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

September 28, 2010

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September 28, 2010

Minutes of the Regular Meeting of the Power Authority of the State of New York held via videoconference at the following locations: Sheraton Syracuse University Hotel and Conference Center, Syracuse, NY; 95 Perry Street, Buffalo, NY and 1880 JFK Boulevard, Philadelphia, PA, at approximately 11:30 a.m.

Members of the Board present were at the following locations:

Michael J. Townsend, Chairman – Syracuse, NY
Jonathan F. Foster, Vice Chairman – Philadelphia, PA
D. Patrick Curley, Trustee – Buffalo, NY
Eugene L. Nicandri, Trustee – Syracuse, NY
Mark O'Luck, Trustee – Syracuse, NY

Richard M. Kessel	President and Chief Executive Officer
Gil C. Quiniones	Chief Operating Officer
Terryl Brown	Executive Vice President and General Counsel
Francine Evans	Executive Vice President, Chief Administrative Officer and Chief of Staff
Elizabeth McCarthy	Executive Vice President and Chief Financial Officer
Edward A. Welz	Executive Vice President and Chief Engineer – Power Supply
Bert J. Cunningham	Senior Vice President – Corporate Communications
Steve DeCarlo	Senior Vice President – Transmission
Angelo Esposito	Senior Vice President – Energy Efficiency and Technology
Paul Finnegan	Senior Vice President – Public, Governmental and Regulatory Affairs
James F. Pasquale	Senior Vice President – Marketing and Economic Development
Donald A. Russak	Senior Vice President – Corporate Planning and Finance
Paul Belnick	Vice President – Energy Services
Jordan Brandeis	Vice President – Power Resource Planning and Acquisition – WPO
John L. Canale	Vice President – Project Management
Dennis Eccleston	Vice President – Information Technology/Chief Information Officer – WPO
Michael Huvane	Vice President – Marketing
Joseph Leary	Vice President – Community and Governmental Relations
Patricia Leto	Vice President – Procurement – WPO
Christine Pritchard	Vice President – Media Relations and Corporate Communications
Scott Scholten	Vice President and Chief Risk Officer
John Suloway	Vice President – Project Development, Licensing and Compliance
Karen Delince	Corporate Secretary
Angela Graves	Deputy Corporate Secretary
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
Andrew McMahon	Superintendent – Massena Electric Department
Robert Mc Neil	Chairman – River Valley Redevelopment Agency
Barbara Brenner	Partner – White Brenner Group
Tony Modaffer	Executive Director – MEUA
William Babey	Consultant – IEEP
Earl Wells	President – EZCommunications
Walter Dixie	Executive Director – Jubilee Homes of Syracuse
Mike Gettings	Senior Partner – Energy Risk Management

Chairman Townsend presided over the meeting. Corporate Secretary Delince kept the Minutes.

1. <u>Consent Agenda</u>

Chairman Michael Townsend said that item 1b (Power for Jobs Program – Extended Benefits) had been recommended for approval by the Economic Development Power Allocation Board at its meeting on September 27, 2010.

Trustee D. Patrick Curley said that he needed to recuse himself from the vote on item 1e (Proposed Long-Term Contract Extensions for the Sale of Western New York Hydropower – Transmittal to the Governor) with respect to the following companies: Brunner, Inc.; Carleton Technologies Inc.; I Squared R Element Co., Inc.; International Imaging Materials, Inc. (3); Mayer Brothers Apple Products (2); Moog Inc. (3); Quebecor World Buffalo; and Servotronics, Inc.

Trustee Eugene Nicandri said that Andrew McMahon from Massena Electric Department and Robert McNeil from the River Valley Redevelopment Agency were present at the meeting because of item 1j (Power Contract with the Town of Massena, Massena Electric Department).

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

The Minutes of the Regular Meeting held on June 29, 2010 and Special Meetings held on July 22, and August 30, 2010 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 electricity savings reimbursement payments (rebates) for 79 Power for Jobs ('PFJ') customers listed in Exhibit '1b-A.' The rebates are calculated for historical periods only. These customers have been recommended to receive such rebates by the Economic Development Power Allocation Board ('EDPAB'). In addition, the Trustees are requested to approve payments for PFJ Restitution to the companies listed in Exhibit '1b-B-1.' These companies have been evaluated for Restitution and are due a payment. The Trustees have approved similar extended benefit payments at past Trustees' meetings.

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. Chapter 217 of the Laws of 2009 included provisions extending the program benefits until May 15, 2010. An 'extender' law was enacted in 2010 modifying the expiration of the program to June 2, 2010. In 2010, Chapter 311 of the Laws of 2010 included provisions extending the program benefits until May 15, 2011.

"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.

"PFJ Restitution was created by Chapter 645 of the Laws of 2006, which extended the PFJ program for six months to June 2007; the law states: 'for the period beginning January 1, 2006, for recipients who choose to elect a contract extension, and whose unit cost of electricity under the contract extension exceeds the unit cost of electricity

of the electric corporation, the Power Authority shall reimburse the recipient for all dollars paid in excess of the unit cost of electricity of the electric corporation.' Customers eligible to apply for restitution are those that chose to extend their PFJ electric service contract beyond January 1, 2007 but terminated their service on June 30, 2007, June 30, 2008 or on or after June 30, 2009.

DISCUSSION

"At its meeting on September 27, 2010, EDPAB recommended that the Authority's Trustees approve electricity savings reimbursement rebates to the 79 businesses listed in Exhibit '1b-A.' Collectively, these organizations have agreed to retain more than 79,000 jobs in New York State in exchange for the rebates. These recommended payments are for rebate periods through May 2010, associated with last year's extended benefits legislation and prior to the program's recent extension. All PFJ rebate customers are eligible for payments through the program's new expiration date of May 15, 2011.

"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 $11.3 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.

"Restitution is based on whether the net amount paid by the customer for PFJ service exceeded the 'unit cost of electricity' of the host utility over the measurement period for the same quantity of electricity. Under current law, the measurement period begins January 1, 2006 and ends with the date that the eligible customer ceases to be in the PFJ electricity program.

"The host utilities, in conjunction with the Authority and the Public Service Commission, determine what the otherwise applicable full-service electric rates of the host utility would have been for service throughout the measurement period, calculate what the customer charges would have been under those rates, compare that total to the total actual charges paid by the customer for PFJ and determine whether the customer had net savings overall in the PFJ program or is due a Restitution payment.

"Staff has evaluated seven additional customers for Restitution. Of those, six customers are eligible for Restitution payment and are presented for approval as listed in Exhibit '1b-B-1.' The one customer listed in Exhibit '1b-B-2' had overall PFJ program savings; therefore, no payment is required. Additional requests will follow based on subsequent evaluation of other Restitution-eligible customers.

FISCAL INFORMATION

"Funding of rebates for the companies listed in Exhibit '1b-A' is not expected to exceed $11.3 million. Payments will be made from the Operating Fund. To date, the Trustees have approved $225.2 million in rebates, excluding the approvals requested in this item.

"Funding of Restitution payments to the companies listed in Exhibit '1b-B-1' is not expected to exceed $750,000. Payments will be made from the Operating Fund. This is the ninth payment request to date, which will bring the total approved for PFJ Restitution payments to $7.5 million.

RECOMMENDATION

"The Executive Vice President and Chief Financial Officer and the Senior Vice President – Marketing and Economic Development recommend that the Trustees approve the payment of electricity savings reimbursements to the Power for Jobs customers listed in Exhibit '1b-A' and Power for Jobs Restitution to the customers listed in Exhibit '1b-B-1.'

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 $11.3 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 based on staff's recommendation, it is hereby authorized that payments be made to the companies listed in Exhibit "1b-B-1" for PFJ Restitution as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to $750,000 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 Senior Vice President – Corporate Planning and Finance or the Treasurer that the amount to be withdrawn is not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

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

RESOLVED, That the Chairman, the Vice 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 Executive Vice President and General Counsel.

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

Exhibit "1b-A"
September 28, 2010

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended Allocation (KW)	Type	Service
1	Northeast Solite Corp.	Mount Marion	Ulster	CHG&E	600	60	57	-3	-5%	Yes	600	Large	Manufactures nonmetallic mineral products
	Total Con-Ed		**Subtotal**	**1**	**600**	**60**	**57**				**600**		
2	A. Stein Meat Products, Inc.	Brooklyn	Kings	Con Ed	120	28	45	17	61%	Yes	120	Small	Meat wholesale/fabrication
3	American Ballet Theater	New York	New York	Con Ed	20	230	230	0	0%	Yes	20	NFP	Performing arts organization
4	Beth Israel Medical Center	New York	New York	Con Ed	3,800	7,260	7,639	379	5%	Yes	3,800	NFP	Healthcare center
5	Columbia University - Trustees	New York	New York	Con Ed	750	750	750	0	0%	Yes	750	NFP	Educational and student services
6	Diller-Quaile School of Music	New York	New York	Con Ed	30	59	95	36	61%	Yes	30	NFP	Music education programs
7	Edison Price Lighting, Inc.	New York	New York	Con Ed	260	102	98	-4	-4%	Yes	260	Small	Manufactures lighting fixtures
8	Elaine Kaufman Cultural Center	New York	New York	Con Ed	60	74	69	-5	-7%	Yes	60	NFP	Arts and education center
9	Greater Jamaica Development Corp.	Jamaica	Queens	Con Ed	375	151	144	-7	-5%	Yes	375	NFP	Urban & community development
10	Home for Contemporary Theater & Art	New York	New York	Con Ed	30	23	19	-4	-17%	Yes*	30	NFP	Performing arts organization
11	Lincoln Center for the Performing Arts	New York	New York	Con Ed	3,000	4,035	4,131	96	2%	Yes	3,000	NFP	Performing arts center
12	Liz Claiborne, Inc.	New York	New York	Con Ed	1,500	1,019	791	-228	-22%	Yes*	1,500	Large	Clothing and accessories manufacturer.
13	Long Island Jewish Medical Center	Manhasset	Nassau	Con Ed	2,000	6,508	6,415	-93	-1%	Yes	2,000	NFP	Healthcare center
14	Memorial Sloan-Kettering Cancer Center	New York	New York	Con Ed	5,000	9,840	9,756	-84	-1%	Yes	5,000	NFP	Medical center
15	Mount Sinai Medical Center	New York	New York	Con Ed	2,000	10,327	10,759	432	4%	Yes	2,000	NFP	Medical center
16	New Museum of Contemporary Art	New York	New York	Con Ed	50	88	84	-4	-5%	Yes	50	NFP	Art center
17	Norampac New York City, Inc	Maspeth	Queens	Con Ed	600	204	181	-23	-11%	Yes*	600	Large	Corrugated paper packaging and displays
18	Pepsi Cola Bottling Company	College Point	Queens	Con Ed	2,200	1,003	1,098	95	9%	Yes	2,200	Large	Manufactuer & distributes soft drinks
19	The Joyce Theater Foundation, Inc.	New York	New York	Con Ed	150	52	52	0	0%	Yes	150	NFP	Dance and performance arts center
20	The Museum of Modern Art	New York	New York	Con Ed	1,000	766	796	30	4%	Yes	1,000	NFP	Museum
21	Verizon	New York	New York	Con Ed	5,000	2,061	2,061	0	0%	Yes	5,000	Large	Local and wireless phone service provider
	Total Con-Ed		**Subtotal**	**20**	**27,945**	**44,580**	**45,213**				**27,945**		
22	Enzo Clinical Labs, Inc.	Farmingdale	Suffolk	LIPA	200	357	369	12	3%	Yes	200	Small	Medical lab
23	John T. Mather Memorial Hospital	Port Jefferson	Suffolk	LIPA	400	1,500	1,550	50	3%	Yes	400	NFP	Community hospital
24	North Shore Health System	Manhasset	Nassau	LIPA	2,600	6,513	6,537	24	0%	Yes	2,600	NFP	Medical services
	Total LIPA		**Subtotal**	**3**	**3,200**	**8,370**	**8,456**				**3,200**		

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended Allocation (KW)	Type	Service
25	Albany International Corp.	Albany	Albany	Grid	750	200	192	-8	-4%	Yes	750	Large	Paper machine clothing and textiles
26	Albany International Corp.	Homer	Cortland	Grid	1,000	101	108	7	7%	Yes	1,000	Large	Paper machine clothing and textiles
27	Albany Molecular Research, Inc.	Albany	Albany	Grid	600	404	398	-6	-1%	Yes	600	Large	Pharmaceutical & organic research
28	AMRI Rensselaer, Inc	Rensselaer	Rensselaer	Grid	1,000	253	267	14	6%	Yes	1,000	Large	Manufactures pharmaceutical ingredients
29	Associated Brands, Inc	Medina	Orleans	Grid	1,000	303	300	-3	-1%	Yes	1,000	Large	Manufacturers dry food products
30	Beechnut Nutrition Corp.	Canajoharie	Montgomery	Grid	1,500	377	425	48	13%	Yes	1,500	Large	Manufactures baby food products
31	C. R. Bard, Inc.	Queensbury	Warren	Grid	800	912	951	39	4%	Yes	800	Large	Manufactures medical devices
32	Cascades Tissue Group	Waterford	Saratoga	Grid	530	204	286	82	40%	Yes	530	Large	Large industrial towel manufacturer
33	Clarkson University	Potsdam	St. Lawrence	Grid	1,500	664	681	17	3%	Yes	1,500	NFP	Higher education
34	Cooper Hand Tools	Cortland	Cortland	Grid	1,330	118	103	-15	-13%	Yes*	1,330	Large	Metal machining and casting
35	Cooper Industries (Cooper Crouse-Hinds)	Syracuse	Onondaga	Grid	2,350	678	626	-52	-8%	Yes	2,350	Large	Manufacturer of electrical equipment
36	CWM Chemical Services, LLC	Model City	Niagara	Grid	330	65	75	10	15%	Yes	330	Small	Treatment & disposal of industrial waste
37	Diemolding Corporation	Canastota	Madison	Grid	184	201	82	-119	-59%	Yes*	184	Small	Thermoset plastic forming
38	Distributor Data Forms, Inc.	Cortland	Cortland	Grid	50	13	12	-1	-8%	Yes	50	Small	Manufacturer of custom forms & printing
39	Fiber Glass Industries Inc.	Amsterdam	Montgomery	Grid	700	148	146	-2	-1%	Yes	700	Large	Produces high strength woven fabrics
40	Fitzpatrick & Weller, Inc.	Ellicottville	Cattaraugus	Grid	1,000	86	81	-5	-6%	Yes	1,000	Large	Lumber & wood components
41	G L & V Sandy Hill Inc.	Hudson Falls	Washington	Grid	750	99	85	-14	-14%	Yes*	750	Large	Full service foundry & machine shop
42	Gehring Tricot Corp.	Dolgeville	Herkimer	Grid	450	99	90	-9	-9%	Yes	450	Large	Dyeing & finishing of knitted fabrics
43	Helmont Mills	St. Johnsville	Montgomery	Grid	250	95	77	-18	-19%	Yes*	250	Small	Knitted fabric production
44	Interface Solutions, Inc.	Fulton	Oswego	Grid	940	139	99	-40	-29%	Yes*	940	Large	Fiber gaskets and vinyl flooring materials
45	Kilian Manufacturing Corporation	Syracuse	Onondaga	Grid	400	144	123	-21	-15%	Yes*	400	Large	Manufactures ball bearings
46	Lewis County General Hospital	Lowville	Lewis	Grid	200	418	458	40	10%	Yes	200	NFP	Medical center
47	Mayer Bros. Apple Products, Inc.	West Seneca	Erie	Grid	300	93	87	-6	-6%	Yes	300	Small	Juice pressing and bottling
48	Mohawk Paper Mills	Cohoes	Albany	Grid	2,250	415	393	-22	-5%	Yes	2,250	Large	Manufacturer of text and cover papers
49	Nathan Littauer Hospital & Nursing Home	Gloversville	Fulton	Grid	400	698	720	22	3%	Yes	400	NFP	Hospital and nursing home
50	Paul Bunyan Products, Inc.	Preble	Cortland	Grid	150	24	23	-1	-4%	Yes	150	Small	Manufactures lumber components & pallets
51	PCI Paper Conversions, Inc.	Syracuse	Onondaga	Grid	400	222	134	-88	-40%	Yes*	400	Large	Printed materials & adhesive manufacturing
52	Power Pallet	Schenectady	Schenectady	Grid	250	112	123	11	10%	Yes	250	Small	Produces wood pallets & skids
53	Precision Systems Mfg., Inc.	Liverpool	Onondaga	Grid	180	63	60	-3	-5%	Yes	180	Small	Machining and sheet metal manufacturing
54	Quad Graphics, Inc.	Saratoga Springs	Saratoga	Grid	4,000	1,005	989	-16	-2%	Yes	4,000	Large	Printing services
55	Queensboro Farm Products, Inc.	Canastota	Madison	Grid	500	80	80	0	0%	Yes	500	Large	Milk manufacturing and processing plant
56	Robison & Smith, Inc.	Gloversville	Fulton	Grid	384	205	121	-84	-41%	Yes*	384	Small	Linen & laundry supply
57	RSA Solutions Inc. (Fiserv)	Amherst	Erie	Grid	45	244	200	-44	-18%	Yes*	45	Small	Vehicle lease management services
58	Schilling Forge, Inc.	Syracuse	Onondaga	Grid	225	33	27	-6	-18%	Yes*	225	Small	Forging plant
59	Spray Nine Corporation	Johnstown	Fulton	Grid	300	106	71	-35	-33%	Yes*	300	Small	Specialty cleaning chemical
60	St. Joseph's Hospital Health Center	Syracuse	Onondaga	Grid	1,000	3,023	3,158	135	4%	Yes	1,000	NFP	Healthcare center
61	Stone Construction Equipment Inc.	Honeoye	Ontario	Grid	300	198	96	-102	-52%	Yes*	300	Small	Makes light construction equipment
62	Syracuse Label Co., Inc.	Liverpool	Onondaga	Grid	200	88	85	-3	-3%	Yes	200	Small	Printing labels for consumer / industrial use
63	Syracuse University	Syracuse	Onondaga	Grid	2,000	4,575	4,648	73	2%	Yes	2,000	NFP	Institution of higher education
64	Vicks Lithograph & Printing	Yorkville	Oneida	Grid	750	112	100	-12	-11%	Yes	750	Large	Book printing & distribution
65	Welch Allyn Data Collection Inc.	Skaneateles Falls	Onondaga	Grid	2,000	1,301	1,221	-80	-6%	Yes	2,000	Large	Medical & dental diagnostic equipment manufacturer
	Total National Grid		**Subtotal**	**41**	**33,248**	**18,318**	**18,001**				**33,248**		

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended Allocation (KW)	Type	Service
66	Air-Flo Manufacturing	Prattsburgh	Steuben	NYSEG	130	113	78	-35	-31%	Yes*	130	Small	Ice control equipment and truck bodies
67	Audio Sears	Stamford	Delaware	NYSEG	190	81	79	-2	-2%	Yes	190	Small	Maker of audio equipment
68	Boreal Water Collection, Inc.	Kiamesha Lake	Sullivan	NYSEG	250	54	35	-19	-35%	Yes*	250	Small	Spring water and ice manufacturer
69	Borg Warner Automotive Morse TEC	Ithaca	Tompkins	NYSEG	4,000	1,265	814	-451	-36%	Yes*	4,000	Large	Manufactures automotive components
70	Corning, Inc. (Northside)	Corning	Steuben	NYSEG	2,500	911	876	-35	-4%	Yes	2,500	Large	Optical fiber, glass and ceramic products
71	Egli Machine, Inc.	Sidney	Delaware	NYSEG	20	27	27	0	0%	Yes	20	Small	Injected molds
72	Endicott Interconnect Technologies	Endicott	Broome	NYSEG	3,500	4,172	3,909	-263	-6%	Yes	3,500	Large	Advanced electronic packaging solutions
73	IEC Electronics Corp.	Newark	Wayne	NYSEG	590	257	262	5	2%	Yes	590	Large	Assembly of printed circuit boards
74	Kraft Foods - Walton	Walton	Delaware	NYSEG	870	155	141	-14	-9%	Yes	870	Large	Manufactures puddings & snacks
75	Norampac Industries	Lancaster	Erie	NYSEG	200	141	122	-19	-13%	Yes*	200	Small	Corrugated paper
76	Vail Ballou Press, Inc.	Binghamton	Broome	NYSEG	1,800	399	321	-78	-20%	Yes*	1,800	Large	Book printer and distributor
	Total NYSEG		**Subtotal**	**11**	**14,050**	**7,575**	**6,664**				**14,050**		
77	Flower City Printing, Inc.	Rochester	Monroe	RGE	650	306	302	-4	-1%	Yes	650	Large	Commercial printer
78	International Business Machines - Rochester	Rochester	Monroe	RGE	1,150	592	584	-8	-1%	Yes	1,150	Large	Information technology and services
79	XLI Corporation	Rochester	Monroe	RGE	175	75	70	-5	-7%	Yes	175	Small	Makers of precision machine components
	Total RG&E		**Subtotal**	**3**	**1,975**	**973**	**956**				**1,975**		
			Total	**79**	**81,018**	**79,876**	**79,347**				**81,018**		

*Company had all or part of their allocation restored through the reconsideration process, or will not have this month's benefits reduced based on program policy and procedures.

New York Power Authority
Power for Jobs - Extended Benefits
Recommendation for Restitution Payments

Exhibit "1b-B-1"
September 29, 2010

Line	Company	City	County	IOU	KW	Type	Restitution Period: Time Frame	Restitution Period: Months	Program Status	Restitution Payments	Service
1	Ball Metal Beverage Container Corp	Saratoga Springs	Saratoga	Grid	2,000	Large	January '06-June '07	18 mths	Exited	$69,544	Produces plastic containers
National Grid Subtotal					**2,000**					**$69,544**	
2	BAE-Systems Control	Johnson City	Broome	NYSEG	2,000		Jan 06 - Jun 09	42–months	Exited	$614,900	Aircraft engine and flight controls
3	Delaware Valley Hospital	Walton	Delaware	NYSEG	100		Jan 06 - Jun 09	42–months	Exited	$12,858	Hospital
4	Mold-A-Matic Corp.	Oneonta	Otsego	NYSEG	175		Jan 06 - Jun 09	42–months	Exited	$7,504	Electric connectors & sub assemblies
5	Norampac Industries (AIM Corrugated)	Lancaster	Erie	NYSEG	200		Jan 06 - Jun 09	42–months	Rebate	$15,311	Paper
6	Motor Components, Inc.	Elmira	Chemung	NYSEG	250		Jan 06 - Jun 09	42–months	Exited	$28,238	Start drives and fuel pumps
NYSEG Subtotal					**2,725**					***$678,811***	
Grand Total					**4,725**					**748,355**	

New York Power Authority
Power for Jobs - Extended Benefits
Restitution Savings - No Payment Required

Exhibit "1b-B-2"
September 28, 2010

Line	File	Company	City	County	IOU	KW	Type	Restitution Period Time Frame	Restitution Period Months	Program Status	PFJ Savings	Service
1	752	Portola Packaging	Clifton Park	Albany	Grid	400	Small	Jan '06 - Nov 08	35-months	Exited	$154,129	Plastics closures and bottles
National Grid Subtotal						**400**					**$154,129**	
Grand Total						**400**					**$154,129**	

c. Proposed Expansion Power Contract with Yahoo! Inc. – Transmittal to the Governor

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the proposed agreement ('Agreement') for the sale of Expansion Power to Yahoo! Inc. ('Customer') and to authorize its transmittal to the Governor for approval. The Agreement with the Customer and the proposed service tariffs are attached as Exhibit '1c-A.'

BACKGROUND

"On May 19, 2009, the Trustees approved an allocation of 15 MW of Expansion Power ('EP') to the Customer. At their meeting of July 22, 2010, the Trustees authorized a public hearing, pursuant to §1009 of the Public Authorities Law ('PAL'), on the proposed contract to effectuate the sale of power and energy for the allocation to the Customer.

"On March 15, 2010, the Authority and the Customer signed an 'Interim Agreement for the Sale of Expansion Power and Energy.' The purpose of the Interim Agreement was to enable the Customer to accept delivery of its EP allocation at the startup of its Datacenter operation on April 1, 2010. Also included in the Agreement was an Appendix co-signed by the Authority, the Customer and the delivering utility, New York State Electric and Gas Corporation ('NYSEG'), to effectuate an April 1, 2010 delivery arrangement. The ability to execute the Interim Agreement was based on PAL §1005(11) which authorizes the Authority to exercise all power necessary to effectuate the provisions to sell electric power. Additionally, upon approval of the allocation on May 19, 2009, the Trustees provided that any and all action be taken to execute agreements to effectuate the approval of the allocation. The Interim Agreement expires the earlier of December 31, 2010, or upon execution of a long-term contract, which is the Agreement now before the Trustees.

"The Agreement follows the format of the proposed Western New York contract extensions presented to the Trustees under a separate item. As with the Western New York contracts, the Authority will provide firm electric service from the Niagara plant, consisting of firm power and energy, subject to pro-rata curtailment when there is insufficient generation at the Niagara and St. Lawrence/FDR facilities. The power and energy will be sold on a direct-sale basis and the Authority will bill the Customer directly. Delivery will be provided by the local utility, NYSEG, and billed directly by NYSEG to the Customer.

"In return for the 15 MW allocation, and as per the Trustees' approval, the Agreement commits Yahoo! to spend $150 million to build the datacenter and to create 125 new jobs. The allocation amount will be subject to an enforceable employment commitment of 125 jobs, and includes the annual job reporting requirements and job compliance threshold of 90%. Should the Customer's actual jobs reported fall below the compliance threshold, the Authority has the right to reduce the allocation on a pro-rata basis. The rates, terms and conditions for the sale are contained in the relevant service tariffs. Specifically, Service Tariff EP-1 (Exhibit '1c-A-1') is effective through June 30, 2013 and Service Tariff WNY-1 (Exhibit '1c-A-2') from July 1, 2013 until the expiration of the allocation in March 31, 2025. The Agreement requires that an energy efficiency audit be conducted not less than once every five years during the term of electric service.

DISCUSSION

"A public hearing was held on September 8, 2010 at 3:00 p.m. at the Niagara Power Project's Power Vista Visitors' Center ('Visitors' Center'). Four relevant comments were submitted for the record in support of the Agreement. (An additional party's comments were extraneous to the Agreement.) The official transcript of the public hearing is attached as Exhibit '1c-B.' The parties and a summary of the comments follow:

"Richard E. Updegrove, Chairman, Niagara County Legislature's Economic Development Committee, stated that the County has supported the effort to bring Yahoo! into the area from the beginning of the siting process. While a team of regional professionals came together to support the project, it was the allocation of 'NYPA

hydropower that prompted Yahoo! to choose Niagara County.' By attracting Yahoo!, the area can now boast that it is the host to the world's largest network of integrated services, which will help serve as a magnet for other high tech companies.

"David R. Kinyon, Chief Executive Officer, Town of Lockport Industrial Development Agency, stated that the Town owns the industrial park that sold a 30-acre parcel to Yahoo! as part of the overall incentive package. In addition, the availability of EP was a major incentive that factored into bringing Yahoo! to Western New York. Since the allocation was awarded, Yahoo! has demonstrated its commitment to the economy by completing its Phase I business plan and by commencing with Phase II for its 180,000-sq.-ft. facility.

"Senator George Maziarz is in favor of the allocation since Yahoo! 'is just the right type of company that should be getting low-cost hydropower.'

"Scott Noteboom, Yahoo!'s Vice President of Operations, noted that there are several Yahoo! data centers in the world. Growing up in Detroit in a family of auto workers, he can sense the same work ethic in Buffalo as in Detroit. Mr. Noteboom searches for places where productivity is highest and Buffalo/Lockport is among the most productive in the world. Yahoo! will continue to grow, having completed Phase I and now entering Phase II. In conclusion, he stated that 'we want to make this a long term place to do business.'

RECOMMENDATION

"The Vice President – Marketing recommends that the Trustees approve the proposed Agreement for the sale of Expansion Power to Yahoo!, Inc. and authorize the transmittal of the Agreement to the Governor for his approval.

"The 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.

> **RESOLVED, That the Expansion Power Agreement for the sale of hydroelectric power and energy generated by the Authority for sale to Yahoo!, Inc. is in the public interest and should be submitted to the Governor for approval, and that it, along with the record of the public hearing thereon, be forwarded to the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee; and be it further**
>
> **RESOLVED, That the Chairman and the Corporate Secretary be authorized and directed to execute such agreement in the name of and on behalf of the Authority after it has been approved by the Governor; and be it further**
>
> **RESOLVED, That the Senior Vice President – Marketing and Economic Development, or his designee, be, and hereby is, authorized, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to negotiate and execute any and all documents necessary or desirable to implement the agreement with the Customer as set forth in the foregoing report of the President and Chief Executive Officer; and be it further**

RESOLVED, That the Chairman, the Vice 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, 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.

September 28, 2010
Exhibit "A"

POWER AUTHORITY

OF THE

STATE OF NEW YORK

30 South Pearl Street
10th Floor
Albany, New York 12207-3425

AGREEMENT FOR THE SALE

OF EXPANSION POWER AND ENERGY

TO YAHOO! INC.

The POWER AUTHORITY OF THE STATE OF NEW YORK ("Authority"), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title I of Article V of the New York Public Authorities Law ("PAL"), having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Expansion Power and Energy ("Agreement") with YAHOO! INC. ("Customer"), with offices at 701 First Avenue, Sunnyvale, California 94089. The Authority and the Customer are from time referred to in this Agreement as "Party" or collectively as "Parties" and agree follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, Federal Energy Regulatory Commission ("FERC") Project No. 2216, known as "Expansion Power" (or "EP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, EP consists of 250 megawatts ("MW") of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, the Authority is authorized pursuant to PAL § 1005(13)(a) to award EP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant's long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient's facilities are located;

WHEREAS, PAL § 1005(11) provides that the Authority is authorized to "[t]o exercise all the powers necessary or convenient to carry out and effectuate the purposes and provisions of ... title [1 of article 5 of the PAL] ... and as incidental thereto to . . . sell ... electric power, and generally to do any and every thing necessary or convenient to carry out the purposes of ... title [1 of article 5 of the PAL] ...";

WHEREAS, the Customer applied to the Authority for an allocation of EP for use by the Customer at facilities located at 5319 Enterprise Drive, Lockport, New York 14094 (defined in Section I of this Agreement as the "Facility"), which the Customer is constructing and intends to operate beginning on April 1, 2010;

WHEREAS, on May 19, 2009, the Authority's Board of Trustees ("Trustees") approved a 15,000 kilowatt ("kW") allocation of EP to the Customer for a fifteen (15) year term (defined in Section I of this Agreement as the "Allocation") as further described in this Agreement;

WHEREAS, on May 19, 2009, the Trustees authorized the Authority to, among other things, take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate its approval of the Allocation;

WHEREAS, the provision of Electric Service (defined in Section I of this Agreement) associated with the Allocation is an unbundled service separate from the Authority's sale of power and energy to the Customer, which will be performed by New York State Electric & Gas

Corporation ("NYSEG");

WHEREAS, such transmission and delivery service will be made in accordance with a separate agreement between the Customer, the Authority and NYSEG (defined in Section I of this Agreement as the "Supplemental Agreement"), and NYSEG tariffs as applicable;

WHEREAS, on March 15, 2010, the Parties executed an Interim Agreement for the Sale of Expansion Power and Energy (defined in Section I of this Agreement as the "Interim Agreement"), to enable the Customer to receive a portion of the Allocation pending the execution of a long-term agreement, or until December 31, 2010, whichever first occurs;

WHEREAS, in accordance with the Supplemental Agreement, the Authority, the Customer and NYSEG, on March 15, 2010, executed the "Interim Sale Agreement Appendix," which is attached to the Interim Agreement as Exhibit A;

WHEREAS, the Parties reached an agreement on the terms of a long-term contract for the sale of EP to the Customer;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for contracts negotiated by the Authority; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3).

NOW THEREFORE, in consideration of the mutual covenants herein, the Authority and the Customer agree as follows:

NOW THEREFORE, the Parties hereto agree as follows:

I. Definitions

A. Agreement means this Agreement.

B. Allocation refers to the allocation of 15,000 kW of EP awarded to the Customer for a term of fifteen (15) years as specified in Schedule A.

C. Contract Demand is as defined in the applicable Service Tariffs.

D. Electric Service is the Firm Power and Firm Energy associated with the Allocation and sold by the Authority to the Customer in accordance with this Agreement, the Service Tariffs and the Rules.

E. Expansion Power (or **EP**) is 250 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005 (5) and (13).

F. Facility means the Customer's facilities at 5319 Enterprise Drive, Lockport, New York 14094.

G. **Firm Power** is as defined in the Service Tariffs.

H. **Firm Energy** is as defined in the Service Tariffs.

I. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).

J. **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 became effective September 1, 2007 after expiration of the Project's original license which became effective in 1957.

K. **Hydro Projects** is a collective reference to the Project (defined below) and the Authority's St. Lawrence-FDR Project, FERC Project No. 2000.

L. **Interim Agreement** means the Interim Agreement for the Sale of Expansion Power and Energy, executed by the Parties on March 15, 2010.

M. **Load Serving Entity (or LSE)** means an entity designated by a retail electricity customer (including the Customer) to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.

N. **NYISO** means the New York Independent System Operator or any successor organization.

O. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.

P. **NYSEG** has the meaning set forth in the eighth recital.

Q. **Project** means the Niagara Power Project, FERC Project No. 2216.

R. **Replacement Power (or RP)** is 445 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

S. **Rules** are the applicable provisions of Authority's rules and regulations (Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by the Authority.

T. **Sales Agreement Appendix** refers to the form Sales Agreement Appendix which is Attachment B to the Supplemental Agreement, a completed and executed copy of which is annexed to this Agreement as Exhibit A.

U. **Service Tariffs** is a collective reference to the Authority's Service Tariff No. EP-1 and Service Tariff No. WNY-1.

V. **Service Tariff No. EP-1** means the Authority's Service Tariff No. EP-1, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement. Service Tariff No. EP-1 shall be applicable to Electric Service provided prior to July 1, 2013.

W. **Service Tariff No. WNY-1** means the Authority's Service Tariff No. WNY-1, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement. Service Tariff No. WNY-1 shall be applicable to Electric Service provided on and after July 1, 2013.

X. **Schedule A** refers to the Schedule A entitled "Expansion Power Allocations" which is attached to and made part of this Agreement.

Y. **Schedule B** refers to the Schedule B entitled "Expansion Power Commitments" which is attached to and made part of this Agreement.

Z. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectricity that would otherwise have been supplied to the Customer under this Agreement. Unless otherwise agreed upon by the Parties, Substitute Energy refers to energy purchased by the Authority for the Customer from markets administered by the NYISO.

AA. **Supplemental Agreement** means an agreement entitled "Supplemental Agreement for the Delivery of Power Allocations between Power Authority of the State of New York and New York State Electric & Gas Corporation," made as of July 18, 2007.

BB. **Unforced Capacity (or "UCAP")** means the electric capacity required to be provided by LSEs to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

II. Electric Service

A. The Authority shall provide Electric Service to enable the Customer to receive the Allocation in accordance with this Agreement, the Service Tariffs and the Rules.

B. The Authority shall provide UCAP in amounts necessary to meet the Customer's NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs.

C. The Contract Demand for the Customer's Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as EP or RP from the Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC.. Any such modification will be made on a pro rata basis to all EP and RP customers, as applicable, based on the terms of such ruling, order, or decision. The Authority will use reasonable efforts to provide at least thirty (30) days prior written notice to the Customer

of any such modification unless such notice is inconsistent with such ruling, order or decision.

D. The Contract Demand may not exceed the Allocation.

III. Rates, Terms and Conditions

A. From the effective date of this Agreement through and including June 30, 2013, Electric Service shall be sold to the Customer based on the rates, terms and conditions determined in accordance with this Agreement, Service Tariff No. EP-1 and the Rules.

B. From July 1, 2013 until the termination of this Agreement, Electric Service shall be sold to the Customer based on the rates, terms and conditions determined in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules.

C. The Service Tariffs and the Rules may be amended from time to time by the Authority. Any amendment made by the Authority to Service Tariff EP-1 or to the Rules shall not affect the base rates as specified in Section III.A of Service Tariff EP-1 for the period prior to July 1, 2013, provided, however, that this limitation shall not limit the Authority from making adjustments to the base rates based on application of the Annual Adjustment Factor as provided in Article V of Service Tariff EP-1 during such time period. The Authority shall provide at least thirty (30) days prior written notice to Customer of any proposed change in the Service Tariffs or the Rules, but in no event shall Authority provide less notice than that provided to similarly affected customers within New York State. No subsequent amendment to the Service Tariffs or the Rules shall affect the determination of rates for EP to the Customer during the term of the Agreement except insofar as otherwise authorized by this Agreement. This provision shall not limit the Authority's discretion to determine rates applicable to allocations of power and energy awarded to the Customer beyond or in addition to the Allocation.

D. Notwithstanding any provision of this Agreement to the contrary, for Electric Service provided from July 1, 2013 through the term of this Agreement, the power and energy rates shall be subject to increase by Authority at any time upon 30 days prior written notice to Customer if, after consideration by Authority of its legal obligations, the marketability of the output or use of the Project and Authority's competitive position with respect to other suppliers, Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in Authority's bond and note resolutions and covenants with the holders of its financial obligations. Authority shall use its best efforts to inform Customer at the earliest practicable date of its intent to increase the power and energy rates pursuant to this provision. Any rate increase to Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers after giving consideration to the factors set forth in the first sentence of this subsection. With respect to any such increase, Authority shall forward to Customer with the notice of increase, an explanation of all reasons for the increase, and shall also identify the sources from which Authority will obtain the total of

increased revenues and the bases upon which Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

IV. Expansion Power Commitments

Schedule B sets forth the Customer's specific "Expansion Power Commitments." The commitments agreed to in Schedule B are in addition to any other rights and obligations of the Parties provided for in the Agreement.

V. Rules and Service Tariffs

The Rules and the Service Tariffs are hereby incorporated into this Agreement with the same force and effect as if set forth herein 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 the provisions of this Agreement and the Service Tariffs, the provisions of this Agreement shall govern.

VI. Transmission and Delivery of Firm Power and Firm Energy; Responsibility for Charges

A. The Customer will pay NYSEG for transmission and delivery service associated with the Allocation in accordance with the Supplemental Agreement, and all applicable tariffs, rulemakings, and orders, in order to deliver to the Customer the Allocation of Firm Power and Firm Energy supplied by the Authority under this Agreement. To the extent the Authority incurs transmission and delivery service charges or other costs associated with the Allocation during the term of this Agreement, the Customer agrees to compensate the Authority for all such charges and costs incurred.

B. Each Party hereby represents that nothing in this Agreement conflicts with the Supplemental Agreement, and the event of any such conflict, the terms of the Supplemental Agreement shall control.

C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the LSE with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf. The Customer agrees and understands that it shall be responsible to the Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO Tariff, or other applicable tariff ("NYISO Charges"), as set forth in the Service Tariff or any successor service tariff, regardless of whether such NYISO Charges are transmission-related. Such NYISO Charges shall be in addition to the charges for power and energy.

VII. Billing and Billing Methodology

A. The billing methodology for the Allocation shall be determined on a "load factor sharing" basis consistent with Attachment B of the Supplemental Agreement.

B. The Authority will render bills by the 10th business day of the month for charges due for the previous month. Such bills shall include charges for Electric Service, NYISO Charges associated with the Allocation (subject to adjustment consistent with any later NYISO re-billings to the Authority), and other applicable charges.

C. All other provisions with respect to billing are set forth in the applicable Service Tariffs.

VIII. Hydropower Curtailments and Substitute Energy

A. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served by the Authority from the Hydro Projects, curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy associated with the Allocation to which the Customer is entitled shall be applied on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with the Service Tariffs as applicable.

B. The Authority shall provide reasonable notice to Customer of any curtailments referenced in Section VII.A of this Agreement that could impact Customer's Electric Service under this Agreement. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the Firm Power and Firm Energy that would otherwise have been supplied pursuant to this Agreement.

C. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO charges and taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

D. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

E. Nothing in this Agreement shall prevent the Customer from procuring energy from a supplier other than the Authority in the event that the delivery of Firm Power and Firm Energy to which the Customer is entitled is curtailed pursuant to Section VIII.A of this Agreement, or from generating its own power and energy for use at the Facility under any circumstances.

IX. Effectiveness, Term and Termination

A. This Agreement shall become effective and legally binding on the Parties: (1) upon execution of this Agreement by the Authority and the Customer; and (2) upon execution of a Sales Agreement Appendix by the Parties and NYSEG unless otherwise agreed to by the Parties and NYSEG pursuant to the Supplemental Agreement.

B. Electric Service under the Agreement shall continue until the earliest of: (1) termination by the Customer with respect to its Allocation upon ninety (90) days prior written notice to the Authority; (2) termination by the Authority pursuant to this Agreement, the Service Tariffs, or the Rules; (3) termination of the Supplemental Agreement or the Sales Agreement Appendix as provided for in the Supplemental Agreement and the Sales Agreement Appendix; or (4) expiration of the Allocation by its own term as specified in Schedule A.

C. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days notice prior written notice to the Authority. The termination shall be effective commencing with the first billing period as defined in the applicable Service Tariffs.

D. The Authority may cancel service under this Agreement or modify the quantities of Firm Power and Firm Energy associated with the Allocation: (1) 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 (2) as otherwise provided in this Agreement, the Service Tariffs or the Rules. The Authority will use reasonable efforts to notify Customer of any proceeding before any regulatory or judicial body of competent jurisdiction that the Authority has knowledge of and that could result in the cancellation or modification of Electric Service under this Agreement. The Authority shall also provide at least thirty (30) days prior written notice to the Customer of such modification or cancellation unless such notice is inconsistent with such ruling, order or decision or the Service Tariff or the Rules provide for a shorter notice.

X. Notification

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

To: The Authority

New York Power Authority
123 Main Street
White Plains, New York 10601
Email: James.Pasquale@nypa.gov
Attention: Mr. James F. Pasquale, Senior Vice President, Marketing and Economic Development

To: The Customer

Yahoo! Inc.
701 First Avenue
Sunnyvale, CA 94089
Email: ogonzale@yahoo-inc.com
Attention: Vice President of Production Operations

With copy to:

Yahoo! Inc.
701 First Avenue
Sunnyvale, CA 94089
Email: callahan@yahoo-inc.com
Attention: General Counsel

B. Except where otherwise herein specifically provided, any notice, communication or request required or authorized by this Agreement by either Party to the other shall be deemed properly given: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (2) if sent by a nationally recognized overnight delivery service, two (2) calendar days after being deposited for delivery to the appropriate address set forth above; (3) if delivered by hand, with written confirmation of receipt; (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (5) if sent by electronic mail to the appropriate address as set forth above, with written confirmation of receipt. Either Party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing.

XI. Applicable Law

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 (16 USC §§836, 836a).

XII. Venue

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction for adjudication of any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement.

XIII. Successors and Assigns; Resale of Hydropower

A. 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 the Customer may not assign or otherwise transfer an interest in this Agreement without written approval by the Authority whose approval shall not be unreasonably withheld.

B. The Customer may not resell any quantity of EP it has purchased from the Authority under this Agreement.

XIV. Previous Agreements and Communications

A. This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the sale, transmission and delivery of the Allocation and supersedes all previous communications and agreements between the Parties hereto, either oral or written, with reference to said Allocation, including the Interim Agreement.

B. No modification 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. Severability and Voidability

A. 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.

B. Notwithstanding the preceding paragraph, if any provision of this Agreement is rendered void or unenforceable or otherwise modified by a court or agency of competent jurisdiction, the entire Agreement shall, at the option of either Party and only in such circumstances in which such Party's interests are materially and adversely impacted by any such action, be rendered void and unenforceable by such affected Party.

XVI. Waiver

A. Any waiver at any time by either the Authority or the Customer of their rights with respect to a default or of any other matter arising out of this Agreement shall not be deemed to be a waiver with respect to any other default or matter.

B. No waiver by either Party of any rights with respect to any matter arising in connection with this Agreement shall be effective unless made in writing and signed by the Party making the waiver.

XVII. Confidentiality

A. The Parties recognize that information the Customer furnishes to the Authority in connection with this Agreement may comprise (1) a record which in whole or in part constitutes a trade secret, (2) information which if disclosed would cause substantial injury to the competitive position of the Customer, or (3) information that is otherwise exempted from disclosure pursuant to New York's Freedom of Information Law, New York Public Officers Law, Article 6 ("FOIL"), as determined by the Authority ("Confidential Information").

B. The Authority agrees not to disclose Confidential Information to a third-party without the advance written consent of the Customer except to the extent disclosure is required: (1)

pursuant to a court order; (2) pursuant to an order of a regulatory body having jurisdiction over the matter; or (3) pursuant to a law or regulation requiring such disclosure.

C. Except as otherwise prohibited by law, in the event of a request to the Authority for Confidential Information by as third party, the Authority shall: (1) timely notify the Customer of the request; (2) keep the Customer informed of the status of its processing of the request; and (3) afford the Customer the rights and remedies otherwise available to a third party whose Confidential Information is in the Authority's possession, including the rights and remedies available under FOIL and 21 NYCRR Part 453.

D. The Authority shall not object to a Customer seeking protection from a court of competent jurisdiction to protect information from disclosure to a third party the Customer contends is Confidential Information.

E. Nothing in this Article shall be construed as a waiver by the Authority of its obligations under FOIL to make a determination regarding disclosure, determine an appeal under FOIL, or make any other determination required pursuant to FOIL.

XVIII. Execution

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

XIX. Federal Contractor Status

The Customer represents that it is an equal employment opportunity employer and is a federal contractor. Neither this representation nor the Customer's represented status as an equal opportunity employer or a federal contractor is intended to impose, and shall not be construed to impose, any obligations on the Authority beyond the specific obligations provided for under this Agreement.

XX. Use of Name, Trademarks and Service Marks

The Authority shall not use the Customer's name, trademarks, or service marks for the purpose of promoting any commercial services the Authority offers or proposes to offer without the Customer's prior written consent. For avoidance of doubt, the forgoing provision shall not preclude or otherwise limit the Authority from using the Customer's name, trademarks, or service marks or other descriptions of the Customer in: (a) any

report, document, disclosure or other communication (collectively, "communication") made pursuant to any law, rule, regulation, request made pursuant to litigation or other legal process; or (b) any communication intended to inform any government official, any government agency or the public (individually or generally) of the Authority's activities.

[SIGNATURES FOLLOW ON NEXT PAGE]

DRAFT

AGREED:

YAHOO! INC.

By: _____

Title: _____

Date: _____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____

Title: _____

Date: _____

DRAFT

SCHEDULE A TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND ENERGY TO YAHOO! INC.

EXPANSION POWER ALLOCATIONS

Customer: YAHOO! Inc.

Facility: The Facility (located at 5319 Enterprise Drive, Lockport, NY 14094)

	Type of Allocation	Allocation (kW)	Expiration Date	Extended Expiration Date
1.	EP	15,000	March 31, 2025	N/A
TOTALS:		15,000 kW		

DRAFT

SCHEDULE B TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND ENERGY TO YAHOO! INC.

EXPANSION POWER COMMITMENTS

I. Employment Commitments

A. Employment Levels

The Customer agrees to create and maintain the employment level (the "Base Employment Level") set forth in the Appendix to this Schedule.

B. Employment Records and Reports

Records shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of employees at the Lockport Facilities and employed at the Other NYS Facilities (defined in Appendix to Schedule B to this Agreement), as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such records shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. In addition, the Authority shall have the right to examine and audit on reasonable advance written notice all non-confidential written and electronic records and data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

II. Reductions of Contract Demand

A. Employment Levels

Commencing with calendar year 2015 and continuing through the term of this Agreement, if the year-end monthly average number of employees at the Lockport Facilities and new full time employees at Other NYS Facilities (defined in Appendix to Schedule B to this Agreement) is less than 90% of the Base Employment Level set forth in Schedule B for the subject calendar year, the Contract Demand may be reduced by Authority subject to Paragraph II.C of this Schedule A. The maximum amount of reduction will be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average monthly employment during the subject calendar year divided by the Base Employment Level. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

B. Power Utilization Levels

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the Facility receiving the power covered by this Agreement. Commencing with calendar year 2015 and continuing through the term of this Agreement, if the average of the Customer's six (6) highest billing demands for expansion power is less than 90% of the Customer's Contract Demand in such calendar year, the Authority may reduce the Contract Demand. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest billing demands for expansion power in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

C. Notice of Intent to Reduce Contract Demand

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced as provided above, at least ninety (90) days prior written notice of such reduction shall be given to the Customer, specifying the amount of the reduction of the Contract Demand and the reason therefore provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or facilities upgrading periods when such

events temporarily reduce plant employment levels or electrical demand as well as business cycle.

III. Capital Investment

The Customer agrees to undertake the Capital Investment set forth in the Appendix to this Schedule.

Notwithstanding any other provision of the Agreement, the Customer shall provide the Authority with such Data Center Project access and documentation the Authority deems necessary to determine the Customer's compliance with the Customer's capital investment obligations.

IV. Energy Efficiency Audits; Information Requests

The Customer shall undergo an energy efficiency audit of its facilities and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement but in any event not less than once every five years. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the facilities.

The Customer agrees to cooperate to make its facilities available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.

APPENDIX TO SCHEDULE B

Base Employment Level

No later than September 21, 2014, the Customer shall employ at least (i) one hundred (100) full-time employees at the Facility and/or other facilities located in Lockport, New York (the "Lockport Facilities"), and (ii) an additional twenty-five (25) full time employees at the Lockport Facilities and/or as new employees at other Customer facilities located in the State of New York (the "Other NYS Facilities"). (Collectively, these one hundred twenty-five employees shall constitute the "Base Employment Level"). A full-time employee shall mean an individual who works at least thirty-five (35) hours per week at the Facility. For the purpose of calculating the Base Employment Level, an individual working less than thirty-five (35) hours per week shall not be counted as a full-time employee; provided, however, that two individuals each working at least twenty (20) hours per week but less than thirty-five (35) hours per week at the Facility shall be counted as one full-time employee. In addition, for the purpose of calculating the number of new employees employed at the Other NYS Facilities, such number shall be determined based on the number of employees employed at such Other NYS Facilities as of May 19, 2009.

The Base Employment Level may not be created or maintained by transfers of employees from previously held positions with the Customer or from any of its affiliates within the State of New York, except that the Base Employment Level may be filled by employees of the Customer laid off from other Customer facilities for bona fide economic or management reasons.

Capital Investment

The Customer will purchase up to thirty (30) acres of land, and will build, own and operate on such land, a new data center facility at 5319 Enterprise Drive, Lockport, New York (defined in Section I of the Agreement as the "Facility").

The Customer will make a capital investment of at least $150 million on the Facility (the "Capital Investment"). The Capital Investment in the Facility is expected to consist of the following specific expenditures:

Foundation	$2 to $4 million
Generators and UPS	$ 7 million
Electric Infrastructure	$ 25 million
Mechanical infrastructure	$5 to 12 million
Fit-out and cabinet positions	$10 million
Servers	$100 million
Total:	$149 to $158 million

The Facility began operating on April 1, 2010. The Facility will be completed and fully operational, and the Capital Investment will be made, by May 19, 2012, i.e.,

within three (3) years of the Authority's approval of the Allocation. Upon request of the Customer, such date may be extended by the Authority in its reasonable discretion.

POWER AUTHORITY OF THE STATE OF NEW YORK
30 SOUTH PEARL STREET
ALBANY, NY 12207

Schedule of Rates for Sale of Expansion Power Direct Service

Service Tariff No. EP-1

Date of Issue: June 24, 2008

Date Effective: July 1, 2008

Issued by James H. Yates, Senior Vice President
Power Authority of the State of New York
30 South Pearl Street, Albany, NY 12207

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Schedule of Rates for Firm Power Service

I. Applicability

To sales of Expansion Power (as defined below) directly to Customer (as defined below) for firm power service.

II. Frequently used Abbreviations and Terms

A. The following abbreviations are used:

kW	kilowatt(s)
kWh	kilowatt-hour(s)
NYPA	New York Power Authority
NYISO	New York Independent System Operator
NY PAL	New York Public Authorities Law

B. The term "Authority" means New York Power Authority, an alternative name for the Power Authority of the State of New York.

C. The term "Customer" means a business customer who has received an Expansion Power allocation from the Authority and who purchases Expansion Power directly from Authority.

D. The term "Project" means the Authority's Niagara Hydroelectric Project.

E. The term "Firm Power" means capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the applicable contract(s) between Authority and Customer . Firm Power shall not include peaking power.

F. The term "Firm Energy" means energy (kWh) associated with Firm Power.

G. The term "Expansion Power" means Project Firm Power and Project Firm Energy made available by Authority to Customers for business purposes pursuant to Section 1005 (13) of the NY PAL.

H. The term "Service Tariff" means this Service Tariff No. EP-1.

III. Monthly Rates and Charges

A. Monthly Base Rates

The monthly base rates for capacity and energy paid by Customer to Authority shall be either: (i) the rates charged by Authority from time to time for the sale of Niagara and St. Lawrence-FDR hydroelectricity for the benefit of domestic and rural consumers or (ii) the following base rates as adjusted in accordance with Section V whichever results in a higher bill.

BASE RATES	
Capacity Charge $/kW-month	Energy Charge Mills/kWh
3.80	6.50

The base rates set forth above shall be subject to an Annual Adjustment Factor in accordance with Section V and do not include any applicable costs for delivery services provided by the local utility. Such base rates will apply at the Project switchyard, subject to Section IV. J.1.

B. Minimum Monthly Charge

The sum of (i) the product of the Capacity Charge and the Contract Demand and (ii) a charge representing reimbursement to the Authority for all applicable taxes incurred by the Authority as a result of providing the Expansion Power allocated to the Customer.

C. Billing Period

Any period of approximately thirty (30) days, generally ending with the last day of each calendar month, but subject to the billing cycle requirements of the utility in whose service area Customer's facilities at which Expansion Power is delivered are located.

D. Contract Demand

The Contract Demand of each Expansion Power Customer will be the amount of Expansion Power allocated to such Customer by the Authority which the Customer agrees to take and pay for.

IV. General Provisions

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

A. Character of Service

Alternating current, 60 hertz, three-phase.

B. Availability of Energy

1. The Authority shall provide in any Billing Period firm Energy to Customer (subject to hydrologic conditions, see subsection 2, below) in an amount equal to the amount of Expansion Power energy determined in accordance with the load splitting provisions, if applicable, set forth in the Agreement for the Sale of Expansion Power and Energy between Authority and Customer. 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.

2. 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.

C. Adjustment of Rates

To the extent not inconsistent with the Agreement for the Sale of Expansion Power and Energy between the Authority and the Customer, the rates contained in this Service Tariff EP-1 may be revised from time to time on not less than thirty (30) days written notice to Customer.

D. Delivery

For the purpose of this Service Tariff, Power and/or Energy shall be deemed to be offered when Authority is able to supply Power and Energy and NYISO transmits it to its designated points of interconnection with Customer's Transmission Agent(s). If, despite such offer, there is a failure of delivery by Customer or Designated Entities' Transmission Agents, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

E. Payment by Customer to Authority

1. The Expansion Power Customer shall pay the Authority for Firm Hydroelectric Power and Energy during any Billing Period the higher of either (i) the sum of a), b) and c) below or (ii) the Monthly Minimum Charge as defined herein:

   a. The Capacity Charge per kilowatt for Firm Power & Energy specified in this Service Tariff or any modification thereof applied to the Expansion Power Customer's Billing Demand (as defined in General Provision F, below) for the Billing Period; and

   b. The Energy Charge specified in this Service Tariff or any modification thereof applied to the amount of firm Energy delivered by Authority to the Expansion Power Customer during such Billing Period as determined by a load splitter percentage, if applicable, in accordance with the Agreement for the Sale of Expansion Power and Energy between Authority and Customer.

   c. A charge representing reimbursement to the Authority for all applicable taxes incurred by the Authority as a result of providing the Expansion Power allocated to the Customer.

2. NYISO Transmission and Related Charges ("NYISO Charges")

   The Customer shall compensate the Authority for the following NYISO charges assessed on the Authority for services provided by the New York Independent System Operator, Inc. ("NYISO") or any successor organization pursuant to its Open Access Transmission Tariff ("OATT") or other tariffs (as the provisions of those tariffs maybe amended and in effect from time to time):

   1. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;

   2. Marginal losses;

   3. The New York Power Authority Transmission Adjustment Charge ("NTAC");

   4. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;

   5. Any and all other charges, assessments or other amounts associated with deliveries to Customers or otherwise associated with the Authority's responsibilities as a Load Serving Entity for the Customers that are

assessed on the Authority by the NYISO or any successor organization under the provisions of its OATT or under other applicable tariffs; and

6. Any charges assessed on the Authority with respect to service to Customers for facilities needed to maintain reliability and incurred in connection with the NYISO's Comprehensive System Planning Process (or similar reliability-related obligations incurred by NYPA with respect to service to Customers), applicable tariffs or required to be paid by the Authority in accordance with law.

Such NYISO Charges are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

3. The Expansion Power Customer shall pay for Substitute Energy, if applicable, as specified in the power contract between the Expansion Power Customer and Authority.

4. Bills computed under Service Tariff EP-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. Billing

1. Demand – Unless separately metered, the Billing Demand charged by the Authority to each Expansion Power Customer will be the highest 15-minute integrated demand during each Billing Period recorded on the Expansion Customer's meter multiplied by a load splitter percentage, if applicable, as determined in accordance with the Agreement for the Sale of Expansion Power and Energy between Authority and Customer.

2. Energy – Unless separately metered, the kilowatt-hours charged by the Authority to each Expansion Power Customer will be the total number of kilowatt-hours recorded on the Expansion Power Customer's meter for the Billing Period multiplied by a load splitter percentage, if applicable, as determined in accordance with the Agreement for the Sale of Expansion Power and Energy between Authority and Customer.

G. Delivery Point

The delivery point is the point where the incoming lines of the utility in whose service area the Expansion Power Customer's facilities for receipt of the Expansion Power are located are attached to such facilities of Customer.

H. Load Splitter Determination

The load splitter determination, if any, to be applied to render bills to the Customer related to its Expansion Power allocation shall be determined in accordance with the Agreement for the Sale of Expansion Power and Energy between the Authority and Customer. In order for any load splitter determination to become effective, the utility in whose service area the Customer's Expansion Power allocation is delivered must provide its consent.

I. Supplementary Provision

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

J. Adjustment of Charges

1. Distribution Losses

Rates contained in this Service Tariff apply at the Project's switchyard where Customer purchases power from Contractor. Where Customer purchases power directly from Authority, where applicable, appropriate adjustments will be made to compensate for distribution losses.

2. Taxes and Other Charges

The charges under this Service Tariff shall be subject to adjustment as Authority deems necessary to recover from Customer any rates, taxes, assessments charged to Authority by Contractor or any other charges mandated by federal, state and local agencies that are levied on the Authority or that the Authority is required to collect from its customers if and to the extent such rates, charges, taxes or assessments are not recovered by Authority pursuant to another provision of this Service Tariff.

3. Deposits

Authority may require Customer to pay a cash deposit at any time to Authority equal to at least one month's estimated bill which shall be deemed security for the payment on unpaid bills or other claims. Any such cash deposits will be subject to the specific provisions set forth in the Customer's sales agreement with the Authority.

4. Rules and Regulations

The Authority's rules and regulations (16 NYCRR §450 *et seq.*) shall apply to the service provided under this Service Tariff. In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the rules and regulations , the provisions of this Service Tariff shall govern.

5. Niagara and St. Lawrence-FDR Hydroelectricity Rates Notice

When the monthly rates charged by Authority for the sale of Niagara and St. Lawrence-FDR hydroelectricity for the benefit of domestic and rural consumers change, Authority shall so notify Contractor in writing thirty (30) days prior to such change.

V. Annual Adjustment Factor

A. Adjustment of Rate and Charges

1. An adjustment factor based upon four Indices ((a) through (d) noted below) shall be determined and applied to the base rates set forth in Section III, Monthly Rates and Charges for each Rate Year. The Rate Year is from May 1 to April 30 of the succeeding year. Each of the following four Indices shall be determined as provided below for each calendar year (the "Measuring Year") immediately preceding each Rate Year. The Measuring Year's values shall be compared to the Base Year's (CY 1990) values. The resulting comparison shall be the basis of the annual base rate adjustment.

(a) the weighted average fuel cost (WAFC) replaced the New York Power Pool (NYPP) based fuel cost index, which ceased with the operation of the NYPP. The 1990 and 1998 NYPP weighted fuel cost indices and the 1998 PPI for Industrial Power remain fixed.

The measuring year (MY) value is the product of the 1998 NYPP fuel price and the ratio of the MY PPI Industrial Power to the 1998 PPI Industrial Power, or:

$$\text{1998 NYPP fuel price} * \frac{\text{MY PPI Industrial Power}}{\text{1998 PPI Industrial Power}}$$

(b) the average of the monthly Producer Price Indexes, Industrial Commodities as published by the U.S. Department of Labor, Bureau of Labor statistics, and posted on stats.bls.gov/ (Series Id WPU03thru15);

(c) the annual Implicit Price Deflator for Gross Domestic Product, as published by the United States Department of Commerce, Bureau of Economic Analysis, and posted on bea.gov/ (table titled "Implicit Price Deflators for Gross Domestic Product", currently table 1.1.9.);

(d) the average of the monthly Producer Price Indexes, Industrial Electric Power as published by the U.S. Department of Labor, Bureau of Labor statistics, and posted on stats.bls.gov/ (Series Id WPU0543).

Such adjustment to the base rates shall be computed as follows:

(i) for each of the four Indices divide the value for the Measuring Year by the value for the Base Year, then,

(ii) calculate the arithmetic mean of the four quotients so determined to obtain the Annual Adjustment factor and then,

(iii) multiply the base rates by the annual adjustment factor to obtain the adjusted base rates.

The foregoing calculation shall be performed by Authority in the manner shown in Section B below.

2. The Authority shall provide Customer with notice of any adjustment to base rates and with all data and calculations necessary to compute such adjustment by April 15 of each year to be effective on May 1 of such year, commencing in 1993; provided that if all necessary data is not provided to Customer by April 15, the rates will be adjusted by the Authority effective May 1 of such year and notice of the proposed increase or decrease and supporting data shall be furnished to Customer as soon thereafter as possible.

3. If any of the four Indices shall cease to be available, Customer and the Authority shall mutually select a substitute index. Pending agreement on a substitute index, the Authority will use the remaining three indices to calculate the Annual Adjustment factor in the manner set forth in paragraph 1 of Section V. A above. If during the term of Agreement, the methodology used in any of the reports or publications reference in paragraph 1 of Section V. A above changes, appropriate adjustment shall be made to all subsequent Measuring Year values so that such values are determined in a manner consistent with the Base Year values.

B. Calculation of the Adjustment Factor

1. Steps to calculate adjustment factor

Step 1: Determine values for the Measuring Year and the Base Year for each of the four Indices.

Step 2: For each of the four Indices divide the Measuring Year value by Base Year value.

Step 3: Calculate Adjustment Factor by summing the results of Step 2 and divide by 4.

Step 4: Multiply Base Capacity and Energy rates by Adjustment Factor calculated in Step 3.

2. Sample calculation of adjustment factor for May 1, 2006

Base Year = 1990
Measuring Year = 2005

STEP 1

- Index 1 – Weighted Average Fuel Cost

$$125.08 \quad * \quad \frac{156.2}{130.1}$$

1998 NYPP Fuel Price = 125.08
1998 PPI Industrial Power = 130.1
MY PPI Industrial Power = 156.2
BY NYPP Fuel Price = 177.23

- Index 2 – Producer Price Index, Industrial Commodities

	Base Year	Measuring Year
January	114.1	152.7
February	113.6	153.6
March	113.2	155.6
April	113.2	157.2
May	113.5	156.3
June	113.2	156.6
July	113.4	159.1
August	115.9	160.8
September	118.4	166.0
October	121.4	170.6
November	120.7	167.5
December	119.0	166.6
AVERAGE	115.8	160.2

- Index 3 – GNP Deflator

Base Year	Measuring Year
82.9	112.1

- Index 4 – Producer Price Index, Industrial Power

	Base Year	Measuring Year
January	114.9	148.9
February	115.0	148.0
March	115.4	148.1
April	115.1	148.7
May	117.0	151.1
June	123.9	159.7
July	124.4	162.1
August	124.6	162.5
September	125.0	162.8
October	121.2	159.5
November	120.2	161.5
December	118.9	161.8
AVERAGE	119.6	156.2

STEP 2

- Index 1 150.10 / 177.23 = 0.85
- Index 2 160.2 / 115.8 = 1.38
- Index 3 112.1 / 82.9 = 1.35
- Index 4 156.2 / 119.6 = 1.31

STEP 3

$$\frac{0.85 + 1.38 + 1.35 + 1.31}{4} = 1.22$$

STEP 4

Base Capacity Rate X Adjustment Factor = Adjusted Rate

$3.80/kW X 1.22 = **$4.64/kW**

Base Energy Rate X Adjustment Factor = Adjusted Rate

6.50 mills/kWh X 1.22 = **7.93 mills/kWh**

POWER AUTHORITY OF THE STATE OF NEW YORK
30 SOUTH PEARL STREET
ALBANY, NY 12207

Schedule of Rates for Sale of Firm Power to Expansion and Replacement Customers located In Western New York

Service Tariff No. WNY-1

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Schedule of Rates for Firm Power Service

I. Applicability

To sales of Expansion Power and/or Replacement Power (as defined below) directly to a qualified business Customer (as defined below) for firm power service.

II. Abbreviations and Terms

A. The following abbreviations are used:

kW	kilowatt(s)
kW-mo.	kilowatt-month
kWh	kilowatt-hour(s)
MWh	megawatt-hour(s)
NYISO	New York Independent System Operator, Inc. or any successor organization
PAL	New York Public Authorities Law
OATT	Open Access Transmission Tariff

B. The term "Agreement" means an executed "Agreement for the Sale of Expansion and/or Replacement Power and Energy" between the Authority and the Customer (each as defined below).

C. The term "Annual Adjustment Factor" or "AAF" shall have the meaning set forth in Section V herein.

D. The term "Authority" means the Power Authority of the State of New York, a corporate municipal instrumentality and a political subdivision of the State of New York created pursuant to Chapter 772 of the New York Laws of 1931 and existing and operating under Title 1 of Article 5 of the PAL, also known as the "New York Power Authority."

E. The term "Customer" means a business customer who has received an allocation for Expansion Power and/or Replacement Power from the Authority and who purchases Expansion Power and/or Replacement Power directly from the Authority.

F. The term "Electric Service" means the power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

G. The term "Expansion Power and/or Replacement Power" means Firm Power and Firm Energy made available under this Service Tariff by the Authority from the Project for sale to the Customer for business purposes pursuant to PAL § 1005(5) and (13).

H. The term "Firm Power" means capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the Agreement between the Authority and the Customer and this Service Tariff. Firm Power shall not include peaking power.

I. The term "Firm Energy" means energy (kWh) associated with Firm Power.

J. The term "Load Serving Entity" or "LSE" shall have the meaning set forth in the Agreement.

K. The term "Project" means the Authority's Niagara Power Project, FERC Project No. 2216.

L. The term "Rate Year" or "RY" means the period from July 1 through June 30 starting July 1, 2013, and for any year thereafter.

M. The term "Rules" means the Authority's rules and regulations set forth in 21 NYCRR § 450 *et seq.*, as they may be amended from time to time.

N. The term "Service Tariff" means this Service Tariff No. WNY-1.

O. The term "Target Rate" shall have the meaning set forth in Section III herein.

All other capitalized terms and abbreviations used but not defined herein shall have the same meaning as set forth in the Agreement.

III. Monthly Rates and Charges

A. Expansion Power (EP) and Replacement Power (RP) Base Rates

Beginning on July 1, 2013, there will be a 3-year phase-in to new base rates. The phase-in will be determined by the rate differential between the 2012 EP/RP rates and a "Target Rate." The Target Rate, specified in Section III.A.1. below, is based on the rates determined by the Authority to be applicable in RY 2013 for sales of "preservation power" as that term is defined in PAL § 1005(13). The following Sections III.A.1-4 describe the calculation and implementation of the phase-in.

1. The initial rate point will be established by the EP/RP rates ($/kW and $/MWh), determined by mid-April 2012 and made effective on May 1, 2012 in accordance with the Authority's then-applicable EP and RP tariffs. The Target Rate (*i.e.* demand and energy rates) for RY 2013 shall be $7.99/kW and $13.66/MWh.

2. The difference between the two rate points is calculated and divided by 3 to correspond with the number of Rate Years over which the phase-in will occur. The resulting quotients (in $/kW and $/MWh) are referred to as the "annual increment."

3. The annual increment will be applied to the base rates for the 3-year period of the 2013, 2014 and 2015 Rate Years, which shall be as follows:

   RY 2013: July 1, 2013 to June 30, 2014
   RY 2014: July 1, 2014 to June 30, 2015
   RY 2015: July 1, 2015 to June 30, 2016

   The annual rate adjustments normally made effective on May 1, 2013 under then-applicable EP and RP tariffs will be suspended, such that demand and energy rates established in 2012 shall be extended through June 30, 2013.

4. Effective commencing in RY 2013, the Annual Adjustment Factor ("AAF") described in Section V herein, shall be applied as follows:

   A. For the RY 2013 only, the AAF will be suspended, and the RY 2013 rate increase will be subject only to the annual increment.

   B. For the RYs 2014 and 2015, the AAF will be applied to the demand and energy rates after the addition of the annual increment to the rates of the previous RY rates. Such AAF will be subject to the terms and limits stated in Section V herein.

C. Beginning in RY 2016, the AAF will be applied to the previous RY rates, and the annual increment is no longer applicable.

B. EP and RP Rates no Lower than Rural/Domestic Rate

At all times the applicable base rates for demand and energy determined in accordance with Sections III.A and V of this Service Tariff shall be no lower than the rates charged by the Authority for the sale of hydroelectricity for the benefit of rural and domestic customers receiving service in accordance with the Niagara Redevelopment Act, 16 U.S.C. § 836(b)(1) and PAL § 1005(5) (the "Rural/Domestic Rate"). This provision shall be implemented as follows: if the base rates, as determined in accordance with Sections III.A and V of this Service Tariff, are lower than the Rural/Domestic Rate on an average $/MWh basis, each set of rates measured at 80% load factor which is generally regarded as representative for EP and RP Customers, then the base rates determined under Sections III.A and V of this Service Tariff will be revised to make them equal to the Rural/Domestic Rate on an average $/MWh basis. However, the base rates as so revised will have no effect until such time as these base rates are lower than the Rural/Domestic Rate.

C. Monthly Base Rates Exclude Delivery Service Charges

The monthly base rates set forth in this Section III exclude any applicable costs for delivery services provided by the local electric utility.

D. Minimum Monthly Charge

The minimum monthly charge shall equal the product of the demand charge and the contract demand (as defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges or Taxes (each as defined herein) incurred by the Authority with respect to the Customer's Allocation.

E. Billing Period

Any period of approximately thirty (30) days, generally ending with the last day of each calendar month but subject to the billing cycle requirements of the local electric utility in whose service territory the Customer's facilities are located.

F. Billing Demand

The billing demand shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

G. Billing Energy

The billing energy shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

H. Contract Demand

The contract demand of each Customer will be the amount of Expansion Power and/or Replacement Power, not to exceed their Allocation, provided to such Customer by the Authority in accordance with the Agreement.

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

1. Subject to Section IV.B.2, the Authority shall provide to the Customer in any billing period Firm Energy associated with Firm Power. The offer of Firm Energy for delivery shall fulfill the Authority's obligations for purposes of this provision whether or not the Firm Energy is taken by the Customer.

2. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of NYPA's Firm Power customers served from the Hydro Projects, hydropower curtailments (*i.e.* reductions) in the amount of Firm Power and Energy to which the Customer is entitled shall be applied on a *pro rata* basis to all Firm Power and Energy customers served from the Hydro Projects. Reductions as a percentage of the otherwise required Firm Power and Energy sales will be the same for all Firm Power and Energy customers served from the Hydro Projects. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Customer in later billing periods. The Customer will receive appropriate bill credits as provided under the Rules.

C. Delivery

For the purpose of this Service Tariff, Firm Power and Firm Energy shall be deemed to be offered when the Authority is able to supply Firm Power and Firm Energy to the Authority's designated NYISO load bus. If, despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Adjustment of Rates

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

E. Billing Methodology and Billing

Unless otherwise specified in the Agreement, the following provisions shall apply:

1. The billing methodology to be used to render bills to the Customer related to its Allocation shall be determined in accordance with the Agreement and delivery agreement between the Authority and, as applicable, the Customer or local electric utility or both.

2. Billing Demand – Unless separately metered, the billing demand charged by the Authority to each Customer will be the highest 15-minute integrated demand during each billing period recorded on the Customer's meter multiplied by a percentage based on load factor sharing, as applicable.

3. Billing Energy – Unless separately metered, the kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer's meter for the billing period multiplied by a percentage based on load factor sharing, as applicable.

F. Payment by Customer to Authority

1. Demand and Energy Charges, Taxes

The Customer shall pay the Authority for Firm Power and Energy during any billing period the higher of either (i) the sum of (a), (b) and (c) below or (ii) the monthly minimum charge as defined herein:

a. The demand charge per kilowatt for Firm Power specified in this Service Tariff or any modification thereof applied to the Customer's billing demand (as defined in Section IV.E, above) for the billing period; and

b. The energy charge per MWh for Firm Energy specified in this Service Tariff or any modification thereof applied to the Customer's billing energy (as defined in Section IV.E, above) for the billing period; and

c. A charge representing reimbursement to the Authority for all applicable Taxes incurred by the Authority as a result of providing Expansion Power and/or Replacement Power allocated to the Customer.

2. Transmission Charge

The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the Allocation, including such costs that are charged pursuant to the OATT.

3. NYISO Transmission and Related Charges ("NYISO Charges")

The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority for services provided by the NYISO pursuant to its OATT or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with providing Electric Service to the Customer:

A. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;

B. Marginal losses;

C. The New York Power Authority Transmission Adjustment Charge ("NTAC");

D. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;

E. Any and all other charges, assessments, or other amounts associated with deliveries to Customers or otherwise associated with the Authority's responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and

F. Any charges assessed on the Authority with respect to the provision of Electric Service to Customers for facilities needed to maintain reliability and incurred in connection with the NYISO's Comprehensive System Planning Process (or similar reliability-related obligations incurred by the Authority with respect to Electric Service to the Customer), applicable tariffs, or required to be paid by the Authority in accordance with law, regardless of whether such charges are assessed by the NYISO or another third party.

The NYISO Charges, if any, incurred by the Authority on behalf of the Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

4. Taxes Defined

Taxes shall be any adjustment as the Authority deems necessary to recover from the Customer any taxes, assessments or any other charges mandated by federal, state or local agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer if and to the extent such taxes, assessments or charges are not recovered by the Authority pursuant to another provision of this Service Tariff.

5. Substitute Energy

The Customer shall pay for Substitute Energy, if applicable, as specified in the Agreement.

6. Payment Information

Bills computed under this Service Tariff 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 the Authority. In the event that there is a dispute on any items of a bill rendered by the Authority, the Customer shall pay such bill in full. If necessary, any adjustments will be made thereafter.

G. Adjustment of Charges

1. Distribution Losses

The Authority will make appropriate adjustments to compensate for distribution losses of the local electric utility.

2. Transformer Losses

If delivery is made at transmission voltage but metered on the low-voltage side of the Customer's substation, the meter readings will be increased two percent to compensate for transformer losses.

3. Power Factor

Power factor is the ratio of real power (kW) to apparent power (kVa) for any given load and time. The Authority may require the Customer to maintain a power factor of not less than 90%, lagging or leading, at the point of delivery, or as may otherwise be imposed upon the Authority by the local electric utility providing delivery and/or NYISO.

H. Conflicts

The Authority's Rules shall apply to the Electric Service provided under this Service Tariff. In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern.

I. Customer Resales Prohibited

The Customer may not resell any quantity of Expansion Power and/or Replacement Power.

V. Annual Adjustment Factor

A. Adjustment of Rates

1. The AAF will be based upon a weighted average of three indices described below. For each new Rate Year, the index value for the latest available calendar year ("Index Value for the Measuring Year") will be compared to the index value for the calendar year immediately preceding the latest available calendar year (the Index Value for the Measuring Year -1"). The change for each index will then be multiplied by the indicated weights. As described in detail below, these products are then summed, producing the AAF. The AAF will be multiplied by the base rate for the current Rate Year to produce the base rates for the new Rate Year, subject to a maximum adjustment of ±5.0% ("±5% Collar"). Amounts outside the ±5% Collar shall be referred to as the "Excess."

   Index 1, "BLS Industrial Power Price" (35% weight): The average of the monthly Producer Price Index for Industrial Electric Power, commodity code number 0543, not seasonally adjusted, as reported by the U.S. Department of Labor, Bureau of Labor Statistics ("BLS") electronically on its internet site and consistent with its printed publication, "Producer Price Index Detailed Report". For Index 1, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

   Index 2, "EIA Average Industrial Power Price" (40% weight): The average weighted annual price (as measured in cents/kWh) for electric sales to the industrial sector in the ten states of CT, MA, ME, NH, NJ, NY, OH, PA, RI and VT ("Selected States") as reported by Coal and Electric Data and Renewables Division; Office of Coal, Nuclear, Electric and Alternate Fuels; Energy Information Administration ("EIA"); U.S. Department of Energy Form EIA-861 Final Data File. For Index 2, the Index Value for the Measuring Year will be the index for the calendar year two years preceding July 1 of the new Rate Year.

   Index 3, "BLS Industrial Commodities Price Less Fuel" (25% weight): The monthly average of the Producer Price Index for Industrial Commodities less fuel, commodity code number 03T15M05, not seasonally adjusted, as reported by the U.S. Department of Labor, BLS electronically on its internet site and consistent with its printed publication, "Producer Price Index Detailed Report". For Index 3, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

2. Annual Adjustment Factor Computation Guide

   Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.

   Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the AAF.

   Step 3: Commencing RY 2014, modifications to the AAF will be subject to ±5% Collar, as described below.

   a) When the AAF falls outside the ±5% Collar, the Excess will be carried over to the subsequent RY. If the AAF in the subsequent RY is within the ±5% Collar, the current RY Excess will be added to/subtracted from the subsequent Rate Year's AAF, up to the ±5% Collar.
   b) Excesses will continue to accrue without limit and carry over such that they will be added to/subtracted from the AAF in any year where the AAF is within the ±5% Collar.

   Step 4: Multiply the current Rate Year base rate by the AAF calculated in Step 2 to determine the new Rate Year base rate.

   The foregoing calculation shall be performed by the Authority consistent with the sample presented in Section V.B below.

3. The Authority shall provide the Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15th of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.

4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the

substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

B. Sample Computation of the AAF (hypothetical values for July 1, 2014 implementation):

STEP 1

Determine the Index Value for the Measuring Year (MY) and Measuring Year - 1 (MY-1) for Each Index

- Index 1 - Producer Price Index, Industrial Power

	Measuring Year (2013)	Measuring Year - 1 (2012)
January	171.2	167.8
February	172.8	167.6
March	171.6	168.2
April	173.8	168.6
May	175.1	171.6
June	185.7	180.1
July	186.4	182.7
August	184.7	179.2
September	185.5	181.8
October	175.5	170.2
November	172.2	168.8
December	171.8	166.6
Average	177.2	172.8
Ratio of MY/MY-1		**1.03**

- Index 2 – EIA Industrial Rate

State	Revenues ($000s)	Sales (MWh)	Avg. Rate (cents/kWh)
Measuring Year (2012)			
CT	590,972	6,814,757	
MA	1,109,723	13,053,806	
ME	328,594	4,896,176	
NH	304,363	2,874,495	
NJ	1,412,665	15,687,873	
NY	2,001,588	26,379,314	
OH	3,695,978	78,496,166	
PA	3,682,192	63,413,968	
RI	152,533	1,652,593	
VT	155,903	2,173,679	
TOTAL	13,434,511	215,442,827	**6.24**
Measuring Year -1 (2011)			
CT	579,153	6,678,462	
MA	1,076,431	12,662,192	
ME	310,521	4,626,886	
NH	298,276	2,817,005	
NJ	1,370,285	15,217,237	
NY	1,891,501	24,928,452	
OH	3,622,058	76,926,243	
PA	3,571,726	61,511,549	
RI	144,144	1,561,700	
VT	152,785	2,130,205	
TOTAL	13,016,880	209,059,931	**6.23**
	Ratio of MY/MY-1		**1.00**

- Index 3 – Producer Price Index, Industrial Commodities Less Fuel

	Measuring Year (2013)	Measuring Year -1 (2012)
January	190.1	187.2
February	190.9	188.0
March	191.6	188.7
April	192.8	189.9
May	194.7	191.8
June	195.2	192.3
July	195.5	192.3
August	196.0	193.1
September	196.1	193.2
October	196.2	193.8
November	196.6	193.7
December	196.7	194.0
Average	194.4	191.5
Ratio of MY/MY-1		**1.02**

STEP 2

Determine AAF by Summing the Weighted Indices

Index	Ratio of MY to MY-1	Weight	Weighted Factors
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	0.255
AAF			**1.016**

STEP 3

Apply Collar of ±5.0% to Determine the Maximum/Minimum AAF.

-5.0% < 1.6% < 5.0%; collar does not apply, assuming no cumulative excess.

STEP 4

Apply AAF to Calculate the New Rate Year Base Rate

	Demand $/kW-mo.	Energy $/MWh
Current Rate Year Base Rate	7.56	12.91
New Rate Year Base Rate	7.68	13.12

POWER AUTHORITY OF THE STATE OF NEW YORK

PUBLIC HEARING

Wednesday, September 8, 2010 - 3:00 P.M.

Niagara Power Project
Lewiston, New York

CONTRACT FOR SALE OF 15 MW OF EXPANSION POWER TO YAHOO! INC.

Public hearing held at the Niagara Power Project, Community Room, Lewiston, New York, on September 8, 2010 commencing at 3:00 P.M.

REPORTED BY: BUYERS & KACZOR REPORTING SERVICES,
BY: MICHELLE R. KWIATEK,
1400 Rand Building,
Buffalo, New York 14203.
(716) 852-2223

BEFORE: POWER AUTHORITY OF THE STATE OF NEW YORK,
Angela Graves, Deputy Corporate Secretary,
123 Main Street,
White Plains, New York 10601.

Also Present: Michael Huvane,
Vice President for Marketing and Economic Development at the New York Power Authority.

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ANGELA GRAVES: Good afternoon. My name is Angela Graves, and I'm the Deputy Corporate Secretary of the New York Power Authority. This public hearing is being conducted by the Authority to provide an overview and receive public comment on a proposed contract with Yahoo! Inc. for the sale of up to fifteen megawatts of Expansion Power from the Niagara Power Project.

Pursuant to Section 1009(1) of the Public Authorities Law, notice of this hearing was published in the following nine newspapers once a week for the four weeks leading up to the hearing: the Niagara Gazette, the Buffalo News, Buffalo Business First, the Lewiston Porter Sentinel, the Dunkirk Observer, the East Aurora Bee, the Orchard Park Bee, the Albany Times Union and Newsday. During the thirty-day period prior to today's hearing, copies of the proposed contract and service tariff have been available for inspection at the Authority's office in White Plains, as well as on the Authority's Web site.

Also pursuant to Section 1009(1) of the Public Authorities Law, notice of this hearing and copies of the proposed contract and service tariff were sent to Governor David Paterson;

President Pro Tem of the New York State Senate, Malcolm Smith; Speaker of the Assembly, Sheldon Silver; Chairman of the Senate Finance Committee, Carl Kruger; Chairman of the Assembly Ways and Means Committee, Herman Farrell; Senate Minority Leader, Dean Skelos and Assembly Minority Leader, Brian Kolb.

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

The record of this hearing will remain open through close of business tomorrow, Thursday, September 9th, 2010, for the submission of any additional comments or statements. These should be addressed to the Authority's Corporate Secretary at 123 Main Street, 11-P, White Plains, New York 10601; or may be faxed to (914)390-8040; or e-mailed

to secretarys.office@nypa.gov. Please see Ms. Johnson on your way out if you have any additional questions.

Full stenographic minutes of the hearing will be made, and will be incorporated, along with the written submissions, into the record that will be reviewed by the Authority's Trustees. The transcript will be available for review at the Authority's office in White Plains and on our Web site, www.nypa.gov.

At this point, I will turn the microphone over to Michael Huvane, the Authority's Vice President for Marketing and Economic Development, who will provide additional details on the proposed contract. I will then call on speakers, starting with any elected officials. Mr. Huvane.

MICHAEL HUVANE: Thank you, Ms. Graves. Good afternoon. My name is Michael Huvane. I am the Vice President for Marketing and Economic Development at the New York Power Authority. I am here today to present an overview of a proposed contract with Yahoo! Inc. for the sale of up to fifteen megawatts of Expansion Power from the Niagara Power Project.

Under Section 1005, Subsection 13, of the Power Authority Act, as amended by Chapter 313 of the Laws of 2005, the Authority may contract to allocate two hundred fifty megawatts of firm hydroelectric power known as EP, Expansion Power. Each application for an allocation of Expansion Power must be evaluated under criteria that include, but need not be limited to, those set forth in Public Authorities Law Section 1005, Subsection 13, paragraph A, which details general eligibility requirements. Among the factors used for evaluating a request for an allocation of hydropower are the number of jobs created, the capital investment in the business' facilities, the number and types of jobs created, and the associated wages and benefits.

At their meeting of May 19, 2009, the Trustees approved an allocation of fifteen megawatts of Expansion Power to Yahoo! for a term of fifteen years. Approval of the allocation was based on an evaluation of Yahoo!'s application for hydropower, in which the company proposed to build a new regional datacenter to serve its east coast customers. The allocation is contingent on Yahoo!'s investment of one hundred fifty million dollars to build the datacenter, and a commitment to create one

hundred twenty-five jobs.

On March 15, 2010, the Authority and Yahoo! signed an interim agreement for the sale of Expansion Power and Energy. The purpose of the agreement was to enable Yahoo! to accept delivery of its EP allocation at the start up of its datacenter operation on April 1st, 2010. Also included in the agreement was an appendix cosigned by the Authority, Yahoo! and the delivering utility, New York State Electric & Gas Corporation, to effectuate an April 1, 2010 delivery arrangement.

The agreement, in part, cites Public Authorities Law Section 1005, paragraph 11: The Authority is authorized to exercise all the power necessary or convenient to carry out and effectuate the purposes and provisions to sell electric power, and generally to do anything and everything necessary or convenient to carry out the purposes of the Title 1 of Article 5 of the Public Authorities Law. Furthermore, the agreement cites the May 19, 2009 Trustees' authorization to take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate approval of the allocation.

The agreement expires the earlier

of December 31, 2010, or until a long-term contract becomes effective. It is anticipated that the contract will become effective prior to December 31, 2010, after the anticipated completion of the approval process required by Public Authorities Law Section 1009.

The Authority will provide firm electric service from the Niagara plant, consisting of firm power capacity and energy service, subject to pro rata curtailment when there is insufficient generation at the Niagara and St. Lawrence/FDR facilities. The power and energy will be sold on a direct-sale basis. Delivery will be provided by the local utility, NYSEG, and billed directly to Yahoo!

The fifteen megawatt allocation is contingent on Yahoo!'s investment of one hundred fifty million dollars, completion of the new datacenter facility, and creation of a total of one hundred twenty-five new jobs. The allocation amount will be subject to an enforceable employment commitment of one hundred twenty-five jobs, and includes an annual job reporting requirement and a job compliance threshold of ninety percent. Should Yahoo!'s actual jobs reported fall below the compliance threshold, the Authority has the right to

reduce the allocation on a pro rata basis. The rates, terms and conditions for the sale are contained in the relevant service tariffs, which are the same tariffs applicable to all Expansion Power allocations. Specifically, Service Tariff Number EP-1 is effective through June 30, 2013, and Service Tariff Number WNY-1 becomes effective from July 1st, 2013 until the expiration of Yahoo!'s allocation on March 31, 2025. The contract also requires that an energy efficiency audit be performed not less than once every five years during the term of electric service.

The contract is subject to a public hearing and approval by the Governor, as set forth in Section 1009 of the Public Authorities Law.

As Ms. Graves stated earlier, the Authority will accept your comments on the proposed contract until close of business tomorrow, Thursday, September 9th, 2010. I will now turn the forum back over to Ms. Graves.

ANGELA GRAVES: Thank you, Mr. Huvane. I will now call on those people who wish to make an oral statement. When I say your name, please come up to the podium, and limit your statement to five minutes.

We have New York State Senator George Maziarz.

SENATOR MAZIARZ: George Maziarz. Thank you very much. It's a pleasure for me to be here.

I want to state at the very beginning that I am here to speak in favor of this allocation. I welcome Yahoo! to Lockport. I thank you very much. Lockport could not have made a better choice.

To let you know, my area stretches from this river, all the way to the Genesee River in the City of Rochester. Actually, I have been aware of your construction, because I live not very far from where you're at. I drive by there at least four times a day.

Again, thank you very much for being here and for choosing Lockport. I want to congratulate Marc Smith, Supervisor of the Town of Lockport, for a great job, and this is going to be a great legacy for all of you.

As I said, I want to stress that I'm here to speak in favor of this allocation. Yahoo! is just the right type of company that should be getting low-cost hydropower from the Niagara

Project, to locate here.

Now, having said that, having stressed the positive and everything, I would say that I'm somewhat disappointed that this is probably, I don't know, one of a number of public hearings that I have attended, hosted by the New York State Power Authority, I'm disappointed that Mr. Kessel is not here, the CEO of the Power Authority. I'm very disappointed that our Western New York Board of Trustee, Pat Curley, is not here today to hear about one of the good things that should be happening every month in Western New York, and most particularly, Niagara County.

I do question, though, I think the process. Mr. Huvane, you talked about how this allocation was actually approved by the board of trustees back in -- back in May, I think, of '09. You said -- you were talking kind of quickly, and I know that's the process, and how all the contracts have been signed and everything is done, and it seems like it's one of the last things to do. Yahoo! is going to have a ribbon-cutting ceremony in twelve days. I am counting the days. Yahoo! is going to have a ribbon-cutting in twelve days, and here we are now asking for public input. I think

it's good to have public input. I think it would be better in the beginning of the process, rather than at the end of the process.

I say again, in a very positive way, I just think that the Power Authority administration sometimes, many times, does it backwards. There is another company down in Long Island, Brookhaven Labs, where the power from this project, well, not this building, but the building right next door to here, power from this building was sent down to Long Island, Brookhaven Labs, to enhance job creation and economy down there, and the public hearing was held down there. The people of Niagara were cheated out of an opportunity to comment on that, despite promises from Mr. Kessel that they would be. That was not the only time Mr. Kessel had not told the truth to myself or to the people of Niagara County or Western New York.

But having said that, just my only issues are with the process, but I do want to, again, say that I am very much in favor. This is exactly what the New York Power Authority should be doing. It should be utilizing this great Western New York asset for creation of jobs and economic development here in Western New York, and not taking

this asset and using it to enhance and create jobs for very profitable companies on Long Island.

So I'm again very much in favor of this. I want to welcome Yahoo! I'm looking forward to the opening on September -- it's still September 20th, isn't it? Well, I'm looking forward to it. Thank you very much.

ANGELA GRAVES: Thank you, Senator.

I now call on Mr. David Kinyon, CEO of the Town of Lockport Industrial Development Agency.

DAVID KINYON: My name is David Kinyon. I'm the Chief Executive Officer of the Lockport Industrial Development Agency for the Town of Lockport. Thank you for the opportunity to comment on this proposed contract for the sale of fifteen megawatts of Expansion Power to Yahoo!

The Town of Lockport Industrial Development Agency, by the way, is the owner of the Lockport Industrial Park, which was part of the process of attracting Yahoo! to Western New York. The Town of Lockport Industrial Development Agency has sold a thirty-acre parcel within our Industrial Park to Yahoo! So I wanted to make sure that I

disclosed that particular part of the overall package that was part of bringing Yahoo! to Western New York. Otherwise, I am going to read from my prepared written statement for the oral testimony today.

I am pleased to submit this statement in support of the New York Power Authority's proposed contract to sell fifteen megawatts of Expansion Power to Yahoo! As part of the negotiations to attract Yahoo! to the Lockport Industrial Park, the availability of Expansion Power was a major incentive that the State of New York offered, and which factored heavily into bringing Yahoo! to Western New York.

Since the Power Authority's initial approval of Yahoo!'s application for Expansion Power in May of 2009, Yahoo! has aggressively pursued its business plan and has demonstrated its commitment to Western New York's economy. Yahoo! broke ground August 12 of last year for Phase I of its Lockport datacenter, completing the build-out of three data wings and the administrative center by May of this year. Yahoo! immediately commenced construction of Phase II, and it appears to be on course to complete its one

hundred eighty thousand square foot, one hundred fifty million dollar capital project by the end of 2010.

Western New York contractors have been engaged on the worksite throughout the construction period, boosting employment among Western New York trades. Over the past year, Yahoo! has been hiring and training the network operations center technicians, site operations technicians, and the facilities operating engineers, who will be integral in Yahoo!'s regional datacenter operations in Lockport, as well as throughout its worldwide internet service.

Clearly, Yahoo! has demonstrated its commitment to New York State and to Western New York through its performance to date. The Town of Lockport Industrial Development Agency supports final approval by the New York Power Authority of the contract with Yahoo! for Expansion Power in order to fulfill the State of New York's commitment to this company. Thank you for your consideration of our remarks.

ANGELA GRAVES: Thank you. I will now call Mr. Scott Noteboom.

SCOTT NOTEBOOM: So I'm pretty

lucky at my job at Yahoo!, I get to travel the entire world to find the right place in the world for a datacenter. Those total number of places is actually pretty low.

Currently, relative to strategic locations in the datacenter, we are talking about seven in the entire world. I have gone to many places that I have never been to. When I came to Buffalo -- honestly, I'm a guy that's used to New York City. When I came to Buffalo, it felt like home. I was a kid who grew up in Detroit. I'm from a generation of auto workers. I now remember, as a kid, you know, we packed up the moving truck, moved to California because, you know, I saw what happened when a manufacturing center of excellence kind of fell apart, and we had to move.

In coming to Buffalo, a lot of things felt real familiar to me, a lot of the infrastructure, a lot of the work ethic that I now think of my dad and my grandfather and so on, and it was very clear to me that this was the most familiar place that I have been to. The way I grew up, this was a good place to invest in a datacenter, because a manufacturing global center of excellence is really the same as what it takes to be a datacenter

related to technology in the global center of excellence. So it was a pretty easy decision.

I just wanted to state that I am real confident in, you know, not only the fifteen megawatts and one hundred and twenty-five jobs, I have been looking around for my company to show we are a global company. When you look all over the world, it makes sense to have jobs where we can get the highest productivity. I believe this Buffalo/ Lockport area is among the most productive in the world. People are always trying to lower manufacturing and outsource to India and China, and such, and in some aspects, those may look at lower costs, but when you look at the total cost, Buffalo is looking really well. That's where the jobs are coming from, that's where we can be long-term and continue to be able to grow. I want to follow through working here. Up here, there have been great people and they have been cooperative, supportive and, you know, we want good people to work.

We are well on path with one hundred and twenty-five jobs. We have a major investment in building Phase I, swinging into Phase II. To be quite honest with you, this is just

building to capacity for what we see on the radar now.

My goals are to continue to grow in this area, continue administrative functions rather than just datacenter-related jobs, finance-related jobs, marketing-related jobs, sales-related jobs, all of the other areas in Yahoo! I think we can demonstrate that Buffalo and Lockport is great.

So I just wanted to say thank you. I am excited. I feel very comfortable here, and we want to make this a long-term place to do business, and we are here to do what we committed to do, and even more relative to the community at large. So thank you.

ANGELA GRAVES: Thank you. Thomas Frank.

THOMAS FRANK: Thomas Frank, I'm here with Neil Frank. I'm here with the former mayor of the Village of Williamsville.

As far as the project, I have been involved in the relicensing of the Niagara Power Project, as far as issues related to the watershed binational Niagara watershed tributaries, including Tonawanda and Ellicott Creek. So I have been appointed to the Bicentennial War of 1812 Legacy

Council. I have also been asked by the supervisor for the Town of Amherst, Dr. Barry Weinstein, regarding some of the initiatives, project initiatives, having to do with the Erie Canal and National Heritage Corridor, okay.

As far as the protocol and the processes having to do with the Niagara Greenway Commission, as far as an application, that's why I came here, as to, perhaps, get some support for this Niagara War of 1812 Bicentennial Legacy Council project proposal having national -- having -- regional and binational and statewide New York, as well as national and international potential for the region, the binational region. So I was just hoping to have the opportunity to meet with the people from Google regarding an application that transcends some eight different levels of political jurisdiction, involving some twenty metropolitan municipalities in the binational Niagara, having to do with the interconnections between the hydroelectric power generation in the United States and Canada, as well as the diversion functions having to do with the Erie Canal Corridor and the St. Lawrence Seaway, also known as the Welland Canal.

So the last thing I would like to

mention is, you know, as far as -- there is going to be a World Canal Conference in Rochester, New York on September 19th through the 24th, where there is going to be representatives from some -- hundreds of representatives from some twenty different nations regarding the -- well, it has to do with the binational economic tourism development of the seaway and the greenway, as far as establishing a binational identity that takes this interrelationship between those two hydrologically-defined industries into a project that will have long-term benefits. And I'm hoping to gain some research and development support for the development of this project, which is seen as having some two point five billion dollars of a valued proposition associated with this venture.

And what I'm specifically doing is promoting outdoor athletic recreation, health/science, arts and cultural history throughout all of the school districts in Southern Ontario and Western New York. But it's also -- I can give you the application that was presented to the Town of Amherst for arts and cultural history for the region that is seen as having certain deadlines for collaboration on these eight different levels.

MICHAEL HUVANE: Mr. Frank, you are aware that this is a public hearing on the Yahoo! contract?

THOMAS FRANK: Right. And the contract -- right. The Yahoo! contract, right.

As far as their, you know -- the regional -- as far as the technology that we have locally, we are looking at something that -- look, we met with the Queen of England, okay, and there are some binational aspects. As far as Yahoo, they're an international company, and as far as the local community organizations, as far as development, this is also seen as being a higher education consortium project that will involve the University of Buffalo in the 2020 or 2030 Plan, or whatever they're going to call it, as far as Brock University and Niagara University, all the colleges and universities being in Western New York being involved.

But also, the important thing is that the project that I'm involved in has to do with, really, the Canadians, as far as the Doors Open Canada, which is coming up in October, that the Canadians, as well as the Americans, as far as hockey conferences or tournaments, that there is

some development as far as software application developments. Specifically, that I have been several years in, as far as developing the conceptual architecture for this, having also issues that are connected to customs and immigration and homeland security, okay. That what the Canadians are seeing, as far as the bicentennial of the War of 1812, is the act to take and extend the benefits from the Olympics that were in Ottawa this year, and extend those benefits to the Olympics, the Summer Olympics, that are going to be in London in 2012, okay.

So what I'm proposing is the possibility of taking the greenway, and having Yahoo! be an official Olympic sponsor, okay. I'm developing a model as far as the Greenway Tournament, the Rider Cup Tournament, that will extend from Lake Erie to Lake Ontario, and to adopt that model to the river in London, okay. And this is, you know -- I was hoping to have the opportunity to see if Yahoo! was doing things like Google, as far as a project that they're developing, as far as Google maps dot com. Now, these are development projects which are seen as -- well, it's being conceived as Olympic cycling, six competitive

disciplines, as far as creating water cycle demonstration events in the Olympics that can have, well, regional and binational -- statewide, national and international marketing potential opportunities for commercial exploitation, and is this an IT-based project. Thank you very much.

ANGELA GRAVES: Thank you.

(Off the record until 7:00.)

ANGELA GRAVES: Is there anyone else present who would like to make an oral statement? If not, this hearing is officially closed. Please remember, however, that the record of the hearing will remain open until 5 P.M. tomorrow, Thursday, September 9th, for the submission of written statements. Thank you very much.

* * * *

d. Preservation Power Contract with Florelle Tissue Corporation – Transmittal to the Governor

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the proposed agreement ('Agreement') for the sale of Preservation Power ('PP') to Florelle Tissue Corporation ('Florelle') and to authorize its transmittal to the Governor. The proposed agreement with Florelle and the proposed Service Tariff No. ST-10 ('ST-10') are attached as Exhibit '1d-A.'

BACKGROUND

"At their meeting of June 29, 2010, the Trustees approved a 1,300 kW allocation of PP to Florelle and authorized a public hearing on the proposed contract and accompanying tariff (ST-10) on August 23, 2010. Florelle is a Canadian company that plans to reopen a dormant paper mill in Jefferson County. More than 60 people were employed at the plant when it closed in mid-2008. Florelle would produce paper products for export to the Canadian market and plans to invest $3.5 million at the site and eventually create 75 jobs. The facility's reopening under Florelle Tissue would help reinvigorate the local economy and provide jobs to the displaced workers previously employed at the mill.

"The 1,300 kW PP allocation will be subject to an enforceable employment commitment of 75 jobs after three years of operation, and continuing over the term of the Agreement, which includes an annual job report to be submitted by Florelle to the Authority. A job compliance threshold of 90% will apply. Should Florelle's actual jobs reported fall below the compliance percentage, the Authority has the right to reduce the hydropower allocation on a pro-rata percentage basis. The firm electric service under the contract will be equivalent to that provided to all other Authority firm hydropower customers and is subject to pro-rata curtailment when there is insufficient generation at the Niagara and St. Lawrence/FDR facilities to meet the energy requirement of the firm hydropower customers.

"The rates for PP are also contained in Exhibit '1d-A' ('Schedule of Rates for Sale of Firm Power to Preservation Power Customers Service Tariff No. 10'). The PP base rates are established through Rate Year 2013 (July 1, 2013 through June 30, 2014). Consistent with the tariffs applicable to the Western New York hydropower customers, beginning in Rate Year 2014 (July 1, 2014), the base rates will be determined by an Annual Adjustment Factor ('AAF'). The AAF is composed of three indices measuring inflation. The indices are: (1) Industrial Power Price (Bureau of Labor Statistics); (2) Average Industrial Power Price (Energy Information Administration) and (3) Industrial Commodities Price Less Fuel (Bureau of Labor Statistics).

DISCUSSION

"A public hearing was held on August 23, 2010 from 2:00 to 4:00 p.m. and 7:00 to 9:00 p.m. at the Frank S. McCullough, Jr. Hawkins Point Visitors' Center at the St. Lawrence/FDR Power Project in Massena. There were no oral statements made at the public hearing. Written comments were submitted by two parties in support of the contract, the Jefferson County Industrial Development Agency ('JCIDA') and Florelle Tissue. JCIDA encouraged the Authority to proceed with the Agreement and stated that this is the 'first opportunity to utilize the Preservation Program.' Continuing, JCIDA stated that 'the cost savings afforded…will enhance [Florelle's] cash flow to ensure their success.' Florelle stated: 'Incentives of this type are an essential part of our manufacturing facility.'

RECOMMENDATION

"The Vice President – Marketing recommends that the Trustees approve the proposed Agreement for the sale of Preservation Power to Florelle Tissue and authorize the transmittal of the Agreement to the Governor for approval.

"The 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.

> **RESOLVED, That the Preservation Power Agreement for the sale of hydroelectric power and energy generated by the Authority for sale to Florelle Tissue is in the public interest and should be submitted to the Governor for approval, and that it, along with the record of the public hearing thereon, be forwarded to the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee; and be it further**
>
> **RESOLVED, That the Chairman and the Corporate Secretary be authorized and directed to execute such agreement in the name of and on behalf of the Authority after it has been approved by the Governor; and be it further**
>
> **RESOLVED, That the Senior Vice President – Marketing and Economic Development, or his designee, be, and hereby is, authorized, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to negotiate and execute any and all documents necessary or desirable to implement the agreement with the Customer as set forth in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Chairman, the Vice 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, 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
10th Floor
Albany, New York 12207-3425

AGREEMENT FOR THE SALE OF PRESERVATION POWER AND ENERGY

TO FLORELLE TISSUE CORPORATION

The Power Authority of the State of New York ("Authority"), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title 1 of Article 5 of the New York Public Authorities Law, having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Preservation Power and Energy ("Agreement") to Florelle Tissue Corporation, having offices at 350 Flint road, Unit 1, North York, Ontario M3J2J4 ("Customer"). The Authority and the Customer are from time to time referred to in this Agreement individually as a "Party" or collectively as the "Parties" and agree as follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the St. Lawrence-FDR Power Project known as Preservation Power (or "PP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, PP consists of 490 megawatts ("MW") of firm hydroelectric power and associated energy produced by the St. Lawrence-FDR Power Project;

WHEREAS, St. Lawrence-FDR Power Project hydroelectric power plays an important role in providing competitively priced power for sale to attract and retain business investment and to promote economic development in New York State;

WHEREAS, the Authority has the authority under PAL § 1005(13)(a) to award and extend allocations of PP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant's long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient's facilities are located;

WHEREAS, the Customer has applied for an allocation of PP for use at facilities located at1 Bridge Street, Brownville, New York 13615 defined in Article I of this Agreement as the "Facility");

WHEREAS, on June 29, 2010, the Authority's Board of Trustees ("Trustees") approved a 1,300 kilowatt allocation of PP to the Customer for a five year term (defined in Article 1 of this Agreement as the "Allocation"), as further described in this Agreement;

WHEREAS, the provision of Electric Service (defined in Article I of this Agreement) associated with the Allocation is an unbundled service separate from the transmission and delivery service necessary for the Customer to receive the Allocation which will be performed by the Customer's local utility company;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for contracts negotiated by the Authority; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3). .

NOW THEREFORE, in consideration of the mutual covenants herein, the Authority and the Customer agree as follows:

Article I. Definitions

A. **Agreement** means this Agreement as further described in the preamble, including all documents and other matters attached to and incorporated into the Agreement.

B. **Allocation** refers to the total amount of PP and associated energy set forth in Schedule A to this Agreement awarded to the Customer.

C. **Contract Demand** has the meaning set forth in the Service Tariff.

D. **Electric Service** is Firm Power and Firm Energy associated with the Allocation and sold to the Customer in accordance with the provisions of this Agreement, the Service Tariff, and the Rules.

E. **Facility** means the 95,000 square foot building located at 1 Bridge Street, Brownville, New York 13615.

F. **Firm Energy** has the meaning set forth in the Service Tariff.

G. **Firm Power** has the meaning set forth in the Service Tariff.

H. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).

I. **FERC License** means the license issued by FERC to the Authority for the continued operation and maintenance of the St. Lawrence Project, pursuant to Section 15 of the Federal Power Act, which became effective October 22, 2003 after expiration of the Project's original license issued in 1953.

J. **Hydro Projects** is a collective reference to the Authority's Niagara Project and St. Lawrence-FDR Project.

K. **International Joint Commission** (or **IJC**) refers to the entity with responsibility to prevent and resolve disputes between the United States of America and Canada under the *1909 Boundary Waters Treaty* and pursues the common good of both countries as an independent and objective advisor to the two governments. The IJC rules upon applications for approval of projects affecting boundary or transboundary waters and may regulate the operation of these projects.

L. **Load Serving Entity** (or **LSE**) means an entity designated by a retail electricity customer to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.

M. **NYISO** means the New York Independent System Operator, Inc. or any successor organization.

N. **NYISO Charges** has the meaning set forth in the Service Tariff.

O. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.

P. **PAL** means the New York Public Authorities Law.

Q. **Preservation Power** (or **PP**) has the meaning set forth in the Service Tariff.

R. **Niagara Project** means the Authority's Niagara Power Project, FERC Project No. 2216.

S. **Rules** refers to 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), as may be modified from time to time by Authority.

T. **Service Tariff** means the Authority's Service Tariff No. 10, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement.

U. **St. Lawrence Project** means the Authority's St. Lawrence-FDR Power Project, FERC Project No. 2000.

V. **Schedule A** refers to the Schedule A to this Agreement entitled "Preservation Power Allocation" which is attached to and made part of this Agreement.

W. **Schedule B** refers to the Schedule B to this Agreement entitled "Preservation Power Commitments" which is attached to and made part of this Agreement.

X. **Schedule C** refers to Schedule C to this Agreement entitled "Applicable Representations Concerning Local Utility" which is attached to and made part of this Agreement.

Y. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectric power that would otherwise have been supplied to the Customer under this Agreement.

Z. **Taxes** have the meaning set forth in the Service Tariff.

AA. **Unforced Capacity** (or **UCAP**) is the electric capacity required to be provided by Load Serving Entities to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

Article II. Electric Service

A. The Authority shall provide Electric Service to the Customer to enable the Customer to receive the Allocation in accordance with this Agreement, the Service Tariff and the Rules. The Customer shall not be entitled to receive Electric Service for any PP Allocation that is not specified in Schedule A.

B. The Authority shall provide UCAP in amounts necessary to meet the Customer's NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs.

C. The Contract Demand and the Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as PP from the St. Lawrence Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. Any such modification will be made on a pro rata basis to all PP customers, as applicable, based on the terms of such ruling, order, or decision. The Authority will use reasonable efforts to provide at least thirty (30) days prior written notice to the Customer of any such modification unless such notice is inconsistent with such ruling, order or decision.

D. The Contract Demand may not exceed the Allocation.

Article III. Rates, Terms and Conditions

A. The Authority will provide Electric Service to the Customer based on the rates, terms and conditions established in accordance with this Agreement, the Service Tariff and the Rules.

B. The Service Tariff and the Rules may be amended from time to time by the Authority. The Authority shall provide at least thirty (30) days prior written notice to the Customer of any proposed change in the Service Tariff or the Rules. No subsequent amendment to the Service Tariff or the Rules shall affect the determination of rates for PP to the Customer during the term of the Agreement except insofar as otherwise authorized by this Agreement. This provision shall not limit the Authority's discretion to determine rates applicable to allocations of power and energy awarded to the Customer beyond or in addition to the Allocation.

C. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates shall be subject to increase by the Authority at any time upon 30 days prior written notice to Customer if, after consideration by the Authority of its legal obligations, the marketability of the output or use of the St. Lawrence Project and the Authority's competitive position with respect to other suppliers, the Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation

and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in the Authority's bond and note resolutions and covenants with the holders of its financial obligations. The Authority shall use its best efforts to inform the Customer at the earliest practicable date of its intent to increase the power and energy rates pursuant to this provision. Any rate increase to the Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers that are subject to the Service Tariff after giving consideration to the factors set forth in the first sentence of this subsection. With respect to any such increase, the Authority shall forward to the Customer with the notice of increase, an explanation of all reasons for the increase, and shall also identify the sources from which the Authority will obtain the total of increased revenues and the bases upon which the Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as the Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

Article IV. Billing Methodology

A. The billing methodology for the Allocation shall be determined on a "load factor sharing" basis in a manner consistent with the local electric utility's applicable tariffs.

B. The Authority shall render bills for power and energy by the tenth (10th) business day of the month for charges due for the previous month. Such bills shall include the NYISO Charges and Taxes (as such terms are defined in the Service Tariff) associated with the Allocation. NYISO Charges and Taxes billed to the Customer are subject to adjustments consistent with any subsequent NYISO re-billings to Authority.

C. All other provisions with respect to billing are set forth in the Service Tariff.

Article V. Transmission and Delivery of Power and Energy

A. The Customer shall responsible for securing arrangements with its local utility for transmission and delivery service associated with the Allocation unless otherwise agreed to by the Parties.

B. The Customer will pay its local utility for transmission and delivery service associated with the Allocation in accordance applicable contracts and all applicable tariffs, rulemakings, and orders, in order to deliver to the Customer the Firm Power and Firm Energy supplied by the Authority under this Agreement. To the extent the Authority incurs transmission and delivery service charges or other costs associated with the Allocation during the term of this Agreement, the Customer agrees to compensate the Authority for all such charges and costs incurred.

C. Each Party makes the representations, if any, contained in Schedule C to this Agreement concerning this Agreement and any agreement between the Authority, the Customer and the Customer's local utility company.

D. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the LSE with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf as may be required under the applicable local utility company tariffs. In no event shall the Authority act as the LSE for the power and energy consumed by Customer other than Electric Service (inclusive of Substitute Energy, if any) sold by the Authority under this Agreement. The Customer understands and acknowledges that it will be responsible to the Authority for all charges and other costs incurred by the Authority associated with the provision of Electric Service to enable the Customer to receive the Allocation, including charges and costs contained in the NYISO Tariffs or other applicable tariffs (including local utility company tariffs), regardless of whether such charges and costs are transmission-related. Such charges and costs are in addition to the charges for power and energy.

Article VI. Preservation Power Customer Commitments

Schedule B sets forth the Customer's specific "Preservation Power Commitments." The commitments agreed to in Schedule B are in addition to any other rights and obligations of the Parties provided for pursuant to this Agreement.

Article VII. Rules and Service Tariff; Conflicts

The Rules and the Service Tariff are hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariff and the Rules, the provisions of the Service Tariff shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and the Service Tariff, the provisions of this Agreement shall govern.

Article VIII. Hydropower Curtailments and Substitute Energy

A. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served by the Authority from the Hydro Projects, curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy associated with the Allocation to which the Customer is entitled shall be applied on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with the Service Tariff as applicable.

B. The Authority shall provide reasonable notice to the Customer of any curtailments referenced in Article VIII.A of this Agreement that could impact Customer's Electric Service under this Agreement.

C. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the hydroelectricity that would otherwise have been supplied under this

Agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

D. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO charges and taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

E. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

Article IX. Additional Allocations

A. Upon application by the Customer, the Authority may award additional allocations of PP to the Customer at such rates and on such terms and conditions as set forth in the Service Tariff. Once the Customer agrees to purchase Electric Service associated with such additional allocations, the Authority will produce modified Schedules A and B which will reflect any such additional allocations and other pertinent terms as appropriate. The Authority will furnish the Customer with any such modified Schedules within thirty (30) days of the commencement of Electric Service for any such additional allocation.

B. The Customer shall furnish such documentation and other information as the Authority requests to enable the Authority to evaluate whether any additional allocations should be made to the Customer and the terms of any additional allocation.

Article X. Notification

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

To: The Authority

Michael J. Huvane
Director, Marketing
New York Power Authority
123 Main Street
White Plains, New York 10601
Telephone: (914) 390-8117
Facsimile: (914) 390-8156
Electronic mail: michael.huvane@nypa.gov

To: Customer

Mr. Haralampos Minas
President
Florelle Tissue Corporation
1 Bridge Street
Brownville, New York 13615
Telephone: _____
Facsimile: _____
Electronic mail: _____

B. Except where otherwise herein specifically provided, any notice, communication or request required or authorized by this Agreement by either Party to the other shall be deemed properly given: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (2) if sent by a nationally recognized overnight delivery service, two (2) calendar days after being deposited for delivery to the appropriate address set forth above; (3) if delivered by hand, with written confirmation of receipt; (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (5) if sent by electronic mail to the appropriate address as set forth above, with written confirmation of receipt. Either Party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing.

Article XI. Applicable Law

Any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to 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 rulings by the IJC and without regard to conflicts of law provisions.

Article XII. Venue

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction for adjudication of any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement.

Article XIII. Successors and Assigns; Resale of PP

A. 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.

B. The Customer may not resell any PP that it has purchased from the Authority under this Agreement.

Article XIV. Previous Agreements and Communications

This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the sale of PP, and supersedes all previous communications between the Parties hereto, either oral or written, with respect to the sale of PP. 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.

Article XV. Waiver

A. Any waiver at any time by either the Authority or the Customer of their rights with respect to a default or of any other matter arising out of this Agreement shall not be deemed to be a waiver with respect to any other default or matter.

B. No waiver by either Party of any rights with respect to any matter arising in connection with this Agreement shall be effective unless made in writing and signed by the Party making the waiver.

Article XVI. Severability and Voidability

A. If any term or provision of this Agreement is 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 invalidate the remaining terms or provisions hereof.

B. Notwithstanding the preceding paragraph, if any provision of this Agreement is rendered void or unenforceable or otherwise modified by a court or agency of competent jurisdiction, the entire Agreement shall, at the option of either Party and only in such circumstances in which such Party's interests are materially and adversely impacted by any such action, be rendered void and unenforceable by such affected Party.

Article XVII. Term, Modification, Termination and Effect

A. Electric Service under this Agreement shall continue with respect to an Allocation until the earliest of: (1) termination by the Customer with respect to all of the Allocation upon at least thirty (30) days prior written notice to the Authority; (2) termination by Authority pursuant to the Rules upon required notice; or (3) expiration of the Allocation by its own term as specified in Schedule A.

B. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days prior written notice to the Authority. The termination shall be effective commencing with the first "Billing Period" as defined in the Service Tariff following the required notice.

C. The Authority may modify or terminate Electric Service hereunder or modify the quantities of power and energy associated with an Allocation: (1) if such termination 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 (2) as otherwise provided in this Agreement or in the Rules.

D. This Agreement shall become legally binding and effective only upon satisfaction of the following conditions precedent: (1) receipt of approval of this Agreement by the Authority Board of Trustees; (2) receipt of approval of this Agreement by the Governor of the State of New York pursuant to PAL § 1009; and (3) execution of this Agreement by the Authority and the Customer.

Article XVIII. Execution

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the

counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

FLORELLE TISSUE CORPORATION

BY: _____

Title: _____

Date: _____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY: _____

Title: _____

Date: _____

SCHEDULE A TO AGREEMENT FOR THE SALE OF PRESERVATION POWER AND ENERGY TO FLORELLE TISSUE CORPORATION

PRESERVATION POWER ALLOCATIONS

Customer: Florelle Tissue Corporation

Facility: 1 Bridge Street, Brownville, NY 13615

Type of Allocation	Allocation (kW)	Expiration Date
Preservation Power	1,300	5 years after initial delivery of the Allocation
TOTALS:	1,300 kW	

SCHEDULE B TO AGREEMENT FOR THE SALE OF PRESERVATION POWER AND ENERGY TO FLORELLE TISSUE CORPORATION

PRESERVATION POWER COMMITMENTS

ARTICLE I. EMPLOYMENT COMMITMENTS

A. Base Employment Level

The Customer agrees to create and maintain the employment level (the "Base Employment Level") set forth in the Appendix to this Schedule.

The Authority may consider a request to change the Base Employment Level based on a claim of increased productivity, increased efficiency or adoption of new technologies or for other appropriate reasons as determined by the Authority. Any such change shall be within Authority's sole discretion.

B. Employment Records and Reports

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Customer employees and contractor employees at the Facility, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify Customer employees and contractor employees and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice all non-confidential written and electronic records and data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

ARTICLE II. REDUCTIONS OF CONTRACT DEMAND

A. Employment Levels

If the year-end monthly average number of employees is less than 90% of the Base Employment Level set forth in this Schedule B, for the subject calendar year, the Authority may reduce the Contract Demand subject to Article II.C of this Schedule. The maximum amount of reduction will be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average monthly employment during the

subject calendar year divided by the Base Employment Level. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, the Agreement shall automatically terminate.

B. Power Utilization Levels

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the facilities receiving the power covered by the Agreement. If the average of the Customer's six (6) highest Billing Demands (as such term is defined in the Service Tariff) for PP is less than 90% of the Customer's Contract Demand in such calendar year the Authority may reduce the Contract Demand subject to Article II.C of this Schedule. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest Billing Demands for in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

C. Notice of Intent to Reduce Contract Demand

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced pursuant to this Schedule, the Authority shall provide the Customer with at least thirty (30) days prior written notice of such reduction, specifying the amount of the reduction of Contract Demand and the reason for the reduction, provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or facilities upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

ARTICLE III. CAPITAL INVESTMENT

The Customer agrees to undertake the Capital Expansion Program set forth in the Appendix to this Schedule.

ARTICLE IV. ENERGY EFFICIENCY AUDITS AND INFORMATION REQUESTS

The Customer shall undergo an energy efficiency audit of its facilities and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement but in any event not less than once every five years. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the facilities.

The Customer agrees to cooperate to make its facilities available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.

APPENDIX TO SCHEDULE B

I. Base Employment Level

The Customer will employ seventy-five (75) persons at the Facility ("Base Employment Level"), within three years of the initial delivery of the Allocation to the Facility.

The Base Employment Level shall be the number of full-time positions held by employees and contractors of the Customer assigned to the Facility. The number of full-time Customer employees and contractor employees shall not include part-time positions (less than 35 hours per week); provided, however, that two part-time employees each working 20 hours per week or more shall be counted as one full-time employee.

The Base Employment Level shall not be created or maintained by transfers of employees from previously held positions with the Customer or its affiliates within the State of New York, except that the Base Employment Level may be filled by employees of the Customer laid off from other Customer facilities for bona fide economic or management reasons.

II. Capital Expansion Program

The Customer will purchase a 95,000 square foot building located at in Brownville, NY, and refurbish the building and associated property to serve as a paper mill and manufacturing facility (defined in Article 1 of the Agreement as "Facility"). The Customer will purchase and install machinery and equipment, including paper-making and converting machinery and ancillary equipment. (collectively, Machinery & Equipment") at the Facility to enable the Customer to produce paper from pulp and to process the paper into paper towel, napkin, and tissue products.

The estimated Start Dates and the Completion Dates for the Capital Expansion Program are as follows:

Phase	Description	Start Date	Completion Dates
A	Facility purchase, renovations and equipment orders	September 2010	December 31, 2010
B	Machinery & Equipment installation	October 2010	December 31, 2010
C	Commencement of converting operation	December 2010	January 31, 2011
D	Commencement of paper making operation	January 2011	January 31, 2011

The Customer's total capital investment in the Capital Expansion Program will total at least $3.5 million.

The Authority shall have the right to inspect the Facility and to request pertinent information from the Customer for the purpose of verifying the progress of the Capital Expansion Program and the Customer's compliance with Capital Expansion Program requirements at reasonable times during the Capital Expansion Program and prior to the takedown of the Allocation by the Customer. The Customer shall provide the Authority with Facility access and pertinent information requested by the Authority for these purposes.

In the event the Customer fails satisfy the requirements for the Capital Expansion Program, the Authority, in its sole discretion, may reduce or cancel the Allocation.

Upon request of the Customer, the Authority, in its sole discretion, may consent to modifications to the Capital Expansion Program requested by the Customer, including but not limited to modifications to Start Dates and Completion Dates and to the scope of the Capital Expansion Program.

SCHEDULE C TO AGREEMENT FOR THE SALE OF PRESERVATION POWER AND ENERGY TO FLORELLE TISSUE CORPORATION

APPLICABLE REPRESENTATIONS CONCERNING LOCAL UTILITY

Local Utility: National Grid

Representations:

None.

POWER AUTHORITY OF THE STATE OF NEW YORK
30 SOUTH PEARL STREET
ALBANY, NY 12207

Schedule of Rates for Sale of Firm Power to Preservation Power Customers

Service Tariff No. 10

Date of Issue: _____, _____

Date Effective: _____, _____

Issued by James F. Pasquale, Senior Vice President
Power Authority of the State of New York
30 South Pearl Street, Albany, NY 12207

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Schedule of Rates for Firm Power Service

I. Applicability

To sales of Preservation Power (as defined below) directly to a qualified business Customer (as defined below) for firm power service.

II. Abbreviations and Terms

A. The following abbreviations are used:

kW	kilowatt(s)
kW-mo.	kilowatt-month
kWh	kilowatt-hour(s)
MWh	megawatt-hour(s)
NYISO	New York Independent System Operator, Inc. or any successor organization
PAL	New York Public Authorities Law
OATT	Open Access Transmission Tariff

B. The term “Agreement” means an executed Agreement for the Sale of Preservation Power and Energy between the Authority and the Customer (each as defined below).

C. The term “Annual Adjustment Factor” or “AAF” shall have the meaning set forth in Section V herein.

D. The term “Authority” means the Power Authority of the State of New York, a corporate municipal instrumentality and a political subdivision of the State of New York created pursuant to Chapter 772 of the New York Laws of 1931 and existing and operating under Title 1 of Article 5 of the PAL, also known as the “New York Power Authority.”

E. The term “Customer” means a business customer who has received an allocation for Preservation Power from the Authority and who purchases Preservation Power directly from the Authority.

F. The term “Electric Service” means the power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

G. The term “Preservation Power” means Firm Power and Firm Energy made available under this Service Tariff by the Authority from the Project for sale to the Customer for business purposes pursuant to PAL § 1005(5) and (13).

H. The term “Firm Power” means capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the Agreement between the Authority and the Customer and this Service Tariff. Firm Power shall not include peaking power.

I. The term “Firm Energy” means energy (kWh) associated with Firm Power.

J. The term “Load Serving Entity” or “LSE” shall have the meaning set forth in the Agreement.

K. The term “Project” means the Authority’s St. Lawrence-FDR Power Project, FERC Project No. 2000.

L. The term “Rate Year” or “RY” means the period from July 1 through June 30 of the following year.

M. The term “Rules” means the applicable provisions of Authority’s rules and regulations (Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by the Authority.

N. The term “Service Tariff” means this Service Tariff No. 10.

All other capitalized terms and abbreviations used but not defined herein shall have the same meaning as set forth in the Agreement.

III. Monthly Rates and Charges

A. Preservation Power Base Rates

The monthly base rates for demand and energy charges paid by Customer to Authority shall be:

Rate Year	Demand Charge $/kW-mo.	Energy Charge $/MWh
2010	6.15	10.52
2011	6.71	11.48
2012	7.32	12.52
2013	7.99	13.66

Beginning with the 2014 Rate Year (July 1, 2014), and for each Rate Year thereafter, such rates shall be subject to an Annual Adjustment Factor set forth in Section V herein.

B. Preservation Power Rates No Lower Than Rural/Domestic Rate

At all times the applicable base rates for demand and energy determined in accordance with Sections III.A and V of this Service Tariff shall be no lower than the rates charged by the Authority for the sale of hydroelectricity for the benefit of rural and domestic customers receiving service in accordance with the Niagara Redevelopment Act, 16 U.S.C. § 836(b)(1) and PAL § 1005(5) (the "Rural/Domestic Rate"). This provision shall be implemented as follows: if the base rates, as determined in accordance with Sections III.A and V of this Service Tariff, are lower than the Rural/Domestic Rate on an average $/MWh basis, each set of rates measured at 80% load factor which is generally regarded as representative for Preservation Power Customers, then the base rates determined under Sections III.A and V of this Service Tariff will be revised to make them equal to the Rural/Domestic Rate on an average $/MWh basis. However, the base rates as so revised will have no effect until such time as these base rates are lower than the Rural/Domestic Rate.

C. Monthly Base Rates Exclude Delivery Service Charges

The monthly base rates set forth in this Section III exclude any applicable costs for delivery services provided by the local electric utility.

D. Minimum Monthly Charge

The minimum monthly charge shall equal the product of the demand charge and the contract demand (as defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges or Taxes (each as defined herein) incurred by the Authority with respect to the Customer's Allocation.

E. Billing Period

Any period of approximately thirty (30) days, generally ending with the last day of each calendar month but subject to the billing cycle requirements of the local electric utility in whose service territory the Customer's facilities are located.

F. Billing Demand

The billing demand shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

G. Billing Energy

The billing energy shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

H. Contract Demand

The contract demand of each Customer will be the amount of Preservation Power, not to exceed the Customer's Allocation, provided to such Customer by the Authority in accordance with the Agreement. The minimum Contract Demand for any Preservation Power Allocation is 100 kW.

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

1. Subject to Section IV.B.2, the Authority shall provide to the Customer in any billing period Firm Energy associated with Firm Power. The offer of Firm Energy for delivery shall fulfill the Authority's obligations for purposes of this provision whether or not the Firm Energy is taken by the Customer.

2. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of NYPA's Firm Power customers served from the Hydro Projects, hydropower curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy to which the Customer is entitled shall be applied on a *pro rata* basis to all Firm Power and Firm Energy customers served from the Hydro Projects. Reductions as a percentage of the otherwise required Firm Power and Firm Energy sales will be the same for all Firm Power and Firm Energy customers served from the Hydro Projects. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Customer in later billing periods. The Customer will receive appropriate bill credits as provided under the Rules.

C. Delivery

For the purpose of this Service Tariff, Firm Power and Firm Energy shall be deemed to be offered when the Authority is able to supply Firm Power and Firm Energy to the Authority's designated NYISO load bus. If, despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Adjustment of Rates

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

E. Billing Methodology and Billing

Unless otherwise specified in the Agreement, the following provisions shall apply:

1. The billing methodology to be used to render bills to the Customer related to its Allocation shall be determined in accordance with the Agreement and delivery agreement between the Authority and, as applicable, the Customer or local electric utility or both.

2. Billing Demand – Unless separately metered, the billing demand charged by the Authority to each Customer will be the highest 15-minute integrated demand during each billing period recorded on the Customer's meter multiplied by a percentage based on load factor sharing, as applicable.

3. Billing Energy – Unless separately metered, the kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer's meter for the billing period multiplied by a percentage based on load factor sharing, as applicable.

F. Payment by Customer to Authority

1. Demand and Energy Charges, Taxes

The Customer shall pay the Authority for Firm Power and Firm Energy during any billing period the higher of either (i) the sum of (a), (b) and (c) below or (ii) the monthly minimum charge as defined herein:

a. The demand charge per kilowatt for Firm Power specified in this Service Tariff or any modification thereof applied to the Customer's billing demand (as defined in Section IV.E, above) for the billing period; and

b. The energy charge per MWh for Firm Energy specified in this Service Tariff or any modification thereof applied to the Customer's billing energy (as defined in Section IV.E, above) for the billing period; and

c. A charge representing reimbursement to the Authority for all applicable Taxes incurred by the Authority as a result of providing Preservation Power allocated to the Customer.

2. Transmission Charge

The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the Allocation, including such costs that are charged pursuant to the OATT.

3. NYISO Transmission and Related Charges ("NYISO Charges")

The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority for services provided by the NYISO pursuant to its OATT or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with providing Electric Service to the Customer:

A. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;

B. Marginal losses;

C. The New York Power Authority Transmission Adjustment Charge ("NTAC");

D. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;

E. Any and all other charges, assessments, or other amounts associated with deliveries to Customers or otherwise associated with the Authority's responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and

F. Any charges assessed on the Authority with respect to the provision of Electric Service to Customers for facilities needed to maintain reliability and incurred in connection with the NYISO's Comprehensive System Planning Process (or similar reliability-related obligations incurred by the Authority with respect to Electric Service to the Customer), applicable tariffs, or required to be paid by the Authority in accordance with law, regardless of whether such charges are assessed by the NYISO or another third party.

The NYISO Charges, if any, incurred by the Authority on behalf of the Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

4. Taxes Defined

   Taxes shall be any adjustment as the Authority deems necessary to recover from the Customer any taxes, assessments or any other charges mandated by federal, state or local agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer if and to the extent such taxes, assessments or charges are not recovered by the Authority pursuant to another provision of this Service Tariff.

5. Substitute Energy

   The Customer shall pay for Substitute Energy, if applicable, as specified in the Agreement.

6. Payment Information

   Bills computed under this Service Tariff 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 the Authority. In the event that there is a dispute on any items of a bill rendered by the Authority, the Customer shall pay such bill in full. If necessary, any adjustments will be made thereafter.

G. Adjustment of Charges

1. Distribution Losses

   The Authority will make appropriate adjustments to compensate for distribution losses of the local electric utility.

2. Transformer Losses

   If delivery is made at transmission voltage but metered on the low-voltage side of the Customer's substation, the meter readings will be increased two percent to compensate for transformer losses.

3. Power Factor

   Power factor is the ratio of real power (kW) to apparent power (kVa) for any given load and time. The Authority may require the Customer to maintain a power factor of not less than 90%, lagging or leading, at the point of delivery, or as may otherwise be imposed upon the Authority by the local electric utility providing delivery and/or NYISO.

H. Conflicts

In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of the Agreement and this Service Tariff, the provisions of the Agreement shall govern.

I. Customer Resales Prohibited

The Customer may not resell any quantity of Preservation Power.

V. Annual Adjustment Factor

A. Adjustment of Rates

1. The AAF will be based upon a weighted average of three indices described below. For each new Rate Year, the index value for the latest available calendar year ("Index Value for the Measuring Year") will be compared to the index value for the calendar year immediately preceding the latest available calendar year (the Index Value for the Measuring Year -1"). The change for each index will then be multiplied by the indicated weights. As described in detail below, these products are then summed, producing the AAF. The AAF will be multiplied by the base rate for the current Rate Year to produce the base rates for the new Rate Year."

   Index 1, "BLS Industrial Power Price" (35% weight): The average of the monthly Producer Price Index for Industrial Electric Power, commodity code number 0543, not seasonally adjusted, as reported by the U.S. Department of Labor, Bureau of Labor Statistics ("BLS") electronically on its internet site and consistent with its printed publication, "Producer Price Index Detailed Report". For Index 1, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

   Index 2, "EIA Average Industrial Power Price" (40% weight): The average weighted annual price (as measured in cents/kWh) for electric sales to the industrial sector in the ten states of CT, MA, ME, NH, NJ, NY, OH, PA, RI and VT ("Selected States") as reported by Coal and Electric Data and Renewables Division; Office of Coal, Nuclear, Electric and Alternate Fuels; Energy Information Administration ("EIA"); U.S. Department of Energy Form EIA-861 Final Data File. For Index 2, the Index Value for the Measuring Year will be the index for the calendar year two years preceding July 1 of the new Rate Year.

   Index 3, "BLS Industrial Commodities Price Less Fuel" (25% weight): The monthly average of the Producer Price Index for Industrial Commodities less fuel, commodity code number 03T15M05, not seasonally adjusted, as reported by the U.S. Department of Labor, BLS electronically on its internet site and consistent with its printed publication, "Producer Price Index Detailed Report". For Index 3, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

2. Annual Adjustment Factor Computation Guide

   Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.

   Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the AAF.

   Step 3: Multiply the current Rate Year base rate by the AAF calculated in Step 2 to determine the new Rate Year base rate.

   The foregoing calculation shall be performed by the Authority consistent with the sample presented in Section V.B below.

3. The Authority shall provide the Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15th of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.

4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

B. Sample Computation of the AAF (hypothetical values for July 1, 2014 implementation):

STEP 1

Determine the Index Value for the Measuring Year (MY) and Measuring Year - 1 (MY-1) for Each Index

- Index 1 - Producer Price Index, Industrial Power

	Measuring Year (2013)	Measuring Year - 1 (2012)
January	171.2	167.8
February	172.8	167.6
March	171.6	168.2
April	173.8	168.6
May	175.1	171.6
June	185.7	180.1
July	186.4	182.7
August	184.7	179.2
September	185.5	181.8
October	175.5	170.2
November	172.2	168.8
December	171.8	166.6
Average	177.2	172.8
Ratio of MY/MY-1		**1.03**

- Index 2 – EIA Industrial Rate

State	Revenues ($000s)	Sales (MWh)	Avg. Rate (cents/kWh)
Measuring Year (2012)			
CT	590,972	6,814,757	
MA	1,109,723	13,053,806	
ME	328,594	4,896,176	
NH	304,363	2,874,495	
NJ	1,412,665	15,687,873	
NY	2,001,588	26,379,314	
OH	3,695,978	78,496,166	
PA	3,682,192	63,413,968	
RI	152,533	1,652,593	
VT	155,903	2,173,679	
TOTAL	13,434,511	215,442,827	**6.24**
Measuring Year -1 (2011)			
CT	579,153	6,678,462	
MA	1,076,431	12,662,192	
ME	310,521	4,626,886	
NH	298,276	2,817,005	
NJ	1,370,285	15,217,237	
NY	1,891,501	24,928,452	
OH	3,622,058	76,926,243	
PA	3,571,726	61,511,549	
RI	144,144	1,561,700	
VT	152,785	2,130,205	
TOTAL	13,016,880	209,059,931	**6.23**
	Ratio of MY/MY-1		**1.00**

- Index 3 – Producer Price Index, Industrial Commodities Less Fuel

	Measuring Year (2013)	Measuring Year -1 (2012)
January	190.1	187.2
February	190.9	188.0
March	191.6	188.7
April	192.8	189.9
May	194.7	191.8
June	195.2	192.3
July	195.5	192.3
August	196.0	193.1
September	196.1	193.2
October	196.2	193.8
November	196.6	193.7
December	196.7	194.0
Average	194.4	191.5
Ratio of MY/MY-1		**1.02**

STEP 2

Determine AAF by Summing the Weighted Indices

Index	Ratio of MY to MY-1	Weight	Weighted Factors
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	0.255
AAF			**1.016**

STEP 3

Apply AAF to Calculate the New Rate Year Base Rate

	Demand	Energy
	$/kW-mo.	$/MWh
Current Rate Year Base Rate	7.99	13.66
New Rate Year Base Rate	8.12	13.88

e. Proposed Long-Term Contract Extensions for the Sale of Western New York Hydropower – Transmittal to the Governor

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the proposed contracts ('Contracts') to extend service applicable to the Western New York Replacement Power ('RP') and Expansion Power ('EP') customers ('Customers') and to authorize their transmittal to the Governor for approval. The form of the Contracts, comprising an agreement for the sale of power and energy to the Customers ('Agreement') and the proposed Service Tariff No. WNY-1 ('ST WNY-1'), is attached as Exhibit '1e-A.'

BACKGROUND

"At their meeting of May 26, 2010, the Trustees authorized a public hearing on the proposed long-term contract extensions for the sale of Western New York hydropower (RP and EP). The initiative to extend contract terms was the result of two unrelated considerations. The first consideration was the Customers' recurring requests for long-term supply commitments beyond the terms of their current contracts. The second consideration was the expiration of the sale-for-resale agreements that the Authority has with the delivering utilities, New York State Electric & Gas Corporation ('NYSEG') and National Grid. (National Grid's RP delivery agreement is scheduled through December 31, 2011, but is expected to be renewed through June 30, 2013; the EP resale agreements with both delivering utilities expire on June 30, 2013.) With the termination of the sale-for-resale agreements anticipated on July 1, 2013, the Authority will implement, pursuant to the proposed contract extensions, direct billing for the power and energy provided to the Customers. They will be charged separately for delivery services by the applicable delivering utility.

"As part of the contract extension evaluation process, Authority staff, with the assistance of the Empire State Development Corporation, developed a Request Form soliciting detailed information on the Customers' wages and capital plans, among other things. The Forms were evaluated in collaboration with the Center for Governmental Research. The evaluation contained three general criteria: jobs, public benefit and private benefit. The results showed that the Customers represent a diverse spectrum of industries and bring valuable and varied economic benefits to New York State.

"The major features of the Agreement relate to both Customer commitments and enhanced compliance. Specifically, there will be annual capital commitments during the life of the contract. If these capital expenditures, based on historic levels, are not met, the Authority has the ability to reduce the Customer's allocation. Similarly, the job commitment threshold will be standardized to 90% of base employment levels, and allocations may be reduced if employment levels are not met. For efficient contract administration, there will now be just one contract for those customers who have more than one allocation at their facility. If a Customer receives an additional allocation, a schedule in the contract will be updated, rather than an entirely new contract being issued.

"Accompanying the Agreement in Exhibit '1e-A' is the proposed ST WNY-1. Consistent with the delivery arrangements described above, ST WNY-1 reflects the direct-sale nature of the Contracts. ST WNY-1 becomes effective July 1, 2013, and will replace the three existing Authority service tariffs that currently govern RP and EP.

"ST WNY-1 attains a measure of consistency with the Authority's other proposed hydropower tariff, ST-10, relating to Preservation Power sales. They both establish new base rates on July 1, 2013 and contain the same Annual Adjustment Factor, effective initially on July 1, 2014, and then every July thereafter.

"The Authority sent the Contracts and a Letter of Acknowledgement ('Letter') to each Customer for their review and signature in March 2010. The Letter stated that they accepted the terms and conditions of the extensions, and will execute the Contracts upon final approval by the Governor. Of the 108 Customers offered extensions, 106 agreed to the terms and signed the Letter. The other two, for business reasons, have chosen to let their allocations expire at the end of their current terms.

"On March 25, 2010, the Authority's Vice President – Marketing gave presentations on the contract extension initiative to the Customers at the Niagara Project Power Vista Visitors' Center ('Visitors' Center') and in Chautauqua County. The presentation covered the contract terms, the rate phase-in, the public hearing process and the importance of Customers providing their historic capital investments. Subsequent to the meetings, Authority account executives met with each Customer to discuss the terms of their individual proposed contract extension offering.

"The Customers accepting the Contracts to extend their allocations are shown in Exhibit '1e-B.' There are 185 allocation extensions, comprising 85 EP allocations totaling 205,775 kW, and 100 RP allocations totaling 369,397 kW. The 185 allocations represent 106 Customers, 104 of which have been offered seven-year contract extensions; two have been offered longer terms due to their extraordinary capital investments. These 106 Customers have committed to retain and/or create 28,472 jobs. Under the new capital expenditure commitment, the Customers have also agreed to spend $150 million/year for capital improvements and facility maintenance. The capital investment and employment commitments provide a major benefit to New York State in return for the hydropower.

DISCUSSION

"A public hearing was held on July 15, 2010 from 2:00 to 4:00 p.m. and 7:00 to 9:00 p.m. at the Visitors' Center. In total, oral statements were given by individuals representing 20 Customers and 23 organizations or elected officials. The transcript of the public hearing is attached as Exhibit '1e-C.' The participants may be categorized in seven distinct groups: (1) RP/EP hydro Customers; (2) labor unions; (3) non-hydro Customer businesses; (4) elected officials; (5) business interest groups; (6) non-profits and (7) delivering utility. The specific companies/groups under each of the seven categories are listed in Table I.

"Given the diversity of commenters' interests, there was a remarkable commonality of opinion. All parties agreed that the contract extensions should be approved, with the consensus that hydropower is the lifeblood of the Western New York region. The first common point was the number of high-quality jobs created by the hydropower allocations. The numerous labor unions supporting the contracts emphasized this observation. Marc Ferguson from The Business Council of New York State cited the average manufacturing job wages for the five counties in Western New York as being 54%, or $18,672/year, higher than non-manufacturing jobs ($53,000 versus $34,300). Many speakers also cited the role of low-cost hydropower in enabling the Customers to compete in both regional and global markets. Several mentioned that their competition is from two sources, including other facilities within the same parent company. If manufacturing costs are too expensive in Western New York, operations can be shifted to sister plants located elsewhere. Intense global competition is evidenced by their competitors that operate plants in low-cost regions, such as Asia, that have distinct cost advantages; low-cost hydropower helps to equalize the disparate cost structures.

"Speakers also cited the significant positive impact of hydropower Customers in their support of other local businesses and non-profits. Eight non-hydro businesses voiced their support of the contract extensions, since the hydro Customers are purchasers or customers of their services. The Power for Economic Prosperity ('PEP') group, a business consortium comprising some of the larger hydropower Customers, provided a chart that illustrates this inter-dependency. The chart shows the business relationships among 13 different PEP companies. One Customer, Praxair, is a supplier to eight PEP companies, and is, in turn, a customer of two PEP companies. Finally, several Customers commented on their sizable contributions to charitable institutions. Two non-profits, the United Way of Buffalo and Erie County and the United Way of Greater Niagara, spoke in favor of the contract extensions, with the latter reporting that 15% of its annual campaign contributions are made by hydropower companies in Niagara County.

"In conclusion, there was universal support for the proposed contract extensions for the above-stated reasons. PEP provided a summary of the role of the hydropower allocations in the Western New York region by stating, 'These businesses, their employees, and their suppliers are the economic backbone of the region. Quite simply, the Replacement and Expansion Power companies buy locally, sell globally and pay good family sustaining wages and benefits.'

FISCAL INFORMATION

"As stated above, ST WNY-1, applicable beginning July 1, 2013, specifies a three-year rate phase-in to a target rate, which is based on the proposed Preservation Power rate. The impact of the fully implemented phase-in, absent the effects of the AAF, would produce additional annual revenues of approximately $38.7 million.

RECOMMENDATION

"The Vice President – Marketing recommends that the Trustees approve the proposed Contracts for service extension and authorize their transmittal to the Governor for approval.

"The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Corporate Planning and Finance, the Senior Vice President – Marketing and Economic Development and I concur in the recommendation."

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

> **RESOLVED, That the contract extensions for the sale of hydroelectric power and energy generated by the Authority for sale to the Replacement Power and Expansion Power Customers are in the public interest and should be submitted to the Governor for approval, and that they, along with the record of the public hearing thereon, be forwarded to the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee; and be it further**
>
> **RESOLVED, That the Chairman and the Corporate Secretary be authorized and directed to execute such contract extensions in the name of and on behalf of the Authority after the agreements have been approved by the Governor; and be it further**
>
> **RESOLVED, That the Senior Vice President – Marketing and Economic Development, or his designee, be, and hereby is, authorized, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to negotiate and execute any and all documents necessary or desirable to implement the contract extensions with the Customers as set forth in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Chairman, the Vice 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, 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.**

TABLE I

Hydro Customers

E. I. Dupont
FMC Corp.
Ford Motor Co.
General Mills
GM Components Holdings
General Motors
Goodyear Dunlop
Ingram Micro
Linde
Luvata Buffalo
Moog
Niacet
Occidental Chemical Corp.
Olin
Praxair
Saint Gobain
Steuben Foods
Treibacher Schleifmittel
Unifrax
Washington Mills

Labor Unions representing Hydro Customers

Ford Motor Co.
General Mills
General Motors
Linde
Luvato Buffalo
Niacet
Occidental Chemical Corp.
Olin
Praxair
Saint Gobain
Unifrax

Non-Hydro Businesses

Charlie the Butcher
Davis Ulmer Sprinkler
Dival Saftey Equipment
Felton Machine
Ferguson Electric
LaFayette Machine
National Fuel
Conestoga-Rovers & Associates
Cintas

Elected Officials

Senator Bill Stachowski
Assemblywoman Francine Delmote
Senator George Maziarz
Assemblyman Jack Quinn
Mayor Adam Tabelski

Business Interest Groups

Power for Economic Prosperity
The Business Council of New York State
Niagara US Chamber of Commerce
Buffalo Niagara Partnership
Citizen's Advisory Council
Niagara Co. Legislature's Econ. Devel. Committee

Non-Profits

United Way of Buffalo & Erie Co.
United Way of Greater Niagara

IOU

National Grid

POWER AUTHORITY

OF THE

STATE OF NEW YORK

30 South Pearl Street
10th Floor
Albany, New York 12207-3425

AGREEMENT FOR THE SALE OF
EXPANSION AND/OR REPLACEMENT POWER AND ENERGY

TO [EXISTING EP/RP RECIPIENT]

POWER AUTHORITY OF THE STATE OF NEW YORK

30 South Pearl Street, 10th Floor
Albany, New York 12207-3425

AGREEMENT FOR THE SALE OF EXPANSION AND/OR REPLACEMENT POWER AND ENERGY

This Agreement for the Sale of Expansion and/or Replacement Power and Energy is made and entered into as of this ___ day of ____, 2010, by and between the Power Authority of the State of New York ("Authority"), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title 1 of Article 5 of the New York Public Authorities Law ("PAL"), having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, and [Company, Inc., with its facilities located at ___] ("Customer"). The Authority and the Customer are from time to time referred to in this Agreement individually as a "Party" or collectively as the "Parties."

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project known as Expansion Power (or "EP") and Replacement Power (or "RP") to qualified businesses in New York State in accordance with PAL § 1005(5) and (13).

WHEREAS, EP consists of 250 megawatts ("MW"), and RP consists of 445 MW, of firm hydroelectric power and associated energy produced by the Niagara Power Project.

WHEREAS, Niagara Power Project hydroelectric power plays an important role in providing competitively priced power for sale to attract and retain business investment and to promote economic development in western New York State.

WHEREAS, the Authority has the authority under PAL § 1005(13)(a) to award and extend allocations of EP and RP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant's long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient's facilities are located.

WHEREAS, the Authority and the Customer are currently parties to one or more agreements governing the allocation and sale of EP and/or RP for ultimate use by the Customer.

WHEREAS, the Customer's existing allocations for the purchase of RP (if any) are scheduled to expire at 12:01 a.m. January 1, 2013 or later, and the Customer's existing

allocations for the purchase of EP (if any) are scheduled to expire midnight June 30, 2013 or later, as indicated by the "Expiration Date" specified in Schedule A to this Agreement.

WHEREAS, the Authority's Trustees have approved extensions of the Customer's EP and/or RP allocations (if any) until the "Extended Expiration Date" specified in Schedule A of this Agreement.

WHEREAS, the Authority has determined that the extensions are authorized by the PAL.

WHEREAS, the Trustees have authorized the Authority to provide electric service with the Customer's extended allocations of EP (if any) and/or the extended allocations of RP (if any) at the rates and on the terms and conditions provided for in this Agreement.

WHEREAS, the Parties desire to enter into this Agreement in advance of the expiration of the EP and/or RP allocations identified in Schedule A in order to promote commercial and financial certainty and long term planning by each of the Parties.

WHEREAS, the Authority supports the efficient use of energy, including EP and RP allocated and sold pursuant to this Agreement.

NOW THEREFORE, in consideration of the mutual covenants herein, the Authority and the Customer agree as follows:

Article I. Definitions

A. **Agreement** means this Agreement as further described in the preamble, including all documents attached to and incorporated into the Agreement.

B. **Allocation** or **Allocations** refers to the total amount of power (in kilowatts ("kW")) and associated energy from the EP and/or RP allocations as set forth in Schedule A to this Agreement authorized by the Authority's Trustees to be sold to the Customer in accordance with the provisions of this Agreement.

C. **Contract Demand** is the amount of Expansion Power and/or Replacement Power provided to the Customer by Authority in accordance with the provisions of this Agreement.

D. **Electric Service** is Firm Power and Firm Energy associated with the Allocation and sold to the Customer in accordance with the provisions of this Agreement, Service Tariff No. WNY-1 (as applicable), and the Rules.

E. **Firm Energy** has the meaning set forth in Service Tariff No. WNY-1.

F. **Firm Power** has the meaning set forth in Service Tariff No. WNY-1.

G. **EP Allocation** refers to an Allocation of EP (if any) identified in Schedule A.

H. **Expansion Power** (or **EP**) has the meaning set forth in Service Tariff No. WNY-1.

I. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).

J. **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 became effective September 1, 2007 after expiration of the Project's original license issued in 1957.

K. **Hydro Projects** is a collective reference to the Project (defined below) and Authority's St. Lawrence-FDR Project, FERC Project No. 2000.

L. **International Joint Commission (or "IJC")** refers to the entity with responsibility to prevent and resolve disputes between the United States of America and Canada under the *1909 Boundary Waters Treaty* and pursues the common good of both countries as an independent and objective advisor to the two governments. The IJC rules upon applications for approval of projects affecting boundary or transboundary waters and may regulate the operation of these projects.

M. **Load Serving Entity (or "LSE")** means an entity designated by a retail electricity customer to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.

N. **NYISO** means the New York Independent System Operator, Inc. or any successor organization.

O. **NYISO Charges** has the meaning set forth in the Service Tariff No. WNY-1.

P. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.

Q. **PAL** means the New York Public Authorities Law.

R. **Project** means the Niagara Power Project, FERC Project No. 2216.

S. **Replacement Power** (or **RP**) has the meaning set forth in Service Tariff No. WNY-1.

T. **RP Allocation** refers to an Allocation of RP (if any) identified in Schedule A.

U. **Rules** refers to 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), as may be modified from time to time by Authority.

V. **Service Tariff No. WNY-1** means the Authority's Service Tariff No. WNY-1, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement. As further provided in this Agreement, Service Tariff No. WNY-1 shall be applicable to Electric Service provided on July 1, 2013 and thereafter.

W. **Schedule A** refers to the Schedule A entitled "Expansion Power and Replacement Power Allocations" which is attached to and made part of the Agreement.

X. **Schedule B** refers to the Schedule B entitled "Expansion and Replacement Power Commitments" which is attached to and made part of the Agreement.

Y. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectricity that would otherwise have been supplied to the Customer under this Agreement.

Z. **Taxes** have the meaning set forth in Service Tariff No. WNY-1.

AA. **Unforced Capacity (or "UCAP")** is the electric capacity required to be provided by Load Serving Entities to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

Article II. Electric Service During the Interim Service Period

A. From 12:01 a.m. January 1, 2013 or such later date prior to July 1, 2013 on which any RP Allocation identified in Schedule A expires through midnight June 30, 2013 (hereinafter referred to as the "Interim Service Period"), the Authority shall provide and the Customer shall pay for Electric Service to enable the Customer to receive such RP Allocation during the Interim Service Period. The rates applicable to Electric Service sold to the Customer during the Interim Service Period shall be the rates associated with such RP Allocation in effect as of December 31, 2012.

B. The Customer shall be responsible for payment of all applicable assessments and charges of whatever kind for transmission and delivery services assessed by the Customer's local electric utility that are associated with the RP Allocation, and all assessments and charges of whatever kind, including, but not limited to, NYISO Charges and Taxes that are associated with the RP Allocation, during the Interim Service Period. To the extent that the Authority incurs any of these assessments or charges during the Interim Service Period, the Customer will compensate the Authority for assessments and charges associated with the RP Allocation.

C. The Customer understands and acknowledges that for the Interim Service Period the Customer shall remain bound by the employment commitments set forth in any agreement between the Parties in effect as of December 31, 2012 providing for electric service to the Customer for the RP Allocation, and the Authority shall have the right to reduce the RP Allocation during the Interim Service Period for the Customer's failure to meet such commitments.

Article III. Electric Service Commencing July 1, 2013

A. Commencing July 1, 2013, the Authority shall provide and the Customer shall pay for Electric Service with respect to any EP Allocation and/or RP Allocation as specified in Schedule A.

B. The Customer shall not be entitled to receive Electric Service for any EP Allocation or RP Allocation that is not specified in Schedule A.

C. The Authority shall provide UCAP in amounts necessary to meet the Customer's NYISO Unforced Capacity requirements associated with the Allocation in accordance with the NYISO Tariffs.

D. The Contract Demand may not exceed the Allocation.

E. The Contract Demand or the Allocation may be modified by the Authority if the amount of power and energy available for sale as EP and RP from the Project is modified as required to comply with any ruling, order or decision of any regulatory or judicial body having jurisdiction. Any such modification will be made on a *pro rata* basis to all EP and RP customers, as applicable, based on the terms of such ruling, order or decision.

Article IV. Rates for Electric Service Commencing July 1, 2013

A. Commencing July 1, 2013, Electric Service shall be sold to the Customer based on the rates, terms and conditions determined in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules.

B. Electric Service shall be subject to the demand and energy rates determined in accordance with Service Tariff No. WNY-1 as of **[insert date]**, 2010, which shall be in effect commencing July 1, 2013 for the term of this Agreement, and no subsequent amendment to Service Tariff No. WNY-1 shall affect the determination of rates for EP and RP sold to the Customer during the term of the Agreement except insofar as authorized by this Agreement. This provision shall not limit the Authority's discretion to determine rates with respect to additional allocations awarded to the Customer made pursuant to Article X of this Agreement.

C. Should the Authority at any time during the term of this Agreement enter into an agreement with another EP or RP customer for sales of power and energy at rates more advantageous to such customer than the power and energy rates contained herein, the Customer shall be entitled to such more advantageous power and energy rates in place of the power and energy rates required by this Agreement and Service Tariff No. WNY-1.

D. Notwithstanding any other provision of this Agreement to the contrary, the power and energy rates for Electric Service commencing July 1, 2013 shall be subject to increase by the Authority at any time upon 30 days prior written notice to the Customer if, after consideration by the Authority of its legal obligations, the marketability of the output or use of the Project and the Authority's competitive position with respect to other suppliers, the Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in the Authority's bond and note resolutions and covenants with the holders of its financial obligations. The Authority shall use its best efforts to inform the Customer at the earliest practicable date of its intent to increase the power and energy charges pursuant to this provision. Any rate increase to the Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers after giving consideration to the factors set forth in the first sentence of this subsection. With respect to any such increase, the Authority shall forward to the Customer with the notice of increase, an explanation of all reasons for the increase, and shall also identify the sources from which the Authority will obtain the total of increased revenues and the bases upon which the Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as the Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

Article V. Billing and Methodology

A. Commencing July 1, 2013, the billing methodology for the Allocation shall be determined on a "load factor sharing" basis in a manner consistent with the local electric utility's applicable tariffs. An alternative billing methodology may apply provided there is mutual agreement in writing between the Parties, and the consent of the local electric utility.

B. The Authority shall render bills for power and energy by the tenth (10th) business day of the month for charges due for the previous month. Such bills shall include the NYISO Charges and Taxes (each as defined in Service Tariff No. WNY-1) associated with the Allocation. The NYISO Charges shall be subject to adjustments consistent with any subsequent NYISO re-billings to Authority.

Article VI. Transmission and Delivery of Power and Energy

A. Commencing July 1, 2013, the Customer shall be responsible for securing arrangements with the local electric utility for transmission and delivery service associated with the Allocation unless otherwise agreed to by the Parties. The Authority shall cooperate in good faith to assist Customer in securing such arrangements, regardless of whether the Authority provides Electric Service through a direct sale to Customer or through a sale for resale arrangement with the local electric utility.

B. The Customer shall pay the local electric utility for transmission and delivery service associated with the Allocation in accordance with all applicable tariffs, agreements, rulemakings and orders. The Customer shall compensate the Authority for any all charges the Authority incurs for transmission and delivery associated with the Allocation.

C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the Load Serving Entity with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf. The Customer agrees and understands that it shall be responsible to Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO Tariffs, or other applicable tariff (*i.e.*, NYISO Charges), as set forth in Service Tariff No. WNY-1.

Article VII. Expansion and Replacement Power Customer Commitments

A. The Customer understands and acknowledges that the extension of the EP Allocations and/or RP Allocations provided for in Schedule A is partly in consideration of the Customer meeting the commitments provided for in Schedule

B. Commencing July 1, 2013, the Authority shall have the right to reduce the Allocations based on reductions in the Contract Demand made pursuant to Schedule B if the Customer fails to meet such commitments.

B. In addition to any reduction of an Allocation made pursuant to Article VII.A of this Agreement, if the Authority reduces the quantity of EP or RP allocated to the Customer prior to July 1, 2013, or the Customer's EP or RP allocation is reduced for any other reason and as a result the quantity of EP and/or RP is less than the RP Allocation or EP Allocation provided for in Schedule A as of July 1, 2013, the Authority shall have the right to reduce accordingly the EP Allocation or RP Allocation provided for in Schedule A applicable to Electric Service provided on and after July 1, 2013.

C. The Authority will provide written notice to the Customer of any reduction made pursuant to this Article within thirty (30) days of such determination and will furnish the Customer with a revised Schedule A which reflects the reduced Allocation.

Article VIII. Hydropower Curtailments and Substitute Energy

A. Reduced Water Flows; Curtailments. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served from the Hydro Projects, hydropower curtailments in the amount of firm power and energy to which the Customer is entitled shall be applied in accordance with Service Tariff No. WNY-1.

B. Provision of Substitute Energy. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the hydroelectricity that would otherwise have been supplied under this Agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

C. Billing for Substitute Energy. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO Charges and Taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's current Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

D. Affect of Substitute Energy on Agreement. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement.

Article IX. Conflicts

The Rules and Service Tariff No. WNY-1 are hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts, or differences between the provisions of Service Tariff No. WNY-1 and the Rules, the provisions of Service Tariff No. WNY-1 shall govern. In the event of any inconsistencies, conflicts or differences between the Service Tariff No. WNY-1 and any other provisions of this Agreement, the provisions of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to the Customer of any proposed change in the Rules and Service Tariff No. WNY-1, but in no event shall the Authority provide less notice than that required to be provided to similarly affected Authority customers within New York State.

Article X. Additional Allocations

A. Upon application by the Customer, the Authority may award additional allocations of EP or RP to the Customer at such rates and on such terms and conditions as the Authority shall establish. Once the Customer agrees to purchase Electric Service associated with such additional allocations, the Authority will incorporate the additional allocations into Schedule A, or in its discretion, will produce a supplemental schedule, to reflect such additional allocations, and produce a modified Appendix A of Schedule B, as appropriate. The Authority will furnish the Customer with a modified Schedule A, a supplemental schedule, and/or a modified Appendix A as appropriate, within thirty (30) days of the commencement of Electric Service for any such additional allocation.

B. The Customer shall furnish such documentation and other information as the Authority requests to enable the Authority to evaluate whether any additional allocations should be made to the Customer and the terms of any additional allocation.

Article XI. Notification

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

To: The Authority

Michael J. Huvane
Vice President, Marketing
New York Power Authority
123 Main Street
White Plains, New York 10601
Telephone: (914) 390-8117
Facsimile: (914) 390-8156
Electronic mail: michael.huvane@nypa.gov

To: Customer

Mr./Ms. First Name Last Name
Title
Company, Inc.
Address
City, New York Zip
Telephone: _____
Facsimile: _____
Electronic mail: _____

B. Except where otherwise herein specifically provided, any notice, communication or request required or authorized by this Agreement by either Party to the other shall be deemed properly given: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above, (2) if sent by a nationally recognized overnight delivery service, two (2) calendar days after being deposited for delivery to the appropriate address set forth above, (3) if delivered by hand, with written confirmation of receipt, (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt, or (5) if sent by electronic mail to the appropriate address as set forth above, with written confirmation of receipt. Either Party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing.

Article XII. Applicable Law

Any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to 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 rulings by the IJC and without regard to conflicts of law provisions.

Article XIII. Venue

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction for adjudication of any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement.

Article XIV. Successors and Assigns; Resale

A. 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.

B. The Customer may not resell any EP or RP that it has purchased from the Authority under this Agreement.

Article XV. Previous Agreements and Communications

This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the sale of RP for the Interim Service Period and the Allocation thereafter, and supersedes all previous communications between the Parties hereto, either oral or written, with reference to the sale of RP for the Interim

Service Period and the Allocation thereafter. 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.

Article XVI. Waiver

A. Any waiver at any time by either the Authority or the Customer of their rights with respect to a default or of any other matter arising out of this Agreement shall not be deemed to be a waiver with respect to any other default or matter

B. No waiver by either Party of any rights with respect to any matter arising in connection with this Agreement shall be effective unless made in writing and signed by the Party making the waiver.

Article XVII. Severability and Voidability

A. 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 invalidate the remaining terms or provisions hereof.

B. Notwithstanding the preceding paragraph, if any provision of this Agreement is rendered void or unenforceable or otherwise modified by a court or agency of competent jurisdiction, the entire Agreement shall, at the option of either Party and only in such circumstances in which such Party's interests are materially and adversely impacted by any such action, be rendered void and unenforceable by such affected Party.

Article XVIII. Term, Modification, Termination and Effect

A. Electric Service under this Agreement shall continue with respect to an Allocation until the earliest of: (1) termination by the Customer with respect to all of the Allocation upon at least thirty (30) days prior written notice to the Authority; (2) termination by Authority pursuant to the Rules upon required notice; or (3) expiration of the Allocation by its own term as specified in Schedule A.

B. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days prior written notice to the Authority. The termination shall be effective commencing with the first "Billing Period" as defined in Service Tariff No. WNY-1 following the required notice.

C. The Authority may modify or terminate Electric Service hereunder or modify the quantities of power and energy associated with an Allocation: (1) if such termination 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 (2) as otherwise provided in this Agreement or in the Rules.

D. This Agreement shall become legally binding and effective only upon satisfaction of the following conditions precedent: (1) receipt of approval of this Agreement by the Authority Board of Trustees; (2) receipt of approval of this Agreement by the Governor of the State of New York pursuant to PAL § 1009; and (3) execution of this Agreement by the Authority and the Customer.

Article XIX. Extensions of Allocations and Agreement

A. The Customer may apply to the Authority for an extension of the Extended Expiration Date of an Allocation identified in Schedule A as follows: (1) after this Agreement becomes effective but before January 1, 2013, based on additional capital investments the Customer proposes to make to the Customer's facilities identified in Appendix A of Schedule B prior to the Extended Expiration Date; (2) during the twenty-four month period immediately preceding the Extended Expiration Date; (3) pursuant to another process established by the Authority, if any; or (4) with the Authority's consent in writing.

B. The Authority in its discretion may extend the term of this Agreement upon: (1) an extension of an Allocation by the Authority; or (2) an award of an additional allocation pursuant to Article X of this Agreement by the Authority.

C. The length of an extension of the term of this Agreement, if any, and the terms and conditions of such extension provided pursuant to this Article, shall be within the Authority's discretion based consideration of the criteria for eligibility prescribed in PAL § 1005(13).

Article XX. Execution

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

COMPANY, INC.

BY: _____

Title: _____

Date: _____

(Seal)
Attest by: _____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY: _____

Title: _____

Date: _____

(Seal)
Attest by: _____

SCHEDULE A

EXPANSION POWER AND REPLACEMENT POWER ALLOCATIONS

Type of Allocation	Allocation (kW)	Expiration Date	Extended Expiration Date
1. [EP Allocation]			
2. [RP Allocation]			
TOTALS:			

SCHEDULE B

EXPANSION AND REPLACEMENT POWER COMMITMENTS

Article I. Employment Commitments

A. Employment Levels.

The provision of Expansion or Replacement Power to the Customer hereunder is in consideration of, among other things, the Customer's creation and/or maintenance of the employment level set forth in Appendix A of this Schedule (the "Base Employment Level"). Such Base Employment Level shall be the total number of full-time positions held by: (1) individuals who are employed by the Customer at Customer's facilities identified in Appendix A to this Schedule, and (2) individuals who are contractors or who are employed by contractors of the Customer and assigned to the facilities identified in such Appendix A (collectively, "Base Level Employees"). The number of Base Level Employees shall not include individuals employed on a part-time basis (less than 35 hours per week); provided, however, that two individuals each working 20 hours per week or more at such facilities shall be counted as one Base Level Employee.

. The Base Employment Level shall not be created or maintained by transfers of employees from previously held positions with the Customer or its affiliates within the State of New York, except that the Base Employment Level may be filled by employees of the Customer laid off from other Customer facilities for *bona fide* economic or management reasons.

The Authority may consider a request to change the Base Employment Level based on a claim of increased productivity, increased efficiency or adoption of new technologies or for other appropriate reasons as determined by the Authority. Any such change shall be within Authority's sole discretion.

B. Employment Records and Reports.

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Base Level Employees who are employed at or assigned to the Customer's facilities identified in Appendix A to this Schedule, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify

the individuals who are employed by the Customer, and the individuals who are contractors or who are employed by contractors of the Customer, and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice all non-confidential written and electronic records and data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

Article II. Reductions of Contract Demand

A. Employment Levels.

If the year-end monthly average number of employees is less than 90% of the Base Employment Level set forth in this Schedule B, for the subject calendar year, the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount of reduction will be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average monthly employment during the subject calendar year divided by the Base Employment Level. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, the Agreement shall automatically terminate.

B. Power Utilization Levels.

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the facilities receiving the power covered by the Agreement. If the average of the Customer's six (6) highest Billing Demands (as such term is defined in Service Tariff No. WNY-1) for Expansion and Replacement Power is less than 90% of the Customer's Contract Demand in such calendar year the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount by which the Authority may reduce the Contract

Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest Billing Demands for in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

C. Capital Investment Levels.

Customer records of the Customer's capital investment for the calendar years 2006, 2007 and 2008 shall be shared with the Authority for purposes of determining the Customer's historical three-year average capital investment ("Historical Average"), provided, however, that the Authority shall take due regard for extraordinary capital investment levels in the 2006-2008 period and accordingly reduce the Historical Average upon Customer demonstration satisfactory to Authority. Each year, the Customer shall record its annual capital investment for purposes of determining a rolling three-year average ("Rolling Average"), which shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. If the Customer's Rolling Average is less than 90% of its Historical Average, the Contract Demand may be reduced by the Authority subject to Article II.D of this Schedule. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the Rolling Average divided by the Historical Average. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

D. Notice of Intent to Reduce Contract Demand.

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced pursuant to this Schedule , the Authority shall provide the Customer with at least thirty (30) days prior written notice of such reduction, specifying the amount of the reduction of Contract Demand and the reason for the reduction, provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or facilities upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

SCHEDULE B

Article III. Energy Efficiency Audits; Information Requests

A. The Customer shall undergo an energy efficiency audit of its facilities and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement but in any event not less than once every five years. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the facilities.

B. The Customer agrees to cooperate to make its facilities available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

C. The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

D. The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.

SCHEDULE B

APPENDIX A

Base Employment Level

In accordance with Article I of this Schedule, the Customer agrees to a Base Employment Level of XX persons at the Customer's facility located at Address, City, New York Zip, to be effective on the effective date of this Agreement.

Capital Investment Level

In accordance with Article II of this Schedule, the Customer agrees to a Historic Average of _____.

POWER AUTHORITY OF THE STATE OF NEW YORK
30 SOUTH PEARL STREET
ALBANY, NY 12207

Schedule of Rates for Sale of Firm Power to Expansion and Replacement Customers located In Western New York

Service Tariff No. WNY-1

Date of Issue: _____, 2010 Date Effective: _____2013

Issued by James F. Pasquale, Senior Vice President
Power Authority of the State of New York
30 South Pearl Street, Albany, NY 12207

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Schedule of Rates for Firm Power Service

I. Applicability

To sales of Expansion Power and/or Replacement Power (as defined below) directly to a qualified business Customer (as defined below) for firm power service.

II. Abbreviations and Terms

A. The following abbreviations are used:

kW	kilowatt(s)
kW-mo.	kilowatt-month
kWh	kilowatt-hour(s)
MWh	megawatt-hour(s)
NYISO	New York Independent System Operator, Inc. or any successor organization
PAL	New York Public Authorities Law
OATT	Open Access Transmission Tariff

B. The term "Agreement" means an executed "Agreement for the Sale of Expansion and/or Replacement Power and Energy" between the Authority and the Customer (each as defined below).

C. The term "Annual Adjustment Factor" or "AAF" shall have the meaning set forth in Section V herein.

D. The term "Authority" means the Power Authority of the State of New York, a corporate municipal instrumentality and a political subdivision of the State of New York created pursuant to Chapter 772 of the New York Laws of 1931 and existing and operating under Title 1 of Article 5 of the PAL, also known as the "New York Power Authority."

E. The term "Customer" means a business customer who has received an allocation for Expansion Power and/or Replacement Power from the Authority and who purchases Expansion Power and/or Replacement Power directly from the Authority.

F. The term "Electric Service" means the power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

G. The term “Expansion Power and/or Replacement Power” means Firm Power and Firm Energy made available under this Service Tariff by the Authority from the Project for sale to the Customer for business purposes pursuant to PAL § 1005(5) and (13).

H. The term “Firm Power” means capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the Agreement between the Authority and the Customer and this Service Tariff. Firm Power shall not include peaking power.

I. The term “Firm Energy” means energy (kWh) associated with Firm Power.

J. The term “Load Serving Entity” or “LSE” shall have the meaning set forth in the Agreement.

K. The term “Project” means the Authority’s Niagara Power Project, FERC Project No. 2216.

L. The term “Rate Year” or “RY” means the period from July 1 through June 30 starting July 1, 2013, and for any year thereafter.

M. The term “Rules” means the Authority’s rules and regulations set forth in 21 NYCRR § 450 *et seq*., as they may be amended from time to time.

N. The term “Service Tariff” means this Service Tariff No. WNY-1.

O. The term “Target Rate” shall have the meaning set forth in Section III herein.

All other capitalized terms and abbreviations used but not defined herein shall have the same meaning as set forth in the Agreement.

III. Monthly Rates and Charges

A. Expansion Power (EP) and Replacement Power (RP) Base Rates

Beginning on July 1, 2013, there will be a 3-year phase-in to new base rates. The phase-in will be determined by the rate differential between the 2012 EP/RP rates and a "Target Rate." The Target Rate, specified in Section III.A.1. below, is based on the rates determined by the Authority to be applicable in RY 2013 for sales of "preservation power" as that term is defined in PAL § 1005(13). The following Sections III.A.1-4 describe the calculation and implementation of the phase-in.

1. The initial rate point will be established by the EP/RP rates ($/kW and $/MWh), determined by mid-April 2012 and made effective on May 1, 2012 in accordance with the Authority's then-applicable EP and RP tariffs. The Target Rate (*i.e.* demand and energy rates) for RY 2013 shall be $7.99/kW and $13.66/MWh.

2. The difference between the two rate points is calculated and divided by 3 to correspond with the number of Rate Years over which the phase-in will occur. The resulting quotients (in $/kW and $/MWh) are referred to as the "annual increment."

3. The annual increment will be applied to the base rates for the 3-year period of the 2013, 2014 and 2015 Rate Years, which shall be as follows:

   RY 2013: July 1, 2013 to June 30, 2014
   RY 2014: July 1, 2014 to June 30, 2015
   RY 2015: July 1, 2015 to June 30, 2016

   The annual rate adjustments normally made effective on May 1, 2013 under then-applicable EP and RP tariffs will be suspended, such that demand and energy rates established in 2012 shall be extended through June 30, 2013.

4. Effective commencing in RY 2013, the Annual Adjustment Factor ("AAF") described in Section V herein, shall be applied as follows:

   A. For the RY 2013 only, the AAF will be suspended, and the RY 2013 rate increase will be subject only to the annual increment.

   B. For the RYs 2014 and 2015, the AAF will be applied to the demand and energy rates after the addition of the annual increment to the rates of the previous RY rates. Such AAF will be subject to the terms and limits stated in Section V herein.

C. Beginning in RY 2016, the AAF will be applied to the previous RY rates, and the annual increment is no longer applicable.

B. EP and RP Rates no Lower than Rural/Domestic Rate

At all times the applicable base rates for demand and energy determined in accordance with Sections III.A and V of this Service Tariff shall be no lower than the rates charged by the Authority for the sale of hydroelectricity for the benefit of rural and domestic customers receiving service in accordance with the Niagara Redevelopment Act, 16 U.S.C. § 836(b)(1) and PAL § 1005(5) (the "Rural/Domestic Rate"). This provision shall be implemented as follows: if the base rates, as determined in accordance with Sections III.A and V of this Service Tariff, are lower than the Rural/Domestic Rate on an average $/MWh basis, each set of rates measured at 80% load factor which is generally regarded as representative for EP and RP Customers, then the base rates determined under Sections III.A and V of this Service Tariff will be revised to make them equal to the Rural/Domestic Rate on an average $/MWh basis. However, the base rates as so revised will have no effect until such time as these base rates are lower than the Rural/Domestic Rate.

C. Monthly Base Rates Exclude Delivery Service Charges

The monthly base rates set forth in this Section III exclude any applicable costs for delivery services provided by the local electric utility.

D. Minimum Monthly Charge

The minimum monthly charge shall equal the product of the demand charge and the contract demand (as defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges or Taxes (each as defined herein) incurred by the Authority with respect to the Customer's Allocation.

E. Billing Period

Any period of approximately thirty (30) days, generally ending with the last day of each calendar month but subject to the billing cycle requirements of the local electric utility in whose service territory the Customer's facilities are located.

F. Billing Demand

The billing demand shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

G. Billing Energy

The billing energy shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

H. Contract Demand

The contract demand of each Customer will be the amount of Expansion Power and/or Replacement Power, not to exceed their Allocation, provided to such Customer by the Authority in accordance with the Agreement.

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

1. Subject to Section IV.B.2, the Authority shall provide to the Customer in any billing period Firm Energy associated with Firm Power. The offer of Firm Energy for delivery shall fulfill the Authority's obligations for purposes of this provision whether or not the Firm Energy is taken by the Customer.

2. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of NYPA's Firm Power customers served from the Hydro Projects, hydropower curtailments (*i.e.* reductions) in the amount of Firm Power and Energy to which the Customer is entitled shall be applied on a *pro rata* basis to all Firm Power and Energy customers served from the Hydro Projects. Reductions as a percentage of the otherwise required Firm Power and Energy sales will be the same for all Firm Power and Energy customers served from the Hydro Projects. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Customer in later billing periods. The Customer will receive appropriate bill credits as provided under the Rules.

C. Delivery

For the purpose of this Service Tariff, Firm Power and Firm Energy shall be deemed to be offered when the Authority is able to supply Firm Power and Firm Energy to the Authority's designated NYISO load bus. If, despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Adjustment of Rates

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

E. Billing Methodology and Billing

Unless otherwise specified in the Agreement, the following provisions shall apply:

1. The billing methodology to be used to render bills to the Customer related to its Allocation shall be determined in accordance with the Agreement and delivery agreement between the Authority and, as applicable, the Customer or local electric utility or both.

2. Billing Demand – Unless separately metered, the billing demand charged by the Authority to each Customer will be the highest 15-minute integrated demand during each billing period recorded on the Customer's meter multiplied by a percentage based on load factor sharing, as applicable.

3. Billing Energy – Unless separately metered, the kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer's meter for the billing period multiplied by a percentage based on load factor sharing, as applicable.

F. Payment by Customer to Authority

1. Demand and Energy Charges, Taxes

The Customer shall pay the Authority for Firm Power and Energy during any billing period the higher of either (i) the sum of (a), (b) and (c) below or (ii) the monthly minimum charge as defined herein:

a. The demand charge per kilowatt for Firm Power specified in this Service Tariff or any modification thereof applied to the Customer's billing demand (as defined in Section IV.E, above) for the billing period; and

b. The energy charge per MWh for Firm Energy specified in this Service Tariff or any modification thereof applied to the Customer's billing energy (as defined in Section IV.E, above) for the billing period; and

c. A charge representing reimbursement to the Authority for all applicable Taxes incurred by the Authority as a result of providing Expansion Power and/or Replacement Power allocated to the Customer.

2. Transmission Charge

The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the Allocation, including such costs that are charged pursuant to the OATT.

3. NYISO Transmission and Related Charges ("NYISO Charges")

The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority for services provided by the NYISO pursuant to its OATT or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with providing Electric Service to the Customer:

A. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;

B. Marginal losses;

C. The New York Power Authority Transmission Adjustment Charge ("NTAC");

D. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;

E. Any and all other charges, assessments, or other amounts associated with deliveries to Customers or otherwise associated with the Authority's responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and

F. Any charges assessed on the Authority with respect to the provision of Electric Service to Customers for facilities needed to maintain reliability and incurred in connection with the NYISO's Comprehensive System Planning Process (or similar reliability-related obligations incurred by the Authority with respect to Electric Service to the Customer), applicable tariffs, or required to be paid by the Authority in accordance with law, regardless of whether such charges are assessed by the NYISO or another third party.

The NYISO Charges, if any, incurred by the Authority on behalf of the Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

4. Taxes Defined

Taxes shall be any adjustment as the Authority deems necessary to recover from the Customer any taxes, assessments or any other charges mandated by federal, state or local agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer if and to the extent such taxes, assessments or charges are not recovered by the Authority pursuant to another provision of this Service Tariff.

5. Substitute Energy

The Customer shall pay for Substitute Energy, if applicable, as specified in the Agreement.

6. Payment Information

Bills computed under this Service Tariff 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 the Authority. In the event that there is a dispute on any items of a bill rendered by the Authority, the Customer shall pay such bill in full. If necessary, any adjustments will be made thereafter.

G. Adjustment of Charges

1. Distribution Losses

The Authority will make appropriate adjustments to compensate for distribution losses of the local electric utility.

2. Transformer Losses

If delivery is made at transmission voltage but metered on the low-voltage side of the Customer's substation, the meter readings will be increased two percent to compensate for transformer losses.

3. Power Factor

Power factor is the ratio of real power (kW) to apparent power (kVa) for any given load and time. The Authority may require the Customer to maintain a power factor of not less than 90%, lagging or leading, at the point of delivery, or as may otherwise be imposed upon the Authority by the local electric utility providing delivery and/or NYISO.

H. Conflicts

The Authority's Rules shall apply to the Electric Service provided under this Service Tariff. In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern.

I. Customer Resales Prohibited

The Customer may not resell any quantity of Expansion Power and/or Replacement Power.

V. Annual Adjustment Factor

A. Adjustment of Rates

1. The AAF will be based upon a weighted average of three indices described below. For each new Rate Year, the index value for the latest available calendar year ("Index Value for the Measuring Year") will be compared to the index value for the calendar year immediately preceding the latest available calendar year (the Index Value for the Measuring Year -1"). The change for each index will then be multiplied by the indicated weights. As described in detail below, these products are then summed, producing the AAF. The AAF will be multiplied by the base rate for the current Rate Year to produce the base rates for the new Rate Year, subject to a maximum adjustment of ±5.0% ("±5% Collar"). Amounts outside the ±5% Collar shall be referred to as the "Excess."

   Index 1, "BLS Industrial Power Price" (35% weight): The average of the monthly Producer Price Index for Industrial Electric Power, commodity code number 0543, not seasonally adjusted, as reported by the U.S. Department of Labor, Bureau of Labor Statistics ("BLS") electronically on its internet site and consistent with its printed publication, "Producer Price Index Detailed Report". For Index 1, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

   Index 2, "EIA Average Industrial Power Price" (40% weight): The average weighted annual price (as measured in cents/kWh) for electric sales to the industrial sector in the ten states of CT, MA, ME, NH, NJ, NY, OH, PA, RI and VT ("Selected States") as reported by Coal and Electric Data and Renewables Division; Office of Coal, Nuclear, Electric and Alternate Fuels; Energy Information Administration ("EIA"); U.S. Department of Energy Form EIA-861 Final Data File. For Index 2, the Index Value for the Measuring Year will be the index for the calendar year two years preceding July 1 of the new Rate Year.

   Index 3, "BLS Industrial Commodities Price Less Fuel" (25% weight): The monthly average of the Producer Price Index for Industrial Commodities less fuel, commodity code number 03T15M05, not seasonally adjusted, as reported by the U.S. Department of Labor, BLS electronically on its internet site and consistent with its printed publication, "Producer Price Index Detailed Report". For Index 3, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

2. Annual Adjustment Factor Computation Guide

   Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.

   Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the AAF.

   Step 3: Commencing RY 2014, modifications to the AAF will be subject to ±5% Collar, as described below.

   a) When the AAF falls outside the ±5% Collar, the Excess will be carried over to the subsequent RY. If the AAF in the subsequent RY is within the ±5% Collar, the current RY Excess will be added to/subtracted from the subsequent Rate Year's AAF, up to the ±5% Collar.
   b) Excesses will continue to accrue without limit and carry over such that they will be added to/subtracted from the AAF in any year where the AAF is within the ±5% Collar.

   Step 4: Multiply the current Rate Year base rate by the AAF calculated in Step 2 to determine the new Rate Year base rate.

   The foregoing calculation shall be performed by the Authority consistent with the sample presented in Section V.B below.

3. The Authority shall provide the Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15th of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.

4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the

substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

B. Sample Computation of the AAF (hypothetical values for July 1, 2014 implementation):

STEP 1

Determine the Index Value for the Measuring Year (MY) and Measuring Year - 1 (MY-1) for Each Index

- Index 1 - Producer Price Index, Industrial Power

	Measuring Year (2013)	Measuring Year - 1 (2012)
January	171.2	167.8
February	172.8	167.6
March	171.6	168.2
April	173.8	168.6
May	175.1	171.6
June	185.7	180.1
July	186.4	182.7
August	184.7	179.2
September	185.5	181.8
October	175.5	170.2
November	172.2	168.8
December	171.8	166.6
Average	177.2	172.8
Ratio of MY/MY-1		**1.03**

- Index 2 – EIA Industrial Rate

State	Revenues ($000s)	Sales (MWh)	Avg. Rate (cents/kWh)
Measuring Year (2012)			
CT	590,972	6,814,757	
MA	1,109,723	13,053,806	
ME	328,594	4,896,176	
NH	304,363	2,874,495	
NJ	1,412,665	15,687,873	
NY	2,001,588	26,379,314	
OH	3,695,978	78,496,166	
PA	3,682,192	63,413,968	
RI	152,533	1,652,593	
VT	155,903	2,173,679	
TOTAL	13,434,511	215,442,827	**6.24**
Measuring Year -1 (2011)			
CT	579,153	6,678,462	
MA	1,076,431	12,662,192	
ME	310,521	4,626,886	
NH	298,276	2,817,005	
NJ	1,370,285	15,217,237	
NY	1,891,501	24,928,452	
OH	3,622,058	76,926,243	
PA	3,571,726	61,511,549	
RI	144,144	1,561,700	
VT	152,785	2,130,205	
TOTAL	13,016,880	209,059,931	**6.23**
Ratio of MY/MY-1			**1.00**

- Index 3 – Producer Price Index, Industrial Commodities Less Fuel

	Measuring Year (2013)	Measuring Year -1 (2012)
January	190.1	187.2
February	190.9	188.0
March	191.6	188.7
April	192.8	189.9
May	194.7	191.8
June	195.2	192.3
July	195.5	192.3
August	196.0	193.1
September	196.1	193.2
October	196.2	193.8
November	196.6	193.7
December	196.7	194.0
Average	194.4	191.5
Ratio of MY/MY-1		**1.02**

STEP 2

Determine AAF by Summing the Weighted Indices

Index	Ratio of MY to MY-1	Weight	Weighted Factors
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	0.255
AAF			**1.016**

STEP 3

Apply Collar of ±5.0% to Determine the Maximum/Minimum AAF.

-5.0% < 1.6% < 5.0%; collar does not apply, assuming no cumulative excess.

STEP 4

Apply AAF to Calculate the New Rate Year Base Rate

	Demand	Energy
	$/kW-mo.	$/MWh
Current Rate Year Base Rate	7.56	12.91
New Rate Year Base Rate	7.68	13.12

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1	3M	Tonawanda	NGRID	EP	500	330	345	5,936,601	6/30/2013	6/30/2020
2	3M	Tonawanda	NGRID	EP	1,000	290			6/30/2013	6/30/2020
3	ADM Milling Co.	Buffalo	NGRID	EP	1,500	84	84	660,874	6/30/2013	6/30/2020
4	ADM Milling Co.	Buffalo	NGRID	RP	1,900	70			12/31/2012	6/30/2020
5	Allegheny Technologies Inc.	Lockport	NYSEG	EP	200	46	57	398,765	6/30/2013	6/30/2020
6	Allied Frozen Storage, Inc.	West Seneca	NYSEG	RP	600	54	63	33,000	12/31/2012	6/30/2020
7	American Axle & Manufacturing, Inc.	Cheektowaga	NYSEG	EP	650	60	75	661,000	6/30/2013	6/30/2020
8	American Axle & Manufacturing, Inc.	Cheektowaga	NYSEG	EP	250	60			6/30/2013	6/30/2020
9	API Heat Transfer, Inc.	Buffalo	NGRID	RP	300	340	340	384,000	12/31/2012	6/30/2020
10	APP Pharmaceuticals, LLC	Grand Island	NGRID	RP	1,000	481	526	1,135,955	12/31/2012	6/30/2020
11	APP Pharmaceuticals, LLC	Grand Island	NGRID	RP	1,000	506			12/31/2012	6/30/2020
12	Ascension Industries	N. Tonawanda	NGRID	RP	150	135	100	224,010	12/31/2012	6/30/2020
13	Ashland Advanced Materials, Inc.	Niagara Falls	NGRID	EP	3,500	75	75	150,000	6/30/2013	6/30/2020
14	Ashton Potter (USA) LTD	Cheektowaga	NYSEG	RP	700	48	50	50,000	4/30/2013	6/30/2020
15	Avery Dennison Information Systems	Buffalo	NGRID	RP	250	82	124	259,216	12/31/2012	6/30/2020
16	Bernzomatic	Medina	NGRID	EP	750	247	247	333,261	6/30/2013	6/30/2020
17	BOC Gases (Linde LLC)	Buffalo	NGRID	EP	10,500	40	40	386,000	6/30/2013	6/30/2020
18	Brunner, Inc.	Medina	NGRID	RP	2,500	160	160	1,640,858	11/302013	6/30/2020
19	Brunner, Inc.	Medina	NGRID	EP	1,500	160			6/30/2013	6/30/2020
20	Brunner, Inc.	Medina	NGRID	EP	300	160			6/30/2013	6/30/2020
21	Brunner, Inc.	Medina	NGRID	RP	1,200	160			12/31/2012	6/30/2020
22	Buffalo Newspress Inc.	Buffalo	NGRID	EP	200	149	149	303,630	6/30/2013	6/30/2020
23	Buffalo Tungsten Incorporated	Depew	NGRID	RP	800	62	62	98,620	12/31/2012	6/30/2020
24	Buffalo Tungsten Incorporated	Depew	NGRID	RP	1,250	40			12/31/2012	6/30/2020
25	C+S Wholesale Grocers, Inc.	Cheektowaga	NGRID	EP	300	50	50	37,433	6/30/2013	6/30/2020
26	C+S Wholesale Grocers, Inc.	Lancaster	NYSEG	EP	550	682	560	427,900	6/30/2013	6/30/2020
27	Carleton Technologies Inc.	Orchard Park	NYSEG	EP	700	140	262	534,493	6/30/2013	6/30/2020
28	CertainTeed	Buffalo	NGRID	EP	3,100	178	113	163,522	6/30/2013	6/30/2020
29	Cliffstar Corporation	Dunkirk	NGRID	EP	500	455	630	3,222,333	6/30/2013	6/30/2020
30	Confer Plastics Inc.	N. Tonawanda	NGRID	RP	300	91	120	530,432	12/31/2012	6/30/2020
31	Contract Pharmaceutical Limited Niagara	Buffalo	NGRID	EP	750	265	329	1,214,954	6/30/2013	6/30/2020
32	Contract Pharmaceutical Limited Niagara	Buffalo	NGRID	RP	250	329			12/31/2012	6/30/2020
33	Coyne Textile Services	Buffalo	NGRID	EP	350	93	52	141,185	6/30/2013	6/30/2020
34	Curtis Screw Co., Inc.	Buffalo	NGRID	RP	1,100	150	150	1,088,196	12/31/2012	6/30/2020
35	Curtis Screw Co., Inc.	Buffalo	NGRID	RP	300	150			12/31/2012	6/30/2020
36	Curtis Screw Co., Inc.	Buffalo	NGRID	RP	350	150			12/31/2012	6/30/2020
37	DKP Buffalo LLC	Tonawanda	NGRID	EP	750	57	57	350,000	6/30/2013	6/30/2020
38	Dunkirk Specialty Steel, Inc.	Dunkirk	NGRID	EP	5,800	180	180	998,382	6/30/2013	6/30/2020

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39	E.I. du Pont de Nemours & Co., Inc.	Niagara Falls	NGRID	RP	3,000	260	195	2,766,667	12/31/2012	6/30/2020
40	E.I. du Pont de Nemours & Co., Inc.	Niagara Falls	NGRID	RP	31,700	177			12/31/2012	6/30/2020
41	E.I. du Pont de Nemours & Co., Inc.	Niagara Falls	NGRID	EP	790	230			6/30/2013	6/30/2020
42	E.I. du Pont de Nemours & Co., Inc.	Buffalo	NGRID	EP	1,800	390	605	8,533,333	6/30/2013	6/30/2020
43	E.I. du Pont de Nemours & Co., Inc.	Buffalo	NGRID	RP	675	605			12/31/2012	6/30/2020
44	E.I. du Pont de Nemours & Co., Inc.	Buffalo	NGRID	RP	500	264			12/31/2012	6/30/2020
45	E.I. du Pont de Nemours & Co., Inc.	Buffalo	NGRID	RP	1,300	285			12/31/2012	6/30/2020
46	EPCO Carbondioxide Products, Inc.	Medina	NGRID	RP	1,000	20	20	55,000	9/30/2013	9/30/2013
47	Fairbank Farms, Inc.	Ashville	NGRID	EP	700	100	127	236,081	6/30/2013	6/30/2020
48	Fieldbrook Foods Corporation	Dunkirk	NGRID	EP	1,000	420	478	2,785,420	6/30/2013	6/30/2020
49	Fieldbrook Foods Corporation	Dunkirk	NGRID	EP	2,000	420			6/30/2013	6/30/2020
50	Flexo Transparent, Inc.	Buffalo	NGRID	RP	380	100	100	192,335	12/31/2012	6/30/2020
51	FMC Corporation	Tonawanda	NGRID	RP	2,500	161	161	844,333	12/31/2012	6/30/2020
52	FMC Corporation	Tonawanda	NGRID	RP	750	106			12/31/2012	6/30/2020
53	FMC Corporation	Tonawanda	NGRID	RP	5,500	71			12/31/2012	6/30/2020
54	Ford Motor Company	Buffalo	NGRID	EP	2,900	950	950	6,733,333	6/30/2013	6/30/2020
55	Ford Motor Company	Buffalo	NGRID	EP	4,300	950			6/30/2013	6/30/2020
56	Ford Motor Company	Buffalo	NGRID	EP	1,500	950			6/30/2013	6/30/2020
57	GEICO	Amherst	NGRID	EP	1,600	736	1,500	825,709	6/30/2013	6/30/2020
58	General Mills	Buffalo	NGRID	EP	1,000	520			6/30/2013	6/30/2020
59	General Mills	Buffalo	NGRID	RP	1,000	563	400	5,974,667	12/31/2012	6/30/2020
60	General Mills	Buffalo	NGRID	RP	3,100	432			12/31/2012	6/30/2020
61	GM Components Holdings LLC	Lockport	NYSEG	EP	14,300	950	950	5,165,233	6/30/2013	6/30/2020
62	GM Components Holdings LLC	Lockport	NYSEG	EP	10,000	950			6/30/2013	6/30/2020
63	General Motors Corporation	Buffalo	NGRID	RP	2,000	500	710	14,136,667	12/31/2012	6/30/2028 [1]
64	General Motors Corporation	Buffalo	NGRID	EP	13,800	500			6/30/2013	6/30/2028 [1]
65	General Motors Corporation	Buffalo	NGRID	EP	5,000	500			6/30/2013	6/30/2028 [1]
66	General Motors Corporation	Buffalo	NGRID	EP	800	500			6/30/2013	6/30/2028 [1]
67	General Motors Corporation	Buffalo	NGRID	EP	1,100	500			2/28/2014	6/30/2028 [1]
68	General Motors Corporation	Buffalo	NGRID	RP	725	500			12/31/2012	6/30/2028 [1]
69	Global Abrasive Products	Lockport	NYSEG	EP	150	25	30	21,556	6/30/2013	6/30/2020
70	Globe Specialty Metals, Inc.	Niagara Falls	NGRID	EP	7,353	500	500	3,366,667	6/30/2013	6/30/2020
71	Globe Specialty Metals, Inc.	Niagara Falls	NGRID	RP	32,647	500			12/31/2012	6/30/2020
72	Goodyear Dunlop Tires N.America Ltd.	Tonawanda	NGRID	EP	6,000	1,412	1,239	5,117,817	6/30/2013	6/30/2020
73	Goodyear Dunlop Tires N.America Ltd.	Tonawanda	NGRID	RP	800	1,449			12/31/2012	6/30/2020
74	Goodyear Dunlop Tires N.America Ltd.	Tonawanda	NGRID	RP	850	1,422			12/31/2012	6/30/2020
75	Goodyear Dunlop Tires N.America Ltd.	Tonawanda	NGRID	RP	4,191	589			12/31/2012	6/30/2020
76	Goodyear Dunlop Tires N.America Ltd.	Tonawanda	NGRID	RP	250	1,422			12/31/2012	6/30/2020

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77	Graphic Controls Corp.	Buffalo	NGRID	RP	250	265	254	357,679	12/31/2012	6/30/2020
78	Greatbatch, Inc.	Alden	NYSEG	EP	1,500	368	333	1,041,555	6/30/2013	6/30/2020
79	Habasit Belting, LLC	Buffalo	NGRID	RP	200	80	80	200,000	12/31/2012	6/30/2020
80	Honeywell International	Buffalo	NGRID	RP	300	168	132	1,400,000	12/31/2012	6/30/2020
81	Hurtubise Tire, Inc.	N. Tonawanda	NGRID	RP	180	18	18	30,000	2/28/2013	6/30/2020
82	Hydro-Air Components, Inc.	Hamburg	NGRID	EP	250	55	116	125,224	6/30/2013	6/30/2020
83	I Squared R Element Co., Inc.	Akron	NGRID	RP	500	60	68	76,521	12/31/2012	6/30/2020
84	Ingram Micro Inc.	Williamsville	NGRID	EP	900	1,525	1,293	71,433	10/31/2013	10/31/2020
85	International Imaging Materials, In	Amherst	NGRID	RP	250	393			12/31/2012	6/30/2020
86	International Imaging Materials, Inc.	Amherst	NGRID	EP	1,000	499	310	1,217,581	6/30/2013	6/30/2020
87	International Imaging Materials, Inc.	Amherst	NGRID	EP	1,250	336			6/30/2013	6/30/2020
88	Life Technologies Corporation	Grand Island	NGRID	RP	375	488	525	564,929	4/30/2013	6/30/2020
89	Life Technologies Corporation	Grand Island	NGRID	RP	400	398			12/31/2012	6/30/2020
90	Lockheed Martin	Niagara Falls	NGRID	RP	250	45	45	223,667	12/31/2012	6/30/2020
91	Luvata Buffalo	Buffalo	NGRID	RP	250	831	575	1,699,538	12/31/2012	6/30/2020
92	Luvata Buffalo	Buffalo	NGRID	RP	250	16			12/31/2012	6/30/2020
93	Luvata Buffalo	Buffalo	NGRID	RP	3,000	634			12/31/2012	6/30/2020
94	Luvata Buffalo	Buffalo	NGRID	RP	8,060	483			12/31/2012	6/30/2020
95	Malyn Industrial Ceramics, Inc.	Clarence	NYSEG	EP	150	27	27	11,020	6/30/2013	6/30/2020
96	Mayer Brothers Apple Products	West Seneca	NYSEG	EP	200	113	134	1,983,667	6/30/2013	6/30/2020
97	Metaullics Systems (2050 Cory Road)	Sanborn	NGRID	RP	500	8	8	25,000	4/30/2013	6/30/2020
98	Metaullics Systems (2040 Cory Road)	Sanborn	NGRID	RP	1,000	29	29	156,599	12/31/2012	6/30/2020
99	Moldtech, Inc.	Lancaster	NYSEG	EP	250	75	65	326,733	12/31/2013	6/30/2020
100	Moog Inc.	East Aurora	NYSEG	EP	750	371	2,200	13,911,658	6/30/2013	6/30/2020
101	Moog Inc.	East Aurora	NYSEG	EP	3,000	1,229			6/30/2013	6/30/2020
102	Moog Inc.	East Aurora	NYSEG	EP	500	1,987			6/30/2013	6/30/2020
103	Nestle Purina	Dunkirk	NGRID	EP	500	284	419	2,920,536	6/30/2013	6/30/2020
104	Nestle Purina	Dunkirk	NGRID	EP	900	261			7/31/2013	6/30/2020
105	Nestle Purina	Dunkirk	NGRID	EP	2,000	261			7/31/2013	6/30/2020
106	Niacet Corporation	Niagara Falls	NGRID	EP	500	82	82	880,000	6/30/2013	6/30/2020
107	Niacet Corporation	Niagara Falls	NGRID	RP	1,000	54			12/31/2012	6/30/2020
108	Niacet Corporation	Niagara Falls	NGRID	RP	400	66			12/31/2012	6/30/2020
109	Niagara Ceramics Corporation	Buffalo	NGRID	EP	250	190	140	121,619	6/30/2013	6/30/2020
110	Niagara Ceramics Corporation	Buffalo	NGRID	RP	850	190			12/31/2012	6/30/2020
111	Niagara Falls Water Board (Waste)	Niagara Falls	NGRID	RP	1,644	0	0	3,766,667	12/31/2012	6/30/2020
112	Niagara Falls Water Board (Water)	Niagara Falls	NGRID	RP	2,000	0			12/31/2012	6/30/2020
113	Niagara LaSalle Corporation	Buffalo	NGRID	RP	700	164	164	129,025	12/31/2012	6/30/2020
114	Niagara LaSalle Corporation	Buffalo	NGRID	RP	700	92			12/31/2012	6/30/2020

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115	Niagara Sheets, LLC	Wheatfield	NGRID	RP	850	64	70	1,000,000	5/31/2013	6/30/2020
116	Norampac Industries Inc. Niagara Falls Div.	Niagara Falls	NGRID	EP	1,600	126	126	1,302,040	6/30/2013	6/30/2020
117	North American Hoganas	Niagara Falls	NGRID	EP	4,000	57	57	499,660	6/30/2013	6/30/2020
118	North American Hoganas	Niagara Falls	NGRID	RP	1,000	53			12/31/2012	6/30/2020
119	Nuttall Gear Company	Niagara Falls	NGRID	EP	350	135	135	85,295	6/30/2013	6/30/2020
120	Occidental Chemical Corporation	Niagara Falls	NGRID	EP	38,700	214	214	5,966,667	6/30/2013	6/30/2020
121	Occidental Chemical Corporation	Niagara Falls	NGRID	RP	56,000	206			12/31/2012	6/30/2020
122	Olin Corporation Chlor-Alkali Products	Niagara Falls	NGRID	RP	21,300	160	190	7,800,000	12/31/2012	6/30/2020
123	Olin Corporation Chlor-Alkali Products	Niagara Falls	NGRID	RP	2,290	41			12/31/2012	6/30/2020
124	Olin Corporation Chlor-Alkali Products	Niagara Falls	NGRID	RP	15,000	135			12/31/2012	6/30/2020
125	Olin Corporation Chlor-Alkali Products	Niagara Falls	NGRID	RP	40,860	160			12/31/2012	6/30/2020
126	PCB Machining Solutions	Lackawanna	NGRID	RP	250	41	57	82,361	12/31/2012	6/30/2020
127	Precision Electro Minerals Co.,Inc.	Niagara Falls	NGRID	RP	800	22	24	116,836	12/31/2012	6/30/2020
128	Praxair Inc.	Tonawanda	NGRID	EP	2,000	900	1,300	1,564,217	6/30/2013	6/30/2020
129	Praxair, Inc.	Tonawanda	NGRID	RP	750	1,352			12/31/2012	6/30/2020
130	Praxair, Inc.	Tonawanda	NGRID	RP	2,000	1,000			12/31/2012	6/30/2020
131	Praxair, Inc.	Niagara Falls	NGRID	EP	2,000	68	83	656,246	6/30/2013	6/30/2020
132	Praxair, Inc.	Niagara Falls	NGRID	RP	37,050	70			12/31/2012	6/30/2020
133	Praxair, Inc.	Niagara Falls	NGRID	RP	9,000	70			12/31/2012	6/30/2020
134	Precious Plate, Inc.	Niagara Falls	NGRID	RP	400	164	164	1,016,075	12/31/2012	6/30/2020
135	Precious Plate, Inc.	Niagara Falls	NGRID	RP	800	145			12/31/2012	6/30/2020
136	Protective Closures Inc.	Buffalo	NGRID	EP	250	310	224	2,010,941	6/30/2013	6/30/2020
137	Quebecor World Buffalo	Depew	NYSEG	EP	4,000	810	636	275,188	6/30/2013	6/30/2020
138	Republic Engineered Products, Inc.	Blasdell	NGRID	RP	2,000	276	276	534,528	12/31/2012	6/30/2020
139	Republic Engineered Products, Inc.	Blasdell	NGRID	EP	7,400	276			6/30/2013	6/30/2020
140	RHI Monofrax, Inc.	Falconer	NGRID	EP	2,082	380	250	692,978	2/1/2014	2/1/2021
141	Rosina Food Products, Inc.	West Seneca	NYSEG	EP	200	171	159	533,446	6/30/2013	6/30/2020
142	Rosina Food Products, Inc.	Buffalo	NYSEG	EP	200	270	235	1,360,953	6/30/2013	6/30/2020
143	Rosina Food Products, Inc.	Buffalo	NYSEG	EP	400	134			6/30/2013	6/30/2020
144	RubberForm Recycled Products, LLC	Lockport	NYSEG	EP	500	30	30	3,000	6/30/2013	6/30/2020
145	Saint Gobain - Boron Nitride Division	Amherst	NGRID	RP	570	63	56	611,667	12/31/2012	6/30/2020
146	Saint Gobain - Boron Nitride Division	Amherst	NGRID	RP	2,500	55			12/31/2012	6/30/2020
147	Saint Gobain - Ceramics and Plastics	Niagara Falls	NGRID	RP	1,100	69	69	1,384,966	12/31/2012	6/30/2020
148	Saint Gobain - Ceramics and Plastics	Niagara Falls	NGRID	RP	2,100	51			12/31/2012	6/30/2020
149	Saint Gobain - Ceramics and Plastics	Niagara Falls	NGRID	RP	100	51			12/31/2012	6/30/2020
150	Saint Gobain Advanced Ceramics	Niagara Falls	NGRID	RP	300	165	186	1,336,533	12/31/2012	6/30/2020
151	Saint Gobain Advanced Ceramics	Niagara Falls	NGRID	RP	3,450	112			12/31/2012	6/30/2020
152	Saint Gobain Advanced Ceramics	Niagara Falls	NGRID	RP	1,400	169			12/31/2012	6/30/2020
153	Saint Gobain Advanced Ceramics	Niagara Falls	NGRID	RP	1,000	186			1/31/2013	6/30/2020

New York Power Authority
Replacement and Expansion Power
Recommendations for Contract Extensions

September 28, 2010
Exhibit B

Count	Customer Name	Location	IOU	Program	Allocation (kW)	Current Job Commitment	Extension Job Commitment	Annual Capital Investment Commitment ($)	Current Contract End Date	Extended Contract End Date
154	Servotronics, Inc.	Elma	NYSEG	EP	500	145	155	257,333	6/30/2013	6/30/2020
155	Sorrento Lactalis Inc.	Buffalo	NGRID	RP	1,500	500	500	762,000	12/31/2012	6/30/2020
156	Sorrento Lactalis Inc.	Buffalo	NGRID	RP	250	402			12/31/2012	6/30/2020
157	Sotek Inc./Belrix Industries, Inc.	Buffalo	NGRID	RP	100	53	71	330,145	12/31/2012	6/30/2020
158	Special Metals Corporation	Dunkirk	NGRID	EP	1,000	81	81	217,667	6/30/2013	6/30/2020
159	Steuben Foods Corporation	Elma	NYSEG	EP	5,000	500	576	934,213	6/30/2013	6/30/2028 [2]
160	Steuben Foods Corporation	Elma	NYSEG	EP	3,000	349			6/30/2013	6/30/2028 [2]
161	Steuben Foods Corporation	Elma	NYSEG	EP	750	364			6/30/2013	6/30/2028 [2]
162	Stollberg, Inc.	Niagara Falls	NGRID	EP	300	30	71	165,500	12/31/2013	6/30/2020
163	Tam Ceramics, LLC	Niagara Falls	NGRID	EP	2,100	152	152	241,667	6/30/2013	6/30/2020
164	Tam Ceramics, LLC	Niagara Falls	NGRID	RP	1,700	152			12/31/2012	6/30/2020
165	Tam Ceramics, LLC	Niagara Falls	NGRID	RP	600	152			12/31/2012	6/30/2020
166	Tam Ceramics, LLC	Niagara Falls	NGRID	RP	7,000	147			12/31/2012	6/30/2020
167	The Carriage House Companies, Inc.	Dunkirk	NGRID	EP	500	199	199	455,184	10/31/2013	10/31/2020
168	The Carriage House Companies, Inc.	Fredonia	NGRID	EP	750	440	464	1,576,086	6/30/2013	6/30/2020
169	Time Release Sciences Inc.	Buffalo	NGRID	RP	250	70	72	25,000	11/30/2013	11/30/2020
170	Time Release Sciences Inc.	Buffalo	NGRID	RP	200	65			12/31/2012	6/30/2020
171	TitanX Engine Cooling, Inc.	Jamestown	NGRID	EP	1,000	310	310	1,083,333	1/31/2014	1/31/2021
172	Treibacher Schleifmittel Corp.	Niagara Falls	NGRID	RP	750	35	64	211,492	12/31/2012	6/30/2020
173	Tulip Corporation	Niagara Falls	NGRID	EP	300	122	70	79,333	6/30/2013	6/30/2020
174	Tulip Corporation	Niagara Falls	NGRID	RP	1,200	122			12/31/2012	6/30/2020
175	Unifrax Corporation	Tonawanda	NGRID	RP	3,500	238	238	340,333	2/28/2015	2/28/2022
176	Unifrax Corporation	Tonawanda	NGRID	RP	1,000	147			12/31/2012	6/30/2020
177	Unifrax Corporation	Tonawanda	NGRID	RP	2,600	55			12/31/2012	6/30/2020
178	Unifrax Corporation	Niagara Falls	NGRID	RP	1,000	81	95	32,667	12/31/2012	6/30/2020
179	Upstate Niagara Cooperative, Inc.	West Seneca	NYSEG	EP	1,000	134	144	1,163,716	6/30/2013	6/30/2020
180	Washington Mills Electro Minerals	Niagara Falls	NGRID	RP	9,700	171	107	1,475,667	12/31/2012	6/30/2020
181	Washington Mills Tonawanda, Inc.	Tonawanda	NGRID	RP	300	70	38	237,333	12/31/2012	6/30/2020
182	Western New York Energy, LLC	Medina	NGRID	RP	5,000	50	40	42,402	12/31/2012	6/30/2020
183	Zemco Indus. dba Tyson Retail Deli	Buffalo	NGRID	EP	500	502	502	1,287,980	6/30/2013	6/30/2020
184	Zemco Indus. dba Tyson Retail Deli	Buffalo	NGRID	EP	750	275			6/30/2013	6/30/2020
185	Zemco Indus. dba Tyson Retail Deli	Buffalo	NGRID	EP	1,000	170			6/30/2013	6/30/2020
				Totals *	**575,172**	**28,376**	**28,472**	**149,112,737**		

* Job numbers not included in total to avoid double counting of jobs at same location
[1]General Motors has committed to extraordinary additional future capital investment for a contract extension term of 15 years
[2] Steuben Foods Corporation has committed to extraordinary additional future capital investment for contract extension term of 15 years

POWER AUTHORITY OF THE STATE OF NEW YORK

PUBLIC HEARING

Thursday, July 15, 2010 - 2:00 P.M.

Niagara Power Project
Lewiston, New York

CONTRACTS FOR SALE OF HYDROPOWER TO 106 WESTERN NEW YORK BUSINESSES

Public hearing held at the Niagara Power Project, Community Room, Lewiston, New York, on July 15, 2010 commencing at 2:00 P.M.

REPORTED BY: BUYERS & KACZOR REPORTING SERVICES,
BY: MICHELLE R. KWIATEK,
1400 Rand Building,
Buffalo, New York 14203,
(716) 852-2223.

BEFORE: POWER AUTHORITY OF THE STATE OF NEW YORK,
Karen Delince, Corporate Secretary,
123 Main Street,
White Plains, New York 10601.

Also Present: James Pasquale,
Senior Vice President for Marketing and Economic Development at the New York Power Authority.

Mary Jean Frank,
Associate Corporate Secretary.

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KAREN DELINCE: Good afternoon. My name is Karen Delince, and I am the Corporate Secretary of the New York Power Authority.

This public hearing is being conducted by the Power Authority to provide an overview and receive public comment on proposed contracts with 106 businesses located within thirty miles of the Niagara Power Project, and in Chautauqua County for the sale of five hundred seventy-five thousand one hundred seventy-two kilowatts of Replacement Power and Expansion Power.

Pursuant to Section 1009, subsection 1, of the Public Authorities Law, notice of this hearing was published once a week for the four weeks leading up to the hearing in the following nine newspapers: the Niagara Gazette, the Buffalo News, Buffalo Business First, the Lewiston Porter Sentinel, the Dunkirk Observer, the East Aurora Bee, the Orchard Park Bee, the Albany Times Union and Newsday.

During the thirty-day period prior to today's hearing, copies of the proposed contract and service tariff have been available for inspection at the Authority's office in White Plains, as well as on the Authority's Web site.

Also pursuant to Section 1009, subsection 1, of the Public Authorities Law, notice of this hearing and copies of the proposed contract and service tariff were sent to the following elected officials: Governor David Paterson; President Pro Tem of the New York State Senate, Malcolm Smith; Speaker of the Assembly, Sheldon Silver; Chairman of the Senate Finance Committee, Carl Kruger; Chairman of the Assembly Ways and Means Committee, Herman Farrell; State Minority Leader, Dean Skelos, and Assembly Minority Leader, Brian Kolb.

I ask now that you please sign in, if you haven't already done so, whether or not you will be giving a statement. And we ask that you give copies of any written statements to the reporter, as well as to Ms. Frank at the sign-in desk, before you deliver your remarks.

Your written statements, which may be of whatever length you'd like, will appear in the record of the hearing in addition to your oral remarks. So we do ask that you please try to limit your oral presentation to five minutes or less, if possible, given that we have a large number of people who would like to present statements. I will

give each speaker a five -- a four-minute warning before the five minutes are up.

Now, the record of this hearing will remain open through tomorrow, Friday, July 16th, 2010 at five P.M. for the submission of any additional comments or statements. These additional submissions should be addressed to The New York Power Authority's Corporate Secretary at 123 Main Street, 11-P, White Plains, New York 10601; or it may be faxed to (914)390-8040; or e-mailed to secretarys dot office at nypa dot gov. And if you have any additional questions, please see Ms. Frank or Ms. Graves at the front desk.

The Trustees of the Authority will review a complete transcript of the hearing, along with all of the written submissions. The transcript will also be made available for your review on the Authority's Web site, and at the Authority's office in White Plains.

At this point, I will turn this over to James Pasquale, the Senior Vice President for Marketing and Economic Development at the New York Power Authority. He will provide additional details on the proposed contracts. After Mr. Pasquale's statement, I will then call on speakers.

JAMES PASQUALE: Thank you, Karen.

Good afternoon. My name is James Pasquale. I am the Senior Vice President for Marketing and Economic Development at the Power Authority. I am here today to present an overview of a proposed contract with 106 businesses located within thirty miles of the Niagara Power Project and in Chautauqua County for the sale of five hundred seventy-five thousand one hundred seventy-two kilowatts of Authority Replacement Power and Expansion Power.

Under the Public Authorities Law Section 1005, subsection 13, the Authority may allocate, directly or by sale for resale, two hundred fifty megawatts of firm hydroelectric power as Expansion Power, and four hundred forty-five megawatts of firm hydroelectric power as Replacement Power, to businesses located within thirty miles of the Niagara Power Project, provided that the amount of Expansion Power allocated to businesses in Chautauqua County on January 1st, 1987 shall continue to be allocated in such county. Currently, the majority of existing Replacement Power and Expansion Power allocations will expire in the 2012-

2013 time frame.

An initiative to provide hydropower contract extensions for Western New York businesses began in early 2009 in response to customers' recurring requests for long-term supply commitments beyond the current terms of their contracts. The initiative culminated in the development of a contract extension offer by the Authority to provide a long-term supply commitment to facilitate the customers' long-term planning and investment strategies for their Western New York facilities.

Authority staff evaluated all existing Replacement Power and Expansion Power contract allocations with the intent of offering customers extended terms of service beyond their current expiration dates. The Authority, with the assistance of the Empire State Development Corporation, developed a Hydropower Contract Extension Request Form, through which it solicited information from each customer regarding jobs, wages and benefits, current and future capital investment plans, contracts with New York State vendors, and other relevant considerations. All customers were required to complete the request form in order to be

1 considered for a contract extension. An Empire
2 State Development's cost benefits model was used as
3 one component of the evaluation process. Authority
4 staff also used the Center for Governmental Research
5 as a consultant to assist with the evaluation.
6 Authority staff's evaluation
7 focused on three general criteria: jobs, public
8 benefit, and private benefit. Within each general
9 criterion there were several specific measures, such
10 as jobs per megawatt allocated, net public benefit
11 per job, and the importance of power to a company's
12 decision to be located in Western New York.
13 Authority staff used Empire State Development's
14 model outputs and Center for Governmental Research
15 expertise to develop a weighted ranking method
16 across measures. The results showed that the
17 customers, which represent a diverse spectrum of
18 industries, bring valuable benefits to New York
19 State in return for the hydropower allocations.
20 Two of the major features of the
21 proposed contract extensions are the additional
22 commitments and enhanced compliance criteria. For
23 the first time, the proposed agreements include
24 annual capital investment commitments during the
25 life of the contract. Specifically, customers will

commit to investing at least ninety percent of a historic average capital spending amount each year to ensure that they are investing in their Western New York facilities. Also, the job commitment threshold will be standardized to ninety percent of base employment levels for all allocations, from eighty percent for certain older allocations. The Authority will continue to have the right to reduce or terminate a customer's allocation if a customer's job commitment, power utilization and annual capital investment criteria are not met. Lastly, the agreements require the customers to undergo energy efficiency audits on a periodic basis.

Authority staff sent the proposed contract extensions to each customer for their review in March. The customers were also provided with, and asked to sign, a letter of acknowledgment, indicating that they agree and understand: one, the rates, terms and conditions of the contract extensions; two, the contracts are subject to New York Power Authority's statutory public hearing process, and that the customers will execute a contract extension in substantially similar form at the conclusion of the public hearing process, and upon final approval by the Governor.

Of the 108 customers that were offered an extension, 106 customers have signed the letter of acknowledgment. The two customers that did not sign the letter have decided for various business reasons not to accept the extension offer, and their allocations will expire on their original expiration dates.

Authority staff proposes that 185 allocations be extended, comprising of 85 Expansion Power allocations, totalling two hundred five thousand seven hundred seventy-five kilowatts, and 100 Replacement Power allocations totalling three hundred sixty-nine thousand three hundred ninety-seven kilowatts. Because some customers have multiple allocations, the Authority's contract extension offer will be made to 106 customers. Of these 106 customers, 104 customers have been offered an extension of seven years. Two customers have been offered an extension of fifteen years, in light of their commitment to make extraordinary additional capital investments in their Western New York facilities.

In total, the customers agreeing to accept the Authority's contract extension have committed to retain and/or create twenty-eight

thousand four hundred seventy-two jobs in the State of New York. As mentioned earlier, the contract requires that customers meet a historic baseline of capital investment spending, that will ensure they are doing what is necessary to maintain and improve their facilities in New York State from 2013 through the extension period. Under this new capital expenditure commitment, customers have agreed to spend approximately one hundred fifty million dollars on ongoing capital investment each year. Prior to this contract extension, the commitment to capital investment was only necessary when the allocation was first awarded. This new capital investment commitment, along with job commitments, provides a major benefit to New York State in return for the hydropower.

The contracts are subject to a public hearing and approval by the Governor, as set forth in Section 1009 of the Public Authorities Law.

As Ms. Delince stated earlier, the Power Authority will accept your comments on the proposed contracts until the close of business tomorrow, Friday, July 16th, 2010. I will now turn the forum back over to Ms. Delince.

KAREN DELINCE: Thank you, Mr.

Pasquale. Okay. I will now call on people who wish to make an oral statement one by one. When I call your name, please come up to the podium, and prior to making your statement, I ask that you state your complete name, your title, and who you represent for the record. We are starting with the Honorable Richard Updegrove.

RICHARD UPDEGROVE: Good afternoon. I am Richard Updegrove. I am Chairman of the Economic Development Committee for the Niagara County Legislature. I am here on behalf of the committee, and I thank you for this opportunity to speak this afternoon.

The committee supports the extension of hydropower contracts to the New York Power Authority's Replacement and Expansion Power customers.

Nearly eleven thousand people are employed in the manufacturing sector in Niagara County. According to the latest County Business Patterns report from the United States Census Bureau, the two hundred seventy-two manufacturing establishments in Niagara County have an annual payroll of over five hundred forty-two million dollars. This is by far the largest annual payroll

of any other sector of the Niagara County economy, and it represents good, family-supporting jobs. Many of these people are employed at companies that receive either Replacement or Expansion Power allocations from the New York Power Authority. And over one hundred twenty companies that pay good, family-supporting wages, and are located within the thirty mile radius of the Niagara Power Project in Lewiston receive Replacement or Expansion Power allocations. These hydropower allocations are tied to support thirty- two thousand six hundred jobs in this region. It's estimated that the total economic impact of these companies is in excess of one billion dollars in wages, property taxes and spin-off jobs. These jobs would be in jeopardy if these companies were to lose these low-cost hydropower allocations.

Finally, the U.B. Regional Institute produced a very interesting policy brief on the regional economy. That brief spoke to how economic data could be very misleading at times, especially when looking at the manufacturing sector, which has seen a sixty-one percent decline in jobs from 1970 to 2005. That's why in 2007, the U.S. Bureau of Economic Analysis provided an important

supplement to employment data by releasing gross domestic product estimates for metropolitan areas, showing the market value of all goods and services produced within them. When you look at the employment numbers and the GDP numbers side by side, they tell an interesting story. Despite shedding seventeen percent of its jobs between 2001 and 2005, our region's manufacturing sector actually expanded its total output by three point five percent when adjusted for inflation. And while the data indicates that the manufacturing sector represented only one-tenth of the region's job pool in 2005, it comprised twenty percent of total output.

Manufacturing will always be a key part of the Niagara County and our regional economy. And again, we would urge the Power Authority and Governor Paterson to approve the extension of hydropower contracts to the New York Power Authority's Replacement and Expansion Power customers.

Thanks for your time, I appreciate it.

KAREN DELINCE: Next we have Brian Vain.

BRIAN VAIN: Good

afternoon. I am Brian Vain, and I am the Plant Manager of the Olin Chlor Alkali Products facility in Niagara Falls, and with me is Dan Hubbard, co-worker and plant operator, as well as president of the United Steelworkers Local 4-0598.

We are delighted to be here today to support the New York State Power Authority's proposal to extend contracts for Replacement and Expansion Power customers. These contracts play an absolutely vital role in our continuing ability to operate a successful business enterprise here in Western New York.

Olin Niagara Falls manufactures chlorine, caustic soda, bleach, hydrochloric acid, and hydrogen. Our products are essential for the production of solar panels, an important component of a renewable energy portfolio. Our building block chemicals are used in more than ninety percent of all pharmaceuticals, in plastics, in water treatment, and in many other products that people use every day.

Chlor alkali production, by its very nature, is clean chemistry. Our only raw materials are brine solution, in layman's terms, salt water and electricity, but a lot of our process

is chemical process. So electricity is truly a raw material for us, it's not just about lighting and motors. Manufacturing doesn't get much simpler or cleaner. Our plant produces essentially zero waste. The byproduct of our process, hydrogen, is used as an alternative fuel source in our site boilers to produce steam for our site, and also to supply other local manufacturers with hydrogen.

The benefits of our products to society extend far beyond the boundaries of our plant. We supply raw materials that many other businesses in the state depend upon to manufacture products for their customers. So the economic benefits multiply and accrue throughout the state.

Let me share with you some additional metrics that demonstrate our value to the people of New York and the residents of our local community: we maintain an annual payroll of nineteen million dollars, providing high-paying jobs to about two hundred full-time employees and contract workers; we pay over four hundred fifty thousand dollars in annual property taxes; we purchase about thirty-eight million dollars yearly in local goods and services. This financial impact is multiplied by the sales, income and real estate

taxes paid by our employees.

We have been manufacturing in Niagara Falls for more than one hundred years, and we continue to invest in new facilities and capital projects that will allow us to operate our state-of-the-art facility well into the future. The long-term supply of hydropower is critical for us to remain competitive in a global economy.

We respectfully ask you to extend our contracts so we can continue to be a significant contributor in the region and the state. And with that, I would like to introduce Dan Hubbard.

DAN HUBBARD: Thank you, Brian. My name is Dan Hubbard. On behalf of my union, United Steelworkers Local 4-0598, I am extremely pleased to see these discussions continue, and I appreciate the efforts of Mr. Richard Kessel, and other New York Power Authority staff members, working on these important contracts. We hope to see the contracts made final in the near future so that highly-skilled, family-wage jobs in Western New York can be preserved.

The past decade has been challenging for the manufacturing sector in Western New York, and in most of the northeastern United

States. Industrial jobs have dwindled. Fortunately, our plant has been able to resist these economic forces and has prospered, although not without a great deal of management and labor attention and belt-tightening. We now look optimistically to the future.

Olin's plant in Niagara Falls creates jobs not only for my union's members, but for others as well. Union contractors, such as electricians, pipe fitters and welders also work at our site. A variety of local service providers, from food vendors to cleaning services, also depend on Olin for their business. It is essential to the economy of Western New York that Olin's operation and other manufacturing facilities in the area be supported by extending the energy contracts that make them viable.

On behalf of the members of the United Steelworkers Local 4-0598, Olin, and the region, I urge that the contract extensions be approved. Thank you.

KAREN DELINCE: Thank you. Next we have Charlie Gangarossa.

DAVID BUZO: Good afternoon. My name is David Buzo, and I am the

Plant Manager at the Ford Buffalo Stamping Plant. I'm here in partnership with our UAW President, Charlie Gangarossa in support of hydropower contract extensions.

As you are well aware, the automotive industry has gone through a dramatic and largely unprecedented transformation. The downturn in the economy, fierce global competition, and changes in business models has had a significant impact on the way automakers do business. The structure that has endured for nearly eighty years is no longer viable. During this difficult time, Ford has been able to adjust and make a successful transformation. Buffalo Stamping Plant is an integral part of Ford's transformation to compete and become profitable in an integrated global market. Ford Motor Company has invested millions in the Buffalo Stamping Plant over the last five years to bring new product to our facility.

The Buffalo Stamping Plant manufactures metal stampings and welded sub-assemblies for Ford Motor Company's automotive car and truck assembly plants in North America and South America. The facility opened in 1950 with over one point two million square feet of working floor

space. We have had six major expansions, and the facility is now over two point five million square feet, or fifty-three point three acres of floor space.

Our facility processes over twenty thousand tons of steel each month, and ships an average of six hundred fifty rail cars, and three hundred sixty trucks of manufactured parts to our customers monthly. The facility has eighteen major press stamping lines, including several transfer presses, which include some of the world's largest. Two of those large transfer presses are state-of-the-art Schuler Presses.

Every kilowatt is critical to remain competitive in an ever-changing global arena. The importance of hydropower to our plant's economic viability cannot be overstated. The economic impact affects the overall Western New York economy. For each job that we retain, there are numerous other jobs supported in the local economy.

We strongly support the hydropower contract extensions.

CHARLES GANGAROSSA: Good afternoon. My name is Charles Gangarossa. I am the President and Chairman of UAW Local 897 at the Ford

Buffalo Stamping Plant.

In addition to what my plant manager has mentioned, Buffalo Stamping Plant has taken significant action in energy efficiency and environmental projects in both gas and electric conservation. We recently completed four significant facility improvement measures that have reduced our energy consumption by over ten percent; including a major lighting conservation measure.

Ford Buffalo Stamping Plant is vital to the state and local community, and the continued availability of hydropower is essential to the long-term commitment of Ford to Western New York. Affordable power allows Buffalo Stamping Plant the opportunity to invest additional money into efficiency and productivity projects, to become more competitive, and to invest in training.

The key to securing jobs is to keep investment coming into the Buffalo plant. Hydropower differentiates us from other Ford stamping locations when the company is making sourcing decisions.

We strongly support the hydropower contract extensions.

And on behalf of Local 897 and

Ford Motor Company, thank you very much for the opportunity to speak with you today. Thank you.

KAREN DELINCE: Thank you. Next we have State Senator Bill Stachowski.

SENATOR STACHOWSKI: Good afternoon. I'm here also to join in the chorus of renewing the Expansion and Replacement Power contracts in this area.

We have a lot of companies that provide good-paying jobs for families to live on, and we believe that there will be growth in these if we continue these contracts. I know that there are some bills floating in Albany, and you have seen what they are. The interesting part of the bills is they combine all these programs and add in new sources of power, and it doesn't add up. You take all the Replacement Power, add it to the existing programs, and come out with the same total of power as you had without the Replacement Power.

So the interesting thing there is, what happens to that other power? And if somebody can send me a note on that after the hearing, I figured I would toss that question back to you so you can let me know what happens to that other power.

We, as I said, provide good-paying jobs, and in essence, that's the extent of my comments. I try to keep them brief and to the point, that's the point.

JAMES PASQUALE: Thank you, Senator.

KAREN DELINCE: Thank you. We have Thomas Krol.

THOMAS KROL: Good afternoon. My name is Tom Krol, and I am General Counsel of Steuben Foods. Steuben Foods is a privately-owned company that has a state-of-the-art food and beverage processing facility in Elma, New York. We are truly a New York company. I am here today to support the proposed extensions of the Replacement and Expansion Power contracts.

The Steuben Foods facility in Elma depends upon hydropower from the Niagara Project, and it has since the Elma plant began production twenty-five years ago. In 1984, Steuben Foods broke ground on its facility in Elma, bringing economic life to an empty shell of a manufacturing structure that the Western Electric Company had abandoned ten years earlier. When Steuben's plant first opened, it consumed one hundred seventy-two thousand square

feet of the structure. Since that time, it has grown to three hundred thousand square feet as Steuben continued to invest steadily and heavily in new processing technologies and packaging capacity. Today, our facility is a state-of-the-art food and beverage processing plant that packages extended shelf life and aseptic dairy and soy-based drinks, puddings and broths, and an array of other products under a wide range of brand names and store labels. Our business partners are household names, whose products can be found in stores here in Western New York and around all of North America.

Our key business partners share our commitment to excellence and sustainability in manufacturing. For example, WhiteWave Foods, the parent of Horizon Organic milk and a key business partner, is a pioneer in creating healthy, innovative, responsibly-produced foods, and is committed to sustainable business practices. WhiteWave fully believes in the importance of integrating sustainability into business practices, and continually looks for ways to minimize its environmental footprint, including: supporting organic agriculture, offsetting energy and water usage with renewable wind energy, supporting

alternative transportation, and encouraging earth-friendly packaging innovation.

The Steuben Foods plant is an important economic driver in the region. We employ four hundred fifty men and women in manufacturing, technical, mechanical and managerial positions. The average compensation for these jobs is over fifty-eight thousand dollars.

And Steuben Foods and its employees are involved with local charities, like the Food Bank of Western New York and United Way.

Steuben Foods also purchases millions of pounds of milk from New York State farmers. We process over two hundred million pounds of organic milk annually, seventy-five percent of which comes from New York dairy farmers and cooperatives. That translates into four thousand two hundred fifty tankers of milk annually, and payments of fifty-five million dollars to New York's dairy farmers.

In addition, we are a significant purchaser of goods and services from local contractors and suppliers. We purchase many of our key inputs, such as raw materials and packaging, from vendors located in New York State. In addition

to direct materials that come from New York State vendors, many of our contractors for facility maintenance, repair and expansion work are Western New York companies.

Steuben Foods is also a clean and green high-technology manufacturer. Low-acid aseptic packaging is an inherently clean process, requiring that all processing and packaging occur in a clean environment. Further, aseptic packages are fully recyclable, which makes aseptic food processing and packaging one of the greenest manufacturing options currently in operation. Finally, the Elma plant operates entirely on renewable energy through an eight point seven five megawatt hydropower allocation.

Steuben Foods is planning an exciting major expansion at the Elma facility. We will add an aseptic plastic bottling line, new high-speed tetra fillers, and bag-in-box lines that will increase the facility's production capacity by about fifty percent. Between now and 2013, Steuben Foods has committed to an investment of over fifty million dollars in the plant. It will add approximately one hundred thousand square feet to the plant and will result in a hundred and fifty new jobs.

But in order for the expansion to move forward, Steuben Foods needs the assurance of a long-term supply of New York Power Authority hydropower. That is why I'm here today. The proposed Expansion Power contract extension would make the hydropower available to Steuben Foods at least through 2028, which is perhaps the most important factor in the expansion of the Steuben Foods facility. Investing over fifty million dollars in the plant without the security of hydropower for that period doesn't make economic sense.

On behalf of Steuben Foods and its employees, I urge the New York Power Authority Trustees and the Governor to approve the contract extensions. Thank you.

KAREN DELINCE: Thank you. Henry Saenz.

HENRY SAENZ: Good afternoon. I am Henry Saenz, President of the Niagara Hooker Employee Union, or NHEU, an independent union that represents the hourly workers at Occidental Chemical Corporation's Niagara Falls plant. I am a cell renewal operator at the plant, and have worked there for twenty-two years. I am

proud to tell you that our employees are active members of the Western New York communities where we live.

I am here today on behalf of the NHEU's members to support the New York Power Authority's decision to approve contract extensions for current allocations of industrial hydropower from the Niagara Project.

This hydropower is the lifeblood of our energy-intensive chemical manufacturing process, and we use the power responsibly to make important chemical products that are used in the manufacturing of products we use every day. We are proud of the joint efforts of management and labor at the Niagara Plant to maintain and continuously improve the energy efficiency of our process, to protect the safety and health of our employees and the community, and to safeguard the environment.

I would now like to turn the presentation over to Herbert Jones, our Plant Manager.

HERBERT JONES: I am Herbert Jones, Plant Manager of Occidental Chemical Corporation's Niagara Falls chlor-alkali manufacturing plant. We are grateful for the

opportunity to appear today to express our support for the New York Power Authority's decision to approve contract extensions for current Expansion Power and Replacement Power customers.

I have been plant manager here only for about two months, but already I know two important things about the plant: one, we have a highly-skilled, well-trained and experienced hourly and salaried workforce; and two, the continued allocation of low-cost hydropower to our facility is absolutely critical to its long-term economic viability. Approval of the contract extensions will enable us to maintain our high-paying jobs, and the plant's significant economic benefits to the community.

The current total payroll at the plant is approximately twenty-four million dollars. Because the plant's jobs are so attractive, the average length of service of our employees at the plant is more than twenty-six years. Adding together payroll, local expenditures for goods and services, capital investment, and state and local taxes and fees, we estimate our total direct positive economic impact to Western New York is a hundred twenty-four million dollars annually.

OxyChem's operations support, through the purchase of a wide range of goods and services, approximately two hundred twenty-five different vendors and suppliers in the region.

OxyChem's Niagara Falls chlor-alkali plant is a modernized facility that traces its origins back to 1906. The plant uses salt, water, and electricity to make basic chemicals, hydrogen, chlorine and sodium hydroxide, that are essential to a wide range of quality-of-life enhancing products. OxyChem uses the hydropower it purchases from the New York Power Authority primarily as a raw material in its production of these critical chemicals, not just to turn on the lights and run motors.

While the manufacturing process is inherently energy-intensive and requires a significant amount of electricity, our objective is to use all the available hydropower as efficiently as possible to maximize production. Because electricity is so important to the economics of the plant, we have an enormous incentive to use it efficiently.

The chlor-alkali industry is a very competitive business, and the major factors we

assess in making decisions are the costs of safely making the products and safely delivering them to customers. OxyChem's Niagara Plant competes with chlor-alkali manufacturers from around the world. We also compete with OxyChem's seven other chlor-alkali plants located in Kansas, Alabama, Louisiana and Texas for capital. The current allocation of low-cost hydropower, which remains the same in the proposed contract extensions, is the primary factor that makes the Niagara Plant successful and allows it to remain competitive in the marketplace, within our own company, and as an employer of high-paid workers, and a business with a significant impact on the Western New York economy.

OxyChem is committed to safeguarding the environment and protecting the safety and health of its employees and neighboring communities. The Niagara Plant has maintained OSHA star status since 1996. This distinguishes the plant as among the safest in the country.

The Niagara Plant is also part of the industry's voluntary Chlorine Emergency Plan, or CHLOREP, mutual aid program, and our employees can respond anywhere in New York and throughout the northeast to chemical emergencies.

As far as our products are concerned, the plant also has a sophisticated and comprehensive environmental management system in place. OxyChem has implemented a number of pollution prevention projects, and we continue to invest in environmental protection programs. The results of our environmental program have earned us both corporate and external recognition.

The continued success of the OxyChem plant in Niagara demonstrates how the New York Power Authority Niagara Project industrial hydropower program should work. The plant's process requires significant energy, it provides basic building block chemicals that are essential for a multitude of quality-of-life enhancing products, and it provides long-term and ongoing economic benefit to the region and the state.

We thank New York Power Authority President and CEO, Richard Kessel, the staff, and the Board of Trustees for their efforts in negotiating these contract extensions, and urge their final approval. Thank you.

KAREN DELINCE: Thank you. Larry Montani.

LARRY MONTANI: Good

afternoon. My name is Larry Montani, and I am the Co-Managing Director at Niacet Corporation. With me today is Mr. David Robertson, who is an employee and Vice President of the United Steelworkers Local 4-58. We are here today to support the proposed extensions of the Replacement and Expansion Power contracts.

The predecessor to Niacet, the Carbide and Carbon Chemicals Company, went into operation in Niagara Falls in 1924. The company name, Niacet, was derived from the location of the plant in Niagara Falls, and the product that was manufactured at the plant, acetylene. In 1946, Union Carbide purchased the facility, but by the late '70s the plant was about to be shut down. However, in 1978, Niacet was reborn through the actions of one of its own executives, Michael Brannen. Since that time, for over thirty-two years, Niacet has been locally owned and operated by the Brannen family, headquartered here in Niagara Falls. We have invested seventy-five million dollars into this facility, and grown it by a factor of twelve, while providing job and financial security to all of our employees.

Niacet has the largest capacity in

North America for the production of metal acid salts, such as Sodium Acetate, a buffering agent; Sodium Diacetate, a food-flavoring agent; and Calcium Propionate, a mold inhibitor for bread. This year, we completed the design and installation of our newest production facilities for sodium and calcium stearoyl lactylates. These lactylate salts are emulsifiers commonly used in the bakery industry as dough strengtheners and crumb softeners. They also have wide applications in cosmetic and personal-care products.

In addition, for over twenty-five years, Niacet has been the only North American producer of Sodium Phenoxy Acetate, which is an intermediate used exclusively in the fermentation of penicillin. We also are one of only two U.S. producers of a raw material for this product, chloracetic acid; the other producer being the Dow Chemical company. Our products are sold throughout the world, including countries in North and South America, Africa, Asia and Europe. They have a broad range of uses, and most likely there is something in all of our homes that includes products manufactured here in Niagara Falls at Niacet's facility.

Niacet has a skilled workforce of

men and women. Our employment totals ninety-four jobs. Our plant employees are represented by the United Steelworkers and earn an average wage totalling thirty-eight dollars per hour including benefits. Our total company payroll exceeds six point five million. These jobs are good manufacturing jobs that provide excellent wages and benefits.

We have no competitors in New York State, only suppliers, vendors, and a select few customers. Just in Niagara Falls, we have four million dollars in annual purchases from the local plants of Olin, Praxair and Covanta. Hydroelectric power is critical to these operations as well. The synergies and dependency of the local manufacturing base, as evidenced by our operations, is quite extensive, and all tied to hydroelectric power.

Numerous other vendors, contractors and public entities realize economic benefit by our business presence here in Western New York, including the City of Niagara Falls, Niagara County, the Niagara Falls Water Authority, and the Niagara County Sewer District. Our local suppliers and contractors include Apollo Steel, Ferguson Electric, Mollenberg Betz, Dival Safety, DCB

Elevator, Niagara Supply, Industrial Services, IDS, HazMat, Modern Disposal, just to name a few of them.

And because Niagara Falls is our headquarters, both suppliers and customers come here to see us. Their visits mean more business for local hotels and restaurants.

We are also committed to the well being of our community, and provide both development level and annual operating funds to local organizations like the United Way of Greater Niagara, Mt. St. Mary's Hospital, Niagara Falls Memorial Medical Center, HANCI, Buffalo Children's Hospital, Niagara University, Niagara Catholic, Stella Niagara Education Park, and the Niagara Falls Boys and Girls Club. We also provide support to numerous health associations, including the Upstate New York Multiple Sclerosis Society, Susan G. Komen for the Cure Foundation, Cystic Fibrosis, the Alzheimer's Association, and others.

Our manufacturing process is energy intensive, and the long-term availability of NYPA hydropower is critical to the sustainability of our facility. Without it, the economic benefits that we provide to our local community could be lost. Niacet competes with companies located in

other parts of the U.S. and the world where the costs of manufacturing are much different and often much less than here in New York State. The proposed contract extensions, which make hydropower available to Niacet until 2020, sustain our electric power cost platform, and help us remain competitive on both a domestic and global basis.

We remain committed to our business, employees, and to Western New York, and wish to continue operations here. We are here today on behalf of the owners, employees, and management of Niacet Corporation, to ask that NYPA and the Governor approve the contract extensions.

DAVID ROBERTSON: My name is David Robertson, and I live at 1325 Garrett Avenue, Niagara Falls, New York. I am here on behalf of United Steelworkers Local 4-58, which represents the labor force employed by Niacet Corporation.

I strongly urge the Economic Development Power Allocation Board to recommend that New York Power Authority and Governor Paterson approve the contract and extension which would allow Niacet to continue to receive the benefits of low-cost power.

Programs such as Power for Jobs

and Economic Development Power allow companies such as Niacet to compete in a global economy, where labor is cheap, power is inexpensive, and environmental regulations are nonexistent. Without the benefits of low-cost power leveling the playing field, Niacet would not be able to remain a viable competitor in its markets. Niacet has shown an unwaivering commitment to both its employees and to the region in its continued investment in its manufacturing facility, and its involvement in the neighboring community. The energy-intensive nature of the chemical manufacturing industry make low-cost power a vital link in Niacet's survival. The loss of low-cost power would translate to a loss of jobs, stifle growth, and inevitabl jeopardize Niacet's future.

I also appeal to you from a taxpayer and homeowner's perspective. The jobs that Niacet provides allow yet another segment of our population to remain gainfully employed and provide for their families, spend their hard-earned money at local businesses, and keep their homes. At a time when unemployment, bankruptcy and foreclosures are at an all-time high, we need to carefully reconsider any option that puts further jobs at risk.

On behalf of the Union Steelworkers that I represent, I thank you for your consideration and your continued support in approving these contracts. Thank you.

KAREN DELINCE: Thank you, Mr. Robertson. Next we have Assemblywoman Francine Delmonte.

FRANCINE DELMONTE: Good afternoon. My name is Francine Delmonte, and I am the State Assembly Representative for the 138th District, which hosts the Niagara Power plant operated by the New York Power Authority.

I want to thank the New York Power Authority for hosting today's hearing regarding contract extensions for Replacement and Expansion Power customers in Western New York.

I've been waiting a long time to have the opportunity to express my strong support for these contract extensions. Ever since 2005, when the federal statute authorizing replacement power expired and state legislation, which I co-sponsored, was created to preserve it, I have vigorously advocated in discussions and meetings with former Governor Spitzer's energy staff, Governor Paterson's energy secretary and Power

Authority Chairman Kessel and his staff that these contract extensions be finalized.

The Niagara County companies receiving Replacement and/or Expansion Power are vital to local and state economies. The jobs, wages and benefits provided by these companies are essential to family and neighborhood stability, local businesses, contractors, and others who benefit from direct and indirect contact with these companies.

The companies seeking contract extensions are here in Niagara Falls and Niagara County because the access to inexpensive hydropower is the lifeblood to their manufacturing process. Many of these companies have weathered bad economic times, government regulation, and intense global competition, yet the value of the hydro kept them here. And while some people want to write epithets for older industries, these companies are adapting to changing times and are producing products that are the building blocks for developing new, clean, energy-efficient technology that will fuel the jobs of the future.

Many of the speakers here today and tonight will do a much better job quantifying

the value these long-term contracts will have on each company's ability to have a future in Niagara County.

To me, it all comes down to jobs, good-paying jobs. Retention and perhaps expansion of good-paying jobs.

Clearly, New York State is having significant and sizable fiscal issues. Thousands of job losses on Wall Street, and with them the personal income, sales and business taxes they generate are decimating New York's economy. Western New York isn't the center of the financial market world; its footprint lies with manufacturing, and it is manufacturing that we need to maintain and retain.

Let's remember: it's the maintenance and growth of private business, large and small, that allows public programs and services to exist.

Since 1759 when Daniel Joncairs, and I apologize for my French, when Daniel Joncairs dug a narrow ditch above the Falls on the American side to turn a waterwheel to power a small sawmill, Niagara has been a magnet for manufacturing.

Fast-forward two hundred fifty-one

years, and several major international and national companies still call Niagara Falls home for their facilities. These companies and their employees need long-term contracts to develop business plans that assure continuous access to low-cost hydropower.

It's been a long five years since the state legislation was passed, but now that we are at the point where these contracts are within reach, I have only one word of advice and instruction to the NYPA Trustees, and it is this: make these contracts your first order of business in September.

I want to thank all the PEP companies, their employees, NYPA, and the Governor's office for the ongoing negotiations that have led to this point. I look forward to final approval, and thank you for the opportunity to speak today.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Thank you. We have Herbert Jones. Mike Kaczynski.

MIKE KACZYNSKI: Good afternoon. My name is Mike Kaczynski. I am the Engineering Manager at the Goodyear Dunlop Tire's North America Buffalo manufacturing facility. Our

plant encompasses close to two million square feet at Sheridan Drive and River Road in the Town of Tonawanda.

With me this afternoon from Goodyear Dunlop are Mark Kurkowski, President of United Steelworkers Local 135, and Paul Mertzluff, our plant energy engineer. Between the three of us here today, we have close to ninety years of combined service at Goodyear Dunlop in Tonawanda. I have been with the company for thirty-one years, and Mark, our union leader, has worked at our plant for thirty-four years.

We are here today, along with our corporate neighbors, to support the proposed extensions of Replacement and Expansion Power contracts.

Dunlop Tire has a proud history at its Tonawanda location. Ninety years ago, ground was broken for our tire manufacturing plant, which opened its doors two and a half years later, in 1923. We employ more than twelve hundred Western New Yorkers, many of whom are second or third generation Dunlop associates. In 1999, through a joint venture agreement, we became part of Goodyear Tire & Rubber, one of the world's leaders in the

production of tire and rubber products. Our associates are highly skilled and hold high-paying jobs with great growth potential.

Our factory is the sole producer of motorcycle tires within Goodyear, and the only American-based facility to produce motorcycle tires in all of North America. This includes leading-edge products such as Harley Davidson, Honda, Suzuki and Kawasaki.

In addition, we manufacture passenger, light truck and medium radial truck tires. Our customers for these tires include Toyota, Fleetwood, and Monarch Coach, among numerous others.

We pride ourselves on work processes that are both state-of-the-art and highly energy efficient.

Our factory's commitment to energy conservation is demonstrated by a reduction in BTU's of energy consumed per pound of product produced of more than thirty percent since the early '90s. We've achieved this improvement through such energy-efficient initiatives as heat recovery projects, like the flu gas condensing heat exchanger we are currently installing, the rebuild of all of our

boilers, the last one being finished this year, and facility-wide lighting upgrades. Every year, conservation initiatives funded by our parent company, Goodyear Tire & Rubber, are an integral part of our Annual Operating Plan. Earlier this year, Goodyear continued to demonstrate its corporate commitment to energy efficiency by training twenty-two associates to be certified energy managers, including two from Dunlop Buffalo. Goodyear is also a corporate partner of the Department of Energy's Save Energy Now Leader Program.

We are likewise committed to conserving the environment and preserving the environmental health and safety of our associates and our community. In 2007, ours was the first of eleven Goodyear North American Tire facilities to achieve zero waste-to-landfill status. We continue to make progress toward achieving a score of zero when it comes to volatile organic compound, or VOC, emissions as well.

Throughout its ninety-year history, Goodyear Dunlop Buffalo has made significant contributions to the local economy.

We purchase goods and services

from local vendors, and utilize local union and nonunion contractors and suppliers. Our business partners include others who likewise benefit from low-cost hydropower. For instance, we purchase bulk liquid nitrogen from Praxair, and have an innovative reciprocal agreement with our neighbor, 3M, for the supply of process water that is mutually beneficial to both plants.

In addition, Goodyear Dunlop supports many local charitable causes, including the United Way, Roswell Park Cancer Institute, and the Make-A-Wish Foundation of Western New York. This September, we will host our fourth annual Dunlop Ride for Charity, a weekend-long event that each year raises thousands of dollars to benefit Roswell and Make-A-Wish.

In order to stay competitive with our ten sister Goodyear tire manufacturing plants outside New York State, our long-term supply of low-cost hydropower is absolutely critical. The continued availability of this hydropower through 2020 helps make it possible for Goodyear to commit to continued capital investment at our plant right here in Western New York.

The extended contracts will help

our region retain its strong, proud manufacturing legacy, and ensure our future.

On behalf of Goodyear Dunlop Tires North America and USW 135, we are here today to urge the New York Power Authority and Governor Paterson to approve the contract extensions. Thank you.

KAREN DELINCE: Thank you. Next we have Lisa DuBois.

LISA DuBOIS: Good afternoon. My name is Lisa DuBois, and I am the Government Affairs Representative at the General Mills facility in Buffalo, New York. With me today is Ethan Weeks, who is the Mill Representative of the Bakery, Confectionary, Tobacco Workers and Grain Millers Union, Local 36. We are here today to support the proposed extensions of the Replacement and Expansion Power contracts. General Mills and its predecessors have been operating in Western New York for over one hundred years.

ETHAN WEEKS: The General Mills Buffalo facility is a key strategic facility within the General Mills supply chain. In Buffalo, we produce some of America's best-loved brands, including Cheerios, Wheaties and Gold Medal Flour. Our processes are modern and energy efficient.

The General Mills Buffalo plant is a significant contributor to the local economy. We have a highly-skilled team of over four hundred men and women, each receiving good wages, excellent benefits, and continual investment in their personal development through training and other resources.

LISA DuBOIS: General Mills also supports the local economy by purchasing goods and services from businesses throughout New York State. In addition, General Mills and its employees are active members of the community, and volunteer at several local charities. General Mills is a leading contributor to the Food Bank, and the United Way of Erie County, and sponsor of two local Buffalo public schools.

But to stay competitive with our sister plants and other food manufacturers, it is critical that the Buffalo facility have a long-term supply of low-cost hydropower. Although the cost to industrial users of hydropower from the Niagara Project has steadily increased over the years, it still remains one of the biggest advantages that the plant has in terms of competing internally with other General Mills plants.

Knowing that the hydropower will

be available until 2020 makes it possible for General Mills to commit to continued capital investment in the plant. In fact, General Mills has committed to investing over forty million dollars in the facility during the extended term of the contract.

It is essential to General Mills, its employees, and the region, that the contract extensions be approved. The extended contracts will help the region retain manufacturers, like General Mills, and the contributions that they and their employees make to the local economy.

On behalf of the union members and management at the General Mills Buffalo facility, we are here today to urge the Power Authority and the Governor to approve the contract extensions. Thank you.

KAREN DELINCE: Thank you. George Harrigan.

FRED RANCK: Fred Ranck, and I am the Plant Manager at Praxair's Niagara Falls facility. With me is George Harrigan, who is the President of the International Brotherhood of Teamsters Local 449. The Praxair truck drivers are represented by Local 449. We are here today to support the proposed extensions of the Replacement

and Expansion Power contracts.

Because of low-cost hydropower, Praxair and its predecessor companies located manufacturing facilities in Western New York. Initially, the power from the Adams and Schoellkopf plants powered factories producing metals and electrodes. Praxair has operated an air separation plant and a hydrogen plant on Royal Avenue in Niagara Falls for the past thirty years.

Worldwide, Praxair operates over thirty hydrogen production plants, and the Niagara Falls facility is one of numerous hydrogen pipeline facilities operated by Praxair. The Niagara Falls plant is the only hydropower production facility, or hydrogen pipeline facility, operated by Praxair in the State of New York.

Hydrogen, and the atmospheric gases produced at the Niagara Falls plant, namely oxygen, nitrogen and argon, are delivered to customers in steel, glass, welding, electronics, food processing and medical oxygen markets within a three hundred mile radius of Niagara Falls. Praxair's products and technologies bring both environmental and energy efficiency benefits to these customers. For example, hydrogen is used to

produce cleaner-burning gasoline, as well as to directly fuel zero-emission vehicles. Our oxygen-based technologies help steel and glass producers significantly reduce nitrogen oxide and other harmful emissions.

In addition, many of the other manufacturers in Niagara Falls are customers of Praxair. These include Olin, Occidental Chemical and DuPont. We also have a large number of suppliers in the region. These include other NYPA hydropower customers, such as Occidental customers and Olin.

But to be competitive, our Niagara Falls plant must have a long-term supply of NYPA hydropower. Production of atmospheric gases and hydrogen is very energy intensive. The proposed contract extensions are of critical importance to Praxair, our employees, our customers, and our suppliers.

Approval of the contract extensions will secure the manufacturing base of the local economy, and retain businesses that purchase NYPA hydropower.

On behalf of Praxair and our employees, we urge the New York Power Authority

Trustees and the Governor to approve the contract extensions.

I would like to introduce George Harrigan now.

GEORGE HARRIGAN: Thank you, Frank.

Good afternoon ladies and gentlemen. My name is George Harrigan, President of Teamsters Local 449.

Our program at Praxair provides good-paying jobs in Western New York, and our members of Teamsters Local 449 benefit, as well as Praxair, because of the low cost of hydropower. But with the employer maintained at ten percent, we cannot afford to lose any more jobs in the local area, Praxair must remain.

The International Brotherhood of Teamsters Local 449, which represents over fourteen thousand hard- working men and women in Western New York, support the proposed extensions of the Replacement and Expansion Power contracts. Low-cost hydropower and good-paying jobs are the lifeline of this community.

Thank you very much for the opportunity to speak.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Thank you, Mr. Harrigan. We have Marcus Ferguson.

MARCUS FERGUSON: Good afternoon. My name is Marcus Ferguson, and I am the Director of Government Affairs for the Business Council of New York State.

On behalf of the Council, I greatly appreciate this opportunity to testify today regarding the proposed contract extensions for NYPA expansion and Replacement Power customers.

The Business Council is New York's largest statewide employer association, representing more than three thousand businesses, which collectively employ about one million New Yorkers across the state, and across all industrial sectors.

Importantly, the Business Council has been a longtime advocate for NYPA's Expansion and Replacement Power programs. We proudly represent a number of these programs' largest participants; Occidental, FMC, DuPont, General Mills, General Motors, Greatbatch, Honeywell, Luvata, Moog, Olin, and others. We have worked together closely with these businesses on a wide range of issues of importance to the regional

economy and the state's overall business climate.

We are especially pleased to be here today supporting a proposal designed to result in the long-term retention of more than one hundred energy-intensive businesses, mostly manufacturers, that provide the economic lifeblood of Western New York.

The Business Council has long argued that New York State's economic development policies need to focus more on retention of in-state business and jobs, incentivize ongoing capital investment, in addition to job creation and focus on the quality of jobs, factors such as salaries and benefits, rather than simply on the number of jobs.

The Business Council believes that by supporting the retention of these major Western New York employers, and basing contracts on employment and investment targets, these proposed contract extensions will achieve each of these key development objectives and more.

Too often, the high cost of energy in New York has an adverse impact on the retention of employers and jobs.

Fortunately, we have an incredibly valuable economic development tool in NYPA's

hydropower, a tool that has been used to great effect in retaining high-value, energy-dependent business across the state.

The Business Council's support for this contract is based on two key factors. First, it will result in more than one hundred fifty million dollars in annual capital investment in Western New York's economy. We believe that significant reinvestment in capital plant is one of the best indicators of a business' long-term commitment to the state. Second, it will result in the long-term retention of more than twenty-eight thousand high-paying, mostly manufacturing jobs in Western New York. We like to refer to the manufacturing bonus, the fact that in the five-county Western New York region including Erie, Niagara, Chautauqua, Cattaraugus, Allegany counties, the average manufacturing salaries are about fifty-three thousand dollars, exceed average non-manufacturing, private sector salaries by fifty-four percent, or approximately eighteen thousand dollars per year, based on 2009 New York State Department of Labor data. From 2000 to 2009, again using DOL data, the five-county region lost thirty-eight thousand manufacturing jobs, more than one in three

of all such production jobs, and an estimated one point one billion in annual payroll. Imagine the impact of the loss of additional major employers on the regional economy.

Expansion and Replacement Power companies are dependent on competitively-priced power, with many energy-intensive production processes. There is no doubt that these long-term extensions of hydropower contracts with the New York Power Authority are critical in assuring future job retention and growth, and new capital investment.

In addition, we believe that the proposed contract contains reasonable commitments for both the participating businesses and NYPA, in terms of long-term pricing and power delivery, and in terms of conditioning contract benefits on the company's achievement of investment and employment targets.

This extension has been long time in coming, and we applaud NYPA's commitment to developing and finalizing these contracts, and we applaud these businesses' long-term commitment to New York State.

For these reasons, the Business Council urges NYPA to give final approval to these

proposed contract extensions. Thank you very much.

KAREN DELINCE: Thank you. Raymond Mercer.

RAYMOND MERCER: Good afternoon. My name is Raymond Mercer, and I am President of Luvata Buffalo, Inc., and Vice President and General Manager of Luvata's North American Rolled Products Division. With me is Jeff Karcher, President of USW Local 593.

I would like to thank the Board of Trustees for allowing me to tell you about Luvata and the importance of hydropower to our long-term economic viability.

The Buffalo facility of Luvata is located within the City of Buffalo and has been there for a hundred three years. I have heard the term smokestack industry, and for our industry nothing could be further from the truth. You may know us by our former names, Anaconda or American Brass. We are now part of Luvata, which is a multi-national company that operates manufacturing facilities in North America, Europe and Asia.

We manufacture copper and brass alloys, which are incorporated into many products that utilize the excellent electrical and thermal

conductivity of copper, as well as its durability. We are continually investigating new alloys and products which are more efficient to produce and can be incorporated into the many new eco-friendly products being developed by our customers.

One recent example is a new high performance alloy that is now used in tubing for air conditioners, that will allow the elimination of chlorinated refrigerants, alternative energy, R&D and antimicrobial products for health care. We also supply the high-tech industries with copper.

We have strengthened our relationship with the Steelworkers Union, and in cooperation with them are developing a new program called High Performance Work Systems, which allows unprecedented input in the management of the workplace, and transparency in decision-making.

JEFF KARCHER: Luvata Buffalo currently employs approximately five hundred seventy-five employees and full-time contractors, approximately four hundred thirty of whom are represented by Local 593 of the United Steelworkers Union. Luvata's employees have good-paying jobs with excellent benefits, including medical, dental, insurance and retirement plans.

The combined payroll including union and salaried employees for 2009, a year when the bad economy adversely affected our business, was in excess of fifty-four million dollars, not including contractors.

RAYMOND MERCER: Capital investments in the past ten years, we have invested sixty-five million dollars in the facility, including productivity and efficiency improvements, and especially energy-efficiency improvements.

In 2009 alone, which was a recessionary year, we spent over one hundred million dollars in goods and services, not including payroll, capital investments, or cost of purchased metal, in order to maintain plant operations.

We estimate of that total, approximately seventy million was spent right here in Western New York.

Energy efficiency, we work on the basis of continuous improvement. We have insulated the plant roof and walls with urethane foam and replaced old windows with new, efficient units, and replaced all the windows in the last twenty years.

Since 2000, we have replaced -- in a million square foot facility, we replaced all of

our lighting fixtures, a half-million dollar expenditure per energy savings, and we would save about a half a million dollars a year; utilization of waste heat from annealing furnaces to produce steam, thereby largely eliminating natural gas for that purpose; installation of new, ninety-nine percent efficient natural gas heaters, eliminating the old, inefficient steam system.

Environmental issues; again, we don't consider ourselves a smokestack industry, we are a green business. We do not recycle copper, probably seventy percent of what we use is recyclable materials. Luvata Buffalo also is in compliance with all environmental laws and regulations. We have not received any notice of violations since the beginning of environmental regulation, and we are very proud of that record.

Luvata Buffalo also utilizes only electricity and natural gas in its very modern and efficient melting and annealing furnaces.

We recycle virtually all of the scrap metal that we generate in our business, and we recycle our customers' scrap material. We also reclaim ninety-nine percent of the fluids we use in our production, as well as ninety percent of

packaging material.

To conclude, Luvata Buffalo is facing unprecedented challenges as we move forward. We are experiencing both intense competition from Chinese and Mexican imports, as well as competition within our own company. Our business could be produced elsewhere within our company in European plants. We have witnessed the fundamental restructuring of American manufacturing, but have nevertheless gained market share in a shrinking market because of attention to innovation and efficiency.

I would like the board to remember two things, without our hydropower allocation, it is not an exaggeration to say we will not survive as the business we are today; and secondly, with our hydropower allocation contract extension, we can grow, while protecting and expanding the jobs we have, and hopefully, expand them in the future.

Therefore, we urge the Trustees and the Governor to approve the contract extensions. Thank you.

KAREN DELINCE: Thank you. Kelly Brannen.

KELLY BRANNEN: Good

afternoon. My name is Kelly Brannen. I am Managing Director of Niacet Corporation, and Chairman of the Power for Economic Prosperity, or PEP Group.

PEP is a coalition of manufacturing companies that receive low-cost Replacement and Expansion Power from the Power Authority's Niagara Project. I am here today on behalf of the PEP companies to emphasize the importance of the contract extensions to the Replacement and Expansion Power customers.

I also would like to thank Richard Kessel, the President and CEO of NYPA, and his staff, particularly Jim Pasquale and Mike Huvane, for their understanding of the importance of the Replacement and Expansion Power customers to the local economy. By recommending the extension of these contracts, NYPA has focused on retaining the businesses that currently purchase hydropower, thereby securing the economic base of Western New York.

The PEP member companies sell their products globally and require low-cost hydropower to stay competitive. These companies provide high-quality, private-sector jobs. The wages and benefits received by the union and

non-union employees of the PEP member companies are some of the highest in the area. Additionally, because of the nature of the PEP member businesses, many of their contractors require highly-skilled labor that also receives high wages and benefits. These high-quality jobs are vitally important to the Western New York economy, and will stay in Western New York if the contract extensions are approved.

Not only are the wages and benefits provided by the Replacement and Expansion Power companies significant, so are other impacts that these businesses have on the local economy. They purchase goods and services from each other. These businesses are interrelated and depend on each other as suppliers and customers. These businesses are part of an interdependent economic network in Western New York. It is important that they all stay in Western New York.

I have attached an interrelatedness chart to the copy of the statement that I have given to NYPA. It shows some of the supplier/customer relationships among the PEP member companies. The companies, in some instances, buy from and sell to each other raw materials that are absolutely necessary to manufacturing the products

made at the plants. If even one of the companies were to leave the area, it would have an adverse impact on the rest.

In addition to purchasing goods and services from other hydropower companies, these businesses also purchase goods and services from local contractors and suppliers that do not have the hydropower contracts. For example, they purchase products like uniforms, office supplies, and safety equipment. They also use the services of mechanical, refrigeration and electrical contractors, as well as people who mow the lawns, plow the driveways, and are food-service providers. The list goes on and on.

The Replacement and Expansion Power companies manufacture a wide variety of products. One PEP member produces iron powder, which is used for food fortification and preservation. This iron powder can also be used for drinking water purification and groundwater clean-up. A second member manufactures flat copper ribbon that is an important part of solar panels. A third PEP member manufactures a product that is used to produce bio-diesel fuel, and another product that is used in solar cells. A fifth member manufactures

a product that is essential to the effective operation of catalytic converters. These are just a few examples of the products manufactured with hydropower by PEP member companies.

But as diverse as these companies are, what these manufacturers have in common is that they depend on their long-term hydropower contracts to remain competitive. They need the assurance of a low-cost, long-term supply of power to continue to invest in their facilities. In fact, these companies have committed to investing almost a hundred and fifty million dollars annually in their facilities during the extended term of the contracts.

In order to retain the high-quality jobs provided by the Replacement and Expansion Power companies, and the positive economic impact of these businesses and their employees, suppliers and contractors, it is vitally important that the contract extensions be approved.

These businesses, their employees, and their suppliers are the economic backbone of the region. Quite simply, the Replacement and Expansion Power companies buy locally, sell globally, and pay good, family-sustaining wages and benefits.

PEP urges the Board of Trustees

and the Governor to approve the contract extensions. Thank you.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Thank you. Next we have Dave Buzo. Steven Finch.

STEVEN FINCH: Good afternoon. My name is Steve Finch, and I am the Plant Manager of General Motors Tonawanda Engine facility. Along with me today is Bob Coleman, Shop Chairman of UAW Local 774. I'm grateful to be given the opportunity to speak to you regarding the contract extensions.

The past year has been a challenge for New York State, as well as the nation. As you know, General Motors went through bankruptcy last July, but has emerged a stronger company.

The same is true for the Tonawanda Engine plant. A year ago, we did not know if we were going to remain open. Since GM's emergence as a new company, we have been awarded two new engine programs totalling eight hundred twenty-five million dollars of investment in Western New York. Your support has helped us acquire this new business.

The Tonawanda Engine plant started manufacturing on River Road in 1938 making ten

thousand five hundred six-cylinder engines. Since that time, we have built over seventy million engines. Our site is comprised of three separate facilities covering three point one million square feet.

We currently build the two point two liter and two point four liter Ecotec four-cylinder engines for the Chevrolet HHR and the Malibu, and the two point nine liter four-cylinder engine and the three point seven liter five-cylinder engines for the Chevrolet Colorado and GMC Canyon mid-size pickup trucks.

I would like Bob Coleman to speak for a few comments.

BOB COLEMAN: As was announced in February and April of this year, we have been awarded two new engine programs. They are the Gen 5 Small Block engine and the next generation fuel-efficient Ecotec engine. These two programs will retain and create hundreds of high-paying jobs. The local and state economic impact are very significant, with the purchasing power of employee payrolls, property taxes paid, support of New York State suppliers, utilities and the numerous dollars and volunteer hours our employees give to support

education and the local charities.

In order to get this new business, we had to compete against other GM engine plants in other states and countries. Having access to low-cost hydropower does give us a competitive advantage, and we thank you.

STEVEN FINCH: We do have an opportunity to get new business, in addition to what has already been awarded to us, and I thank you for the opportunity to get low-cost hydropower, and it gives us a competitive advantage going forward.

So we, at GM Tonawanda, recognize that in allowing us to use hydropower, the Authority has entrusted us to use this valuable resource wisely. We want you to know that we are doing our part to conserve energy whenever possible, and to make wise decisions to reduce any impact on our environment and the surrounding community.

GM continues to be a landfill-free facility, and has been since May of 2006. Through joint cooperation and investment, GM and our UAW partners continue to strive to reduce energy.

In summary, we are very grateful for the ability to apply, and be awarded our current NYPA allocations. We fully endorse the contract

extension process, and thank the Power Authority for helping Tonawanda Engine continue to have a positive impact on Western New York. Thank you.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Thank you. Carol Houwaart-Diez.

CAROL DIEZ: Good afternoon. My name is Carol Houwaart-Diez, and I have the honor and the privilege of being the President of the newly created United Way of Greater Niagara, which serves Niagara County. Our mission is to increase the organized capacity for people to care for one another. We carry out our mission by being the premier community organizers in Niagara County. Through our annual campaign, we support over seventy-five programs that are provided by our twenty-one partner agencies. United Way is the best way to do the most good with a single contribution in Niagara County.

Of course, our ability to help our community depends upon the generosity of others, individuals and organizations who give of their time, talent and treasure to help make Niagara County a healthier, stronger community in which to live, work and raise a family. Many of those

organizations, and the thousands of people who they employ, are impacted by the issue we are discussing today, which means that the United Way and the people we serve are impacted as well.

I am here today to support the proposed extensions of the Replacement Power and Expansion Power contracts. All of the hydropower companies in Niagara County, and their employees, contribute to the United Way. For example, Unifrax, Praxair, Niacet, Washington Mills, North American Hoganas, OxyChem and Olin all are major supporters of the United Way and our community. The contributions that these companies and their employees make to the United Way are vitally important to the United Way's annual campaign, our holiday program, all our special events, including our celebrated Day of Caring. Their combined financial contributions to the United Way equates to approximately fifteen percent of our annual campaign. In addition, they are supportive of other local charities that are in our community, and their contributions are invaluable.

The Western New York area cannot afford any loss in our workforce, and needs to retain these businesses and the contributions that

they make to the local economy. Retaining these businesses will continue to improve the quality of life in our region.

On behalf of all of the United Ways in Western New York, I urge the New York Power Authority Trustees and the Governor to approve the proposed contract extensions. And as a resident of Niagara County and a mom, please do this, because we need it for our children and our future.

KAREN DELINCE: Thank you. Deanna Alterio Brennen.

DEANNA BRENNEN: Good afternoon. My name is Deanna Alterio Brennen, and I am the President of the Niagara USA Chamber of Commerce.

On behalf of the Niagara USA Chamber, and our nearly one thousand members throughout Niagara County and the surrounding region, we strongly support the contract extensions of Replacement and Expansion Power customers. Just to name a few of our members that receive power include Niacet Corporation, OxyChem, DuPont, Olin Corp., Praxair, Tam Ceramics and Confer Plastics.

There are approximately thirty-five customers in Niagara County that receive

allocations of this power. These companies provide thousands of good-paying jobs and have a significant economic impact on our region.

These companies, in turn, hire a number of smaller businesses who provide everything from landscaping and snow removal, to catering and janitorial services. The economic spinoff from these companies cannot be underestimated.

The mission of the Niagara USA Chamber is to facilitate the advancement of economic development, promote commerce and tourism, and be a strong advocate for our members and business community. We believe our advocacy on behalf of Expansion and Replacement Power customers to extend their contracts fulfills this mission.

Thank you for your consideration and for allowing us to speak today.

KAREN DELINCE: Thank you. Next we have Jeffrey Karchow. David Robertson. Tim Devin.

TIM DEVIN: Good afternoon. My name is Tim Devin, and I am a Sales Executive at DiVal Safety Equipment in Buffalo. I am here today to support the proposed extensions of the Replacement Power and Expansion contracts.

DiVal Safety Equipment has been located in Buffalo for over thirty years. The business started in 1977 with the sale of gloves and rain suits from the trunk of our founder's car. Today, DiVal Safety Equipment has over a hundred and sixty-five employees in Western New York. Seventy-five percent of our business is in New York State, with the lion's share done right here in Western New York, really, in this room.

Many hydropower customers are our customers as well. For example, in Erie County; FMC in Tonawanda, General Mills, Graphic Controls and I2R are just a few of our customers. In Niagara County; Olin, Praxair and OxyChem are vital to our success. In Orleans County, there's Brunner. In Chautauqua County, there's Cliffstar, Fieldbrook Farms and RHI Monofax, to name a few. These manufacturers are of paramount importance to our business. The state needs to support the retention of these manufacturers and the contributions that they and their employees make to the local economy. Retaining these businesses is vital to the success and continued existence of dozens of companies like mine, and the thousands of employees that work for them.

On behalf of DiVal Safety Equipment and our employees, I urge the Power Authority and the Governor to approve the proposed contract extensions.

KAREN DELINCE: Thank you.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Gary Asbach.

NANCY GATES: My name is Nancy Gates. I am the Legal Counsel and Corporate Secretary for Washington Mills. Accompanying me is Gary Asbach, Director of Finance and Administration at Washington Mills in Niagara Falls, New York facility; Mr. Donald Rice, President of the United Steelworkers Local 4-2058, which represents fifty employees at our Niagara Falls, New York facility; and Mr. Gary Waterhouse, President of the United Steelworkers Local 4-4447, which represents thirty-five employees at our Tonawanda, New York facility.

In the interest of time, all four of us are representatives of owners, employees and management, and ask you to consider our statement, which I will present when I'm done. Thank you for allowing me to speak to you about the extensions of hydropower contracts to our facility.

Washington Mills has six locations

in the United States and Canada, with two local facilities; one in Niagara Falls, New York and one in Tonawanda, New York. We have operated in the Western New York area for over one hundred years. The Niagara Falls, New York facility was originally part of the Carborundum Company, one of the first companies utilizing hydropower from the Niagara River when it became available in the early 1900s. The Tonawanda location was originally Exolon, and was acquired by Washington Mills in 2001.

In addition to the facilities in New York, Illinois, Massachusetts, Wisconsin and Ontario, we have facilities internationally as well. They are located in Mexico, Asia, Europe, South America and China. All facilities are interdependent on one another in one way or another, and the continued operations of our New York facilities is important to the ongoing operations of our other facilities.

We employ over six hundred people globally, and a hundred and sixty employees locally. These include professionals in various areas, as well as highly-skilled production employees, tradesmen and technicians. At our two New York facilities we have good-paying union jobs with

benefits. These jobs help support the Western New York economy.

We are proud of our employees and their commitment to make a world-class product in a safe environment. We are one of the world's leading producers of fused electro-minerals. Our products are used in such applications as grinding wheels, coated abrasive paper, ceramics, and refractory applications. Products produced by Washington Mills are also used as cutting slurries for solar wafers used in solar panels, and for ceramic filters used to filter diesel emissions.

The process of producing fused electro-minerals is power intensive. The power is, in effect, a raw material component for our company. For many years, the Niagara Falls area was the focal point of the fused electro-minerals industry in the USA. Unfortunately, that is no longer the case today. Competition from China, Russia, Mexico and Brazil has forced most of the industry to go offshore. We are the only remaining furnacing operation of silicon carbide in the United States. Washington Mills remains committed to being a manufacturing company in the USA in the Western New York area with your help.

The availability of the hydropower is a critical component of our ability to maintain that status in New York State. It is essential to our ability to continue to operate both facilities in New York and to plan for the future that the availability of hydropower for industrial use is ensured by extending the contracts. It is indisputable that the Niagara Power Project hydroelectric power plays a vital role in providing competitively-priced power for sale to attract and retain business investment, and promote economic development in Western New York. As costs continue to rise for New York employers, it is important that all available means to control costs are pursued to promote commercial and financial certainty and long-term planning for us as business owners. We, as representatives of the company and the unions which work at both facilities, strongly support the extension of the hydropower contracts. Thank you.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Thank you. Next we have James Scerra.

JAMES SCERRA: My name is James Scerra. I am the Manufacturing Finance Manager at FMC Corporation in Tonawanda, New York.

Also joining me are Doug Parker, our Union President, and Mike Brigante, our Financial Secretary representing the International Chemical Workers Union.

Good afternoon, and thank you for the opportunity to speak in support of Replacement Power and Expansion Power contract extensions for customers of the New York Power Authority.

FMC operates two manufacturing facilities in our Buffalo-Niagara region, a plant in Tonawanda and a plant in Middleport. We employ one hundred eighty highly skilled union and professional workers in our region, and now operate a Research and Development facility which opened in 2009.

In the early 1920s, Dr. Max Bretschger and Dr. Charles Burke, German and Swedish scientists, had a vision of an electrolytic process to manufacture hydrogen peroxide. What they required were two raw materials that were not readily available then, large amounts of electricity and cooling water. Our region, which led the world in distributed electricity at that time, was the perfect choice. So they came to our area and formed the Buffalo Electro Chemical Company, or BECCO, in Tonawanda. BECCO was the first electrolytic

hydrogen peroxide manufacturer in America.

FMC purchased BECCO in the early 1950s. And today, FMC uses modern, efficient electrolytic cell technology to produce our line of persulfate chemicals and peracetic acids to supply the world. We remain the only North American manufacturer of persulfate chemicals and peracetic acids, which are powerful oxidizers used in a variety of applications, latex and acrylics, plastics, inks and pigments, gas and oil production, mining, pulp and paper, cosmetics, swimming pool disinfectants, textiles, micro-etching of electronic circuit boards, medical and pharmaceutical, environmental, and food and beverage processing.

Some new and exciting global green applications of our products are for environmental soil remediation, wastewater treatment and microbial control in the food and beverage industries.

We are here today because power is critically important to our business operations. We use power as a raw material. We compete globally, with the most significant competition coming from Asia, specifically China.

FMC also purchases our raw materials locally. Many of our suppliers are

present here, and are equally dependent on NYPA hydropower in their operations. We take comprehensive safety measures to protect our workers, our community and our environment. We are expanding and growing in our region, and the extension of our NYPA hydropower contracts is critical to fuel this growth and maintain our global competitive position. Thank you.

KAREN DELINCE: Thank you.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Edwin Asbach.

EDWIN ASBACH: Good afternoon. My name is Edwin Asbach. I am the Engineering and Maintenance Manager with the Structural Ceramics Division of the Saint-Gobain Corporation; formerly known as the Carborundum Company. We are located off of Buffalo Avenue at 22 and 23 Edison Drive in Niagara Falls. We are a union shop.

Here with me today is Marty Baker, Vice President of our local, and Chris Trunzo, Plant Chairman. Both are members of the United Steelworkers Union Local USW 4-2058 AFL-CIO. Both Marty and Chris are longtime employees that have held several positions within the local union and

production. They are standing with me, representing the unions' interest, and their support of our common position, as we present a joint voice before you supporting the need for prolongation of the low-cost power allocations we are receiving, and the imperative nature of its continuance.

Saint-Gobain purchased the Carborundum Corporation in 1996. Saint-Gobain is a worldwide billion dollar glass, ceramics and building materials company. Well-known companies, such as Norton and CertainTeed, are also part of Saint-Gobain. The Carborundum Company originated in Niagara Falls, at the Buffalo Avenue site, over a hundred years ago. The company started in 1891. Currently, there are a hundred seventy employees at this location. Regionally, Saint-Gobain has locations throughout New York State and Southern Ontario. There are six other Saint-Gobain groups at seven different locations within the Western New York area, with an employment total of just under one thousand people. About one-half of these locations receive low-cost power. The competitive benefit of our receipt of low-cost power is well known by management throughout the company, on both sides of the ocean. It is a critical ingredient to

our cost structure, and a substantial factor in our continued success. It is a vital component to our existence in Western New York.

Employment at this location consists of a highly-skilled and well-trained workforce. Saint-Gobain provides well-paying jobs, excellent benefits, with potential for continued training, growth and advancement opportunities. Among the skill levels found at our location are New York State certified journeymen grinders, machinists, welders, maintenance and support. Many of our employees hold educational degrees and papers from various institutions, disciplines, and are of various levels. The payrolls provided by our company, and other companies here today, fold themselves into the local economy numerous times and at various levels, thereby providing a substantial, consistent, important and positive cash infusion and money flow into the local economy.

At our facility, the primary material manufactured at our location is silicon carbide ceramic, trade name, Hexology. Silicon carbide is a man-made material generally used in the abrasives industry. In our process, the silicon carbide powder is formed and fired into a dense

ceramic of various shapes and for a multitude of product uses. They range from mechanical seals to heat exchanger tubes, from kiln furniture to ballistic armor, from insulation blocks to chemical processing components.

Our products are found in automobile water pumps. The silicon carbide seal allows the water pump to last longer and leak less. Our products are also in the chemical industry, used in heat exchangers, which, by virtue of the material strengths and temperature capabilities, allows the exchangers to run hotter, and thereby efficiently saving energy and costs. With the materials abrasion resistant, it is a prime candidate in many wear applications, such as sandblast nozzles. Armor is another area that utilizes the materials' unique properties.

Over the past couple of years, we have had capital expenditures totalling over ten million dollars. These expenditures have fallen primarily into the categories of capacity growth, safety and sustainment. The majority of the contractors, vendors and suppliers we use are local. With tough economic times, these numbers do vary, and this heightens the importance of the low-cost

power impact on our business.

Recently, we have been implementing and funding several cost savings and energy initiatives. They range from simple, but large, lighting improvements/wattage reductions programs, to soft start motors that consume less start-up amperage and running power. We have installed timers, motion detectors, process improvements, better furnace insulation, and have had simple turn it off programs. We are in the process of investigating power factor correction, through capacitance, that will reduce demand levels and increase capacity.

On another topic, the company has a very civic-minded approach. We have substantial involvement with many of the local and national charities. We have direct and close relationships to the United Way of Greater Niagara, for whom I was campaign chair in 2004. Additionally, we have several of our employees that are participating in the Cataract Elementary School Adopt A Child mentoring and tutorship programs, Adopt A Family at Christmas, St. Vincent DePaul support, American Red Cross and others. Additionally, we provide either long-term or spot financial support to these and a

multitude of other charities, trying to keep the primary focus local.

In closing, continuation of the low-cost power program is an essential part of our ability to remain a cost-effective national and international competitor, anchored in this area. Saint-Gobain is a French-owned company. As I stated earlier, Saint-Gobain management is keenly aware of our low-cost power and the impact it has on the enticement to this area. Extension of the contract is critical to our business, and would be a huge blow to our ongoing viability in this area if it were discontinued or substantially reduced.

Marty, Chris and I, on behalf of our union and the Saint-Gobain company, would like to thank the New York Power Authority, and all of you, for providing this opportunity, allowing us to convey our situation and needs in this public forum. Thank you.

KAREN DELINCE: Thank you.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Tom Martinez.

TOM MARTINEZ: My name is Tom Martinez, and I am the Operations Manager of Treibacher Schleifmittel North America, Inc.,

formerly for years known as General Abrasives. I am a Western New York native, and have been employed at Treibacher Schleifmittel since 1977.

Our manufacturing facility was opened in 1917, and has been a viable part of the community since that time, where we are a receiver of hydropower from the New York State Power Authority.

We employ hourly and salaried workers, and our hourly workers are represented by the United Steelworkers Union. The jobs that are currently at this facility provide all employees with good wages and good medical benefits. In addition to this, we are supplied by many local businesses, like Niagara Supply, Nut and Bolt, IDS Lakes and Supply, Lafayette Machine Shop, Eastern Machine Shop, Croisdale Fabrication, Hohl Industrial, CIR Electric, Universal Computer, Scrufari Construction, Armand Cerrone Company, including other contractors that provide machine shop services, fabrication services, millwright services, cleaning services, security services, hydraulics services, bearing transmission specialists, just to name a few.

The main product that is made at

this facility is brown fused aluminum oxide. Brown fused aluminum oxide is primarily used in the manufacturing of grinding wheels, sandblasting and the aircraft industry, as well as many other industrial applications.

The supply of long-term hydropower is critical to the manufacturing facility in retaining all current operations, as well as any possible further expansion.

In order to compete with the global economy, a new manufacturing facility was recently built at 2000 College Avenue, Niagara Falls, New York in 1996. This is a state-of-the-art manufacturing facility, and has allowed Treibacher Schleifmittel to continue to be a world leader in the abrasives market. The manufacturing facility is certified as an ISO 9001 company. Treibacher Schleifmittel has been awarded certificates of appreciation for investing in Upstate New York Economic Development by Niagara Mohawk. Treibacher Schleifmittel also receives a certificate of appreciation yearly from the New York State Department of Labor that promotes utilizing OSHA standards. Treibacher Schleifmittel was the recipient of the Niagara Beautification Commission

Award, and also, employees are active contributors to the United Way of Niagara.

It is imperative that Treibacher Schleifmittel and all of its employees and their families, along with all the local contractors and businesses, that the power contract extensions be approved. Thank you.

KAREN DELINCE: Thank you.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Ronald Lee.

RONALD LEE: Good afternoon. My name is Ronald Lee, and I am the Plant Manager at the DuPont Yerkes plant, which is located in Buffalo. I am appearing today as a representative of not only the Yerkes site, but also the DuPont facility here in Niagara Falls.

The continuing viability of these two plants is critically important to DuPont and our customers. More important to today's proceeding, however, is the fact that approximately nine hundred men and women work for DuPont at both the Yerkes and Niagara sites combined. These people, and indeed numerous other Western New York residents who work for businesses that provide local goods and services to the two plants, depend on these two sites for all

or a portion of their incomes.

While the Yerkes and Niagara plants produce different products and serve totally different customers, their futures are largely impacted by a common factor, and that's hydropower. The businesses that these plants serve are subject to intense cost competitiveness, and face international competitors, but also competition within DuPont, because source and option for these products exist at other DuPont facilities. Put simply, the extension of the NYPA Replacement and Expansion Power electricity contracts is critical to DuPont's ability to maintain the financial viability of our two plants in the Western New York facilities, which is why I am here today to voice support for the extensions that have been recommended by NYPA.

Many products have been invented and produced at the site, including well-known products such as cellophane, rayon and Corian. Corian is a solid surface material that is used in numerous applications, including bathrooms and kitchens in people's homes, health care facilities, retail locations and public spaces, and most currently in Europe and Asia.

Tedlar is used in numerous applications, including aircraft and interior design, but one of the most exciting uses of Tedlar film is as backsheet material for photovoltaic modules. Tedlar films are preferred as the backing sheet material for photovoltaic modules because of their excellent strength, weather resistance, UV resistance, and moisture barrier properties. Tedlar films have a proven track record in the field, and we expect the demand for Tedlar to continue to grow.

At Niagara, the DuPont site producing sodium and lithium metal products was first constructed in 1896, and has been operated by DuPont since 1930. The Niagara plant is the last remaining sodium plant in the U.S., and is still among the three largest metal plants in the world, possessing good economies of scale. Sodium and lithium metal products are used in important industries such as silicon for solar panels, lightweight titanium, lithium batteries and bio-diesel fuels. Although these industries are exiting growth markets, the costs for the materials to support their manufacturing are highly competitive. Other global manufacturers who compete with us to produce sodium and lithium metal are supported both

by hydroelectricity and nuclear power within the foreign countries and states in which they reside. DuPont is committed to the sodium and lithium business at Niagara, and plans significant reinvestments in the assets, but needs advantaged power costs to compete.

As I mentioned previously, approximately nine hundred men and women work for DuPont at the Yerkes and Niagara plants. Many of these people are union contractors who are represented by the Plumbers and Steamfitters Local 22, the IBEW Local 41, the Ironworkers Local 6, and the United Steelworkers Local 6992 and Local 4-5025.

DuPont and its employees also are involved with several local charities, such as the United Way Day of Caring, the Roswell Cancer Institute Ride for Roswell, the American Diabetes Association for Buffalo/Niagara, Breast Cancer Awareness, and Habitat for Humanity of Buffalo. On a personal level, I serve as a board member of the Buffalo/Niagara YMCA.

We are very active in reducing our environmental footprint; indeed, the Yerkes site won a 2009 DuPont Sustainable Excellence Award for decreasing the plant's manufacturing waste by

seventy-five percent. By 2012, it is the goal of the Yerkes plant to have zero manufacturing waste going to landfills.

On behalf of DuPont, the employees at our two Western New York plants, our many suppliers in the region, and the charitable and civic organizations that we help support, we urge the New York Power Authority Trustees and the Governor to approve the contract extensions. Thank you.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Thank you, Mr. Lee. Brian Mellett.

BRIAN MELLETT: Good afternoon. My name is Brian Mellett, and I am the Western New York Plant Manager for the Unifrax facilities in Tonawanda and Sanborn. With me today is Woody Cummings, a Committee Person for the United Steelworkers Union Local 4-2058. We are here today to support the proposed extensions of the Replacement and Expansion Power contracts.

Unifrax has sixteen worldwide manufacturing locations, with facilities located in the United States, Europe, Asia, Australia and Latin America. We are proud that one of Unifrax's

manufacturing facilities is located in Tonawanda, and another in Sanborn, with our corporate headquarters located nearby in Niagara Falls.

The Unifrax facility in Tonawanda has been in operation for twenty-one years, with a long history prior to that as Carborundum in Niagara Falls. The Sanborn facility has been in operation for twenty-eight years. The men and women who work at Unifrax are highly skilled with good-paying and dependable jobs. The Tonawanda plant is a primary manufacturer of support mat materials for catalytic converters, and other devices used to reduce and control vehicle emissions, as well as high temperature insulation materials used to reduce power consumption in processes such as steel and glass manufacturing. The Sanborn facility also makes high-temperature insulation products in various forms including ropes and blankets.

Looking across our product portfolio, it is estimated that sixty percent of our sales are to green applications, and for every unit of energy consumed to manufacture our products, ten units of energy are saved in end applications.

Unifrax not only has two thousand seven employees between Tonawanda and Sanborn, it

also has eighty-eight employees at its corporate headquarters in Niagara Falls.

In addition, we support the local economy through purchases of goods and services from local contractors and suppliers. Some examples of such organizations are Eaton Office Supply, Danforth Mechanical, Norampac Industries, Unifirst Uniforms, and Univar Chemical.

Unifrax and its employees also are involved with local charities, such as the United Way of Greater Niagara, the Boys and Girls Club of Niagara, American Red Cross, Family and Children's Services, Make-A-Wish, and many others.

The contributions that Unifrax and the other Replacement and Expansion Power customers make to the local economy are significant.

But Unifrax, like all manufacturers today, is faced with global competition. We compete with facilities that are located in other parts of the country and the world where the cost of doing business is less than it is in New York State. It is the NYPA hydropower that helps keep us competitive in a global economy, and to continue doing business here Unifrax needs a long-term supply of low-cost hydropower to help keep

us competitive. The proposed contract extensions, which would make the hydropower available to Unifrax until 2020, positions Unifrax to continue to operate in Western New York.

The importance of the contract extensions to Unifrax cannot be overstated. On behalf of the union members, management, and other Unifrax employees throughout Western New York, we urge the New York Power Authority Trustees and the Governor to approve the contract extensions. Thank you.

KAREN DELINCE: Thank you.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Dennis Elsenbeck. Tim Balkin.

TIM BALKIN: Good afternoon. My name is Tim Balkin, and I am Treasurer for Moog, Inc., in Elma.

Moog has called Western New York home since our founding in 1951, and today we employ approximately twenty-seven hundred people in Western New York, designing and manufacturing motion control actuators and systems for military and commercial aircraft, space launch vehicles, satellites, flight simulators and sophisticated industrial machinery.

Our customers include companies such as Boeing, Airbus, Lockheed Martin, NASA and CAE, among others, and our employees include highly-trained and skilled engineers, machinists, assemblers and technicians. We have an extensive network of suppliers throughout New York State, while the vast majority of revenues for our East Aurora operations come from outside New York State. We have also made substantial investments in our Western New York facilities over the last several years, spending in excess of twenty-five million dollars on building expansions alone for our aircraft, space and defense and industrial businesses. Our compensation and benefit costs in Western New York are in excess of two hundred twenty million dollars annually.

Electric power is a significant manufacturing cost for Moog. With manufacturing facilities in over twenty-five locations around the United States and the globe, our manufacturing managers are keenly aware of the comparative costs and reliability of electric power. Without an allocation of low-cost hydropower from NYPA, our East Aurora power costs would be higher than the power costs at many of our facilities throughout the world, not to mention the power costs at many of our

competitors' facilities.

Moog also is involved with programs, primarily in the aircraft business, that can run as long as forty to fifty years, frequently involve significant R&D investment, and often have periods where production prices are fixed over several years. Accordingly, securing low-cost hydropower for extended periods is an important element in maintaining both our competitive position, as well as providing a measure of cost certainty on our long life cycle programs.

Moog also has a substantial presence in the energy business through our gas and steam turbine products, and in the past two years, a growing presence in the wind energy market. While our wind energy business today is concentrated in Europe and Asia, we are currently investigating building our wind turbine capabilities in our Western New York operations. With regard to energy efficiency, Moog has made substantial energy-efficiency investments through the purchase of more energy-efficient machining centers, and two point two million dollars invested in updating the electrical infrastructure in every building on our East Aurora campus.

With regard to charitable and educational organizations in Western New York, Moog and its employees contribute approximately one point two million dollars annually. Our company has long encouraged our employees to become actively involved in community activities. Many Moog employees serve on numerous not-for-profit boards of directors, and volunteer their time supporting a host of community organizations.

In closing, it is essential to our company and our employees, and for Western New York, that these contract extensions be approved.

Thank you for your time. We would like to thank the New York Power Authority for their efforts as well.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Thank you. Dennis Elsenbeck.

DENNIS ELSENBECK: Good afternoon. My name is Dennis Elsenbeck, and I am a Regional Director for National Grid.

I want to thank you for this opportunity to be heard on the issue of hydroelectric contract extensions for Replacement and Expansion Power customers.

As you know, National Grid is the primary delivery mechanism that brings the resource that is low-cost hydropower to the Replacement Power and Expansion Power customers in this region. Our history in providing energy to these industries and their predecessors predates that even of the New York Power Authority, going back to the days of the Schoellkopf plant, and before that, the Adams station just a few miles up the Niagara River from here.

These are National Grid customers, in addition to being Power Authority customers. We know firsthand the needs of energy-intensive industrial companies in this region, of which there are many. The Replacement Power and Expansion Power recipients are, for the most part, participants in global markets competing against companies, and sometimes entire countries, operating with all manner of subsidies designed to offer a competitive edge.

Replacement Power and Expansion Power represent a competitive edge for these industries, our customers, allowing them a leg up in what is increasingly a global market for so many of their products. A stable energy supply at stable,

predictable prices is important for all of our customers, but especially those for whom electricity is something of raw material, critical to their processes, operations and ultimate success.

Many of these contract recipients are also on the list of the region's largest employers, many of whom are also National Grid customers when they sign out for the day and return to their homes.

As you know, Western New York has been hit particularly hard by recessionary times, and stable, good-paying jobs are at a premium here. Many of the best employment opportunities remain here with these industries, in part as a result of their Replacement and Expansion Power contracts.

National Grid promotes the efficient use of energy with all our customers, and clearly, the uses for a precious resource, such as Niagara hydropower must be carefully and cautiously thought out. In our view, the Replacement and Expansion Power contracts under consideration today provide a clear benefit to the recipients, but there is a clear benefit to this region in the way of jobs, payroll, taxes and global competitiveness in return.

Again, we appreciate this opportunity to be heard on this important issue, and will close by expressing support for the extension of the Replacement Power and Expansion Power contracts under consideration today. Thank you for your time.

KAREN DELINCE: Thank you.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Next we have Senator George Maziarz.

SENATOR MAZIARZ: Thank you very much. Good afternoon, everyone. I am proud to have represented this area in the State Senate since 1995. I also currently serve as Chairman of the Senate Energy and Telecommunications Committee.

I thank you very much for letting me speak today. This is not the first time I've made my views known to the New York Power Authority, nor, I assure you, will it be the last.

I'm here today to speak in support of the extension of current, low-cost hydropower contracts between the Power Authority and key Western New York manufacturers, many of whom are members of Power for Economic Prosperity.

I have long maintained that the

Niagara Power Project is the best tool we have for promoting economic development here in Western New York. The low-cost hydropower generated at this facility, the largest of its kind in the northeast, should be made available to local and energy-intensive industries in a special way, so that our region can be a competitive place in which to do business.

According to the Power Authority's own estimates, the current Expansion and Replacement Power contracts set to expire in the next two or three years impact dozens of major employers, and over twenty-eight thousand local jobs. Extending these contracts to 2020 will provide these customers with a degree of predictability in the important production variable of energy costs. With these longer hydropower commitments, these customers will be free to make other plans to grow and expand their operations, and most importantly, retain and create jobs.

Some observers would prefer we abandon our manufacturing sector, but we cannot do that. The big companies we're talking about here today, including Olin, DuPont, Occidental, Praxair, Saint-Gobain and General Motors, are central to our

communities, the hardworking men and women they employ, and the families they support. Smaller companies, companies in my district, like Niagara Sheets, Confer Plastics, Rubberform and Western New York Energy, are making investments and doing exciting things to reach new heights of success. All in all, our manufacturing base, which has been so important to the history of Western New York and the nation, is not just a thing of the past. There are dynamic possibilities for the future which we cannot ignore.

In closing, let me just state that many of you know I could speak for hours about what the Power Authority can and should be doing for Western New York. I could also speak about what they're not doing for Western New York. Indeed, the extension of these hydropower contracts offers just one of many opportunities for the Power Authority to be more accountable to the people of Niagara County and Western New York. But for now, I will stay on topic and reiterate my support for promoting economic development in Western New York through the extension of these hydropower contracts. I strongly encourage swift and positive action. Thank you very much.

KAREN DELINCE: Thank you.

JAMES PASQUALE: Thank you. Next we have Scott Kuppinger.

SCOTT KUPPINGER: My name is Scott Kuppinger, and I am the Business Manager at the Saint-Gobain Boron Nitride facility in Amherst. With me today is Jean Rensel, who is our HSE and facility manager. We are here today to support the proposed extensions of the Replacement Power and Expansion Power contracts. I represent, and I speak for Saint-Gobain Boron Nitride in Amherst, along with Mr. Asbach, and we represent almost one thousand employees of Saint-Gobain throughout Western New York. Saint-Gobain Boron Nitride is a high-technology manufacturer that has been operating in Western New York for over thirty years. The fifty-five men and women who work at the Saint-Gobain Boron Nitride facility in Amherst have highly-skilled employees with good-paying jobs.

Our plant in Amherst is currently the only Saint-Gobain facility worldwide manufacturing hexagonal boron nitride ceramics. Our products are used all over the world in a variety of applications, from steel mills to high-tech electronic circuits, to cosmetic powders. An

exciting green technology that we are involved with is LED lighting, as well as new, energy-efficient methods to produce steel.

The Amherst plant is a significant contributor to the local economy. We purchase many of our goods and services locally. In 2008, we invested millions of dollars in new production equipment, with the majority of the capital equipment and installation work supplied by local OEMs and contractors. Our employees live here, and the money they earn supports the local economy. In addition, Boron Nitride and its employees are involved with local charities, like the United Way, Gateway, and many others.

The production of boron nitride is a very energy-intensive process, and electrical power is considered one of our key raw materials. In order to effectively compete with both domestic and international competitors, who often have a much lower-cost wage and regulatory structure, it is critical that the Amherst facility secure a long-term supply of low-cost hydropower. Knowing that hydropower will be available through 2020 makes it possible to continue to grow and invest in Western New York.

It is essential to Saint-Gobain Boron Nitride, its employees, and the region, that the contract extensions be approved. The extended contracts will help the region retain and grow high-technology manufacturers, like Saint-Gobain Boron Nitride, and the contributions that they and their employees make to the local economy.

On behalf of all of the employees at Saint-Gobain Boron Nitride employeesin Amherst, as well as the nearly one thousand Saint-Gobain employees in Western New York, we urge the Power Authority and the Governor to approve the contract extensions. Thank you.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Thank you. John Pace.

JOHN PACE: Good afternoon. My name is John Pace, and I am a Sales Representative at Cintas in Lancaster, New York. I am here today to support the proposed extensions of the Replacement Power and Expansion Power contracts.

Cintas has been located in Western New York for over fifteen years. Cintas started as a small business servicing shop towels, and has become the largest supplier of uniform and facility

services in North America. Today, Cintas has a hundred thirty employees in Western New York.

We rent uniforms to both large and small businesses. We also rent floor mat services, restroom products and services, first aid and safety products and training, fire protection and document management.

Many of the hydropower customers are Cintas' customers; for example, Praxair, Goodyear Dunlop, DuPont, Linde, Washington Mills, North American Hoganas and OxyChem. These manufacturers are important to our business.

Retaining the hydropower companies and the positive contributions that they make to the local economy is vitally important to the region. They provide good jobs, use local suppliers, and are involved in community activities. Approval of the contract extensions will help retain these businesses, which in turn, helps to retain businesses like ours.

On behalf of Cintas and our employees, I urge the Power Authority and the Governor to approve the proposed contract extensions. Thank you very much.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Thank you. Bill Delnicki.

BILL DELNICKI: My name is Bill Delnicki, and I am one of the Vice Presidents at Conestoga-Rovers & Associates or CRA in Western New York. I am here today to support the proposed extensions of the Replacement Power and Expansion contracts.

CRA has been doing business in Western New York for over thirty years. The business, which was started in 1976, has grown from a small engineering firm to a business that has over two hundred employees in Western New York, located in our Niagara Falls office, which is our U.S. headquarters, and in our Buffalo office. CRA is a full-service engineering, environmental, construction and IT services firm with over ninety offices and over three thousand employees in North America, South America and Europe.

Many of the hydropower customers are our clients. This list includes firms such as OxyChem, Niacet, Olin, Saint-Gobain, and the Niagara Falls Water Board in Niagara County, and General Motors, Ford, Buffalo Tungsten, DuPont, Praxair, Goodyear Dunlop, FMC, Unifrax and American Axle in

Erie County. It is important to our business that these companies stay in Western New York. Approval of the proposed contract extensions will help the region retain these manufacturers and the contributions that they and their employees make to the local economy. Retaining these businesses helps to retain businesses like ours.

On behalf of Conestoga-Rovers & Associates and our employees, I urge the Power Authority and the Governor to approve the proposed contract extensions. Thank you.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Thank you. Next we have Greg Biryla on behalf of Assemblyman Jack Quinn.

GREG BIRYLA: Thank you. I would like to also just restate what everyone is saying. On behalf of Assemblyman Jack Quinn, I support the extension of current contracts and cheap and accessible hydropower in Western New York. And it is absolutely critical to the sustainability of the area, particularly the manufacturing sector, especially in southern Erie County, which Jack represents the Ford Stamping Plant, which is a large manufacturing facility, and many others like it,

that absolutely rely on these contracts being extended.

I urge NYPA and the Governor to do so on behalf of Assemblyman Quinn.

KAREN DELINCE: Thank you, Mr. Biryla. Is there anyone else present who would like to make an oral statement?

HADLEY HORRIGAN: My name is Hadley Horrigan. I am Vice President of Buffalo Niagara Partnership.

Low-cost power, and specifically Replacement Power and Expansion Power, is an absolutely critical tool in our region's economic development toolbox. It is also a precious asset that must be invested wisely and put to its highest and best use. I thank you on behalf of the Buffalo Niagara Partnership's twenty-five hundred local employers of more than two hundred thousand people, for taking comments today and carefully considering the extension of RP and EP contracts.

Nearly thirty thousand jobs depend on the RP and EP contracts NYPA has with companies in our region. Many of these companies, which are located in Niagara, Erie, Orleans and Chautauqua counties, have employed generations of workers in

Buffalo Niagara, and are major investors in the communities in which they reside. Their contribution to our region is tangible, significant, and in a number of cases, irreplaceable.

RP and EP is vital to the economy of Buffalo Niagara, and the whole of New York State, for that matter. That is why it is important that the NYPA Board of Trustees value not only job creation when considering contracts, but must weigh other important factors, such as the company's role in the local and statewide supply chain, and the job retention supported by that supply chain.

Simultaneously, the NYPA Board must take into consideration that RP and EP, when available, that is, when allocated, is an unmatched business attraction, expansion and retention tool for companies not already in the program. This must be balanced carefully with the existing companies and existing jobs the power supports.

We believe that the most objective way to do this is to evaluate each contract individually, using criteria recommended by the 2006 Temporary Commission on the Future of New York Power Programs, which includes: contribution of competitively-priced power to firm's viability, job

attraction and retention, total payroll, capital investment, energy efficiency, New York State net economic impact, significance to local/regional economy, including the role in supply chain and regional economic vitality relative to New York State.

If that criteria is applied consistently, we believe existing RP and EP recipients will obtain allocation amounts that address their needs and recognize their critical contribution to the local economy. It could also yield, when appropriate and if the criteria dictates, some hydropower for the attraction, expansion and retention of other firms.

It's a tightrope walk to be sure, balancing jobs-in-hand with a strategic focus on our region's future economy, a desire to attract green jobs, clean up brownfields, and set the foundation for sustainable employment for generations to come.

Let me be very clear, the Partnership believes the vast majority, if not all, of those companies currently receiving RP and EP can be part of that sustainable employment base for future generations, and thus, should continue to receive allocations.

We are asking the NYPA Board, however, to apply consistent criteria to all contracts to ensure that each kilowatt hour of hydropower is used to its full advantage. And we want the Trustees to understand that should NYPA's review of contracts yield some amount, no matter how small, of hydropower, it must stay within the thirty mile radius of the Niagara Power Project, and will be put to good use.

You may recall that one megawatt helped close the Geico deal here.

Currently, the Buffalo Niagara Enterprise, our sister organization, which focuses on business attraction, has eleven active projects. These are good projects with real interest in our region, that come from the renewable energy industry, other advanced manufacturing sectors and that include brownfield cleanups and strong job creation as part of their plans. Together these projects represent potential private sector investments of up to seven hundred million dollars here, and the creation of nearly twenty-two hundred new jobs. To land these projects, we, as a region, currently have approximately thirty megawatts of RP and EP available, while the projects would likely

require total allocations closer to a hundred forty-five megawatts. I am not suggesting our region will land all of these projects, I provide them to offer a sense of scale.

And while I have NYPA's ear, I always have to state for the record that Buffalo Niagara must continue to receive its full amount of EP and RP, as originally intended by Congress.

Moreover, I want to urge the Board of Trustees to support a piece of legislation that passed the assembly and senate this session, which would allow our region to get more out of our regional asset of Replacement and Expansion Power by keeping proceeds here.

Thank you for your attention and the opportunity to speak.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Thank you. Is there anyone else here who would like to make an oral statement? There being no one else present at this time who would like to make an oral statement, I declare the hearing officially adjourned until seven this evening.

Please remember that the record of the hearing will remain open until tomorrow, Friday,

July 16th at five P.M. for submissions of written statements. Thank you.

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POWER AUTHORITY OF THE STATE OF NEW YORK

PUBLIC HEARING

Thursday, July 15, 2010 - 7:00 P.M.

Niagara Power Project
Lewiston, New York

CONTRACTS FOR SALE OF HYDROPOWER TO 106 WESTERN NEW YORK BUSINESSES

Public Hearing held at the Niagara Power Project, Community Room, Lewiston, New York, on July 15, 2010 commencing at 7:00 P.M.

REPORTED BY: BUYERS & KACZOR REPORTING SERVICES,
BY: MICHELLE R. KWIATEK,
1400 Rand Building,
Buffalo, New York 14203.
(716) 852-2223.

BEFORE: POWER AUTHORITY OF THE STATE OF NEW YORK,
Karen Delince, Corporate Secretary,
123 Main Street,
White Plains, New York 10601.

Also Present: James Pasquale,
Senior Vice President for Marketing and Economic Development at the New York Power Authority.

Mary Jean Frank,
Associate Corporate Secretary.

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KAREN DELINCE: Good evening. My name is Karen Delince, and I am the Corporate Secretary of the New York Power Authority.

This public hearing is being conducted by the Authority to provide an overview and receive public comment on proposed contracts with 106 businesses located within thirty miles of the Niagara Power Project and in Chautauqua County for the sale of five hundred seventy-five thousand one hundred seventy-two kilowatts of Replacement Power and Expansion Power.

Pursuant to Section 1009, sub 1, of the Public Authorities Law, notice of this hearing was published once a week for the four weeks leading up to the hearing in the following nine newspapers: the Niagara Gazette, the Buffalo News, Buffalo Business First, the Lewiston Porter Sentinel, the Dunkirk Observer, the East Aurora Bee, the Orchard Park Bee, the Albany Times Union and Newsday.

During the thirty-day period prior to today's hearing, copies of the proposed contract and service tariff have been available for inspection at the Authority's office in White Plains, as well as on the Authority's Web site.

Also pursuant to Section 1009, sub 1, of the Public Authorities Law, notice of this hearing and copies of the proposed contract and service tariff were sent to the following elected officials: Governor David Paterson, President Pro Tem of New York State Senate, Malcolm Smith; Speaker of the Assembly, Sheldon Silver; Chairman of the Senate Finance Committee, Carl Kruger; Chairman of the Assembly Ways and Means Committee, Herman Farrell; Senate Minority Leader, Dean Skelos and Assembly Minority Leader, Brian Kolb.

If you plan to make an oral statement at this hearing, please be sure to sign in at the door.

We ask that you give copies of your written statement to the reporter and Ms. Frank at the table. Your written statement may be whatever length you'd like, and it will appear in the record of the hearing in addition to your oral remarks.

Deadlines for submissions will be tomorrow, Friday, July 16th, 2010 at five P.M. So if you have any additional statements, please submit it by then. These additional submissions should be addressed to the New York Power Authority's

Corporate Secretary at 123 Main Street, 11-P, White Plains, New York 10601; or may be faxed to (914)390-8040; or e-mailed to secretarys.office@nypa.gov.

If you have any additional questions, please see Ms. Frank or Ms. Graves by the door.

The Authority's Trustees will review a complete transcript of the hearing, along with all written submissions. The transcript will also be made available for review at the Authority's office in White Plains, or on our Web site, www.nypa.gov.

At this point, I will turn this over to James Pasquale, the Senior Vice President for Marketing and Economic Development at the New York Power Authority. He will provide additional details on the proposed contracts. After Mr. Pasquale's statement, I will then call on speakers one by one. Go ahead.

JAMES PASQUALE: Good evening. My name is James Pasquale. I am the Senior Vice President for Marketing and Economic Development at the New York Power Authority. I am here today to present an overview of a proposed contract with 106 businesses located within thirty miles of the

Niagara Power Project, and in Chautauqua County for the sale of five hundred seventy-five thousand one hundred seventy-two kilowatts of Authority Replacement and Expansion Power.

Under Public Authorities Law Section 1005, subsection 13, the Authority may allocate, directly or by sale for resale, two hundred fifty megawatts of firm hydroelectric power as Expansion Power and four hundred forty-five megawatts of firm hydroelectric power as Replacement Power to businesses located within thirty miles of the Niagara Power Project, provided that the amount of Expansion Power allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county. Currently, the majority of existing Replacement Power and Expansion Power allocations will expire in the 2012-2013 time frame.

An initiative to provide hydropower contract extensions for Western New York businesses began in early 2009 in response to customers' recurring requests for long-term supply commitments beyond the current terms of their contracts. The initiative culminated in the development of a contract extension offer by the

Authority to provide a long-term supply commitment to facilitate the customers' long-term planning and investment strategies for their Western New York facilities.

Authority staff evaluated all existing Replacement Power and Expansion Power contract allocations with the intent of offering customers extended terms of service beyond their current expiration dates. The Authority, with the assistance of the Empire State Development Corporation, developed a Hydropower Contract Extension Request Form, through which it solicited information from each customer regarding jobs, wages and benefits, current and future capital investment plans, contracts with New York State vendors, and other relevant considerations. All customers were required to complete the request form in order to be considered for a contract extension. ESD's Cost Benefits Model was used as one component of the evaluation process. Authority staff also used the Center for Governmental Research as a consultant to assist with the evaluation.

Authority staff's evaluation focused on three general criteria: jobs, public benefit and private benefit. Within each general

criterion, there were several specific measures, such as jobs per megawatt allocated, net public benefit per job, and the importance of power to a company's decision to be located in Western New York. Authority staff used ESD's model outputs and CGR's expertise to develop a weighted ranking method across measures. The results showed that the customers, which represent a diverse spectrum of industries, bring valuable benefits to New York State in return for the hydropower allocations.

Two of the major features of the proposed contract extensions are the additional commitments and enhanced compliance criteria. For the first time, the proposed agreements include annual capital investment commitments during the life of the contract. Specifically, customers will commit to investing at least ninety percent of a historic average capital spending amount each year to ensure they are investing in their Western New York facilities. Also, the job commitment threshold will be standardized to ninety percent of base employment levels for all allocations, from eighty percent for certain older allocations. The Authority will continue to have the right to reduce or terminate a customer's allocation if a customer's

job commitment, power utilization and annual capital investment criteria are not met. Lastly, the agreements require the customers to undergo energy-efficiency audits on a periodic basis.

Authority staff sent the proposed contract extensions to each customer for their review in March. The customers were also provided with, and asked to sign, a letter of acknowledgment, indicating that they agree and understand: one, the rates, terms and conditions of the contract extensions; two, the contracts are subject to NYPA's statutory public hearing process; and three, the customers will execute a contract extension in substantially similar form at the conclusion of the public hearing process and upon final approval by the Governor.

Of the hundred eight customers that were offered an extension, a hundred six customers have signed the letter of acknowledgment. The two customers that did not sign the letter have decided for various business reasons not to accept the extension offer, and their allocations will expire on their original expiration dates.

Authority staff proposes that one hundred eighty-five allocations be extended,

comprising eighty-five expansion allocations totalling two hundred five thousand seven hundred seventy-five kilowatts, and one hundred Replacement Power allocations totalling three hundred sixty-nine thousand three hundred ninety-seven kilowatts. Because some customers have multiple allocations, the Authority's contract extension offer will be made to a hundred six customers. Of these hundred six customers, a hundred four customers have been offered an extension of seven years. Two customers have been offered an extension of fifteen years, in light of their commitment to make extraordinary additional capital investments in their Western New York facilities.

In total, the customers agreeing to accept the Authority's contract extension have committed to retain and/or create twenty-eight thousand four hundred seventy-two jobs in the State of New York. As noted earlier, the contract requires that customers meet a historic baseline of capital investment spending that will ensure they are doing what is necessary to improve and maintain their facilities in New York State from 2013 through the extension period. Under this new capital expenditure commitment, customers have agreed to

spend approximately one hundred fifty million dollars on ongoing capital investments each year. Prior to this contract extension, the commitment to capital investment was only necessary when the allocation was first awarded. This new capital investment commitment, along with job commitments, provides a major benefit to New York State in return for the hydropower.

The contracts are subject to a public hearing and approval by the Governor, as set forth in 1009 of the Public Authorities Law.

As Ms. Delince stated earlier, the Power Authority will accept your comments on the proposed contracts until the close of business tomorrow, Friday, July 16th, 2010. I will now turn the forum back over to Ms. Delince.

KAREN DELINCE: Thank you, Mr. Pasquale. I will now call those who wish to give an oral statement. When I say your name, please come up to the podium. Prior to making your statement, please state your complete name, title, and the company you represent for the record.

We are starting with Mark Rathke.

MARK RATHKE: Good evening. I am Mark Rathke, Facilities Manager of the Lockport

Operations for the GM Components Holdings, LLC site here in Lockport, New York. I am pleased to be able to provide this statement of support for the NYPA contract extensions, which will continue to provide the low-cost hydropower allocations for us, as well as the other one hundred plus NYPA industrial customers in Western New York.

As background of our company, GM Components Holdings, LLC began as Harrison Radiator in 1910. We are celebrating our one hundred year anniversary this year in Western New York. We became part of General Motors in 1918, and remained with GM, and have produced automotive components to 1999. At that time, our division became part of Delphi Automotive Systems that spun off from General Motors.

Unfortunately, in October of 2005, due to several economic factors, Delphi filed for bankruptcy. As part of the emergence from bankruptcy, all of the Lockport site was sold back to General Motors, and the manufacturing portion became General Motors Components Holdings, LLC on October 6, 2009. The Lockport Technical Center portion of the site has remained with Delphi. The current Lockport site is presently three point two

million square feet of manufacturing space. We are the largest manufacturing site and the largest private employer in Niagara County.

GMCH Lockport site produces automotive components which are divided into two major product groups: power train cooling, which includes aluminum radiators, oil coolers and air conditioning condensers. The other major group is climate control: heating ventilating air conditioning products, which include HVAC module assemblies, heater cores and evaporators.

GMCH provides very good high-paying manufacturing, skilled trades and salaried positions. The local and state economic impact is significant with the purchasing power of employee payrolls, property taxes, local direct raw material supplier purchases, indirect materials suppliers, OEM sub-component parts, utilities, and supporting education and charities in our area.

Job retention and the site's long-term viability have been the major focus for GMCH. Low-cost NYPA power is one of the greatest single assets and economic benefits that keep businesses like us in New York State. In fact, it was one of the major factors in the consideration to have

Lockport be one of the eight keep sites of the forty-five U.S. plants during the Delphi bankruptcy.

In 2006, we were successful to receive an additional NYPA allocation using the Business Revitalization Plan criteria. This NYPA allocation, and our commitment to meet and beat our plan, have resulted in our continued presence in Western New York, with plans for a viable future. I am happy to say that this year we are doing very well, and we have been positive every month in our cash flow.

Capital reinvestment is also vital to remain competitive; forecasted project planning typically look out five years to determine the best use of capital funds. Automotive component contracts duration is typically the life of the vehicle model, usually four to seven years. Having a stable and reliable low-cost electrical NYPA contract that is provided by the contract extension, in our case to 2020, is very important when funds and new car component contracts are considered for our plant.

GMCH manufacturing has made many productivity and technological advances in recent years, and the world-class products manufactured are

energy intensive to produce. The long-term, low-cost electrical power is vital to produce products to beat our competition. Energy conservation, monitoring and equipment uptime scheduling are also major components of our business plan. New and innovative costs saving initiatives to reduce energy to produce our products and heat our plants have seen major reductions over the past four years. Low-cost electricity gives us many options that could not be considered without this economic advantage.

In summary, we are very grateful for the ability to apply and be awarded our current NYPA allocations. Since the 1960s, NYPA and its power allocations have supported our efforts to provide good-paying jobs for Western New York. We fully endorse the NYPA contract extension process, and thank NYPA for helping GMCH continue to have a positive impact on Western New York. Thank you.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Thank you, Mr. Rathke. We have Kathy Russell.

KATHY RUSSELL: I'm Kathy Russell, and I'm here today in support of Olin Corporation. I am speaking on behalf of the Echota

West Block Club, the Block Club Council, and the Citizen Advisory Panel for Olin Corporation.

Our community is in full support of Olin Corporation. They are a model business in Niagara Falls, and have been for over a hundred years. In these hard times, we need to do everything in our power to keep businesses here and attract more businesses like Olin. Low-cost hydropower helps these businesses compete, and gives them a reason to stay in New York. Olin employs over a hundred seventy people and contracts others, supporting many area businesses.

In recent years, they have made vast improvements to their property and are a prime example of environmental safety with recycling wastewater steam and continuous air quality monitoring. They are very safety conscious, and have many programs in place throughout their production and delivery process to ensure not only their employees safety, but the environment as well.

They are very involved in our community, supporting local schools and science programs. They are active in the United Way, P.A.L.S., Community Missions, the Red Cross, and they have joined us with Niagara Beautification,

supporting citywide clean-up and have started their own clean-up around the facility.

Through Olin's Citizens Advisory Panel, they have established open and honest communications with area residents and businesses. They are receptive to the communitys concerns and comments. They have worked hard for almost twenty years to foster and maintain these open lines of communication, and have become a good neighbor to us all. Thank you.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Thank you, Ms. Russell. Next, we have John Stevens.

JOHN STEVENS: Good evening. My name is John Stevens. I am Director of Energy Management for Praxair, Incorporated. Praxair is a Fortune 300 company, and one of the world's largest producers of industrial gases. We have operations in more than thirty countries and some twenty-seven thousand employees worldwide.

Our products and technologies bring efficiency and environmental benefits to a wide range of industries, from steel making and semiconductors, to health care and food processing, and many more in between.

We have been operating in Buffalo and Western New York since 1907, and for well over a half a century, our flagship engineering and research & development center has been in Tonawanda, where we employ over eleven hundred scientists, engineers and other highly-trained and highly-paid personnel.

Our team of professionals handles project design, engineering and construction support for new production facilities around the world. They also develop new technologies that our customers use to improve the efficiency, quality and environmental performance of their own processes.

Since electricity is the major cost factor in our energy-intensive business, we manage its consumption rigorously. Every year we invest more than fifty million dollars in upgrading our equipment and processes. Since 2006, we have achieved a thirty percent productivity improvement in our oxygen plant designs. Our Six Sigma teams worldwide help us continuously improve energy efficiency and productivity year after year in virtually every aspect of our business.

Our employees are enthusiastic volunteers in the local community. I have been a

resident of Western New York for eight years. I have coached baseball and basketball for the past six years. Praxair donates about three hundred thousand dollars a year to nonprofit organizations in the area, such as United Way, Roswell Park Cancer Institute, American Red Cross, the Family Justice Center, and many others.

I want to see these community-minded employees and high-paying jobs stay here in Tonawanda. Hydropower plays an important role in retaining these high-paying jobs. Praxair came to Western New York because of hydropower, and we remain here because of hydropower. So it's vitally important to Praxair that the contract extensions be approved. Thank you.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Thank you, Mr. Stevens. Next, is Jack Pederson.

JACK PEDERSON: Good evening. I am Jack Pederson, and I am the Area Manager for Linde, LLC's facility here in Buffalo, New York. With me is Michael Wach, who is the President and Business Agent representing the International Brotherhood of Teamsters Local 375; Colin Mieth, who is a Plant Technician for Linde, LLC and a member

of the International Brotherhood of Teamsters Local 375, and Chuck Williams, who is a Distribution Driver for Linde, LLC and Union Steward. Colin Mieth is a production technician, and Steven Schultz, he is also a production technician, all from our plant here at Linde. We are here today to demonstrate support for the proposed contract extension applications for Replacement and Expansion Power contracts before your board of trustees.

Linde, LLC, formally BOC Gases, and Airco, have been in business in the Western New York area since 1964. Since that time, we have been providing the Greater Buffalo area with high paying jobs in the manufacturing and delivery of industrial and medical gases. The Buffalo facility manufactures liquid nitrogen, oxygen and argon. These gases are used in many industries, and have many applications that range from food freezing to inerting processes, and green industries, such as solar and hydrogen fuel cell technologies.

The Linde, LLC Buffalo location also leads in protecting our customers and the environment by being ISO 9001 certified, and receiving the Responsible Care accreditation by the American Chemistry Council.

Some of the Western New York businesses that we serve are Honeywell, Rosina Foods, IMA Life, Greatbatch, MOOG, Corning, Sorrento Lactalis, and several hospitals. Many of these customers also benefit from Replacement and Expansion Power, and by working together we provide quality goods right here, and benefit the region.

Our facility employs forty personnel, but we also employ several vendors, and contribute to the economic success to business in the region. Mechanical, electrical, heating ventilation and air conditioning, uniform services, fuel, paving and landscaping companies all benefit from contracts with our facility. Small businesses, such as facility cleaning, bottled water delivery, and local restaurants profit from business with our location.

Linde, LLC's facility, as well as the other Replacement and Expansion Power customers makes important contributions to the local economy and the quality of life in the region. But the NYPA hydropower is necessary for the plant to continue to be competitive in a regional economy. The Linde, LLC facility needs a long-term supply of low-cost hydropower. The proposed contract extensions, which

would make the hydropower available to Linde, LLC until 2020, are of critical importance to the plant due to electricity making up sixty and seventy percent of the cost of the air separation process. The contract extensions make it possible for Linde to commit to continued investment in the plant, to make it a vibrant and viable business in Western New York.

In closing, we encourage the board of trustees and the Governor to approve the Replacement and Expansion Power contracts before them due to the overall economic and employment benefit that they provide to the region, and ultimately, almost every consumer that purchases products from each of our fellow companies.

Thank you for your time and attention.

JAMES PASQUALE: Thank you.

KAREN DELINCE: Thank you.

MICHAEL WACH: My name is Michael Wach, and I am the President and business agent of Teamsters Local 375.

I'm just here to speak quickly to support this employer. They employ about thirty of our members in production, driving and mechanics.

Currently, every one of them are employed, nobody is laid off. We are hoping they expand more.

These are good-paying jobs with benefits. They are people working, and they are members of our local that can support their families on these jobs, and we hope they expand further.

Chuck Williams, who is the union steward for the drivers, he will speak quickly. Thank you.

CHUCK WILLIAMS: Chuck Williams, I'm with Linde Gases and Local 375.

I would just like to say that the company and the union work hard together. I have been with BOC Gases, Airco and Linde for twenty-seven years. I believe we are one of the better-paying jobs in Western New York. They employ forty people. We live on the better end, and I hope it continues. Thank you.

KAREN DELINCE: Thank you. Is there anyone else present who would like to make an oral presentation? Well, we will remain here until nine o'clock in case anybody else would like to speak.

(Off the record until 9:00.)

KAREN DELINCE: There being no

one present at this time who would like to make an oral statement, I declare this hearing officially closed.

* * * *

f. Hydropower Contracts with Upstate Investor-Owned Utilities for the Benefit of Rural and Domestic Consumers – Notice of Public Hearing

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize two public hearings, pursuant to Section 1009 of the Public Authorities Law, on contract extensions for sale to National Grid (formerly Niagara Mohawk Power Corporation), New York State Electric and Gas Corporation ('NYSEG') and Rochester Gas and Electric Corporation ('RGE') (hereinafter referred to collectively as the 'Utilities') of up to a total of 455 MW of firm and 360 MW of firm peaking hydropower currently being sold to the Utilities for the benefit of rural and domestic consumers. The proposed contract extensions are attached as Exhibit '1f-A' (National Grid), Exhibit '1f-B' (NYSEG) and Exhibit '1f-C' (RGE).

BACKGROUND

"The Utilities received a total of 553 MW of firm power from the St. Lawrence/FDR and Niagara Power Projects and 360 MW of firm peaking hydropower from the Niagara Project for the benefit of rural and domestic consumers under contracts signed in 1990 that expired on August 31, 2007 (the 'Hydro Contracts'). At their meeting of July 31, 2007, the Trustees approved an extension of the Hydro Contracts (the '2007 Contract Extensions'). The 2007 Contract Extensions reflected a reduction in the amount of firm hydropower to be sold to the Utilities from 553 MW to 455 MW. The allocations of firm peaking hydropower remained unchanged. The power is purchased at the cost-based hydropower rate and the benefits are passed on to the Utilities' residential and small farm customers (the rural and domestic, or 'R&D,' customers) without markup under Public Service Commission tariffs. The 2007 Contract Extensions expired on June 30, 2008.

"At their meeting of June 24, 2008, the Trustees approved an extension of the 2007 Contract Extensions (the '2008 Contract Extensions'). The 2008 Contract Extensions continued the sale of firm and firm peaking hydropower to the Utilities in the amounts approved by the Trustees at their meeting of July 31, 2007: a total of 455 MW of firm and 360 MW of firm peaking. The 2008 Contract Extensions expired on December 31, 2009.

"At their meeting of July 28, 2009, the Trustees approved an extension of the 2008 Contract Extensions (the '2009 Contract Extensions'). The 2009 Contract Extensions continue the sale of firm and firm peaking hydropower to the Utilities in the same amounts approved in the respective 2007 and 2008 extensions a total of 455 MW firm and 360 MW firm peaking. The 2009 Contract Extensions have a term of 12 months to December 31, 2010, subject to earlier termination by the Authority on 30 days' advance written notice.

"Chapter 59 of the Laws of 2006 (Part U) authorized the creation by the Governor of a 'Temporary State Commission on the Future of New York State Power Programs for Economic Development' ('Commission'). The charge to the Commission was to recommend to the Governor and the Legislature on or before December 1, 2006 'whether to continue, modify, expand or replace the state's economic development power programs, including but not limited to the power for jobs program and the energy cost savings benefit program...'

"On December 1, 2006, the Commission issued its report, which included an array of findings and recommendations. A key recommendation of the report was that, among other things, hydropower now sold to the Utilities be 'redeployed' for economic development purposes.

DISCUSSION

"Since the 2009 Contract Extensions are scheduled to expire December 31, 2010, new Contract Extensions with the Utilities are necessary so that the benefits of low-cost hydropower can continue to flow to the Utilities' R&D customers until such time as new legislation is enacted that redeploys this hydropower for other purposes. Should the Governor reject the Contract Extensions, the current contracts will expire on December 31, 2010.

"The 2010 Contract Extensions would continue the sale of firm and firm peaking hydropower to the Utilities in the amounts approved by the Trustees at their July 28, 2009 meeting. Specifically, for National Grid, 189 MW of firm and 175 MW of firm peaking, for NYSEG, 167 MW of firm and 150 MW of firm peaking and for RGE, 99 MW of firm and 35 MW of firm peaking. The 2010 Contract Extensions would have a term of 12 months to December 31, 2011, subject to earlier termination by the Authority on 30 days' advance written notice.

"In addition to the termination provision specified above, the Authority may reduce or terminate service if it is determined to be necessary to comply with any ruling, order or decision by a regulatory or judicial body or the Trustees relating to hydropower and energy allocated under the proposed contracts.

FISCAL INFORMATION

"The 2010 Contract Extensions provide that the Utilities continue to pay for hydropower at the same rates they are currently charged, that is, determined in accordance with the ratemaking principles incorporated in the Auer Settlement and subsequent rate settlements. Accordingly, no fiscal impact is associated with this contract extension.

RECOMMENDATION

"The Director – Marketing Analysis and Administration recommends that the Trustees authorize two public hearings on the 2010 Contract Extensions with National Grid (formerly Niagara Mohawk Power Corporation), New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation to be held at the Power Vista Visitors' Center at the Niagara Power Project on Wednesday, November 3, 2010 from 3:00 p.m. to 7:00 p.m; and at Syracuse City Hall on Thursday, November 4, 2010 from 3:00 p.m. to 7:00 p.m, or at such other place and time designated 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 Executive Vice President and Chief Financial Officer, the Senior Vice President – Marketing and Economic Development and I concur in the recommendation."

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

> **RESOLVED, That the Trustees hereby authorize two public hearings on the terms of the contract extensions for the sale of hydroelectric power and energy generated by the Authority for sale to National Grid, New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation to be held at the Power Vista Visitors' Center at the Niagara Power Project on Wednesday, November 3, 2010 from 3:00 p.m. to 7:00 p.m.; and at Syracuse City Hall on Thursday, November 4, 2010 from 3:00 p.m. to 7:00 p.m., or such other place determined by the Chairman; and be it further**
>
> **RESOLVED, That the Corporate Secretary be, and hereby is, authorized to transmit copies of the contract extensions to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, 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 the contract extensions with National Grid, New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the Vice 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, 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.

Exhibit "1f-A"
September 28, 2010

2010 Amendment to and Extension of Service Agreement of Niagara Mohawk Power Corporation under Service Tariff No. 41 and Service Tariff No. 42

Niagara Mohawk Power Corporation, d/b/a National Grid ("Company") and the New York Power Authority ("Authority") are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority's Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the "Service Agreement under ST No. 41 and ST No. 42"). Company and Authority have previously extended the Service Agreement under ST No. 41 and ST No. 42 to June 30, 2008 by letter agreement dated August 30, 2007 (the "2007 Amendment").

Company and Authority agree to terminate the 2007 Amendment effective July 1, 2008, and further extend and modify certain terms of the Company's Service Agreement under ST No. 41 and ST No. 42 as follows:

1) The amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 will be reduced from 230 MW to 189 MW. The Firm Peaking Power allocation of 175 MW under Service Tariff No. 42 will remain unchanged.

2) Article E – Rates. The current text is deleted in its entirety and is replaced with the following text.

   "The rates charged by the Authority under this Agreement shall be established in accordance with this Article.

   The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on April 24, 2007, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on April 24, 2007, except as otherwise provided for below.

   Company waives any challenges to any of the following methodologies and principles used by the Authority to set future preference power rates, numbers (ii) through (vii) as set forth in the "January 2003 Report on Hydroelectric Production Rates" 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.

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Company 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.'

3) Article F – Transmission. The current text is deleted in its entirety and is replaced with the following text.

"In accordance with the terms of the existing transmission service agreement, which by its terms will expire on August 31, 2007, Company will cease taking transmission service from Authority and will instead take transmission service under the New York Independent System Operator's ("NYISO") Open Access Transmission Tariff. Company agrees to settle any outstanding transmission charges that may apply prior to September 1, 2007 including any subsequent NYISO true up settlements."

4) Article G – Notification. In the contact address for Authority replace "10 Columbus Circle, New York, NY 10019" with 123 Main Street, White Plains, NY 10601".

5) Article K - Restoration of Withdrawn Power and/or Energy is deleted in its entirety.

6) Article L – Term of Service, is revised to read as follows:

"Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the "Withdrawals of Power and/or Energy" or the "Cancellation or Reduction" provisions until December 31, 2011, subject to earlier termination by the Authority with respect

to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days' prior written notice to Company."

7) Article M – Availability of Energy – Firm and Firm Peaking Hydroelectric Power Service. In the third paragraph, line 1, starting with the words "In the event that . . " through ". . . minimize the impact of such reductions." on line 10, replace with the following:

   "The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Company under Service Tariffs Nos. 41 and 42 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. In the event that hydrologic conditions require the Authority to reduce the amount of energy provided to Company, reductions as a percentage of the otherwise required energy deliveries will be the same for all firm Niagara and St. Lawrence-FDR Project customers. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Company 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 Company. The Authority shall provide reasonable notice to Company 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."

8) This amendment shall be referred to as the "2010 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42".

9) Continuation of service under this 2010 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42 shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act. If the Governor does not approve this amendment, service will cease on the last day of the month following the month during which the Governor disapproved these Contract Extensions.

Except as expressly provided in this 2010 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42, the Service Agreement under ST No. 41 and ST No. 42 shall remain unchanged and in full force and effect.

This 2010 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42 shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2010 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42 may be signed in any number of counterparts, each of which shall be an original,

with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law, and upon execution by the Chairman of the Authority, this 2010 Amendment shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2010 Amendment shall take effect upon the expiration of the 2009 Amendment and continue on a month to month basis.

If the foregoing changes are acceptable to your organization, please so indicate by executing both copies of this amendment and returning them to us.

AGREED:

Niagara Mohawk Power Corporation d/b/a National Grid

By: _____

Title: _____

Date: _____

Power Authority of the State of New York

By: _____

Richard M. Kessel
President and Chief Executive Officer

Date: _____

ACCEPTED:

By: _____

Michael J. Townsend
Chairman

Date: _____

Exhibit "1f-B"
September 28, 2010

2010 Amendment to 1990 Hydropower Contract

New York State Electric & Gas Corporation ("Company") and the New York Power Authority ("Authority") are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority's Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the "1990 Hydropower Contract'). Company and Authority have previously extended the 1990 Hydropower Contract to June 30, 2008 by letter agreement dated August 29, 2007 (the "2007 Amendment").

Authority, Rochester Gas and Electric Corporation ("RGE") and Company are also parties to a letter agreement dated February 14, 2008 ("February 14, 2008 Letter Agreement"). The February 14, 2008 Letter Agreement modified Article D – Regulation of Rates and Charges as it pertained to the calculation of the monthly savings realized by the customers of Company and RGE from the purchase of Authority hydropower.

Company and Authority agree to terminate the 2007 Amendment effective July 1, 2008, and further extend and modify certain terms of 1990 Hydropower Contract as follows:

1) The amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 will be reduced from 203 MW to 167 MW. The Firm Peaking Power allocation of 150 MW under Service Tariff No. 42 will remain unchanged.

2) Article E – Rates. The current text is deleted in its entirety and is replaced with the following text.

   "The rates charged by the Authority under this Agreement shall be established in accordance with this Article.

   The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on April 24, 2007, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on April 24, 2007, except as otherwise provided for below.

   Company waives any challenges to any of the following methodologies and principles used by the Authority to set future preference power rates, numbers (ii) through (vii) as set forth in the "January 2003 Report on Hydroelectric Production Rates" 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.

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Company 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.'

3) Article F – Transmission. The current text is deleted in its entirety and is replaced with the following text.

"In accordance with the terms of the existing transmission service agreement, which by its terms will expire on August 31, 2007, Company will cease taking transmission service from Authority and will instead take transmission service under the New York Independent System Operator's ("NYISO") Open Access Transmission Tariff. Company agrees to settle any outstanding transmission charges that may apply prior to September 1, 2007 including any subsequent NYISO true up settlements."

4) Article G – Notification. In the contact address for Authority replace "10 Columbus Circle, New York, NY 10019" with 123 Main Street, White Plains, NY 10601". In the contact address for Company, first and second lines, replace "Senior Vice President Electric System Operations and Engineering" with, "Dave Kimiecik, Vice President, Energy Supply". On lines four and five, replace "4500 Vestal Parkway, Binghamton, New York, 13903" with "18 Link Drive, P.O. Box 5224, Binghamton, New York 13902-5224".

5) Article K - Restoration of Withdrawn Power and/or Energy is deleted in its entirety.

6) Article L – Term of Service, is revised to read as follows:

> ”Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the “Withdrawals of Power and/or Energy” or the “Cancellation or Reduction” provisions until December 31, 2011, subject to earlier termination by the Authority with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days’ prior written notice to Company.”

7) Article M – Availability of Energy – Firm and Firm Peaking Hydroelectric Power Service. In the third paragraph, line 1, starting with the words ”In the event that . . “ through “. . . minimize the impact of such reductions.” on line 10, replace with the following:

> “The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Company under Service Tariffs Nos. 41 and 42 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. In the event that hydrologic conditions require the Authority to reduce the amount of energy provided to Company, reductions as a percentage of the otherwise required energy deliveries will be the same for all firm Niagara and St. Lawrence-FDR Project customers. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Company 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 Company. The Authority shall provide reasonable notice to Company 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.”

8) This amendment shall be referred to as the “2010 Amendment to the 1990 Hydropower Contract”.

9) Continuation of service under this 2010 Amendment to the 1990 Hydropower Contract shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act. If the Governor does not approve this amendment, service will cease on the last day of the month following the month during which the Governor disapproved these Contract Extensions.

Except as expressly provided in this 2010 Amendment to the 1990 Hydropower Contract, the 1990 Hydropower Contract as modified by the February 14, 2008 Letter Agreement shall remain unchanged and in full force and effect.

This 2010 Amendment to the 1990 Hydropower Contract shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2010 Amendment to the 1990 Hydropower Contract may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law, and upon execution by the Chairman of the Authority, this 2010 Amendment shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2010 Amendment shall take effect upon the expiration of the 2009 Amendment and continue on a month to month basis.

If the foregoing changes are acceptable to your organization, please so indicate by executing both copies of this amendment and returning them to us.

AGREED:

New York State Electric & Gas Corporation

By: _____

Title: _____

Date: _____

Power Authority of the State of New York

By: _____
Richard M. Kessel
President and Chief Executive Officer

Date: _____

ACCEPTED:

By: _____
Michael J. Townsend
Chairman

Date: _____

Exhibit "1f-C"
September 28, 2010

2010 Amendment to 1990 Hydropower Contract

Rochester Gas and Electric Corporation ("Company") and the New York Power Authority ("Authority") are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority's Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the "1990 Hydropower Contract"). Company and Authority have previously extended the 1990 Hydropower Contract to June 30, 2008 by letter agreement dated August 29, 2007 (the "2007 Amendment").

Authority, New York State Electric & Gas Corporation ("NYSEG") and Company are also parties to a letter agreement dated February 14, 2008 ("February 14, 2008 Letter Agreement"). The February 14, 2008 Letter Agreement modified Article D – Regulation of Rates and Charges as it pertained to the calculation of the monthly savings realized by the customers of Company and NYSEG from the purchase of Authority hydropower.

Company and Authority agree to terminate the 2007 Amendment effective July 1, 2008, and further extend and modify certain terms of 1990 Hydropower Contract as follows:

1) The amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 will be reduced from 120 MW to 99 MW. The Firm Peaking Power allocation of 35 MW under Service Tariff No. 42 will remain unchanged.

2) Article E – Rates. The current text is deleted in its entirety and is replaced with the following text.

   "The rates charged by the Authority under this Agreement shall be established in accordance with this Article.

   The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on April 24, 2007, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on April 24, 2007, except as otherwise provided for below.

   Company waives any challenges to any of the following methodologies and principles used by the Authority to set future preference power rates, numbers (ii) through (vii) as set forth in the "January 2003 Report on Hydroelectric Production Rates" 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.

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Company 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.'

3) Article F – Transmission. The current text is deleted in its entirety and is replaced with the following text.

"In accordance with the terms of the existing transmission service agreement, which by its terms will expire on August 31, 2007, Company will cease taking transmission service from Authority and will instead take transmission service under the New York Independent System Operator's ("NYISO") Open Access Transmission Tariff. Company agrees to settle any outstanding transmission charges that may apply prior to September 1, 2007 including any subsequent NYISO true up settlements."

4) Article G – Notification. In the contact address for Authority replace "10 Columbus Circle, New York, NY 10019" with 123 Main Street, White Plains, NY 10601". For Company, delete the current reference in its entirety and replace with the following "Dave Kimiecik, Vice President, Energy Supply, New York State Electric & Gas Corporation, 18 Link Drive, P.O. Box 5224, Binghamton, New York 13902-5224".

5) Article K - Restoration of Withdrawn Power and/or Energy is deleted in its entirety.

6) Article L – Term of Service, is revised to read as follows:

> ”Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the “Withdrawals of Power and/or Energy” or the “Cancellation or Reduction” provisions until December 31, 2011, subject to earlier termination by the Authority with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days’ prior written notice to Company.”

7) Article M – Availability of Energy – Firm and Firm Peaking Hydroelectric Power Service. In the third paragraph, line 1, starting with the words ”In the event that . . “ through “. . . minimize the impact of such reductions.” on line 10, replace with the following:

> “The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Company under Service Tariffs Nos. 41 and 42 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. In the event that hydrologic conditions require the Authority to reduce the amount of energy provided to Company, reductions as a percentage of the otherwise required energy deliveries will be the same for all firm Niagara and St. Lawrence-FDR Project customers. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Company 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 Company. The Authority shall provide reasonable notice to Company 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.”

8) This amendment shall be referred to as the “2010 Amendment to the 1990 Hydropower Contract”.

9) Continuation of service under this 2010 Amendment to the 1990 Hydropower Contract shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act. If the Governor does not approve this amendment, service will cease on the last day of the month following the month during which the Governor disapproved these Contract Extensions.

Except as expressly provided in this 2010 Amendment to the 1990 Hydropower Contract, the 1990 Hydropower Contract as modified by the February 14, 2008 Letter Agreement shall remain unchanged and in full force and effect.

This 2010 Amendment to the 1990 Hydropower Contract shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2010 Amendment to the 1990 Hydropower Contract may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law, and upon execution by the Chairman of the Authority, this 2010 Amendment shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2010 Amendment shall take effect upon the expiration of the 2009 Amendment and continue on a month to month basis.

If the foregoing changes are acceptable to your organization, please so indicate by executing both copies of this amendment and returning them to us.

AGREED:

Rochester Gas and Electric Corporation

By: _____

Title: _____

Date: _____

Power Authority of the State of New York

By: _____

Richard M. Kessel
President and Chief Executive Officer

Date: _____

ACCEPTED:

By: _____

Michael J. Townsend
Chairman

Date: _____

g. Increase in New York City Governmental Customer Rates – Notice of Proposed Rulemaking

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize a Notice of Proposed Rulemaking ('NOPR') to increase the Fixed Cost component of the production rates by $1.3 million to be charged in 2011 to the New York City Governmental Customers ('Customers').

"In addition, the Trustees are requested to direct the Corporate Secretary to file the NOPR with the New York State Department of State for publication in the *New York State Register* in accordance with the requirements of the State Administrative Procedure Act ('SAPA').

BACKGROUND

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

"The LTAs separate all costs into two distinct categories: Fixed Costs and Variable Costs. Fixed Costs include Operation and Maintenance ('O&M'), Shared Services, Capital Cost, Other Expenses (*i.e.*, certain directly assignable costs) and a credit for investment and other income. Under the LTAs, the Authority must establish Fixed Costs based on Cost-of-Service ('COS') principles and make changes only under a rate case filing in accordance with SAPA requirements. In addition, the LTAs contemplate that year-to-year changes in Fixed Costs will be reviewed by the Customers in advance of the filing made under SAPA; Authority staff must consider the Customers' concerns before presenting any proposed changes to the Fixed Costs to the Trustees or issuing proposed changes for public comment.

"Also, pursuant to the LTAs, the Authority develops the Variable Costs on an annual basis. These costs are the costs the Authority expects to incur to serve the Customers in the upcoming Rate Year, specifically for fuel and purchased power, risk management, NYISO ancillary services and O&M reserve, less a credit for NYISO revenues from generation dedicated to these Customers. The Variable Costs are subject to the Customers' review and comment. The cost-recovery mechanisms for the upcoming year's Variable Costs are selected by the Customers from among the choices set forth in the LTAs. These cost-recovery mechanisms were previously approved by the Trustees and therefore are not a matter for the Trustees' approval.

"In the rate-setting process for the 2011 Rate Year, the Customers selected an 'Energy Charge Adjustment ('ECA') with Hedging' cost-recovery mechanism. Under this mechanism, all Variable Costs are passed on to the Customers (i.e., the charges for electric service during the Rate Year are subject to adjustment based on the difference between the Variable Costs actually incurred to serve the Customers and the Variable Costs recovered by the Authority under its tariffs in the Rate Year; costs associated with hedging instruments purchased for the purpose of reducing potential volatility are assigned to the base Variable Costs).

DISCUSSION

"Based on the Preliminary 2011 COS, a Fixed Costs increase of $1.3 million is proposed for the Customers. Collectively, the Fixed Costs are projected to be $161.8 million in 2011 versus $160.5 million in 2010. Contributors to the additional Fixed Costs are increases in O&M ($1.7 million), Capital Costs ($1.7 million) and Shared Services ($0.3 million) offset by a reduction in Other Expenses ($2.3 million). The $1.3 million represents an 0.8% increase.

The projected Variable Costs are expected to increase 8.5% from 2010 levels and are subject to change depending on the selected hedging strategies. The current estimate of the 2011 production rate, combining the Fixed and Variable Costs, is projected to increase by about 7.7%.

"Under the LTAs, any proposed increase in the Fixed Costs component of the Customers' production rates must be done in accordance with a SAPA proceeding. The Customers will have opportunity to file comments in accordance with SAPA after the issuance of the NOPR. After closure of the 45-day statutory comment period concerning the proposed rate action, Authority staff will take into consideration concerns that have been raised and will return to the Trustees at their meeting on December 13, 2010 to seek final adoption of the Fixed Costs rate. Subsequent to such final adoption, staff will incorporate the approved Fixed Costs and the final Variable Costs that are determined in the rate-setting process with the Customers into new production rates to become effective with the January 2011 billing cycle.

"All of the Customers would be subject to this proposed increase in the Fixed Costs component of their production rates. This proposed action does not affect Westchester County and other local governmental entities in Westchester County, which are the subject of a separate Trustees' action.

FISCAL INFORMATION

"The adoption of this proposal concerning the increase in Fixed Costs applicable to the Customers under the LTAs would result in the recovery of approximately $1.3 million in additional revenues to the Authority over current rates. These new revenues are necessary to offset corresponding projected increases in the costs of serving the Customers.

RECOMMENDATION

"The Director – Market Analysis and Administration recommends that the Trustees authorize the Corporate Secretary to file a Notice of Proposed Rulemaking in the *New York State Register* for the adoption of an increase in the Fixed Cost component of the production rates by $1.3 million to be charged in 2011 to the New York City Governmental Customers.

"It is also recommended that the Senior Vice President – Marketing and Economic Development, or his designee, be authorized to issue written notice of the proposed action to the affected Customers under the provisions of the Authority's tariffs.

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Corporate Planning and Finance, the Senior Vice President – Marketing and Economic Development, the Vice President – Controller and I concur in the recommendation."

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

> **RESOLVED, That the Authority projects an increase in the Fixed Costs of serving the New York City Governmental Customers when comparing those costs contained in current rates to 2011 projected costs; and be it further**
>
> **RESOLVED, That the Authority has entered into supplemental Long-Term Agreements with the New York City Governmental Customers and those agreements provide for the recovery of additional Fixed Costs through a rate filing under the State Administrative Procedure Act; and be it further**

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

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

RESOLVED, That the Chairman, the Vice 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 Executive Vice President and General Counsel.

h. Decrease in Westchester County Governmental Customer Rates –Notice of Proposed Rulemaking

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve a Notice of Proposed Rulemaking ('NOPR') to decrease production rates by 16.37% as compared to 2010 rates for the Westchester County Governmental Customers ('Customers').

"In addition, the Trustees are requested to direct the Corporate Secretary to file the NOPR with the New York State Department of State for publication in the *New York State Register* in accordance with the requirements of the State Administrative Procedure Act ('SAPA').

BACKGROUND

"The Authority provides electricity to 104 governmental customers in Westchester County, which includes the County of Westchester, school districts, housing authorities, cities, towns and villages. The County of Westchester is the largest single customer, accounting for about a third of sales.

"The basis of providing service is contained in the Supplemental Electricity Agreements ('Agreements') with the Customers. The Agreements were approved by the Trustees at their meeting of December 19, 2006, and were signed by each of the 104 Customers. Among other things, the Agreements permit the Authority to modify the Customers' rates (for Rate Years subsequent to 2007) at any time based on a fully supported *pro forma* cost-of-service ('COS') subject to customer review and comment and compliance with the SAPA process; permit the Customers to fully terminate service on one year's written notice, to be effective no earlier than January 1, 2012 and allow the Authority to apply an Energy Charge Adjustment ('ECA') mechanism to the Customers' bills.

"The current 2010 base production rates were adopted by the Trustees at their meeting of December 15, 2009 when they approved a 14.17% decrease over 2009 rates. Staff is now proposing a 2011 rate decrease which reflects the continuing reduction in the power supply costs as contained in the currently effective 2010 rates. Through 2010, the power supply cost reductions have been reflected in monthly negative ECA and the 2011 rate decrease in base rates will reset the ECA to zero.

DISCUSSION

"Consistent with the Authority's past rate-making practices and with the rate-setting process set forth in the Agreements, the proposed production rate decrease is based on a *pro forma* cost-of-service for next year. The Preliminary 2011 Cost of Service ('COS') for the Customers is $39.76 million. The primary cost element, energy purchases, is $33.43 million and accounts for 84% of the total production costs. Because these Customers have no dedicated generation facility, energy requirements are purchased from the market (in New York Independent System Operator Zones 'G' (Hudson Valley) and 'A' (Western New York). The projected 2011 prices for these two zones are expected to be slightly lower than those that were projected for 2010 and incorporated into the rates that are currently in effect. Further analysis shows that under current rates combined with a forecast of Customer purchases in 2011, the projected revenues would be $47.55 million, resulting in an over-collection of $7.78 million from Customers.

"Therefore, staff is proposing a 16.37% reduction in base production rates to reflect the continued reduction in the power supply costs as contained in the currently effective 2010 rates. However, it is very important to note that, through 2010, the power supply cost reductions have already been passed on to Customers via significantly negative monthly Energy Charge Adjustments and the proposed 2011 base production rate decrease will effectively reset the ECA to zero. In other words, Customers' production portion of their electricity bill from the Authority is expected to remain virtually the same as that for 2010.

"Under the Agreements, the Authority must provide at least 30 days' notice to the Customers of any proposed modification of rates and the proposed modification is subject to their review and comment. Notification of the rate action was transmitted to the Customers on August 31, 2010. Subsequent to the approval of this proposed action by the Trustees, the Customers will be mailed the Staff Report containing the Preliminary 2011 COS.

"Following the notice period, there will be a 45-day statutory comment period (pursuant to SAPA rules) during which Authority staff will address any concerns raised by the Customers and interested parties or otherwise submitted to the Authority. Staff will make any necessary changes to the proposed rate decrease and return to the Trustees at their meeting of December 13, 2010 to request approval of the final rate modification for 2011.

FISCAL INFORMATION

"The proposed rate decrease is expected to reduce revenues collected through the base production rates by $7.78 million from the Customers for 2011, which will in turn stabilize the negative ECA charge and will ultimately cover the energy-serving costs.

RECOMMENDATION

"The Director – Market Analysis and Administration recommends that the Trustees authorize the Corporate Secretary to file a Notice of Proposed Rulemaking with the New York State Department of State for publication in the *New York State Register* for the adoption of a production rate decrease applicable to the Westchester County Governmental Customers.

"It is also recommended that the Senior Vice President – Marketing and Economic Development, or his designee, be authorized to issue written notice of the proposed action to the affected Customers under the provisions of the Authority's tariffs.

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Corporate Planning and Finance, the Senior Vice President – Marketing and Economic Development, the Vice President – Controller and I concur in the recommendation."

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

> **RESOLVED, That the Authority proposes a decrease in the production rates applicable to the Westchester County Governmental Customers as set forth in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Senior Vice President – Marketing and Economic Development, or his designee, be, and hereby is, authorized to issue written notice of this proposed action to the affected Customers; and be it further**
>
> **RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file such notice as may be required with the New York State Department of State for publication in the *New York State Register* and to submit such other notice as may be required by statute or regulation concerning the proposed rate decrease and proposed tariff modification; and be it further**

RESOLVED, That the Chairman, the Vice 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, 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.

i. Extension of Temporary North Country Discount Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve an extension of the Temporary North Country Electricity Stimulus Plan ('Plan') covering the use of up to $10 million of the net margins produced by the sale of hydropower, temporarily turned back to the Authority, to provide electric bill discounts for up to one year to businesses located in the region of the State designated in State Law as the Preservation Power area.

BACKGROUND

"The thirteenth paragraph of Section 1005 of the Public Authorities Law ('PAL'), directs the Authority to sell hydropower from the St. Lawrence/FDR Power Project as Preservation Power (490 MW) to qualifying businesses in Franklin, Jefferson and St. Lawrence counties. A portion of this power has been temporarily turned back to the Authority by one of its customers, Alcoa, as a result of the temporary curtailment of operations at its East Plant in St. Lawrence County. At their meeting of May 19, 2009, the Trustees authorized the use of up to $10 million of the net margins produced by the sale of the returned hydropower to provide electric bill discounts for up to one year to businesses located in the region.

"For purposes of this Plan, net margins are defined as total wholesale market revenues derived from hydropower energy formerly sold to New York businesses as Preservation Power minus the Authority's industrial rate for these types of power sales minus any costs incurred by the Authority to implement the Plan's temporary arrangements.

DISCUSSION

"The condition of the current economy continues to place added strain on many New York State businesses. This Plan has provided welcome relief for the affected customers.

"Staff recommends that some of the net margins produced by this sale into the market continue to be used temporarily to lower the prices of power paid by businesses located in the region served by allocations of Preservation Power.

"Staff has reviewed the potential cost of extending the Plan against the Authority's expected cash flow, cash position and reserve requirements, which are the primary business criteria staff uses to evaluate the feasibility of any initiatives such as the proposed Plan. Based on this review, staff estimates that as much as $10 million may be made available over the next 12 months to distribute pursuant to the Plan and that the release of such amount by the Authority would not violate the above criteria, assuming the Authority achieves all of its other financial and operating goals during this period.

"Staff will update the Trustees regarding the Plan and the status of fund availability as needed. Among other factors, fund availability may be affected by future allocations or renewed use of the power that is currently not being used by eligible businesses.

"The Authority provided approximately $9.6 million to North Country businesses during the first year of the program.

FISCAL INFORMATION

"Based on staff's current projections, up to $10 million in funds will be made available to support the proposed Plan for up to 12 months.

RECOMMENDATION

"The Senior Vice President – Marketing and Economic Development and the Senior Vice President – Corporate Planning and Finance recommend that the Trustees extend the Temporary North Country Electricity Stimulus Plan funded from unplanned net margins from the sale of hydropower at market prices for a period of the lesser of one year or the duration of the temporary curtailment of operations at the Alcoa facility and in an amount no greater than $10 million.

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

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

> **RESOLVED, That the Authority hereby approves the extension of a Temporary North Country Electricity Stimulus Plan for the use of up to $10 million in net margins from the unplanned sale of Preservation Power at wholesale market prices to provide electric bill discounts to businesses located in the Preservation Power counties of Franklin, Jefferson and St. Lawrence for a period of the lesser of one year or the duration of the temporary curtailment of operations at the Alcoa East Plant in Massena, as set forth in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That as a condition to making available the amount specified in the foregoing report of the President and Chief Executive Officer, the Senior Vice President – Corporate Planning and Finance or the Treasurer shall certify that such monies are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further**
>
> **RESOLVED, That the Chairman or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to extend such Temporary North Country Electricity Stimulus Plan; and be it further**
>
> **RESOLVED, That the Chairman, the Vice 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, 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.**

j. Power Contract with the Town of Massena – Massena Electric Department

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the proposed power contract with the Town of Massena, Massena Electric Department ('MED') for the sale of 20 megawatts ('MW') of Authority hydropower. The form of the agreement with MED ('Agreement') generally follows a standard form and is attached as Exhibit '1j-A,' along with the accompanying proposed Service Tariff No. HC-2. This request follows the public hearing and comment period authorized by the Trustees at their May 26, 2010 meeting. A public hearing was held on July 22, 2010.

BACKGROUND

"As part of the St. Lawrence/FDR Project relicensing, the Authority successfully negotiated a return to New York State of 33.5 MW of the 68 MW of Project power that under the prior license had been sold to certain neighboring states. The Authority has, since the conclusion of the relicensing process, supported the use of some of this 'recaptured' power to provide 20 MW of hydropower for economic development purposes in the vicinity of the Project; 17.2 MW of the 'recaptured' power is available for this purpose. With 2.8 MW of St. Lawrence/FDR power available for withdrawal from the three upstate investor-owned utilities, the Authority can provide the 20 MW to the North Country to be used for economic development under the proposed power contract.

DISCUSSION

"The proposed Agreement generally follows the Authority's standard form and is attached as Exhibit '1j-A,' along with the accompanying proposed Service Tariff No. HC-2. The Agreement provides for the sale of up to 20 MW of hydropower at the Authority's cost-based rate to MED, which is authorized by New York law to engage in the purchase from the Authority and resale of St. Lawrence/FDR power for economic development purposes. MED currently purchases Niagara Project preference hydropower to serve all classes of retail customers in the Town of Massena and surrounding areas comprising its service area. Under the proposed Agreement, MED will separately purchase and distribute the 20 MW of power for economic development purposes within its service area and, through means to be determined, to businesses outside its service area but within St. Lawrence County. MED's economic development program description, allocation criteria and methodology will be submitted to the Authority for approval prior to MED's distribution of this hydropower. MED's program must be consistent with the principles for approving economic development proposals as established under the multiparty agreement authorized by the Trustees at their May 26, 2010 meeting among the St. Lawrence River Valley Redevelopment Agency members, the St. Lawrence County Industrial Development Agency and the Authority. The initial term of the Agreement is through 2025 with a commitment to negotiate a new contract with a term through the end of the current St. Lawrence/FDR license in 2053.

"This proposed contract is subject to a public hearing and approval by the Governor as set forth in Public Authorities Law ('PAL') §1009. A public hearing was held in accordance with PAL §1009 on July 22, 2010 at the Frank S. McCullough, Jr. Hawkins Point Visitors' Center at the Authority's St. Lawrence/FDR Power Project in Massena from 2-4 p.m. and 7-9 p.m. Following review of the comments on the public record, which are attached as Exhibit '1j-B,' along with the transcript of the public hearing itself, it has been determined that no additional items need to be addressed.

FISCAL INFORMATION

"The power sale will be at the Authority's cost-based rates and thus will recover the Authority's cost of production.

RECOMMENDATION

"The Senior Vice President – Marketing and Economic Development recommends that the Trustees approve the terms of the proposed Agreement with the Town of Massena, Massena Electric Department. It is further recommended that, pursuant to PAL §1009, the Corporate Secretary be authorized to transmit a copy of the contract to the Governor for approval.

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

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

> **RESOLVED, That the Trustees hereby authorize for transmittal to the Governor the proposed Agreement for the sale of 20 MW of Authority hydropower and energy to the Town of Massena, Massena Electric Department; and be it further**
>
> **RESOLVED, That the Corporate Secretary be, and hereby is, authorized to transmit copies of the proposed Agreement 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 Public Authorities Law ('PAL') §1009; and be it further**
>
> **RESOLVED, That the President and Chief Executive Officer and the Chief Operating Officer, or their designees, be, and each of them hereby is, authorized, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to enter into such agreements, and to do such other things, as may be necessary or desirable to implement the Agreement with the Town of Massena, Massena Electric Department as set forth in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Chairman, the Vice 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, 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.**

Public Hearing on Proposed Contract for Sale of 20 MW of Hydropower to Town of Massena Electric Department - 7/22/10
Written Statements

Dailey, Luke

Green, Patrick

Kuntz, William III

Massena Electric Department (James M. Shaw, Chairman)

St. Lawrence County Industrial Development Agency (Brian W. Staples, Chairman)

St. Lawrence River Valley Redevelopment Agency (Robert McNeil, Chairman)

Town of Massena (Joseph D. Gray, Supervisor)

Wason, James

New York Power Authority Public Hearing
July 22, 2010 Massena New York

To Whom it may Concern:

I would like to thank you for taking the time and trouble to come to St Lawrence County and listen to the public concerning the allocation of 20 megawatts of low-cost hydropower. As a volunteer member of the Remedial Advisory Committee for the Massena Area of Concern for over 20 years, I would like to share my personal thoughts on the matter.

Although the FDR-Moses-Saunders dam was not the first hydropower project in this county, it has certainly been the one with the greatest impact. As an incredibly successful, clean source of electric power, it will continue to be an economic powerhouse far into the future. I am pleased that the New York Power Authority is considering the environmental effects of electrical production and consumption, as they plan for that future.

One suggestion I would make is that the Power Authority adapt a conservation publicity campaign, modeled upon an excellent one being used across the St Lawrence River, in Ontario. At my home, we only receive Canadian television channels and local public broadcasting, so I am unaware of

any publicity campaigns being broadcast here by NYPA. It has been proven time and again that conservation is the first step in any "green" movement.

However, my real reason for attending this meeting, and giving this written statement, is a deep concern for the types of businesses that may be applying to receive it. As I said earlier, I have volunteered for over 20 years on a Committee charged with monitoring the hazardous waste cleanups in the Massena area. It has cost over 1 billion dollars to date, and the work is not yet complete.

I hope ardently that the New York Power Authority will carefully investigate the background and environmental record of any applicants for these power allocations. In the case of new start ups, insurance policies that protect our area from "legacy pollution" could be required. As you are probably aware, there is currently one site with significant contamination remaining, and questions remain over who will be responsible for remediation. Another site, partially remediated, is presently idled. Finally a third, still in operation, has partnered with a local power company to apply to build a hydropower dam in an attempt to avoid dredging, and cap significant amounts of contamination still remaining in the Grasse River. All these companies have been recipients of low cost NYPA power in the past. This is what I hope you can prevent by carefully evaluating future allocations. Thank you -

Luke Dailey

Luke Dailey

Patrick Green

Resolution 2010

Resolution in Support of a audit of the I.D.A. of St. Law Co

Whereas, The St. Law. Co I.D.A, was est. in 1971
whereas, The agency has never been audited
Whereas, The Tax base in St. Law. Co. has been eroded by their actions
Whereas, The problem is not isolated to one town but requires a county response; now, therefore, be it

Resolved, That the representing the riverTowns, meeting on does hereby request The St. Law. Co. Legislature audit the I.D.A
Resolved, That the calls upon its elected officials at the county level to determine the amount of tax base lost, the true cost of each job in tax base, the true cost of all ~~salaays~~ salaries paid to I.D.A employees and from where each portion came from

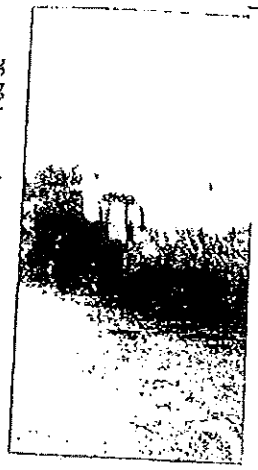
By NANCY MADSEN
TIMES STAFF WRITER

A Canadian company trying to start a paper manufacturing plant in Brownville is looking for a little state help.

Florelle Tissue, North York, Ontario, would be the beneficiary of a $265,000 grant application through the county to the state Office of Community Renewal.

Florelle is negotiating the purchase of the Brownville Specialty Paper plant. The Community Development Block grant would help cover the purchase of machinery and equipment for the mill, which would produce paper towels, napkins and tissues. The

See FLORELLE A7



Florelle Tissue, a Canadian c
new jobs with it — is seeking

July 20th C.T.S.

Florelle tissue...

FROM PAGE A1

project is expected to create about 50 jobs.

The county, which must be the grant applicant, will hold a public hearing on the application next week before it is submitted.

"The grant would cover some of the capital costs of the project," said David J. Zembiec, deputy chief executive officer for the Jefferson County Industrial Development Agency.

The paper company received approval May 19 to be designated a "regionally significant project" by the Empire State Development Corp. That qualifies the project for benefits under the Empire Zone program, including property tax rebates.

The program also means the project will receive $250,000 in a grant from the development corporation. The block grant application will match the development corporation grant and have $5,000 for administration.

"It's a small project, so it was unlikely to compete without the ESD money," Mr. Zembiec said.

The $3.5 million project would include purchasing the plant at 1 Bridge St. and bringing in a paper machine and converters, according to Times archives. Company officials said in March they'd like to expand quickly and bring a second paper machine and more converters to add another 50 jobs.

"Once we have the bank financing, we need to bring it to the IDA and all the partners," Mr. Zembiec said.

That includes Jefferson County Local Development Corp., Development Authority of the North Country and North Country Alliance.

The town and City of Watertown Empire Zone Administration Board ushered the designation through before the June 30 deadline to enroll the plant in the Empire Zone program. The project qualified as a regionally significant project because it is a manufacturing facility that will employ at least 50 people and export at least 50 percent of its product outside the county and a substantial amount outside the state.

JCIDA CEO Donald C. Alexander has recused himself from any discussions with the company on JCIDA's behalf. Mr. Alexander is one of the owners of the Brownville paper plant.

The county will hold a hearing on the proposed grant request at 6:30 p.m. Tuesday in the Board of Legislators' chambers, 195 Arsenal St.

Subsidies Put 4,000 Paper Manufacturing Jobs At Risk: Report

By NANCY MADSEN
Johnson News Service

Nearly 4,000 jobs in paper manufacturing in the 23rd Congressional District are at risk because of subsidies for similar plants in China.

A recently released report by the Economic Policy Institute, showed that China has put $33.1 billion in government subsidies toward domestic plants from 2002 through 2009. That pushed the country to rise to No. 1 in paper production, past the U.S., in 2008.

"In March, we had just under 400,000 paper manufacturing jobs in the country," said Scott Boos, deputy director of the Alliance for American Manufacturing. "That is down significantly from 10 years prior."

The alliance, a nonprofit advocacy group made of manufacturers and the United Steelworkers union, commissioned the study.

The study showed the 19,500 New York jobs in paper are in jeopardy. The results, divided by congressional district, showed the 23rd Congressional District had the most paper manufacturing jobs in the state, with 3,375.

"Those jobs are very important to the region, in particular to the North Country," said Richard J. Knowles, subdistrict director for the United Steel, Rubber and Paper Workers Region 3 in Plattsburgh. "We've got many paper production operations and smaller mom and pop shops."

The union region represents about 2,500 workers in paper plants.

The alliance wants to see trade rules properly enforced.

"China has dumped and sold paper at a price below market," Mr. Boos said. "We hope this spurs the administration to look at trade cases more closely."

He praised Sen. Charles E. Schumer, D-N.Y., for calling for China to cease currency manipulation, which suppresses the yuan's value compared to other countries' currency. That gives Chinese companies, which are mostly state-owned, a competitive advantage.

APC Paper Group, Claremont, N.H., has a plant in Norfolk that produces natural kraft paper for small bags and packaging from recycled paper.

"There's not a lot of that in Chinese production," said President Frank M. Tarantino.

But the company's plant in Putney, Vt., that produces tissue has been "extremely affected by Chinese mills," he said.

Instead of just enforcing what's already on the books, Mr. Tarantino said more rules should be added.

"Chinese imports are going to continue to decimate the paper industry in the U.S.," he said. "In order to protect business in the U.S., the government has to do something."

In total, three APC Paper plants employ 250 people.

Since 2000, the Chinese production of paper and paperboard has tripled to 93.9 million metric tons.

But the country has few natural resources to support the industry and relies on raw materials imported at world prices, the report said. Though the country first focused on white paper and lower-quality products, it is making inroads in other types of paper.

"China doesn't want to make just low-end T-shirts," Mr. Boos said. "They want to move up the value chain - probably everything's at risk."

China does not have the timber resources of other top paper producers and has less efficient paper mills that consume up to twice the coal and water of European or U.S. mills, the report said.

Nearly one-fifth, or 1,577 of the 8,731 paper companies in China, reported operating losses totaling $542 million in 2008.

From: MBerghela@osc.state.ny.us (MBerghela@osc.state.ny.us)
To: bigchimp52@yahoo.com;
Date: Tue, April 13, 2010 4:45:25 PM
Cc:
Subject: St. Lawrence IDA complaint

Dear Mr. MaCaulay,

I asked around further to see what else you could do besides writing the letter to voice your complaint against the St. Lawrence IDA project in your area. Below are some links to websites that may help you.

You may want to contact the St. Lawrence IDA to express your concerns, as they would be most directly involved with the decision to offer assistance to the property in question. Here is a link to their website: http://www.slcida.com/index.php

NYS Empire State Development is the agency that oversees and administers economic develop programs in New York State, including IDAs. You could contact them to express your concerns. Here is a link to their website: http://www.empire.state.ny.us/

Our Office is trying to improve accountability and program oversight through our audits and research reports. Here are links to the last two research reports on IDAs.
http://www.osc.state.ny.us/localgov/pubs/research/idaperformreport.pdf
http://www.osc.state.ny.us/localgov/pubs/research/idareport08.pdf

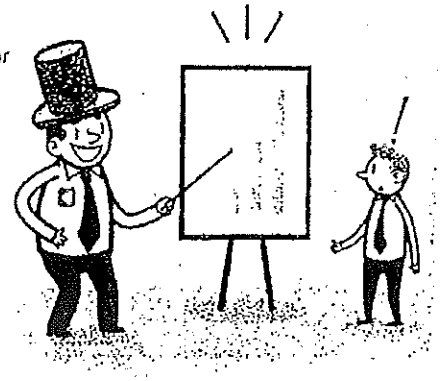
Unfortunately there aren't any audits on St. Lawrence IDA.

Hope this information helps.

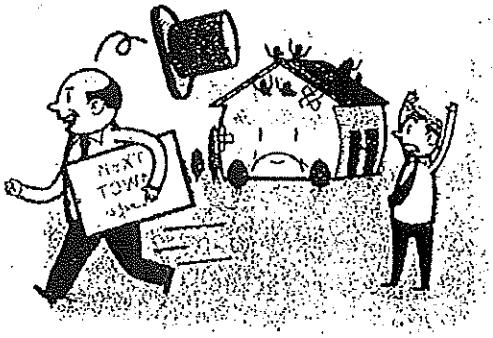
Thanks,
Mary

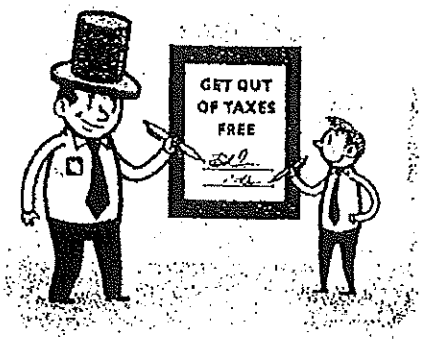
Mary Berghela
Associate Examiner
Office of the State Comptroller

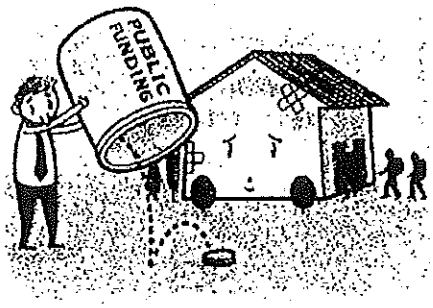
1. A big business eyes a particular city or town for a new location. They send representatives to meet with the city council, county commission, or governor's office.



2. To woo the business—which pledges to create jobs and spur economic development—the government officials promise lucrative tax breaks. These deals give the corporation a free ride on local taxes for up to a decade in some cases. The business comes to town, bringing with it jobs (and more students for the local schools to educate), but there's no tax revenue going into local coffers.







3. Schools feel the pinch when local government officials find themselves coming up short for school construction, supplies, salaries, and pensions, along with other publicly funded services like law enforcement and road repairs.

4. In many cases, the big business leaves as the tax break period is about to expire, heading to a new city or town, or leaving the country altogether.

is actually going on. You get mad when you do."

There is hope on the horizon. Efforts like Odom's and similar ones in other states are paying off as concern about corporate tax breaks is starting to take root among the general public. A study this fall by the Wisconsin Education Association Council found that nearly seven out of 10 voters think changes are needed in school funding, and a majority strongly favor eliminating corporate tax loopholes. "Public opinion is very much in tune with our beliefs," says Council President Mary Bell. "We need a better school funding system—one that is accountable to the people who pay for it and depend on it."

But it can't be just a handful of states that tackle big business opportunism and the legislators who enable it. Grassroots activists are needed across the country to point out how educators and students are being hurt by unfair taxes, underfunded schools, and corrosive economic development. And there's no better spokesperson to talk with parents, community members, and legislators about the damage being done in schools than the very people on the frontlines. "In order for TEF to work," says Odom, "everyone needs to get on the bandwagon." NEA

Send comments on this story to cmccabe@nea.org.

ILLUSTRATION: GORDON STEWART

Founding Fathers risked everything for freedom

JOHN W. WHITEHEAD

Let me tell you about 56 men who risked everything — their fortunes and their lives — to take a stand for truth. These men laid everything on the line, pledged it al l— "our Lives, our Fortunes, and our sacred Honor" — because they believed in a radical idea: that all people are created to be free. They believed that freedom is a spiritual concept in that the rights we possess are, in their words, given to us by the Creator. Let me emphasize: at the heart of these rights is a radical freedom — the freedom to speak, to dissent, to protest and to seek relief, if necessary, against an unjust government — that is, one that won't listen to the people.

Labeled traitors, these men were charged with treason, a crime punishable by death. For some, their acts of rebellion would cost them their homes and their fortunes. For others, it would be the ultimate price — their lives. Yet even knowing the heavy price they might have to pay, these men dared to speak up when silence could not be tolerated.

Their signatures, famously scribbled on a piece of parchment, expressed their unfettered willingness to speak out against the most powerful empire in the world. These 56 men were the signers of the Declaration of Independence.

Some we remember for their later accomplishments — such as Thomas Jefferson and John Adams, both of whom went on to serve as American presidents. But there were others — such as Lewis Morris, Carter Braxton, Thomas Nelson and Richard Stockton — who do not often get mentioned, who sought not glory but rather a cause. They knew that sacrifice was necessary to secure freedom, and they were willing to make the sacrifice.

Lewis Morris lost his entire estate. The British ravaged and destroyed it, sending his family fleeing in desperation with nowhere to go.

Carter Braxton's entire career and way of life were decimated. Losing his ships to the British Navy, his shipping company was forever lost and he was never able to revive it.

Thomas Nelson's price for liberty was to the tune of $2 million — and that was in 1776. He ran up the $2 million credit debt for the "Patriots' Cause." In the end, repaying the debt cost him his entire estate. He died bankrupt and was buried in an unmarked grave.

Richard Stockton paid dearly also. Once a prominent judge, he gave up his cherished seat on the bench to fight for liberty. For his decision, he was dragged from his bed and tortured by British soldiers.

All in all, of those 56 signers, 9 died during the Revolution, 5 were captured by British soldiers, 18 had their homes looted and burned by the Red Coats, 2 were wounded in battle and 2 lost their sons during the war. Remarkably, these men — who were community leaders, business owners, judges, lawyers and inventors — sacrificed their lives, their fortunes and their sacred honor so that you and I could live freely in a nation where we have the right to stand up and speak out.

There are many more stories of heroic patriots throughout American history who have risked it all to preserve the freedoms we possess. Most of them have come from radically different walks of life — different upbringings, different educations, different ideas. But the one thing that unites them is their love of and commitment to freedom and their willingness to stand up and speak out, no matter the cost. Although many of them lost everything, they were willing to sacrifice in order to raise their voices in truth. They put freedom before their own interests. Because of their bravery in speaking truth to power and their commitment to unwavering principles, history has judged them to be extraordinary.

Thus, it is only right that we should still honor them every Fourth of July. Yet how do we do so? We go through the motions, spouting patriotic sentiments and putting on displays of national pomp and circumstance that at the end of the day mean nothing. Sadly, as a nation, we have become jaded and apathetic, content to celebrate our independence with cookouts and fireworks but little else.

America, we must remember, is a concept. We must earn our right to be American. What does that mean? First of all, it means learning the core principles of citizenship that are laid out in the Constitution. Any person in this country who cannot list from memory the rights enshrined in those 462 words that make up the Bill of Rights is not a true American. Unfortunately, this applies to the great majority of the populace. Second, it means taking a stand on those principles and fighting to keep the freedoms that are being stripped from us on a daily basis. This may well mean grabbing a picket sign and taking to the streets.

The bottom line is that we owe it to those who have put their lives on the line for our freedoms to make our citizenship count for something. We need to take responsibility for what's going on around us. And we need to stand up and support those who refuse to remain silent when they see an injustice and who, like those 56 brave men, dare to put it all on the line in order to speak truth to power.

Founded in 1982 by constitutional attorney and author John W. Whitehead, The Rutherford Institute is a civil liberties organization that provides free legal services to people whose constitutional and human rights have been threatened or violated.

Report Faults Authority Reporting

By MICHAEL VIRTANEN
ALBANY, N.Y. (AP) — The state office with oversight of more than 700 public authorities in New York reports that many fail to comply with new reporting requirements meant to make them more accountable.

The Independent Authorities Budget Office, in its first annual report, said the state, regional and local organizations that run mass transit systems, toll highways, power plants, industrial development and other projects issued more than $17 billion in new debt in 2009 and have more than $133 billion in total debt.

The report listed 141 authorities that didn't file 2010 budget reports and 175 that didn't file 2009 annual reports, primarily urban renewal and community development agencies. The office said about 130 are inactive and should be dissolved.

The law requiring the organizations to open their books took effect March 1, with the phasing in of other requirements like whistleblower provisions and enhanced fiduciary responsibilities just starting.

"We've clearly made progress in reining in the state's 700-plus Soviet-style bureaucracies. But we've just scratched the surface of the reforms needed to be put into place," said Assemblyman Richard Brodsky, who chairs the Committee on Corporations, Authorities and Commissions. "We finally have objective numbers on the huge amount of authority debt and a list of some of the authorities that have not complied with the law."

Among public authorities that filed reports, the office found more than 20 percent contained significant data errors. Most, like incorrect entries about debt, should have been identified by authority personnel or auditors, the report said.

Most of the 46 state authorities filed reports. Information from 35 showed 98,624 staff altogether, 4,916 of whom earned more than $100,000. The highest salary, $580,000, was paid at Roswell Park Cancer Institute Corp.

Other tables showed the state authorities paid almost $6.8 billion in contracts and procurements last year. About $890 million worth, or 13 percent, were no-bid contracts.

Local authorities, county and local industrial development agencies and local development corporations had about 3,000 procurements for $11.1 billion last year, more than 700 of them noncompetitive.

Brodsky, whose committee is investigating more than $1 million in bonus payments to top officials at the Fulton County Economic Development Corp. and related Crossroads Incubator Corp., last week sent a letter to other authorities asking whether they have policies on such bonuses.

Online:
http://www.abo.state.ny.us/reports/annualreports/ARO2010AnnualReport.pdf

Thomas Jefferson Said
The Government has no Business
in Industry or Commerce.

Declaration of Independence

In Congress Assembled, July 4, 1776
The Unanimous Declaration
of the Thirteen United States of America

WHEN in the Course of human events, it becomes necessary for one people to dissolve the political bands which have connected them with another, and to assume among the powers of the earth, the separate and equal station to which the Laws of Nature and of Nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to the separation.—

We hold these truths to be self-evident: That all men are created equal; that they are endowed by their Creator with certain unalienable Rights; that among these are Life, Liberty, and the pursuit of Happiness. — That, to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed, — That whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute new Government, laying its foundation on such principles, and organizing its powers in such form, as to them shall seem most likely to effect their Safety and Happiness. Prudence, indeed, will dictate that Governments long established should not be changed for light and transient causes; and accordingly all experience hath shown that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed. But when a long train of abuses and usurpations, pursuing invariably the same Object, evinces a design to reduce them under absolute Despotism, it is their right, it is their duty, to throw off such Government, and to provide new Guards for their future security. — Such has been the patient sufferance of these Colonies; and such is now the necessity which constrains them to alter their former Systems of Government. The history of the present King of Great Britain is a history of repeated injuries and usurpations, all having, in direct object, the establishment of an absolute Tyranny over these States. To prove this, let Facts be submitted to a candid world. —

He has refused his Assent to Laws, the most wholesome and necessary for the public good. —

He has forbidden his Governors to pass Laws of immediate and pressing importance, unless suspended in their operation till his Assent should be obtained; and, when so suspended, he has utterly neglected to attend to them. —

He has refused to pass other Laws for the accommodation of large districts of people, unless those people would relinquish the right of representation in the Legislature, a right inestimable to them and formidable to tyrants only. —

He has called together legislative bodies at places unusual, uncomfortable, and distant from the repository of their public records, for the sole purpose of fatiguing them into compliance with his measures. —

He has dissolved Representative Houses repeatedly, for opposing with manly firmness his invasions on the rights of the people. —

He has refused for a long time, after such dissolutions, to cause others to be elected; whereby the Legislative Powers, incapable of Annihilation, have returned to the People at large for their exercise; the State remaining in the meantime exposed to all danger of invasion from without, and convulsions within. —

He has endeavored to prevent the population of these States; for that purpose obstructing the Laws for Naturalization of Foreigners; refusing to pass others to encourage their migration hither, and raising the conditions of new Appropriations of Lands. —

He has obstructed the Administration of Justice, by refusing his Assent to Laws for establishing Judiciary Powers. —

He has made Judges dependent on his Will alone, for the tenure of their offices, and the amount and payment of their salaries. —

He has erected a multitude of New Offices, and sent hither swarms of Officers to harass our people, and eat out their substance. —

He has kept among us, in times of peace, standing Armies without the Consent of our legislatures. —

He has affected to render the Military independent of and superior to the Civil Power. —

He has combined with others to subject us to a jurisdiction foreign to our constitution, and unacknowledged by our laws; giving his Assent to their Acts of pretended Legislation: —

For quartering large bodies of armed troops among us: —

For protecting them, by a mock Trial, from punishment for any Murders which they should commit on the Inhabitants of these States: —

For cutting off our Trade with all parts of the world: —

For imposing Taxes on us without our Consent: —

For depriving us, in many cases, of the benefits of Trial by Jury: —

For transporting us beyond Seas, to be tried for pretended offences: —

For abolishing the free System of English Laws in a neighboring Province, establishing therein an Arbitrary government, and enlarging its Boundaries so as to render it at once an example and fit instrument for introducing the same absolute rule into these Colonies: —

For taking away our Charters, abolishing our most valuable laws, and altering fundamentally the Forms of our Governments: —

For suspending our own Legislatures, and declaring themselves invested with power to legislate for us in all cases whatsoever. — mandates

He has abdicated Government here, by declaring us out of his Protection and waging War against us. —

He has plundered our seas, ravaged our Coasts, burnt our towns, and destroyed the lives of our people. —

He is at this time transporting large Armies of foreign Mercenaries to compleat the works of death, desolation, and tyranny already begun with circumstances of Cruelty and perfidy scarcely paralleled in the most barbarous ages, and totally unworthy the Head of a civilized nation. —

He has constrained our fellow Citizens, taken Captive on the high Seas, to bear Arms against their Country, to become the executioners of their friends and Brethren, or to fall themselves by their Hands. —

He has excited domestic insurrections amongst us, and has endeavored to bring on the inhabitants of our frontiers the merciless Indian Savages, whose known rule of warfare is an undistinguished destruction of all ages, sexes and conditions.

In every stage of these Oppressions We have Petitioned for Redress in most humble terms: our repeated Petitions have been answered only by repeated injury. A Prince whose character

Arise America,
Behold this packet.
Only the truth,
Will expose this Racket.

Excerpts from *United Nations Exposed*, written in 1955 by Dr E.F. Webber (D.D., F.R.G.S.)

Seek the truth, and the truth shall set you free.
John 8:31

And He shall turn the hearts of the fathers to the children, and the hearts of the children to their fathers, lest I come and smite the earth with a curse.
Malachi 4:6 (KJV)

GET "U.S." OUT OF THE UNITED NATIONS
AND
THE UNITED NATIONS OUT OF AMERICA

Lodge of the Unkept Saw

Order of the Firey Cross

Section 4a: The flag should never be displayed with the union down save as a signal of

"DIRE DISTRESS"

UNITED NATIONS EXPOSED CORRUPTION OF YOUTH PLANNED

The American Legion Magazine, November 1954 issue, contains under the heading "Master Plan" a list of the official Communist Party "Rules For Revolution." And here is the first rule on the list: "Corrupt the young, get them away from religion. Get them interested in sex. Make them superficial, destroy their ruggedness."

Who are the dopes and stooges used by the Communist Party to carry out the "Master Plan?" Foremost among them is UNESCO-United Nations Educational, Scientific and Cultural Organization. Under its auspices American teachers were trained at Columbia University, and now it hovers like a huge, evil shadow over our schools. It feeds its propaganda to teachers and from them to pupils, through such organizations as the National Education Association.

A study of the series of UNSESCO publications for teachers entitled "Towards World Understanding" (International Documents Service, Columbia University Press, 2960 Broadway, New York 27, N.Y.) should leave no doubts as to UNSESCO's true purposes. Nationalism, which is the UNSESCO word for patriotism, is referred to as a "disease" with which children are 'infected' by their parents. It is to be purged from youthful minds in preparation for the coming world government. The old moral standards and tradition, such as reverence for God, country, flag, and parents, are ignored or scorned and the children are to be educated in "world-mindedness" with considerable side accent on sex.

When one studies the rise to power of all dictators it is clearly seen that youth movements were important cogs in their diabolical machinery. The Communists plan to corrupt our youth and every parent particularly should help to thwart their satanic scheme.

NEA's ardent support of UNESCO is too well known to need discussion here. Read "The Enemies and the Critics of the Schools "in which R.A. Skaife refers to "the rotten patriotic fringe." Read NEA publication, "American Citizens Handbook," in which refers to "effective world government' is named as one of the ideals toward which we should strive, and 'to help perfect world government' is recommended as a goal for education.

Consider the foregoing and then decide for yourself who is helping the Communist Party to corrupt America's youth.

Next is something that should shock you if you are a patriotic American and are not shock proof. It is a column from Abilene (Texas) Daily Newspaper, and was written by Earl Walker who states "There is a little 182-page book entitled "The Turning of the Tides" that will make your hair stand on end.

It tells you what a group of international "thinkers" would do to your schools, if they get a chance. The people backing this revolutionary movement for the schools of America and the rest of the globe included highly placed professionals in this nation. They included many other so-called leaders of thought around the world.

Here are some things they propose:

1. Stop teaching the traditions and heritages of individual countries.
2. Revise all text books of the world by cutting out the statements that make any one nation's history or accomplishments seems superior to another's.
3. Remove children from the influence of their parents by substituting the guidance of world experts from infancy.
4. Break up the American home, "freeing" children from such "injurious influence" by utilizing mothers in the ranks of labor.
5. Train parents and children for citizenship in a collectivist's one-world state.
6. Install "progressive education" world-wide, emphasizing use of the "social studies" (history and geography) as a means to make pupils world-minded and contemptuous of their own homelands merits.

(The United States of America was established as a Constitutional Republic. It was never intended to be a federal democracy. The world "democracy" is not found in either the Declaration of Independence or the Constitution. In all the State Papers from George Washington to Woodrow Wilson, there is no reference to the United States of America as a democracy.) **** Congressman James E. Van Zandt ** Pennsylvania

"I have sworn upon the altar of God external hostilities against every form of tyranny over the minds of men." ***Thomas Jefferson.

It is five thousand miles from here to Moscow as the crow flies. But the road to communism ... as the conspirators work... is just twenty-four steps. The Native American thinks that Russia, to take America, will have to send her planes, H-bombs, and legions here. Or he imagines that the Red conquest of America will be made by violent revolution. And he fears neither, because he knows that the Socialist Party has been disbanded and that the Communist Party has been driven underground, with many of its leaders in jail or in flight. Where, then, is the danger?

The danger lies precisely in the mind of this Native American... in his pathetic ignorance of the art of cold war which is carried on without guns or planes or uniforms or marching men, but which has already wrecked Europe and captured most of Asia. The average healthy-minded American is almost congenitally unable to understand, or to believe when he is told, the methods by which Communism has won its impressive victories. He cannot think of political action except on the normal political scale with precinct clubs and wards and county committees and conventions and polling places and mass meetings and conventions and elections. The first thing the American must understand is that the Communist drive in America is not a struggle to win an election. It is a revolution. And it is carried on not just political campaigns but ceaselessly --- not by known American methods but by revolutionary methods. There is, however, nothing mysterious about it now, since the war to make America first a Socialist then a Communist state is in full drive. The Communists got the green light to destroy the American Republic from the Roosevelt and Truman administrations. The plan is not to bring America down in one mighty crash by violence. The great task is being carried out in a series of encroachments and invasions of our social and political life. Let us now watch this dark adventure as it progresses ... one step at a time.

Step 1:

Change our federal republic into a powerful central state. (The Communist knows that socialism cannot be operated in a limited republic like ours, with power disputed among a central government and forty-eight state governments.)The socialist state must have vast coercive central political power ... to take over and operate or control every kind of enterprise. It requires a powerful central government with unlimited authority.

Step 2:

Pack our court with judges who will carry out step 1, as George Washington termed it, by "usurpation" ... judicial usurpation. (The Communist knows the people would never accept a Constitutional Amendment to put Step 1 into effect. Therefore he works ... with success... to pack the courts.)

Step 3:

Bedevil and hamstring the system of private ownership and operation ... make it unworkable by excessive control and destructive taxation.

Step 4:

Use the income tax to take the profit out of business and dull the incentive to enterprise. (In many industries the government takes more in taxes than the owners do in profit.)

Step 5:

Launch powerful propaganda drives against the group mind. (This began with the teachers in grade schools and colleges, where teachers captive by the collectivist philosophy were taught how to slyly influence the minds of students against the American system.)

Step 6:

Infiltrate normal schools, teachers' colleges and women colleges, from which so many public school teachers are recruited.

Step 7:

Insert cleverly into textbooks on government and political history and economics the collectivists slant.

Step 8:

Infiltrate and capture the teachers' unions and other teacher organizations to promote the revolutionary drive in education. (The Communists organized in the United States eighteen teacher-front organizations, sixteen school-front organizations, and eighty student leagues, councils, congresses, etc... many of them national in scope.)

Step 9:

Infiltrate college's economics, social science, and history departments to slant the political thinking of the coming generation of leaders.

Step 10:

Infiltrate the editorial sanctums of book publishing houses. (This strata gram was carried out with incredible success, the indoctrinating Red poison inserted into books of fiction, economics, history, political science... even into dramas and poetry.)

Step 11:

Capture the literary review departments in leading magazines and newspapers, where possible, in order to boost collectivists books and damn or ignore books critical of collectivism.

Step 12:

Infiltrate radio, television, moving pictures, and the theatre, where the sins of free enterprise, the crimes of business and the beauties of the collectivist society can be clearly and dramatically inserted into the plot and the dialog.

Step 5 through 12 constitute a war on the mind in which the word "Communism" or "Socialism" was never used in which the Marxian philosophy was promoted under a variety of perfumed labels... one point at a time.

Step 13:

Insert Communist organizers into farmers' organizations as economics or publicity agents or legislative representatives to stimulate unrest and wrath against the existing order.

Step 14:

Insert Communists and Socialists of every hue into all possible labor organizations. (This was a major field of action after 1933. John Frey, Vice President of the A. F. of L spent three days reading to the Dies committee the list of Reds who had gotten into positions of power or influence in the C. I. O.)

Step 15:

Infiltrate Social Security Offices and supporting organizations, to play upon the aged, unemployed and the sick, and transform these groups into vast armies of angry citizens clamoring for more and more government aid, while filling their minds and hearts with hatreds of existing order.

Step 16:

Work on the minds and arouse the passions and hatreds of various European racial groups in America through numerous Red-controlled front organizations.

Step 17:

Keep up a continual drum beat against the faults of private enterprise, while shyly extolling the "success" of socialism in Britain and Communism in Russia.

Step 18:

Work to put the federal and state governments into the business enterprises... with electric power the favorite. (This represents the most deadly attack on the system of free enterprise. It serves a double purpose; it weakens the fabric of private enterprise which may pay the taxes and make up the losses of government enterprises, while giving the Government power over industry.)

Step 19:

Put the Government into banking, thus gaining great power... through credit... over businessmen and farmers. (Government lending agencies have outstanding loans of over 7 billion dollars, while the government is the biggest borrower at the private banks, using their resources for its socialist purposes.)

Step 20:

Promote socialized medicine, which is designed to not help improve the health of the nation, but to capture the votes of the sick poor, but which, has proved in England, has resulted in the demoralization of medical and health services.

Step 21:

Infiltrate the charitable foundations to use their funds for Red propaganda. (The whole Red Asiatic disaster was financed by the Rockefeller and Carnegie Foundations and the Carnegie Foundation financed the socialist war on schools.)

Step 22:

Weaken our whole economic system by progressive inflationary policies, thus discouraging saving and private investment; and by a policy of endless government borrowing, spend the nation into bankruptcy.

Step 23:

Infiltrate the State Department so to bedevil our foreign policy and shape it into the interest of any country other than America.

Step 24:

Finally, infiltrate every domestic department of the Government... giving revolutionary officials and their deputies the opportunity to use the funds and the prestige of the Government to promote its own destruction. "The devilish subtlety all of this lies in the fact the Communist over-all plan for wrecking our American system never reveals openly its Communist label; never brands any of its objectives with the Communist trademark; promotes in all interest of the 'common-man' of America; and uses our government machinery, our schools, our publications, our new agencies, our public officials, and our money to carry forward the program for a socialist America. The Communist knows that the mild so-called democratic socialism cannot work and that one we are penetrated by heavy percentage of socialist operations, a ruthless Communist dictatorship will take over.

"I was born an American; I will live an American; I shall die an American; and I intend to perform the duties incumbent upon me and that character to the end of my career. I mean to do this with absolute disregard of personal consequences... no man can suffer too much, and no man can fall too soon, if he suffers, or if he falls, in the defense of liberties and the Constitution of his country."... DANIEL WEBSTER

"I will regret to my dying day that I ever voted for the United Nations Charter"... U.S. Senator Macaroon... Nevada

"The United Nations is the greatest fraud in all history. Its purpose is to destroy the United States Government."... Congressman JOHN E. RANKIN... Mississippi

"The American people have been caught in an international death trap."... U. S. Senator CAPEHART... Indiana

"Let us believe no man infallible or impeccable in government, any more than in religion; to take no mans word against evidence, no implicitly adopt the sentiments of others who may be deceived themselves; or may be interested in deceiving us."... JOHN ADAMS

"The people never give up their liberties but under some delusions."... EDMUND BURKE

"Government is forced and should be watched like fire."... GEORGE WASHINGTON

"If destruction be our lot, we must ourselves be its author and its finisher. As a nation of free men we must live through all time, or die by suicide."... ABRAHAM LINCOLN

"The manners and spirit of the people preserve a republic and vigor. Degeneracy in these is a cancer which soon eats to the heart of its laws and constitution."... THOMAS JEFFERSON

"Make sure it (the United Nations) does not eventually give away your children, your rights, your citizenship, and your flag."... DONALD R. WILSON... Clarksburg, West Virginia, former national commander of the American Legion.

"Someone has observed that no generation of Americans has thought more about freedom than ours, and none has shown a greater readiness to abandon it"... REV. IRVING E. HOWARD

"The noble edifice of constitutional liberty is silently disintegrating into a crumbling ruin... the American people know we have inherited the most perfect design for a government under law, and serving the ideals of harmony and truth. We need only be true to our own great ideals. Then we shall emerge from the shadows, strong, and clean and free, and give to the world the glad tiding that America is herself again."... SENATOR JENNER, from an address before Magna Charter Dames.

"Republics, one after the other, have perished through a want of intelligence and virtue in the masses of the people. They have been delivered over to anarchy and thence to despotism... if we do not prepare children to become good citizens... if we do not enrich their minds with knowledge, imbue their hearts with love of truth and duty and reverence for all things sacred and holy, then a republic must go down to destruction, as others have done before it."... HORACE MANN

Now, let us see how it violates the constitution.

The Preamble of the Constitution of the United States of America reads:
'We the people of the United States, in order to form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this CONSTITUTION for the United States of America '

The United Nations Charter, chapter 9, articles 55 and 56 reads:
"The United Nations shall support higher standard of living, full employment, and conditions of economic and social progress and development." "All members pledge themselves to make joint and separate action and cooperation with the organization for the achievement of the purposes set forth Article 55."

Through membership of the United Nations, the United States is pledged to undertake certain action on behalf of the peoples of foreign nations. Nowhere in the Constitution or in any of its amendments, nor by any laws made in pursuance of the Constitution, is the United States given the power and authority for such actions. Therefore, this is a violation of the Constitution.

Our Constitution, Articles 1, Sections reads:
"The Congress shall have power to lay and collect taxes, duties, imposts and exercises, to pay the debts and provide for the common defense and general welfare of the United States." Now, notice the plain, specific limitations in the words "of the United States."

The United Nations Charter, however, Chapter 4, Article 17, reads:
"The expenses of the Organization shall be borne by the members as apportioned by the General Assembly."

The Constitution, Article 1, Section 8, reads:
"The Congress shall have power to declare war... to make rules concerning captures on land and water; to raise and support armies... to provide and maintain a Navy; to make rules for the government and regulation of land and Naval forces and to make laws which shall be necessary and proper for carrying into execution the foregoing powers." My friends, the Constitution does not give the President, The State Department or any foreign nations, or international council or committee, the power to commit the United States to war, nor to raise armies and provide a Navy or Air Force, nor to make rules for captures, nor rules for the government and regulations of our land, Naval, and Air Forces. Such power is vested exclusively in Congress by our Constitution

"The United Nations Charter, chapter 7, articles 42, 43, 45, 46, and 49 reads:
"...the security council ... may take such actions by air, sea, or land forces as may be necessary to maintain or restore international peace and security. Such actions may include demonstrations, blockade, and other operations by air, sea, or land forces of Members of the United Nations."

"All members of the United Nations... undertake to make available to the Security Council, on its call... armed forces assistance, and facilities, including rights of passage, necessary for maintaining international peace and security."

"In order to enable the United Nations to take Urgent military measures, members shall hold immediately available national air-force contingents for a combined international enforcement action. The strength and degree of readiness of these contingents and plans for their combined action shall be determined... by the Security Council with the assistance of the Military Staff Committee."

"Plans for the application of armed forces shall be made by the Security Council with the assistance of the Military Staff Committee."

"The members of the United Nations shall join in affording mutual assistance in carrying out the measure decided upon by the Security Council."

United States membership in the United Nations subjects all of our armed forces to call, command, government, and regulation by the Security Council and the Military Staff Committee of the United Nations Organization, as we demonstrated by the use of our armed forces in the Korean War. And this is a violation of our Constitution.

The Constitution, Article 6, reads:
"This Constitution, and the laws of the United States which shall be made in the pursuance thereof, and all treaties made, or which shall be

made, under the authority of the United States, shall be the supreme law of the land, and the judges in every state shall be bound thereby, anything in the constitution of laws of any State to the contrary notwithstanding."

The Constitution, Article 6, states:
"The senators and representatives before mentioned, and the members of the several State legislatures, and all executive and judicial officers, both of the United States and several of the States, shall be bound by oath of affirmation, to support this Constitution."

The United Nations Charter, Chapter 15, Article 100:
"In the performance of their duties the Secretary-General and the staff shall not seek or receive instructions from any government or from any other authority external to the Organization. They shall refrain from any action which might reflect on their position as international officials responsible only to the Organization."

And here I quote verbatim the loyalty oath that is required of the United Nations:
Secretariat:
"I solemnly swear to exercise all loyalty, discretion, and conscience, the functions entrusted to me as an international civil servant of the United Nations, to discharge these functions and regulate any conducts with the interest of the United Nations only in view, and not to seek or accept instructions in regard to the performance of my duties from any government or other authority external to the Organization."

Further with respect and to loyalty, the 1954 report on standards of conduct in the International civil service states:
"Reference is sometimes made to possible conflict between national and international loyalties. If such circumstances should arise, the conduct of the international civil servant must clearly reflect his obligation to the international organization." ("If This Be Treason," by Alice Widened, United States of America, October 22, 1954.)

Reading from the Constitution, Second Amendment:
"A well regulated militia, being necessary to the security of a Free State, the right of the people to keep and bear arms shall not be infringed."

Now, the United Nations Charter, Chapter 7, Article 47:
"There shall be established a Military Staff Committee to advise and assist the Security Council on all questions relating to the Security Council's military requirements for the regulation of armament and possible disarmament."

Again I read from the Constitution, Amendment 5:
"No person shall... be deprived of life, liberty, or property, without due process of law, nor shall be private property be taken for public use, without compensation."

Now, let us listen to the United Nations Charter:
The Nato Status of Forces Agreement, executed under Chapter 7, Article 51 of the United Nations Charter, permits American servicemen on duty abroad to be imprisoned (deprived of liberty and possibly life) "without due process of law." Chapter 4, Article 17, of the United Nations Charter requires the people of the United States to be taxed (deprived of money, which is property) for purposes not allowed by the constitution.

Then, the Constitution, Amendment 10, says:
"The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."

I have given you a list of violations of the Constitution through the United States membership in the United Nations Organization. Without a doubt many more could be found by those who are better qualified. But my friends, this is given for your information, and I want to say this, that at this late hour in the history of our Republic, it is my sustaining hope that all loyal Americans will reaffirm and activate the words of Thomas Jefferson who said: "In questions of power, then, let no more be heard of confidence in man, but bind him down from mischief by the chains of the Constitution."

MAY THE "LORD" HAVE MERCY ON OUR SOULS

The Constitution, Article 1, Section 9, reads:
"No money shall be drawn from the Treasury, but in consequence of appropriation made by the law." The Constitution, which requires the United States laws be made and its pursuance, does not provide for any appropriations to a foreign nation, group of nations, or international organization.

But the United Nations Charter, Chapter 4, Article 17, reads:
"The expenses of the Organization shall be borne by the members as appropriated by the General Assembly."

Now, the Constitution, Article 3, Section 2, reads:
"The President shall be Commander in Chief of the Army and Navy of the United States, and of the militia of the several States, when called in to the actual services of the United States."

The United Nations Charter, however, Chapter 7, Article 47, reads:
"There shall be established a Military Staff Committee to advise and assist the Security Council on all questions relating to the Security Council's military requirements for the maintenance of international peace and security, the employment and command of forces placed at its disposal, the regulation of armaments, and possible disarmament. " "The Military Staff Committee shall be responsible under the Security Council for the strategic direction of any armed forces places at the disposal of the Security Council."

Article 3 of the Constitution, Section 1, reads:
"The judicial power of the United States, shall be vested in the supreme court, and in such inferior courts as the congress may from time to time ordain and establish "
Section 2:
"The judicial power shall extend to all cases, in law and equity, a rising under this Constitution, the laws of the United States, and treaties made, or which shall be made, under their authority."
Section 3:
"Treason against the United States, shall consist only in the levying war against them, or in adhering to their enemies, given them aid comfort."

But, the United Nations Charter, Chapter 14, Articles 92, 93, and 94, reads:
"The international Court of Judicial shall be the principle judicial organ of the United Nations. It shall function in accordance with the annexed statue, which is based upon the statue of the permanent Court of International Justice and forms an integral part of the present charter. All members of the United Nations are ipso facto parties to the statue of the International Court of Justice."

"The member of the United Nations undertakes to comply with the decision of the International Court of the International Court of justice in any case to which it is a party. If any party to a case fails to perform the obligations incumbent upon it under a judgment rendered by the Court, the other may have recourse to the Security Council, which may, if it deems necessary, make recommendations or decide upon measures to be taken to give effect to the judgment."
The United Nations Charter, Chapter 16, Article 104, reads:
"The organization shall enjoy in the territory of each of its Members such legal capacity as may be necessary for the exercise of its function and the fulfillment's of its purposes."

U.N. Charter, Statue of the International Court of Justice, Chapter 2, Article 36, reads:
"The jurisdiction of the Courts comprises all cases which the parties refer to is and all matters specially provided for in the Charter of The United Nations or in treaties ad conventions in force."

Chapter III, Article 60, reads:
"The judgment (of the International Court) is the final and without appeal."

The Constitution, Article 4, Section 4, reads:
"The United States shall guarantee to every State in this Union a republican form of Government, and shall protect each of them against invasion."

The United Nations Charter, Chapter 7, Article 43, reads:
"All Members of the United Nations... undertake to make available to Security Council, on its call... armed forces, assistance, and facilities, including rights of passage..."

ORIGIN OF UN SHOWS TRAITOR ALGER HISS AT HELM

The tenth anniversary of the United Nations is being observed in this year of 1955. This is the year when – according to the United Nations Charter itself - the people of the world shall review the record of the UN, and to determine whether any basic changes should be made in its charter. Well, some changes are being planned, and I shall point out how these proposed changes endanger our liberty.

The United Nations, as both Dean Acheson and John Foster Dulles, the former and present Secretary of State, have said, is the keystone of American foreign policy without considering the United Nations. Hence, there is no discussion subject of more importance to the people of America than the subject of the United Nations. And there is no subject more controversial.

Let us study the beginning of the United Nations. On January 1, 1942, the United Nations Declaration was signed by representatives of 26 nations in Washington. This was a little less than 5 months after the Atlantic Charter was signed by President Roosevelt and Prime Minister Churchill. These leaders expressed the desire to cause the fullest collaboration between all nations in the field of economics. By doing this, the objective would be to secure, for all, better labor standards, economics improvement and social security. They aimed at bringing about as assurance that the people of all nations might live in freedom from want. Only the method of bringing into being such a status among men was at fault.

When the United Nations Declaration was signed, in the midst of a terrible war, the principals expressed in the Atlantic Charter were restated. This was the actual beginning of the United Nations Organization.

Then on November 1, 1943, a statement signed in Moscow by Molotov of Russia, Eden of Britain, Hull of the United States, and the Chinese Ambassador of the Soviet Union declared:
"They (the foreign ministers of the four great powers) recognized the necessity of establishing at the earliest practicable date a general international organization, based on the principle of the sovereign equality of all peace-loving states, and open to membership by all such states, large and small, for maintenance of international peace."

Just two months later, at Teheran, Roosevelt, Stalin, and Churchill declared: "We are sure that our concord will win an enduring peace. We recognize fully the supreme responsibility resting upon us and all the United Nations to make a peace which will command the good will of the overwhelming mass of the peoples of the world and banish the scourge and terror of war for many generations."

The first actual indefinite plan for this international organization which became the United Nations was prepared at a meeting in Washington, D.C. The conference between the representatives of China, Great Britain, the Soviet Socialist Republic, and the United States was held in a mansion known as Dumbarton Oaks. The meetings were concluded on October 7, 1944, when proposals for the structure of the world organization were announced to the public.

The Dumbarton Oaks agreement called for United Nations whose key body would be the Security Council on which the "Big Five" – China, France, the USSR, United Kingdom, and the United States – were to be permanently represented. The proposals did not specify the voting procedure, however. This was discussed between Roosevelt, Churchill, and Stalin at Yalta, where on February 11, 1945 these three leaders announced that this point had been settled.

The Yalta Declaration announced a Big Three agreement that a conference of the United Nations would be held in San Francisco on April 25, 1945 to prepare the charter of the U.N.

Delegates of the fifty nations met in San Francisco between April 25th and June 26th, where they brought into being the Charter of the United Nations and the Statute of the new International Court of Justice. The Charter was approved and came into force on October 24, 1945, after the "Big Five" and a majority of the signers had filed their instruments of ratification.

Today, ten years later, the United Nations Organization is under fire in the United States. I readily concede that there are many good minds in patriotic citizens supporting the U. N. I also assert there are "termites" with Communistic designs among the ardent supporters of this world organization. It takes only one rotten apple to ruin a bushel of apples and I contend that there are plenty of rotten apples in the U.N.

Those who believe the U.N. is our best hope for peace on earth naturally assume that the United Nations was well intentioned. They point to many high-sounding phrases in the Charter. They site high-minded and influential Americans who support the U.N.; and they conclude that it must be good. It is true that some of the most iniquitous traitors in our history have been closely connected with it. According to the recent polls,

the majority of Americans endorse the U.N. But the evil forces have been in control of this organization and have managed to use thousands of upstanding Americans as a sort of display window to hide the treasonable conspiracy inside the "store."

For example, the one American who contributed more brains, time and energy to establishing of the U.N. then all others combined was none other than Alger Hiss

Hiss was a member of the Soviet spy apparatus inside the United States government, working under orders from Moscow. He worked long and effectively to bring the United Nations to existence as an agency for dissipating American resources and creating continuous, nerve-shattering discord among nations. Thus, he could promote world-wide Communist propaganda.

Hiss was in close contact with Dexter White (Assistant Secretary of State and another Communist espionage agent) who conceived and actually ran the United Nations Monetary and Financial Conference held in Bretton Woods, New Hampshire, in July 1944. President Truman named White as director of the Fund. Virginius Franklin Coe (who has taken the Fifth Amendment and refused to testify whether or not he is a Capital Soviet spy) was the American who succeeded White as the head of the International Monetary Fund and held the post until December 1953.

Alger Hiss was the executive secretary of the Dumbarton Oaks Conference in 1944, at which the blueprint of the United Nations Charter was approved. Hiss was the most influential counselor who went to the Yalta Conference with Roosevelt in 1945. Hiss was the only official counselor with Roosevelt when the dying President held private meetings with Stalin as they formed basic agreements about the Charter of the U.N. One has only to see the photographs of Franklin D. Roosevelt taken at Yalta to realize he was in no physical condition to make important decisions.

Let me cite one incident at Yalta, as reported by Dan Smoot in the April, 1955, issue of Facts Forum News:

"On one frightful occasion at Yalta, during the bitter fight over Russia's demand for sixteen votes in the United Nations, Roosevelt, Hiss, Stalin, and an interpreter were left alone in the conference room. The rest of the high brass at Yalta cooled their heels outside. When Roosevelt, a dying man, came out of the room with Alger Hiss, he announced to his advisors that an "agreement" had been reached which would give Russia three votes against America's one in the General Assembly of the U.N. To the protest of the American delegation, Roosevelt really announced: "I know I shouldn't have done it. But I was so tired when they got a hold of me."

'Who were 'they'? There were only four people in the room; Roosevelt, Stalin, Alger Hiss, and the interpreter. The interpreter was Charles Bohlen, our present Ambassador to Russia.

"Upon his return to Yalta in February 1945, Alger Hiss began immediate preparation for the San Francisco Conference to be held in April."

Quoted further from Smoot's article:

"Alger Hiss organized the American delegation to the San Francisco Conference. Alger Hiss (an American Communist spy) was the General Secretary, the chief executive officer, at the International Conference in San Francisco when the U. N. Charter was adopted. Alger Hiss organized and ran the San Francisco Conference. It was his show."

"It is an established fact that whenever one dared to expose the Communist threat he has invited himself the adroit and skilled talents of experts of character assassination."

"Anyone who opposes the American Communist is at once branded as a "disrupter," a "Fasist," a Red-baiter," or a "Hitlerit"... This is easily understood because the basic tactics of the Communist party are deceit and trickery." ****J. EDGER HOOVER

"What country can preserve its liberties if its rulers are not warned from time to time that this people preserve the spirit of the resistance." *****THOMAS JEFFERSON

Frank, MaryJean

From:	william kuntz [kuntzwm1@yahoo.com]
Sent:	Friday, July 23, 2010 12:41 PM
To:	Secretary's Office; lbomyea@ogd.com; kuntzwm1@yahoo.com
Subject:	Massena 20 MW Power Request

looked at the nypa.com site for Massena Info
could not find it
can't see any reason why theystill need cheapo power now that the GM Plant is Closed and due to be torn down
-
power no longer be given out in sweetheart deals just because of local proximity

William Kuntz,III
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www.massenaelectric.com

My name is James M. Shaw and I am the Chairman of the Board for the Town of Massena Electric Department (MED).

MED is the counterparty to the New York Power Authority in this proposed contract and looks forward with great pride and expectation to supporting the St. Lawrence River Valley Redevelopment Agency (RDA) in working to transform our regional economy.

MED has been a great source of civic pride and benefit for the last 29 years in Massena. We believe we will be furthering the role of public power and maximizing the benefit of hydropower in our community and region.

While Public Power has been beneficial to our community, it has not been enough on its own to overcome fundamental infrastructure deficiencies to allow for further economic development. We are confident that being able to directly allocate hydro power to employers, coupled with MED's low cost of distribution, will offer a combination that will entice economic development.

Hydro Power from NYPA was the source of many jobs in our region for nearly 5 decades. While the worldwide economy is slow presently we believe hydro power can again fuel our regional economy. On behalf of the MED Board, I commend the leadership at NYPA and the RDA for working together on this historic agreement and we are proud to have a role in administering this vital power contract.

Thank you for your time and consideration,

James M Shaw

Mr. James M. Shaw, Chairman
Massena Electric Utility Board

St. Lawrence County Industrial Development Agency

80 State Highway 310, Suite 6 – Canton, New York 13617
Phone: (315) 379-9806 – Fax: (315) 386-2573 – www.sleida.com

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Proposed contract for the sale of 20 MW of NYPA hydropower
To the Town of Massena Electric Department

Written Statement of:
Brian W. Staples, Chairman
St. Lawrence County Industrial Development Agency

As an economic development entity, the primary goal of the St. Lawrence County Industrial Development Agency is to improve the overall economic environment of St. Lawrence County. The IDA undertakes a number of activities and initiatives designed to assist in not only the creation and retention of jobs within St. Lawrence County, but its tax base as well.

As you may know, the St. Lawrence County Industrial Development Agency has nearly forty years of experience in working to improve the economy within St. Lawrence County. The ability to add 20 MW of locally produced power in an effort to induce companies to create jobs within St. Lawrence County would be a major step towards ensuring positive economic growth and it would offset some of the negative impacts that have been endured within this region.

Time and time again, you have heard testimonies highlighting the obstacles and challenges St. Lawrence County faces, such as our:

- lack of highways;
- limited financial recourses; and
- general inequities caused by the County's rural, under populated and distant location from the well known economic and political centers throughout the State of New York.

The New York State Department of Labor recently released unemployment figures that indicate that St. Lawrence County's unemployment rate is significantly higher than the New York State's unemployment rate. Other State and Federal statistics indicate that the economic well being of St. Lawrence County is greatly distressed. The indicators include lower median household incomes, lower per capita income and number of low and more moderate-income households than most regions of New York State. These conditions are an obvious concern to the St. Lawrence County Industrial Development Agency and the residents of St. Lawrence County.

To strike a positive note, the County has a dedicated workforce that desires to live and thrive in the North Country and to be productive, responsible, taxpaying citizens. You have heard from colleges, developers, elected officials, companies and citizens within the County that we do have the ability to generate large volumes of hydropower, which is not only clean, but also relatively inexpensive. This, in my opinion, holds the key to our present and future economic and social viability.

Economic development is not one-dimensional. This hydro resource will be used, in conjunction with other regional assets, to market St. Lawrence County to reach our goal of creating and retaining jobs within St. Lawrence County. These regional assets include:

- strategic border location;
- natural resources;
- programs and incentives;
- sites and buildings;
- educational resources; and
- human resources.

The Industrial Development Agency strongly supports the contract for the sale of 20 MW of NYPA hydropower to the Town of Massena Electric Department. By working together, the IDA, the St. Lawrence River Valley Redevelopment Agency and the Massena Electric Department will be in a position to utilize all of our available resources and tools to improve the economy within this region.

Thank you.

Brian W. Staples

My name is Robert McNeil and I am the Chair of the newly formed St. Lawrence River Valley Redevelopment Agency (RVRDA), I have been the County Treasurer of St. Lawrence County for the past 24 years and a lifelong resident of St. Lawrence County. The RVRDA is a Joint Action Agency that represents the 4 host communities of the New York Power Authority's (NYPA) St. Lawrence Power Project -Robert Moses Power Dam (RMPD) as well as the county in which the RMPD is resident.

I make these comments in support of the Power Contract proposed between NYPA and the Town of Massena Electric Department (MED).

As proposed, MED will administer this contract in cooperation with the RVRDA. The contract proposes an allocation of power that will be used to create jobs in this region. Indeed, it is my belief, and the belief of many in this region that this proposed power contract will be the basis for transformational economic change in our region.

The St. Lawrence River Valley offers a strategic location on an international border, access to major markets in the United States and Canada, a superior workforce with a history of providing outstanding service for world-class companies. We are fortunate to host a number of local technical education centers, colleges and universities and, with our location between the Adirondack Mountains and the cultural centers of Montreal and Ottawa, the region offers an unparalleled quality of life.

Not since the construction of the Robert Moses Power Dam (RMPD) in 1958 has there been an asset available to our region to bring substantive change – and most importantly employment to our region. The benefit of the RMPD was felt immediately in the 1950's with the attraction of Reynolds Metals and General Motors. Unfortunately, the initial impact steadily declined over the past several decades, culminating with the idling of the former Reynolds facility and the closure last year of the General Motors facility in Massena.

A review of St. Lawrence County's economic condition indicates overwhelming circumstances of economic need. Indeed, according to the June unemployment figures just released by the New York State Department of Labor, our current unemployment rate is 10.1%, a figure which is 23% higher than the State unemployment rate. In 2008 the County had a Per Capita Income (PCI) that was only 62.4% of New York State PCI, according to the US Census Bureau's 2006-2008 American Community Survey.

Median household income in St. Lawrence County has also lagged significantly behind statewide trends. For the 2006-2008 period, the median household income in the County totaled $41,526 or just less than 75% of median statewide household income ($55,401) for the same period. Using Census 2000 data, the U.S. Department of Housing and Urban Development estimated that St. Lawrence County had 45.5% of population with low or moderate incomes (LMI). HUD data indicated that 17 communities in the County had more than 50% of their populations with low or moderate incomes.

The power that is contemplated in the proposed contract is low-cost and for that reason alone offers value as an economic development tool. It is also from a clean renewable resource - water. We believe strongly that both the low cost and the renewable attributes of this resource will be exceptionally

marketable. Sustainability and environmental responsibility are drivers for companies large and small. I believe, and my board believes, that clean power will be the catalyst for drawing forward thinking companies to our region.

In closing, we believe that the use of the river is a logical way to bring business to our region and have for over 200 years. Many of our communities were founded in the 1700's around the power of the local river's and timber. In the early 1900's a clever diversion of the St. Lawrence River attracted the Pittsburgh Reduction Company (later called Alcoa) to our region. Then in the late 1950's NYPA helped attract businesses again with the construction of the RMPD. We believe this contract will be the tool that once again builds on the power of the water to reinvent our regional economy.

For these reasons, and countless others that will go unmentioned at this time in pursuit of brevity, I strongly encourage the Governor to sign this contract as soon as possible to help this region begin a new economic era.

Thank you for your time and consideration.

From: Joseph D. Gray [mailto:supervisor@town.massena.ny.us]
Sent: Friday, July 23, 2010 4:44 PM
To: Secretary's Office
Cc: townclerk@town.massena.ny.us; 'Albert Nicola'; 'Chuck Raiti'; 'John Macaulay'; 'John Wicke'
Subject: Testimony on St. Lawrence Project allocation

To whom it may concern: please enter the following comments into the official record for the planned allocation of 20 megawatts of power and $16 million to the St. Lawrence River Valley redevelopment Agency. Thank you.

Ladies and Gentleman,

I am writing to express my support for the plan to allow $16 million and 20 megawatts of electricity to the newly created St. Lawrence River Valley Redevelopment Agency. I am forced to submit my testimony in writing because the public hearing in Massena on July 23 was ended before the published time of 9 p.m. and I was not allowed to testify in person.

When Robert Moses, founder of the New York Power Authority, first travelled to Massena decades ago to promote the construction of the St. Lawrence Power Project he promised it would be transformational for our community and the entire region.

An indeed has been. The St. Lawrence Power Project truly changed our way of life.

While certainly there have been significant negative impacts on our community and its natural resources, the majority of the Project's impacts have been positive. For over 50 years, Massena has been a gracious host to NYPA and NYPA, for the most part, has been a good neighbor.

Because St. Lawrence was the first of NYPA's hydro projects to become operational, I believe a good portion of the Authority's success has been built on Massena's back.

This Project has generated millions and millions of dollars for the Power Authority and the State of New York. It has allowed bureaucrats and politicians to take credit for improving our region and has supplied incalculable megawatts of electricity for New York City, our state, and even a handful of neighboring states.

The RVRDA agreement between NYPA and local municipalities was negotiated in good faith and will return a minuscule amount of NYPA's profits and bit of hydropower to the communities who sacrificed much to help make the Power Authority what it is today.

Plainly and simply, this agreement provides to us a portion of what is owed to us for being gracious hosts. The St. Lawrence is our river and for over five decades it has been used by NYPA to generate our power. Now we have a chance to reap some of the benefits of our largesse.

Last week I was told by a NYPA official that the RVRDA proposal and the allocation of the 20 megawatts was encountering some opposition on "the Second Floor" -- Gov. Paterson's office. Certainly that opposition is misguided and unwarranted. Those expressing such opposition are obviously ignorant of the history here and the burden we have carried as a host of this magnificent hydroelectric project.

So, as the elected Supervisor on the Town of Massena, I want to go on record as supporting this allocation of money and electricity to the RVRDA. While I have publicly expressed my opinion that this agreement does not go far enough and that we should actually expect more from NYPA, I realize that the agreement is in place and must be recognized and respected.

In conclusion, please proceed with due haste to strongly, even forcefully, recommend that Gov. Paterson sign and finalize this agreement so that it may be executed and our citizens may start receiving greater benefits from the presence of NYPA and its St. Lawrence Power Project in our community.

Please remember, it is our river and our power. We are owed this.

Thank you for your consideration.

Joseph D. Gray, Supervisor
Town of Massena
Town Hall
60 Main Street
Massena, NY 13662
315-769-3588
315-769-0578 - Fax

July 22, 2010; NYPA 20 kw Power Comment Session

I'm James Wason, a retired farmer. I'd like to thank you for the opportunity to make my wishes known today.

The trickle down theory doesn't work! The money always (like cream) goes to the top of the project! The only way to get the money to the people is to put it in the hands of the people who need to spend it; the consuming public.

Massena's great drawing card is muni power which is a great saving for everyone.

I would like to see this money go to AMP to help the whole area; small busineses as well as households would benefit fromit.

This would keep the 20 kw local and improve the profit picture for everyone in the area.

Again, thank you.

NEW YORK POWER AUTHORITY

PUBLIC HEARING

PROPOSED CONTRACT FOR SALE OF

20 MW OF HYDROPOWER TO

TOWN OF MASSENA ELECTRIC DEPARTMENT

THURSDAY, JULY 22ND, 2010

MASSENA, NEW YORK 13662

Terry R. Clark
Freelance Court Reporter
Ogdensburg NY 13669
315-393-6838

1
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3

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Don Lucas	26

MS. GRAVES: Good afternoon, folks. I think we're going to start. My name is Angela Graves and I'm the Deputy Corporate Secretary of the New York Power Authority. This public hearing is being conducted by the Authority to provide an overview and receive public comment on a proposed contract with the Town of Massena Electric Department for the sale of up to 20 MW of hydropower from the St. Lawrence/FDR Power Project at the Authority's cost-based rate.

Pursuant to Section 1009(1) of the Public Authorities Law, notice of this hearing was published in the following nine newspapers once a week for the four weeks leading up to the hearing: The *Watertown Daily Times*, the *Ogdensburg Journal*, the *Massena Courier-Observer*, the *Syracuse Post Standard*, the *Thousand Island Sun*, the *Malone Telegram*, the *Plattsburgh Press-Republican*, *Newsday* and the *Albany Times Union*. During the 30-day period prior to today's hearing, copies of the proposed contract and service tariff have been available for inspection at the Authority's office in White Plains as well as on the

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2 Authority's Web site.
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11 Ways and Means Committee Herman Farrell; Senate
12 Minority Leader Dean Skelos and Assembly
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14 If you plan to make an oral statement at
15 this hearing and have not yet filled out the
16 form at the sign-in desk, please do so now. We
17 ask that you give copies of your written
18 statement to the reporter and Ms. Johnson
19 before or after you deliver your remarks.
20 Although your written statement can be whatever
21 length you like, we would ask those presenting
22 an oral statement to limit their remarks to
23 five minutes. If your oral statement summarizes
24 a written statement, both will appear in the
25 record of the hearing.

1
2 The record of this hearing will remain
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4 Friday, July 23, 2010 for the submission of any
5 additional comments of statements. These should
6 be addressed to the Authority's Corporate
7 Secretary at 123 Main Street, 11-P, White
8 Plains, New York 10601; or may be faxed to
9 (914) 390-8040; or e-mailed to
10 secretarys.office@nypa.gov. Please see Ms.
11 Johnson on your way out if you have additional
12 questions.
13 Full stenographic minutes of the hearing
14 will be made and will be incorporated, along
15 with the written submissions, into the record
16 that will be reviewed by the Authority's
17 Trustees. The transcript will be available for
18 review at the Authority's office in White
19 Plains and on our Web site, www.nypa.gov.
20 At this point, I will turn the microphone
21 over to Timothy Muldoon, the Authority's
22 Manager of Business Power Allocations and
23 Compliance in its Marketing and Economic
24 Development Department, who will provide
25 additional details on the proposed contract. I

will then call on speakers, starting with any elected officials.

MR. MULDOON: Good afternoon. My name is Timothy Muldoon. I am the Manager of Business Power Allocations and Compliance in the Marketing and Economic Development department at the New York Power Authority ("the Authority"). I'm here today to present an overview of a proposed contract with the Town of Massena Electric Department for the sale of up to 20 MW of hydropower from the St. Lawrence/FDR Power Project.

The Massena Electric Department is authorized by New York law to purchase St. Lawrence/FDR power from the Authority and resell it for economic development purposes. The Electric Department currently purchases Niagara Project preference hydropower to serve all classes of retail customers in the Town of Massena and surrounding areas comprising its service area. Under the proposed contract, the Electric Department will separately purchase and distribute the 20 MW of power for economic development purposes within its service area

and, through means to be determined, to businesses outside its service area but within St. Lawrence County. The initial term of the proposed contract is through 2025 with a commitment to negotiate a new contract with a term through the end of the current St. Lawrence/FDR license in 2053.

The contract is subject to a public hearing and approval by the Governor, as set forth in Section 1009 of the Public Authorities Law.

As Ms. Graves stated earlier, the Authority will accept your comments on the proposed contract until close of business tomorrow, Friday, July 23rd, 2010. I will now turn the forum back over to Ms. Graves.

MS. GRAVES: Thank you, Mr. Muldoon. I will now call on people who wish to make an oral statement. When I say your name, please come up to the podium and limit your statement to five minutes. We have Mr. James Wason, who is a farmer.

MR. JAMES WASON: I'm James Wason. I think I know some of the people here. I have always

been very vocal. I've been in a lot of different jobs in my life time. I've been a farmer for about oh 25-years. I found out there's an awful lot of work connected with that, so I retired, and right now before I retired I worked with AMP, Alliance For Municipal Power. In fact, when I started it there was one other fella and myself. We almost had municipal power. It's a very simple process to get it, but we were fighting the government to get it. That's what most people didn't understand. I'm sorry. I'm deviating from what I have to say. I'll read what I had to say.

I'd like to thank you for the opportunity to make my wishes known today. The trickle-down theory does not work. The money always (like cream) goes to the top of the project. The only way to get the money to the people is to put it in the hands of the people who need to spend it, the consuming public.

Massena's great drawing card is muni power which is a great saving for everyone.

I would like to see this money go to AMP

to help the whole area; small businesses as well as households would benefit from it. They're taxed in everything as though they had it, but they don't. The difference is 30-years ago if you had bought a house where you had municipal power, you would have paid for that house with your savings on electricity instead of buying it from these so-called good people, the ones that are given the power by big business. Oh well, I'd like to keep that 20 MW local and improve the profit picture for everyone in the area. Thank you.

MS. GRAVES: We'll be open for another hour-and-a-half for anyone else wishing to come in to speak.

MR. WASON: Could I say a few more things? AMP, the Alliance For Municipal Power, instead of trying to do it with one town, we took this whole area. It isn't just the towns, but everybody in it, and one thing that's very interesting the people that know these towns around here, the town that uses the most electricity of any one of them isn't Massena, it's Fowler. Stop and think how many people

are in Fowler. They use the most power in their mines, but, anyway, AMP was a great idea. I still think that all of the things that we've drawn up for it, no one who was in the original, see, there was two people from each town was on the Board. Anyone that was on the initial Board could never have a paid position in it. So, in other words, they couldn't skim it before it got going, but maybe I guess I'm just, I don't really trust any of these people that we have in power, and I think that should be a requirement in being a farmer and being born on the farm, but it works and I think that now they already have the thing all they have to do is when it gets signed we have to get cheaper power, and it's a matter of either getting it here, or putting up wind mills. That's what we will do, because we have to have cheaper power for the people. Under the current plan, where we buy it on the market but would only make figuring all the things out, five cents. That's all we could save the people is five cents. So, that's why I say we should get it, but there's more people coming.

Thank you.

MS. GRAVES: Thank you. We have an additional speaker. I would like to call Mr. Robert McNeil, County Treasurer of St. Lawrence County.

MR. ROBERT MCNEIL: Thank you. I left written copies outside. Would you like me to give an extra copy.

Good afternoon. My name is Robert McNeil, and I'm the Chair of the newly formed St. Lawrence River Valley Redevelopment Agency (RVRDA), I've been the County Treasurer of St. Lawrence County for the past 24 years and a lifelong resident of St. Lawrence County. The RVRDA is a Joint Action Agency that represents the 4 host communities of the New York Power Authority's (NYPA) St. Lawrence Power Project-Robert Moses Power Dam (RMPD) as well as the county in which the RMPD is resident.

I make these comments in support of the Power Contract proposed between NYPA and the Town of Massena Electric Department (MED).

As proposed, MED will administer this contract in cooperation with the RVRDA. The

contract proposes an allocation of power that will be used to create jobs in this region. Indeed, it is my belief, and the belief of many in this region that this proposed power contract will be the basis for transformational economic change in our region.

The St. Lawrence River Valley offers a strategic location for an international border, access to major markets in the United States and Canada, a superior workforce with a history of providing outstanding service for world-class companies. We are fortunate to host a number of local technical education centers, colleges and universities and, with our location between the Adirondack Mountains and the cultural centers of Montreal and Ottawa, the region offers an unparalleled quality of life.

Not since the construction of the Robert Moses Power Dam in 1958 has there been an asset available to our region to being substantive change - and most importantly employment to our region. The benefit of the RMPD was felt immediately in the 1950's with the attraction

of Reynolds Metals and General Motors. Unfortunately, the initial impact steadily declined over the past several decades, culminating with the idling of the former Reynolds facility and the closure last year of the General Motors facility in Massena.

A review of St. Lawrence County's economic condition indicates overwhelming circumstances of economic need. Indeed, according to the June unemployment figures just released by the New York State Department of Labor, our current unemployment rate is 10.1%, a figure which is 23% higher than the State unemployment rate. In 2008, the County had a Per Capital Income (PCI) that was only 62.4% of New York State PCI, according to the US Census Bureau's 2006-2008 American Community Survey.

Median household income in St. Lawrence County has also lagged significantly behind statewide trends. For the 2006-2008 period, the median household income in the County totaled $41,526, or just less than 75% of median statewide household income ($55,401) for the same period. Using Census 2000 data, the U.S.

1
2 Department of Housing and Urban Development
3 estimated that St. Lawrence County had 45.5% of
4 population with low or moderate incomes (LMI).
5 HUD data indicated that 17 communities in the
6 County had more than 50% of their populations
7 with low or moderate incomes.
8 The power that is contemplated in the
9 proposed contract is low cost, and for that
10 reason alone offers value as an economic
11 development tool. It is also from a clean
12 renewable resource - water. We believe strongly
13 that both the low cost and the renewable
14 attributes of this resource will be
15 exceptionally marketable. Sustainability and
16 environmental responsibility are drivers for
17 companies large and small. I believe, and my
18 board believes, that clean power will be the
19 catalyst for drawing forward-thinking companies
20 to our region.
21 In closing, we believe that the use of the
22 river is a logical way to bring business to our
23 region and have for over 200 years. Many of our
24 communities were founded in the 1700s around
25 the power of the local rivers and timber. In

the early 1900s, a clever diversion of the St. Lawrence River attracted the Pittsburgh Reduction Company (later called Alcoa) to our region. Then in the late 1950s, NYPA helped attract businesses again with the construction of the RMPD. We believe this contract will be the tool that once again builds on the power of the water to reinvent our regional economy.

For these reasons, and countless others will will go unmentioned at this time in pursuit of brevity, I strongly encourage the Governor to sign this contract as soon as possible to help this region begin a new economic era.

Thank you for your time and consideration.

MS. GRAVES: We also have a written statement from the Massena Electric Department that will be incorporated into the record of this hearing.

STATEMENT OF MASSENA ELECTRIC DEPARTMENT: My name is James M. Shaw and I am the Chairman of the Board for the Town of Massena Electric Department (MED).

MED is the counterparty to the New York

1
2 Power Authority in this proposed contract and
3 looks forward with great pride and expectation
4 to supporting the St. Lawrence River Valley
5 Redevelopment Agency (RDA) in working to
6 transform our regional economy.
7 MED has been a great source of civic pride
8 and benefit for the last 29 years in Massena.
9 We believe we will be furthering the role of
10 public power and maximizing the benefit of
11 hydropower in our community and region.
12 While Public Power has been beneficial to
13 our community, it has not been enough on its
14 own to overcome fundamental infrastructure
15 deficiencies to allow for further economic
16 development. We are confident that being able
17 to directly allocate hydropower to employers,
18 coupled with MED's low cost of distribution,
19 will offer a combination that will entice
20 economic development.
21 Hydropower from NYPA was the source of
22 many jobs in our region for nearly 5 decades.
23 While the worldwide economy is slow presently
24 we believe hydropower can again fuel our
25 regional economy. On behalf of the MED Board, I

commend the leadership at NYPA and the RDA for working together on this historic agreement and we are proud to have a role in administering this vital power contract.

Thank you for your time and consideration, Mr. James M. Shaw, Chairman, Massena Electric Utility Board.

MS. GRAVES: Is there anyone else present who would like to make an oral statement? If not, this hearing is officially adjourned until seven this evening. Thank you.

(Whereupon, the afternoon portion of the Public Hearing was adjourned at four p.m. At seven p.m., the Public Hearing reconvened.)

MS. GRAVES: Good evening. My name is Angela Graves and I'm the Deputy Corporate Secretary of the New York Power Authority (the Authority). This public hearing is being conducted by the Authority to provide an overview and receive public comment on a proposed contract with the Town of Massena Electric Department for the sale of up to 20 MW of hydropower from the St. Lawrence/FDR Power Project at the Authority's cost-based rate.

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13 Compliance in its Marketing and Economic
14 Development department, who will provide
15 additional details on the proposed contract. I
16 will then call on speakers, starting with any
17 elected officials.
18 Mr. Muldoon.
19 MR. TIMOTHY MULDOON: Good evening. My name
20 is Timothy Muldoon. I am the Manager of
21 Business Power Allocations and Compliance in
22 the Marketing and Economic Development
23 department at the New York Power Authority
24 ("the Authority"). I am here today to present
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The Massena Electric Department is authorized by New York law to purchase St. Lawrence/FDR power from the Authority and resell it for economic development purposes. The Electric Department currently purchases Niagara Project preference hydropower to serve all classes of retail customers in the Town of Massena and surrounding areas comprising its service area. Under the proposed contract, the Electric Department will separately purchase and distribute the 20 MW of power for economic development purposes within its service area and, through means to be determined, to businesses outside its service area but within St. Lawrence County. The initial term of the proposed contract is through 2025 with a commitment to negotiate a new contract with a term through the end of the current St. Lawrence/FDR license in 2053.

The contract is subject to a public hearing and approval by the Governor, as set

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3 Law.
4 As Ms. Graves stated earlier, the
5 Authority will accept your comments on the
6 proposed contract until close of business
7 tomorrow, Friday, July 23, 2010. I will now
8 turn the forum back over to Ms. Graves.
9 MS. GRAVES: Mr. Parker, would you like to
10 make your comments now? We've been waiting for
11 you.
12 MR. DAN PARKER: My name is Dan Parker. I
13 live in Potsdam, St. Lawrence County. I'm here
14 to speak tonight with regard to the economic
15 development packages the Authority is offering
16 to the county both the monetary factors and the
17 opportunity for some economic development. St.
18 Lawrence County is in competition with every
19 other county in New York State for economic
20 development. I think as far back as I can
21 remember we're in the top 5 to top 10 from the
22 bottom in unemployment, which does not make me
23 proud to be in that situation. It's difficult
24 for us to get folks to come here to attract
25 business here.

We haven't got a big crowd here. I think if you go around the people here you would find people love being here. All you have to do is look outside the window to see the natural beauty of this area, but we need jobs and we need economic development for people to come here and raise families here and stay here. Over 17% of the county lives under the Federal poverty level. The unemployment rate, as I said, is the 3rd lowest in the state only to two NYC counties. It's difficult for us to continue to attract business with limited funds. The financial situation in New York State is not helping, so that's why it makes these two packages that the New York Power Authority is offering more valuable as a critical tool in our tool bag to attract business and economic development to St. Lawrence County and maintain infrastructure so people like Don can keep his business going and other people can start businesses in single proprietorship or larger businesses that will come in and hire 20 or 30 people.

So, I would encourage the Trustees of the

New York Power Authority to approve these programs and allow them to be implemented and the Governor to sign whatever authorization is required so that these plans can move forward and we can all enjoy that economic development, and the increased revenue brought into St. Lawrence County would also benefit New York State through increased taxes and fees along those lines. I encourage you to keep moving forward on this.

MS. GRAVES: Thank you. We will wait and see if anyone else comes. We have another speaker who just came, Mr. Patrick Green. Mr. Green.

MR. PATRICK GREEN: I handed in some papers. One's an article out of the *Watertown Times* that says something about along the lines of be careful where you put this power. The second was a packet for a resolution to have the an audit of the Industrial Development Agency here in St. Lawrence County. There's a paper from the Controller explaining that unfortunately there aren't any audits on the St. Lawrence County IDA. Then there's a cartoon

1
2 that explains some of the actions of the IDA
3 and what happens after they get money. Then
4 there's a report on some of the IDA's actions
5 over New York State and the costs of the more
6 than 700 public authorities in New York that
7 many fail to comply with reporting requirements
8 meant to make them more accountable. I realize
9 that some people think the cold war is over,
10 but this is a horrible thing, and as far as
11 where this power is going, I'd like to say that
12 one opportunity would be to go to these
13 corporate dairies and subsidize their wages at
14 35 dollars an hour for power so they could give
15 it to the locals in milk at a cost of 15
16 dollars an hour. That would bring their actual
17 wages down to 15, and that way they would
18 liberate this northern Appalachia from the
19 invaders who have come up here from Mexico,
20 hard working illegals. Funny thing is you go
21 within 25 miles of this border and search a
22 man's house if they think they're harboring
23 illegal aliens and they don't, and when they
24 have DOD catch the illegal they do nothing to
25 the harborer, and that's a five-year per

hoarder federal law.

Another idea that we could do with the power is to to just give it to the county so all the power in St. Lawrence County was cheap. That would save us a lot of giving away taxes and our tax base through these incentives and people would just see industries and these people would just come to the county because they knew anywhere they set up in this entire county they would have the right to have this cheap power. It's all the incentive we really need. We can do away with these IDA's and all this state, federal and local municipalities. Sometimes the IDAs think the only stimulus is the people who work there. Thank you very much.

MS. GRAVES: Mr. Don Lucas will be the next speaker.

MR. DON LUCAS: My name is Don Lucas. I felt compelled to make a comment after that last rousing speaker that we heard. My thoughts on this is that I implore upon those in power to make sure that this deal goes through. The original intent was to make good

to the four towns for the lands that were taken away from them in the development of the New York Power Authority. This is long overdue. It's compensation for the development opportunities that we've lost for a long, long time. It is going to be a very valuable tool in setting our economic future, and one of the things that I hope that they pay special attention to is the number of jobs provided. In my own opinion, I think we've learned from our past mistakes that when we put all our eggs in one basket and give it to one industry, that those opportunities further down the road could be lost, and I hope they tie numbers of jobs to the amount of power and not give it all to a single industry, but break it up into increments where it will have the biggest impact as far as the number of jobs provided. Once again, I feel this is very important that the emphasis should be on the four towns or communities that were most affected by their lands being taken away, the tax revenue lost, and just for the need of jobs. Please honor our request for the power. Thank you.

MS. GRAVES: Thank you. Is there anyone else present who would like to make an oral statement? If not, this hearing is officially closed. Please remember, however, that the record of the hearing will remain open until 5 p.m. tomorrow, Friday, July 23rd, for the submission of written statements. Thank you all for coming.

(Whereupon, the hearing was concluded at nine p.m.)

1
2 **CERTIFICATION**
3
4
5
6 I, Terry R. Clark, Court Reporter, do hereby
7 certify that the foregoing is a true and correct
8 transcript of the proceedings held herein as taken
9 by me at the time and place noted in the heading
10 hereof.
11
12
13
14 Terry R. Clark
15
16
17
18
19 DATED: August 5th, 2010.
20
21
22
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24
25

May 26, 2010
Exhibit "B"

DRAFT

POWER AUTHORITY

OF THE

STATE OF NEW YORK

30 South Pearl Street
Albany, New York

AGREEMENT FOR THE SALE

OF ST. LAWRENCE-FDR PROJECT POWER AND ENERGY

TO THE TOWN OF MASSENA, MASSENA ELECTRIC DEPARTMENT

Service Tariff No. HC-2 - Firm Hydroelectric Power and Energy

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May 2010

The Town of Massena, Massena Electric Department("Customer" or "MED"), with offices at 71 E. Hatfield Street, Massena, New York 13662, hereby enters into this Agreement for the Sale of St. Lawrence -FDR Project Power and Energy ("Agreement") with the POWER AUTHORITY OF THE STATE OF NEW YORK ("Authority"), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title 1 of Article 5 of the New York Public Authorities Law ("PAL"), having offices and its principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425. The Authority and the Customer are from time to time referred to in this Agreement individually as a "Party" or collectively as the "Parties" and agree follows:

I. Definitions

a. **Agreement** means this Agreement including the Appendices.

b. **Allocation** shall mean the amount of Project Power and Energy allocated to the Customer by the Authority hereunder. Neither Ancillary Services nor Green Attributes are included in the Allocation.

c. **Ancillary Services** shall be as defined by the NYISO in its rules, tariffs, manuals and procedures.

d. **Authority** is the Power Authority of the State of New York, as described in the preamble to this Agreement.

e. **Commencement Date** is the date of the Agreement's execution.

f. **Contract Demand** shall be the sum of the amounts of power allocated and sold by the Customer to Ultimate Users, which amounts shall not exceed the Allocation.

g. **Customer** is the authorized recipient of the Allocation identified above and is a municipality or other political subdivision of the State of New York authorized to engage in the distribution of electric power pursuant to Public Authorities Law §1005(5) and General Municipal Law §360, et. seq.

h. **Customer's Agent** is defined in Article VIII.

i. **Customer's Costs** include direct administrative and services costs incurred by the Customer; compensation for use of third-party facilities and services furnished to the Customer in the transmission and distribution of the Allocation; all costs associated with negotiating the Agreement and the establishment of mechanisms to accept and distribute the Allocation. Such costs shall be approved by the Authority as required by New York Public Authorities Law §1005.

j. **Electric Service** is power and energy available to the Customer in accordance with applicable Service Tariffs, Rules and other contract documents.

k. **FERC** means the Federal Energy Regulatory Commission (or any successor agency).

l. **FERC License** means the first new license issued by FERC on October 23, 2003, to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act.

m. **Firm Hydroelectric Power and Energy** are firm power and associated energy from the Authority's St. Lawrence 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.

n. **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.

o. **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.

p. **NYISO** means the New York Independent System Operator (or any successor organization).

q. **Project** means the St. Lawrence-FDR Power Project, FERC Project 2000.

r. **Project Power and Energy** means Firm Hydroelectric Power and Energy produced by the Project.

s. **Project Switchyard** is the St. Lawrence Project switchyard.

t. **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), as may be modified from time to time by the Authority.

u. **Service Tariff** means the Authority's Service Tariff No. HC-2, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to the Customer under this Agreement.

v. **Ultimate Users** are entities within St. Lawrence County <u>who will receive the benefit of or</u> to whom the Customer will resell Project Power and Energy

purchased from the Authority for economic development purposes as provided in Article IX of this Agreement.

w. **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 defined in this Agreement, the Service Tariff, or the Rules 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-2 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 in the amount set forth below:

> Firm Hydroelectric Power and Energy Service pursuant to Service Tariff No. HC-2: [20,000] kilowatts ("Allocation")

The Authority shall provide Unforced Capacity in amounts necessary to meet the Customer's NYISO Unforced Capacity obligations associated with the foregoing Allocation in accordance with the rules and tariffs of the NYISO.

b. The Allocation 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 law, ruling, order or decision of any regulatory or judicial body having jurisdiction. The Authority shall provide reasonable notice to the Customer of any such action that would result in modification of Allocation and nothing herein shall be construed as limiting the Customer's rights to challenge any proposed reduction of the Allocation.

III. Rules, Service Tariff and Conflicts

The Rules and the Service Tariff are hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts, or differences between the provisions of Service Tariff and the Rules, the provisions of the Service Tariff shall govern. In the event of any inconsistencies, conflicts or differences between the Service Tariff and any other provisions of this Agreement, the provisions of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to the Customer of any proposed change in the Rules or the Service Tariff, but in no event shall the Authority provide less notice than that required to be provided to similarly affected Authority customers within New York State.

IV. Transmission and Delivery of Power and Energy

The Customer shall have the 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 Allocation to Ultimate Users. The Customer, or the entity acting as LSE or the Customer's Agent shall arrange for the transmission of the Project Power and Energy supplied hereunder from the Project Switchyard to the Customer's points of delivery. Such delivery shall be consistent with Article VI of this Agreement and the terms of the NYISO's Open Access Transmission Tariff (OATT) or other applicable tariff of the NYISO. The 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 the Customer hereunder at cost-based rates equivalent to rates charged to the Authority's in-state preference customers receiving preference power under the NRA.

The Customer waives any challenges to any of the following methodologies and principles[1] 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).

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[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.

(vii) Rate Stabilization Reserve (RSR) methodology as supplemented by the explanatory statement attached hereto as Appendix A

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 the 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

In reselling and/or distributing the Allocation the Customer shall: (1) distribute such Allocation only to the Ultimate Users designated pursuant to Article IX of this Agreement; (2) not permit such Ultimate Users to sell any of such Allocation for resale without prior approval by the Authority; (3) not recover from an Ultimate User more than the Allocation cost and the Customer's Costs; (4) otherwise transfer the benefits of the transactions contemplated hereunder with the concurrence of the Authority, which shall not be unreasonably withheld; and (5) comply with the FERC License, the Rules, the Power Authority Act (to the extent such Power Authority Act is not inconsistent with the FERC License) and all other applicable laws of the State of New York.

The Customer or the 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 the Authority to ensure compliance with this Agreement, applicable statutes, licenses, the Rules. The Customer shall provide such information and permit such inspection of its books and records as the Authority may reasonably request and shall require the Customer's Agent and/or Ultimate Users to agree to do likewise.

The distribution 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 the Customer from the Authority. The form and content of such statement shall be coordinated between the Customer and the Authority.

VII. Availability of Energy

Subject to any other limitations set forth in the Rules or the Service Tariff (including low-flow conditions), the Authority will supply each Ultimate User's demand and energy usage, at the Ultimate User's actual load factor in a mutually agreed upon manner.

VIII. Appointment of Customer's Agent

Upon reasonable prior written notice to the Authority, the 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 the Customer's Agent. Such duties delegated to the Customer's Agent may include the keeping of all records required by the 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 the Customer; provided that the Customer may choose to assume and perform any or all of the duties previously delegated to the Customer's Agent and provided further that nothing herein, including the Customer's designation of such an agent, shall be deemed to be approval by the Authority of an assignment of any of the Customer's duties and obligations under its Agreement with the Authority. The 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 the Customer's Agent at any time during the term of this Agreement.

The Customer's Agent may include, without limitation, a public utility, LSE, Municipal Distribution Agency, or load aggregator.

IX. Ultimate Users

The Customer will distribute power and energy associated with the Allocation to Ultimate Users in accordance with the Agreement and the Customer's economic development program. 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 and the Parties acknowledge and agree that such program shall be consistent with the principals for approving economic development proposals established under the multi-party agreement between the St. Lawrence River Valley Redevelopment Agency ("RVRDA") members, NYPA and the St. Lawrence County Industrial Development Agency.

The Customer shall notify the Authority of each Ultimate User it has selected to receive a portion of the Allocation. Each notification must contain: (1) the identity of the Ultimate User(s); and (2) the amount of the allocation.

The Agreement does not mandate or otherwise require the Customer to provide any portion of the Allocation to any specific Ultimate User and the Customer shall not be precluded from denying a portion of the Allocation to any such Ultimate User.

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 the 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 the Customer with Project Power and Energy for the remaining effective duration of the FERC License. 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 the 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.

XI. Notification

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

To Authority:

Director-Marketing Analysis & Administration New York Power Authority
123 Main Street
White Plains, NY 10601

To Customer:
General Manager
Massena Electric Department
71 E. Hatfield Street
P.O. Box 209
Massena, NY 13662

With a copy to:

_____

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. 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 shall constitute the sole and complete agreement of the Parties hereto with respect to the matters herein set forth. This Agreement supersedes 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 Public Authorities Law §1009, and upon execution by the Parties, this Agreement, the provisions of which shall survive for the term hereof, together with the Service Tariff 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.

XVII. Effectiveness of Agreement

This Agreement shall take effect the date of the Agreement's execution.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

CUSTOMER

BY _____

Title _____

Date _____

POWER AUTHORITY OF THE STATE OF NEW YORK

BY _____

Title _____

Date _____

Appendix A

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 NYISO.

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.

NewYorkPower Authority

POWER AUTHORITY OF THE STATE OF NEW YORK
30 SOUTH PEARL STREET
ALBANY, NY 12207

Electric Service Tariff for Host Communities
Firm Hydroelectric Power Service

Service Tariff No. HC-2

Date of Issue: June 30, 2010

Date Effective: July 1, 2010

Issued by James F. Pasquale, Senior Vice President
Power Authority of the State of New York
30 South Pearl Street, Albany, NY 12207

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Schedule of Rates for Firm Hydroelectric Power and Energy Service

I. Applicability

To sale of St. Lawrence-FDR Hydroelectric Project firm power and energy to the Host Communities customers in the vicinity of the St. Lawrence-FDR Power Project in St. Lawrence County.

II. Abbreviations and Terms

A. The following abbreviations are used:

kW	kilowatt(s)
kWh	kilowatt-hour(s)
NYPA	New York Power Authority
NYISO	New York Independent System Operator

B. The term "Agreement" means contract for the Sale of St. Lawrence-FDR Project Power and Energy between Authority and Customer.

C. The term "Authority" means New York Power Authority, an alternative name for the Power Authority of the State of New York.

D. The term "Customer" means "Customer" as defined in the Agreement. Where the context indicates, "Customer" shall also mean "Customer's Agent" as defined herein.

E. The term "Customer's Agent" may include, without limitation, a public utility, Load Service Entity, Municipal Distribution Agency, load aggregator or other entity authorized to purchase, sell and/or deliver or cause to be delivered electric power and/or energy on behalf of the Customer.

F. The term "Power" or "Firm Hydroelectric Power" means capacity (kW) from Project, intended to be available at all times except for limitations provided in the Agreement, the Rules, this Service Tariff or in other contract documents. Firm Power shall not include peaking power.

G. The term "Energy" or "Firm Hydroelectric Energy" means energy (kWh) associated with Firm Hydroelectric Power.

H. The term "Project" means the Authority's St. Lawrence-FDR Hydroelectric Project.

I. The term "Rules" means 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, 21 NYCRR § 454) as now in effect and as may be later amended from time to time by Authority.

J. The term "Service Tariff" means this Service Tariff No. HC-2.

III. Monthly Rates and Charges

A. Monthly Base Rates

The monthly demand and energy charges paid by Customer to Authority shall be based on the preference power rates charged by Authority, as shown below.

Effective Date	Demand Rate $/kW-month	Energy Rate Mills/kWh
5/1/2008	2.96	4.92

The demand and energy rates set forth above shall apply at the Project switchyard and the energy rate shall be subject to a monthly adjustment in accordance with a Flow Adjustment Computation (FAC) as described in Section V.

B. Minimum Monthly Charge

The product of the demand rate set forth above and the contract demand.

C. Billing Energy

Energy provided by Authority under this Service Tariff.

D. Billing Period

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

E. Contract Demand

The amounts set forth in the applicable Agreement between Authority and Customer.

F. NYISO Transmission and Related Charges ("NYISO Charges")

The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority, if any, for services provided by the NYISO or any successor organization pursuant to its Open Access Transmission Tariff ("OATT") or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) which are associated with

Customer's purchase of hydro power and energy under its contract for the sale of hydro power and energy with Authority:

1. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;

2. Marginal losses;

3. The New York Power Authority Transmission Adjustment Charge ("NTAC");

4. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;

5. Any and all other charges, assessments or other amounts associated with deliveries to Customer that are assessed on the Authority by the NYISO or any successor organization under the provisions of its OATT or under other applicable tariffs; and

6. Any charges assessed on the Authority with respect to service to Customers for facilities needed to maintain reliability and incurred in connection with the NYISO's Comprehensive System Planning Process (or similar reliability-related obligations incurred by NYPA with respect to service to Customers), applicable tariffs or required to be paid by the Authority in accordance with law, whether charged by the NYISO or some other third party.

The NYISO Charges in this section are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

G. Taxes and Other Charges

The charges under this Service Tariff shall be subject to adjustment as Authority deems necessary to recover from Customer any rates, taxes, assessments charged to Authority or any other charges mandated by federal, state and local agencies that are levied on the Authority or that the Authority is required to collect from its Customer if and to the extent such rates, charges, taxes or assessments are not recovered by Authority pursuant to another provision of this Service Tariff.

IV. General Provisions

General Provisions for service supplementing or modifying the Rules and Regulations for Power Service and this Service Tariff with regard to deliveries to Customer are as follows:

A. Character of Service

Alternating current, 60 hertz, three-phase.

B. Availability of Energy

Unless otherwise agreed upon by the parties, Authority shall normally provide in any billing period Firm Hydroelectric 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 Firm Hydroelectric 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 Firm Hydroelectric Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Firm Hydroelectric Energy is taken by Customer.. The Authority shall provide reasonable notice, to the extent possible, 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 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.

C. Adjustment of Rates

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

D. Adjustment of Charges

Power Factor

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

E. Delivery

For the purpose of this Service Tariff, Firm Hydroelectric Power and 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 this Service Tariff, Firm Hydroelectric Power and Energy shall be deemed to be offered when Authority is able to supply Firm Hydroelectric Power and Energy and NYISO transmits it to the Project switchyard. The offer of Firm Hydroelectric Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Firm Hydroelectric 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.

F. 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 Firm Hydroelectric Energy expected to be made available from the Project.

2. Authority may require that such Firm Hydroelectric Energy from the Project be scheduled in general accordance with the individual system load shapes of the Customer 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.

G. Payment by Customer or Customer's Agent for Firm Hydroelectric Power and Energy

1. Customer or Customer's Agent shall pay for Firm Hydroelectric Power and Energy during any billing period the sum of a) and b) below:

   a. The demand rate per kW for Firm Hydroelectric Power specified in this Service Tariff or any modification thereof applied to Customer's contract 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 Hydroelectric billing energy delivered by Authority to Customer or Customer's Agent during such billing period.

2. Bills computed under this Service Tariff 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 in full. If necessary, any adjustments will be made thereafter.

H. Supplementary Provision

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

I. Alternate Arrangements

Notwithstanding general provisions E, F and G above, Authority, Customer or Customer's Agent may make alternate arrangements regarding Delivery, Scheduling Procedures and Payment by Customer for Firm Hydroelectric Power and Energy consistent with the terms of the Agreement or other contract documents.

J. Conflicts

In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern.

V. Flow Adjustment Computation ("FAC")

The energy charges under this Service Tariff, and the applicable service tariffs associated with both the Project and the Niagara Hydroelectric Project, in the aggregate, are subject to a credit or surcharge pursuant to a FAC in any rate year following a calendar year for which the Hydroelectric Project Rate Stabilization Reserve ("RSR") is greater than $+25 million, or less than $-25 million, respectively. The RSR will be used to ensure rate stability and cost recovery and its level will be determined and any credit or surcharge for the succeeding rate year will be calculated after the prior calendar year's costs and generation levels are known. Any credit or surcharge will be applied on a uniform basis to the monthly billing statements rendered pursuant to this Service Tariff during the succeeding rate year.

The FAC is inapplicable in any rate year succeeding a calendar year at the end of which the RSR is within the $+25 million to $-25 million range. If at the end of any calendar year, the RSR is determined to exceed $+25 million, such excess amount will be credited pro-rata to Customer during the succeeding rate year pursuant to the FAC. If the RSR at the end of any calendar year is determined to be less than $-25 million, the difference below $-25 million will be surcharged pro-rata to Customer during the succeeding rate year pursuant to the FAC.

To the extent that there is a balance in the RSR (positive or negative) on the effective date of service under the applicable Agreement, arising out of service under a prior agreement for the sale of Project power and energy, that RSR balance shall be carried forward and maintained as the balance as of the effective date of service under such applicable Agreement.

k. Procurement (Services) Contracts – Business Units and Facilities – Awards and Extensions

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the multiyear procurement contracts listed in Exhibit '1k-A,' as well as the continuation and funding of the procurement contracts listed in Exhibit '1k-B,' in support of projects and programs for the Authority's Business Units/Departments and Facilities. Detailed explanations of the recommended awards and extensions, including the nature of such services, the bases for the new awards if other than to the lowest-priced bidders and the intended duration of such contracts, or the reasons for extension, the additional funding required and the projected expiration dates, are set forth in the discussion below.

BACKGROUND

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

"The Authority's Expenditure Authorization Procedures ('EAPs') require the Trustees' approval for the award of non-personal services, construction, equipment purchase or non-procurement contracts in excess of $3 million, as well as personal services contracts in excess of $1 million if low bidder, or $500,000 if sole-source or non-low bidder.

"The Authority's EAPs also require the Trustees' approval when the cumulative change- order value of a personal services contract exceeds the greater of $500,000 or 25% of the originally approved contract amount not to exceed $500,000, or when the cumulative change-order value of a non-personal services, construction, equipment purchase or non-procurement contract exceeds the greater of $1 million or 25% of the originally approved contract amount not to exceed $3 million.

DISCUSSION

Awards

"The terms of these contracts will be more than one year; therefore, the Trustees' approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, which range in estimated value from $285,600 to $15 million. Except as noted, these contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

Extensions

"Although the firms identified in Exhibit '1k-B' have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing these contracts. The Trustees' approval is required because the terms of these contracts will exceed one year including the extension, the term of extension of these contracts will exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the EAPs in forthcoming change orders. The subject contracts contain provisions allowing the Authority to terminate the services at the Authority's convenience, without liability other than paying for

acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

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

"The following is a detailed summary of each recommended contract award and extension.

Contract Awards in Support of Business Units/Departments and Facilities:

Business Services

Finance – Insurance Management

"The Authority has been self insured for Workers' Compensation since 1995 and has awarded contracts, as a result of competitive bidding at five-year intervals, to provide third-party administrative ('TPA') services for its Workers' Compensation program. Since the current contract for such services expires in December 2010, bid documents **(Q10-4775)** were prepared by staff and downloaded electronically from the Authority's Procurement Web site by 35 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; two additional firms obtained the bid documents without downloading. Eleven proposals were received and evaluated. Six of the responding bidders were eliminated based on a review of their respective proposals, which did not meet the Authority's needs (e.g., some claims adjuster caseloads far exceeded a manageable level and some firms lacked the requisite reporting or electronic capabilities, among other factors). Four of the five remaining bidders were invited to make presentations to further explore their qualifications; the fifth bidder was the incumbent, which was deemed qualified without a presentation. Staff determined that only one of the four firms that made presentations offered the technology, funding methodology, fees, claims- handling procedures and dedicated staff resources to meet the Authority's needs and was deemed to be qualified. The two qualified bidders were then evaluated further, based on comparative pricing. Based on the foregoing, staff recommends the award of a contract to **PMA Management Corp.**, the lowest-priced qualified bidder, which meets the bid requirements. Since the contract is not being awarded to the incumbent provider, a transition period is required for the transfer of personnel files and to set up accounts and program files prior to the commencement of actual third-party administrative services on January 1, 2011. In order to allow sufficient lead time for the new vendor to prepare for the January 1 cut-over date, the contract would become effective on or about October 1, 2010, for an intended term of up to five years and three months, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $780,000. It should be noted that this amount does not include actual claims funding.

Energy Services and Technology ('ES&T')

Engineering and Design

"The contract with **FRA Engineering, Architecture & Land Surveying, P. C. ('FRA'), a T.Y. Lin International Company, (Q10-4777; PO# TBA)**, would provide for on-call services of code compliance engineers to support Energy Services projects at various Authority customer facilities throughout New York State, as needed. Services include, but are not limited to, performing plan reviews of construction drawings and project specifications, code review of engineering and design documents and construction field inspections, as well as code research and analyses, in compliance with all applicable federal, state and local codes, standards and regulations. Such plan review and construction field inspection services are required in connection with the construction permitting process for such projects. One Authority customer, the New York State Office of General Services ('OGS'), typically performs its own construction permitting. However, due to the impact of budget constraints, OGS has requested the Authority to

provide this service for its Energy Services projects at OGS facilities, in order to meet project schedules. To that end, Authority staff prepared a Request for Proposals for the services of code compliance engineers to support Energy Services projects at both OGS and other Authority customer facilities. Bid documents were downloaded electronically from the Authority's Procurement Web site by 69 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Eight proposals were received and evaluated; of this number, one proposal was incomplete and was not considered further. The remaining seven bids were evaluated in detail, based on criteria that included, but were not limited to, code enforcement certification, plan review experience, mechanical/electrical/plumbing background and competitive pricing. Pricing clarifications were also requested from and provided by one of the bidders. Based on the firm's qualifications, experience and composite hourly rate, staff recommends the award of a contract to FRA, the lowest-priced and most technically qualified bidder, which meets or exceeds the bid requirements. The contract would become effective on or about October 1, 2010 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $425,000. All costs will be recovered by the Authority.

"The contracts with **Municipal Testing Laboratory, Inc. ('Municipal')** and **Universal Testing & Inspection Services, Inc. ('Universal') (Q10-4767; PO# TBA)** would provide for special inspection and laboratory testing services for Energy Services projects at various customer facilities in New York City, on an 'as needed' basis. Such services are required for compliance with New York State ('NYS') and New York City ('NYC') Building Codes; new rules in NYC require that the Authority hire firms providing special inspection and laboratory services directly. Services may include, but are not limited to: performing special inspections of selected materials, equipment, installation, methods of construction, fabrication, erection or placement of components and connections to ensure compliance with code and approved construction documents, as regulated by the NYS and NYC Building Codes and in compliance with all other applicable codes and regulations; performing material testing, field, plant and laboratory sampling, measurements, observations, testing, analyses, interpretations and recommendations; as well as testing and inspection of elevators, progress inspection items, electrical, plumbing and drainage, chemical analysis and other services as may be required. Such Special Inspection firms, including testing and calibration laboratories, must also be approved by the New York City Department of Buildings ('NYCDOB') and accredited by International Accreditation Services or an equivalent agency. Bid documents were downloaded electronically from the Authority's Procurement Web site by 34 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Three proposals were received and evaluated. Staff reviewed the bids in detail and determined that each of the bidders is qualified. The cost of a typical project was also calculated using each bidder's rates. Based on the foregoing, staff recommends the award of contracts to two firms, Municipal and Universal, the lowest-priced bidders, which are qualified to perform such services, meet the bid requirements and provide competitive pricing. The award of contracts to two firms is recommended to ensure adequate coverage for all such projects, especially during peak workload periods. Assignments will be made on the basis of available resources and performance. Due to the need to commence services and support ongoing projects, interim approval was obtained in accordance with the Authority's Guidelines for Procurement Contracts and EAPs to award a contract to **Municipal (4600002321)**, effective August 26, 2010, in the initial amount of $100,000**,** subject to the Trustees' ratification and approval at their next scheduled meeting. The Trustees are hereby requested to ratify and approve award of the subject contract with Municipal and to approve the award of a contract to Universal, which would become effective on or about October 1, 2010, for an intended term of up to five years. Approval is also requested for the total aggregate amount expected to be expended for the term of the contracts, $5 million. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures. All costs will be recovered by the Authority.

Enterprise Shared Services ('ESS')

Information Technology

"The Authority uses contractors to augment its technical staff to support various IT efforts and initiatives related to the SAP enterprise-wide financial/business management system, as necessary. In an effort to prequalify firms to provide the services of temporary programming personnel for specialized SAP-related tasks and projects to support human resources, materials management, business intelligence and other areas, bid documents **(Q10-4731)** were prepared by staff and were downloaded electronically from the Authority's Procurement Web site by 119 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Thirty-four proposals

were received and evaluated to identify a 'short list' of prequalified firms providing specialized SAP temporary programming personnel. The evaluation process included, but was not limited to, the following criteria as primary considerations: the bidder's depth of SAP practice and company resources; experience in the tri-state area, as demonstrated by the references provided; understanding of the SAP skill set based on the quality of résumés submitted; responsiveness (completeness) of the bidder's proposal and competitive rates. Based on a thorough review of the proposals, the following 12 firms were identified as a result of the prequalification selection process: **Randstad Professionals US, LP dba ACSYS, Inc., BayForce Technology Solutions, Inc., Carlyle Consulting Services, Inc., Datrose, Inc., *Eclaro International, Inc., Mitchell/Martin Inc., RCG Information Technology, Inc., *Sage Group Consulting, Inc., *Sapta Global, Inc., *Sierra Infosys, Inc., Tata America International Corp. dba TCS America** and ***Unique Comp, Inc. (PO#s TBA)**. These firms were the most technically qualified bidders that meet or exceed the aforementioned evaluation criteria and bid requirements. As specific positions are required, the Authority will request résumés of candidates based on the requirements and experience required for each position from all 12 prequalified firms. Contracts will only be awarded to those firms that successfully place a candidate, as each required position is bid among the entire prequalified group and the best candidate is selected. Competition among the group is expected to provide qualified talent from a wide variety of firms. Contracts would become effective on or about October 1, 2010 for an intended term of up to two years, subject to the Trustees' approval, which is hereby requested. All contracts will expire on September 30, 2012, regardless of their duration. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, $3 million. Commitments will be made through individual purchase order releases against master outline agreements with the successful firms, as positions are required; total commitments and expenditures for all such awarded contracts will also be tracked against the approved aggregate total. It should also be noted that five of these firms, identified by an asterisk preceding the respective company name, are New York State-certified Minority/Women-owned Business Enterprises ('M/WBEs').

Marketing and Economic Development

Customer Load Forecasting

"The contract with **KEMA, Inc. ('KEMA') (Q10-4823; PO# TBA)** would provide for load research, forecasting and evaluation consulting services, as well as demand response program analysis. The latter may include, but not be limited to, assisting Authority staff with analysis of facility load data and surveys at the facility level and in aggregate, development or evaluation of demand response verification methodologies, peak load reduction event performance potential and actuals or generator permitting assistance. Bid documents were downloaded electronically from the Authority's Procurement Web site by 17 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. One proposal was received and evaluated. The proposal demonstrated the strengths and abilities that KEMA has in house to provide high-quality load research, forecasting and evaluation services to the Authority. Procurement staff followed up with firms that declined to bid; their principal reasons for not bidding included, but were not limited to, the work/project requirements not being in their area of expertise, scope of work or skill set, resources were not available, didn't have the time for a best effort or they had downloaded the bid documents for information purposes only. Based on the firm's collective qualifications, extensive experience and reasonable pricing, staff recommends award of a contract to KEMA, which is eminently qualified to perform such services, meets or exceeds the bid requirements and has provided satisfactory services under a prior contract for such work. The new contract would become effective on or about January 1, 2011 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $2.5 million.

Power Supply

"The contract with **Colden Corp. (Q10-4789; PO# TBA)** would provide for industrial hygiene, occupational health and safety services to all Authority operating facilities and offices statewide, on an 'as needed' basis. Services include field work, laboratory sample analyses and consulting/audit services, as well as training, and may also include investigative/evaluative services regarding employee exposure/risk assessments, indoor air quality and ergonomic concerns, as may be requested. Analyses of air and bulk samples for various fixed or airborne contaminants include, but are not limited to: organic and inorganic solvents, pesticides and herbicides, PCBs, asbestos, silica, metals, dust, fumes, microbials, etc. Bid documents were downloaded electronically from the Authority's Procurement Web site by 22 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Three

proposals were received and evaluated in detail, based on criteria that included, but were not limited to, the following: staffing levels (per job classification and respective geographic location), credentials/certifications (individual and organizational), services available (and whether in house or subcontracted), expertise, experience, equipment rental fees, transportation methods, estimated labor costs (hourly rates), etc. Based on the firm's qualifications, experience, professionally diversified and credentialed staffing, ability to perform the work and to meet the Authority's needs in a timely and cost-effective manner and reasonable pricing, as well as its responsiveness to the Authority's specifications, staff recommends award of a contract to Colden Corp., the lowest-priced qualified bidder, which meets or exceeds the bid requirements and has provided excellent, reliable service under an existing contract for such work. Colden is also capable of providing epidemiological and regulatory research and compliance support. Furthermore, staff resources are strategically located in New York State (East Syracuse and the Albany/New York City metropolitan area), as well as in Philadelphia, Pennsylvania, ensuring a timely and cost-effective response to all Authority facilities. Additionally, Colden's close proximity to its contracted laboratories ensures rapid transfer of collected samples for analyses. (The firm with the lowest labor rates demonstrated experience primarily in environmental remediation and asbestos/lead/mold abatement services, but lacked the requisite industrial hygiene, occupational health and safety experience to meet the Authority's needs. Additionally, lack of proximity to the Authority's upstate facilities was also a concern with regard to emergency response time, as well as additional costs; and the firm's proposal was not fully responsive to several other requirements set forth in the bid documents. The third proposal was generally unresponsive, with labor costs that were considerably higher than those submitted by the other two firms.) The new contract with Colden would become effective on or about October 1, 2010 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $2.2 million.

"The contract with **Day & Zimmermann NPS, Inc. ('DZNPS') (Q10-4784; PO# TBA)** would provide for general maintenance support services for the Southeastern New York ('SENY') plants (including the 500 MW and Flynn Plants, as well as the Small Clean Power Plants, 'SCPPs'). Such services would generally consist of providing skilled craft labor to supplement and assist the Authority's plant employees during periods of routine maintenance, scheduled outages, emergency shutdown or technical inspections, as directed by Authority management at the respective SENY facilities. The following categories of work may be required: general plant maintenance, plant modifications and corrections and retrofit work. Bid documents were downloaded electronically from the Authority's Procurement Web site by 79 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* Two proposals were received and evaluated. Based on its qualifications, extensive experience and ability to perform such work, in addition to competitive pricing, staff recommends award of a contract to DZNPS, the lowest-priced bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory services under an existing contract for such work. In addition, the craft markup fee will remain firm for the duration of the contract; the only increases will be in the actual craft labor rates as determined by increases in the New York State Prevailing Wage Rates and applicable collective bargaining agreements, as well as any government-mandated changes to FICA, FUI, SUI and MTA or any specialty or additional federal, state or local taxes. The new contract would become effective on or about November 1, 2010 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $15 million.

"The contract with **EPIC Contracting of Orchard Park, Inc. ('EPIC') (Q10-4805; PO# TBA)** would provide for long-term asbestos abatement services for the Niagara Power Project ('Project'). Certain areas within the Project contain a significant amount of asbestos piping and ductwork insulation, which has deteriorated over time, representing a regulatory liability. This project will abate remaining asbestos from designated areas 10 feet up from the floor to eliminate the potential for further damage and to remove the restrictive conditions associated with working on and around asbestos-containing material. In addition, several areas to be abated are coated with paint containing high levels of heavy metals and PCBs, which will be properly removed and disposed of at an approved site, thereby reducing the overall liability at the Project. Contract services would include all labor, supervision, materials and equipment (except those specified in the Contract documents to be provided by others), insurance, permits, all other forms of governmental approval and any other services necessary to perform all operations required for the abatement and remediation of areas known to contain asbestos-containing materials, as well as re-insulation and painting, as further set forth in the specifications. Bid documents were downloaded electronically from the Authority's Procurement Web site by 48 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* Three proposals were received and evaluated. Based on the contractor's qualifications, experience

and competitive pricing, staff recommends award of a contract to EPIC, the lowest-priced bidder, which is qualified to perform such services and meets the bid requirements. The contract would become effective on or about October 1, 2010 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $775,000.

"The contract with **McQuay International ('McQuay') (RFQ 6000113018; PO# TBA)** would provide for preventive maintenance and repair services for 11 centrifugal chillers at the SCPPs, including Brentwood. Bid documents were downloaded electronically from the Authority's Procurement Web site by 21 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Three proposals were received and evaluated. Based on its qualifications, experience and reasonable pricing, staff recommends award of a contract to McQuay, the lowest-priced bidder, which is uniquely qualified to perform such services as the Original Equipment Manufacturer, meets the bid requirements and has provided satisfactory service under prior contracts for such work. The new contract would become effective on or about October 1, 2010 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $500,000.

"The contract with **OP-TECH Environmental Services, Inc. ('OP-TECH') (Q10-4826; PO# TBA)** would provide for on-site cleaning and abatement services of lead and PCB-containing paint on rotor pole assembly equipment, including priming and repainting, as part of the Life Extension and Modernization ('LEM') program at the St. Lawrence / FDR Power Project. Contract services will include all labor, supervision, materials and equipment (except those specified in the Contract documents to be provided by others), insurance, permits and any other services necessary to perform all operations required for the abatement and cleaning of lead/PCBs, as further set forth in the specifications. Bid documents were downloaded electronically from the Authority's Procurement Web site by 36 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Four proposals were received and evaluated, of which one was non-responsive and was not considered further. Based on the contractor's qualifications, experience and competitive pricing, the staff recommends the award of a contract to OP-TECH, the lowest-priced bidder, which is qualified to perform such services and meets the bid requirements. The contract would become effective on or about October 1, 2010 for an intended term of up to two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $285,600.

Contract Extensions and/or Additional Funding:

Energy Services and Technology

Research and Technology Development

"The contract with **CEATI International, Inc. ('CEATI,' Centre for Energy Advancement through Technological Innovation) (4500101572)** provides for membership and participation in CEATI research and development programs and the projects related to those programs. CEATI brings electrical industry professionals together, through focused interest groups and collaborative projects, to identify and address technical issues that are critical to their respective organizations. Participants can undertake projects that respond to their strategic goals at a fraction of the cost of doing so independently. To that end, at their meetings of December 14, 2004 and December 18, 2007, respectively, the Trustees approved the award, funding and subsequent extension through December 31, 2010 of a contract with CEATI to provide for the continuation of the Authority's membership and participation in the activities of 11 Interest Groups. Such membership and project participation, ongoing since 1999 under previously issued contracts, provide the Authority with an opportunity to collaborate with Canadian and other participating utilities and to identify technology issues and challenges of common concern and work cooperatively to find cost-effective solutions. The Authority participates in the following Interest Groups: Dam Safety, Hydraulic Plant Life, Water Management, Strategic Options for Sustainable Power Generation, Life Cycle Management of Substation Equipment and Apparatus, Power System Planning and Operation, Transmission Line Asset Management, Overhead Line Design Issues and Wind and Ice Storm Mitigation, Transmission Underground Cables, Transmission Infrastructure Protection and Customer Energy Solutions, and has also joined the Grounding and Lightning Task Force. These groups bring together leading experts from nearly 100 participating utilities representing both large and small Canadian, other North American, European and Asian utilities. Continuing involvement with these Interest Groups provides

significant benefits to the Authority by providing access to the latest technical information available in the field, as well as co-funding opportunities for various Authority-sponsored projects. The existing contract became effective on January 1, 2005. A three-year extension is now requested in order to provide for the continuation of the aforementioned membership and project participation. For administrative purposes, staff recommends issuing a Change Order to the existing contract rather than issuing a new sole-source award. The current contract amount is $1,617,495 (of the $1,618,675 previously approved by the Trustees); staff anticipates that additional funding in the amount of $895,000 will be required for the extended term, to include Interest Group participation fees, certain Technology Watch fees and specific project participation in the CEATI programs. The Trustees are requested to approve the extension of the subject contract through December 31, 2013, as well as the additional funding requested, thereby increasing the total approved contract value to $2,513,675 over the course of the total nine-year term.

Power Supply

Project Development, Licensing and Compliance

"The contract with **Kleinschmidt Associates, PA, PC ('KA') (4600001840)** provides for engineering design services for the Nichols Island and Little Sucker Brook Habitat Improvement Projects ('HIPs') at the St. Lawrence/FDR Power Project, in compliance with the requirements set forth in the New License and the Comprehensive Relicensing Settlement Accord. The contract, which was competitively bid, became effective on October 1, 2007 for a term of up to 3.25 years, in the amount of $579,000. The original contract term assumed a very aggressive schedule to design, permit, construct and complete these two HIPs. The schedule was extended due to several factors; foremost among these were the need for additional geotechnical work, re-alignment of several dikes and a permanent access road due to the discovery of a number of historic properties, review of the design elevation of another dike and to obtain an easement. The design work is now complete and construction is expected to begin later this year, subject to the permitting process. An extension of up to 1.75 years is therefore requested to provide for continued design and engineering support services during, and upon completion of, construction to address design questions that may arise during construction and to furnish the record drawings for the completed installations. As the Engineer of Record for these facilities, KA is very familiar with all the design bases and other considerations that influenced their design, and is uniquely qualified to efficiently and cost-effectively vouch for the adequacy of the design, as well as to furnish sealed record ('as-built') drawings. The current 'released' amount is $507,413, of which $440,192 has been expended to date; staff anticipates that no additional funding in excess of the previously approved $579,000 will be required for the extended term. The Trustees are requested to approve the extension of the subject contract through September 30, 2012, with no additional funding requested.

FISCAL INFORMATION

"Funds required to support contract services for various Business Units/Departments and Facilities have been included in the 2010 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the project's Capital Expenditure Authorization Request. Payment for contracts in support of Energy Services Programs will be made from the Energy Conservation Effectuation and Construction Fund.

RECOMMENDATION

"The Vice President – Project Management, the Vice President – Engineering, the Vice President – Environment, Health and Safety, the Vice President – Project Development, Licensing and Compliance, the Vice President – Procurement, the Vice President – Information Technology/Chief Information Officer, the Chief Technology Officer, the Director – Engineering and Design (ES&T), the Director – Customer Load Forecasting, the Director – Risk Management (Insurance), the Regional Manager – Northern New York, the Regional Manager – Central New York, the Regional Manager – Western New York and the Regional Manager – Southeastern New York recommend that the Trustees approve the award of multiyear procurement contracts to the companies listed in Exhibit

'1k-A,' and the extension and/or additional funding of the procurement contracts listed in Exhibit '1k-B,' for the purposes and in the amounts discussed within the item and/or listed in the respective Exhibits.

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Executive Vice President and Chief Engineer – Power Supply, the Senior Vice President – Power Supply Support Services, the Senior Vice President – Energy Services and Technology, the Senior Vice President – Marketing and Economic Development, the Senior Vice President – Corporate Planning and Finance, the Vice President - Enterprise Shared Services and I concur in the recommendation."

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

> **RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement services contracts set forth in Exhibit "1k-A," attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the contracts listed in Exhibit "1k-B," attached hereto, are hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Chairman, the Vice 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, 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.**

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

EXHIBIT "1k-A"
September 28, 2010

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
BUSINESS SERVICES - INSURANCE MGMT	**PMA MANAGEMENT CORP.** Dewitt, NY (Q10-4775; PO# TBA)	10/01/10 (on or about)	Provide for third party administrative services for the Authority's self-insured Workers' Compensation Program	12/31/15	B/S	*Note: represents total for up to 5.25-year term (but does **not** include actual claims funding)		**$780,000***
ENERGY SERV. & TECHNOLOGY-ENG & DESIGN	**FRA ENGINEERING, ARCHITECTURE & LAND SURVEYING, P.C.** (a T.Y. Lin International company) Rochester, NY (Q10-4777; PO# TBA)	10/01/10 (on or about)	Provide for on-call services of code compliance engineers for Energy Services projects at various customer facilities throughout NYS	09/30/15	B/P	*Note: represents total for up to 5-year term **All costs will be recovered by the Authority.**		**$425,000***
ENERGY SERV. & TECHNOLOGY-ENG & DESIGN	**Q10-4767; 2 awards:**		Provide for special inspection and laboratory testing services for Energy Services projects at various customer facilities in NYC		B/P			**$5,000,000***
	1. MUNICIPAL TESTING LABORATORY, INC. Hicksville, NY **(4600002321)**	08/26/10		08/25/15		$100,000		
	2. UNIVERSAL TESTING & INSPECTION SERVICES, INC. West Babylon, NY (PO# TBA)	10/01/10 (on or about)		09/30/15		*Note: represents aggregate total for up to 5-year term **All costs will be recovered by the Authority.**		

♦	**M / WBE:**	**New York State-certified Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)**
1	**Award Basis:**	**B= Competitive Bid; S= Sole Source; C= Competitive Search**
2	**Contract Type:**	**P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement**

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

EXHIBIT "1k-A"
September 28, 2010

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
ENTERPRISE SHARED SERVICES - **IT**	**Q10-4731; 12 pre-qualified firms:** **1. RANDSTAD PROFESSIONALS US, LP dba ACSYS, INC.** Burlingame, CA **2. BAYFORCE TECHNOLOGY SOLUTIONS, INC.** Tampa, FL **3. CARLYLE CONSULTING SERVICES, INC.** New York, NY **4. DATROSE, INC.** Webster, NY **5. ECLARO INTERNATIONAL, INC. ♦** New York, NY **6. MITCHELL / MARTIN INC.** New York, NY **7. RCG INFORMATION TECHNOLOGY, INC.** New York, NY **[Continued on next page]**	10/01/10 (on or about)	Provide for services of specialized SAP temporary programming personnel, on an "as needed" basis	09/30/12	B/S	*Note: represents aggregate total for up to 2-year term		**$3,000,000***

♦	**M / WBE:**	**New York State-certified Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)**
1	**Award Basis:**	**B= Competitive Bid; S= Sole Source; C= Competitive Search**
2	**Contract Type:**	**P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement**

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

EXHIBIT "1k-A"
September 28, 2010

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
	[Q10-4731 continued]							
	8. SAGE GROUP CONSULTING, INC. ♦ Middletown, NJ							
	9. SAPTA GLOBAL, INC. ♦ **dba ZEN4IT** Woodbridge, NJ							
	10. SIERRA INFOSYS, INC. ♦ Houston, TX							
	11. TATA AMERICA INTER-NATIONAL CORP. **dba TCS AMERICA** New York, NY							
	12. UNIQUE COMP, INC. ♦ Long Island City, NY (PO#s TBA)							
MARKETING & ECONOMIC DEVELOPMENT - CUSTOMER LOAD FORE-CASTING	**KEMA, INC.** Burlington, MA (HQ) Clarklake, MI (Branch) (Q10-4823; PO# TBA)	01/01/11 (on or about)	Provide for load research, forecasting and evaluation consulting services	12/31/15	B/P	*Note: represents total for up to 5-year term		**$2,500,000***

♦	**M / WBE:**	**New York State-certified Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)**
1	**Award Basis:**	**B= Competitive Bid; S= Sole Source; C= Competitive Search**
2	**Contract Type:**	**P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement**

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

EXHIBIT "1k-A"
September 28, 2010

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
POWER SUPPLY-EH&S	**COLDEN CORP.** East Syracuse, NY (Q10-4789; PO# TBA)	10/01/10 (on or about)	Provide for industrial hygiene, occupational health and safety services statewide	09/30/15	B/S	*Note: represents total for up to 5-year term		**$2,200,000***
POWER SUPPLY-SENY Plants	**DAY & ZIMMERMANN NPS, INC. ("DZNPS")** Lancaster, PA (Q10-4784; PO# TBA)	11/01/10 (on or about)	Provide for general maintenance support services for the 500 MW & Flynn plants and SCPPs	10/31/15	B/S	*Note: represents total for up to 5-year term		**$15,000,000***
POWER SUPPLY-PROJ MGMT / NIAGARA	**EPIC CONTRACTING OF ORCHARD PARK, INC.** Orchard Park, NY (Q10-4805; PO# TBA)	10/01/10 (on or about)	Provide for long-term asbestos abatement services at the Niagara Project	09/30/13	B/S	*Note: represents total for up to 3-year term		**$775,000***
POWER SUPPLY-SCPPs	**MCQUAY INTERNATIONAL** Minneapolis, MN (HQ) Brookfield, CT (Factory Service Office) (RFQ 6000113018; PO# TBA)	10/01/10 (on or about)	Provide for preventive maintenance and repair services for centrifugal chillers at the SCPPs	09/30/13	B/S	*Note: represents total for up to 3-year term		**$500,000***
POWER SUPPLY-PROJ MGMT / STL	**OP-TECH ENVIRONMENTAL SERVICES, INC.** East Syracuse, NY (Q10-4826; PO# TBA)	10/01/10 (on or about)	Provide for on-site paint abatement services for rotor pole assembly equipment, as part of LEM program at STL	09/30/12	B/S	*Note: represents total for up to 2-year term		**$285,600***

♦ M / WBE: New York State-certified Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)
1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement

Ext-A092010final

Procurement (Services) Contracts – Extensions and/or Additional Funding
(For Description of Contracts See "Discussion")

EXHIBIT "1k-B"
September 28, 2010

Plant Site/ Bus. Unit	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
Contracts in support of Headquarters Business Units and the Facilities:								
ENERGY SER-VICES & TECH-NOLOGY - R&TD	**CEATI INTER-NATIONAL, INC.** Montreal, Quebec Canada **4500101572**	01/01/05	Provide for membership and participation in CEATI projects (Centre for Energy Advancement through Technological Innovation)	12/31/13	S/N	**$1,617,495**	**$1,617,495**	**$2,513,675***
						***Note: includes previously approved amount of $1,618,675 **+ CURRENT INCREASE OF $895,000**		
POWER SUPPLY-PROJECT DEV., LICENSING & COMPLIANCE + STL	**KLEINSCHMIDT ASSOCIATES, PA, PC** Pittsfield, ME **4600001840**	10/01/07	Provide for engineering design services for Nichols Island and Little Sucker Brook Habitat Improve-ment Projects at STL	09/30/12	B/P	**$507,413** ("Released Amount")	**$440,192**	**$579,000***
						***Note: represents originally approved amount of $579,000; **NO additional funding requested**		

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

l. Revisions to the Governing Policy for Energy Risk Management

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the revised Governing Policy for Energy Risk Management (the 'Policy'), which is attached hereto as Exhibit '1l-A.' The Policy supersedes the Revisions to the Governing Policies for Energy Risk Management approved by the Trustees at their meeting of January 31, 2006; the Policy also supersedes the Trustee-approved action of February 26, 2008, which revised the schedule of authorized transaction limits for forward transactions used to hedge energy-related commodity risk. The limits for short-term procurement of physical natural gas, gas transportation, fuel oil and emissions allowances, as required for operation of the Authority fossil-fueled generation plants, remains as authorized under the Trustee-approved action of February 26, 2008. The Policy also supersedes the Trustee-approved action of June 30, 2009 which revised the limits for collateral in support of forward transactions.

"The recommended Policy establishes an Executive Risk Management Committee ('ERMC'), chaired by the Executive Vice President – Chief Financial Officer and consisting of the chair and four other Authority executives appointed by the President and Chief Executive Officer. The Policy authorizes the ERMC to establish and administer a well-structured and controlled set of activities for mitigating unwanted effects of volatility in the energy commodity markets to which the Authority and its customers are routinely exposed. These activities are collectively referred to as the Energy Risk Management Program ('the Program').

"The Policy requires the establishment of procedures to conduct and control the Program within the guidelines articulated by the Policy, and delegates to the ERMC the authority to establish such procedures. These requirements include delineating functions and defining clear separation of duties among Authority staff, establishing appropriate tolerance limits for market, credit and collateral exposures, defining allowable hedging instruments, specifying reporting requirements and establishing limits for individuals authorized to execute transactions.

"The Policy also requires the Executive Vice President – Chief Financial Officer to report quarterly to the Trustees as to the status of established procedures, compliance with those procedures, and the activities of the Program. In supplement to the quarterly reporting requirement, the Program's risk-mitigation activities will be subject to compliance reviews as prescribed by the Authority's Internal Audit function.

BACKGROUND

"The evolution of wholesale markets for energy and energy-related commodities, coupled with the emergence of increased and at times acute volatility in these markets, has, since 1988, precipitated the Authority to seek the Trustees' approval of several actions pertaining to the mitigation of these risks. Of these several actions, the January 31, 2006 approval of Governing Policies for Energy Risk Management and the February 26, 2008 approval of Revisions to the Transaction Authorization Limits for Energy and Energy-Related Financial Transactions prevail as the governing documents for the Authority's risk-mitigation activities. As the energy markets have continued to evolve and there have been changes in Authority staff and reporting relationships, a thorough review of the Authority's energy and energy-related risk-mitigation activities was undertaken. The recommended Policy is a result of that review.

DISCUSSION

"In setting forth the philosophy, framework and delegation of authority necessary to govern risk-mitigation activities, the recommended Policy provides clear constraints as to scope. The first-order constraint is that the Program's activities will be confined to core business objectives of the Authority and not for speculative purposes. More specifically, the Authority's risk-mitigation activities will only be conducted pursuant to highly certain forecasted generation levels of Authority-owned, -operated or otherwise managed electrical generators, and the Authority's customer load requirements. The Policy further dictates that the primary goal of the Authority's risk-

mitigation activities is to constrain potential outcomes to within acceptable tolerances; cost-improvement goals can only be pursued subordinate to risk-containment. These policy objectives provide specific and important guidelines to the ERMC as it establishes procedures for conducting the Program.

"Several of the prior occasions when Authority management sought the Trustees' approval of items pertaining to energy risk mitigation entailed revising authority delegations simply to maintain a level of necessary transaction capability commensurate with then-prevailing conditions (such as when commodity market prices observed marked increases, or when changes in personnel or position titles required modifications to designees in order to ensure compliance). In other instances, Trustee action was required so that Authority staff could implement hedge transactions as mandated under contractual agreements with the Authority's customers (but for which the execution of the mandated transaction would violate authority codified in the prevailing energy risk policy). Looking forward, it is reasonable to anticipate the need to further revise such authorizations to adapt to changing market conditions.

"As the above-described actions are procedural in nature and can be effectuated within the constraints of the Policy's objectives, it is recommended that the Authority establishes such procedural parameters and revises them from time to time, and that the authority to do so reside with the ERMC, subject to the reporting and auditing guidelines set forth in the Policy. This demarcation of policy from procedure will appropriately reserve policy-level authorizations to the Trustees while promoting more efficient day-to-day program execution through the ERMC.

"As set forth in the Policy, the ERMC will have responsibility for: (a) ensuring that all energy market hedging activities are conducted in accordance with the Policy; (b) establishing management procedures for the administration of the Program; (c) establishing risk tolerances related to price and volume variability and their potential impact on financial results for the Authority and its customers; (d) providing directives and guidance to the Authority's management and staff regarding all aspects of the Program and (e) reporting to the Trustees, at least four times per year, regarding procedures established under the Program, as well as Program results and a summary of compliance status for the period.

"The delegation of forward-transaction authority together with the delegation of authority to post supporting collateral in support of those forward transactions, to be administered by the ERMC in accordance with the requirements of the Policy, will supersede the related authority framework authorized by the Trustees at their February 26, 2008 and June 30, 2009 meetings, respectively. Pursuant to the objectives of the Policy, the ERMC will delegate only the necessary and appropriate level of transaction authority to enable staff to manage the risk exposure associated with the operation of electrical generation plants and service of customer load within the volatile energy commodity markets. The delegation of authority to the ERMC will thus enable more timely calibration of staff designations, transaction limits and allowable hedging instruments consistent with changes in prevailing market conditions.

"Consistent with other previous Trustee actions, the level of transaction authority delegated to the ERMC is non-speculative and limited to the volumes associated with the forecasted generation levels and customer load requirements, including losses, for a term not to exceed four years beyond the last day of the month in which the transaction is entered.

FISCAL INFORMATION

"Payments to be made in settlement of all forward transactions covered by this Trustee item will be treated as fuel or energy payments to be paid from the Operating Fund and, to the extent allowed, will be recovered from customers as part of fuel and energy costs.

RECOMMENDATION

"The Vice President – Chief Risk Officer recommends that the Trustees approve the Governing Policy for Energy Risk Management as reflected in Exhibit '1l-A' and discussed above.

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Marketing and Economic Development, the Senior

Vice President – Corporate Planning and Finance, the Senior Vice President – Energy Resource Management and I concur in the recommendation."

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

> **RESOLVED, That the Governing Policy for Energy Risk Management ("Governing Policy"), establishing the philosophy, framework and delegation of authority necessary to govern the activities of the Authority related to its Energy Risk Management program is hereby adopted in the form attached as Exhibit "1l-A"; and be it further**
>
> **RESOLVED, That the Governing Policy delegates to the Executive Risk Management Committee, consisting of four members as appointed by the President and Chief Executive Officer and chaired by the Executive Vice President and Chief Financial Officer and, within the requirements established by the Governing Policy, the authority to establish and administer procedures governing the Authority's activities for mitigating unwanted effects of volatility in the energy commodity markets to which the Authority and its customers are routinely exposed. The level of this delegated authority, as pertaining to commodity transactions to hedge risk, is limited to the volumes associated with the forecasted generation levels of Authority-owned, -operated or otherwise managed electrical generators, and the Authority's customer load requirements, including losses, for a transaction term not to exceed four years beyond the last day of the month the transaction is entered; and be it further**
>
> **RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and Chief Financial Officer, the Vice President – Chief Risk Officer and any other necessary Authority officers 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 necessary to effectuate the foregoing resolutions, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

New York Power Authority
Governing Policy for Energy Risk Management

Revision Date: September 28, 2010

Superseding: Trustee Resolution & Policy of January 31, 2006

Article I. Purpose of the Energy Risk Management Program

Section 1.01 Introduction

The New York Power Authority ("NYPA" or "the Authority") and its customers are routinely exposed to energy commodity price risk in the conduct of operations. In most cases price and volume variability impose a substantial and direct risk (or opportunity) to the goals of NYPA's business units as well as to their competitive posture. Management of these risks is important to our success and our customers' wellbeing. This Governing Policy for Energy Risk Management ("Policy") sets forth the philosophy, framework, and delegation of authority necessary to govern NYPA's activities related to its energy risk management program ("Program").

NYPA will conduct risk management activities in a manner that supports NYPA's mission, mitigates energy-market exposure related to price and volume variability, and prevents unauthorized financial risk, including counterparty risk. Subordinate to those goals, the objective of cost reduction and the achievement of financial goals will be pursued within the constraints stated herein and as further delineated by management. All Program objectives and activities will be conducted in accordance with this Policy. Controls and procedures to be further delineated by management shall be in conformance with this Policy.

Section 1.02 Scope and Objectives

The objectives of the program are: to identify exposures to energy price volatility as well as volumetric risk; to quantify the potential impact on the Authority's customers and its own financial condition, including the attendant credit risks; and to monitor and mitigate those exposures where they might exceed management-determined risk tolerances while maintaining adequate flexibility to improve financial performance.

The successful management of NYPA's resources as outlined in its mission statement requires predictability in financial performance related to its core business dealings. Hedging activities will be conducted to secure more certainty in this regard. The diligent measurement and awareness of risk factors will enable both enhancement of operating decisions and improved extraction of value from physical assets, thereby enhancing financial performance.

This Policy applies to all forward[1] transactions for electrical energy, capacity, ancillary services, transmission rights, natural gas, fuel oil, traded emissions, and other energy-market products used for generation or the fulfillment of customer load obligations. The Policy governs forward physical supplies, sales and financial derivatives that impact NYPA's risk exposures in the energy market. Forward transactions shall be for no more than four (4) years beyond the last day of the month in which the transaction is entered.

This Policy does not govern: spot[2] transactions for the purchase or sale of natural gas, natural gas transportation, fuel oil and emissions allowances, including CO_2, NOx and SO_2, transactions with the New York Independent System Operator ("NYISO"), including the bidding of generator energy and capacity, and the scheduling of load; nor transactions related to strategic procurement.

NYPA will operate under a "non-speculative" philosophy. Hedging will be conducted with a clear recognition of the hierarchy of the following risk management objectives:

1. **Match Core Business Objectives:** Secure fixed or floating price structures or related options on energy-market commodities associated with generation or load-serving requirements.

   Fixed-price commitments shall not be executed for volumes in excess of high-confidence volume forecasts, including customer requirements and estimates of generating assets' supply

[1] "Forward" refers to all periods beyond the current month.

[2] "Spot" refers to transactions for physical commodities, with delivery typically during the same month in which they are transacted. In certain cases, where transactions occur later in the month, commodity delivery may occur in the following month.

and sales. The nature of derivative obligations shall be no more firm than the certainty of volumetric expectations, using options to secure financial rights without obligation where volumes are substantially uncertain.

2. **Mitigate Risk:** Given volatile energy markets, manage energy and energy-related product costs and revenues toward the mitigation of unfavorable results and the promotion of results within acceptable boundaries.

3. **Improve Financial Performance:** Where practical and in deference to objectives #1 and #2, reduce costs or increase revenues relative to defined targets and/or budgets by securing market positions or realigning existing hedge positions as deemed favorable.

Article II. Energy Risk Management Policy

Section 2.01 Delegation of Authorities

a) Board of Trustees

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

b) Executive Risk Management Committee

Subject to Paragraph (c) below, an Executive Risk Management Committee ("ERMC") is established by this Policy as management's controlling authority with respect to energy market risk and hedging activities; the ERMC shall be governed by the provisions herein.

- The ERMC shall consist of five (5) members, including four (4) members appointed from NYPA's executive corps by the CEO;
- It shall be chaired by the Chief Financial Officer ("CFO"); or, in the absence of the "CFO", another member delegated this responsibility by the "CFO";
- A quorum shall consist of any three (3) members including the chair;
- Actions of the ERMC shall be authorized by an affirmative vote of a simple majority of appointed members.

The "ERMC" is hereby charged with the following responsibilities, and necessary authorities are conveyed accordingly:

1. To ensure that all energy market hedging activities are conducted in accordance with this Policy;
2. To establish management procedures ("Procedures") for the administration of the Program, including:
    - Hedge strategy formulation and execution protocols
    - Permissible risk-mitigation products and instruments
    - Transaction limits
    - Organizational roles and separations
    - Approval hierarchies
    - Contract procedures
    - Credit and collateral management procedures
    - Risk quantification and monitoring procedures
    - Other controls and procedures as deemed necessary for the orderly conduct of the Program;
3. To establish risk tolerances related to price and volume variability and their potential impact on financial results for NYPA and its customers; and
4. To provide directives and guidance to NYPA management regarding all aspects of the Program.

c) Chief Financial Officer

The Chief Financial Officer ("CFO") is ultimately responsible for the financial integrity of NYPA and, accordingly, no delegation of authority to the ERMC is intended to impair the CFO's ability to protect such financial integrity. Under normal circumstances it is expected that tolerances and other Program issues will be determined by the ERMC, but in the event of unusual circumstances the CFO may act, as deemed necessary in his or her discretion, to preserve financial viability. In the event of such circumstances the Trustees shall be notified expeditiously of the conditions and resolution associated with such action.

Section 2.02: Separation of Duties

The ERMC, in formulating Procedures, shall provide for separation of duties in a manner that assures checks and balances among three distinct organizational functions delineated below:

1. Front Office – responsible for the execution of hedge strategy and transactions,
2. Middle Office – responsible for risk and compliance monitoring
3. Back Office – responsible for deal confirmations, cash management and accounting.

In fulfilling its role, the Back Office shall independently obtain primary documentation from counterparties with respect to deal confirmations and shall not depend solely on information provided by internal sources.

Also, in accordance with its independent role, the Office of Internal Audit shall conduct periodic reviews of the Program of a scope and on a schedule of its choosing.

Section 2.03 Activities

Permissible transactions for purposes of risk management shall be restricted to products and instruments specified by the ERMC and deployed for the following applications:

i. Mitigating risk related to the cost of energy or related products to be procured for normal business purposes.
ii. Mitigating risk related to the price of energy and related products sold by NYPA.
iii. Mitigating risk related to margins where NYPA owns generation or other capacity.
iv. Mitigating risk related to the locational cost differentials of energy and fuel procured or sold for transmission or transportation to an ultimate location.
v. Mitigating risk related to customer contract obligations related to energy markets.
vi. Mitigating risk of excessive out-of-the-money settlements associated with hedge transactions.

Section 2.04 Reporting

Maintenance of timely reports is critical to an orderly Program. At a minimum, the Program shall maintain a record of transactions; volumes and values of hedged and floating positions, both physical and financial; the linking of financial hedges with physical volumes; and quantification of

the company's exposure to market volatility. These and other records shall be maintained in accordance with directives of the ERMC.

Quarterly, the CFO shall provide to the Trustees a report regarding Procedures established under the Program, as well as Program results and a summary of compliance status for the period.

m. Selection of Fixed-Income Managers for the Authority's Nuclear Decommissioning Trust Fund

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of multiyear procurement contracts to J. P. Morgan Investment Management Inc. ('J. P. Morgan'), Prudential Investment Management, Inc. ('Prudential'), Schroder Investment Management North America Inc. ('Schroder'), Bradford & Marzec LLC ('Bradford') and Garcia Hamilton & Associates, L.P. ('GH&A') for professional fixed-income investment management services in connection with the Authority's Nuclear Decommissioning Trust ('NDT') Fund.

BACKGROUND

"Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year. Moreover, the Authority's Expenditure Authorization Procedures require the Trustees' approval for the award of personal services contracts in excess of $1 million if low bidder, or $500,000 if sole-source or non-low bidder. The terms of the contracts considered herein are for more than one year and, therefore, the Trustees' approval is required.

"Pursuant to U. S. Nuclear Regulatory Commission ('NRC') ruling NUR-0584, the Authority established the NDT Fund in 1990. The purpose of the fund is to ensure that there are sufficient funds available to pay for the decommissioning costs (i.e., removing the spent fuel and dismantling any systems or components containing activation products) of the James A. FitzPatrick ('FitzPatrick') and Indian Point 3 ('IP3') Power Plants at license expiration. On November 21, 2000, the Authority completed the sale of its IP3 and FitzPatrick nuclear plants to two subsidiaries of Entergy Corporation pursuant to a purchase-and-sale agreement dated March 28, 2000. In accordance with the Decommissioning Agreements, the Authority retains contractual decommissioning liability until license expiration, a change in the tax status of the fund or any early dismantlement of the plants, at which time the Authority will have the option to terminate its decommissioning responsibility and transfer the plant's fund to the Entergy subsidiary owning the plant. At that time, the Authority will be entitled to be paid an amount equal to the excess of the amount in the fund over the Inflation-Adjusted Cost Amount (a fixed estimated decommissioning cost amount adjusted in accordance with the effect of increases and decreases in the NRC's minimum cost-estimate amounts applicable to the plant), if any. The Authority's decommissioning liability is limited to the lesser of the Inflation-Adjusted Cost Amount or the amount of the plant's fund, guaranteeing that no additional cost burdens may be placed on the Authority.

"As of July 31, 2010, the market value of assets held in the NDT Fund totaled $979 million, of which $351 million were invested in equities and $628 million were invested in fixed- income securities. The fixed-income portion of the NDT Fund is currently managed by two portfolio managers: BlackRock, with assets under management of $327 million, and J. P. Morgan, with assets under management of $301 million. The BlackRock agreement is scheduled to expire in accordance with its terms on October 31, 2010, while the J. P. Morgan agreement is in effect through September 7, 2014 subject to early termination provisions. A portion of the assets under management with J. P. Morgan ($158 million) were previously managed by TCW Asset Management Company ('TCW'). In late 2009, TCW underwent a major management change, with the Chief Investment Officer and key investment professionals departing the firm. In December 2009, the Authority determined that the impact of TCW's management change warranted reallocation of the assets managed by TCW to a segregated account to be managed by J. P. Morgan. The Authority informed J. P. Morgan that the assets formerly managed by TCW would be subject to rebid concurrently with the expiration of the BlackRock agreement. The total amount of assets rebid is approximately $485 million.

DISCUSSION

"On July 13, 2010, the Authority solicited proposals for professional fixed-income investment management services by notice to a number of firms providing such services and advertisement in the *New York State Contract Reporter* in order to determine qualified fixed- income portfolio managers for the NDT Fund. On or before August 3, 2010, the Authority received a total of 19 proposals.

"Authority staff, with the support of its financial advisor, PFM Advisors ('PFM'), evaluated each proposal, taking into consideration quantitative and qualitative criteria. From a quantitative standpoint, staff evaluated historical performance; various risk metrics and the schedule of fees. From a qualitative standpoint, firms were evaluated based on team duration and experience, investment style and research capabilities. After conducting an extensive review and analysis of each proposal, Authority staff, with the concurrence of PFM, invited the seven firms with the highest relative rankings to give oral presentations. Based on the above criteria and oral presentations, the following firms were identified to have the highest overall rankings to manage the fixed-income assets in the NDT Fund: J. P. Morgan, Prudential, Schroder, Bradford and GH&A.

"J. P. Morgan has performed well since its selection in 2009 as a fixed-income portfolio manager of the NDT Fund. Due to its performance consistency, prudent management of the assets previously managed by TCW and attentiveness to customer service, it is recommended that J. P. Morgan continue to serve as a fixed-income portfolio manager of the NDT Fund with an award of $48.5 million of the assets subject to this RFP. This award, combined with the other assets currently managed by J. P. Morgan, will aggregate to $192 million.

"As a result of its perceived superior security selection expertise, consistent track record for the past two decades and strong investment management team, it is recommended that Prudential manage approximately $194 million in assets. To balance the portfolio, it is also recommended that Bradford manage $97 million and Schroder manage $97 million due to their rigorous approach to risk management. GH&A has a high-quality investment strategy, conservative investment philosophy and strong track record; it is recommended that it manage $48.5 million. GH&A is 100% employee owned, with almost 75% of the firm owned by ethnic minority and women partners.

"It is recommended that the five firms be awarded five-year contracts, with asset allocations as noted below, subject, however, to early termination at any time by the Authority on 60 days' notice. The allocation amounts are based on the assets' ending market value as of July 31, 2010 and will be adjusted proportionally for the actual asset value on the transition date of the assets.

	Asset Allocations (in $millions)
J. P. Morgan	48.5
Prudential	194.0
Schroder	97.0
Bradford & Marzec	97.0
Garcia Hamilton & Associates	48.5
Total	485.0

FISCAL INFORMATION

"The fees for the fixed-income investment management services are expected to range from 12 basis points to 30 basis points (a basis point is equal to 1/100th of 1%, or 0.01%) dependent on investment management style and the amount of assets under management, subject to negotiation, and will be paid from the NDT Fund.

RECOMMENDATION

"The Treasurer recommends the Trustees' approval of the award of multiyear service contracts to J. P. Morgan Investment Management Inc., Prudential Investment Management, Inc., Schroder Investment Management North America Inc., Bradford & Marzec LLC and Garcia Hamilton & Associates, L.P. for management of fixed-income assets for the Nuclear Decommissioning Trust Fund.

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

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

> **RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award of the multiyear investment management service contracts to J. P. Morgan Investment Management Inc., Prudential Investment Management, Inc., Schroder Investment Management North America Inc., Bradford & Marzec LLC and Garcia Hamilton & Associates, L.P. to manage fixed-income assets for the Authority's Nuclear Decommissioning Trust Fund, is hereby approved and the execution of such contracts by the Executive Vice President and Chief Financial Officer, the Senior Vice President – Corporate Planning and Finance or the Treasurer, subject to the approval of the form thereof by the Executive Vice President and General Counsel, on behalf of the Authority, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

n. Selection of Firms to Serve as Authority Underwriters

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the appointment of a prequalified underwriting pool of Senior Managers, Co-Managers and Selling Group members to originate, underwrite and sell the Authority's Debt Obligations for a period of three years.

BACKGROUND

"The Authority's Series 2000A Revenue Bonds maturing on November 15, 2030 and November 15, 2040 are redeemable prior to maturity on or after November 15, 2010. Based on current market conditions, the Authority will be able to refund these bonds and generate present-value savings. The majority of the bonds being refunded were issued for the Life Extension and Modernization and Relicensing of the Robert Moses Niagara Power Project and, therefore, the refunding will result in lower debt-service costs for the Authority's hydro customers.

"Due to the relatively infrequent and low volume of bond issuances, the Authority has historically solicited proposals from firms to serve as underwriters on a deal-by-deal basis. In preparing for the Series 2000A refunding, staff has taken into consideration the Authority's latest capital plan, which includes estimates for several major initiatives. These major initiatives, if approved, will require the Authority to access the capital markets on a more frequent basis. As a result, and due to the efficiencies obtained from having a qualified pool of underwriters available to select from at any time, the Authority decided to address underwriter selection with a forward- looking view in mind.

DISCUSSION

"On July 8, 2010, the Authority issued a Request for Qualifications ('RFQ') for firms interested in providing underwriting services for Authority debt issuances. The RFQ was advertised in the *New York State Contract Reporter*. Banks, brokers and dealers that have an established relationship with the Authority were also invited to respond to the RFQ. In consideration of the recommendations of the Executive Order No. 10 Task Force established to increase the use of Minority and Women-Owned Business Enterprise ('MWBE') underwriters, firms certified with the New York State Department of Economic Development were encouraged to respond. On or before August 5, 2010, 22 firms submitted responses to the RFQ, of which 9 were MWBEs.

"The Authority's evaluation of responses took into consideration several qualitative characteristics essential for a successful underwriting team. Specifically, responses were evaluated for firm experience in structuring, underwriting and selling both tax-exempt and taxable bond and note issues; knowledge of the Authority, its business markets and the public power industry; the ability and demonstrated willingness to underwrite bonds; financial strength and capital position, including excess net capital allocated to public finance; distribution capability in the retail and institutional sectors; diversity and commitment to equal employment opportunities, including the willingness to partner with an MWBE and value-added services and financing proposals aimed at cost savings or debt structuring.

"Based on staff's evaluation, six firms exhibited the qualifications that would make them ideal to serve in a Senior or Co-Senior underwriting capacity. Based on their combined experience and distribution capabilities, staff believes the team will be able to market the Authority's bonds at the lowest possible interest cost.

Senior Managers

- Barclays Capital Inc.
- Citigroup Global Markets Inc.
- Loop Capital Markets LLC *

* Certified MWBE

- Morgan Stanley & Company Inc.
- Ramirez & Co., Inc. *
- Wells Fargo Bank, N.A.

"In addition to the selection of Senior Managers, the following firms are being recommended to serve as Co-Managers and Selling Group Members based on their qualifications to distribute and/or underwrite bonds:

Co -Managers

- Bank of America Merrill Lynch
- Goldman, Sachs & Co.
- J.P. Morgan
- M.R. Beal & Company *
- Siebert Brandford Shank & Co., Inc. *

Selling Group Members

- Blaylock Robert Van *
- BMO Capital Markets
- BNY Mellon Capital Markets, LLC
- CastleOak Securities, L.P. *
- Duncan–Williams, Inc.
- Janney Capital Markets along with MFR Securities
- M&T Securities, Inc.
- Roosevelt & Cross
- Stern Brothers & Co.
- Stone & Youngberg LLC
- TD Securities

"Firm assignments for Senior Manager(s), Co-Manager(s) and Selling Group members will be established at the time of each financing transaction from the respective pools.

FISCAL INFORMATION

"There is no fiscal impact associated with this action.

RECOMMENDATION

"The Treasurer recommends the Trustees' approval of the appointment to the firms referenced in Exhibit '1n-A' (attached) for the purpose of providing underwriting services for a three-year period.

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

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

> **RESOLVED, That the appointment of prequalified firms to serve as Senior Managers, Co-Managers and Selling Group members as set forth Exhibit "1n-A," attached hereto, is hereby approved for the period of three years as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**

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

I. Underwriters for Authority Debt Issuances RFQ Q-10-4814JB

1. Senior Managers

Barclays Capital Inc.
745 Seventh Avenue, 19th Floor
New York, NY 10019

Citigroup Global Markets Inc.
390 Greenwich Street, 2nd Floor
New York, NY 10013

Loop Capital Markets LLC
88 Pine Street, 25th Floor
New York, NY 10005

Morgan Stanley & Company Inc.
1221 Avenue of the Americas
New York, NY 10020

Ramirez & Co., Inc.
61 Broadway, 29th Floor
New York, NY 10006

Wells Fargo Bank, N.A.
375 Park Avenue
New York, NY 10152

2. Co-Managers

Bank of America Merrill Lynch
One Bryant Park
New York, NY 10036

Goldman, Sachs & Co.
200 West Street
New York, NY 10282

J.P. Morgan
383 Madison Avenue
New York, NY 10179

M.R. Beal & Company
100 Wall Street, 6th Floor
New York, NY 10005

Siebert Brandford Shank & Co., Inc.
100 Wall Street, 18th floor
New York, NY 10005

3. Selling Group

Blaylock Robert Van
600 Lexington Avenue, 3rd Floor
New York, NY 10022

BMO Capital Markets
3 Times Square, 28th floor
New York, NY 10036

BNY Mellon Capital Markets, LLC
320 Old Slip, 15th Floor
New York, NY 10286

CastleOak Securities L.P.
110 59th Street, 2nd Floor
New York, NY 10022

Duncan–Williams, Inc.
1120 Avenue of the Americas
Suite 4164
New York, NY 10036

Janney Capital Markets (along with MFR Securities)
575 Lexington Avenue, 35th Floor
New York, NY 10022

M&T Securities, Inc.
285 Delaware Avenue
Buffalo, NY 14202

Roosevelt & Cross
One Exchange Plaza
55 Broadway, 22nd Floor
New York, NY 10006

Stern Brothers & Co.
8000 Maryland Avenue
Suite 800
St. Louis, MO 63105

Stone & Youngberg LLC
Lever House
390 Park Avenue, 15th Floor
New York, NY 10022

TD Securities
31 West 52nd Street
New York, NY 10019

Discussion Agenda

2. Transmission System – Life Extension and Modernization and Condition Assessment – Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a contract to Quanta Technology ('Quanta') of Raleigh, NC in the amount of $2,047,733 to perform a condition assessment of the Authority's existing Transmission System assets.

BACKGROUND

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

"The Authority's Transmission System assets are reaching their end-of-design life and are in need of upgrades to comply with regulatory requirements and to maintain reliability. A series of conditions within the Authority's Transmission System outline the need to develop an overall program for performing an assessment in accordance with items listed in the Power Supply Long- Range Work Plan.

"The Authority sought to procure the services of an Engineering Consultant to:

1. Assess the overall condition of transmission equipment and assets;
2. Provide recommendations for upgrade or replacement, as necessary, taking into account industry practices;
3. Prioritize work and develop a schedule for implementation;
4. Develop cost estimates for addressing each task.

"The results of the assessment will allow the Authority to prioritize future work to ensure the continued reliability of its Transmission System. This prioritization will provide the Authority with added information to better use its financial and personnel resources.

DISCUSSION

"The Authority issued an advertisement to procure bids in the New York State *Contract Reporter* and bid packages were available as of June 3, 2010. The bid documents were downloaded by 66 potential bidders and 14 potential bidders participated in a site visit on June 21, 2010.

"The following proposals were received on July 12, 2010:

Bidder	Location	Base Bid	Final Bid
Mott MacDonald	Westwood, MA	$2,661,516	$3,298,795
Quanta Technology	Raleigh, NC	$3,128,406	$2,047,733
TRC Engineers	Liverpool, NY	$3,992,637	$3,495,817
AECOM	New York, NY	$4,387,876	$3,596,395

"Following a review of the proposals, the Authority recommends an award to the lowest- priced bidder, Quanta, which is technically qualified to perform the work.

"Quanta will focus on the evaluation of the following projects:

- Clark Energy Center Switchyard Life Extension and Modernization
- Massena Sub Switchyard Life Extension and Modernization
- Niagara Switchyard Life Extension and Modernization
- Line Clearance Remediation
- Corten Structure Member Reinforcement
- Grillage Foundation Inspection
- Insulator Replacement
- PV20 Line Assessment, Replacement and Upgrade
- Tower Painting - Complete System Painting

"These projects require a large financial investment to provide anticipated maintenance. Quanta will be responsible for performing a condition and life assessment and risk-of-failure assessment to provide the Authority with interim and final reports detailing which areas should be addressed immediately (within the next 3 years), in the short term (within the next 3-5 years) and in the long term (within the next 5-10 years).

"The scope of work will require field inspections and extensive reviews of maintenance records and studies. The work will be coordinated by Project Management and Transmission staff. As part of the deliverable, the Consultant will include preliminary schedules and cost estimates for implementing any recommendations.

"Recommendations received from Quanta will be reviewed by the Authority and budgeted accordingly in future fiscal years.

FISCAL INFORMATION

"Payments will be made from the Authority's Operating Fund.

RECOMMENDATION

"The Senior Vice President – Power Supply Support Services, the Senior Vice President – Transmission, the Vice President – Project Management and the Vice President – Procurement recommend that the Trustees award a contract to Quanta Technology in the amount of $2,047,733 to perform a condition assessment of the Authority's Transmission System.

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Engineer – Power Supply, the Executive Vice President and Chief Financial Officer and I concur in the recommendation."

Mr. John Canale presented the highlights of staff's recommendations to the Trustees. In response to questions from Trustee Nicandri, Mr. Canale said that the final bids were submitted after clarification meetings with the two lowest bidders. The $1.1 million difference between the initial and final bids of the low bidder was attributable to the fact that several assets listed in the original scope of work had been studied previously in detail and were removed from the scope before the final bids were submitted. Responding to a question from Vice Chairman Foster, Mr. Canale said that the unsuccessful bidders did not necessarily understand the scope of work as well as the successful bidder. In response to another question from Vice Chairman Foster, Mr. Canale said

that the project involves approximately 2,000 man-hours per task (a total of approximately 20,000 man-hours for entire project), with the preliminary and final reports due in May and June 2011, respectively. President Kessel said that this is an important project and that he has asked staff to look at the Authority's vulnerabilities system wide, especially in light of such recent events as the huge service disruptions caused by problems on the Long Island Railroad. Trustee Mark O'Luck said that it was important to look at the Authority's need to upgrade facilities in the next 3-5 years, in addition to the next 5-10 years.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract for a condition assessment of the Authority's Transmission System, as recommended in the foregoing report of the President and Chief Executive Officer, as listed below:

Contractor	**Contract Approval**
Quanta Technology	$2,047,733

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

3. Procurement (Construction) Contract –
Niagara Power Project Relicensing, Compliance and
Implementation – Reservoir State Park Rehabilitation – Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a procurement contract to Mark Cerrone, Inc. for the rehabilitation of Reservoir State Park located within the boundary of the Niagara Power Project ('Project'). The term of the contract will be for two years. The amount for which authorization is requested is $6,827,570.

BACKGROUND

"Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustee's approval for procurement contracts involving services to be rendered in excess of one year. The Authority's Guidelines for Procurement Contracts also require the Trustee's approval for procurement contracts in excess of $3 million.

"The Federal Energy Regulatory Commission ('FERC') issued the New License for the Project on March 15, 2007. Article 404 of the new Project license required that the Authority submit for FERC approval within one year of the effective date of the new license a recreation plan for the existing recreation facilities within the Project boundary and proposed recreational enhancements. The Authority submitted the required recreation plan on August 29, 2008 and received FERC approval of the plan in an order dated November 13, 2008.

"Reservoir State Park is within the Project boundary and is located along the South side of the Project's Lewiston Reservoir. The 133-acre park is owned by the Authority and is operated and maintained by the New York State Office of Parks and Recreation ('NYSOPR') under an existing agreement. Under the approved recreation plan, the Authority is committed to extensively rehabilitate and enhance the park grounds and facilities. Improvements will include rehabilitation and reorientation of existing baseball diamonds and addition of new amenities (including new lighting for one diamond), new outdoor pavilions, repaired and expanded parking at three parking lots, a new natural ice rink, a new winter pavilion with toilet facilities at the sledding hill, regraded soccer fields for improved drainage, refurbished and new basketball and tennis courts, a new ADA-accessible perimeter walking path for the South section of the park, new trees and shrubbery throughout the park, refurbishment of the existing maintenance building, repaving of the existing path to the top of the Lewiston Reservoir, an improved children's playground and new kiosks and signage.

DISCUSSION

"On July 12, 2010, the Authority issued a Request for Proposals ('RFP') for the construction of the Reservoir State Park rehabilitation project, including a notice in the New York State *Contract Reporter*. Three proposals were received on August 17, 2010 from Mark Cerrone, Inc. (Niagara Falls, NY), Edbauer Construction, Inc. (Blasdell, NY) and Sicoli and Massaro (Niagara Falls, NY).

"Staff from the Authority's Relicensing and Implementation ('R&I') and Procurement and Real Estate Divisions, with support from R&I's NIA compliance and implementation contractor and construction management contractor, evaluated the proposals for technical qualifications and pricing. All three firms submitted proposals with prices that were higher than the Authority's estimate for the contract. Mark Cerrone, Inc. was the lowest bidder. His bid price was within 10% of the Authority's estimate for the contract, while the other two proposals were over $1 million higher than the Authority's estimate. Questions were issued to all three firms focusing on the firms' capabilities and experience with managing multiple specialty subcontractors and their experience with projects of a similar nature.

"Cerrone satisfactorily responded to the Authority's subsequent questions as requested. Their responses provided additional information regarding: 1) their ability to manage multiple subcontractors; 2) their experience

with the various aspects of this type of recreational construction; 3) additional information regarding their infrastructure subcontractor; and 4) contractual clarifications concerning project costs and their proposed Deviations and Exceptions. The responses provided by Cerrone were acceptable to the proposal reviewers.

"Project references provided in Cerrone's proposal were evaluated to define those references from similar projects and projects with similar fee and level of effort. The review team reached out to five entities (private firms and one municipality) and spoke directly with four of the five. All of the references gave favorable reviews.

"Cerrone's proposal indicated a solid understanding of and adherence to the RFQ requirements and a clear understanding of the work. A reasonable and adequate schedule was proposed that will meet NYPA's needs. The evaluation team concluded that Cerrone's proposal demonstrated that they are qualified to conduct this work. Therefore, it is recommended that the contract be awarded to Mark Cerrone, Inc. The contract term will be for two years, and the contract amount will be $5,937,017. In addition, it is recommended that an appropriate reserve of 15% ($890,553) be authorized to cover possible additional materials and services due to unforeseen construction conditions and/or severe weather conditions which occur during the installation period. Including the reserve amount, the total recommended authorization is $6,827,570.

FISCAL INFORMATION

"Since these expenditures are related to implementing commitments in the New License and the FERC-approved recreation plan, payments will be made from the Capital Fund.

RECOMMENDATION

"The Vice President – Project Development and Licensing; the Vice President – Procurement and the Director – Relicensing and Implementation recommend that the Trustees authorize award of a contract to Mark Cerrone, Inc. for $6,827,570 for construction services for rehabilitation of Reservoir State Park at the Niagara Power Project.

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Executive Vice President and Chief Administrative Officer and Chief of Staff, the Executive Vice President and Chief Engineer – Power Supply, the Senior Vice President – Power Supply Support Services and I concur in the recommendation."

Mr. John Suloway presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Nicandri, Mr. Suloway said that this was Relicensing's first time working with the successful bidder, which had come highly recommended.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to Mark Cerrone, Inc. for two years, in an amount of $6,827,570 for construction services for rehabilitation of Reservoir State Park at the Niagara Power Project, as recommended in the foregoing report of the President and Chief Executive Officer;

Contractor	**Contract Approval**
Mark Cerrone, Inc.	**$6,827,570**

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

4. Authorization to Execute Power Purchase Agreement to Provide Environmental Attributes for Port Authority of New York and New Jersey

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the execution of a Master Power Purchase and Sale Agreement ('MPPSA'), between the Authority and Taylor Biomass Energy – Montgomery LLC ('Taylor Biomass'), for the Authority to purchase Environmental Attributes ('Attributes') produced from approximately 20.2 MW of generation at a to-be-constructed waste stream and woody biomass-fired facility in Montgomery, Orange County, New York, on behalf of the Port Authority of New York and New Jersey ('Port Authority'), one of the Authority's New York City governmental electric customers under the 2005 Long-Term Agreement ('LTA').

BACKGROUND

"Taylor Biomass was the successful bidder on a Request for Proposals ('RFP') issued on behalf of the Port Authority. The purchase of Attributes from 20.2 MW of generation from Taylor Biomass under the MPPSA is compatible with the Port Authority's Sustainability Policy objectives and demonstrates contributions to the economic development of the Orange County geographic area.

"The Port Authority approached the Authority requesting that the Authority explore the possibility of securing Attributes from new renewable energy facilities that are compatible with the Port Authority's Sustainability Policy objectives and from those projects that provide economic development contributions in the form of jobs or environmental benefits to the community in and around the Port Authority's Stewart Airport facility in Orange County. Attributes are the environmental aspects of renewable power generation that may be sold separately from the energy itself and include all environmental characteristics, claims, credits, including renewable energy credits ('RECs'), benefits, emissions reductions, offsets, allowances and allocations attributable to generation by the facility.

"On January 12, 2010, in consultation with the Port Authority, the Authority issued an RFP for Attributes representing up to 25 MW of generation from new renewable energy generators (i.e., not yet in commercial operation), to commence no later than December 31, 2013, for a term of up to 20 years. The Port Authority and the Authority met in March 2010 to jointly develop an evaluation process and scoring criteria. On April 19, 2010, the Authority received proposals that offered supply of Attributes from new renewable sources that included photovoltaic solar and syngas produced from waste stream (municipal solid waste, construction and demolition waste and commercial waste disposal processes) and woody biomass.

DISCUSSION

"A team of Authority staff, in consultation with representatives from the Port Authority, analyzed the proposals and agreed that only one of the physical-supply bidders, Taylor Biomass, provided an offer for Attributes that met the criterion of providing Attributes at a stable and economically competitive price while contributing to economic development in Orange County. Taylor Biomass' generation resource is a combined-cycle generator set fueled by syngas produced from the sorted and non-recyclable portions of the waste stream and woody biomass. The facility's metered interconnection point with the New York Independent System Operator ('NYISO') is located in Zone G.

"The Attributes from Taylor Biomass include all environmental attributes and future environmental attributes associated with the generation of energy by the facility (i.e., RECs) and Attributes associated with the diversion of organic waste from a landfill for processing and consumption of waste to, for or by the facility (i.e., 'Greenhouse Gas Offsets'). The proposed purchase-and-sale agreement with Taylor Biomass is for 20 years, commencing on the commercial operation date targeted for October 1, 2012.

"The Taylor Biomass renewable energy facility will be located on 95 acres of interchange development property in Montgomery, Orange County, New York. Subject to the final issuance of permits, construction is scheduled to begin in the third quarter of 2010. The Town of Montgomery's Town Board is acting as the Lead Agency under the State Environmental Quality Review Act ('SEQRA') and is responsible for the environmental review of the project.

"Authority staff is finalizing negotiations with Taylor Biomass to complete the MPPSA. The principal commercial terms and pricing of the proposed MPPSA between the Authority and Taylor Biomass are provided in the Confidential Term Sheet provided to the Trustees under separate cover. Under the MPPSA, the net output will be Attributes associated with up to 20.2 MW of generation. Since the cost of Attributes purchased under the recommended 20-year MPPSA would be passed through to the Port Authority, the completed MPPSA must be approved by the Port Authority before execution by the Authority.

"The Authority will also execute a separate agreement with the Port Authority ('Authority – Port Authority Agreement,' 'APAA') for the resale of the Attributes from the Authority to the Port Authority. The APAA agreement concerning this transaction is pursuant to, but separate from, the Long-Term Agreement ('LTA') that expires in 2017. The APAA for this transaction will continue through the 20-year term of the MPPSA and will provide that the Port Authority agrees to pay all costs and bear all risks associated with the MPPSA.

Environmental Review

"In order for the Authority to comply with its SEQRA obligations, Taylor Biomass must obtain the required permits and authorizations from the requisite agencies having jurisdiction over the project. The Authority's SEQRA regulations require, in the case where an agency other than the Authority is the lead agency, that the Trustees or their delegates take the final environmental impact statement ('EIS') prepared by the requisite agencies into consideration before making a final decision on the proposed action, in this case, the issuance of a contract for the purchase of the Attributes from a facility not yet constructed. A written finding that the provisions of the Authority's SEQRA regulations have been met is required. The Trustees are requested to delegate the completion of the findings statement to the Vice President – Environment, Health and Safety, who will review and consider the final EIS prepared by the relevant jurisdictions to determine that the Authority's SEQRA responsibilities have been fulfilled.

FISCAL INFORMATION

"The summary terms and conditions of the 20-year MPPSA have been provided to the Trustees in the Term Sheet. The costs of Attributes purchased and all risks under the proposed MPPSA will be passed through to the Port Authority in accordance with the terms and conditions of the APAA.

RECOMMENDATION

"The Senior Vice President – Power Resource Planning and Acquisition recommends that the Trustees authorize the President and Chief Executive Officer, or his designee, to execute a Master Power Purchase and Sale Agreement with Taylor Biomass Energy – Montgomery LLC for the Authority to purchase Environmental Attributes from a 20.2 MW syngas facility to be operated by Taylor Biomass Energy – Montgomery LLC on behalf of the Port Authority of New York and New Jersey for the terms and conditions set forth in the Term Sheet.

"The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Marketing and Economic Development, the Vice President and Chief Risk Officer and I concur in the recommendation."

Mr. Jordan Brandeis presented the highlights of staff's recommendations to the Trustees. President Kessel said that this was a significant and progressive project encouraged by Governor Paterson and Senator Schumer. In response to a question from Vice Chairman Foster, President Kessel said that the Authority was facilitating the project on behalf of its customer, the Port Authority. Mr. Brandeis added that the Authority

worked with the Port Authority to configure the business arrangement for the project. Trustee O'Luck said that this was a great project and that it had been discussed at a meeting he had with the Port Authority a few months ago. Chairman Townsend said that he hoped this would be the impetus for similar projects in the future.

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

> **WHEREAS, at the request of, and in cooperation with, the Port Authority of New York and New Jersey ("Port Authority"), the Authority issued a Request for Proposals ("RFP") for supply of Environmental Attributes of up to 25 MW to assist the Port Authority in meeting its Sustainability Policy objectives and to contribute to the economic development of the Orange County geographic area; and**
>
> **WHEREAS, as a result of such RFP, the Authority-Port Authority team identified Taylor Biomass Energy – Montgomery LLC ("Taylor Biomass") as the successful bidder offering Environmental Attributes from a 20.2 MW syngas generation facility located in Montgomery, New York; and**
>
> **WHEREAS, the prices and commercial terms offered by Taylor Biomass compare favorably with projections of market energy prices and the purchase would meet the Port Authority's Sustainability Policy objectives and contribute to the economic development of the Orange County area; and**
>
> **WHEREAS, under a separate Authority-Port Authority Agreement, the Authority will agree to sell to the Port Authority and the Port Authority will agree to purchase from the Authority all the Attributes purchased by the Authority under the Master Power Purchase and Sale Agreement ("MPPSA"); and**
>
> **WHEREAS, under the Authority – Port Authority Agreement, the Port Authority shall pay all costs and assume all risks arising out of the MPPSA for the term of the MPPSA; and**
>
> **WHEREAS, by purchasing Environmental Attributes from a syngas generation facility (a renewable source of generation), the Authority and the Port Authority are furthering the State's '45 by 15' plan, which calls for New York State to meet 45% of its electricity needs through improved energy efficiency and clean renewable energy by 2015;**
>
> **NOW, THEREFORE, BE IT RESOLVED, That the President and Chief Executive Officer, or his designee, is hereby authorized on behalf of the Authority to execute agreements between the Authority and Taylor Biomass Energy – Montgomery LLC, as described in the foregoing report of the President and Chief Executive Officer and the Term Sheet provided under separate cover to the Trustees, including (a)**

the MPPSA and any transactions, schedules or confirmations related to such MPPSA and (b) any other consents, agreements or other transactions as are necessary or ancillary to such MPPSA; and be it further

RESOLVED, That the Vice President – Environment, Health and Safety is authorized to review and consider the final Environmental Impact Statements prepared by the authorities having jurisdiction pursuant to the State Environmental Quality Review Act over the project not yet constructed that is the subject of this Resolution, and to make the findings required by Section 461.13(b) of the Authority's SEQRA regulations; and be it further

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

5. a. Report of the President and Chief Executive Officer

President Richard Kessel noted the importance of the Trustees' approval of item 1e (Proposed Long-Term Contract Extensions for the Sale of Western New York Hydropower – Transmittal to the Governor), saying that it had been the result of a two-year-plus process and that it was critical to the economy of Western New York. He said that the 106 companies receiving the Replacement Power and Expansion Power from the Niagara Power Project employ 150,000 people and that, in addition to their job commitments, the companies were committing themselves to capital investments of $150 million. He thanked the Power for Economic Prosperity group, which represents some of the hydropower customers, as well as the Authority staff responsible for making this happen. President Kessel said that he had discussed the contracts with Governor Paterson, who is fully supportive of them.

President Kessel said that he and Trustee Curley had joined Governor Paterson, Senator Schumer and Ms. Carol Bartz, the Chief Executive Officer of Yahoo! in Lockport last week for the dedication of the new datacenter. He said that the Governor, the Senator and Ms. Bartz had explicitly stated at the event that if it hadn't been for the Authority, the datacenter would not be in Lockport.

An economic development update provided to the Trustees showed that since October 2008, 58 MW of hydropower has been allocated to 16 businesses. These allocations are helping to create nearly 900 new jobs with an average salary of more than $50,000 and will bring more than $800 million in capital investment to Western New York.

In the North Country, the hydropower allocation to Florelle Tissue (item 1d – Preservation Power Contract to Florelle Tissue Corporation – Transmittal to the Governor) will help create 75 new jobs. President Kessel said that the Authority had saved Alcoa from going out of business and that the company's Massena plant has turned the corner. He said he was confident that in 2011 Alcoa would reopen its East Smelter and commit to a multimillion-dollar modernization project.

Since May 2009, the Authority has provided Industrial Incentive Awards to 10 businesses; these awards have helped protect nearly 4,000 jobs.

President Kessel's community outreach activities over the past few months included:

- ***AERTC (July 9)***
- ***Buffalo News editorial board, Erie Canal Harbor Agreement signing ceremony (July 13)***

- ***Watertown Daily Times editorial board; meeting with Senator Aubertine, tour of Maple Ridge Wind Farm (July 15)***
- ***Tour of Shoreham (July 19)***
- ***Meetings with municipal customers, including: Mayor and Electric District Manager in Greene, Electric District Superintendent in Sherburne; and Mayor and Electric District Superintendent of Hamilton, along with representative of Colgate University (July 20)***
- ***Great Lakes Offshore Wind "Get Listed" event and news conference (July 27)***
- ***Plattsburgh Press Republican editorial board; meeting with Plattsburgh Mayor and meeting with representative of Plattsburgh Municipal Electric System (August 5)***
- ***Meeting with Erie County Executive Chris Collins; meeting with Congressman Higgins; news conference on Authority's rate freeze (August 10)***
- ***Meeting with Authority Regional Managers in Massena; meeting with Chuck Kelly from Ogdensburg Journal editorial board (August 11)***
- ***News conference announcing allocation to SKF Aeroengine in Jamestown with Empire State Development Corporation, Chautauqua County Executive and other State and local officials (August 17)***
- ***Keynote address at Annual Meeting of Otsego Rural Cooperative (August 18)***
- ***Tour of transmission system near Blenheim-Gilboa facility (August 19)***
- ***Meeting with Lake Placid Village officials on various joint ventures and tour of dam that Village is seeking to remove (August 25)***
- ***BAE tour on Long Island (August 27)***
- ***Power for Jobs news conference in Syracuse; Authority Day at State Fair (August 31)***
- ***Yahoo! ribbon-cutting ceremony with Governor Paterson and Senator Schumer (September 20)***
- ***Remarks at Cornell roundtable with local sustainability and energy efficiency advocates (September 21)***
- ***Remarks to Chamber of Commerce in Utica; tour of Griffiss Airforce Base Technology Park; meeting with local Senators and Assembly members; Authority service awards (September 23)***

Chairman Townsend asked Trustee Nicandri to say a few words about Ms. Angela Graves and Ms. Mary Jean Frank from the Corporate Secretary's Office, who are both retiring with 29+ and 8+ years of service, respectively. Trustee Nicandri said that he could best describe the work that Ms. Graves and Ms. Frank do in their jobs as akin to herding cats and thanked them for their years of service at the Authority.

President Kessel then thanked Mr. Angelo Esposito, who is retiring after 29+ years at the Authority, for his work, which had helped transform the Authority into the leading energy efficiency power entity in the country. Mr. Esposito said that he had loved his career at the Authority and thanked the Trustees and staff for their assistance with the Authority's energy efficiency portfolio of 400+ projects worth more than $1.4 billion. He said that he felt like he was leaving the Authority with a full tank of gas and the keys in the ignition.

The Trustees were then shown a video on the Authority's generation, transmission and energy resource management operations.

b. Report of the Chief Operating Officer

Mr. Gil Quiniones provided highlights of the report to the Trustees.

Exhibit "5-B"

123 Main Street
White Plains, NY 10601-3170

914.681.6621
914.681-6804 (Fax)
Gil.Quiniones@nypa.gov

New York Power Authority

Gil C. Quiniones
Chief Operating Officer

TO: NYPA BOARD OF TRUSTEES

FROM: GIL C. QUINIONES, CHIEF OPERATING OFFICER

DATE: SEPTEMBER 28, 2010

SUBJECT: MONTHLY REPORT FOR THE BOARD OF TRUSTEES

****

This report includes highlights from the Operations Group over July and August. The highlight of the period was that the Flynn Plant, which had been shut down for a maintenance outage in May, was returned to service on August 7.

Power Supply

Plant Performance

Systemwide net generation[1] in July was 2,094,787 megawatt-hours[2] (MWh), compared to projected net generation of 2,172,486 MWh. In August, systemwide net generation was 2,065,665 MWh compared to projected net generation of 2,116,198 MWh in August. For the year, actual net generation is 16,278,297 MWh, which is below the year-to-date net generation target of 17,085,463 MWh, primarily due to low water levels on the Niagara and St. Lawrence rivers.

The fleet availability factor[3] was 96.7 percent during July, 98.9 percent during August, and is 94.7 percent for the year. The generation market readiness factor[4] was 99.6 percent in July, which was above the monthly target of 99.4 percent, and 100 percent in August, also above the monthly target. For the year, generation market readiness is 99.8 percent.

There was one significant unplanned generation event[5] in July – the Hell Gate Plant was out of service for two weeks due to a failed pothead[6], resulting in a lost opportunity cost of $0.17 million. The total lost opportunity cost of all unscheduled outages[7] in July was less than $0.20 million, compared with generation revenue of $223.7 million. There were no significant unplanned generation events in August, and the total lost opportunity cost of all unscheduled outages in August was also less than $0.20 million, compared with generation revenue of $193.2

million. The year-to-date lost opportunity cost is $0.51 million compared to generation revenue of $1,350 million.

River flows at the Niagara project were below historical averages in July and August, and are forecasted to be well below normal for the next several months due to low precipitation in the Great Lakes Basin that has continued since December 2009. At the St. Lawrence-FDR project, flows were below forecast in July and August and are expected to be below historical averages for the rest of the year.

The Flynn Plant was returned to service on August 7. It had been shut down for a maintenance outage[8] on May 7 due to problems with the combustion turbine generator rotor[9]. The event was considered a maintenance outage by the New York Independent System Operator[10] (NYISO) because the unit was removed from service upon approval of the system operator and did not fail while in-service. Siemens and NYPA are currently engaged in extensive technical analysis to determine the root cause of the rotor failure. The estimated revenue impact to NYPA is a loss ranging between $8 million to $9 million, spread over 2011 – 2012. Repair expenses are estimated to be about $3 million, of which $2.3 million will be capital costs.

Transmission Performance

Transmission reliability[11] in July was 99.44 percent, which was above the target of 98.70 percent, and 98.96 percent in August, which was below the target of 99.81 percent. The year-to-date actual reliability is 95.79 percent, below the target of 96.41 percent. Performance has been affected by some outages not anticipated in 2010, several forced outages[12], and some scheduled outages[13] that have taken longer than expected.

There were three forced outages in July for a total of 373 hours. One outage was a significant unplanned transmission event[14]. The Marcy Capacitor Bank #2 was out of service for 370 hours due to catastrophic equipment failure; the cause is yet to be determined but under investigation. The Massena-Utica and Massena-Chateauguay lines were out of service for 1.5 hours each due to circuit breaker failure at Marcy.

There were two significant unplanned transmission events in August for a total of 40 hours. The Massena-Utica line was out of service for 25 hours and the Massena-Chateauguay lines was out for 15 hours, both due to line emergencies when a disconnect switch[15] did not close correctly and failed. The switch was repaired and the lines were restored to service.

Life Extension and Modernization Programs

On September 21, the 13th of the 16 units at the St. Lawrence-FDR project was returned to service, as part of the project's Life Extension and Modernization[16] (LEM) program. As reported in the June COO Report, the unit's original return to service date of July 30 was delayed as the result of conditions not encountered with any of the previous 12 units including deficient original manufacturing of parts that require upgrading as well as other issues. The 2013 scheduled completion date for the LEM project remains unchanged.

Transmission Initiative

NYPA is continuing to work with National Grid, Con Edison, and the Long Island Power Authority (LIPA), regarding a proposed transmission line that would deliver power from Canada and upstate renewable energy projects to New York City.

In July, PA Consulting briefed senior management at NYPA and National Grid on its draft analysis comparing load-weighted zonal electricity prices, productions costs, generator costs, and emissions in the Base Case and the Transmission Initiative Case. Subsequently, PA prepared sensitivity analyses considering several scenarios including Hudson Transmission Partners' proposed PJM-NYC line, a range of natural gas prices, and 400 MW of off-shore wind. Results indicated a net benefit in state-wide production costs and a reduction of emissions with the construction of the Transmission Initiative. A presentation of the sensitivity analyses was made to Con Edison and LIPA staff in July. Representatives from Con Edison and LIPA accepted the analyses, and Con Edison agreed to an executive-level meeting between NYPA, National Grid, Con Edison and LIPA to further discuss the Transmission Initiative. The meeting is anticipated for October.

SUNY-Canton Project

NYPA is working with the State University of New York at Canton (SUNY-Canton) on assessing options to relocate the section of the Moses-Adirondack[17] line on their campus to accommodate athletic fields. In July, NYPA and Commonwealth Associates presented SUNY-Canton an interim report on routing options. Commonwealth Associates was asked to research additional costs of the routing options and prepare a new report, which will be presented to Senior Management with staff recommendations in October.

Blenheim-Gilboa Project Relicensing

The Trustees will be briefed in September and October on the relicensing process for the Blenheim-Gilboa Pumped Storage Power Project. It is anticipated that by the end of 2010, the Trustees will be requested to authorize the start of this relicensing effort and a capital budget in preparation for relicensing. The Trustees will also be asked to approve an award of a contract for the development and implementation of a comprehensive information management system to support the relicensing effort.

The Federal Energy Regulatory Commission[18] (FERC) license for Blenheim-Gilboa expires in April 2019. It is anticipated that, as with the relicensing efforts for the St. Lawrence-FDR and Niagara projects – which required seven to nine years and involved extensive studies as well as significant participation by and negotiation with stakeholders – there will be two phases of work for obtaining a new license for Blenheim-Gilboa. The first phase will involve preparation for relicensing and the second phase will be the formal FERC relicensing process. Preparation for relicensing includes preparing the necessary relicensing documents to begin the formal relicensing process in 2013.

Organizational Realignment

The assessment of potential operational interfaces between the Power Generation and Transmission groups has been issued and is being reviewed internally. A presentation of the results of the study will be made to the COO and the EVP of Power Supply in September. The final report is now scheduled to be completed in the fourth quarter of 2010.

Smart Grid Demonstration Transmission Project

In July, NYPA and the Electric Power Research Institute[19] (EPRI) signed an agreement and held a kick-off meeting to organize the project implementation plan of a project funded in part through an award from the American Recovery and Reinvestment Act for its proposed "Evaluation of Instrumentation and Dynamic Thermal Ratings for Overhead Lines", a Smart Grid Demonstration Project. The project will evaluate a suite of emerging technologies and applications that measure dynamic thermal capacity ratings[20] of overhead transmission lines, and NYPA will test a hypothesis that higher wind speeds, which generate more wind power, simultaneously cool transmission lines and thereby increase their capability to deliver power. EPRI issued purchase orders for the equipment, which is scheduled to be installed by NYPA later this year, followed by a two-year data collection and analyses project period.

Environmental

There were two environmental events in July. At the Poletti Power Project, a previously unidentified release of oil was discovered while excavating for a replacement potable water line. At the Hell Gate Plant, approximately 15 gallons of cable oil was released from the failed pothead that caused the unit to be placed out of service.

There was one environmental event in August. At the Gregory B. Jarvis Small Hydro facility, a loss of power at the sump pumps resulted in minor flooding. When power was restored to the sump pumps, a quart of oil was released, resulting in an oil sheen on the surface of Canada Creek. Spill response measures were initiated and the released oil was recovered.

The total year-to-date number of recordable environmental incidents is 18. The 2010 maximum target for recordable environmental incidents is 25.

Technical Compliance – NERC Reliability Standards

As discussed in March's COO report, NYPA reported potential non-compliance and submitted mitigation plans to the Northeast Power Coordinating Council[21] (NPCC) for two standards that apply to facility ratings methodology[22] and data for NYPA's generation and transmission assets, and two standards that apply to NYPA's Critical Infrastructure Protection[23] program. All three of these standards are in the North American Electric Reliability Council's[24] (NERC) top ten of the most violated standards in the industry. NYPA continued to engage with NPCC in July regarding the six mitigation plans associated with these self reports. By the end of July, NPCC approved all six mitigation plans and submitted them to NERC for approval, and by the end of August NERC approved the plans and submitted them to FERC.

On July 2, NYPA reported five additional potential violations of standards that apply to NYPA's Critical Infrastructure Protection (CIP) program. These relate to the "Physical Security of Critical Cyber Assets" (CIP-006) and the "Cyber Security – Systems Security Management" (CIP-007) standards. Mitigation plans for these self reports are being prepared and will be submitted to the NPCC in September.

Also discussed in the March report, NYPA responded to a Compliance Inquiry letter from the NPCC in late February requesting information and documentation regarding a system event that occurred at the Niagara Power Project on February 1 that took a 345 kV transmission line to Ontario, Canada, out of service. On August 25, NPCC sent NYPA a request from FERC to clarify whether the NYPA operators involved in the restoration were NERC-certified. The response was sent to NPCC on August 27 – NYPA's operator at the Energy Control Center in Marcy, NY, was certified; the operator at Niagara was not. This Compliance Inquiry is still open.

On August 16, NPCC requested NYPA respond to a set of 13 questions that are used to evaluate a registered entity's internal compliance program. NPCC will use the response to gauge mitigating or aggravating factors in the determination of potential penalties related to NYPA's self-reports of potential violations of the standards. NYPA filed its response with NPCC on August 26.

In August, Power Supply completed its assessment of the organizational and staffing requirements for managing compliance to NERC's Reliability Standards, and issued its final report. Also, Power Supply continued a six-month project (initiated in July) to prepare the organization for an expected 2011 NERC audit of 123 standards applicable to NYPA. Two of the four assessments of the compliance evidence for about 20 standards were conducted through August. This assessment identified several actions that must be taken in preparation for the audit. Power Supply continued Phase II of a project (also initiated in July) to update and improve the organization's NERC-related governance structure, including policies and procedures. The objective of these initiatives is to enhance NYPA's NERC reliability standards compliance posture. Both of these projects will be completed in 2010.

A NERC Reliability Standards Compliance awareness training program was developed in the second quarter of 2010. Delivery of the training to all NYPA employees began in June and was completed in August. The objective of this training was to raise the awareness of the employees about the standards and requirements and NYPA's obligations to comply with them.

Energy Resource Management

NYISO Markets

In July, Energy Resource Management (ERM) bid more than 2.0 million MWh of NYPA generation into the NYISO markets, netting $71.0 million in power supplier payments to the Authority. In August, ERM bid more than 2.0 million MWh, netting $53.0 million. ERM has

bid more than 15.9 million MWh year-to-date netting $348.9 million in power supplier payments.

Production at the Niagara and St. Lawrence-FDR projects is still below expectations due to lower river flows. Production is 10 percent lower than what was experienced at the same time last year. It is expected that flows will remain lower than forecasted, contributing to the net revenue shortfall. Energy prices are significantly higher relative to last year, but still approximately $10/MWh below historical average, which also has negatively impacted net revenue.

At Blenheim-Gilboa, July and August production and revenues are higher due to growing peak and off-peak differentials, but peak is expected to lower in the Fall, meaning production and revenue will also decrease.

The Small Clean Power Plants and the 500-MW Combined Cycle Plant are exceeding year-to-date forecasted net income. Slightly lower than forecasted capacity revenue is more than offset by higher than forecasted energy revenues.

Fuel Planning & Operations

In July, NYPA's Fuels Group transacted $20 million in natural gas and oil purchases, compared with $33 million in July 2009. In August, the Fuels Group transacted $20 million in natural gas and oil purchases, compared with $34 million in August 2009. Year-to-date natural gas and oil purchases are $155 million compared with $250 million year-to-date in August 2009. Total year-to-date reduction of $95 million is mainly attributed to cessation of operation at Poletti (-$55 million year-over-year) and lower cost of fuel to meet higher generating output for the 500MW unit (-$45 million). Decreased costs at Flynn (-$10 million) due to outage were offset by higher costs associated with increased generation at the SCPP's (+$15 million).

Regional Greenhouse Gas Initiative

On September 8, NYPA participated in Auction 9 of the Regional Greenhouse Gas Initiative[25] (RGGI) CO_2 Budget Trading Program. The price of RGGI allowances cleared at $1.86/ton for vintage year 2010 in Auction 9, which is the price floor established by the program. That is the lowest RGGI auction price to date, the record high being $3.51/ton cleared during the March 2009 auction. Lower energy demand and lower natural gas prices due to the current economic recession have been identified as major contributors to the decline in RGGI prices. However, recent setbacks to the institution of a federal program that would incorporate an exchange rate for existing allowances have played a role in depressing prices as well.

Eastern Interconnection Planning Collaborative

The Eastern Interconnection Planning Collaborative (EIPC) includes representation from 24 Planning Authorities across the interconnection, including the NYISO and other ISO/RTO's, and transmission owners. The EIPC received $16 million through the American Recovery and Reinvestment Act for interconnection-level transmission expansion studies that integrate

regional transmission modeling and expansion plans into interconnection-level planning, through an open and transparent stakeholder process that must be designed from the ground-up.

The EIPC established a Stakeholder Steering Committee (SSC) with 29 representatives from consumer and environmental groups, state and federal policy makers, transmission and generation owners, public power, and other suppliers in 40 eastern states and Canada. A member of NYPA's Energy Resource Management Staff was elected to the SSC by the public power organizations in the eastern interconnection.

The SSC's charge is to develop future resource and transmission scenarios to be studied by the EIPC's analysis team and consultants. The scenarios consider potential future changes in the economy, fuel prices, technologies, and policies with regard to renewable energy and emissions among other factors, and the impact of those changes on consumption and resource needs. The SSC formed work groups to review the existing regional planning models that will be integrated to form the basis for the EIPC studies. A report on Phase I of the project, developing resource expansion scenarios, is due to the US Department of Energy (DOE) in October 2011, and a report on Phase II, developing transmission build-out options for the eastern interconnection, is due to DOE in October 2012.

Office of the Chief Operating Officer

Sustainability Action Plan

NYPA continues to make progress on implementing the 41 action items laid out in the Sustainability Action Plan. Recent accomplishments include: completing a rate re-design study for governmental customers that encourages demand side management; formalizing NYPA's green power program, which will streamline access to renewable power for NYPA customers; completing the first phase of bid reviews for the Great Lakes Offshore Wind project; completing the initial technical and economic feasibility evaluation for the Transmission Initiative; completing the LEM project at Blenheim-Gilboa; and launching a study of NYPA's Information Technology infrastructure to identify potential energy and cost savings.

GLOSSARY

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[1] **Net generation** – The energy generated in a given time period by a power plant or group of plants, less the amount used at the plants themselves (station service) or for pumping in a pumped storage facility. Preliminary data in the COO report is provided by Accounting and subject to revision.

[2] **Megawatt hour (MWh)** – The amount of electricity needed to light ten thousand l00-watt light bulbs for one hour. A megawatt is equal to 1,000 kilowatts and can power about 800 homes, based on national averages.

[3] **Availability Factor** – The Available Hours of a generating unit over the Period Hours (hours in a reporting period when the unit was in an active state). Available Hours are the sum of Service Hours (hours of generation), Reserve Shutdown Hours (hours a unit was not running but was available) and Pump Hours (hours a pump storage unit was pumping water instead of generating power).

[4] **Generation Market Readiness** – The availability of generating facilities for bidding into the NYISO market. It factors in available hours and forced outage hours which drive the results.

[5] **Significant Unplanned Generation Events** – Forced or emergency outages of individual generator units of duration greater than 72 hours, or with a total repair cost of greater than $75,000, or resulting in greater than $50,000 of lost revenues.

[6] **Pothead** – A type of insulator with a bell or pot-like shape used to connect underground electrical cables to overhead lines. It serves to separate the bunched-up conductors from one another in the cable to the much wider separation in the overhead line. It also seals the cable end from the weather.

[7] **Outage** – An outage exists whenever a unit is not synchronized to the grid system and not in a Reserve Shutdown state. An outage starts when the unit is either desynchronized from the grid or when it moves from one unit state to another (for example, goes from a reserve shutdown to a maintenance outage.) The outage ends when the unit is synchronized to the grid or moves to another unit state. An outage is Planned if it was submitted in advance for a predetermined duration. An outage is Scheduled if it was either submitted in advance (Planned) or can be delayed a few days (Maintenance).

[8] **Maintenance Outage** – An outage that can be deferred beyond the end of the next weekend (Sunday at 2400 hours), but requires that the unit be removed from service, another NERC-defined outage classification, or Reserve Shutdown state before the next Planned Outage (PO). Characteristically, a maintenance outage can occur any time during the year, has a flexible start date, may or may not have a predetermined duration, and is usually much shorter than a PO. Maintenance Outages are considered Unplanned but Scheduled Outages.

[9] **Combustion Turbine Generator Rotor** – A combustion turbine generator includes an electrical generator and a combustion turbine for driving the generator. The generator includes a rotor, which is a shaft with blades attached. The shaft is turned by an expansion of hot gas within the turbine – air enters an inlet, is compressed by an air compressor, and then supplied to a combustor where fuel (i.e. natural gas) is burned to produce hot gas. The hot gas travels through the turbine where the expanding gas acts on the blades to turn the rotor, electrical power being generated as the rotor turns within a stator, which is a stationary electromagnetic coil surrounding the rotor.

[10] **New York Independent System Operator (NYISO)** – A not-for-profit organization that operates New York State's transmission system, administers the state's wholesale electricity markets and engages in planning to ensure the future reliability of the statewide power system.

[11] **Transmission reliability** – A measurement of the impact of forced and scheduled outages on the statewide system's ability to transmit power.

[12] **Forced Outages –** An outage that requires immediate removal of a unit from service. This outage is considered Unplanned and Unscheduled.

[13] **Scheduled Outages –** An outage is Scheduled if it was either submitted in advance (Planned) or can be delayed a few days (Maintenance).

[14] **Significant Unplanned Transmission Events** –Forced or emergency outages of individual transmission lines which directly affect the reliability of the state's transmission network, or affect the availability of any component of the state's transmission network for greater than 8 hours, or that have a repair cost greater than $75,000.

[15] **Disconnect Switch** – A high-voltage switch used to isolate line equipment. It is needed for safety reasons.

[16] **Life Extension and Modernization programs**—Major undertakings in which all the turbines at the St. Lawrence-Franklin D. Roosevelt and Blenheim-Gilboa projects are being replaced and the generators and other components significantly refurbished. The programs are intended to ensure that the projects operate at maximum efficiency far into the future.

[17] **Moses-Adirondack line** – Two 230 kV circuits, MA1 and MA2, that connect the Robert Moses Power Dam at the St. Lawrence-FDR Power Project in Massea, NY, to the Adirondack substation in Lewis County.

[18] **Federal Energy Regulatory Commission (FERC)** – An independent agency that regulates the interstate transmission of electricity, natural gas, and oil. FERC also reviews proposals to build liquefied natural gas (LNG) terminals and interstate natural gas pipelines as well as licensing hydropower projects.

[19] **Electric Power Research Institute (EPRI) –** An independent, nonprofit organization that conducts research and development relating to the generation, delivery and use of electricity for

the benefit of the public. EPRI brings together its scientists and engineers as well as experts from academia and industry to help address challenges in electricity, including reliability, efficiency, health, safety and the environment. EPRI also provides technology, policy and economic analyses to drive long-range research and development planning, and supports research in emerging technologies.

[20] **Dynamic Thermal Capacity Ratings –** The load that produces the maximum safe conductor operating temperature and power handling capability of an overhead transmission line, as measured using instruments that provide real-time data on load, conductor temperature, ambient temperature, and wind speed and direction. Line capacity is limited in part by the temperature at which the line can safely handle load.

[21] **Northeast Power Coordinating Council (NPCC) -** The Northeast Power Coordinating Council, Inc. (NPCC) is the cross-border regional entity and criteria services corporation for Northeastern North America. NPCC's mission is to promote and enhance the reliable and efficient operation of the international, interconnected bulk power system in Northeastern North America pursuant to an agreement with the Electric Reliability Organization (ERO) which designates NPCC as a regional entity and delegates authority from the U.S. Federal Energy Regulatory Commission (FERC), and by Memoranda of Understanding with applicable Canadian Provincial regulatory and/or governmental authorities. The ERO to which NPCC reports is the North American Electric Reliability Corporation (NERC).

[22] **Facilities Ratings Methodology –** NERC standard FAC-008-1, titled "Facilities Ratings Methodology", ensures that Facility Ratings used in the reliable planning and operation of the Bulk Electric System are determined based on an established methodology or methodologies. The Transmission or Generator owner must document its methodology or methodologies for developing facility ratings according to NERC requirements, make these documents available to transmission operators and planners, reliability coordinators, and planning authorities, and respond to any written comments on the documents.

[23] **Critical Infrastructure Protection (CIP) –** The Critical Infrastructure Protection (CIP) program coordinates all of the North American Electricity Reliability Corporation's (NERC) efforts to improve physical and cyber security for the bulk power system of North America, as it relates to reliability. These efforts include standards development, compliance enforcement, assessments of risk and preparedness, disseminating critical information via alerts to industry, and raising awareness of key issues.

[24] **North American Electric Reliability Corporation (NERC)—**The organization that develops and enforces mandatory reliability standards for the bulk power system in the United States, issues long-term and seasonal reliability forecasts and monitors the power system. (NERC standards are also mandatory and enforceable in parts of Canada.)

[25] **Regional Greenhouse Gas Initiative (RGGI)** – A cooperative effort by Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont. These ten states have capped CO_2 emissions from the power sector, and

will require a 10 percent reduction in these emissions by 2018. RGGI is composed of individual CO_2 Budget Trading Programs in each of the ten participating states. Regulated power plants can use a CO_2 allowance issued by any of the ten participating states to demonstrate compliance with the state program governing their facility. Taken together, the ten individual state programs function as a single regional compliance market for carbon emissions, the first mandatory, market-based CO_2 emissions reduction program in the United States.

c. Report of the Chief Financial Officer

Ms. Elizabeth McCarthy provided highlights of the financial reports to the Trustees.

Trustee Nicandri said that he wanted the record to show that Ms. Elizabeth McCarthy had briefed him prior to today's meeting on some of the financial matters on the agenda. Vice Chairman Jonathan Foster requested that an item on the Authority's financial status be added to the Discussion Agenda for next month's Trustees' Meeting. Chairman Townsend concurred with that suggestion and noted that Ms. McCarthy reaches out to each of the Trustees, as needed, to brief them on financial issues. He said that he would like to see an overall capital project matrix on the January or February 2011 Trustees' Meeting agenda. Ms. McCarthy said that staff would be reaching out to the Trustees in November to brief them on next year's budget and the Authority's four-year financial plan.

New York Power Authority

Report of the Chief Financial Officer

For the Seven Months Ended July 31, 2010

New York Power Authority

Report of the Chief Financial Officer
For the Seven Months Ended July 31, 2010
Executive Summary

Results of Operations

Net income for the seven months ended July 31, 2010 was $122.5 million which was $27.3 million lower than budgeted. Results through July included lower net margins on sales ($74.8 million) partially offset by lower O&M ($20.4 million), higher non-operating income ($17.7 million) and timing differences related to the North Country Stimulus and Renewable Energy programs. Net margins were lower at Niagara ($50.6 million) primarily due to lower volumes of market-based sales. Generation at Niagara was 5% lower than the forecast due primarily to lower than anticipated lake levels. In addition, at Niagara, average energy prices for sales into the market were approximately 10% lower than budgeted. St. Lawrence and Blenheim-Gilboa also experienced lower than anticipated market-based sales. O&M expenses were lower due to timing differences related to the 500mw outage (budget assumed April, now scheduled for October), non-recurring projects at St. Lawrence, and recurring maintenance at Blenheim-Gilboa, Flynn and the Transmission facilities. Non-operating income included a positive variance ($17.1 million) resulting from a mark-to-market gain on the Authority's investment portfolio due to a decrease in market interest rates as well as lower costs on variable rate debt.

Year-end Projection

The year-end net income projection is $182 million, which is $16 million higher than last month's projection, but $126 million below the official budget. The month-to-month change of $16 million is principally attributed to a 0.2 Twh improvement in hydro generation expected for the remainder of the year (precipitation over Lakes Erie and Ontario were 20% above average last month) and higher generation levels and revenues in July (as compared to last month's forecast) as a result of higher temperatures and increased hydro flow. The primary drivers of the year-end variance continue to be lower hydro flows, overall lower market prices and the additional $40 million Voluntary Contribution to New York State as approved by the Trustees at their June meeting. Hydro generation at approximately 19.6 TWh is still running nearly 1 TWh below forecast, with a total estimated negative impact of $39 million on 2010 net income. The impact of lower energy prices on net income for 2010 is forecast to be $19 million in total. Lower capacity prices result in an annual net income reduction of approximately $24 million. Other factors affecting net income negatively include the Flynn outage ($7 million) and the continuation of the hydro rate freeze ($7.5 million). In contrast, net income is positively affected by the following: lower debt service expenses ($6 million), a delay in spending related to the renewable energy program ($5 million) and a positive mark-to-market variance on the investment portfolio ($12 million).

Cash & Liquidity

The Authority ended the month of July with total operating funds of $973 million as compared to $907 million at the end of 2009. The increase of $66 million was primarily attributed to positive net cash provided by Operating Activities and the Value Sharing payment of $72 million received from Entergy on January 15th partially offset by a $119.5 million voluntary contribution to New York State and scheduled debt service payments. Looking forward, we are anticipating the operating fund balance to generally track the lower net income results. The year-end operating fund balance is currently projected to be $1.0 billion, an increase of $111 million during the year, but approximately $118 million below budgeted level. This forecast includes the effect of a voluntary contribution of $40 million to New York State on August 12, 2010.

Energy Risk

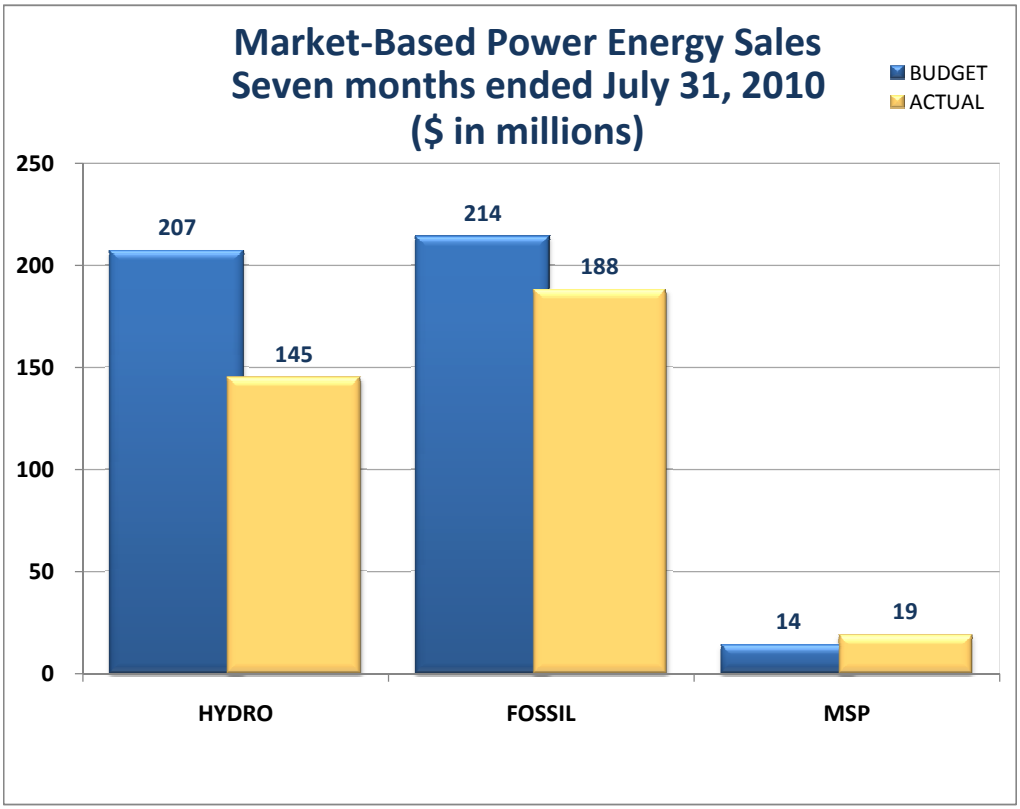
At July 31, 2010, the fair market value of outstanding energy derivatives was an unrealized loss of $259 million for financial contracts extending through 2017. Year to date, financial energy derivative settlements resulted in a realized net loss of $37 million. The amount of these losses is subject to virtually full cost recovery, whereby the resulting hedge settlements are incorporated into and recovered through customer rates.

Net Income
Seven Months ended July 31, 2010
($ in millions)

	Actual	Budget	Variance
Niagara	$72.3	$116.6	($44.3)
St. Lawrence	26.8	28.5	(1.7)
Blenheim-Gilboa	1.2	10.4	(9.2)
SENY	26.6	30.6	(4.0)
SCPP	17.5	14.0	3.5
Market Supply Power	(24.6)	(29.5)	4.9
Flynn	10.0	9.3	0.7
Transmission	20.3	15.4	4.9
Non-facility*	(27.6)	(45.5)	17.9
Total	**$122.5**	**$149.8**	**($27.3)**

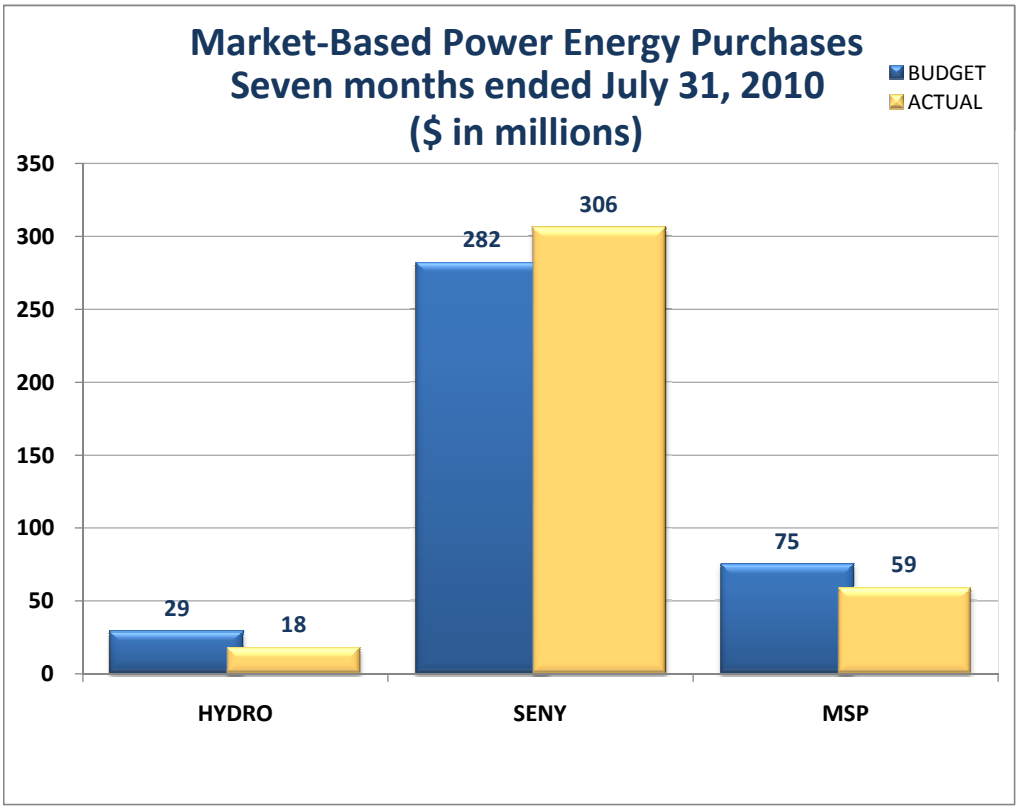
** Includes a contribution of $107 to NY State (Actual & Budget).*

Major Factors	**Better (Worse)**
Niagara Lower net margins on sales ($50.6) primarily due to lower volumes available resulting from lower generation (5%). In addition, average energy prices for sales into the market were approximately 10% lower than budgeted ($42/mwh actual vs. $47/mwh budgeted).	($44.3)
St. Lawrence Lower net margins ($9.6) resulting from lower prices on sales into the market substantially offset by lower expenses due to timing differences in non-recurring projects and the North Country Stimulus program.	(1.7)
Blenheim-Gilboa Lower net revenues as a result of lower volumes due to the limited price differential between peak and off-peak energy prices.	(9.2)
Transmission Higher revenues (higher congestion rents due to transmission outages) and lower O&M due to timing differences in recurring maintenance.	4.9
Other facilities Primarily lower Power for Jobs rebates ($5.1) due to lower market prices.	5.1
Non-facility (including investment income) Primarily positive variance related to a mark-to-market gain ($17.1) on Authority's investment portfolio due to a decrease in market interest rates.	17.9
Total	**($27.3)**



REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	3,577,533	2,855,919
Fossil	2,259,014	2,325,575
MSP	324,884	449,320
TOTAL	6,161,431	5,630,814
PRICES ($/MWH)		
Hydro*	$57.88	$50.93
Fossil	$94.60	$80.86
MSP	$42.87	$39.78
AVERAGE	$70.55	$62.50

** Includes Niagara, St. Lawrence, B-G, and Small Hydro.*

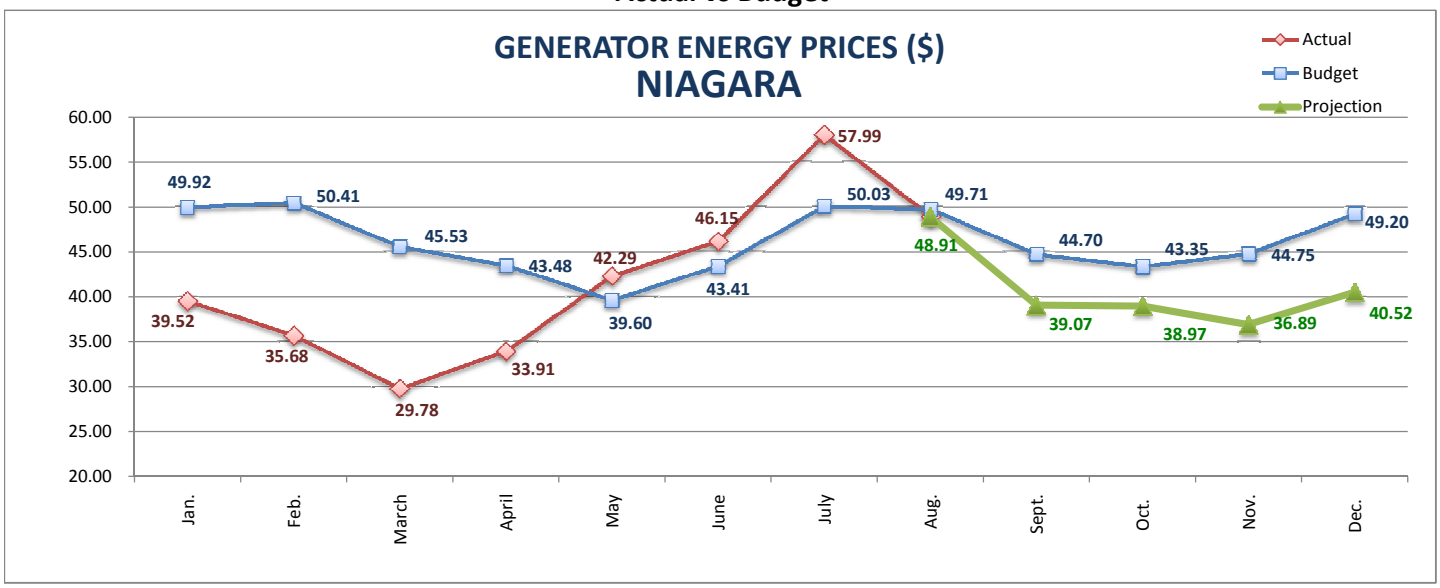


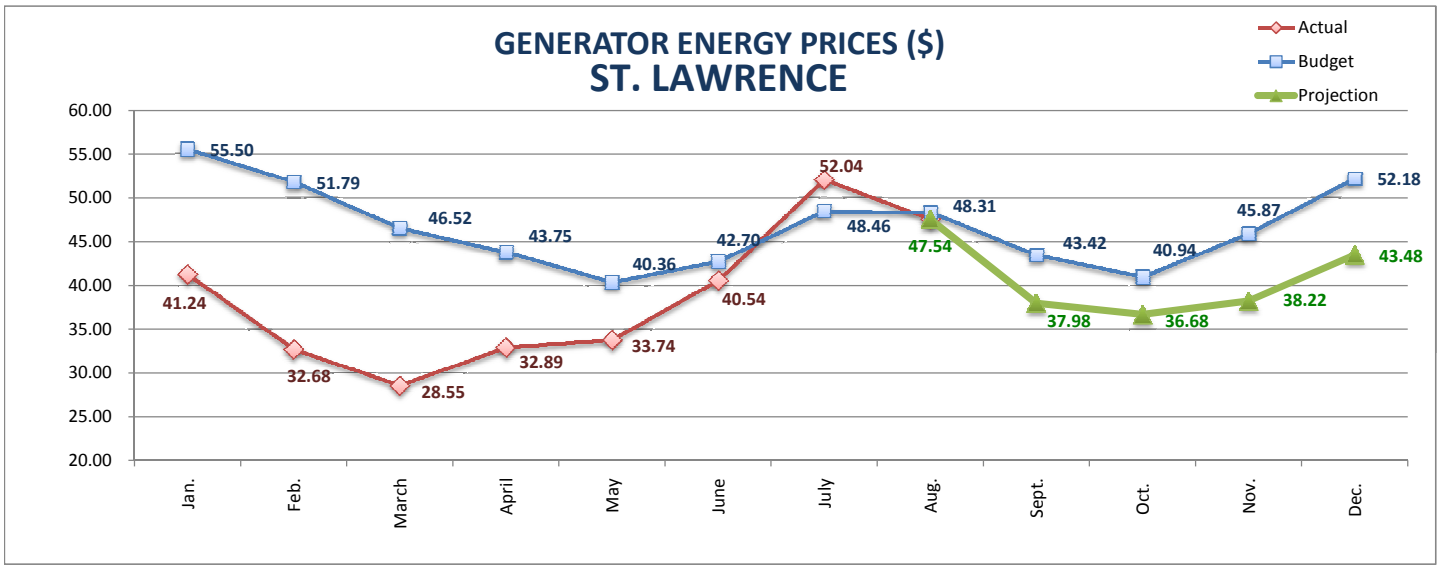
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,651,963	1,283,357
St. Law.	1,377,578	1,302,078
PRICES ($/MWH)		
Niagara	$46.57	$41.74
St. Law.	$44.03	$38.51

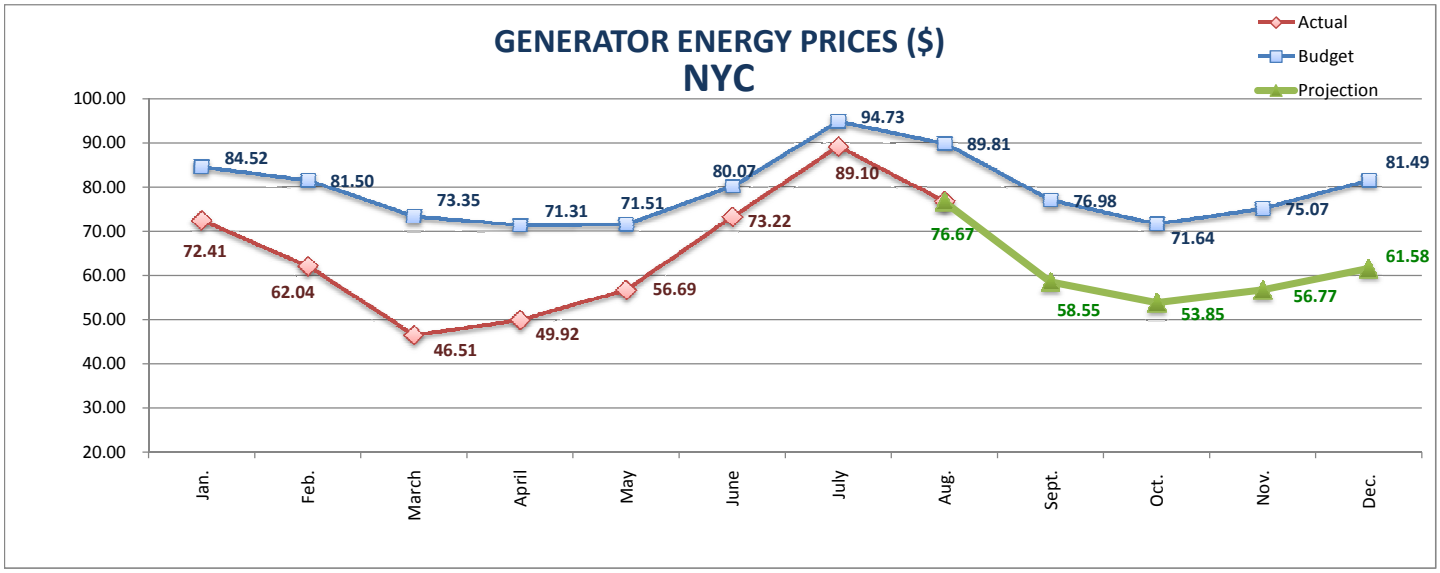
COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	982,060	701,188
SENY	5,313,540	5,743,264
MSP	1,668,743	1,413,140
TOTAL	7,964,343	7,857,592
COSTS ($/MWH)		
Hydro	$29.98	$26.32
SENY	$52.99	$53.17
MSP	$45.15	$41.57
AVERAGE	$48.52	$48.69

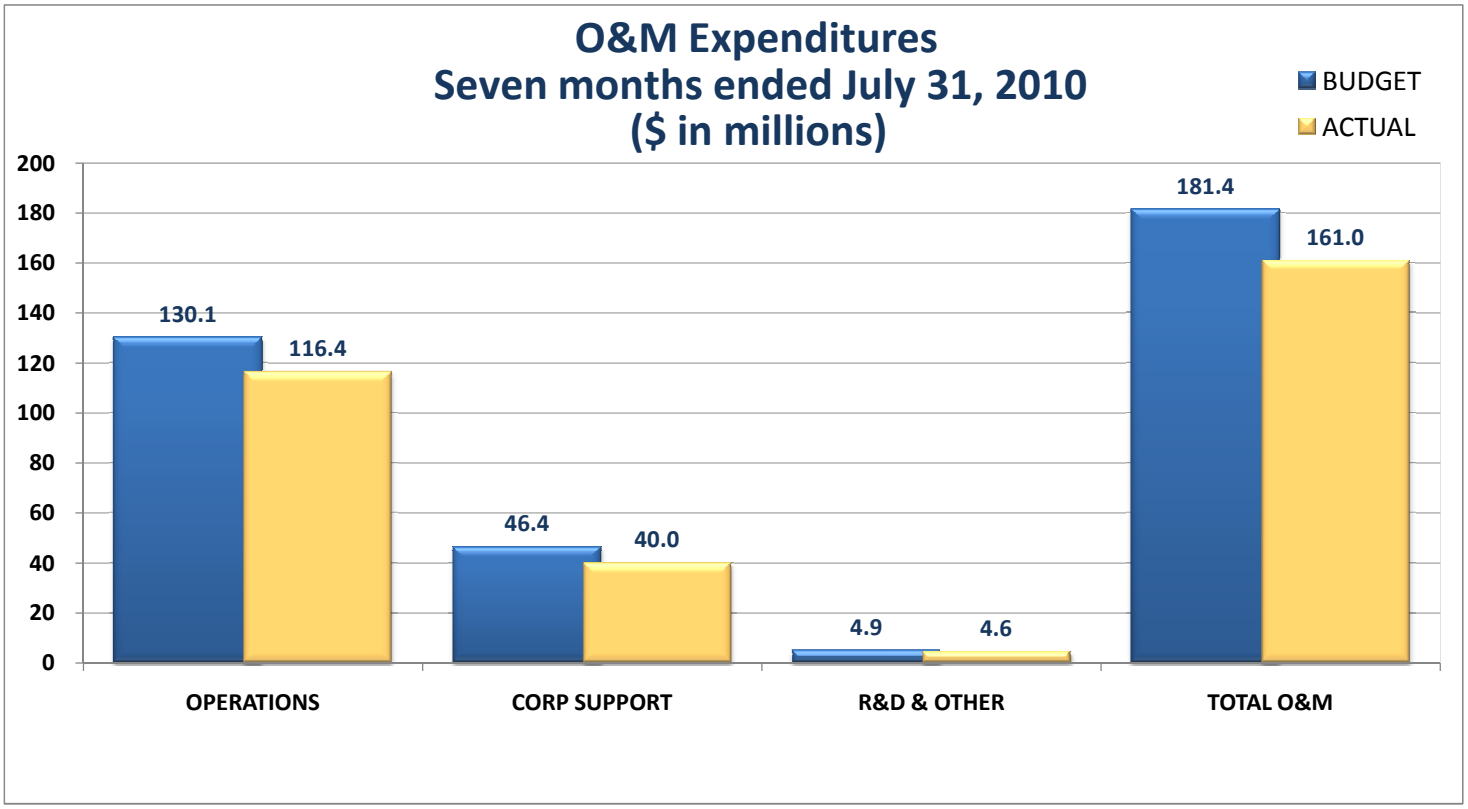
New York Power Authority

RESULTS OF OPERATIONS
Energy Prices
Actual vs Budget





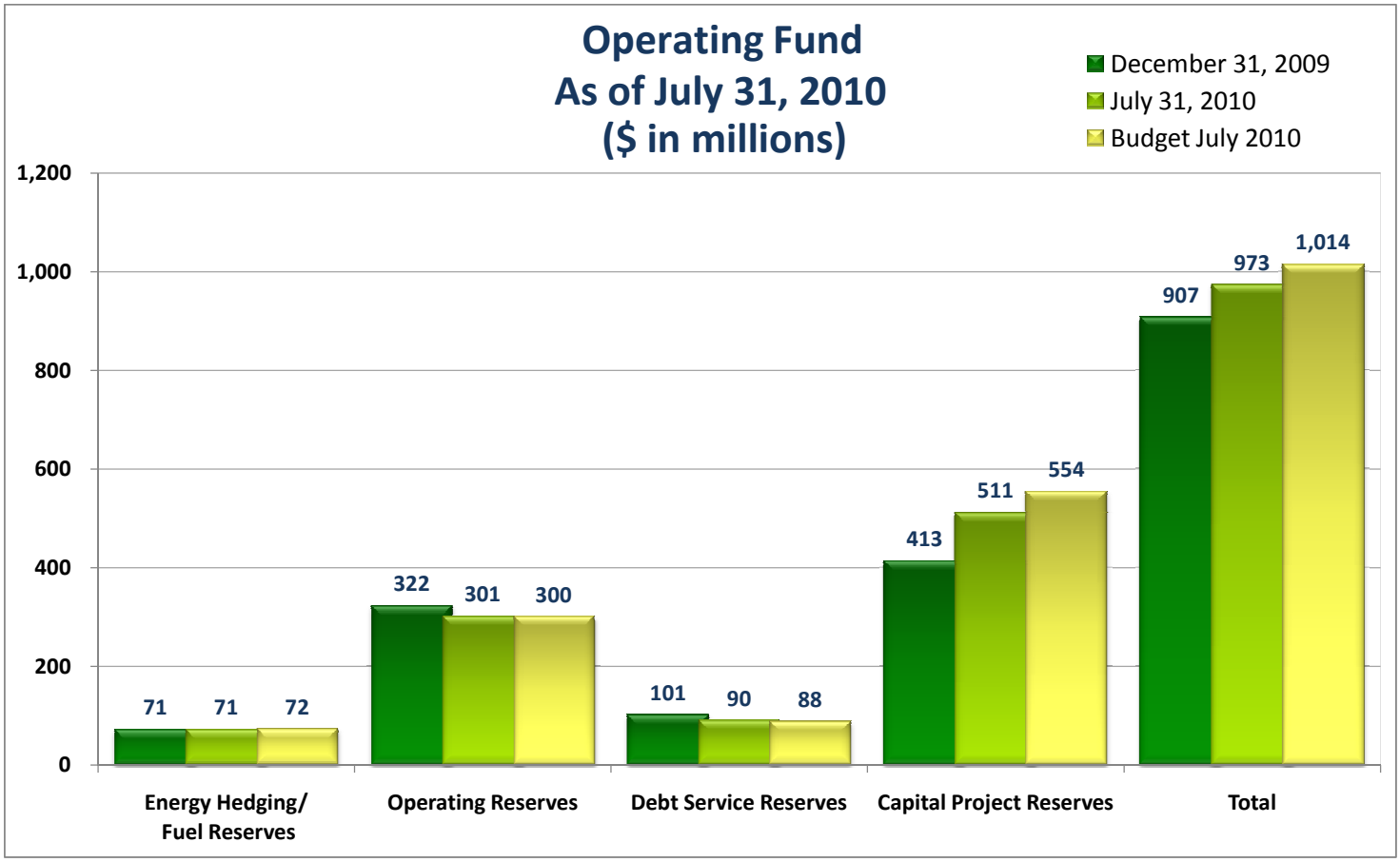




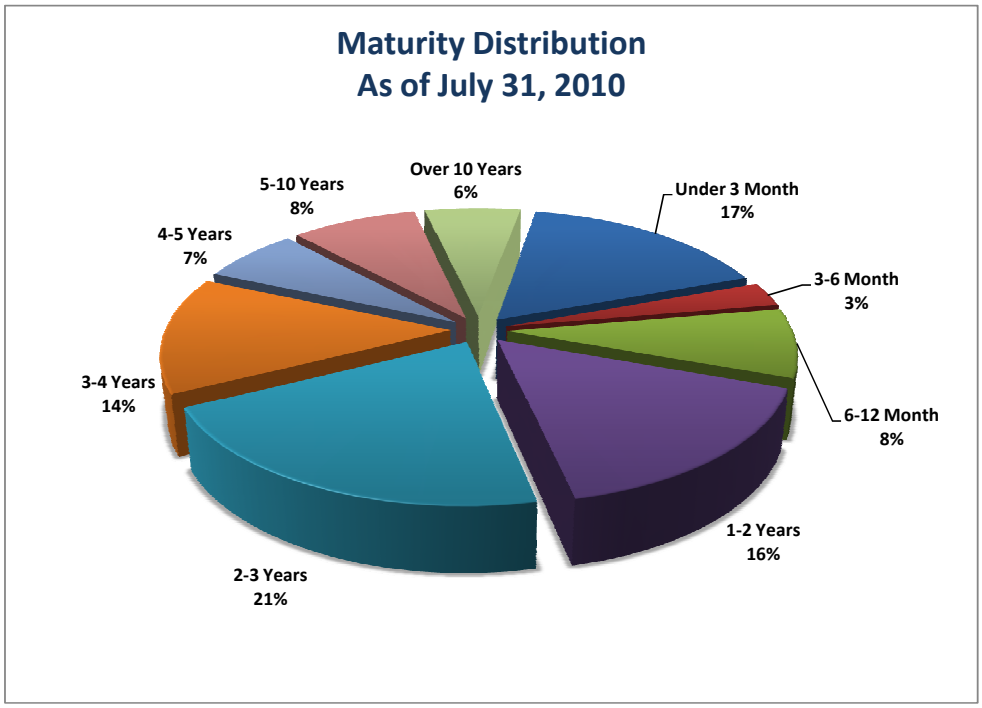
- Through July, O&M expenses were $20.4 lower than the budget.

- Operations expenditures were $13.7 lower than budgeted due primarily to the timing of contractor services for the 500 MW unit, lower than expected expenditures for non-recurring work at St. Lawrence and recurring maintenance at Blenheim-Gilboa, Flynn and the Transmission facilities.

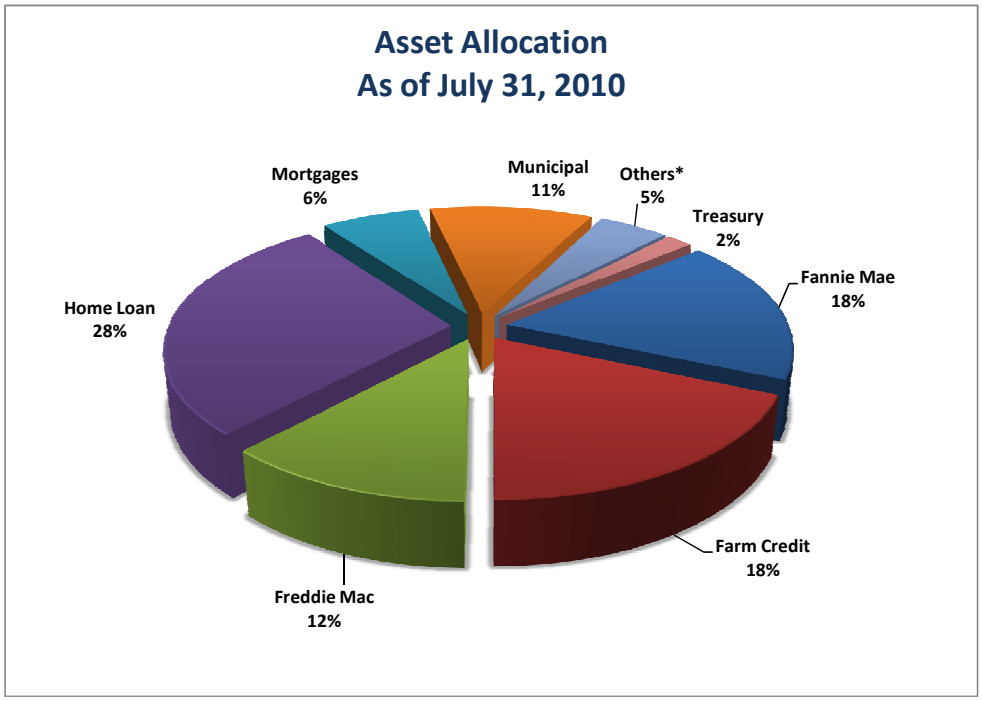
- Corporate Support expenses were under budget by $6.4 due mostly to under spending for fuel cell maintenance, legal consultants, telecommunication equipment and computer software, and payroll due to unfilled vacancies, as well as higher than anticipated rental income.



The year-to-date increase of $66 in the Operating Fund (from $907 to $973) was primarily attributable to positive net cash provided by operating activities and the Value Sharing payment of $72 received from Entergy in January substantially offset by a $119.5 voluntary contribution to New York State and scheduled debt service payments. The fund balance does not reflect a $40 voluntary contribution made to New York State on August 12, 2010. The variance from budget is a result of lower net income for the period.

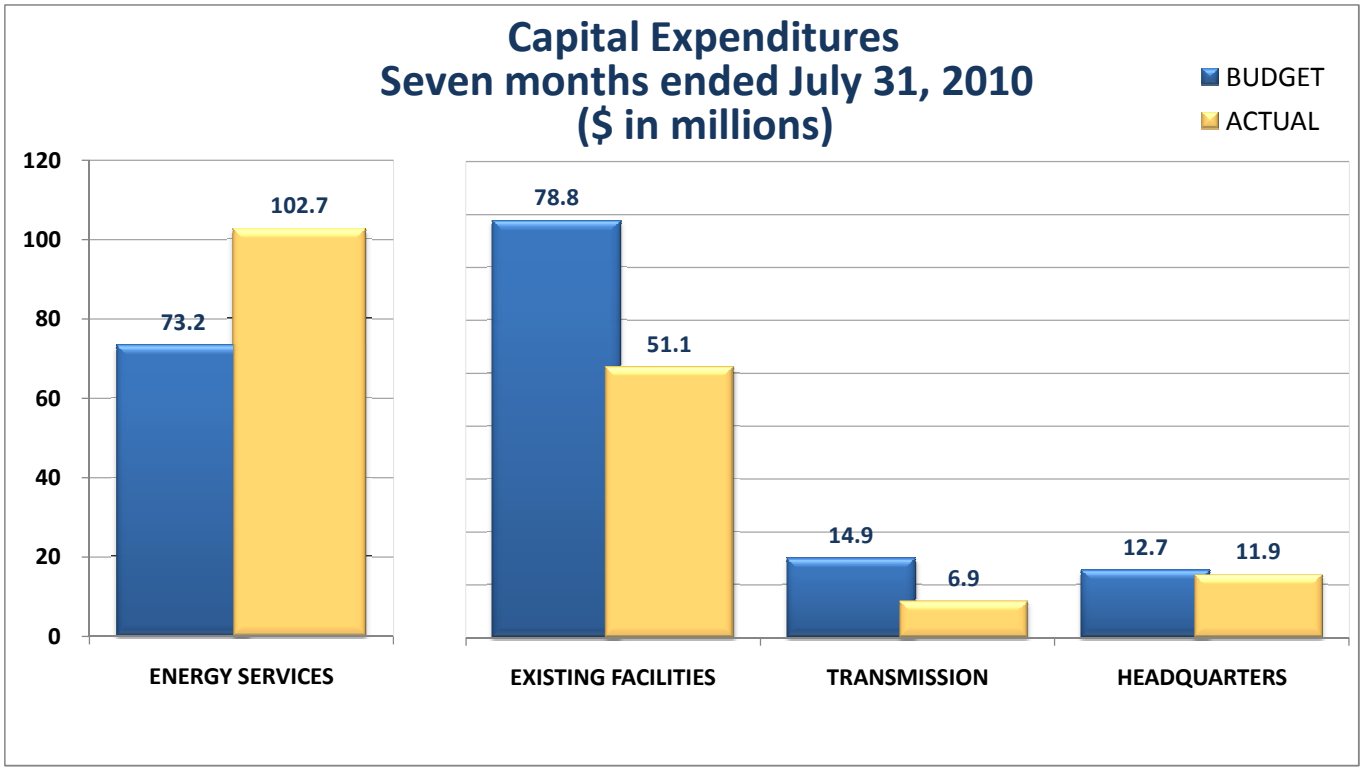


MATURITY DISTRIBUTION	
($ in millions)	
Under 3 Months	$188.3
3-6 Months	32.8
6-12 Months	93.5
1-2 Years	182.7
2-3 Years	237.6
3-4 Years	158.4
4-5 Years	74.4
5-10 Years	94.5
Over 10 Yrs	72.1
Total	$1,134.2



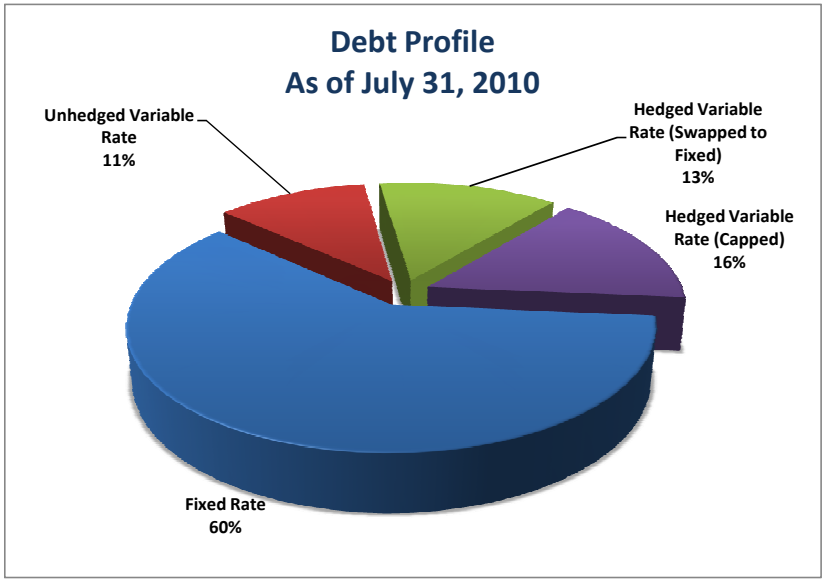
ASSET ALLOCATION	
($ in millions)	
Fannie Mae	$200.0
Farm Credit	211.0
Freddie Mac	133.8
Home Loan	318.4
Mortgages	74.4
Municipal	123.4
Others*	53.3
Treasury	20.0
Total	$1,134.2

*Includes CDs and Repos



- Energy Services expenditures exceeded the budget by $29.5 due to accelerated construction activity related to NYCHA's Hot Water Storage Tank Replacement and CUNY Central Heating and Cooling Project.
- Lower capital expenditures at Existing Facilities were primarily due to timing differences related to the B-G and St. Lawrence life extension and modernization projects.
- Transmission was under budget due to timing differences related to the Niagara 115 kv Oil Circuit Breaker upgrade project.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of $20.3 for the year to date. The following expenditure was authorized in July:

Flynn - Emergency CT Generator Rewind $2.5



DEBT PROFILE	
($ in millions)	
Fixed Rate	$1,173.4
Unhedged Variable Rate	$216.0
Hedged Variable Rate (Swapped to Fixed)	$257.1
Hedged Variable Rate (Capped)	$300.0
Total	$1,946.5

New York Power Authority

ENERGY DERIVATIVES

Results

Year-to-date financial energy derivative settlements resulted in a net loss of $36.52 million that was incurred by entering into hedge positions as requested by or transacted on behalf of the Authority's Customers. The amount of losses would be subject to virtually full cost recovery, whereby the resulting hedge settlements would be incorporated into and recovered through Customer rates.

Year-to-Date 2010 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions

($ in Millions)

	Settlements[1]	Fair Market Value				
	YTD	**2010**	**2011**	**>2011**	**Total**
NYPA	$ (0.05)	$ -	$ -	$ -	$ -
Customer Contracts	$ (36.47)	$ (30.33)	$ (77.25)	$ (151.29)	$ (258.87)
Total	**$ (36.52)**	**$ (30.33)**	**$ (77.25)**	**$ (151.29)**	**$ (258.87)**

[1] *Based on Updated Final Settlements for June & Preliminary Settlement Figures through July 2010.*

At the end of July, the fair market value of outstanding positions was valued at an unrealized loss of $258.87 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of futures contracts for the balance of 2010 (August to December 2010) and how they have traded since 2009, while Exhibit 2 illustrates the average price of futures contracts for 2011.

Exhibit 1: Average August to December 2010 Forward Price as Traded

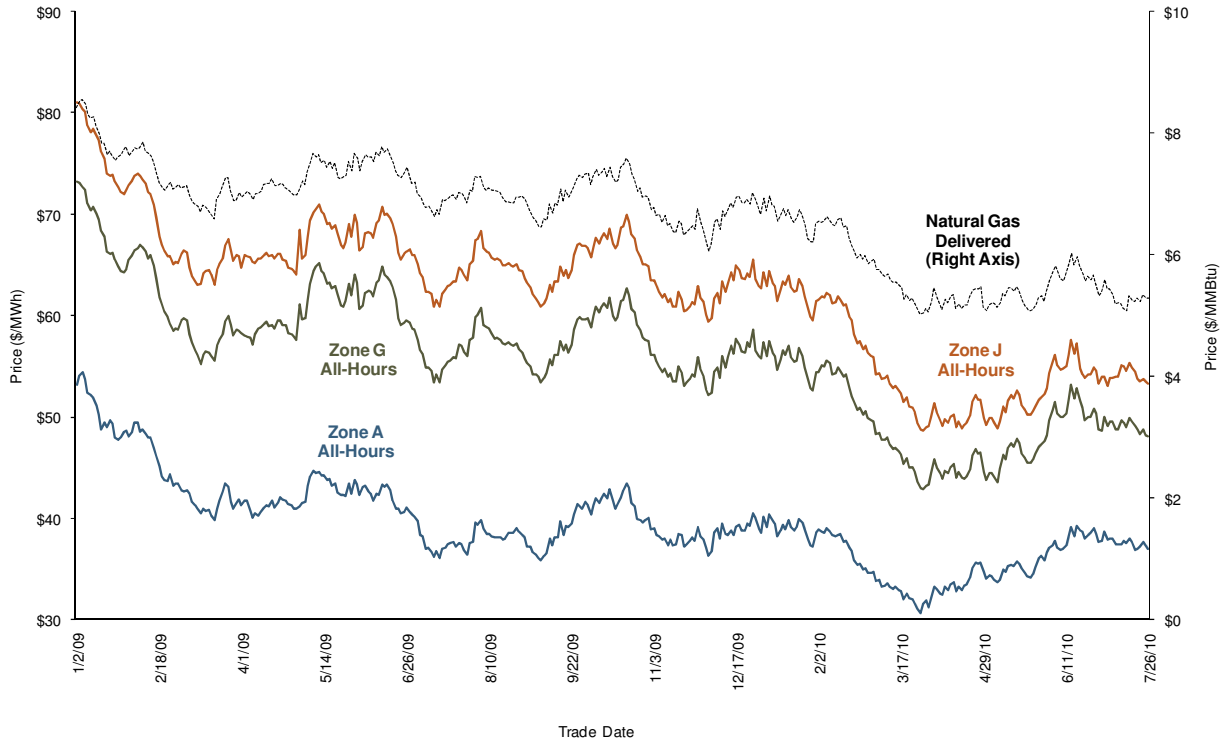
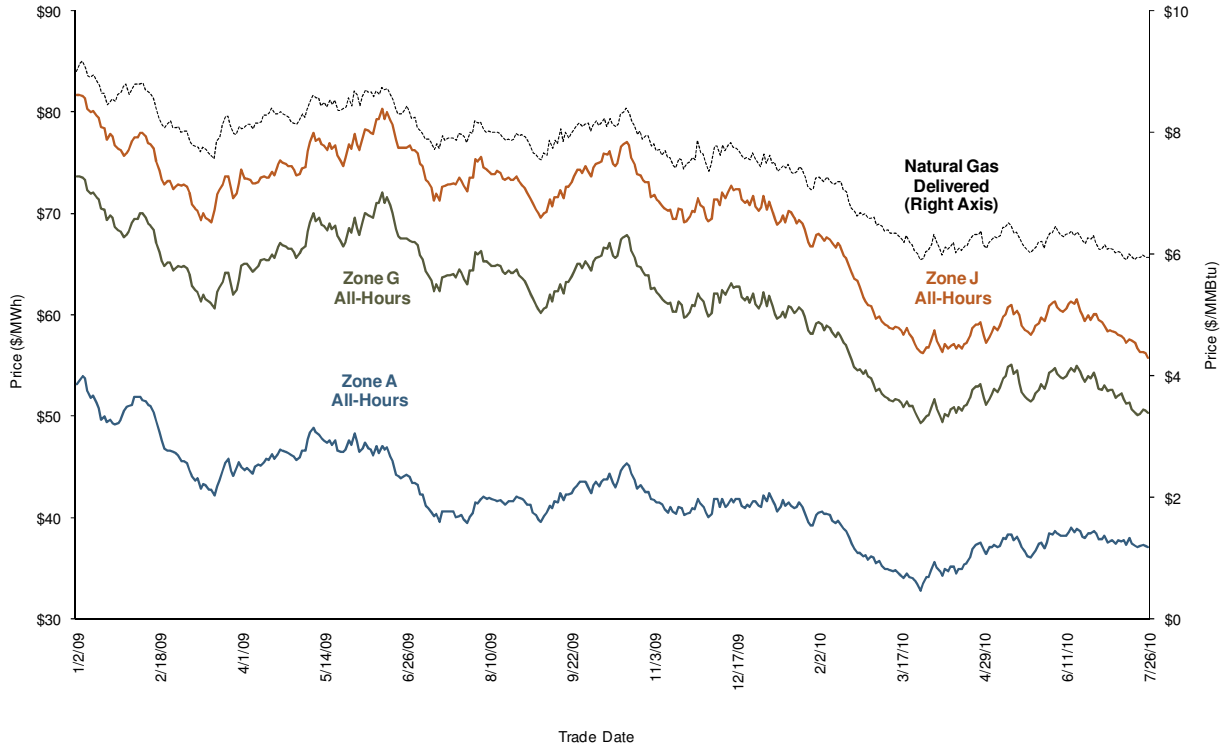


Exhibit 2: Average January to December 2011 Forward Price as Traded



STATEMENT OF NET INCOME
For the Seven Months Ended July 31, 2010
($ in Millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,052.0	Customer	**$1,139.3**	**$1,190.5**	**($51.2)**
601.8	Market-based power sales	271.5	351.4	(79.9)
54.4	Ancillary services	19.7	31.7	(12.0)
102.9	NTAC and other	68.0	60.3	7.7
759.1	Total	**359.2**	**443.4**	**(84.2)**
2,811.1	**Total Operating Revenues**	**1,498.5**	**1,633.9**	**(135.4)**
	Operating Expenses			
864.8	Purchased power	511.4	501.1	(10.3)
340.8	Fuel consumed - oil & gas	135.1	200.7	65.6
91.0	Ancillary services	41.3	52.8	11.5
519.9	Wheeling	297.5	291.2	(6.3)
312.3	Operations and maintenance	161.0	181.4	20.4
160.3	Depreciation and amortization	96.5	93.5	(3.0)
141.7	Other expenses	71.4	84.4	13.0
(10.8)	Allocation to capital	(5.2)	(5.8)	(.6)
2,420.0	**Total Operating Expenses**	**1,309.0**	**1,399.3**	**90.3**
391.10	**Net Operating Income**	**189.5**	**234.6**	**(45.1)**
	Nonoperating Revenues			
88.9	Post nuclear sale income	60.4	60.4	-
53.1	Investment income	23.9	30.8	(6.9)
(5.8)	Mark to market - investments	13.7	(3.4)	17.1
136.2	**Total Nonoperating Revenues**	**98.0**	**87.8**	**10.2**
	Nonoperating Expenses			
107.0	Contributions to New York State	107.0	107.0	-
112.3	Interest and other expenses	58.0	65.6	7.6
219.3	**Total Nonoperating Expenses**	**165.0**	**172.6**	**7.6**
(83.1)	**Net Nonoperating Income (Loss)**	**(67.0)**	**(84.8)**	**17.8**
$308.0	**Net Income**	**$122.5**	**$149.8**	**($27.3)**

COMPARATIVE BALANCE SHEETS
July 31, 2010

Assets		July 2010	July 2009	December 2009
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	1,002.0	860.5	913.4
	Interest receivable on investments	6.1	6.3	5.8
	Accounts receivable - customers	229.8	145.9	191.7
	Materials and supplies, at average cost:			
	Plant and general	77.3	82.0	82.3
	Fuel	17.6	29.4	21.7
	Prepayments and other	167.9	234.0	124.4
	Total Current Assets	**1,500.8**	**1,358.2**	**$1,339.4**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	980.5	849.2	942.4
	Other	90.9	99.3	94.1
	Total Restricted Funds	**1,071.4**	**948.5**	**1,036.5**
Capital Funds	Investment in securities and cash	158.2	199.7	189.2
	Total Capital Funds	**158.2**	**199.7**	**189.2**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,293.7	3,347.3	3,347.8
	Construction work in progress	170.1	139.5	144.8
	Net Utility Plant	**3,463.8**	**3,486.8**	**3,492.6**
Other Noncurrent Assets	Receivable - NY State	318.0	215.0	318.0
	Deferred charges, long-term receivables and other	643.3	443.5	545.6
	Notes receivable - nuclear plant sale	158.5	171.1	170.1
	Total other noncurrent assets	**1,119.8**	**829.6**	**1,033.7**
	Total Noncurrent Assets	**5,813.2**	**5,464.6**	**5,752.0**
	Total Assets	**$7,314.0**	**$6,822.8**	**$7,091.4**
Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	$859.3	$810.5	$809.5
	Short-term debt	300.2	260.9	289.2
	Total Current Liabilities	**1,159.5**	**1,071.4**	**1,098.7**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,191.2	1,231.3	1,192.7
	Adjustable rate tender notes	130.5	137.5	137.5
	Commercial paper	342.4	421.8	413.3
	Total Long-term Debt	**1,664.1**	**1,790.6**	**1,743.5**
Other Noncurrent Liabilities	Nuclear plant decommissioning	980.5	849.2	942.4
	Disposal of spent nuclear fuel	215.9	215.7	215.8
	Deferred revenues and other	351.1	199.6	270.5
	Total Other Noncurrent Liabilities	**1,547.5**	**1,264.5**	**1,428.7**
	Total Noncurrent Liabilities	**3,211.6**	**3,055.1**	**3,172.2**
	Total Liabilities	**4,371.1**	**4,126.5**	**4,270.9**
Net Assets	Accumulated Net Revenues - January 1	2,820.4	2,566.8	2,566.9
	Net Income	122.5	129.5	253.6
	Total Net Assets	**2,942.9**	**2,696.3**	**2,820.5**
	Total Liabilities and Net Assets	**$7,314.0**	**$6,822.8**	**$7,091.4**

SUMMARY OF OPERATING FUND CASH FLOWS
For the Seven Months Ended July 31, 2010
($ in millions)

Operating Fund	
Opening	$906.8
Closing	973.1
Increase/(Decrease)	**66.3**
Cash Generated	
Net Operating Income	189.5
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	96.6
Net Change in Receivables, Payables & Inventory	(52.5)
Other	(3.4)
Net Cash Generated from Operations	**230.2**
(Uses)/Sources	
Utility Plant Additions	(49.2)
Debt Service	
Commercial Paper 2	(67.6)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(3.3)
ART Notes	(7.3)
Investment Income	15.6
Entergy Value Sharing Agreement	72.0
Voluntary Contribution to NY State	(119.5)
Other	(4.6)
Total (Uses)/Sources	**(163.9)**
Net Increase in Operating Fund	**66.3**

New York Power Authority

Report of the Chief Financial Officer

For the Eight Months Ended August 31, 2010

New York Power Authority

Report of the Chief Financial Officer
For the Eight Months Ended August 31, 2010
Executive Summary

Results of Operations

Net income for the eight months ended August 31, 2010 was $114.1 million, which was $72.4 million lower than the budget and $49.7 million below the comparable period last year. Net margins on sales were $84.2 million lower than budget primarily due to lower generation at Niagara and lower prices on the sales of hydro energy into the market. Through August, net margins at the hydro-facilities were $75.3 million lower than budgeted including negative variances at Niagara ($54 million), St. Lawrence ($9.9 million) and Blenheim-Gilboa ($11.4 million). Generation at Niagara was 5% lower than the forecast due primarily to lower than anticipated lake levels. Average prices for sales from the hydro-facilities into the market through August were approximately 10% lower than budgeted. An additional negative variance resulted from Authority's transfer of $40 million to New York State for its 2010/11 fiscal year during the month of August, which was not included in the budget. These negatives were partially offset by positive variances in O&M ($22.9 million), other expenses ($13.6 million) and investment income ($11.2 million). O&M expenses were lower than budget primarily due to timing differences related to the 500 MW plant outage (budget assumed April, now scheduled for October) and in maintenance work at St. Lawrence and the Transmission facilities. The under-run in other expenses was due to timing differences related to the North Country Stimulus and Renewable Energy programs. Investment income was higher due to a mark-to-market gain on the Authority's investment portfolio due to a decrease in market interest rates.

Year-end Projection

Year-end net income is projected to be $176 million, which is $6 million lower than July's projection, and $132 million below the official budget. The month-to-month change of $6 million is principally attributed to a 0.1 Twh decrease in hydro generation expected for the remainder of the year and newly legislated contributions to the Western New York Economic Development Fund ($2.6 million).The primary drivers of the year-end variance to the official budget continue to be lower hydro flows, overall lower market prices, and the additional $40 million Voluntary Contribution to New York State. Hydro generation, at approximately 19.5 TWh, is still running nearly 1 TWh below forecast, with a total estimated negative impact of $41 million on 2010 net income. The impact of lower energy prices on net income for 2010 is forecast to be $17 million in total. Lower capacity prices result in an annual net income reduction of approximately $25 million. Other factors affecting net income negatively include the Flynn outage ($7 million) and the continuation of the hydro rate freeze ($7.5 million). In contrast, net income is positively affected by lower debt service expenses ($13 million), a positive mark-to-market variance on the investment portfolio ($13.5 million), and an estimated

one year deferral in previously forecasted spending related to the renewable energy program ($5 million).

Cash & Liquidity

The Authority ended the month of August with total operating funds of $978 million as compared to $907 million at the end of 2009. The increase of $71 million was primarily attributed to positive net cash provided by Operating Activities and the Value Sharing payment of $72 million received from Entergy on January 15th partially offset by a two voluntary contributions to New York State totaling $159.5 million and scheduled debt service payments. Looking forward, we are anticipating the operating fund balance to generally track the lower net income results. The year-end operating fund balance is currently projected to be $1.0 billion, an increase of $98 million during the year, but approximately $131 million below budgeted level.

Energy Risk

At August 31, 2010, the fair market value of outstanding energy derivatives was an unrealized loss of $306 million for financial contracts extending through 2017. Year to date, financial energy derivative settlements resulted in a realized net loss of $38 million. The amount of these losses is subject to virtually full cost recovery, whereby the resulting hedge settlements are incorporated into and recovered through customer rates.

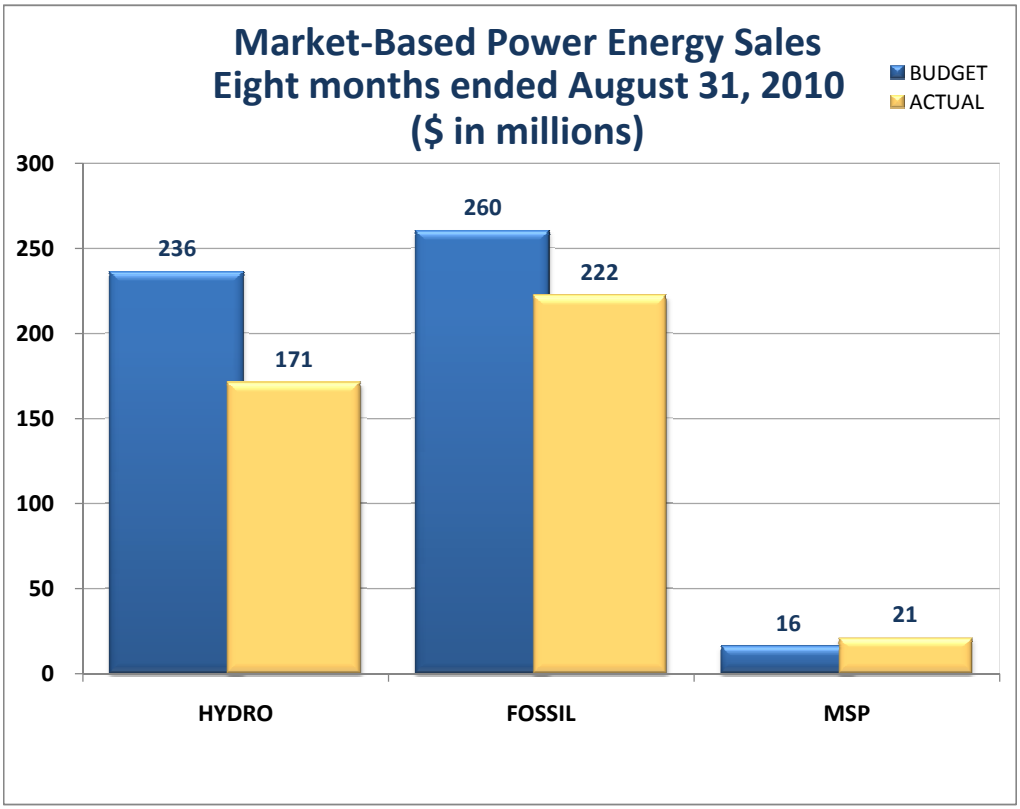
New York Power Authority

RESULTS OF OPERATIONS

Net Income
Eight Months ended August 31, 2010
($ in millions)

	Actual	Budget	Variance
Niagara	$80.7	$127.0	($46.3)
St. Lawrence	34.3	35.2	(0.9)
Blenheim-Gilboa	1.5	13.1	(11.6)
SENY	30.1	34.5	(4.4)
SCPP	23.4	21.7	1.7
Market Supply Power	(30.3)	(36.3)	6.0
Flynn	9.6	11.3	(1.7)
Transmission	22.0	17.4	4.6
Non-facility*	(56.6)	(36.8)	(19.8)
Total	**$114.7**	**$187.1**	**($72.4)**

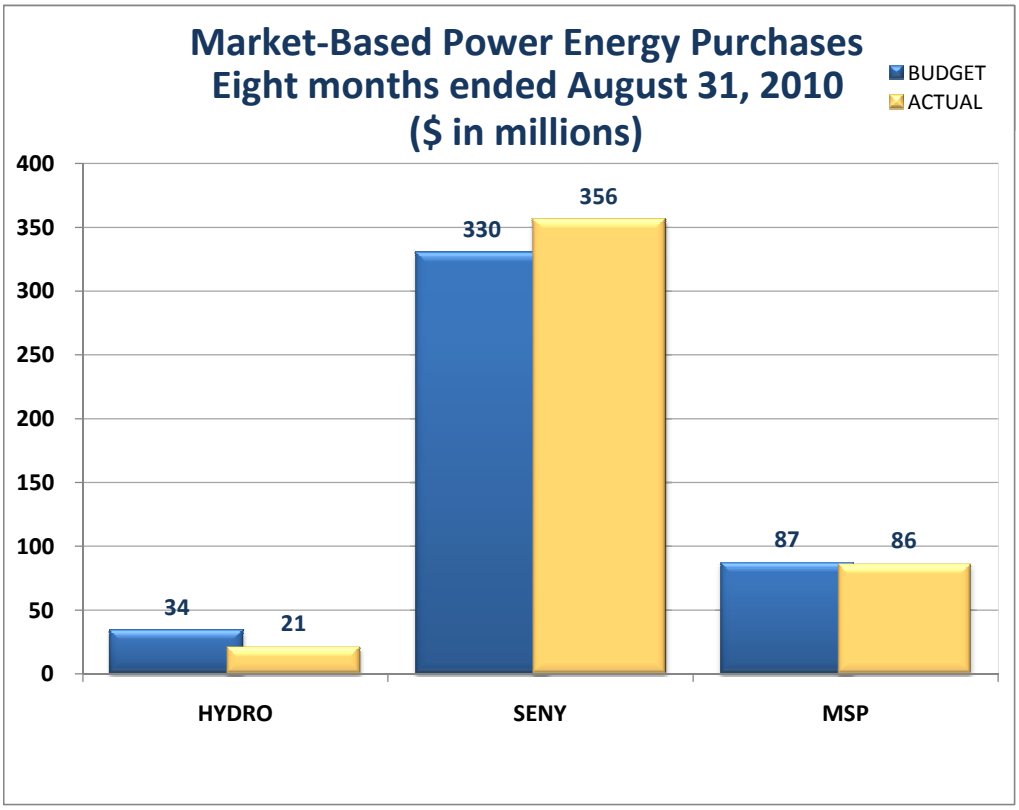
Major Factors	**Better (Worse)**
Niagara Lower net margins on sales ($54) primarily due to lower volumes available resulting from lower generation (5%). In addition, average energy prices for sales into the market were approximately 9% lower than budgeted ($43/mwh actual vs. $47/mwh budgeted).	($46.3)
St. Lawrence Lower net margins ($9.9) resulting from lower prices on sales into the market substantially offset by lower expenses due to timing differences in non-recurring projects and the North Country Stimulus program.	(0.9)
Blenheim-Gilboa Lower net margin due to lower energy sales (limited price differential between peak and off-peak energy prices) and lower capacity prices.	(11.6)
Transmission Primarily lower O&M due to timing differences in recurring maintenance and higher congestion rents due to transmission outages earlier in the year.	4.6
Other facilities Includes positive variance in MSP due to lower Power for Jobs rebates (lower market prices partially offset by lower margins at SENY and Flynn).	1.6
Non-facility (including investment income) Additional $40 voluntary contribution to NY State in August partially offset by a positive variance related to a mark-to-market gain ($19.1) on Authority's investment portfolio due to a decrease in market interest rates.	(19.8)
Total	**($72.4)**



REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	4,036,003	3,275,735
Fossil	2,703,618	2,714,084
MSP	368,653	510,072
TOTAL	7,108,274	6,499,891
PRICES ($/MWH)		
Hydro*	$58.47	$52.34
Fossil	$96.12	$81.66
MSP	$43.23	$41.60
AVERAGE	$72.00	$63.74

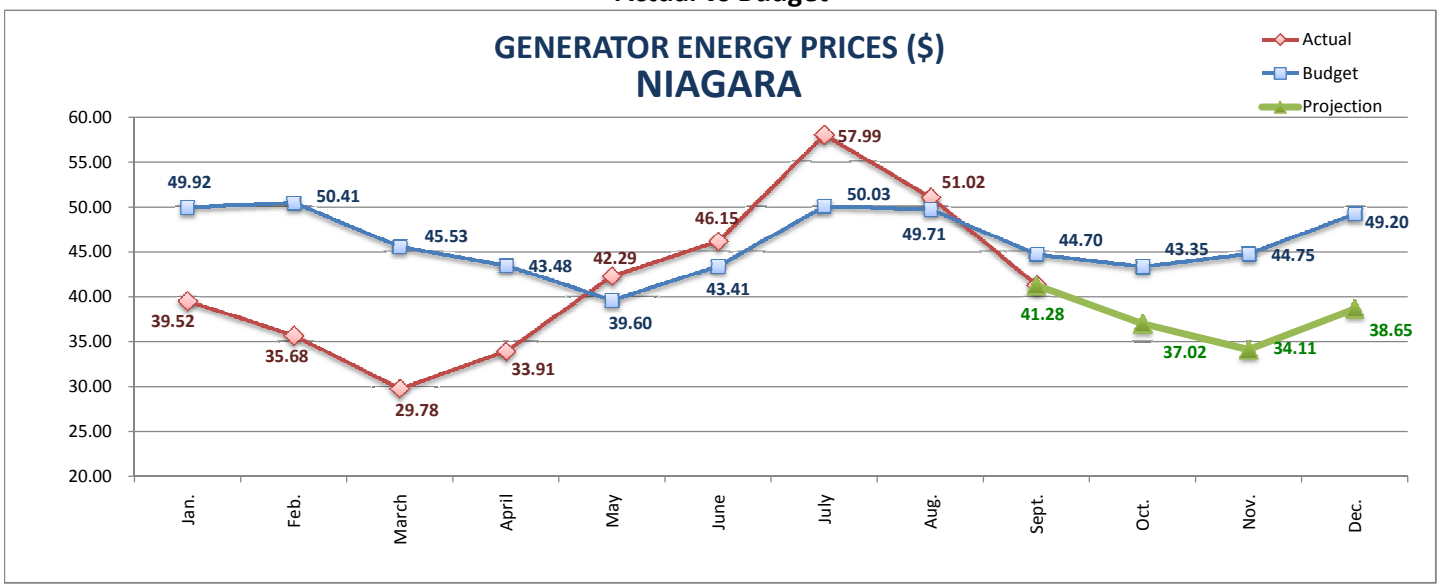
** Includes Niagara, St. Lawrence, B-G, and Small Hydro.*

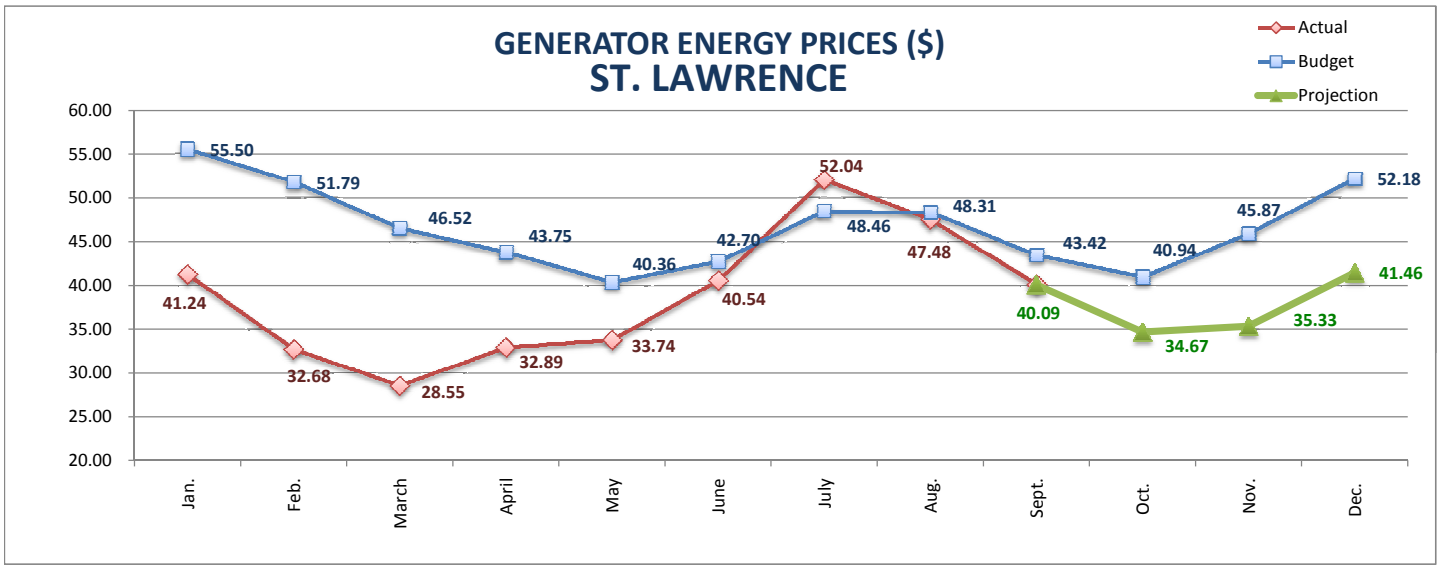
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,762,527	1,394,520
St. Law.	1,644,906	1,553,308
PRICES ($/MWH)		
Niagara	$46.96	$42.51
St. Law.	$43.69	$39.97

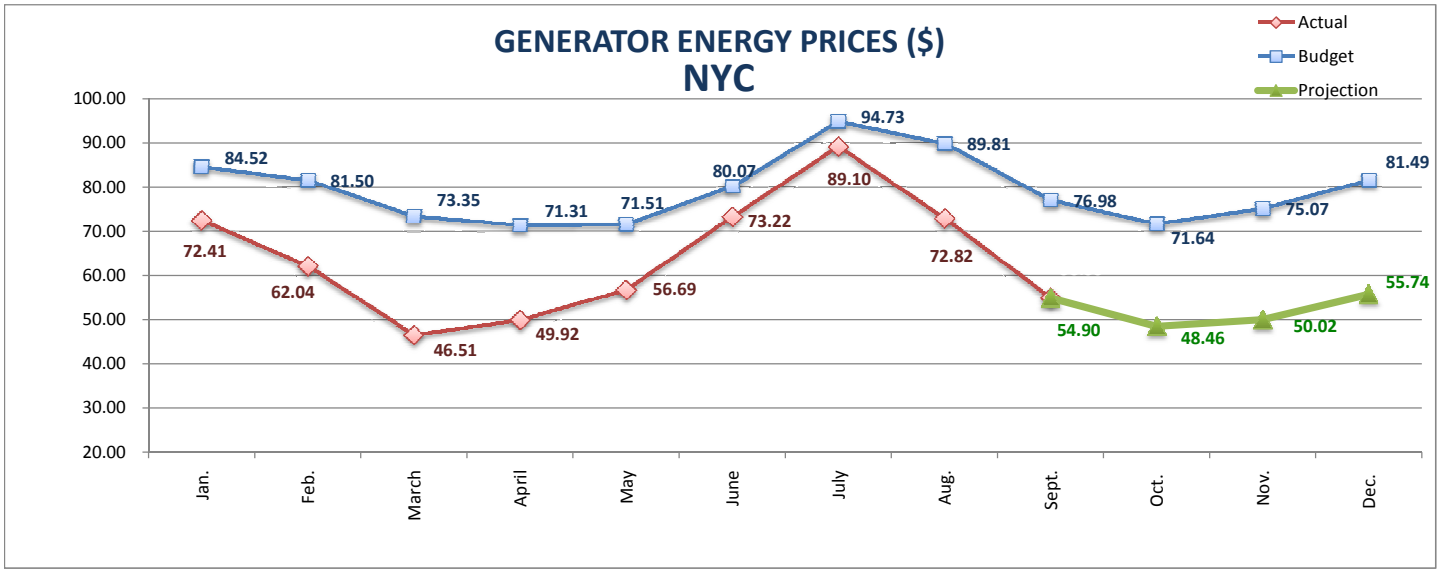


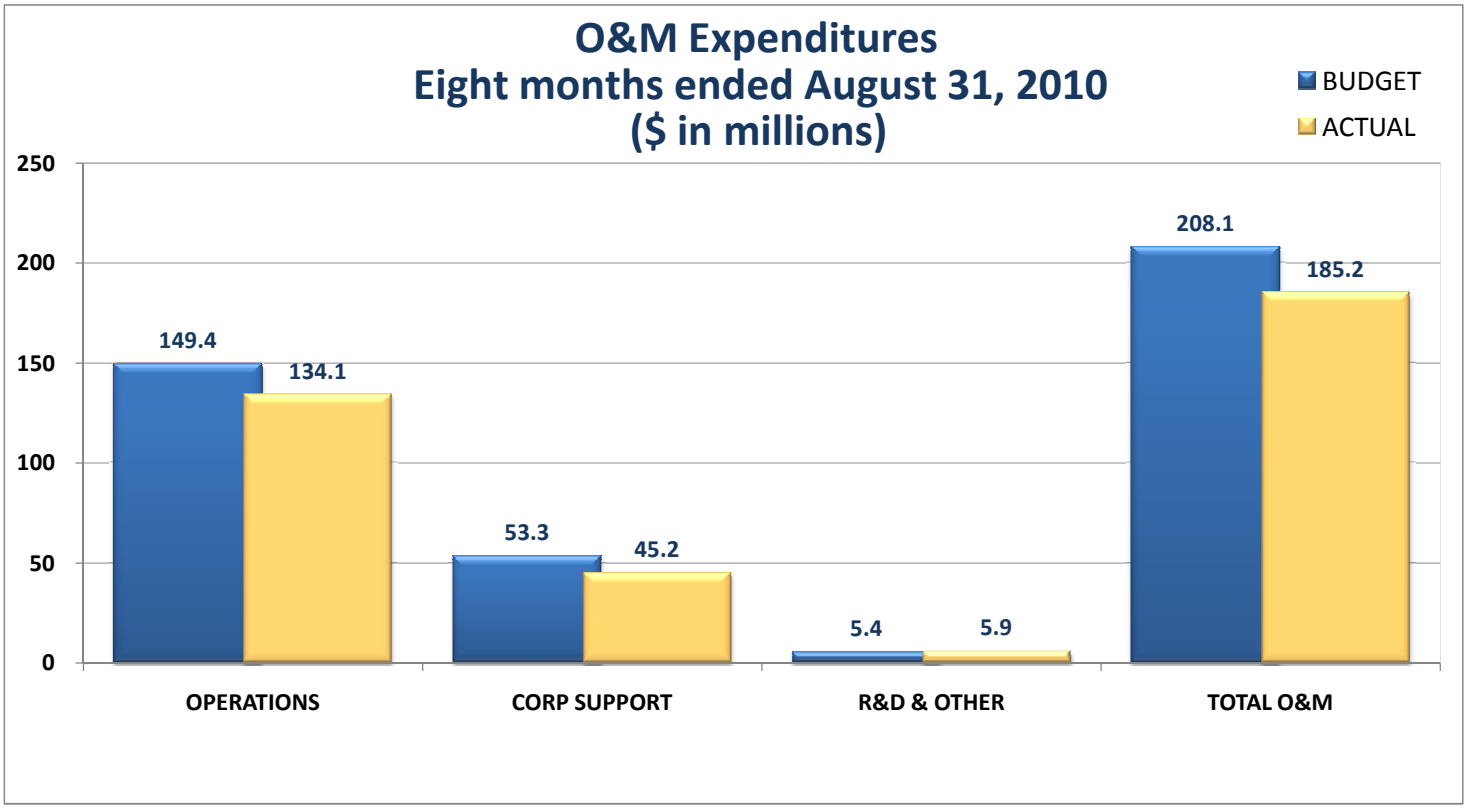
COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	1,143,325	825,795
SENY	6,214,896	6,652,148
MSP	1,906,481	1,900,862
TOTAL	9,264,702	9,378,805
COSTS ($/MWH)		
Hydro	$29.71	$25.24
SENY	$53.08	$53.50
MSP	$45.65	$45.50
AVERAGE	$48.60	$49.39

RESULTS OF OPERATIONS
Energy Prices
Actual vs Budget





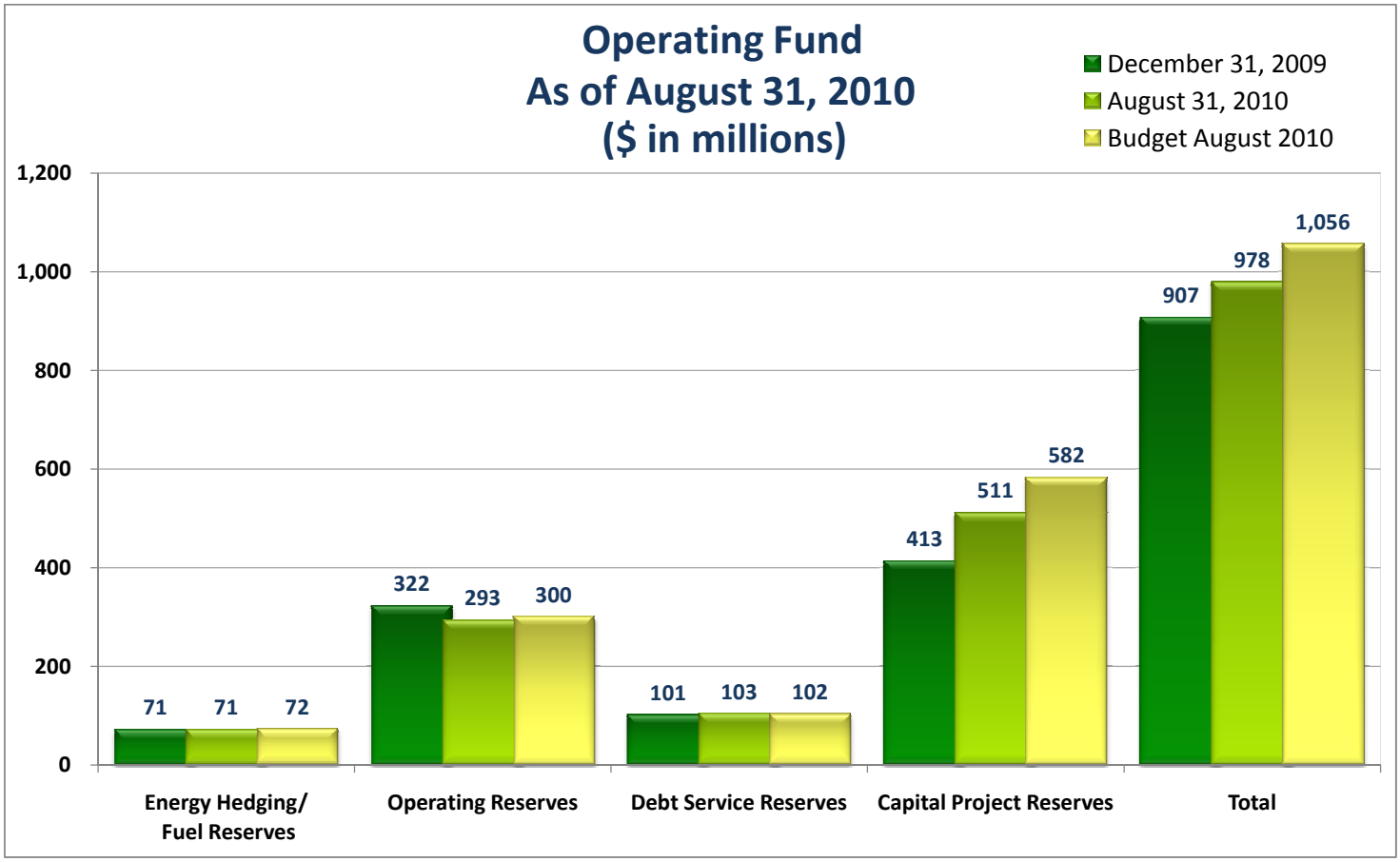




- Through August, O&M expenses were $22.9 lower than the budget.

- Operations expenditures were $15.3 lower than budgeted due primarily to the timing of contractor services for the 500 MW unit, lower than expected expenditures for non-recurring work at St. Lawrence and recurring maintenance at the Transmission facilities.

- Corporate Support expenses were under budget by $8.1 due mostly to under spending for fuel cell maintenance, legal consultants, telecommunication equipment and computer software, and payroll due to unfilled vacancies, as well as higher than anticipated rental income.



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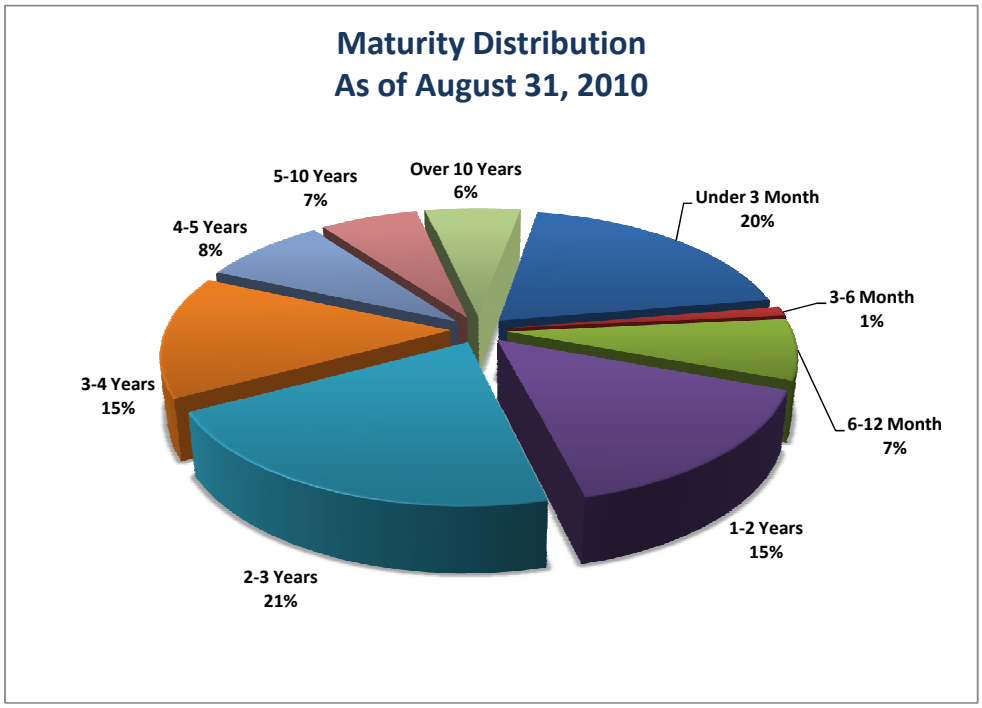

MATURITY DISTRIBUTION	
($ in millions)	
Under 3 Months	$222.5
3-6 Months	12.7
6-12 Months	82.9
1-2 Years	175.7
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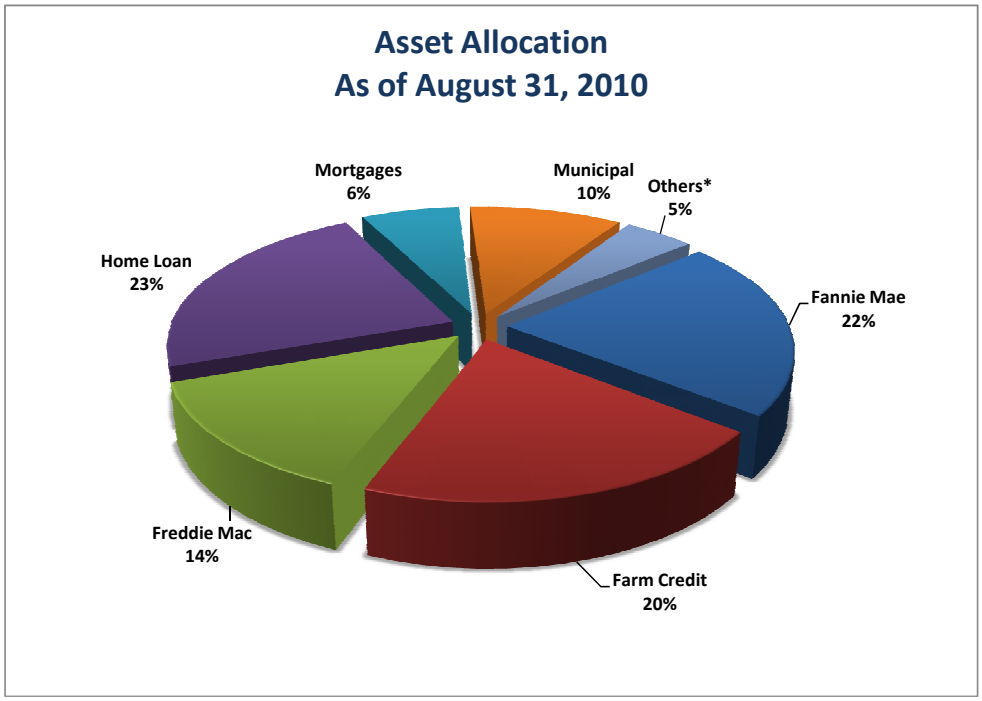
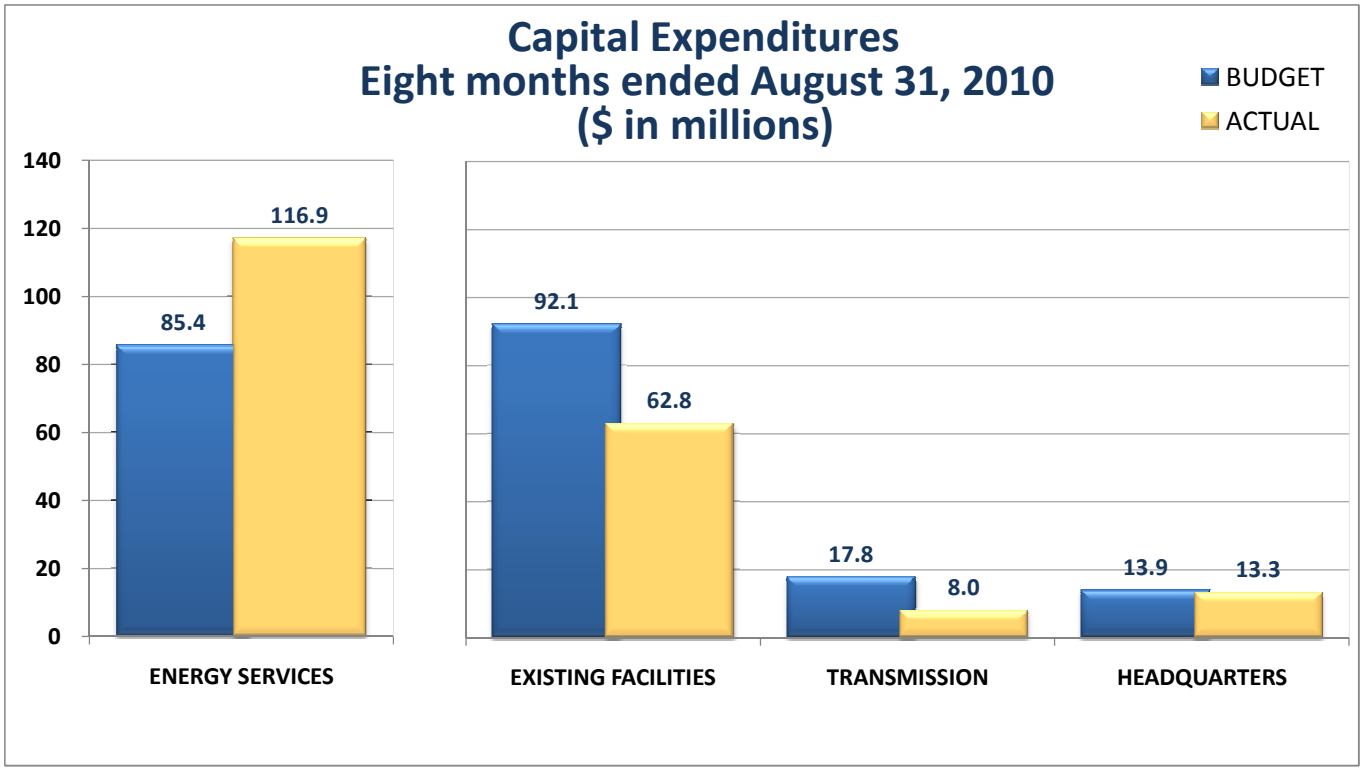
Over 10 Yrs	71.9
Total	$1,138.2

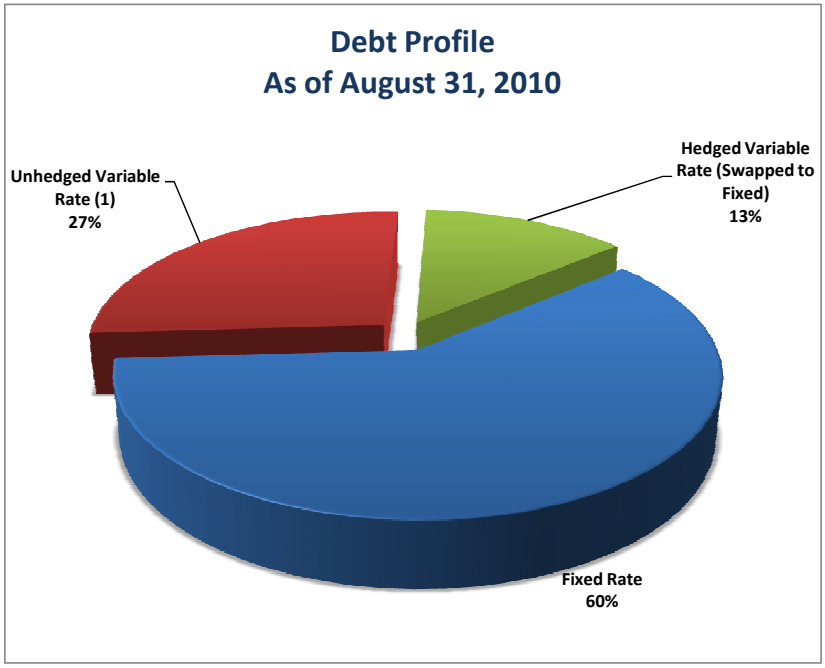


ASSET ALLOCATION	
($ in millions)	
Fannie Mae	$247.0
Farm Credit	230.6
Freddie Mac	157.1
Home Loan	260.4
Mortgages	74.1
Municipal	115.8
Others*	53.2
Total	$1,138.2

*Includes CDs and Repos



- Energy Services expenditures exceeded the budget by $31.5 due to accelerated construction activity related to NYCHA's Hot Water Storage Tank Replacement and CUNY Central Heating and Cooling Project.
- Lower capital expenditures at Existing Facilities were primarily due to timing differences related to the B-G and St. Lawrence life extension and modernization projects.
- Transmission was under budget due to timing differences related to the Niagara 115 kv Oil Circuit Breaker upgrade and the St. Lawrence Relay replacement project.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of $20.3 for the year to date. There were no new expenditures authorized in August.



DEBT PROFILE	
($ in millions)	
Fixed Rate	$1,173.4
Unhedged Variable Rate **(1)**	$519.3
Hedged Variable Rate (Swapped to Fixed)	$257.1
Total	$1,949.8

(1) *On August 15, 2010, the SIFMA based interest rate cap on a $300 notional amount of Commercial Paper Series 1 expired. Staff is evaluating alternatives in consideration of the cap expiring.*

New York Power Authority

ENERGY DERIVATIVES

Results

Year-to-date financial energy derivative settlements resulted in a net loss of $38.41 million that was incurred by entering into hedge positions as requested by or transacted on behalf of the Authority's Customers. The amount of losses would be subject to virtually full cost recovery, whereby the resulting hedge settlements would be incorporated into and recovered through Customer rates.

Year-to-Date 2010 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions

($ in Millions)

	Settlements[1]	Fair Market Value				
	YTD	**2010**	**2011**	**>2011**	**Total**
NYPA	$ (0.05)	$ -	$ -	$ -	$ -
Customer Contracts	$ (38.36)	$ (39.14)	$ (96.27)	$ (170.65)	$ (306.06)
Total	**$ (38.41)**	**$ (39.14)**	**$ (96.27)**	**$ (170.65)**	**$ (306.06)**

[1] *Based on Updated Settlements for July & Final Settlement Figures through August 2010.*

At the end of August, the fair market value of outstanding positions was valued at an unrealized loss of $306.06 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of futures contracts for the balance of 2010 (September to December 2010) and how they have traded since mid-2009, while Exhibit 2 illustrates the average price of futures contracts for 2011.

Exhibit 1: Average September to December 2010 Forward Price as Traded

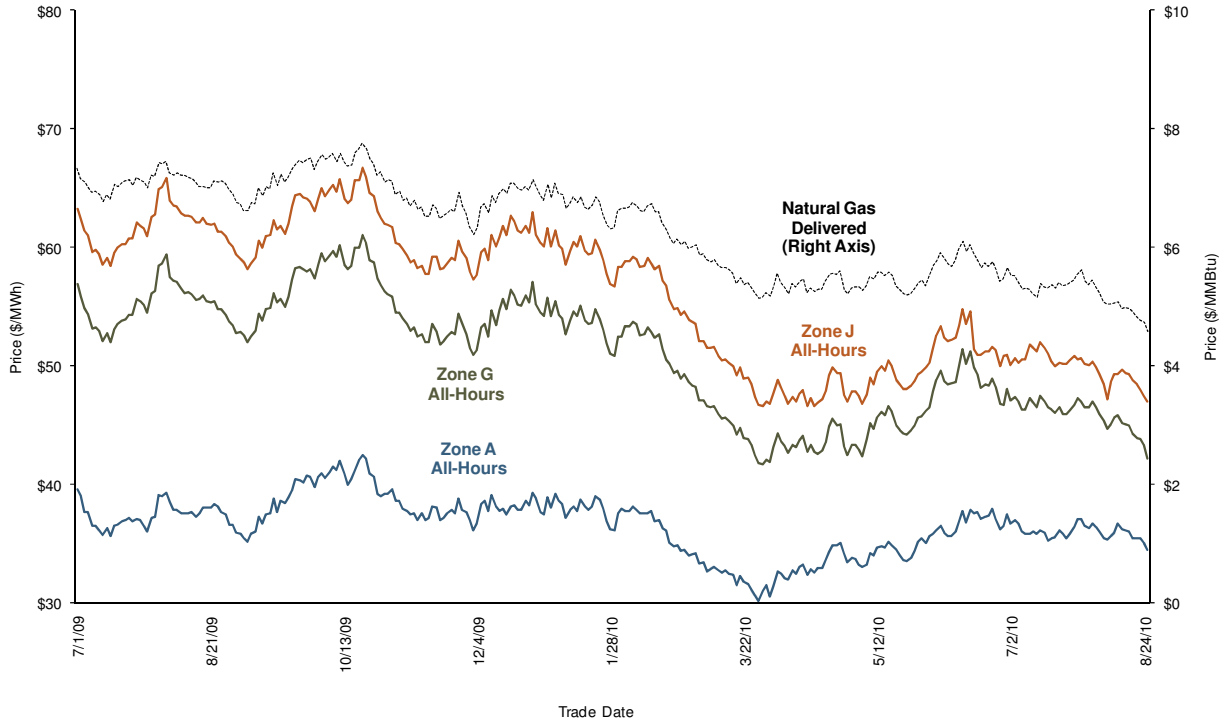
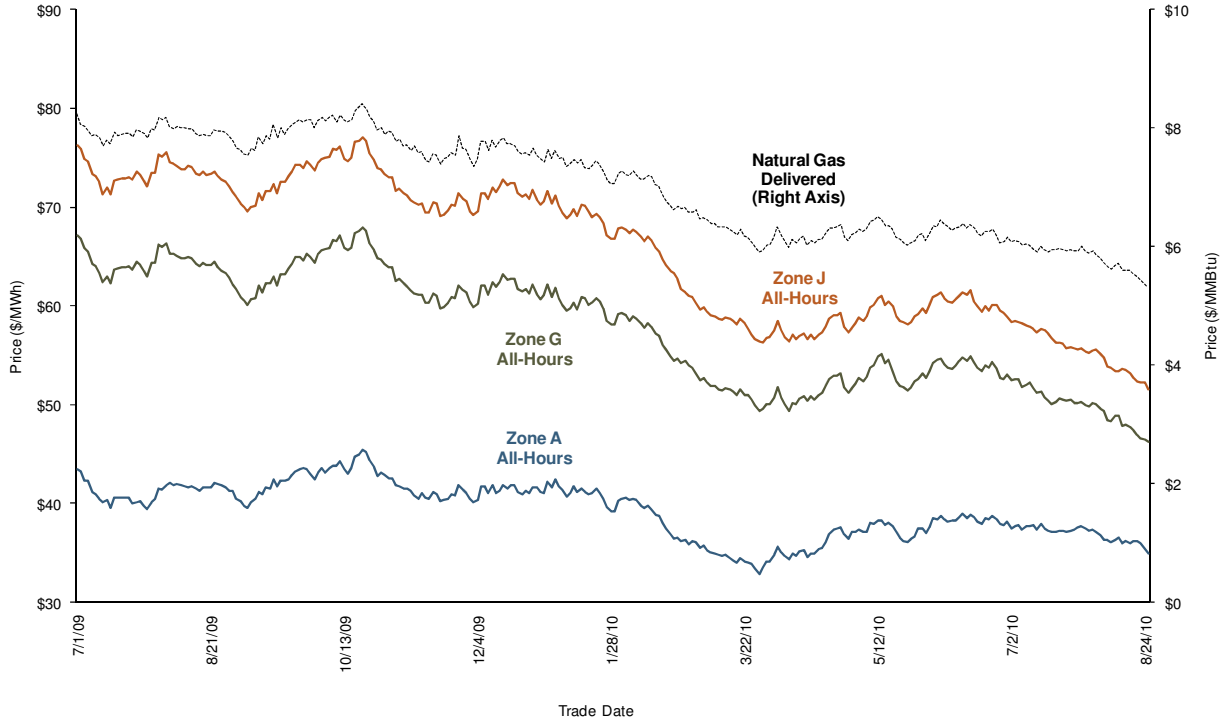


Exhibit 2: Average January to December 2011 Forward Price as Traded



STATEMENT OF NET INCOME
For the Eight Months Ended August 31, 2010
($ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,052.0	Customer	**$1,315.5**	**$1,382.8**	**($67.3)**
601.8	Market-based power sales	323.4	420.1	(96.7)
54.4	Ancillary services	21.3	34.4	(13.1)
102.9	NTAC and other	76.9	69.1	7.8
759.1	Total	**421.6**	**523.6**	**(102.0)**
2,811.1	**Total Operating Revenues**	**1,737.1**	**1,906.4**	**(169.3)**
	Operating Expenses			
864.8	Purchased power	594.6	590.2	(4.4)
340.8	Fuel consumed - oil & gas	155.1	234.0	78.9
91.0	Ancillary services	46.9	61.0	14.1
519.9	Wheeling	350.3	346.8	(3.5)
312.3	Operations and maintenance	185.2	208.1	22.9
160.3	Depreciation and amortization	110.7	106.9	(3.8)
141.7	Other expenses	84.0	97.6	13.6
(10.8)	Allocation to capital	(6.1)	(6.8)	(.7)
2,420.0	**Total Operating Expenses**	**1,520.7**	**1,637.8**	**117.1**
391.10	**Net Operating Income**	**216.4**	**268.6**	**(52.2)**
	Nonoperating Revenues			
88.9	Post nuclear sale income	69.0	69.0	-
53.1	Investment income	27.4	35.3	(7.9)
(5.8)	Mark to market - investments	15.2	(3.9)	19.1
136.2	**Total Nonoperating Revenues**	**111.6**	**100.4**	**11.2**
	Nonoperating Expenses			
107.0	Contributions to New York State	147.0	107.0	(40.0)
112.3	Interest and other expenses	66.3	74.9	8.6
219.3	**Total Nonoperating Expenses**	**213.3**	**181.9**	**(31.4)**
(83.1)	**Net Nonoperating Income (Loss)**	**(101.7)**	**(81.5)**	**(20.2)**
$308.0	**Net Income**	**$114.7**	**$187.1**	**($72.4)**

COMPARATIVE BALANCE SHEETS
August 31, 2010
($ in millions)

Assets		August 2010	August 2009	December 2009
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	1,009.4	903.1	913.4
	Interest receivable on investments	7.2	7.7	5.8
	Accounts receivable - customers	215.2	150.9	191.7
	Materials and supplies, at average cost:			
	Plant and general	77.5	82.4	82.3
	Fuel	17.4	29.9	21.7
	Prepayments and other	176.3	224.9	124.4
	Total Current Assets	**1,503.1**	**1,399.0**	**$1,339.4**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	970.6	884.8	942.4
	Other	90.3	99.4	94.1
	Total Restricted Funds	**1,060.9**	**984.2**	**1,036.5**
Capital Funds	Investment in securities and cash	166.2	201.1	189.2
	Total Capital Funds	**166.2**	**201.1**	**189.2**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,311.5	3,337.3	3,347.8
	Construction work in progress	152.1	146.9	144.8
	Net Utility Plant	**3,463.6**	**3,484.2**	**3,492.6**
Other Noncurrent Assets	Receivable - NY State	318.0	215.0	318.0
	Deferred charges, long-term receivables and other	676.9	449.2	545.6
	Notes receivable - nuclear plant sale	167.1	179.8	170.1
	Total other noncurrent assets	**1,162.0**	**844.0**	**1,033.7**
	Total Noncurrent Assets	**5,852.7**	**5,513.5**	**5,752.0**
	Total Assets	**$7,355.8**	**$6,912.5**	**$7,091.4**
Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	$889.6	$821.8	$809.5
	Short-term debt	303.5	270.4	289.2
	Total Current Liabilities	**1,193.1**	**1,092.2**	**1,098.7**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,191.0	1,231.3	1,192.7
	Adjustable rate tender notes	130.5	137.5	137.5
	Commercial paper	342.4	421.8	413.3
	Total Long-term Debt	**1,663.9**	**1,790.6**	**1,743.5**
Other Noncurrent Liabilities	Nuclear plant decommissioning	970.6	884.8	942.4
	Disposal of spent nuclear fuel	216.0	215.7	215.8
	Deferred revenues and other	377.1	198.6	270.5
	Total Other Noncurrent Liabilities	**1,563.7**	**1,299.1**	**1,428.7**
	Total Noncurrent Liabilities	**3,227.6**	**3,089.7**	**3,172.2**
	Total Liabilities	**4,420.7**	**4,181.9**	**4,270.9**
Net Assets	Accumulated Net Revenues - January 1	2,820.4	2,566.8	2,566.9
	Net Income	114.7	163.8	253.6
	Total Net Assets	**2,935.1**	**2,730.6**	**2,820.5**
	Total Liabilities and Net Assets	**$7,355.8**	**$6,912.5**	**$7,091.4**

SUMMARY OF OPERATING FUND CASH FLOWS
For the Eight Months Ended August 31, 2010
($ in millions)

Operating Fund	
Opening	$906.8
Closing	978.1
Increase/(Decrease)	**71.3**
Cash Generated	
Net Operating Income	216.4
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	110.7
Net Change in Receivables, Payables & Inventory	(48.7)
Other	(3.9)
Net Cash Generated from Operations	**274.5**
(Uses)/Sources	
Utility Plant Additions	(55.9)
Debt Service	
Commercial Paper 2	(67.6)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(3.3)
ART Notes	(7.3)
Investment Income	17.7
Entergy Value Sharing Agreement	72.0
Voluntary Contribution to NY State	(159.5)
Other	.7
Total (Uses)/Sources	**(203.2)**
Net Increase in Operating Fund	**71.3**

6. <u>Motion to Conduct an Executive Session</u>

"Mr. Chairman, I move that the Authority conduct an Executive Session pursuant to Section 105(1)(f) of the Public Officers Law of the State of New York 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.

7. <u>Motion to Resume Meeting in Open Session</u>

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

8. <u>Next Meeting</u>

Chairman Townsend said that the next meeting of the Trustees would be held at the Niagara Power Project in Lewiston on Tuesday, October 26, 2010.

Closing

On motion made and seconded, the meeting was adjourned by the Chairman at approximately 2:15 p.m.

Karen Delince
Corporate Secretary