to Niagara County and the Town of Lewiston to be held at a subsequent time and date authorized by the Chairman; and be it further

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

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

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

POWER AUTHORITY
OF THE
STATE OF NEW YORK

30 South Pearl Street
Albany, New York

AGREEMENT FOR THE SALE
OF NIAGARA PROJECT POWER AND ENERGY
TO THE NIAGARA PROJECT HOST COMMUNITIES

Service Tariff No. HC-1 - Firm Hydroelectric Power and Energy

Draft
February 13, 2007

POWER AUTHORITY OF THE STATE OF NEW YORK

**30 South Pearl Street
Albany, New York 12207**

AGREEMENT FOR THE SALE OF HYDROPOWER AND ENERGY

The Town of Lewiston (“Customer”) hereby enters into this Agreement with the Power Authority of the State of New York for electric service as follows:

I. Definitions

- a. Acceptance of the New License** shall mean the date upon which the Power Authority files its acceptance of the New License with FERC, or the date of the expiration of the existing original license, August 31, 2007, whichever occurs later.
- b. Agreement** means this Agreement.
- c. Allocation** shall mean the amount of power and associated energy that the Authority has allocated to Customer hereunder.
- d. Ancillary Services** shall be as defined by the NYISO in its rules, tariffs, manuals and procedures.
- e. Commencement Date** shall be as set forth in Article XVII.
- f. Authority** is the Power Authority of the State of New York.
- g. Contract Demand** will be the amounts set forth in Section II or such other amount as may be determined in accordance with the provisions of this Agreement.
- h. Customer** is the municipality (Host Community) identified above.
- i. Customer’s Agent** is defined in Article IX.
- j. Electric Service** is Power and Energy available to Customer in accordance with applicable Service Tariffs, Rules and other contract documents.
- k. Excess Power** is defined in Article VIII and Appendix A.
- l. FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- m. FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of

the Federal Power Act, which new license will become effective after expiration of the Project's original license issued on January 30, 1958.

- n. **Firm Hydroelectric Power and Energy** are firm power and associated energy from the Authority's Niagara Power Project, intended to be available at all times except for limitations provided in this Agreement, the Rules, applicable Service Tariff or in other contract documents.
- o. **Green Attributes** (sometimes referred to as Renewable Attributes or Renewable Energy Credits) are attributes associated with renewable energy power production facilities as may be defined by law or administrative action now or in the future, including but not limited to the Renewable Portfolio Standard proceeding of the New York Public Service Commission.
- p. **Host Communities** are Niagara County, City of Niagara Falls, Town of Lewiston, Town of Niagara, City of Niagara Falls School District, Lewiston-Porter School District and Niagara-Wheatfield School District.
- q. **Load Serving Entity** Is an entity authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply Energy, Capacity and/or Ancillary Services to retail customers under the rules, tariffs, manuals and procedures of the NYISO.
- r. **NRA** means the federal Niagara Redevelopment Act (18 USC §§836, 836a)
- s. **NYISO** means the New York Independent System Operator or any successor organization.
- t. **Power Credits** is defined in Article VIII and Appendix A.
- u. **Project** means the Niagara Power Project, FERC Project 2216.
- v. **Project Power and Energy** means Firm Hydroelectric Power and Energy produced by the Project.
- w. **Project Switchyard** is the Niagara Project switchyard.
- x. **Relicensing Settlement Agreement** means the Niagara Power Project, FERC Project No. 2216 Host Community Relicensing Settlement Agreement Addressing Non-License Terms and Conditions allocation of Niagara Project Power and Energy to the Host Communities dated June 27, 2005.
- y. **Rules** are the applicable provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York).

- z. Service Tariffs** are schedules establishing rates and other conditions for sale of Electric Services to Customer.
- aa. Ultimate Users** are entities to whom Customer will resell or otherwise convey benefits associated with Project Power and Energy purchased from the Authority as provided in Article VI and Appendix A. Customer may designate itself as an Ultimate User. .
- bb. Unforced Capacity** is the capacity required to be provided by Load Serving Entities to serve load as defined by the NYISO in its rules, tariffs, manuals and procedures.

All terms not otherwise defined shall have the meaning ascribed to them in the electric industry.

II. Electric Service to be Provided

- a.** The Authority shall provide Electric Service pursuant to Service Tariff HC-1 for Power and/or Energy to enable the Customer to receive the Allocation from the Project in accordance with the provisions of the FERC License and Relicensing Settlement Agreement, in the amount set forth below:

Firm Hydroelectric Power and Energy Service pursuant to Service Tariff No. HC-1 – 3,500 KiloWatts (Contract Demand) subject to such increase as may be determined by the Authority pursuant to Appendix C to the Relicensing Settlement Agreement which determination shall be made prior to the Commencement Date

The Authority shall provide Unforced Capacity in amounts necessary to meet Customer's NYISO Unforced Capacity obligations associated with the foregoing Allocation in accordance with the rules and tariffs of the NYISO. Neither Ancillary Services, nor Green Attributes are included in such allocation.

- b.** The Contract Demands for Project Power and Energy may be modified by the Authority if the amounts of such Project Power and Energy available for sale from the Project are modified as required to comply with any ruling, order or decision of any regulatory or judicial body having jurisdiction. The Authority shall provide reasonable notice to Customer of any such proposed action that could result in modification of Contract Demands and nothing herein shall be construed as limiting Customer's right to challenge any proposed reduction in Contract Demands.

III. Rules, Regulations and Service Tariffs

The Rules and Service Tariff No. HC-1, as now in effect and/or such superseding tariffs or other tariffs as the Authority may later promulgate, all as such Rules and

Service Tariffs may be later amended from time to time by the Authority, are hereby incorporated into this Agreement with the same force and effect as if herein set forth at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariffs and the Rules, the provisions of the Service Tariffs shall govern. In the event of any inconsistencies, conflicts or differences between Articles I through XVII of this Agreement and the Service Tariffs, the provisions of Articles I through XVII of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to Customer of any proposed change in the above Rules and Service Tariffs, but in no event shall Authority provide less notice than that provided to similarly affected customers within New York State if that period of minimum notice is greater than herein referenced. Except as expressly provided otherwise herein, nothing contained in this Agreement shall be construed as restricting Customer's rights to participate in processes involving changes to rates, Rules and Service Tariffs or other matters affecting the subject of this Agreement.

IV. Transmission and Delivery of Power and Energy

Authority shall make Project Power and Energy available to Customer or Customer's Agent at the Project Switchyard. It is the Customer's responsibility to act as the Load Serving Entity ("LSE"), arrange for one or more other entities to do so on its behalf or make other arrangements for conveying the benefits associated with the allocation to Ultimate Users. Customer, or the entity acting as LSE or Customer's Agent, shall arrange for the transmission of the Project Power and Energy supplied hereunder from the Project Switchyard to Customer's points of delivery or the conversion of the Allocation into Power Credits by such other method of disposition consistent with Article VI of this Agreement and Appendix A hereto. Such delivery shall be consistent with the terms of the Open Access Transmission Tariff (OATT) or other applicable tariff of the NYISO and Customer shall be responsible for all costs associated with the transmission and delivery of the allocation.

V. Rates

Project Power and Energy shall be sold to Customer hereunder at cost-based rates equivalent to rates charged to in-state preference customers receiving preference power under the NRA.

Customer waives any challenges to any of the following methodologies and principles¹ to the extent that one or more of such methodologies and principles are used by the Authority to set rates different than those adopted by the Authority's Trustees in their meeting on April 29, 2003 based on the "January 2003 Report on Hydroelectric Production Rates" and as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

¹ These methodologies and principles were employed in and explained by the Authority's January 2003 Report on Hydroelectric Production Rates and the Staff Analysis of Public Comments and Recommendations adopted by the Authority's Trustees on April 29, 2003.

- (i) The principles set forth in the March 5, 1986 Settlement Agreement (settling *Auer v. Dyson*, No. 81-124 (Sup. Ct. Oswego Co.), *Auer v. Power Authority*, Index No. 11999-84 (Sup. Ct. N.Y. Co.) and *Delaware County Electric Cooperative, Inc. v. Power Authority*, 82 Civ. 7256 (S.D.N.Y.) (the “Auer Settlement”).
- (ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.
- (iii) Treatment of sales to third parties, including the New York Independent System Operator.
- (iv) Allocation of Indirect Overheads.
- (v) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.
- (vi) Post-employment benefits other than pensions (*i.e.*, retiree health benefits).
- (vii) Rate Stabilization Reserve (RSR) methodology as supplemented by the explanatory statement attached hereto as Appendix B

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Customer shall have the right to take any position whatsoever with respect to such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority. Nothing contained herein shall preclude Customer from participating in the rate setting process and raising issues as to whether such methodologies and principles have been correctly employed.

VI. Use and Resale of Project Power and Energy

Customer shall use the Allocation for its facilities or as otherwise allowed in accordance with this Agreement and Appendix A hereof.

In reselling and/or distributing the Allocation, except as otherwise provided in Appendix A hereof, Customer shall: 1) do so pursuant to the appropriate laws of the State of New York, 2) distribute such Allocation only to the Ultimate Users designated pursuant to Appendix A, 3) not permit such Ultimate Users to sell any of such Allocation for resale and 4) comply with the provisions of the NRA, the FERC License and the New York Power Authority Act (N.Y. Pub. Auth. Law Section 1000 et seq.), to the extent such Power Authority Act is not inconsistent with the FERC License.

Customer or Customer’s Agent shall keep its books, accounts and records pertaining to the purchase, delivery and sale of the Allocation according to

procedures reasonably deemed necessary by Authority to ensure compliance with this Agreement and Appendix A hereof, applicable statutes, licenses, the Rules. Customer shall provide such information and permit such inspection of its books and records as Authority may reasonably request and shall require its Ultimate Users as identified in Appendix A of the Agreement and, for those Ultimate Users who receive benefits only in the form of Power Credits, Customer's Agent to do likewise.

The distribution of the benefits of the Allocation to Ultimate Users shall be accompanied by a statement indicating the total savings in dollars realized by the individual Ultimate User for the particular billing period as a result of the purchase of hydroelectric power and energy by Customer from the Authority. The form and content of such statement shall be coordinated between Customer and Authority.

VII. Permanent Reallocation of Project Power and Energy

If Customer is, or becomes unable or chooses not to receive any or all of the Project Power and Energy allocated to it on a permanent basis, such Project Power and Energy shall be reallocated by the Authority pro-rata among the other Host Communities. Customer shall provide written notice to the Authority and the other Host Communities of such inability or election within 30 days of its becoming aware of such inability or election. Upon receipt of such notice by the Authority, any required changes in the allocations of Project Power and Energy among the other Host Communities shall become effective as soon as practicable, without need to amend this Agreement and the Contract Demand in this Agreement shall be revised to reflect such reallocation notwithstanding Article XIV hereof.

VIII. Availability of Energy.

Subject to any other limitations set forth in the Rules or the Service Tariff (including low-flow conditions), if Customer provides the Allocation to Ultimate Users for physical delivery to such Users' accounts as set forth in Appendix A, Authority will supply Customer's (or Ultimate Users', as the case may be) entire demand and energy usage up to the Contract Demand. If there is any portion of the energy associated with the Allocation made available to Customer (at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements) that is not required to serve such Ultimate User's facilities, such energy) may be utilized as Excess Power in the manner described in Appendix A.

For any usage above the Contract Demand, it is Customer's responsibility to arrange for provision of such excess service by a third party supplier, and the apportionment of energy between suppliers shall be as set forth in Service Tariff No. HC-1, or any successor tariff.

Subject to any other limitations set forth in the Rules or Service Tariff (including low-flow conditions), if Customer provides the benefits of the Allocation to Ultimate Users in the form of Power Credits as set forth in Appendix A, the Allocation will be delivered

at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements.

IX. Appointment of Customer's Agent

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

X. Term and Termination of Service

Service under the Agreement shall begin on the Commencement Date and shall continue until the earliest of (a) termination by Customer with respect to all of its Allocation upon ninety (90) days prior written notice, (b) termination by the Authority pursuant to the Rules upon required notice, or (c) September 1, 2025, at which time a new or modified agreement will be entered between the Authority and the Customer to provide Customer with Project Power and Energy for the remainder of the licensing period in the amount and for the rate then in effect which complies with the terms of the Relicensing Settlement Agreement. If such a new or modified agreement is not in place to take effect after September 1, 2025, service will be continued under the terms and conditions of this Agreement on a year to year basis or until a new or modified agreement takes effect between the parties.

The Authority may cancel service hereunder or modify the quantities of Project Power and Energy allocated to Customer only (a) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency), or (b) as otherwise provided herein or in the Rules. Notwithstanding the foregoing, upon mutual agreement this Agreement may be extended beyond such date on a month to month basis pending execution of any successor agreement between the Customer and Authority. The Authority shall provide reasonable notice to Customer of any matter or proceeding that could result in an order or decision as described in part (a) of this paragraph

and nothing herein shall be construed as limiting Customer's right to challenge any such proposed action.

Nothing herein is intended to limit the rights of the Host Communities or Customer under the Relicensing Settlement Agreement and the Authority and Customer understand and agree that the Authority is obligated under such Relicensing Settlement Agreement to make a total of 3.5 MW or such increased amount as provided for in paragraph II(a) hereof of Project Power and Energy available to Customer for the term of the FERC License, whether through extension of this Agreement or by subsequent agreement.

XI. Notification

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

To: Authority

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

To: Customer

Supervisor
Town of Lewiston
Town Hall
1375 Ridge Road
P.O. Box 330
Lewiston, New York 14092

XII. Applicable Law and Venue

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

XIII. Successors and Assigns

This Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the legal successors and assigns of either Party hereto; provided,

however, that no assignment by either Party or any successor or assignee of such Party of its rights and obligations hereunder shall be made or become effective without the prior written consent of the other Party in each case obtained, which consent shall not be unreasonably withheld.

XIV. Previous Agreements and Communications

This Agreement, together with the Relicensing Settlement Agreement, shall constitute the sole and complete agreement of the Parties hereto with respect to the matters herein set forth. Such Agreements supersede all previous communications between the Parties hereto, either oral or written, with reference to the subject matter hereof.

No modifications of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

XV. Acceptance and Approvals

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

XVI. Severability and Voidability

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

In such an event and at the request of either Party, the Parties agree to engage in good faith negotiations on possible modification to this Agreement to remedy any portion of this Agreement that was declared invalid, unlawful or ineffective. Such good faith negotiations shall conform to the requirements comparable to those of section 10.1.3 of the Relicensing Settlement Agreement. To the extent that good faith negotiations do not result in an agreement as to whether or how this Agreement should be modified, the Parties agree to resolve their differences in accordance with the alternative dispute resolution mechanism set forth in section 12 of the Relicensing Settlement Agreement. The primary goal of any good faith negotiation or alternative dispute resolution mechanism shall be to preserve to the greatest extent as possible, the benefit of the Parties' intended bargain.

XVII. Effectiveness of Agreement

This Agreement shall take effect on the later of: (i) the acceptance of the new License or (ii) the date of this Agreement's execution under Article XV above.

CUSTOMER

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

POWER AUTHORITY OF THE STATE OF NEW YORK
30 South Pearl Street, Albany, NY 12207

Service Tariff No. HC -1

Schedule of Rates for Firm Hydroelectric Power
and Energy Service

EFFECTIVE:

September 1, 2007

APPLICABLE:

To sale of Niagara Firm Hydroelectric Project Power and Energy to the Host Communities customers eligible for cost-based service under the Niagara Relicensing Settlement Agreement.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES (effective May 1, 2006):

Capacity Rate: \$2.38 per kilowatt per month of Billing Demand at the Project switchyard.

Base Energy Rate: 4.92 mills per kilowatt-hour

Future rates shall be as determined by the Authority.

The Base Energy Rate set forth herein shall be subject to a monthly adjustment in accordance with a flow adjustment computation (FAC) as described in Appendix B.

MINIMUM MONTHLY CHARGE:

The product of the Capacity Rate and the Billing Demand.

POWER FACTOR:

Not less than 95% lagging or leading, except as otherwise specified in the Agreement.

DEFINITIONS:

Billing Demand: The Billing Demand shall be the Customer's Contract Demand.

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

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

GENERAL PROVISIONS:

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

A Availability of Energy

Unless otherwise agreed upon by the Parties, Authority shall normally provide in any Billing Period firm Energy to Customer in an amount equal to the product of (A) the number of hours in such Billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the load factor specified in the Agreement. The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Customer if such reductions are necessary due to low flow (i.e., hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Customer in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer. The Authority shall provide reasonable notice to Customer of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers.

Unless otherwise specified in the Agreement, where Customer is taking service solely from Authority, the Billing Energy shall be the total number of kilowatt-hours recorded on Customer's meter (or the meters of entities served by Customer as indicated in the Agreement) during the Billing Period, adjusted for losses.

Unless otherwise specified in the Agreement, where Customer takes service from other sources in addition to service supplied hereunder, the Billing Energy shall be determined by multiplying (A) the number of hours in such Billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the load factor specified in the Agreement.

B Adjustment of Rates

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

C Delivery

For the purpose of this Service Tariff HC -1, Power and/or Energy shall be delivered by Authority at the Project Switchyard to the transmission facilities under the control of the NYISO for delivery to Customer.

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

D Scheduling Procedures

1. Authority will advise Customer or Customer's Agent by the tenth (10th) Business Day of the preceding month of the estimated quantity of Energy expected by Service Tariff to be made available from the Project.
2. Authority may require that such Energy from the Project be scheduled in general accordance with the load shape of Customer or Customer's Agent or as otherwise agreed upon by the Customer and Authority.
3. Customer or Customer's Agent shall file with Authority pursuant to procedures established by Authority, a daily schedule setting forth the Customer's requested amounts from the Project on a clock hour basis.
4. Subsequent to Authority approval of schedules for any day, Authority and Customer or Customer's Agent may agree on changes in such schedules subject to NYISO scheduling requirements and procedures Authority shall establish such that an efficient dispatch of Authority facilities will be accomplished.

E Payment by Customer for Power and/or Energy

- 1 Customer shall pay for Power and/or Energy during any Billing Period the sum of a) and b) below:
 - a. For Firm Hydroelectric Power and Energy the capacity rate per kilowatt specified in this Service Tariff or any modification thereof applied to Customer's Billing Demand for the Billing Period: and

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

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

F Supplementary Provision

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

Appendix A

Customer will initially distribute power and energy purchased from the New York Power Authority under the Agreement or the economic benefit of such power and energy to the following Ultimate Users: All electricity users located within the Town of Lewiston who are served by Niagara Mohawk Power Corporation under Service Classification 1 of its PSC electricity tariff.

Customer may add to or delete from the above list of Ultimate Users on thirty (30) day's notice to the Authority. Customer in its sole determination may elect to use its full Allocation or any part thereof, for economic development. The economic development program description, allocation criteria and methodology shall be submitted to and approved by the Authority which approval shall not be unreasonably withheld.

The benefits of the Allocation shall be provided to such Ultimate Users either by direct sale or by allocation by the Customer (or by Customer's Agent) of electricity or the provision of Power Credits, as set forth below, or through different methods approved by the Authority. Customer shall have the right to recover as Customer Costs its direct administrative and services costs, reasonable compensation for use of third party facilities and services furnished to Customer in the transmission and distribution of such power and all costs associated with negotiating the Agreement and the establishment of mechanisms to accept and distribute the Allocation, and any similar costs, incurred after the execution of the Host Community Relicensing Settlement Agreement dated June 27, 2005. Such Customer Costs shall be reimbursed to Customer or otherwise paid by the Ultimate User by procedures to be determined.

The foregoing identification of Ultimate Users in no way mandates or requires for any reason that the Customer provide any portion of the Allocation (or Power Credits) to an Ultimate User and shall not preclude the Customer from denying any such Ultimate User the benefits associated with an allocation for any reason as determined by Customer.

A. Direct Sale / Allocation, Use of Excess Power

Customer or Customer's Agent may make a portion of the Allocation available to an Ultimate User for delivery at such Ultimate User's electricity accounts under the tariffs, rules and regulations of the NYISO and the utility in whose service area such accounts are located. If there is any portion of the Allocation made available to Customer that is not required to serve such Ultimate User's facilities, such Excess Power (up to the load factor specified in the Agreement) may be utilized as follows:

1. Customer or its agent may schedule Excess Power into the NYISO administered market for financial settlement, and such financial settlement so received by Customer (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), shall be applied by Customer to payment of Customer's (or an Ultimate User's, as the case may be) energy-related costs, including but not limited to, the purchase of energy commodities, the delivery and

transportation of electricity and all other energy commodities and/or for energy efficiency or clean energy technology programs or projects.

2. Customer may use the Excess Power (or the benefits associated with such Excess Power derived from a financial settlement as set forth in the preceding Paragraph 1) for economic development by providing credits to a business to apply against the cost of power or energy and/or the cost of delivering power or energy consumed by such business.

B. Power Credits

Customer, or Customer's Agent, may schedule all of its Allocation (up to the load factor specified in the Agreement) into the NYISO administered market for financial settlement, and such financial settlement so received by Customer or a forecasted amount of such financial settlement (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), may be provided to Ultimate Users in the form of Power Credits by Customer as follows:

Power Credits may be applied towards the cost and/or delivery of electric power or energy consumed by the Ultimate User or, to the extent Power Credits remain after payment of all electric power and energy (including delivery) costs, for energy-related costs, including but not limited to, purchase of other energy commodities now in existence or that may exist during the terms of the Agreement.

C. Right to Alternate Between Methods

Customer shall have the right at its discretion and without restriction to alternate between the methods for the distribution of the benefits of the Allocation as set forth in Sections A and B above, upon giving sixty (60) days written notice to the Authority.

Appendix B

NEW YORK POWER AUTHORITY RATE STABILIZATION RESERVE METHODOLOGY

The Rate Stabilization Reserve (RSR) is calculated consistent with Service Tariff provisions regarding the Flow Adjustment Computation (FAC), which was not altered in the January 2003 Report on Hydroelectric Production Rates or the Staff Analysis of Public Comments and Recommendations adopted by the Trustees of the Power Authority on April 29, 2003. The calculation is described below:

1. Calculate the total cost of service (CoS) for the Niagara/St. Lawrence projects. Costs include: Operations and Maintenance, amortized roadwork, Indirect Overheads (Shared Services, Research and Development, debt service) and Capital Costs (using TOC for equity funded and OC for debt funded).
2. Credit the CoS by any excess capacity (ICAP) sales to the ISO.
3. Allocate costs to the demand function by multiplying the sum of the customers' billed demands by the preference demand charge, which has been inflated to include Ancillary Services production costs. This larger demand charge is used only for the purposes of the RSR.
4. Calculate the cost-based energy rate by dividing the remaining energy assigned costs by the annual metered generation.
5. Calculate the difference between the cost-based energy rate and the billed preference energy rate.
6. Multiply the difference in the rates by the actual annual billed preference energy sales to determine the annual change in the RSR.
7. Add the annual change to the RSR balance from the prior year-end to get the current year-end RSR balance.
8. If the current year-end balance is in excess of +/- \$25 million, the excess would be subject to a credit or a surcharge in the subsequent rate year.

POWER AUTHORITY
OF THE
STATE OF NEW YORK

30 South Pearl Street
Albany, New York

AGREEMENT FOR THE SALE
OF NIAGARA PROJECT POWER AND ENERGY
TO THE NIAGARA PROJECT HOST COMMUNITIES

Service Tariff No. HC-1 - Firm Hydroelectric Power and Energy

February 12, 2007

POWER AUTHORITY OF THE STATE OF NEW YORK

**30 South Pearl Street
Albany, New York 12207**

AGREEMENT FOR THE SALE OF HYDROPOWER AND ENERGY

Niagara County (“Customer”) hereby enters into this Agreement with the Power Authority of the State of New York for electric service as follows:

I. Definitions

- a. Acceptance of the New License** shall mean the date upon which the Power Authority files its acceptance of the New License with FERC, or the date of the expiration of the existing original license, August 31, 2007, whichever occurs later.
- b. Agreement** means this Agreement.
- c. Allocation** shall mean the amount of power and associated energy that the Authority has allocated to Customer hereunder.
- d. Ancillary Services** shall be as defined by the NYISO in its rules, tariffs, manuals and procedures.
- e. Commencement Date** shall be as set forth in Article XVII.
- f. Authority** is the Power Authority of the State of New York.
- g. Contract Demand** will be the amounts set forth in Section II or such other amount as may be determined in accordance with the provisions of this Agreement.
- h. Customer** is the municipality (Host Community) identified above.
- i. Customer’s Agent** is defined in Article IX.
- j. Electric Service** is Power and Energy available to Customer in accordance with applicable Service Tariffs, Rules and other contract documents.
- k. Excess Power** is defined in Article VIII and Appendix A.
- l. FERC** means the Federal Energy Regulatory Commission (or any successor organization).

- m. FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which new license will become effective after expiration of the Project's original license issued on January 30, 1958.
- n. Firm Hydroelectric Power and Energy** are firm power and associated energy from the Authority's Niagara Power Project, intended to be available at all times except for limitations provided in this Agreement, the Rules, applicable Service Tariff or in other contract documents.
- o. Green Attributes** (sometimes referred to as Renewable Attributes or Renewable Energy Credits) are attributes associated with renewable energy power production facilities as may be defined by law or administrative action now or in the future, including but not limited to the Renewable Portfolio Standard proceeding of the New York Public Service Commission.
- p. Host Communities** are Niagara County, City of Niagara Falls, Town of Lewiston, Town of Niagara, City of Niagara Falls School District, Lewiston-Porter School District and Niagara-Wheatfield School District.
- q. Load Serving Entity** is an entity authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply Energy, Capacity and/or Ancillary Services to retail customers under the rules, tariffs, manuals and procedures of the NYISO.
- r. NRA** means the federal Niagara Redevelopment Act (18 USC §§836, 836a)
- s. NYISO** means the New York Independent System Operator or any successor organization.
- t. Power Credits** are defined in Article VIII and Appendix A.
- u. Project** means the Niagara Power Project, FERC Project 2216.
- v. Project Power and Energy** means Firm Hydroelectric Power and Energy produced by the Project.
- w. Project Switchyard** is the Niagara Project switchyard.
- x. Relicensing Settlement Agreement** means the Niagara Power Project, FERC Project No. 2216 Host Community Relicensing Settlement Agreement Addressing Non-License Terms and Conditions allocation of Niagara Project Power and Energy to the Host Communities dated June 27, 2005.

- y. Rules** are the applicable provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York).
- z. Service Tariffs** are schedules establishing rates and other conditions for sale of Electric Services to Customer.
- aa. Ultimate Users** are entities to whom Customer will resell (or otherwise convey benefits associated with) Project Power and Energy purchased from the Authority as provided in Article VI of this Agreement and Appendix A hereto. Customer may designate itself as an Ultimate User.
- bb. Unforced Capacity** is the capacity required to be provided by Load Serving Entities to serve load as defined by the NYISO in its rules, tariffs, manuals and procedures.

All other terms not otherwise defined herein shall have the meanings ascribed to them in the electric industry.

II. Electric Service to be Provided

- a.** The Authority shall provide Electric Service pursuant to Service Tariff HC-1 for Power and/or Energy to enable the Customer to receive the Allocation from the Project in accordance with the provisions of the FERC License and Relicensing Settlement Agreement, in the amount set forth below:

Firm Hydroelectric Power and Energy Service pursuant to
Service Tariff No. HC-1 9,000 KiloWatts (Contract Demand)

The Authority shall provide Unforced Capacity in amounts necessary to meet Customer's NYISO Unforced Capacity obligations associated with the foregoing Allocation in accordance with the rules and tariffs of the NYISO. Neither Ancillary Services, nor Green Attributes are included in such allocation.

- b.** The Contract Demands for Project Power and Energy may be modified by the Authority if the amounts of such Project Power and Energy available for sale from the Project are modified as required to comply with any ruling, order or decision of any regulatory or judicial body having jurisdiction. The Authority shall provide reasonable notice to Customer of any such proposed action that could result in modification of Contract Demands and nothing herein shall be construed as limiting customer's rights to challenge any proposed reduction in Contract Demands.

III. Rules, Regulations and Service Tariffs

The Rules and Service Tariff No. HC-1, as now in effect and/or such superseding tariffs or other tariffs as the Authority may later promulgate, all as such Rules and Service Tariffs may be later amended from time to time by the Authority, are hereby incorporated into this Agreement with the same force and effect as if herein set forth at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariffs and the Rules, the provisions of the Service Tariffs shall govern. In the event of any inconsistencies, conflicts or differences between Articles I through XVII of this Agreement and the Service Tariffs, the provisions of Articles I through XVII of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to Customer of any proposed change in the above Rules and Service Tariffs, but in no event shall Authority provide less notice than that provided to similarly affected customers within New York State if that period of minimum notice is greater than herein referenced. Except as expressly provided otherwise herein, nothing contained in this Agreement shall be construed as restricting Customer's rights to participate in processes involving changes to rates, Rules and Service Tariffs or other matters affecting the subject of this Agreement.

IV. Transmission and Delivery of Power and Energy

Authority shall make Project Power and Energy available to Customer or Customer's Agent at the Project Switchyard. It is the Customer's responsibility to act as the Load Serving Entity ("LSE"), arrange for one or more other entities to do so on its behalf or make other arrangements for conveying the benefits associated with the allocation to Ultimate Users. Customer, or the entity acting as LSE or Customer's Agent shall arrange for the transmission of the Project Power and Energy supplied hereunder from the Project Switchyard to Customer's points of delivery or the conversion of the Allocation into financial settlements and benefits by such other method of disposition consistent with Article VI of this Agreement and Appendix A hereto. Such delivery shall be consistent with the terms of the Open Access Transmission Tariff (OATT) or other applicable tariff of the NYISO and Customer shall be responsible for all costs associated with the transmission and delivery of the allocation.

V. Rates

Project Power and Energy shall be sold to Customer hereunder at cost-based rates equivalent to rates charged to in-state preference customers receiving preference power under the NRA.

Customer waives any challenges to any of the following methodologies and principles¹ to the extent that one or more of such methodologies and principles are used by the Authority to set rates different than those adopted by the Authority's Trustees in their meeting on April 29, 2003 based on the "January 2003 Report on Hydroelectric Production Rates" and as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

- (i) The principles set forth in the March 5, 1986 Settlement Agreement (settling *Auer v. Dyson*, No. 81-124 (Sup. Ct. Oswego Co.), *Auer v. Power Authority*, Index No. 11999-84 (Sup. Ct. N.Y. Co.) and *Delaware County Electric Cooperative, Inc. v. Power Authority*, 82 Civ. 7256 (S.D.N.Y.) (the "Auer Settlement").
- (ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.
- (iii) Treatment of sales to third parties, including the New York Independent System Operator.
- (iv) Allocation of Indirect Overheads.
- (v) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.
- (vi) Post-employment benefits other than pensions (*i.e.*, retiree health benefits).
- (vii) Rate Stabilization Reserve (RSR) methodology as supplemented by the explanatory statement attached hereto as Appendix B

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Customer shall have the right to take any position whatsoever with respect to such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority. Nothing contained herein shall preclude Customer from participating in the rate setting process and raising issues as to whether such methodologies and principles have been correctly employed.

VI. Use and Resale of Project Power and Energy

Customer shall use the Allocation for its facilities or as otherwise allowed in accordance with this Agreement and Appendix A hereof.

¹ These methodologies and principles were employed in and explained by the Authority's January 2003 Report on Hydroelectric Production Rates and the Staff Analysis of Public Comments and Recommendations adopted by the Authority's Trustees on April 29, 2003.

In reselling and/or distributing the Allocation, except as otherwise provided in Appendix A hereof, Customer shall: 1) do so pursuant to the appropriate laws of the State of New York, 2) distribute such Allocation only to the Ultimate Users designated pursuant to Appendix A, 3) not permit such Ultimate Users to sell any of such Allocation for resale and 4) comply with the provisions of the NRA, the FERC License and the New York Power Authority Act (N.Y. Pub. Auth. Law Section 1000 et seq.), to the extent such Power Authority Act is not inconsistent with the FERC License.

Customer or Customer's Agent shall keep its books, accounts and records pertaining to the purchase, delivery and sale of the Allocation according to procedures reasonably deemed necessary by Authority to ensure compliance with this Agreement and Appendix A hereof, applicable statutes, licenses, the Rules. Customer shall provide such information and permit such inspection of its books and records as Authority may reasonably request and shall require Customer's Ultimate Users as identified in Appendix A of the Agreement to agree to do likewise.

The distribution of the benefits of the Allocation to Ultimate Users shall, where feasible, be accompanied by a statement indicating the total savings in dollars realized by the individual Ultimate User for the particular billing period as a result of the purchase of hydroelectric power and energy by Customer from the Authority. The form and content of such statement shall be coordinated between Customer and Authority.

VII. Permanent Reallocation of Project Power and Energy

If Customer is, or becomes unable or chooses not to receive any or all of the Project Power and Energy allocated to it on a permanent basis, such Project Power and Energy shall be reallocated by the Authority pro-rata among the other Host Communities. Customer shall provide written notice to the Authority and the other Host Communities of such inability or election within 30 days of its becoming aware of such inability or election. Upon receipt of such notice by the Authority, any required changes in the allocations of Project Power and Energy among the other Host Communities shall become effective as soon as practicable, without need to amend this Agreement and the Contract Demand in this Agreement shall be revised to reflect such reallocation, notwithstanding Article XIV hereof.

VIII. Availability of Energy.

Subject to any other limitations set forth in the Rules or the Service Tariff (including low-flow conditions), if Customer directly or indirectly provides the Allocation to Ultimate Users for physical delivery to such Users' accounts as set forth in Appendix A, Authority will supply Customer's (or Ultimate Users', as the case may be) entire demand and energy usage up to the Contract Demand. If there is any portion of the energy associated with the Allocation made available to Customer (at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling

requirements) that is not required to serve such Ultimate Users' facilities, such energy may be utilized as Excess Power in the manner described in Appendix A.

As between Customer and the Authority, for any usage above the Contract Demand, it is Customer's responsibility to arrange for provision of such excess service by a third party supplier, and the apportionment of energy between suppliers shall be as set forth in Service Tariff No. HC-1, or any successor tariff.

Subject to any other limitations set forth in the Rules or Service Tariff (including low-flow conditions), if Customer provides the benefits of the Allocation to Ultimate Users in the form of Power Credits as set forth in Appendix A, the Allocation will be delivered at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements.

IX. Appointment of Customer's Agent

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

X. Term and Termination of Service

Service under the Agreement shall begin on the Commencement Date and shall continue until the earliest of (a) termination by Customer with respect to all of its Allocation upon ninety (90) days prior written notice, (b) termination by the Authority pursuant to the Rules upon required notice, or (c) September 1, 2025, at which time a new or modified agreement will be entered between the Authority and the Customer to provide Customer with Project Power and Energy for the remainder of the licensing period in the amount and for the rate then in effect which complies with the terms of the Relicensing Settlement Agreement. If such a new or modified agreement is not in place to take effect after September 1, 2025, service will be continued under the terms and conditions of this Agreement on a year to year basis or until a new or modified agreement takes effect between the parties.

The Authority may cancel service hereunder or modify the quantities of Project Power and Energy allocated to Customer only (a) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency), or (b) as otherwise provided herein or in the Rules. Notwithstanding the foregoing, upon mutual agreement this Agreement may be extended beyond such date on a month to month basis pending execution of any successor agreement between the Customer and Authority. The Authority shall provide reasonable notice to Customer of any matter or proceeding that could result in an order or decision as described in part (a) of this paragraph and nothing herein shall be construed as limiting Customer's right to challenge any such proposed action.

Nothing herein is intended to limit the rights of the Host Communities or Customer under the Relicensing Settlement Agreement and the Authority and Customer understand and agree that the Authority is obligated under such Relicensing Settlement Agreement to make a total of 9 MW of Project Power and Energy available to Customer for the term of the FERC License, whether through extension of this Agreement or by subsequent agreement.

XI. Notification

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

To: Authority

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

To: Customer

XII. Applicable Law and Venue

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

XIII. Successors and Assigns

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

XIV. Previous Agreements and Communications

This Agreement, together with the Relicensing Settlement Agreement, shall constitute the sole and complete agreement of the Parties hereto with respect to the matters herein set forth. Such Agreements supersede all previous communications between the Parties hereto, either oral or written, with reference to the subject matter hereof.

No modifications of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

XV. Acceptance and Approvals

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

XVI. Severability and Voidability

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

In such an event and at the request of either Party, the Parties agree to engage in good faith negotiations on possible modification to this Agreement to remedy any

portion of this Agreement that was declared invalid, unlawful or ineffective. Such good faith negotiations shall conform to the requirements comparable to those of section 10.1.3 of the Relicensing Settlement Agreement. To the extent that good faith negotiations do not result in an agreement as to whether or how this Agreement should be modified, the Parties agree to resolve their differences in accordance with the alternative dispute resolution mechanism set forth in section 12 of the Relicensing Settlement Agreement. The primary goal of any good faith negotiation or alternative dispute resolution mechanism shall be to preserve to the greatest extent as possible, the benefit of the Parties' intended bargain.

XVII. Effectiveness of Agreement

This Agreement shall take effect on the later of: (i) the acceptance of the new License or (ii) the date of this Agreement's execution under Article XV above.

CUSTOMER

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

POWER AUTHORITY OF THE STATE OF NEW YORK
30 South Pearl Street, Albany, NY 12207

Service Tariff No. HC -1

Schedule of Rates for Firm Hydroelectric Power
and Energy Service

EFFECTIVE:

September 1, 2007

APPLICABLE:

To sale of Niagara Firm Hydroelectric Project Power and Energy to the Host Communities customers eligible for cost-based service under the Niagara Relicensing Settlement Agreement.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES (effective May 1, 2006):

Capacity Rate: \$2.38 per kilowatt per month of Billing Demand at the Project switchyard.

Base Energy Rate: 4.92 mills per kilowatt-hour

Future rates shall be as determined by the Authority.

The Base Energy Rate set forth herein shall be subject to a monthly adjustment in accordance with a flow adjustment computation (FAC) as described in Appendix B.

MINIMUM MONTHLY CHARGE:

The product of the Capacity Rate and the Billing Demand.

POWER FACTOR:

Not less than 95% lagging or leading, except as otherwise specified in the Agreement.

DEFINITIONS:

Billing Demand: The Billing Demand shall be the Customer's Contract Demand.

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

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

GENERAL PROVISIONS:

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

A Availability of Energy

Unless otherwise agreed upon by the Parties, Authority shall normally provide in any Billing Period firm Energy to Customer in an amount equal to the product of (A) the number of hours in such Billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the load factor specified in the Agreement. The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Customer if such reductions are necessary due to low flow (i.e., hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Customer in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer. The Authority shall provide reasonable notice to Customer of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers.

Unless otherwise specified in the Agreement, where Customer is taking service solely from Authority, the Billing Energy shall be the total number of kilowatt-hours recorded on Customer's meter (or the meters of entities served by Customer as indicated in the Agreement) during the Billing Period, adjusted for losses.

Unless otherwise specified in the Agreement, where Customer takes service from other sources in addition to service supplied hereunder, the Billing Energy shall be determined by multiplying (A) the number of hours in such Billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the load factor specified in the Agreement.

B Adjustment of Rates

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

C Delivery

For the purpose of this Service Tariff HC -1, Power and/or Energy shall be delivered by Authority at the Project Switchyard to the transmission facilities under the control of the NYISO for delivery to Customer.

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

D Scheduling Procedures

1. Authority will advise Customer or Customer's Agent by the tenth (10th) Business Day of the preceding month of the estimated quantity of Energy expected by Service Tariff to be made available from the Project.
2. Authority may require that such Energy from the Project be scheduled in general accordance with the load shape of Customer or Customer's Agent or as otherwise agreed upon by the Customer and Authority.
3. Customer or Customer's Agent shall file with Authority pursuant to procedures established by Authority, a daily schedule setting forth the Customer's requested amounts from the Project on a clock hour basis.
4. Subsequent to Authority approval of schedules for any day, Authority and Customer or Customer's Agent may agree on changes in such schedules subject to NYISO scheduling requirements and procedures Authority shall establish such that an efficient dispatch of Authority facilities will be accomplished.

E Payment by Customer for Power and/or Energy

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

- a. For Firm Hydroelectric Power and Energy the capacity rate per kilowatt specified in this Service Tariff or any modification thereof applied to Customer's Billing Demand for the Billing Period: and
 - b. The Energy rate specified in this Service Tariff or any modification thereof applied to the amount of firm Billing Energy delivered by Authority to Customer during such Billing Period.
2. Bills computed under Service Tariff HC-1 are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill and adjustments, if necessary, will be made thereafter.

F Supplementary Provision

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

Appendix A

Except as Customer determines otherwise, consistent with the terms of this Agreement, Customer will initially distribute power and energy purchased from the New York Power Authority under the Agreement or the economic benefit of such power and energy to the following Ultimate Users_____

Customer may add to or delete from the above list of Ultimate Users on thirty (30) day's notice to the Authority. Customer in its sole determination may elect to use its full Allocation or any part thereof, for economic development. The economic development program description, allocation criteria and methodology shall be submitted to and approved by the Authority which approval shall not be unreasonably withheld.

The benefits of the Allocation shall be provided to such Ultimate Users either by direct sale or by allocation by the Customer (or by Customer's Agent) of electricity or the provision of financial settlements and benefits, as set forth below, or through different methods approved by the Authority. Customer shall have the right to recover as Customer Costs its direct administrative and services costs, reasonable compensation for use of third party facilities and services furnished to Customer in the transmission and distribution of such power, all costs associated with negotiating the Agreement and the establishment of mechanisms to accept and distribute the Allocation, and any similar costs, incurred after the execution of the Host Community Relicensing Settlement Agreement dated June 27, 2005. Such Customer Costs shall be reimbursed to Customer or otherwise paid by the Ultimate User by procedures to be determined.

The listing or description of the foregoing Ultimate Users in no way mandates or requires for any reason that the Customer provide any portion of the Allocation (or Power Credits) to an Ultimate User and shall not preclude the Customer from denying any such Ultimate User the benefits associated with an allocation for any reason as determined by Customer.

A. Direct Sale / Allocation, Use of Excess Power

Customer or Customer's Agent may make a portion of the Allocation available to an Ultimate User for delivery at such Ultimate User's electricity accounts under the tariffs, rules and regulations of the NYISO and the utility in whose service area such accounts are located. If there is any portion of the Allocation made available to Customer that is not required to serve such Ultimate User's facilities, such Excess Power (up to the load factor specified in the Agreement) may be utilized as follows:

1. Customer or its agent may schedule Excess Power into the NYISO administered market for financial settlement, and such financial settlement so received by Customer (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), shall be applied by Customer to payment of Customer's (or an Ultimate User's, as the case may be) energy-related costs, including but not limited to, the purchase of energy commodities, the delivery and transportation of electricity and all other energy commodities and/or for energy

efficiency or clean energy technology programs or projects now in existence or that may exist during the term of the Agreement.

2. Customer may use the Excess Power (or the benefits associated with such Excess Power derived from a financial settlement as set forth in the preceding Paragraph 1) for economic development by providing credits to a business to apply against the cost of power or energy and/or the cost of delivery of power or energy consumed by such business.

B. Power Credits

Customer, or Customer's Agent, may schedule all of its Allocation (up to the load factor specified in the Agreement) into the NYISO administered market for financial settlement, and such financial settlement so received by Customer (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), may be provided to Ultimate Users in the form of Power Credits by Customer as follows:

Power Credits may be applied towards the cost and/or delivery of electric power or energy consumed by the Ultimate User or for other energy-related costs, including but not limited to, purchase of energy commodities, the delivery and transportation of electricity and all other energy commodities and/or for energy efficiency or clean energy technology programs or projects now in existence or that may exist during the terms of the Agreement.

C. Service through Authorized Entity

Through assignment, transfer or otherwise, including through an agency arrangement, Customer shall have the right to make available its Allocation or any part thereof to any entity that is duly authorized to receive, purchase, transmit, distribute, and/or resell the power and energy included in the Allocation or otherwise to engage in such transactions as are necessary to effectuate the delivery of the Allocation and/or to provide the financial benefits thereof to the Customer, the Customer's Ultimate Users and the Customer's constituents, as determined in the exercise of the Customer's discretion and consistent with the provisions of the Host Community Relicensing Settlement Agreement dated June 27, 2005 and Article VI of the Agreement. Any such assignment, transfer, agency arrangement or similar transaction contemplated by this paragraph may, but shall not be required to, include elements of the other methods described in this Appendix A.

D. Continuity

In the event that any administrative agency or court of competent jurisdiction shall determine that any element of any of the foregoing methods of distributing the Allocations and/or financial benefits thereof is unauthorized or illegal, the Customer shall propose an alternative method of distribution, not necessarily limited to those described above, and the Authority shall promptly determine whether to accept such alternative method. Such acceptance shall not be unreasonably withheld.

E. Right to Alternate Between Methods

Customer shall have the right at its discretion and without restriction to alternate between the methods for the distribution of the benefits of the Allocation as set forth in Sections A through D above, upon giving sixty (60) days written notice to the Authority.

Appendix B

NEW YORK POWER AUTHORITY RATE STABILIZATION RESERVE METHODOLOGY

The Rate Stabilization Reserve (RSR) is calculated consistent with Service Tariff provisions regarding the Flow Adjustment Computation (FAC), which was not altered in the January 2003 Report on Hydroelectric Production Rates or the Staff Analysis of Public Comments and Recommendations adopted by the Trustees of the Power Authority on April 29, 2003. The calculation is described below:

1. Calculate the total cost of service (CoS) for the Niagara/St. Lawrence projects. Costs include: Operations and Maintenance, amortized roadwork, Indirect Overheads (Shared Services, Research and Development, debt service) and Capital Costs (using TOC for equity funded and OC for debt funded).
2. Credit the CoS by any excess capacity (ICAP) sales to the ISO.
3. Allocate costs to the demand function by multiplying the sum of the customers' billed demands by the preference demand charge, which has been inflated to include Ancillary Services production costs. This larger demand charge is used only for the purposes of the RSR.
4. Calculate the cost-based energy rate by dividing the remaining energy assigned costs by the annual metered generation.
5. Calculate the difference between the cost-based energy rate and the billed preference energy rate.
6. Multiply the difference in the rates by the actual annual billed preference energy sales to determine the annual change in the RSR.
7. Add the annual change to the RSR balance from the prior year-end to get the current year-end RSR balance.
8. If the current year-end balance is in excess of +/- \$25 million, the excess would be subject to a credit or a surcharge in the subsequent rate year.

10. INFORMATIONAL ITEM: Permits for Temporary Use of Office Space in the Clarence D. Rappleyea Building to New York State Retirement Systems and New York State Police

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize two separate permit transactions. The first is to amend a permit with the New York State Retirement Systems (‘Retirement Systems’) for the use of approximately 1,250 rentable square feet (‘rsf’) of office space on the lobby floor of the Clarence D. Rappleyea Building (‘Building’) in White Plains. This amendment would extend the term of the current permit, which expires on March 11, 2007, for an additional year and nine months to December 31, 2008. The consideration for the permit is \$6,900 annually, inclusive of electricity.

“The second transaction is to amend a permit with the New York State Police (‘State Police’) for the use of approximately 3,150 rsf of office space on the 6th floor of the Building. This amendment would extend the current permit, which expires April 30, 2007, for an additional year and eight months to December 31, 2008, along with increasing the annual consideration to \$47,250, inclusive of electricity.

BACKGROUND

“By deed dated July 10, 1991, the Authority acquired the Building, a commercial office building containing approximately 420,195 rsf. Currently, the Authority is leasing approximately 167,300 rsf of the Building. Retirement Systems has had a temporary use permit since March 2001, subject to revocation at any time and for any reason at the sole discretion of the Authority upon 30 days’ written notice. Additionally, since August 2002, the State Police have had a temporary use permit that provides for 60 days’ written notice of revocation from the Authority.

DISCUSSION

“At the request of the Retirement Systems and the State Police, the Authority entered into Temporary Use Permits to assist both agencies in obtaining office space at reasonable rates in the White Plains central business district. This additional space reduces the State’s costs and provides for additional staffing requirements in the White Plains area to further the public health, safety or welfare for the citizens of the State of New York.

“The Authority has not determined this property to be surplus to the Authority’s needs and the permits are revocable on either 30 or 60 days’ prior written notice as set forth herein. Therefore, these two transactions do not fall within the Authority’s guidelines and procedures for disposal of real property and are not subject to the Public Authority Accountability Act of 2005.”

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

“Mr. Chairman, I move that the Authority conduct an Executive Session for the purpose of discussing matters regarding the GE litigation.” Upon motion moved and seconded, an Executive Session was held.

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

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

13. **Next Meeting**

The next meeting of the Trustees will be held on **Tuesday, March 27, 2007, at 11:00 a.m., at the Albany Office, Albany, New York**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

February 27, 2007

Closing

On motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 12:15 p.m.

A handwritten signature in blue ink, appearing to read "ABCahill".

Anne B. Cahill
Corporate Secretary