

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

November 19, 2008

Table of Contents

<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
1. Consent Agenda:		
a. Minutes of the Regular Meeting held on October 28, 2008	3	
b. Power for Jobs Program – Extended Benefits	4	‘1b-A’
Discussion Agenda:		
INTRODUCTION	7	
2. Report from the Chief Financial Officer	8	‘2-A’
3. Report from the President and Chief Executive Officer	9	
4. Statements from Western New York Stakeholders	12	
5. Report from the Chief Operating Officer	16	
6. Energy Efficiency and Clean Energy Project at Williamsville Central School District Resolution	19	
7. Amendments to the Authority’s Governance and Audit Committee Charters Resolution	22	‘7-A’; ‘7-A1’ ‘7-B’; ‘7-B1’
8. Motion to Conduct an Executive Session	24	
9. Motion to Resume Meeting in Open Session	25	
9a. Election of Executive Vice President and General Counsel Resolution	26	
10. Proposed Schedule of Trustees’ Meetings in 2009 (Tabled)	27	
11. Informational Item: Overview of the Niagara Power Project – PowerPoint Presentation (Tabled)	28	
12. Next Meeting	29	
13. Closing	30	

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 12:30 p.m.:

- 1) The Buffalo Conference Center, 6 Fountain Plaza, Buffalo, New York
- 2) New York Power Authority, 123 Main Street, White Plains, New York

Members of the Board were present at the following locations:

Michael J. Townsend, Acting Chairman (Buffalo, NY)
James A. Beshar, Sr., Trustee (Buffalo, NY)
D. Patrick Curley, Trustee (Buffalo, NY)
Elise M. Cusack, Trustee (Buffalo, NY)
Jonathan F. Foster, Trustee (White Plains, NY)
Eugene L. Nicandri, Trustee (Buffalo, NY)

Richard M. Kessel	President and Chief Executive Officer
Gil C. Quiniones	Chief Operating Officer
Arthur T. Cambouris	Acting Executive Vice President and General Counsel
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer (WPO)
Edward A. Welz	Executive Vice President and Chief Engineer – Power Supply
Steven J. DeCarlo	Senior Vice President – Transmission (WPO)
Paul F. Finnegan	Senior Vice President – Public and Governmental Affairs
William J. Nadeau	Senior vice President – Energy Resource Management and Strategic Planning (WPO)
Joan Tursi	Senior Vice President – Enterprise Shared Services
James H. Yates	Senior Vice President – Marketing and Economic Development (WPO)
Arnold M. Bellis	Vice President and Controller (WPO)
John M. Kahabka	Vice President – Environment, Health and Safety (WPO)
Donald A. Russak	Vice President – Finance
Joseph J. Carline	Assistant General Counsel – Power and Transmission (WPO)
Anne B. Cahill	Corporate Secretary
Angela D. Graves	Deputy Corporate Secretary
Dennis T. Eccleston	Chief Information Officer (WPO)
Albert Swansen	First Deputy Inspector General (WPO)
Joseph Leary	Director – Corporate Community Affairs
James F. Pasquale	Director – Marketing Analysis and Administration (WPO)
Christine Pritchard	Director – Intergovernmental and Community Affairs
Victoria Simon	Director – Business Integration and Special Projects (WPO)
Horace Horton	Regional Manager – Western New York
James Bejarano	Program Manager – Energy Services Program
Michael J. Huvane	Manager – Business Marketing and Economic Development (WPO)
Lou Paonessa	Community Relations Manager - Niagara
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
Rick Ahrens	<i>Niagara Gazette</i>
Gabrielle Barone	Vice President – Business Development – County of Orleans Industrial Development Agency
Joseph Barrett	Independent researcher
David Bertola	<i>Business First of Buffalo</i>
Kelly Brannen	Managing Director – Niacet Corporation
Barbara Brenner	Partner – Couch White LLP
Anthony Caruana	Supervisor – Town of Tonawanda
Eugene Devlin	Public Financial Management
Merle Draper	Supervisor – Town of Shelby
Steve Fitzmaurice	Chief Operating Officer – Senaca One Realty

Thomas Frank	Binational project organizer
Howard Frawley	Mayor – Village of Angola
Shirley Hamilton	Niagara Improvement Association
Jim Heaney	Reporter – <i>Buffalo News</i>
Sam Iraci	Administrative Assistant – City of Tonawanda
Pastor Joseph Jones	Niagara Improvement Association
Bonnie Kane Lockwood	Office of Congressman Brian Higgins
Ellen Maxwell	WIVB-TV, Buffalo
Nick Melson	Office of Assemblywoman Francine DeMonte
Mark Meyerhofer	Patricia Lynch Associates
Jeffery Mis	Administrative Assistant – City of North Tonawanda
Fred Newlin	Supervisor – Town of Lewiston
Jim Plummer	Hatch Acres
Kim Root	WIVB-TV, Buffalo
Andrew Rudnick	President and Chief Executive Officer – Buffalo Niagara Partnership
Michael Schmand	Executive Director – Buffalo Place
Shelly Schratz	Deputy Supervisor – Town of Amherst
James Scerra	Manager – Manufacturing Finance Manager – FMC Corporation
Lawrence Soos	Mayor – City of North Tonawanda
Alan Spen	Senior Director – Public Financial Management
Mike Tucker	Mayor – City of Lockport
Dean Walker	Local 2104
Earl Wells	President - E3 Communications

Acting Chairman Townsend presided over the meeting. Corporate Secretary Cahill kept the Minutes.

1. Consent Agenda:

a. Approval of the Minutes

The Minutes of the Regular Meeting held on October 28, 2008 were unanimously adopted.

b. 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 68 Power for Jobs (‘PFJ’) customers as listed in Exhibit ‘1b-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 received three-year contracts for PFJ electricity.

“The PFJ program originally made 400 megawatts (‘MW’) of power available and was to be phased in over three years. As a result of the initial success of the program, the Legislature amended the PFJ statute to accelerate the distribution of the power and increase the size of the program to 450 MW. In May 2000, legislation was enacted that authorized additional power to be allocated under the program. Legislation further amended the program in July 2002.

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

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

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

“In 2005, provisions of the approved State budget extended the period PFJ customers could receive benefits until December 31, 2006. Chapter 645 of the Laws of 2006 included provisions extending program benefits until June 30, 2007. Chapter 89 of the Laws of 2007 included provisions extending program benefits until June 30, 2008. Chapter 59 of the Laws of 2008 included provisions extending the program benefits until June 30, 2009.

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

DISCUSSION

“At its meeting on November 17, 2008, EDPAB recommended that the Authority’s Trustees approve electricity savings reimbursement rebates to the 68 businesses listed in Exhibit ‘1b-A.’ Collectively, these organizations have agreed to retain more than 52,000 jobs in New York State in exchange for the rebates. The rebate program will be in effect until June 30, 2009, the program’s sunset.

“The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit ‘1b-A’ in a total amount currently not expected to exceed \$7.6 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 Exhibit in the future for other rebate months.

FISCAL INFORMATION

“Funding of rebates for the companies listed in Exhibit ‘1b-A’ is not expected to exceed \$7.6 million. Payments will be made from the Operating Fund. To date, the Trustees have approved \$148.8 million in rebates.

RECOMMENDATION

“The Executive Vice President and Chief Financial Officer and the Director – Marketing Analysis and Administration recommend that the Trustees approve the payment of electricity savings reimbursements to the Power for Jobs customers listed in Exhibit ‘1b-A.’

“The Chief Operating Officer, the Acting Executive Vice President and General Counsel, the Senior Vice President – Marketing and Economic Development and I concur in the recommendation.”

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

WHEREAS, the Economic Development Power Allocation Board (“EDPAB”) has recommended that the Authority approve electricity savings reimbursements to the Power for Jobs (“PFJ”) customers listed in Exhibit “1b-A”;

NOW THEREFORE BE IT RESOLVED, That to implement such EDPAB recommendations, the Authority hereby approves the payment of electricity savings reimbursements to the companies listed in Exhibit “1b-A,” and that the Authority finds that such payments for electricity savings reimbursements are in all respects reasonable, consistent with the requirements of the PFJ program and in the public interest; and be it further

RESOLVED, That based on staff’s recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to \$7.6 million, and it is hereby found that amounts may properly be withdrawn from the Operating Fund to fund such payments; and be it further

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

RESOLVED, That the Senior Vice President – Marketing and Economic Development or his designee be, and hereby is, authorized to negotiate and execute any and all documents

necessary or desirable to effectuate the foregoing, subject to the approval of the form thereof by the Acting Executive Vice President and General Counsel; and be it further

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

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

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended Allocation		Type	Service
											KW	Jobs/MW		
1	Northeast Solite Corp.	Mount Marion	Ulster	CHGE	600	57	60	3	5%	Yes	600	100	Large	Manufactures nonmetallic mineral products
	Total Central Hudson Gas & Electric		Subtotal		1	600	60				600			
2	Beth Israel Medical Center	New York	New York	Con Ed	3,800	6,634	7,001	367	6%	Yes	3,800	1,842	NFP	Health Care Center
3	Columbia University - Trustees	New York	New York	Con Ed	750	750	749	-1	0%	Yes	750	999	NFP	Educational and Student Services
4	Edison Price Lightng. Inc.	New York	New York	Con Ed	400	106	158	52	49%	Yes	400	395	Large	Manufacturer of lighting fixtures
5	Greater Jamaica Development Corp.	Jamaica	Queens	Con Ed	375	151	151	0	0%	Yes	375	403	NFP	Urban & Community Development
6	Jacmel Jewelry, Inc.	Long Island City	Queens	Con Ed	170	272	266	-6	-2%	Yes	170	1,565	Small	Makes & ships fine jewelry
7	Mount Sinai Medical Center	New York	New York	Con Ed	2,000	10,220	10,327	107	1%	Yes	2,000	5,164	NFP	Medical Center
8	NYU Medical Center	New York	New York	Con Ed	4,000	10,924	11,364	440	4%	Yes	4,000	2,841	NFP	Medical Center
9	S. R. Guggenheim Museum	New York	New York	Con Ed	475	390	418	28	7%	Yes	475	880	NFP	Art Museum
10	The Museum of Modern Art	New York	New York	Con Ed	1,000	800	765	-35	-4%	Yes	1,000	765	NFP	Museum
11	Thirteen WNET	New York	New York	Con Ed	750	541	539	-2	0%	Yes	750	719	NFP	Broadcasting
	Total Con Ed		Subtotal		10	13,720	30,788	31,738			13,720			
12	Enzo Clinical Labs, Inc.	Farmingdale	Suffolk	LIPA	200	333	357	24	7%	Yes	200	1,785	Small	Medical Lab
13	Good Samaritan Hospital	West Islip	Suffolk	LIPA	800	3,088	3,137	49	2%	Yes	800	3,921	NFP	Healthcare Center
	Total LIPA		Subtotal		2	1,000	3,421	3,494			1,000			
14	Albany Molecular Research, Inc.	Albany	Albany	Grid	600	393	404	11	3%	Yes	600	673	Large	Pharmaceutical & organic research
15	AMRI Rensselaer, Inc.	Rensselaer	Rensselaer	Grid	1,000	256	253	-3	-1%	Yes	1,000	253	Large	Active pharmaceutical ingredients
16	Anoplate Corp.	Syracuse	Onondaga	Grid	450	192	209	17	9%	Yes	450	464	Large	Metal Finishing
17	Atofina Chemicals, Inc.	Geneseo	Livingston	Grid	850	95	95	0	0%	Yes	850	112	Large	Chemical manufacturing plant
18	Beechnut Nutrition Corp.	Canajoharie	Montgomery	Grid	1,500	359	377	18	5%	Yes	1,500	251	Large	Manufactures baby food products
19	Clarkson University	Potsdam	St. Lawrence	Grid	1,500	664	664	0	0%	Yes	1,500	443	NFP	Higher education
20	Climax Manufacturing Co.	Carthage	Jefferson	Grid	1,500	69	69	0	0%	Yes	1,500	46	Large	Paperboard mills
21	Cortland Line Co., Inc.	Cortland	Cortland	Grid	450	84	83	-1	-1%	Yes	450	184	Large	Monofilament and braided fishing lines
22	Crucible Specialty Metals	Syracuse	Onondaga	Grid	4,000	692	687	-5	-1%	Yes	4,000	172	Large	Specialty steel manufacturer.
23	CWM Chemical Services, LLC	Model City	Niagara	Grid	330	78	65	-13	-17%	Yes *	330	197	Large	Treatment & disposal of Industrial Waste
24	Dal Tile Corporation	Clean	Cattaraugus	Grid	1,000	204	218	14	7%	Yes	1,000	218	Large	Ceramic tile
25	Dialectics Laboratories, Inc.	Cazenovia	Madison	Grid	400	190	193	3	2%	Yes	400	483	Large	Ceramic capacitors and ceramic packaging
26	Oiemolding Corporation	Canastota	Madison	Grid	200	238	201	-37	-16%	Yes *	184	1,092	Small	Thermoset plastic forming
27	Dodge-Graphic Press Inc	Utica	Herkimer	Grid	300	67	74	7	10%	Yes	300	247	Small	Printing Company
28	Dupli Envelopes & Graphics Corp.	Syracuse	Onondaga	Grid	200	123	123	0	0%	Yes	200	615	Small	Quality envelope printing
29	Eastman Machine Company	Buffalo	Erie	Grid	300	107	98	-9	-8%	Yes	300	327	Small	Textile cutting and spreading equipment
30	Edward John Noble Hospital	Gouverneur	St. Lawrence	Grid	100	241	237	-4	-2%	Yes	100	2,370	NFP	Healthcare center
31	Fitzpatrick & Weller, Inc.	Ellicottville	Cattaraugus	Grid	1,000	93	86	-7	-8%	Yes	1,000	86	Large	Lumber & wood components
32	Ford Motor Company	Buffalo	Erie	Grid	5,000	1,462	1,140	-322	-22%	Yes *	5,000	228	Large	Automotive components stamping
33	G L & V Sandy Hill Inc.	Hudson Falls	Washington	Grid	750	94	99	5	5%	Yes	750	132	Large	Full service foundry & machine shop
34	Higbee Inc.	Syracuse	Onondaga	Grid	100	47	47	0	0%	Yes	100	470	Small	Mfr. of gaskets, and sealing products
35	Interface Solutions, Inc.	Fulton	Oswego	Grid	1,000	161	142	-19	-12%	Yes *	940	151	Large	Backing for vinyl flooring and fiber gaskets
36	Keystone Corporation	Buffalo	Erie	Grid	300	40	41	1	3%	Yes	300	137	Small	Fabricated metal products
37	Kilian Manufacturing Corporation	Syracuse	Onondaga	Grid	400	154	144	-10	-6%	Yes	400	360	Large	Mfr. ball bearings
38	Lydall Manning	Green Island	Albany	Grid	1,100	113	114	1	1%	Yes	1,100	104	Large	Specialty Paper Manufacturer
39	Manth-Brownell, Inc.	Kirkville	Madison	Grid	700	179	135	-44	-25%	Yes *	700	193	Large	Precision-turned machined parts
40	McLane Eastern	Baldwinsville	Onondaga	Grid	875	945	801	-144	-15%	Yes *	800	1,001	Large	Wholesale grocery distributor
41	Meloon Foundries, Inc.	Syracuse	Onondaga	Grid	275	58	52	-6	-10%	Yes	275	189	Small	Non-Ferrous Sand Casting Foundry
42	Mohawk Paper Mills	Cohoes	Albany	Grid	2,250	330	415	85	26%	Yes	2,250	184	Large	Manufacturer of text and cover papers
43	Nathan Littauer Hospital & Nursing Home	Gloversville	Fulton	Grid	400	682	698	16	2%	Yes	400	1,745	NFP	Hospital and Nursing Home
44	Paul Bunyan Products, Inc.	Pleble	Cortland	Grid	150	28	24	-4	-14%	Yes *	150	160	Small	Hardwood lumber components and pallets
45	Precision Systems Mfg., Inc.	Liverpool	Onondaga	Grid	180	63	60	-3	-5%	Yes	180	333	Small	Machining and sheet metal manufacturing
46	Queensboro Farm Products, Inc.	Canastota	Madison	Grid	500	81	80	-1	-1%	Yes	500	160	Large	Milk manufacturing and processing plant
47	Revere Copper Products	Rome	Oneida	Grid	2,000	424	412	-12	-3%	Yes	2,000	206	Large	Copper & brass products
48	Robison & Smith, Inc.	Gloversville	Fulton	Grid	384	200	205	5	3%	Yes	384	534	Small	Linen & Laundry Supply
49	SABIC Innovative Plastics (GE Plastics)	Selkirk	Albany	Grid	5,000	504	490	-14	-3%	Yes	5,000	98	Large	Plastic materials & resins
50	Schenectady International, Inc.	Schenectady	Schenectady	Grid	1,600	373	175	-198	-53%	Yes *	1,600	117	Large	Produces electrical insulating varnishes
51	Schneider Packing Equipment	Brewerton	Onondaga	Grid	200	122	143	21	17%	Yes	200	715	Small	Packaging machinery
52	Sorrento Lactalis, Inc.	Buffalo	Erie	Grid	1,500	496	510	14	3%	Yes	1,500	340	Large	Produces cheese and whey products
53	Specialized Packaging Radisson, Inc	Baldwinsville	Onondaga	Grid	180	173	192	19	11%	Yes	180	1,067	Small	Printed folding cartons
54	Syracuse Casting Sales Corp.	Cicero	Onondaga	Grid	300	105	107	2	2%	Yes	300	357	Small	Cast products for vaults, drain grates, etc.
55	Syracuse Label Co., Inc.	Liverpool	Onondaga	Grid	200	88	88	0	0%	Yes	200	440	Small	Printing labels for consumer and industrials
56	Syracuse University	Syracuse	Onondaga	Grid	2,000	4,479	4,530	51	1%	Yes	2,000	2,265	NFP	Institution of Higher Education
57	Vicks Lithograph & Printing	Yorkville	Oneida	Grid	750	137	112	-25	-18%	Yes *	750	149	Large	Book printer & distribution
58	Watson Bowman Acme Corp.	Amherst	Erie	Grid	150	94	101	7	7%	Yes	150	673	Small	Expansion systems for roads & bridges
	Total National Grid		Subtotal		45	43,824	15,777	15,193			43,673			
59	Agri-Mark, Inc	Chateaugay	Franklin	NYSEG	500	115	116	1	1%	Yes	500	232	Large	Cheese Manufacturer
60	Barry Steel Fabrication, Inc.	Lockport	Niagara	NYSEG	50	35	32	-3	-9%	Yes	50	640	Small	Steel fabrication
61	Bison Foods, dba Upstate Niagara Coop, Inc.	West Seneca	Erie	NYSEG	500	136	143	7	5%	Yes	500	286	Large	Dairy Products
62	Caron Fine Wood Products, Inc.	Champlain	Clinton	NYSEG	15	2	4	2	100%	Yes	15	267	Small	Supplier of kiln drying for lumber
63	Manitoba Corporation	Lancaster	Erie	NYSEG	250	41	43	2	5%	Yes	250	172	Small	Metal Recycling for non-ferrous metals
64	Merritt Machinery, LLC	Lockport	Niagara	NYSEG	75	18	9	-9	-50%	Yes *	75	120	Small	Machinery for hardwood and plywood
65	Upstate Niagara Cooperative, Inc.	Buffalo	Erie	NYSEG	600	154	154	0	0%	Yes	600	257	Large	Processes milk and milk products
	Total NYSEG		Subtotal		7	1,990	501	501			1,990			
66	IBM - Sterling Forest	Sterling Forest	Orange	O&R	700	523	503	-20	-4%	Yes	700	719	Large	Technology company
	Total Orange & Rockland		Subtotal		1	700	523	503			700			
67	Flower City Printing, Inc.	Rochester	Monroe	RGE	650	312	306	-6	-2%	Yes	650	471	Large	Commercial printer
68	IBM - Rochester	Rochester	Monroe	RGE	1,150	583	592	9	2%	Yes	1,150	515	Large	Technology company
	Total RG&E		Subtotal		2	1,800	895	898			1,800			
	Total		68		63,634	51,962	52,387				63,483			

* This company has had all or part of their allocation restored through the reconsideration process or was deemed compliant based on program procedures.

INTRODUCTION

Acting Chairman Michael Townsend said that this meeting would include an opportunity for outside attendees to make five-minute statements to the Trustees. He said that while the Trustees would not be responding at the meeting to any concerns expressed or questions asked by the speakers, they would be taking the comments into consideration and, where appropriate, an Authority staff member would get back to the speaker with a response. He said that President and Chief Executive Officer Richard Kessel would be calling the speakers up to the podium and reminded everyone of the five-minute limit, adding that Corporate Secretary Anne Cahill would be indicating to the speakers when they had spoken for four minutes so that they could use the last minute to wrap up.

2. Report from the Chief Financial Officer

Mr. Donald Russak presented the highlights of the reports to the Trustees, pointing out that the reports were being prepared in a new format based on feedback from the Board. He said that he would not be presenting a recitation of October's financial results, but rather commenting on some of the matters affecting the Authority's business.

He said that that net revenues in October were \$9.5 million compared to the projected amount of \$14 million and that year-to-date net revenues totaled \$258 million compared to the projected amount of \$197 million. In October, hydro production was up 14, offset by a 16% accrual for the previously paid contribution to the New York State Treasury and a mark-to-market loss of \$6.1 million on the Authority's investment portfolio.

Mr. Russak said that short-term commercial paper rates were settling back down following the turbulence of the last couple of months.

On the commodity front, oil and natural gas prices continued their decline in October. He said that Authority staff is closely monitoring the commodity markets and responding as appropriate. In addition, staff is closely monitoring counterparty positions on a daily basis to ensure that the Authority stays within its guidelines.

Acting Chairman Townsend thanked Mr. Joseph Del Sindaco, Mr. Russak and their staff, saying that he appreciated their efforts to work with Trustee Jonathan Foster to make the financial reports more user-friendly for the Trustees and helpful in their decision-making process. Trustee Foster said that he really appreciated staff's efforts as well.

3. Report from the President and Chief Executive Officer

President Kessel said that it was great to be hosting the Trustees' first meeting in Buffalo and thanked all of the Trustees for working with him to make it happen. He said that having the meeting in the City of Buffalo was a symbol of the Authority's recognition of the importance of upstate and western New York, adding that he thinks it is important for the Trustees to have meetings throughout the Authority's service territory so that the public has an opportunity to see the Board in action. He said that Trustees D. Patrick Curley and Elise Cusack were joining him in meetings with western New York community representatives and business people. He also said that the open mic portion of the meeting was also a first for the Authority and that the Long Island Power Authority and Metropolitan Transportation Authority include similar opportunities for public comment at their meetings.

President Kessel said that one of Governor Paterson's key priorities is to have the Authority help revive the upstate economy and he welcomed the members of the public who were attending the meeting, including a representative from Congressman Brian Higgins' office, local public officials and business people. He said that in his first month on the job he had spent the vast majority of his time traveling to western and northern New York and that he intends to continue traveling, with trips planned in December to Syracuse, Utica, Albany and possibly the north country again.

President Kessel said that he and Chief Operating Officer Gil Quiniones had participated in a highly successful economic summit sponsored by Empire State Development Corporation, including a half-hour private meeting with Thierry Vandal, President and Chief Executive Officer of Hydro Québec, at which the possibility of working with Hydro Québec to bring cheaper hydropower to New York State was discussed. A high-level meeting between both utilities is planned for January, at which options will be discussed that can then be brought back for consideration by the Trustees and the Governor. President Kessel said that a tremendous amount of hydropower could be purchased from Hydro Québec as soon as transmission and congestion issues can be addressed. He said that he hopes to have more to report back to the Trustees at their February meeting.

President Kessel said that he has asked staff to take a global look at the Authority's resources, including the power produced at the Niagara and St. Lawrence projects and its economic development power programs, in order to ensure that the Authority is getting the most out of these resources. He said he is encouraging a more

unified approach to the Authority's power and programs and that he plans to come back to the Trustees early in 2009 with some recommendations in that regard.

President Kessel said that Authority staff is working with Ms. Echo Cartwright in the Governor's Office to develop a Great Lakes offshore wind initiative. He said that he had just come from a press conference at Williamsville High School that announced an \$8.6 million energy efficiency program that involves installing compact fluorescent lights, energy-efficient HVAC systems and photovoltaic panels at 13 buildings in the Williamsville School District, which will result in \$500,000 in annual savings. President Kessel thanked Mr. Angelo Esposito and his staff for getting this program off the ground.

In response to a question from Trustee Foster, President Kessel said that he had made the following progress on the four objectives he had laid out at the October Trustees' Meeting:

- (1) Reform and clean-up of the Authority: The Authority's consultant, Navigant Consulting, is expected to finalize its report in December on the study it has been conducting on the Authority's plane, Travel Office and Inspector General and Internal Audits offices, along with some additional areas that President Kessel asked them to examine. Authority staff is fully cooperating with the Office of the Attorney General's investigation and President Kessel will be meeting with Attorney General Andrew Cuomo next week to discuss the investigation. He said that he expects to have recommendations on changes to the Authority's guidelines and procedures ready to present to the Trustees at their December meeting.*
- (2) Upstate New York: President Kessel said that a lot of progress has been made on improving the Authority's relationship with its upstate constituents. He said that the Authority does a lot upstate but that it needs to do more, especially in terms of reaching out to upstate business groups and media. President Kessel said that the ultimate challenge is to stabilize power rates and use the Authority's power for economic development purposes.*
- (3) Renewables and energy efficiency: President Kessel said that he has talked with Mr. Esposito about taking a new look at how the Authority conducts its energy efficiency programs, including the possibility of issuing grants for a more immediate and direct impact.*

- (4) *Transmission: President Kessel said that the Authority could be a national leader in transmission if it moves now to enhance its old transmission lines, use new technologies to build transmission infrastructure that is more aesthetically benign and relieve transmission congestion.*

4. Statements from Western New York Stakeholders

The following individuals addressed the Trustees:

(1) Andrew Rudnick, President and Chief Executive Officer, Buffalo Niagara Partnership:

- Stressed the importance of Niagara Project Replacement Power (“RP”) and Expansion Power (“EP”) to the region;
- Requested that any unused or unallocated RP/EP be set aside for economic development purposes;
- Urged the Authority and other State entities to work together on streamlining the application process for economic development programs using one set of progressive pro-business criteria; and
- Said that the Buffalo Niagara Partnership supports using the power that the Authority currently sells to the upstate investor-owned utilities for resale to rural and domestic customers for economic development purposes instead.

(2) Fred Newlin, Supervisor, Town of Lewiston:

- Suggested that the power allocated under the relicensing settlement agreement be sold into a more active market in order to increase its value to the local communities;
- Said the Authority should focus on economic development in Western New York;
- Asked that consideration be given to using renewable power to benefit residential customers by lowering their electricity rates; and
- Emphasized that the ban on the Authority making payments in lieu of taxes to Niagara Project neighboring communities moved the burden of paying for the increased services required of small local fire companies to local homeowners and local businesses.

Acting Chairman Townsend and President Kessel said that the Authority would be looking at the power resale and local fire company issues.

(3) Kelly Brannen, Managing Director, Niacet Corporation:

- Representing Power for Economic Prosperity (“PEP”), a coalition of 21 manufacturing companies that receive Niagara Project power, several of which have been in business in western New York for 100+ years;

- PEP members are energy intensive, employ 15,000 people, and produce \$1.2 billion in goods annually;
- PEP members also buy goods and services from each other and from other companies in western New York; if one company goes away, others are affected; and
- PEP companies need assurance that Niagara Project power will be available to them on a long-term basis, since their current contracts expire in 2012.

(4) Lawrence Soos, Mayor, North Tonawanda:

- Represents Public Power Coalition and Eastern Niagara Coalition of 400,000+ people;
- These coalitions received nothing from the Niagara relicensing process; and
- He has met with representatives of the Authority and the Governor's Office to make the Coalitions' case.

President Kessel said that the Authority will continue to work with the Coalitions to see what the Authority can do to be helpful.

(5) Howard Frawley, Mayor, Village of Angola:

- Since Goya Great Lakes Foods' factory in Angola is undertaking a \$12 million expansion program that's going to benefit the village, the town, and the county, he requested that the Authority consider giving Goya a reduced price on power.

President Kessel asked Mr. Frawley to have the Chief Executive Officer of Goya give him a call. Trustee Curley said that there are exceptions to the 30-mile limit for Niagara Power.

(6) Michael Tucker, Mayor, City of Lockport, and Chairman, Eastern Niagara Public Power Association ("ENPPA"):

- ENPPA comprises 17 different entities and 150,000 people who see very little of the benefits from the Niagara Project;
- It's tough to see the power generated here going downstate;
- Publicly thanked President Kessel for meeting with ENPPA after just one week on the job; and
- Looking forward to a great relationship and very encouraged by what President Kessel had to say.

(7) Sam Iraci, Administrative Assistant, Town of Tonawanda:

- On behalf of Supervisor of Town of Tonawanda, he's very encouraged that the Authority is holding its Trustees' Meeting in Buffalo today and that President Kessel is familiar with local issues;
- Message is clear – the Authority can play a huge role in addressing the State's and region's energy problems;
- The Authority's actions have a significant impact on local communities in terms of water level and treatment, erosion, sedimentation and water temperature;
- City of Buffalo has only 7.74 miles of shoreline of 109 total miles affected by Niagara Project;
- Those communities that didn't receive relicensing settlements are at a competitive disadvantage with those that did, so the playing field needs to be leveled; and
- We want to work with the Authority to revive the economy of western New York.

(8) Joseph Barrett, independent researcher:

- Alternative licensing process was used to avoid the expense and embarrassment of the Niagara Project's out-of-date environmental impact statement that is based on 60-year-old environmental studies;
- Ice boom interferes with spring ecotourism; and
- Western New York has second highest electric rates in the country.

(9) Steve Fitzmaurice, Chief Operating Officer, Seneca One Realty:

- Commercial customers in Buffalo pay 55% higher electricity rates than those that receive Niagara Project power;
- Criteria for obtaining Niagara Project power should be changed so that businesses that need it get it; and
- Recognize that the new service economy is based in downtown Buffalo; HSBC Center is a 40-story tower that provides 3,300 good-paying jobs, but HSBC can go anywhere it wants, so allocating a block of low-cost power would make sense, and he'd like to start a dialogue about this.

(10) Shirley Hamilton, Niagara Improvement Association ("NIA"):

- NIA intervened in Niagara relicensing process on the basis of environmental justice issues, since NIA represents the members of the community living within one mile of the Niagara Project;

- The new license does not contain any provisions for cleaning up abandoned properties and brownfields left behind by Niagara Project power customers; and
- How can Governor Paterson ensure that environmental justice issues are addressed when there is no diversity among the people holding positions of power at the Authority?

(11) Joseph Jones, pastor, NIA:

- NIA represents 250,000-300,000 people with an average salary of \$14,000;
- NIA applied for a settlement agreement but didn't get one; and
- Settlement agreements should be renegotiated.

(12) Thomas Frank, project organizer, resident of Village of Waynesville:

- Was also involved with relicensing of St. Lawrence/FDR Power Project;
- According to a study by the Brookings Institute, issues involving the Niagara River's tributaries were not addressed in the alternative licensing process for the Niagara Project; and
- There is a need to cooperate with Canada on boundary issues as stipulated in the 1909 Boundary Water Treaty.

5. **Report from the Chief Operating Officer**

Mr. Quiniones thanked Trustee Foster for his recommendations on improving the statistics presented to the Trustees to make them simple, understandable, and comprehensive.

Generation Reliability:

- All Authority power plants have an installed capacity (“ICAP”), meaning the amount of power they could generate under perfect conditions. Since conditions are not always perfect and outages occur, a second measurement called unforced capacity (“UCAP”) indicates how much power the plant actually can produce. The Authority’s year-end target is to produce 98.5% of its ICAP; this graph reflects how close it is, month to month, to meeting that objective.
- This month there were no significant generation events, which are defined as forced or emergency outages of individual generator units that last longer than 72 hours, have a total repair cost of more than \$75,000 or negatively affect revenues by \$50,000.
- As indicated by the curve, earlier in the year the Authority faced some challenges due to outages at the 500 MW plant and the Poletti plant, which is scheduled for shutdown in 2010.
- Year to date, the Authority has met its target of 98.5% reliability and expects to meet its year-end target of 98.5% as well.

Transmission Reliability:

- This is a measure of transmission system availability; any Authority-caused transmission limitations resulting in a system reduction of transmission throughput would bring these percentages down.
- The reason the target varies from month to month is because the Authority plans for certain maintenance outages on lines and substations during the year.
- Year to date, the Authority has exceeded its 97.3% reliability target with 97.63% reliability.
- The Authority expects to exceed its year-end target of 97.58%.

Clean Energy:

- This measures the Authority’s total reduction or avoidance of electricity consumption through implementing energy efficiency, renewable energy and electric-drive vehicle projects.

- Year to date, the Authority has exceeded its target of 136 MWh with 171 MWh, which in fact exceeds its year-end target of 162 MWh
- From January through October, the Authority completed 32 energy efficiency projects resulting in 53,045 MWh in savings; fuel cells generated 8,293 MWh, solar PVs generated 190 MWh and the Authority purchased 110,327 MWh of Renewable Energy Attributes.
- The Authority identified 10 additional projects that would provide 15,000 MWh in reduced electricity consumption. Fuel cells and solar PVs are expected to generate 1,080 MWh, and 22,065 MWh of Renewable Energy Attributes will be purchased.

Safety:

- Using the OSHA definition of 100 full-time employees working 2,000 hours per year, the Authority measures Recordable Incidents (injuries) at all of its sites, including headquarters.
- The Authority has had 19 Recordable Injuries through October 2008 compared to 13 for the same period in 2007.
- Based on 3 million hours worked for the year, the Authority will most likely not meet its 1.22 year-end stretch target.
- However, the Authority's performance is still considered "best in class" in the utility industry. The industry average rate is 3.60 and the Authority's rate is less than half of that. The Authority has also taken first or second place in each of the past 10 years in the American Public Power Association safety awards for a utility in its segment.

In response to a question from Trustee Foster, Mr. Quiniones said that hand injuries account for the increased rate of injuries in 2008 and that the Authority is increasing its training in the proper use of equipment and tools. He said that the Authority will continue to monitor the situation.

Environmental Incidents:

- DEC measures environmental incidents using a ranking of N1-N4, with N1 being an incident that poses an imminent substantial threat to public health or the environment and N4 being an incident with no discernible threat to public health or the environment. This graph reflects the number of environmental incidents of *all*

types that the Authority has had compared to its target. While the Authority is above the target, it has not had a N1 or N2 environmental incident since 2001.

- The four events in the past month included a small release of hydraulic oil at Hellgate, a NO_x exceedance from Harlem River, a small release of transformer oil attributable to Blenheim-Gilboa at the Village of Greene municipal treatment plant from a metering transformer and a minor release of transformer oil at Niagara.
- Year to date, the Authority has had 43 incidents versus its year-to-date goal of 36 and its year-end target of 40. Staff is working hard to resolve issues that have contributed to these incidents. However, the existing metric accounts for *all* spills and releases, rather than regulatory reportable releases so events have been recorded that had no environmental impact. Staff is looking at the metric and may revise it to better reflect performance next year.

**6. Energy Efficiency and Clean Energy Project at
Williamsville Central School District**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve an \$8.6 million energy efficiency and clean energy project (‘the Project’) at the Williamsville Central School District (‘WCSD’) in the Town of Amherst. The Project will help reduce the electricity and fuel costs of the WCSD by nearly \$494,000 a year through the installation of high-efficiency lighting, new heating, ventilating and air-conditioning (‘HVAC’) equipment and other efficiency measures. The Project will also include the demonstration of a small solar photovoltaic (‘PV’) system at one of the school sites. The upgrades, which are expected to be completed by early 2010, will also increase the comfort and safety of the district’s 13 buildings, where 10,600 K-12 students attend school.

BACKGROUND

“The Authority recently began preliminary site work at the WCSD under the Authority’s Statewide Energy Services Program (‘ESP’). The Project is in support of the goals of State legislation enacted in 2004 authorizing the Authority to make energy efficiency services and clean energy technologies available to public and private schools. The Authority’s ‘Power to Schools’ Program offers these services and also facilitates the purchase by schools of the most economical power available from the wholesale competitive marketplace.

“The Statewide ESP and Power to Schools programs are among various initiatives that have provided the foundation for wide-ranging energy efficiency and clean energy projects by the Authority at numerous schools and other public facilities across the State.

“Thus far, in Erie and Niagara counties, the Authority has invested more than \$50 million in completed energy efficiency projects at nearly 140 public facilities, lowering electricity bills by nearly \$2.8 million a year. The Authority projects have also curbed annual greenhouse gas emissions by nearly 22,000 tons and displaced nearly 60,000 barrels of oil annually. The improvements have ranged from replacing polluting coal-fired furnaces at seven Buffalo schools to installing new energy-efficient refrigerators in Buffalo public housing.

“The Authority expects to build on its energy-saving measures in Western New York and throughout the State in support of Governor David A. Paterson’s ambitious goal to cut Statewide electricity use by 15% from forecast levels by 2015. The Authority plans to invest \$1.4 billion in energy efficiency over the next several years to help support this effort.

“The Authority also plans to invest \$21 million to promote clean energy sources such as wind, solar PV, solar thermal and fuel cells. This is in support of the recommendations last February of the Renewable Energy Task Force headed by Governor Paterson for at least 25% of the State’s electricity to be generated by renewables by 2013.

DISCUSSION

“Consistent with the Statewide ESP and Power to Schools programs, the Trustees are requested to approve the \$8.6 million energy efficiency and clean energy technologies Project at the WCSD.

“Lighting measures would include replacing incandescent lights with compact fluorescent lights, T12 fluorescent lights with more energy-efficient T8 fluorescent lights and electronic ballasts and incandescent and fluorescent exit lights with those that use light-emitting diode (‘LED’) technology. The upgrades would significantly reduce the WCSD’s lighting costs, with the new fixtures also lasting longer than the lights being replaced.

“Other improvements would include the installation of variable-frequency drives for the efficient use of electric motors, high-efficiency boilers and chillers, an energy management system to control and monitor mechanical and electrical equipment, new air-handling units and carbon dioxide sensors to ensure fresh air for

building occupants and the replacement of air dampers and actuators to better control air flowing into and out of the buildings.

“The comprehensive energy efficiency Project is expected to reduce greenhouse gas emissions by nearly 2,100 tons a year and displace approximately 7,000 barrels of oil annually.

“The Project, which has been approved by the New York State Education Department (‘NYSED’), stems from energy audits by the Authority to identify measures to lower the WCSD’s energy costs. The improvements can also be expected to lessen the maintenance costs for the WCSD’s energy-related equipment.

“The Project also provides for the Authority to install a 5- to 6-kilowatt solar PV array on the roof of one of the WCSD’s 13 buildings. It will serve as a demonstration project that could lead to additional PV installations for the district.

FISCAL INFORMATION

“The financing of the overall Project will be provided by previously approved funds in the Statewide ESP. This funding will be from the proceeds of the Authority’s Commercial Paper Notes and/or its Operating Fund. A \$250,000 grant from the Petroleum Overcharge Restitution (‘POCR’) Fund will lower Project costs. POCR funds have been/are appropriated to the Authority by the State Legislature for implementation of energy services projects.

“The Authority will also provide up to \$75,000 to pay for the cost of the solar demonstration project. The costs of the remainder of the project (i.e., excluding the \$250,000 POCR grant and the \$75,000 solar grant) will be recovered from the WCSD consistent with the terms of the ESP agreement.

“The NYSED will provide financial assistance to the WCSD to lower its costs to finance the Project.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology recommends that the Trustees approve the \$8.6 million energy efficiency and clean energy project at the Williamsville Central School District in the Town of Amherst consistent with the guidelines of the Statewide Energy Services Program.

“The Chief Operating Officer, the Acting Executive Vice President and General Counsel and I concur in the recommendation.”

Mr. Angelo Esposito presented the highlights of staff’s recommendations to the Trustees. Trustee Besha said that the Authority needs to do more of this type of project.

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

WHEREAS, Authority staff has identified significant opportunities for lowering the energy bills of the facilities operated by the Williamsville Central School District in the Town of Amherst; and

WHEREAS, the New York State Education Department has approved the Authority’s comprehensive upgrade plan to increase energy efficiency; and

WHEREAS, the improvements will lower the school district’s electricity and fuel costs by nearly \$494,000 a year, while

enhancing the ambient conditions for students, teachers and administrative staff; and

WHEREAS, the upgrades will contribute to Governor David A. Paterson's goals for enhancing the State's energy efficiency, improving fuel diversity and reducing greenhouse gas emissions;

NOW THEREFORE BE IT RESOLVED, That consistent with the current guidelines of the existing Statewide Energy Services Program, the Trustees approve an \$8.6 million energy efficiency and clean energy project at the Williamsville Central School District; and

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

7. Amendments to the Authority's Governance Committee and Audit Committee Charters

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to amend both the Governance Committee Charter and the Audit Committee Charter as set forth in Exhibits ‘7-A’ and ‘7-B’ of this item. The most significant of these amendments: (1) modify both charters so that the Inspector General attends the meetings of and reports to the Governance Committee rather than the Audit Committee; (2) expand the Governance Committee’s responsibilities to include annual review of the compensation and benefits for all non-statutory officers, the Inspector General and the Vice President – Internal Audits and (3) having the Audit Committee meet at least three, rather than four, times per year.

BACKGROUND

“The Public Authorities Accountability Act of 2005 (‘PAAA’) added a new section to the Public Authorities Law (Section 2824) delineating the roles and responsibilities of board members of public authorities, including, but not limited to, oversight of the authorities’ senior management in the effective and ethical management of the authorities and oversight and review of the authorities’ fundamental financial, management and operational policies and procedures.

“The PAAA also required authorities to have both a Governance and Audit Committee. To that end, on February 28, 2006, the Trustees established a Governance Committee by amending the Authority’s By-laws, adopted a Governance Committee Charter and amended the existing Audit Committee Charter.

“The Governance Committee is currently required to: (1) oversee Authority management and policies relating to ethical conduct; (2) update and revise the Authority’s Code of Conduct; (3) review and update the Authority’s policies on procurement of goods and services and the acquisition and disposal of real and personal property and (4) adopt a corporate policy on the protection of whistleblowers from retaliation.

“The Audit Committee is currently responsible for oversight of the Authority’s: (1) relationship with independent accountants; (2) internal audit process; (3) internal control systems and (4) complaints to and investigations by the Inspector General.

DISCUSSION

“On October 28, 2008, the Authority’s Board of Trustees approved changes to the Authority By-laws that affect both the Governance Committee and the Audit Committee. One such change provides for the Inspector General reporting to and attending the meetings of the Governance Committee. These changes and the need to formalize Board oversight over the compensation of executive management necessitate certain amendments to the Committees’ charters.

“With respect to the Governance Committee Charter, the Trustees are requested to: (i) add a new Section (A) stating the purpose of the Governance Committee; (ii) amend Sections (B)(4) and (D) to reflect current Authority titles; (iii) amend Section (C) to clarify that the Governance Committee is charged with oversight of activities of the Office of the Inspector General and procurement and real estate activities; (iv) amend Section (C) to include an annual review of the compensation and benefits for all non-statutory officers, the Inspector General and the Vice President – Internal Audit and (v) amend Section (C) to require the Governance Committee to review any reports received from the Office of the State Inspector General. In addition, changes have been made that are ancillary to those above and/or appropriate for clarity. The proposed amended Governance Committee Charter is attached as Exhibit ‘7-A.’

“With respect to the Audit Committee Charter, the Trustees are requested to: (i) add a new Section (A) stating the purpose of the Audit Committee; (ii) amend Section (B)(4) to decrease the number of regularly scheduled Committee meetings from at least four times per year to at least three times per year; (iii) amend Section (B)(4) to reflect current Authority titles and the current composition of the Office of Internal Audit and (iv) amend Section (C)(3) to strengthen the relationship between the Audit Committee and the Office of Internal Audit and to transfer the responsibility of reviewing the compensation and benefits of the head of the Office of Internal Audit to the Governance Committee in accordance with the Authority’s By-laws and (v) delete Section (C)(4) regarding the relationship of the Audit Committee to the Office of the Inspector General as such duties are now a function of the Governance Committee. In addition, changes have been made that are ancillary to those above and/or appropriate for clarity. The proposed amended Audit Committee Charter is attached as Exhibit ‘7-B.’

FISCAL IMPLICATIONS

“None.

RECOMMENDATION

“The Acting Executive Vice President and General Counsel and I recommend that the Trustees approve the proposed amendments to the Governance Committee Charter and the Audit Committee Charter.”

Mr. Arthur Cambouris presented the highlights of staff’s recommendations to the Trustees. In response to a question from Trustee Foster, Mr. Cambouris said that the required number of Audit Committee meetings had been reduced to three in order to be consistent with the required number of Governance Committee meetings each year. Responding to another question from Trustee Foster, Mr. Cambouris said that having the Inspector General report to the Governance Committee rather than the Audit Committee was meant to reflect the fact that the Audit Committee is now focusing on financial matters.

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

RESOLVED, That the attached Governance Committee Charter and Audit Committee Charter be adopted in the form proposed in Exhibits “7-A” and “7-B.”

GOVERNANCE COMMITTEE CHARTER

A. PURPOSE

The purpose of the Governance Committee ("Committee") is to assist the Board by: (1) keeping the Board of Trustees ("Board") informed of current best practices in corporate governance, (2) reviewing corporate governance trends for their applicability to the Authority, (3) updating the Authority's corporate governance principles and governance practices, and (4) advising those responsible for appointing directors to the Board on the skills, qualities and professional or educational experiences necessary to be effective Board members.

B. MEMBERSHIP AND ORGANIZATION

(1) Committee Composition

The Committee shall be comprised of three (3) independent members of the Board of Trustees none of whom serve as Chairman of the Board ("Chairman") or in any other position of Authority management. Committee members and the Committee Chair shall be nominated by the Chairman and selected from eligible Trustees by vote of the Board.

(2) Term

Committee members shall serve for a period of four years subject to their term of office under section 1003 of the Public Authorities Law. Committee members may be re-elected to serve for additional periods of four years subject to their term of office. A Committee member may resign his or her position on the Committee while continuing to serve as a Trustee. In the event of a vacancy on the Committee due to death, resignation, or otherwise, a successor will be selected to serve in the manner and for the term described above.

(3) Removal

Committee members may be removed if they are removed as Trustees for cause, subject to Section 2827 of the Public Authorities Law, or are no longer eligible to serve as a Committee member.

(4) Meetings and Quorum

The Committee shall hold regularly scheduled meetings at least three (3) times per year. A Committee member may call a special meeting of the Committee individually, or upon the request of the Authority's President and Chief Executive Officer, the Chief Operating Officer, the Inspector General, the Executive Vice President and General Counsel, the Vice President of Ethics and Employee Resources or the Vice President Procurement and Real Estate.

A majority of those present, but no less than two Committee members, at a regular or special meeting of the Committee constitutes a quorum for the purposes of conducting the business of the Committee and receiving reports.

Any meeting of the Committee may be conducted by video conferencing.

To the extent permitted by law, the Committee may hold meetings or portions of meetings in executive session.

C. FUNCTIONS AND POWERS

The Committee is charged with the oversight of the governance, ethics, the Office of Inspector General activities and procurement and real estate activities of the Authority and its employees. In this regard, the Committee shall, with the approval of the Board,

- (1) establish policies to promote honest and ethical conduct by Authority Trustees, officers and employees so as to enhance public confidence in the Authority,
- (2) review and update the Authority's Code of Conduct, By-laws and written corporate policies regarding: conflicts of interest, equal opportunity employment, the procurement of goods and services, the acquisition and disposition of real and personal property, or interests therein, the disclosure of the names of persons who attempt to influence the Authority's procurement process, and the protection of whistleblowers,
- (3) review annually, the compensation and benefits of all non-statutory officers of the Authority, the Inspector General and the Vice President of Internal Audit, and
- (4) review any reports received from the Office of the Inspector General, including its investigations relating to security, corruption, fraud, criminal activity, waste or abuse.

D. STAFF REPORTS

The Vice President Ethics and Employee Resources, the Inspector General and the Vice President Procurement and Real Estate shall report to the Committee at all regularly scheduled meetings.

The Committee has the power to require Ethics, Office of the Inspector General and Procurement and Real Estate staff to prepare additional reports and to produce documents for review. It also has the power to meet with any staff on compliance issues and to direct the Corporate Secretary to prepare such revisions to the Code of Conduct as the Committee may deem necessary, for approval by the Board.

AUDIT COMMITTEE CHARTER

A. PURPOSE

The purpose of the Audit Committee shall be to (1) assure that the Authority's Board of Trustees ("Board") fulfills its responsibilities for the Authority's internal and external audit process, the financial reporting process and the risk assessment and internal controls over financial reporting; and (2) provide an avenue of communication between management, the independent auditors, the internal auditors, and the Board of Trustees.

B. MEMBERSHIP AND ORGANIZATION

(1) Committee Composition

The Committee shall be comprised of three (3) independent members of the Board of Trustees none of whom shall serve as Chairman of the Board of Trustees ("Chairman") or in any other position of Authority management. Committee members and the Committee Chair shall be nominated by the Chairman and selected from eligible Trustees by vote of the Trustees.

(2) Term

Committee members shall serve for a period of four years subject to their term of office under Section 1003 of the Public Authorities Law. Committee members may be reelected to serve for additional periods of four years subject to their term of office. A Committee member may resign his or her position on the Committee while continuing to serve as a Trustee. In the event of a vacancy on the Committee due to death, resignation or otherwise, a successor shall be selected to serve in the manner and for the term described above.

(3) Removal

Committee members may be removed if they are removed as Trustees for cause, subject to Section 2827 of the Public Authorities Law, or are no longer eligible to serve as a Committee member.

(4) Meetings and Quorum

The Committee shall hold regularly scheduled meetings at least three times per year. A Committee member may call a special meeting of the Committee individually, or upon the request of the Authority's President and Chief Executive Officer, the Chief Operating Officer, the General Counsel, the Inspector General, the Chief Financial Officer, the Controller or head of the Office of Internal Audit ("Internal Audit"). An agenda shall be prepared and distributed to each Committee member prior to each meeting and minutes shall be prepared in accordance with the New York Open Meetings Law. A majority of those present, but no less than two Committee members, at a regular or special meeting of the Committee shall constitute a quorum for the purposes of conducting the business of the Committee and receiving reports.

Any meeting of the Committee may be conducted by video conferencing.

To the extent permitted by law, the Committee may hold meetings or portions of meetings in executive session.

C. **FUNCTIONS AND POWERS**

(1) **General Powers**

The Committee may call upon the resources of the Authority to assist the Committee in the discharge of its oversight functions. Such assistance may include the assignment of Authority employees to assist the Committee, and the retention of external advisors subject to Section 2879 of the Public Authorities Law and the Authority's Expenditure Authorization Procedures.

The Committee may direct any Authority employee to make oral or written reports to the Committee on issues and items within the Committee's purview. The Committee may direct the Authority's internal auditors to conduct special audits of items and issues of concern to the Committee.

(2) **Relationship to the Independent Accountants and Controller**

The Committee shall seek to enhance the integrity, quality, reliability, thoroughness and accuracy of the Authority's financial statements and accompanying notes, and shall oversee the relationship with the Authority's independent accountants. To accomplish this objective, the Committee shall meet to review and discuss the financial statements including any material changes in accounting principles and practices with the independent accountants, the Controller and other members of management as necessary. The Committee shall advise the Trustees in the selection and discharge of the independent accountants and shall meet at least twice a year, at regularly scheduled meetings or otherwise, with such independent accountants to discuss the independent accountants' work plans, objectives, opinion, and recommendations.

The Committee shall annually review the scope, objectives and results of the independent accountants' examination of the annual financial statement and accompanying notes, and shall report its findings to the Trustees. The Committee may at any time report on and make recommendations to the Trustees on any matter in connection with the independent accountant's audit process.

(3) **Relationship to the Office of Internal Audit**

The Committee shall appoint the head of the Office of Internal Audit ("Internal Audit") to serve at its pleasure and make recommendations concerning the staffing of Internal Audit and related functions. Internal Audit shall evaluate the authority's internal controls and operations, identify internal control weaknesses that have not been corrected and make recommendations to correct those weaknesses. Internal Audit shall operate in accordance with generally accepted standards for internal auditing.

The Committee shall have oversight of Internal Audit, its resources and activities so that Internal Audit is directed toward those activities and processes where the potential benefit to improving internal controls is the greatest. The Committee shall promote coordination between the internal auditors and independent accountants so that all material areas of activities are adequately covered.

The Committee shall meet at least three times a year with the Authority's head of Internal Audit, and may direct the aforementioned individual to attend any meeting of the Committee, and to prepare and deliver such reports as requested.

The Committee shall report at least annually to the Trustees as to its findings concerning the internal audit function, and may make recommendations at any time as it deems appropriate.

8. Motion to Conduct an Executive Session

“Mr. Chairman, I move that the Authority conduct an executive session pursuant to Sections 105(1)(c), (d) and (f) of the Public Officers Law of the State of New York to discuss information relating to current and future investigations and to discuss matters leading to the appointment, employment, promotion, discipline, suspension, dismissal or removal of a particular person or corporation.” On motion made and seconded, an Executive Session was held.

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

“Mr. Chairman, I move to resume the meeting in Open Session.” On motion made and seconded, the meeting resumed in open session.

9a. Election of Executive Vice President and General Counsel

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

RESOLVED, That pursuant to Article IV, Section 2 of the Authority's By-Laws, Terryl Brown Clemons is hereby elected as Executive Vice President and General Counsel, at an annual salary of \$230,000, effective on a date to be determined, for a term expiring at the next annual meeting of the Trustees in March 2009, or until her successor is elected.

10. **Proposed Schedule of Trustees' Meetings in 2009**

This item was tabled.

11. **Informational Item: Overview of the Niagara Power Project – PowerPoint Presentation**

This item was tabled.

12. Next Meeting

The next Regular Meeting of the Trustees will be held on Tuesday, December 16, 2008, at 11:00 a.m., at a location to be determined in Utica, New York, unless otherwise designated by the Acting Chairman with the concurrence of the Trustees.

13. **Closing**

On motion made and seconded, the meeting was adjourned by the Acting Chairman at approximately 3:00 p.m.



Anne B. Cahill
Corporate Secretary