

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

September 27, 2011

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Minutes of the Regular Meeting of the Power Authority of the State of New York held via telephone conference at the following participating locations at approximately 11:20 a.m.

- 1) New York Power Authority, 123 Main Street, White Plains, NY
- 2) Harris Beach, PLLP, 99 Garnsey Road, Pittsford, NY

The Members of the Board present were:

Michael J. Townsend, Chairman
Jonathan F. Foster, Vice Chairman
D. Patrick Curley, Trustee
John S. Dyson, Trustee
R. Wayne LeChase, Trustee
Eugene L. Nicandri, Trustee

Mark O’Luck, Trustee - excused from attending the meeting

Gil C. Quiniones	Acting President and Chief Executive Officer
Judith C. McCarthy	Acting General Counsel
Edward Welz	Acting Chief Operating Officer / Executive Vice President and Chief Engineer – Power Supply
Donald Russak	Acting Chief Financial Officer
Thomas Antenucci	Senior Vice President – Power Supply Support Services
Steve DeCarlo	Senior Vice President – Transmission
Thomas DeJesu	Senior Vice President – Public, Governmental and Regulatory Affairs
Paul Finnegan	Senior Vice President – Public, Governmental and Regulatory Affairs
James Pasquale	Senior Vice President – Marketing and Economic Development
Joan Tursi	Senior Vice President – Corporate Support Services
John Canale	Vice President – Project Management
Thomas Davis	Vice President – Financial Planning and Budgets
Dennis Eccleston	Vice President – Information Technology/Chief Information Officer
Joseph Leary	Vice President – Community and Government Relations
Patricia Leto	Vice President – Procurement
Lesly Pardo	Vice President – Internal Audit
John Suloway	Vice President – Project Development, Licensing and Compliance
Lori Alesio	Assistant General Counsel – Human Resources and Labor Relations
Karen Delince	Corporate Secretary
Brian McElroy	Treasurer
Edward Alkiewicz	Director – Relicensing and Implementation
Jill Anderson	Director – Business Integration
Mike Lupo	Director – Marketing Analysis and Administration
Mark O’Connor	Director – Real Estate
Michael Saltzman	Director – Media Relations
Kandapa Dolly Jinvit	Manager – Asset Investment Planning
Mark Slade	Manager – Relicensing and Implementation
Dominick Luce	Program Manager – Energy Services
Rick Turner	Regional Manager Northern NY – Site Administration, STL
Bruce Fardanesh	Chief Technology Officer – Research and Technology Development
Lorna M. Johnson	Assistant Corporate Secretary
Sheila Baughman	Senior Secretary – Corporate Secretary’s Office

Trustee Dyson presided over the meeting. Corporate Secretary Delince kept the Minutes.

Introduction

Ms. Judith McCarthy said that Chairman Townsend and Trustee LeChase would be participating in the meeting by phone. She added that they would not be able to vote; however, there is a quorum to conduct the meeting. Trustee John Dyson acted as Chair for the meeting.

1. Approval of the September 27, 2011 Meeting Agenda

On motion made and seconded the Agenda for the Meeting was approved.

2. **Consent Agenda**

By motion made and seconded, the Consent Agenda was approved.

a. **Approval of the Minutes**

The Minutes of the Regular Meeting held on July 26, 2011 were unanimously adopted.

**b. Procurement (Services) and other Contracts –
Business Units and Facilities –
Awards, Extensions and/or Additional Funding**

The Acting President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award and funding of the multiyear procurement (services) and other contracts listed in Exhibit ‘2b-A,’ as well as the continuation and/or funding of the procurement (services) contracts listed in Exhibit ‘2b-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 \$250,000 to \$10 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 ‘2b-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 '2b-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 rebidding 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:

Energy Services and Technology ('ES&T')

Energy Services

"The Authority provides a variety of services to many of its customers to promote cost savings through energy efficiency, clean energy and improved system reliability projects, as part of the Energy Services Program ('ESP'). Such projects have become more complex and costly, resulting in an increased need for engineering and other support including, but not limited to, technical, schedule and cost reviews of projects at various stages, in order to mitigate risk and ensure contractor performance for the Authority and its customers. The most cost-effective way for the Authority to provide adequate staffing resources needed to support such project work and to ensure a low level of risk is to retain such services on an 'as needed' basis. To this end, staff developed a Request for Quotations ('RFQ' Q11-4995) and bid documents were downloaded electronically from the Authority's Procurement website by 61 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Eleven proposals were received and evaluated. A Post-Bid Addendum was issued to request pricing clarifications; responses were received from all eleven firms and were reviewed in greater detail. The proposals were first evaluated on technical qualifications based on weighted criteria set forth in the RFQ. The five highest-ranked firms were invited for an interview to further discuss their respective proposals; based on the results of the interviews, the five firms were ranked accordingly. Staff then evaluated the 'short list' of five bidders on cost, using an estimated number of hours for a large energy services project. Finally, a cumulative ranking of both the interviews and cost evaluations was performed. Based on the foregoing, staff recommends award of contracts to four firms: **Arcadis US, Inc. ('Arcadis'), Hill International, Inc. ('Hill'), Nautilus Consulting, LLC ('Nautilus') and The Louis Berger Group, Inc. ('Louis Berger')** (PO#s TBA), the most technically qualified bidders with reasonable and competitive pricing, which meet the bid requirements. These contracts would provide for technical risk management services including, but not limited to, the review of contract and technical bid documents, schedules, estimates and change orders, as well as associated work to ensure a low level of risk for ESP projects in the Southeast New York ('SENY') region. The award of contracts to four firms is recommended in order to ensure the availability of resources to accommodate the potential volume and/or scheduling of work that may be requested, as well as to address any potential conflict of interest or performance issues. The contracts would become effective on or about October 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 aggregate total 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. It should also be noted that all costs will be recovered by the Authority.

Research and Technology Development

"In September 2010, the Authority submitted a joint proposal with two other firms (The Valley Group, Inc. and New Electricity Transmission Software Solutions, Inc., 'NETSS') to the New York State Energy Research and Development Authority ('NYSERDA') for co-funding a project entitled 'A demonstration project for increased reliability and efficiency [of the power grid] in New York state using combined Phasor Measurement Unit ('PMU'), Dynamic Line Rating ('DLR') and optimized equipment management technologies.' NYSERDA selected the

subject proposal for co-funding and implementation. The main objectives of the proposed project are to demonstrate the potential of new computational tools that realistically allow the New York state transmission system to operate more efficiently, support deployment of clean power and accommodate demand-responsive load in an optimized, cost-effective manner. This will be accomplished by obtaining more realistic values of the transmission line thermal limits in near real-time, and capturing and taking advantage of the variations of such limits due to changing weather conditions. Furthermore, this project will investigate the utilization of such data in combination with real-time operational data in algorithms, aiming to improve the reliability and performance of both the Authority's and the state's transmission systems, as well as facilitating utilization of renewable generation. During the last several years, the Authority has been investigating various alternative technologies for dynamic estimation of transmission line thermal limits, as well as evaluating the benefits of utilization of such technologies. DLR is a relatively new technology that is emerging as a key feature of the smart power grid of the future, because it can have a significant impact on increasing the situational awareness of system operators by providing a better view of the capabilities and limitations of the transmission system in real-time.

“The Valley Group is the only company in the United States that provides the equipment and technology for dynamic line rating utilizing tension measurement methodology. It is, therefore, the only firm that can provide such technology for this demonstration project, and for this reason the Authority has partnered with The Valley Group in proposing this project and submitting the proposal to NYSERDA for co-funding. The other collaborator, NETSS, has a unique optimal power flow routine that has a superior performance and can be utilized for voltage profile optimization and optimized dispatch computation. The application of optimization methods to power system analysis is an advanced area of study and the robustness of the optimization tool is of paramount importance. Each of these firms is uniquely qualified to provide such equipment and services. Based on the foregoing, staff recommends award of non-procurement contracts to **The Valley Group, Inc. and NETSS (PO#s TBA)** on a sole-source basis to implement this co-funding project. The contract with The Valley Group would provide for the design, engineering, fabrication, delivery and support for the installation of DLR equipment, which will be installed by Authority line crews on two Authority transmission lines (Niagara-Rochester ‘NR-2’ and Moses-Willis ‘MW-1’), as well as the required communications equipment. The contract with NETSS would provide for the data analysis and decision support utilizing the collected DLR data in correlation with other system operational data provided by the Authority. The Authority will also provide staff support for engineering, project management and craft labor. In addition to improving system situational awareness, other significant benefits can also be achieved by using the proposed technologies for accurately determining line thermal limits and providing an optimization framework for improving the grid operation, as mentioned above. It should be noted that at this stage, the project will consist of demonstration and evaluation and will not have any impact on actual system operation. The contracts would become effective on or about January 1, 2012 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 amounts expected to be expended for the term of the contracts, \$950,000 for The Valley Group and \$650,000 for NETSS, respectively. It should be noted that under the cost-sharing agreement with NYSERDA, 50% of the project costs will be reimbursed to the Authority.

ES&T - Energy Services + Power Supply – EH&S

“The contract with **Veolia ES Technical Solutions, LLC (‘Veolia’) (Q11-5075; PO# TBA)** would provide for the recycling and disposal of lamps, light ballasts, mercury-containing equipment, batteries and small capacitors, as well as other related waste streams generated by the Authority’s Energy Services Program projects. Services include, but are not limited to, furnishing, or arranging for furnishing, all labor, supervision, material, equipment, laboratory facilities, transportation including vehicles, fuel, tolls, highway use taxes, insurance (including environmental liability), spill prevention control and countermeasure equipment and materials and federal, state and local permits, licenses and other approvals necessary to manage the waste from its point(s) of generation within New York State to the point(s) of ultimate disposition. Since the existing contract is expiring and the need for such services is ongoing, bid documents were prepared by staff and were downloaded electronically from the Authority’s Procurement website by 32 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; two proposals were received and evaluated. One of the two proposals was not fully compliant, did not meet all the bid requirements and was not considered further. The other proposal was reviewed in greater detail. Based on the foregoing, staff recommends award of a contract to Veolia, which is qualified to perform such services, fully meets the bid requirements and has provided satisfactory service under an existing contract for such work. The new contract would become effective on or about October 1, 2011 for an

intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Based on current waste generation trends and the increased number and scope of scheduled projects, as well as the regulatory costs associated with the management of new and existing waste streams, staff projects that up to \$7.5 million may be required for the five-year term. Approval is therefore requested for the total amount expected to be expended for the term of the contract, \$7.5 million. It should be noted that all costs associated with this work will be recovered by the Authority.

Enterprise Shared Services

Information Technology

"In the past three years, the Authority's Information Technology division ('IT') has undertaken major initiatives involving Customer Relationship Management ('CRM'), Enhanced Data Management Business Warehouse and NERC CIP compliance. During the next three years, IT will launch new initiatives, such as ERM Business Applications, MAXIMO and SAP initiatives. IT will also continue to support and maintain the Authority's current investment in its computer and network infrastructure, as well as its existing computer applications portfolio. In order to meet the needs of this plan, the Authority uses contractors to augment its technical staff on a short-term basis, as necessary.

"Since the existing contracts are expiring and the need for such services is ongoing, staff prepared a new Request for Proposals (**Q11-5019**). Bid documents were downloaded electronically from the Authority's Procurement website by 130 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Forty-five proposals were received and evaluated to identify a 'short list' of prequalified firms providing temporary programming personnel, based on the experience and capabilities of the bidders and the technical merits of their proposals. The primary evaluation criteria included, but were not limited to: experience in providing qualified programming / contract personnel in the tri-state area; infrastructure to provide both technical and managerial support for its contract personnel; financial stability; depth of contract personnel inventory and reasonable and competitive billing rates, as further set forth in the Award Recommendation documents. Based on the foregoing, the following 16 firms were determined to be the most technically qualified bidders that met the bid requirements: **Carlyle Consulting Services, Inc., CompNova, Inc., Delphi Solutions, LLC d/b/a Rohn Rogers Associates, Eclaro International, Inc.*, Global IT Solutions USI, Inc.* ('GITSUS'), Infotech Global, Inc.*, Kforce Inc., Manpower Professional Services, Mitchell Martin Inc., Monroe Staffing Services, Neotecra, Inc., PSI International, Inc.*, QED National*, RCG Global Services (formerly RCG Information Technology, Inc.), System Edge (USA), LLC* and Unique Comp Inc.*** (Nine of these firms have provided such services to the Authority under previous contracts in a timely and satisfactory manner.) As specific positions are required, the Authority will request résumés of candidates based on the requirements and experience required for each position from all 16 prequalified firms. The hiring supervisor will review the submitted résumés, interview candidates and select the most qualified individual for the required position at the contractual hourly rate, subject to successful completion of a required background check. Contracts will be awarded only to those firms that successfully place a candidate, as each required position is bid among the entire prequalified group. Such competition is expected to provide qualified talent from a variety of firms. The new contracts would become effective on or after October 1, 2011 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. All contracts will expire on September 30, 2014, regardless of their duration. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, \$9 million. Commitments will be made through individual purchase order releases against contracts (master outline agreements) with the successful firms, as positions are required. Total commitments and expenditures for all awarded contracts will also be tracked against the approved aggregate total. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures. (It should be noted that seven of the aforementioned recommended firms are New York State-certified Minority/Woman-owned Business Enterprises, 'M/WBEs,' which are designated by an asterisk following their names.)

Law

"The contract with **Abrams & Abrams LLP ('Abrams')** (**Q11-5103; PO# TBA**) would provide for legal services in connection with immigration matters. Such services include, but are not limited to, preparation of temporary work permit filings, permanent residence applications, employment authorizations, labor certifications,

ancillary applications for change of status, extension of stay, travel permits, and additional applications for family members, as well as filing of all such documents with the U.S. Government, and other immigration matters, as may be required. Due to time constraints, staff conducted a formal competitive search, whereby seven firms were invited to submit proposals, including fees for the subject services, in a compressed time frame. Seven proposals were received and evaluated. A Post-Bid Addendum was issued to request pricing clarifications; responses were received from all seven firms and were evaluated in greater detail. Based on the foregoing, staff recommends award of a contract to the Abrams firm, which is qualified to perform such services, meets the bid requirements, submitted the lowest-priced fee schedule and has provided satisfactory services under an existing contract for such work. The Abrams firm specializes in immigration and nationality law and has extensive experience in the procurement of all immigrant and nonimmigrant visas, statuses and U.S. Citizenship. Its expertise with immigrant visas extends through all categories of employment-based and family-based immigration. The new contract would become effective on or about October 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, \$250,000.

Power Supply

“The contracts with **Allstate Power Vac, Inc. ('Allstate')** and **Miller Environmental Group, Inc. ('Miller')** (Q11-5093; PO#s TBA) would provide for general environmental services for the Authority's SENY plants and facilities (including, but not limited to, the 500 MW, Flynn and Small Clean Power Plants), as well as for supporting the deconstruction of the decommissioned Poletti 825 MW plant site. Such services would consist primarily of cleaning process equipment (such as tanks, oil/water separators, economizers, burners, etc.); transporting and disposing of hazardous materials generated by such cleaning and providing environmental and safety training to the Authority, as may be required, in compliance with all applicable federal, state and local laws, regulations, license and permit requirements. Bid documents were downloaded electronically from the Authority's Procurement website by 131 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Five proposals were received and evaluated on criteria that included, but were not limited to: experience of staff; amount, type and availability of equipment and staff resources; range of projects that the bidder is able to handle; current licenses, permits and certifications; experience with power generation facilities; distance of equipment to the SENY facility to ensure adequate response time, etc. Staff also calculated the cost of a typical task based on the hourly labor rates and equipment charges submitted by the bidders. Based on the foregoing, staff recommends award of contracts to Allstate and Miller, the lowest-priced evaluated bidders, which are technically qualified to perform such services and meet the bid requirements. Additionally, one of these firms has provided satisfactory services under an existing contract for such work. The contracts would become effective on or about October 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 aggregate total amount expected to be expended for the term of the contracts, \$7.5 million, which includes funding for deconstruction-related environmental services for the Poletti site. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures.

“The contracts with **AECOM Technical Corp. ('AECOM')**, **Greenman-Pedersen, Inc. ('GPI')**, **Stone & Webster Engineering New York, P.C. ('S&W')** and **TRC Engineers, Inc. ('TRC')** (Q11-5061; PO#s TBA) would provide for on-call engineering, construction management and oversight services for Authority Projects and facilities located throughout the state. Bid documents were downloaded electronically from the Authority's Procurement website by 167 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; 23 proposals were received and evaluated. Proposals submitted by the seven firms with the highest pricing were not considered further. Staff performed an extensive and comprehensive evaluation of the remaining 16 proposals based on experience and quality of services, hourly rates and location/proximity of staff to Authority locations, as further set forth in the Award Recommendation documents. The overall ranking was established based on a weighted factor in each of the three categories. Based on the foregoing, staff recommends award of a contract to AECOM, GPI, S&W and TRC, the most technically acceptable bidders, which are qualified to perform such work and meet the bid requirements. The contracts would become effective on or about October 1, 2011 for an intended term of up to four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, \$10 million. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures.

Contract Extensions and/or Additional Funding:**Power Supply**

“Since the installation and commissioning of the Small Clean Power Plants (‘SCPPs’), the LM6000 units have experienced unanticipated emergency failures that have not been covered by warranty. In each case involving the power island equipment, the only source of emergency support has been **GE Packaged Power, Inc. (‘GEPP’)** and involved multiple emergency orders to GE for a lease engine, field technicians and the actual factory orders for repairs and other Service Bulletin upgrades, as necessary. On several such occasions, the Authority investigated whether other firms were capable of providing these services, but the response was negative, due to the unavailability of parts, assets or the leasing of a gas turbine for use during repairs, leaving GEPP as the only resource to meet the Authority’s needs in time of emergency. Staff therefore recommended entering into a long-term service agreement with GEPP to provide for emergency repair support services, as well as necessary maintenance that only GEPP was qualified to provide, for the LM6000 SCPPs. Accordingly, at their meeting of March 27, 2007, the Trustees approved the award of a five-year sole-source contract to **GEPP (4600001798)**, in the amount of \$6 million, to provide for the aforementioned services. Major repairs (e.g., hot section rotatable exchange, high-pressure compressor repair, stage 2 blade repairs, oil leaks, etc.) were required to support the Hell Gate, Harlem River, Pouch, Vernon, Seymour, Brentwood and Kent SCPPs. The extent of such repairs could not be anticipated at the time of contract award, since they were not readily evident from operational data and field inspections. (It should be noted that such issues are not unique to the Authority and that GEPP established a task force to analyze the failures that the Authority and other LM6000 users have experienced.) Due to an accelerated rate of expenditures necessitated by the aforementioned unanticipated emergency repairs, at their meeting of June 24, 2008, the Trustees approved an additional \$5 million for the contract, increasing the compensation ceiling to \$11 million. The Authority has benefitted from GEPP’s expertise and quick responses. GEPP is the original equipment manufacturer and, as such, is uniquely qualified to perform such services. GEPP has the required engineering resources, parts and other assets available on a 24/7 basis. GEPP also has engines for lease during repairs, so that the Authority can maintain its New York Independent System Operator (‘ISO’) UCAP. GEPP will continue to provide all such required services under this one contract, enabling the Authority to receive discounts on GE’s published rates. During the Fourth Quarter of 2011, two Gas Turbines (‘GTs’) will be sent to the GE depot for Service Bulletin upgrades and to repair any damaged Hot Section components. Such upgrades and repairs are required to maintain the GTs in top performance to last through the next upgrade cycle (approximately three years). Staff recommends a nine-month extension of the subject contract through December 31, 2012 in order to continue to provide coverage for such upcoming planned and unplanned maintenance / emergency repairs to ensure the reliability of the LM6000 fleet, as well as to allow sufficient time to either bid such services or negotiate the terms and conditions of a new long-term service agreement. The current ‘Target Value’ is \$11 million, of which approximately \$9.8 million has been released to date. The previously approved funding will be expended earlier than anticipated due to the emergency repairs required to support the recent transformer failures at both the Harlem River and Hell Gate SCPPs. Staff currently estimates that an additional \$5 million may be required to continue services through 2012. The Trustees are therefore requested to approve an extension of the subject contract through December 31, 2012 and to approve additional funding in the amount of \$5 million, thereby increasing the total approved contract amount to \$16 million.

“The contract with Mollenberg Betz Inc. (4500194884) provides for an upgrade of the CO2 ventilation system for 13 units at the Niagara Power Project – Robert Moses Niagara Power Plant. Services include all labor, supervision, equipment and materials to perform the upgrade (excluding electrical work to be performed by Niagara craft labor). The original award, which was competitively bid, became effective on October 13, 2010 for an intended term of less than one year, in the amount of \$423,000. An additional \$83,028 was subsequently authorized in accordance with the Authority’s EAPs. The work has consisted of replacing louvers, doors, door sweeps and ductwork. Due to unanticipated field conditions requiring a redesign of the originally-specified doors, the lead time to procure and deliver them to the site, as well as extensive electrical modifications inside the unit control boards to be performed by Niagara staff, a six-month extension of the subject contract is required to complete the original scope of work. The current contract amount is \$506,028; staff anticipates that no additional funding will be required for the extended term. The Trustees are requested to approve an extension of the subject contract through April 12, 2012, with no additional funding requested.

“The contract with **Premier Utility Services, LLC (‘Premier’) (4500195520)** provides for locating and mark-out services for underground utilities (e.g., electrical, water, sewer, gas, fuels, communications, steam, etc.) at Authority-owned or operated facilities or property in the SENY region, in compliance with the New York City and Long Island one-call notification system (‘DigNet’) participation requirements. Premier serves as the 24/7 contact and responder to all such calls or dig requests and provides trained and qualified utility locators or inspectors and all necessary equipment and materials to accurately identify / locate / inspect such underground utilities, as needed. Services include, but are not limited to, site visits to mark or clear the property for excavation using supplied maps and records; office screening and resolution of calls, requiring no dispatch to the field; emergency response to after-hour requests; and private utility locating, where Premier technicians provide utility locating services for all tone able utilities on Authority property, as may be requested. The original award became effective on October 26, 2010 for an intended term of less than one year and was subsequently extended to one year. An additional extension of approximately two months is now requested in order to allow sufficient time to bid such services with an expanded scope to include all Authority facilities statewide for a multi-year term and to continue such services until a new contract can be awarded, in order to remain compliant with the NYC/LI one-call notification system requirements. The current contract amount is \$10,000; staff anticipates that no additional funding will be required for the extended term. The Trustees are therefore requested to approve an extension of the subject contract through December 31, 2011, with no additional funding requested.

“At their meeting of September 28, 2010, the Trustees approved the award of a contract to **Quanta Technology, LLC (4500194644)** to perform a condition assessment of the Authority’s existing Transmission System equipment and assets, in connection with the Life Extension and Modernization Program. The original award, which was competitively bid, became effective on September 29, 2010 for an intended term of less than one year, in the approved amount of \$2,047,733. The original scope of work was comprised of performing a condition and life assessment study, risk of failure study and cost benefit analysis for nine transmission projects, including developing a preliminary implementation schedule for mitigating concerns and cost estimates for each task. Due to budget constraints in FY2011, Quanta was notified to stop work on all projects in December 2010. In response to new requirements mandated by a North American Electric Reliability Corporation (‘NERC’) Alert, Quanta was subsequently notified to re-start activities relating to the Clearance Remediation project. The scope of work was revised accordingly, to evaluate all 1,400 miles of transmission lines, in compliance with the NERC-mandated requirements. Available funding from the other projects is being used to offset the additional cost of this task and an additional \$135,495 was authorized in accordance with the EAPs. A six-month extension is now requested in order to complete the Clearance Remediation project. The current contract amount is \$2,183,228. Staff anticipates that no additional funding will be required for the extended contract term. The Trustees are therefore requested to approve an extension of the subject contract through March 31, 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 2011 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 certain contracts in support of Energy Services Programs will be made from the Energy Conservation Effectuation and Construction Fund.

RECOMMENDATION

“The Deputy General Counsel, the Senior Vice President – Power Supply Support Services, the Senior Vice President – Transmission, the Vice President – Energy Services, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Environment, Health and Safety, the Vice President – Procurement, the Vice President – Information Technology/Chief Information Officer, the Chief Technology Officer, the Regional Manager – Northern New York, the Regional Manager – Central New York, the Regional Manager – Western New York, the Regional Manager – Southeastern New York and the General Manager – Clark Energy Center recommend that the Trustees approve the award of multiyear procurement (services) and other contracts to the companies listed in Exhibit ‘2b-A’ and the extension and/or additional funding of the procurement

(services) contracts listed in Exhibit '2b-B,' for the purposes and in the amounts discussed within the item and/or listed in the respective exhibits.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

The following resolution, as submitted by the Acting 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 and other contracts set forth in Exhibit "2b-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 Acting 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 "2b-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 Acting President and Chief Executive Officer; and be it further

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

**c. Astoria Site – New Astoria Infrastructure –
Installation of New Electrical Infrastructure –
Contract Award**

The Acting President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a one-year contract to Yonkers Electric in the amount of \$3.2 million for the installation of new electrical infrastructure as part of the New Astoria Infrastructure Project (“Project”) at the Astoria Site. This work is part of the \$4.9 million Capital Expenditure Authorization Request (“CEAR”) for the New Astoria Infrastructure Program which was presented and approved at the June 28, 2011 Trustees’ meeting.

BACKGROUND

“In accordance with the Authority’s Expenditure Authorization Procedures, the award of contracts in excess of \$3 million requires Trustees’ approval.

“The Authority’s 825 MW Charles Poletti Power Plant was decommissioned in January of 2011. The Existing Building Substation (“EBS”) is presently powered from the Poletti Power Plant 6.9 kV distribution system. Due to the future deconstruction of the Poletti Power Plant, a new EBS is required. The new EBS will be re-powered from the 500 MW Combined Cycle Power Plant’s 5 kV distribution system to maintain the power feeds to existing site buildings and systems that are required to remain in operation. These include: diesel fire pump house, foamite house, warehouse, security guard house, the new electric fire pump house and the demin storage building.

DISCUSSION

“In response to the Authority’s request for proposal advertised in the New York State *Contract Reporter* on June 7, 2011, 93 firms downloaded the bid document from the Authority’s website. Following bid addenda, pre-award meetings and clarifications, and a post bid addenda, the final three proposals and revised pricing was received as follows:

Bidder	City, State	Base Bid (Completed by Specified Date)	Delayed Completion Bid	Spare Section & CB’s
Yonkers Electric	Yonkers, NY	3,124,060	2,528,000	76,000
T. Moriarty & Son, Inc.	Brooklyn, NY	No bid	3,288,136	87,500
Hawkeye LLC	Hauppauge, NY	No bid	2,953,136	No bid

“A bid walk-down was held on-site on June 14, 2011 and pre-award meetings were conducted on July 17, 2011 with the three bidders, Yonkers Electric, T. Moriarty & Son, Inc. (‘TMS’) and Hawkeye LLC, to review their approach to work and logistics and to confirm schedule compliance. The proposals were reviewed by an Evaluation Committee consisting of Authority staff and the Authority’s Consultant, AECOM.

“All firms had complete understanding of the work, however, only Yonkers Electric was able to meet the project schedule per the specifications. Yonkers Electric is able to complete the project, as required, and submitted the lowest price for the spare breakers.

“Yonkers Electric has been in business for 79 years and is incorporated in New York. Yonkers Electric has performed similar projects in New York and is considered a reputable contractor. The contractor is in good standing as confirmed by the Authority’s Procurement staff. Yonkers Electric is financially secure; has adequate experience in executing this type of work and their bid is consistent with the Fair Cost Estimate (“FCE”). The project is scheduled to commence September 2011 and be completed by December 2011.

FISCAL INFORMATION

“Payments associated with this project will be made from the Authority’s Capital Fund.

RECOMMENDATION

“The Acting Chief Operating Officer/Executive Vice President and Chief Engineer – Power Supply, the Senior Vice President – Power Supply Support Services, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Procurement and the Authority’s Regional Manager – SENY recommend that the Trustees approve the award of a one-year contract to Yonkers Electric of Yonkers, NY, in the amount of \$3.2 million, for the installation of new electrical infrastructure as part of the New Astoria Infrastructure Project.

For the reasons stated, I recommend the approval of the above requested action by adoption of a resolution in the form of the attached draft resolution.”

The following resolution, as submitted by the Acting 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 one-year contract to Yonkers Electric of Yonkers, NY, in the amount of \$3.2 million, for the installation of new electrical infrastructure as part of the New Astoria Infrastructure Project, as recommended in the foregoing report of the Acting President and Chief Executive Officer:

Contractor

Contract Approval

Yonkers Electric

\$3.2 million

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the Acting President and Chief Executive Officer, the Acting 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 Acting General Counsel.

Discussion Agenda

3. a. Report of the Acting President and Chief Executive Officer

Acting President and Chief Executive Officer, Mr. Gil Quiniones, provided an overview of the recent realignment of the Authority's executive management; updates on the impact of hurricane Irene and tropical storm Lee on the Authority's facilities and around the state; status of the Recharge New York Program; the Long Island/New York City Offshore Wind Project; and, the proposed Rate adjustment.

In response to a question from Vice Chairman Foster, Acting President Quiniones said that the HTP project is under construction and going according to plan. However, on the commercial transaction side of the project, staff continues negotiations with the City of New York regarding the project's Cost Recovery Agreement.

Executive Management

Acting President Quiniones said that he has streamlined the executive management team for a flexible organization in order to enhance the Authority's business plan and in keeping with the Governor's energy and economic development plan.

Hurricane Irene and Tropical Storm Lee

Acting President Quiniones said that the recent hurricane and tropical storm caused the Gilboa reservoir, which is owned by the City of New York, to overflow and spill into the lower reservoir at the Authority's Blenheim-Gilboa Pumped-Storage Plant ("B-G"). He said that in order for B-G's dam not be compromised, Authority engineers performed extraordinarily well, in some instances working below water level, a threat to their lives, in order to stop the flooding into the dam. He continued that, as a part of the Authority's license, each year it enacts an action plan on how to protect the public in the event of an emergency. This is the first time in the Authority's history that staff had to implement this action plan and they showed tremendous calm under pressure during this crisis. He said that the Authority's transmission staff also assisted LIPA and NYSEG in the restoration of their transmission lines which were damaged during the storm.

In response to a question from Vice Chairman Foster, Acting President Quiniones said that staff received the standard overtime pay and other compensation in keeping with the Authority's policy. Trustee Dyson said that he is very proud of what staff did in response to that crisis and suggested they receive an award of recognition for this service which was above the call of duty. Vice Chairman Foster asked Ms. Joan Tursi to

recommend a Trustee commendation award to be presented to the employees for their admirable performance at the October Board meeting.

Recharge New York

Acting President Quiniones said that the applications for Recharge New York, the new economic development program, will be available in the week.

In response to a question from Vice Chairman Foster, Acting President Quiniones said that the effective date of the program is July 1, 2012. He added that the Authority expects to receive approximately 3,000 applications under this new program.

Off-Shore Wind Study

Acting President Quiniones said that the Authority has filed a lease to explore off-shore wind on Long Island in order to continue its study and analysis of such project. Trustee Dyson pointed out that this filing is a reflection of the Authority's interest in alternative sources of energy.

Authority Rate Adjustment

Acting President Quiniones said that public outreach with regards to the Authority's rate adjustment continues. Public forums were held on September 19, 20, and 22 in Syracuse, Niagara and Massena, respectively. At the end of the public comment period, staff will make a recommendation to the Board for approval.

Budget

With regard to the cost reductions suggested by the Board at the last meeting, Acting President Quiniones said that staff continues to identify areas of savings in the Authority's overhead which will be included in the 2012 budget. Staff is also working on 2012 O&M and Capital budgets and business plan to be reviewed by the Trustees before formal presentation at the December Board meeting.

Strategic Plan

Acting President Quiniones said that Authority staff is in the process of redoing its 5-year strategic plan for Board for approval in March 2012. In response to a request from Trustee Dyson, Acting President Quiniones said that staff will also prepare a 10-year business plan. To this end, Authority staff will be reviewing business models and other strategic initiatives that the Authority could undertake to fulfill its mission and the Governor's economic development plan. In response to a suggestion from Vice Chairman Foster, Acting President

Quiniones said that the Authority is planning a retreat to discuss its strategic plan. Mr. Donald Russak added that the 5-year Strategic Plan is due to the ABO in March 2012.

In response to a question from Chairman Townsend, Acting President Quiniones said that Authority staff is conducting a condition assessment to prepare for the life extension and modernization program for its transmission system, to be completed in July 2012. Staff is also looking at potential new transmission that will integrate renewable resources to the grid within the state and Canada to address potential retirement of plants in the state.

b. Report of the Acting Chief Operating Officer

Acting Chief Operating Officer, Mr. Edward Welz, provided highlights of the report to the Trustees. In response to a question from Trustee Nicandri, Mr. Welz said that the life extension and modernization of the Authority's transmission system includes upgrades to substations, transmission line and transmission towers. He added that it is problematic for the Authority to upgrade only the portion of the transmission line which it owns. Trustee Dyson suggested that, as part of the discussions at the strategic planning retreat, staff considers inquiring if the private utilities would like the Authority to upgrade their portion of the transmission line as well, at a reasonable price.

Trustee Nicandri moved that the Board adopt a resolution congratulating the staff on their handling of the damage caused by the storm for which they did a very commendable job. He recommended that this be done on behalf of the Board of Trustees to show the Board's appreciation of their efforts. Vice Chairman Foster seconded the motion, in addition to the award Ms. Tursi will be working on. Trustee Curley added his support for the resolution saying that the employees should be recognized for putting themselves in harm's way for an extended period of time on behalf of the Authority and the state. Chairman Townsend and Trustee LeChase also supported the resolution. The resolution was unanimously adopted.

c. Report of the Acting Chief Financial Officer

Acting Chief Financial Officer, Mr. Donald Russak, provided highlights of the report to the Trustees.

He said that the Authority continues to perform well financially and its liquidity position remains strong. For the period ended August 31, 2011, Net Income was \$172 million, which is \$56 million above budget. Lower interest rates have resulted in a positive mark-to-market position of the Authority's investment portfolio. Net income at the end of the year is projected to be approximately \$225 million.

Mr. Russak also reported the following activities for the month of August:

- *The Authority received a settlement payment of \$10.9 million as a result of a lawsuit it filed against the U.S. Department of Energy for partial breach of a contract with the Authority.*
- *The Authority began withdrawal of hydropower sold to the three upstate utilities for implementation of the Recharge New Program.*
- *Proceeds from the Series 2011A bond issue were used to refund the Series 2002A and Series 2008 bonds for a savings of \$19.4 million.*
- *At the close of the comment period for the hydro rate increase, staff will reassess its recommendations and request the Board's approval thereafter.*

In response to a question from Trustee Curley, Mr. Russak said that the Authority will be making discounts. In response to further questions from Trustee Curley, Mr. Russak said residential consumers will not see a difference in their bills as a result of the discounts since the transaction for the discounts is a cash transaction instead of megawatts of energy being sold.

In response to a suggestion from Trustee Dyson, Mr. Russak said that staff continually reviews and monitors its bonds and, if staff determines that a bond authorization is necessary, staff will seek Board authorization for a long-term bond issue. Responding to a question from Trustee Dyson, Mr. Russak said that there is no immediate need for funding request for the life extension and modernization program at the Lewiston plant.

**4. Procurement (Services) Contract –
Blenheim-Gilboa Pumped-Storage Project Relicensing –
Lead Relicensing Consultant – Contract Award**

The Acting President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a procurement contract to Kleinschmidt Associates, P.A., P.C. (‘KA’) to provide consulting services in support of the first phase of the relicensing of the Blenheim-Gilboa Pumped-Storage Project (‘B-G Project’). The term of the contract will be for four years. The amount for which authorization is requested is \$1.03 million.

BACKGROUND

“On December 13, 2010, the Trustees authorized the capital expenditure of up to \$8.7 million to conduct the first phase of the relicensing of the B-G Project. This request seeks to award a multiyear contract for the Lead Consultant to assist the Authority in this effort.

“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.

DISCUSSION

“In 1969, The Federal Power Commission (now the Federal Energy Regulatory Commission (‘FERC’)), issued a 50-year license for the B-G Project. This license expires in April 2019. Along with the St. Lawrence and Niagara projects, the B-G Project represents the core of the Authority’s generation system. The Authority needs to obtain a new license for the B-G Project to continue to operate it after the original license expires.

“The Authority has considerable experience with relicensing its large hydroelectric projects. Relicensing of the St. Lawrence and Niagara Projects were successfully completed in 2003 and 2007, respectively; but the FERC relicensing process is long and complicated. To assist the Authority in this important effort, the Authority is proposing to engage a Lead Relicensing Consultant who will provide a broad range of services through either its own resources, or, as appropriate, through the use of subcontractors.

“To address this need, the Authority solicited proposals from qualified consultants to provide services as the Lead Relicensing Consultant for the B-G Project’s relicensing effort. The services to be provided would include: providing strategic advice; project management and administration; assembling and researching information; preparation of documents and support for informal consultation with stakeholders.

“Bids were received from the following companies:

- Kleinschmidt Associates (Pittsfield, ME)
- The Louis Berger Group (Washington, DC)
- Energy Initiatives Group (Sutton, MA)

“Energy Initiatives Group (‘EIG’) is a company with staff that has substantial experience in the power engineering disciplines, but the company has, essentially, no experience with hydroelectric relicensing. Therefore, EIG was not considered technically qualified for the subject work and its proposal was not given further consideration.

“Both of the other bidders are known to the Authority, have extensive hydroelectric relicensing experience and are technically qualified. KA presented a team approach which would combine the resources of Gomez & Sullivan Engineers and TRC Solutions with their own resources (similar to the team currently implementing the

Niagara Project’s new license Compliance and Implementation program). The Louis Berger Group’s (‘LBG’) proposal included resources from EDR of Syracuse, NY.

“The evaluation team agreed that both bidders were capable of providing a quality work product. They both presented teams of qualified professionals. However, the KA team was judged superior in several technical areas. KA has greater experience representing applicants of pumped-storage projects in relicensing. KA has significantly more experience with the New York State regulatory agencies such as the New York State Department of Environmental Conservation that will play a pivotal role in the relicensing. KA also has more extensive staff resources, which addresses the concern that the departure of key personnel would reduce the consultant’s ability to assist the Authority. KA’s proposal and team demonstrated a clearer understanding of the tasks being undertaken in this project and for working with the Authority. The evaluation team concluded that KA’s proposal and team were technically superior.

“The proposed contract would be a time and materials contract. The commercial terms and personnel rates were comparable between the two technically qualified bidders. On balance, KA team’s proposal was considered to be superior because of its greater experience with pumped-storage project relicensing and New York’s regulatory agencies, as well as the extent of its staff resources.

FISCAL INFORMATION

“Since these expenditures are related to the relicensing of the B-G Project, it will be treated as a capital expense and payments will be made from the Capital Fund.

RECOMMENDATION

“The Vice President – Project Development and Licensing, the Vice President – Procurement, the Regional Manager – Central New York and the Director – Relicensing and Implementation recommend that the Trustees authorize award of a contract to Kleinschmidt Associates P.A., P.C. for \$1.03 million to provide consulting services in support of Phase I of the Blenheim-Gilboa Pumped-Storage Project relicensing.

“For the reasons stated, I recommend the approval of the above requested action by adoption of a resolution in the form of the attached draft resolution.”

The following resolution, as submitted by the Acting 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 Kleinschmidt Associates P.A., P.C. for four years, in an amount of \$1.03 million, to provide consulting services in support of Phase I of the relicensing of the Blenheim-Gilboa Pumped-Storage Project, as recommended in the foregoing report of the Acting President and Chief Executive Officer;

Contractor

Contract Approval

Kleinschmidt Associates P.A., P.C.

\$1,030,000

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the Acting President and Chief Executive Officer, the Acting 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

September 27, 2011

effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting General Counsel.

5. Increase in New York City Governmental Customer Rates – Notice of Proposed Rulemaking

SUMMARY

The Acting President and Chief Executive Officer submitted the following report:

“The Trustees are requested to authorize a Notice of Proposed Rulemaking (‘NOPR’) to increase the Fixed Costs component of the production rates by \$3.4 million or 2.1%, not including Astoria Energy II (‘AE II’) plant expenses to be charged in 2012 to the New York City Governmental Customers (‘Customers’). AE II plant expenses, although part of the Fixed Costs component, are unrelated to this NOPR proceeding.

“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’).

“Further, since the proposed increase is greater than 2%, a public forum will be held in accordance with Authority policy. Trustee authorization is also requested to direct the Corporate Secretary to provide all appropriate notice for such public forum. Upon closure of the 45-day statutory comment period concerning this proposed rate action, Authority staff will take into consideration concerns that have been raised and return to the Trustees at their meeting on December 15, 2011, to seek final adoption of this proposal.

“Authority staff also proposes minor technical corrections to the service tariff to clarify the production minimum billing provision and to correct a typographical error in Table of Contents.

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 are 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 do not require further approval.

“In the rate-setting process for the 2012 Rate Year, the Customers selected an ‘Energy Charge Adjustment (‘ECA’) with Hedging – 20% Cap’ option as a 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).

“On July 10, 2008, the Authority and the Customers entered into an agreement (‘Agreement’) that implemented Article XI of the LTAs concerning the acquisition of long-term resources under a request for proposal (‘RFP’) process. The RFP resulted in the Authority contracting with Astoria Energy II LLC for the full product toll of a 500 MW combined-cycle unit over a twenty year period. The full product toll allows the Authority to capture all energy, capacity and ancillary services output of the generating unit for the benefit of the Customers. Under the Agreement, the costs incurred by the Authority are to be included as part of the COS-based rates, and in order to ensure full recovery of all costs related to the full product toll, NYPA shall use a true-up mechanism to assess charges for under-recovery and apply credits for over-recovery of costs. The 2012 cash payment expected to be made to the AE II owners is \$129 million and these have been included in the Fixed Costs component of the Preliminary 2012 COS. The 2011 expenses associated with AE II, which commenced operations in July 2011, were similarly passed on to Customers through the Energy Charge Adjustment and not included in the 2011 base rates pursuant to the Customers’ request.

“In addition, the Authority reintroduced the production minimum billing provision in its service tariff as part of the recent production rate redesign rulemaking that the Trustees’ approved at their June 28, 2011 meeting. Upon further review and discussion with Customers, Authority staff proposes a technical correction to clarify this provision.

DISCUSSION

I. Fixed Costs Component

“Based on the Preliminary 2012 COS, the increases in Fixed Costs are \$132.4 million; with \$129 million being a pass-through of the payments to the owners of the AE II project. Remaining Fixed Costs are projected to increase by \$3.4 million, or 2.1%, compared to the Final 2011 COS.

“The expenses associated with AE II, which only commenced operations in July 2011, were not included in the base rates for 2011 pursuant to the Customers’ request but, rather, were collected monthly through the Energy Charge Adjustment. Although such AE II costs are included in the Preliminary 2012 COS, they are not the subject of this NOPR. Recovery of the Authority’s AE II costs was separately agreed to through contracts between the Authority and the Customers. Non-AE II Fixed Costs, which are projected to increase by \$3.4 million, or 2.1%, compared to the Final 2011 COS, is the subject for review under this SAPA proceeding.

“Contributors to the additional Fixed Costs are increases in O&M (\$3.6 million) and Shared Services (\$0.7 million) offset by a reduction in Other Expenses (\$0.9 million). The AE II capital lease payments will be \$129.0 million in 2012.

“Base Variable Costs are projected to decrease by a total of \$41.2 million, or 6% compared to the Final 2011 COS and are subject to change depending on the selected hedging strategies. Based on preliminary analyses, Authority staff projects that the 2012 production rate, combining the Fixed and Variable Costs, will increase by about 9.4%.

“Because this proposal would increase revenues to the Authority by more than 2%, a public forum under Authority procedures will be held on Thursday, November 17, 2011 at 11:00 a.m. at the Authority’s New York City office to solicit comments from interested parties.

“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 as well. 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 15, 2011 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 2012 billing period.

“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.

II. Production Minimum Billing

“The current version of the Authority’s Service Tariff No. 100 (‘ST-100’) applicable to the Customers reflected the results of the production and delivery rate structure redesign and improved the tariff’s format and organization. As part of the rate redesign, the Trustees approved the activation of the production minimum bill provision. In preparing to implement this provision effective January 1, 2012, staff learned that a technical correction to ST-100 was needed to make clear that the minimum bill provision applies to the demand portion of the bill only and that energy charges apply regardless of the minimum demand bill. Authority staff proposes to insert the word ‘demand’ in certain places and add language regarding the continuing applicability of energy charges to make this clarification. This will remove any ambiguities and permit the minimum bill provision to operate in the manner intended which is consistent with accepted cost-of-service principles. These changes will ensure a properly functioning minimum bill provision and allow the Authority to achieve a more appropriate recovery of the Fixed Costs component through the customer production demand charges that will lower the estimated revenue shortfall and rate increase for 2012. The proposed corrections, as well as the minimum bill provision itself, are revenue-neutral to the Authority.

In addition, staff proposes to correct a typographical error contained in the Table of Contents to make it consistent with the body of ST-100.

“Clean and redlined versions of the applicable tariff sheets are included in Appendix ‘5-A’ of this memorandum.

FISCAL INFORMATION

“The adoption of this proposal concerning the increase in Fixed Costs applicable to the Customers under the LTAs would result in the Authority continuing to recover all Fixed Costs associated with serving this Customer group.

“The corrections to the production minimum bill provision are revenue-neutral to the Authority.

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 Costs component of the production rates (comprising non-AE II costs) by \$3.4 million to be charged in 2012 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.

“For the reasons stated above, I recommend the approval of the above requested action by adoption of a resolution in the form of the attached draft resolution.”

Mr. Mike Lupo presented highlights of staff’s recommendation to the Trustees. Trustee John Dyson said that he had a very productive conversation with Deputy Mayor Holloway regarding this action and other Authority projects in New York City.

The following resolution, as submitted by the Acting 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 2012 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 Authority on June 28, 2011 approved a rulemaking to effectuate production minimum billing in Service Tariff No. 100 which requires technical corrections 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 Corporate Secretary of the Authority be, and hereby is, authorized to schedule and provide all appropriate public notice of a public forum to be held on Thursday, November 17, 2011 at 11:00 a.m. at the Authority's New York City office for the purpose of obtaining the views of interested persons concerning the Authority's proposed action to adjust the rates for the New York City Governmental Customers; and be it further

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

6. Decrease in Westchester County Governmental Customer Rates – Notice of Proposed Rulemaking

The Acting President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve a Notice of Proposed Rulemaking (‘NOPR’) to decrease the production rates by 2.71% as compared to 2011 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’).

“Authority staff also proposes minor technical corrections to the service tariff to clarify the production minimum billing provision.

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 one-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 December 19, 2006 meeting, 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, 2013 and allow the Authority to apply an Energy Charge Adjustment (‘ECA’) mechanism to the Customers’ bills.

“The current 2011 base production rates were adopted by the Trustees at their January 25, 2011 meeting, when they approved a 16.37% decrease over 2010 rates. Staff is now proposing a 2012 rate decrease which reflects the continuing reduction in the power supply costs as contained in the currently effective 2011 rates. Through 2011, 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.

“In addition, the Authority re-introduced the production minimum billing provision in its service tariff as part of the recent production rate redesign rulemaking that the Trustees’ approved at their June 28, 2011 meeting. Upon further review, Authority staff proposes technical corrections to clarify this provision.

DISCUSSION

I. Production Rate Decrease

“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* COS for next year. The Preliminary 2012 COS for the Westchester Customers is \$36.93 million. The primary cost element, energy purchases, is \$32.81 million and accounts for 89% 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 2012 prices for these two zones are expected to be slightly lower than those that were projected for 2011 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 2012, the projected revenues would be \$37.96 million, resulting in an over-collection of \$1.03 million from Customers.

“Therefore, staff is proposing a 2.71% reduction in base production rates to reflect the continued reduction in the power supply costs as contained in the currently effective 2011 rates. However, it is important to note that, through the end of 2011, the power supply cost reductions will have been passed on to Customers via negative monthly Energy Charge Adjustments and the proposed 2012 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 2011.

“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 25, 2011. Subsequent to the approval of this proposed action by the Trustees, the Customers will be mailed the Staff Report containing the Preliminary 2012 COS.

“Under SAPA, there will be a 45-day statutory comment period. After written comments are filed, Authority staff will review them and address any concerns raised by the Westchester Customers and other interested parties. Staff will make any necessary changes to the proposed rate decrease and return to the Trustees at their December 15, 2011 meeting to request approval of the final rate modification for 2012.

II. Production Minimum Billing

“The current version of NYPA Service Tariff No. 200 (‘ST-200’) applicable to the Customers reflected the results of the production and delivery rate structure redesign and improved the tariff’s format and organization. As part of the rate redesign, the Trustees approved the activation of the production minimum bill provision. In preparing to implement this provision effective January 1, 2012, staff learned that a technical correction to ST-200 was needed to make clear that the minimum bill provision applies to the demand portion of the bill only and that energy charges apply regardless of the minimum demand bill. Authority staff proposes to insert the word ‘demand’ in certain places and add language regarding the continuing applicability of energy charges to make this clarification. This will remove any ambiguities and permit the minimum bill provision to operate in the manner intended which is consistent with accepted cost-of-service principles. These changes will ensure a properly functioning minimum bill provision and allow the Authority to achieve a more appropriate recovery of the fixed cost component through the customer production demand charges that will lower the estimated revenue shortfall and rate increase for 2012. The proposed corrections, as well as the minimum bill provision itself, are revenue-neutral to the Authority.

“Clean and redlined versions of the applicable tariff sheets are included in Appendix ‘6-A’ of this memorandum.

FISCAL INFORMATION

“The proposed rate decrease is expected to reduce revenues collected through the base production rates by \$2.84 million from the Westchester Customers for 2012, which will in turn stabilize the negative ECA charge and will ultimately cover the energy serving costs.

“The corrections to the minimum bill provision are revenue-neutral to the Authority.

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 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.

“For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

Mr. Mike Lupu presented highlights of staff recommendation to the Trustees. In response to a question from Vice Chairman Foster, Mr. Lupu said that this action is possible as a result of market prices coming down.

The following resolution, as submitted by the Acting 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 Acting President and Chief Executive Officer; and be it further

RESOLVED, That the Authority on June 28, 2011 approved a rulemaking to effectuate production minimum billing in Service Tariff No. 200 which requires technical corrections 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 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 Acting President and Chief Executive Officer, the Acting 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 Acting General Counsel.

7. Niagara Power Project – Lewiston Pump Generating Plant Life Extension and Modernization Program – Control System Integration – Contract Award

The Acting President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a nine-year contract to Eaton Corporation (‘Eaton’) of Leroy, NY in the amount of \$10.9 million for the Design, Equipment Procurement and Installation of 12 Unit Control Boards (‘UCB’) and Governor Controls, under the Control System Integration project (‘CSI’) and associated items, as part of the Life Extension and Modernization (‘LEM’) Program at the Lewiston Pump Generating Plant (‘LPGP’).

BACKGROUND

“In accordance with the Authority’s Expenditure Authorization Procedures, the award of non-personal services contracts in excess of \$3 million or contracts exceeding a one-year term requires Trustee approval.

“At their June 29, 2010 meeting, the Trustees approved the Lewiston Pump Generating Plant Life Extension Program at the estimated cost of \$460 million and authorized capital expenditures in the amount of \$131 million. This requested contract award is a part of the previous capital expenditure authorization.

DISCUSSION

“The scope-of-work under this contract includes the design, manufacturing, delivery, installation and commissioning of the UCBs. Two UCBs are scheduled to be delivered prior to the first Unit outage in December 2012 and the remainder will be delivered prior to the third Unit outage. The installation of the UCB will take place as per the Unit Outage schedule of the LPGP LEM Program.

“The Authority issued an advertisement to procure bids in the New York State *Contract Reporter* and bid packages were available as of March 8, 2011. On June 14, 2011 proposals were received from 5 bidders. The proposal prices are shown below:

<u>Bidder</u>	<u>Location</u>	<u>Lump Sum</u>
Eaton Corporation	Leroy, NY	\$10,891,261
Voith Hydro	York, PA	\$11,646,079
L&S Electric, Inc.	Mosinee, WI	\$12,681,083
GE Energy	Longmont, CO	\$16,314,336
Emerson	Pittsburgh, PA	\$17,729,186

“The proposals were reviewed by an evaluation committee comprising staff from Engineering, Procurement, Niagara Site Personnel and Project Management.

“Eaton’s bid was the lowest-priced and was evaluated as technically acceptable. Eaton, which has extensive experience in electrical construction and projects of this magnitude and demonstrated knowledge of the scope-of-work, is capable of completing this project in a timely manner. Eaton has performed satisfactory work for the Authority on prior projects and will be using American Governor as a subcontractor for the governor upgrades.

“The estimated cost of this work is within the authorization of this project which was approved by the Trustees at their June 29, 2010 meeting; this work is included in the 2011 approved Capital Budget. Future funding will be included in the Capital Budget request for those years.

FISCAL INFORMATION

“Payment associated with this project will be made from the Authority’s Capital Fund.

RECOMMENDATION

“The Acting Chief Operating Officer/Executive Vice President and Chief Engineer – Power Supply, the Senior Vice President – Power Supply Support Services, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Procurement, the Project Manager and the Regional Manager – Western New York recommend that the Trustees approve the award of a multi-year contract to Eaton Corporation of Leroy, NY, in the amount of \$10.9 million.

“For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

Mr. John Canale provided highlights of staff’s recommendation to the Trustees. In response to a question from Trustee Nicandri, Mr. Canale said that the original plant equipment, which is 50 years old, is being replaced.

The following resolution, as submitted by the Acting 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 nine-year contract to Eaton Corporation of Leroy, NY, in the amount of \$10.9 million, for the procurement of 12 Unit Control Boards and Governor Controls as part of the Life Extension and Modernization program to renovate and modernize the Lewiston Pump Generating Plant, as recommended in the foregoing report of the Acting President and Chief Executive Officer;

Contractor
Eaton Corporation
Leroy, NY

Contract Approval
\$10.9 million

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the Acting President and Chief Executive Officer, the Acting 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 Acting General Counsel.

8. Great Lakes Offshore Wind ('GLOW') – Staff Report

The Acting President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees previously requested a Staff Report on Great Lakes Offshore Wind ('GLOW') project. At this time, and based on the following information, staff recommends and requests Trustee authorization to close the GLOW competitive solicitation without making an award. The Authority conducted a thorough review of proposals submitted in response to its December 2009 Request for Proposals to Provide Electric Capacity and Energy from a Great Lakes Offshore Wind Generating Project ('GLOW RFP'). Given the estimated annual cost of the proposals received and recognizing current economic conditions, it is not fiscally prudent for the Authority to commit its resources to the estimated annual subsidy required for the GLOW project.

BACKGROUND

“On April 22, 2009, the Authority issued a Request for Expressions of Interest ('RFEI'), its first step in the proposed GLOW initiative to develop offshore wind power in the New York State waters of Lake Erie and/or Lake Ontario. Sixteen responses to the RFEI were received on June 15, 2009. The responses, from the offshore wind industry and local stakeholders, provided relevant information for the development of the GLOW RFP, issued on December 1, 2009.

“In June of 2009, Authority Trustees approved contract funding for technical consultants to support the GLOW and the Downstate LI-NYC Offshore wind projects. For GLOW, the Authority and its consultants completed desktop studies assessing issues and potential impacts of Great Lakes offshore wind development. Reports from the desktop studies included an initial site screening covering wind resource estimates, water depths and shipping lanes, geological desktop studies, assessment of turbine technology, potential impacts of lake ice conditions, fishery and wildlife impacts including avian and bat risks, port and vessel requirements, potential required transmission upgrades and economic development potential. These preliminary investigations revealed no fatal flaws to development of an offshore wind development in the New York State waters of Lakes Erie and Ontario.

“The GLOW RFP sought proposals to develop utility-scale offshore wind generating projects ranging from 120 megawatts ('MW') to 500 MW to be located in the New York waters of Lake Erie and/or Lake Ontario. Goals of the GLOW RFP included helping to diversify the state's energy resources, lessening dependence on carbon-based fuels for better air quality and helping to grow a clean energy economy with new jobs and industries, especially in the upstate region. The RFP stated that the Authority would purchase the full output of the GLOW project under a long-term power purchase agreement ('PPA') with the selected developer(s).

“On June 1, 2010, the Authority received five responses to the GLOW RFP.

“The GLOW project received both support and opposition. Under the Authority-sponsored 'Get Listed' process, approximately 300 New York businesses, and a number of out-of-state businesses registered on the Authority's free-on-line GLOW Business Registry to indicate their ability and interest in participating in an offshore wind industry supply chain. The GLOW Business Registry and 'Get Listed' outreach process was developed by the Authority in coordination with upstate economic development organizations to help facilitate potential relationships between New York businesses and offshore wind developers.

“Local and national environmental groups expressed their support for the comprehensive evaluation process employed by the Authority. Additionally, the Authority received hundreds of letters of support from upstate New York residents. Despite this, legislatures in seven of the nine Great Lakes coastal counties and three municipalities either passed resolutions or issued statements opposing offshore wind projects, some specifically identifying GLOW, and citing visual, environmental and potential rate concerns.

DISCUSSION

“The Authority’s Power Resource Planning and Acquisition business unit led a comprehensive multiphase, multidisciplinary evaluation process. Prior to receipt of bids, complete evaluation criteria and scoring matrices were established by the Selection Committee along with internal and external subject matter experts. The Selection Committee reviewed each of the GLOW proposals with respect to evaluating economic cost impacts, economic development potential, community outreach plans, construction plans, technical merits and viability, permitting and environmental assessment plans and development team experience. The Selection Committee’s review indicated the proposed projects were technically feasible to construct and operate.

“The Selection Committee also thoroughly investigated cost recovery options, in particular the New York State Energy Research and Development Authority’s (‘NYSERDA’) program for renewable generation aimed at meeting state Renewable Portfolio Standard (‘RPS’) goals. Currently, the NYSERDA RPS competitive process does not differentiate among available renewable energy technologies. Offshore wind is considerably more expensive than other renewable energy sources, such as land-based wind and biomass, and thus not competitive in the RPS auctions. There are no expected plans to modify the RPS program to promote offshore wind. Under these conditions, premiums over local market prices for the energy from a GLOW project would be solely an Authority responsibility.

“In response to cost concerns, several options were evaluated for the development of GLOW, including phasing construction over several years, pursuing a smaller pilot-sized project, and the implementation of pre-development field studies to mitigate Authority cost and risks. All options evaluated ultimately require a large financial subsidy from the Authority in order to proceed with the GLOW project. Under current economic conditions, closing the GLOW solicitation without making an award would be fiscally prudent.

“Regional organizations such as the international Great Lakes Commission and the Great Lakes Wind Collaborative are continuing to evaluate offshore wind development in the Great Lakes, working collaboratively across state borders in the United States and Province borders in Canada. These efforts look to understand and mitigate the environmental impact of offshore wind and to take advantage of economies of scale across the Great Lakes to maximize the economic development benefits. The Authority plans to continue its participation in these regional efforts to facilitate the affordable and responsible development of offshore wind in the New York State waters of the Great Lakes in the future.

“In addition to supporting regional Great Lakes offshore wind evaluation efforts, the Authority remains an active member of the Long Island – New York City Offshore Wind Collaborative with Consolidated Edison Company of New York and the Long Island Power Authority in the evaluation of offshore wind off the southern coast of Long Island in the Atlantic Ocean. The Collaborative recently submitted an offshore property lease application with the federal government in order to continue to evaluate the potential for an offshore wind project in the Atlantic Ocean to supply electricity the New York City and Long Island region.

FISCAL INFORMATION

“Closing the GLOW solicitation without award has no future financial impact on the Authority. Confidential information regarding the estimated annual subsidy is included under separate cover for limited distribution.

RECOMMENDATION

“The Director – Supply Acquisition and Renewable Energy recommends that the Trustees authorize the Acting President and Chief Executive Officer, or his designee, to close the Great Lakes Offshore Wind (‘GLOW’) Project’s competitive solicitation and notify bidders that no award will be made.

“For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

Ms. Jill Anderson provided highlights of staff's recommendation to the Trustees. Responding to a question from Vice Chairman Foster, Ms. Anderson said that some of the issues identified were impacts on property value; the fishing community; aesthetics; tourism and environmental concerns.

In response to a question from Trustee LeChase, Ms. Anderson said that staff has drafted a press release regarding this action which will be announced after the meeting. Staff will also conduct outreach to stakeholders by telephone and e-mails. Trustee LeChase requested that the Trustees be given an opportunity to review the press release before it goes out. Ms. Anderson will e-mail the press release to the Trustees for their review.

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

WHEREAS, the Authority issued a Request for Proposals ("RFP") for supply of electric capacity and energy from utility-scale offshore wind generating projects ranging from 120 megawatts ("MW") to 500 MW to be located in the New York waters of Lake Erie and/or Lake Ontario; and

WHEREAS, as a result of evaluating proposals received in response to the RFP, the Authority determined it is not fiscally prudent to commit its resources to the estimated annual subsidy required for the Great Lakes Offshore Wind project ("GLOW");

NOW, THEREFORE, BE IT RESOLVED, that the Acting Chief Executive Officer, or his designee, is hereby authorized on behalf of the Authority to close the GLOW competitive solicitation without award and notify bidders of this outcome; and be it further

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

9. 2011 Operations and Maintenance Budget – Increase in Approved Expenditures for Reinvestment in the Authority’s Critical Facilities – Power Supply Business Group

The Acting President and Chief Executive Officer submitted the following report.

SUMMARY

“The Trustees are requested to authorize investment in the amount of \$9,612.6K, in the 2011 Operations and Maintenance Budget (‘O&M’) for the Power Supply Business Group, to fund critical deferred work at the Authority’s operating facilities.

BACKGROUND

“As a result of the commitment to have a year-over-year flat budget in 2011, select items in Power Supply’s O&M budget were cut or deferred to future years. After evaluating the status and performance of assets in the first half of the year, it was concluded that additional O&M funding would be required to continue safe, reliable and cost-effective operations of the assets.

“In April 2011, the Trustees were advised of the anticipated variance due to the emergence of unplanned equipment repairs and the need to fund critical, deferred work. Strategic investment in these key areas is necessary to ensure the Authority’s assets remain safe and in a condition consistent with good utility practice.

“The current request of \$9,612.6K represents an increase from \$222.9 million to \$232.5 million, or 4.3% to the 2011 approved O&M Budget for Power Supply.

DISCUSSION

“The items below, totaling approximately \$9,612.6K, represent emerging tasks such as the partial replacement of a transformer at the Harlem River site which was severely damaged by fire or the completion of critical engineering work to assess transmission line clearance requirements set forth by the North American Electric Reliability Corporation. The implementation of such tasks is consistent with good business practices, reliability and safety.

Emerging Equipment Repairs (\$000’s) - Actual

Pouch Small Clean Power Plant High Pressure Turbine Blade Repair	\$1,470.6
Small Clean Power Plant Cable Restraints	\$351.4
Harlem River Transformer Repair	\$300.9
Small Clean Power Plant Transformer Trench Bushings	\$304.2
Kent Small Clean Power Plant Catalyst Repair	\$261.1
Blenheim Gilboa Unit #1 Starting Motor Repair	\$346.5
Flynn Power Plant Low Voltage Bushing Replacement	\$177.9

Deferred Work (\$000’s) – YE Projections

Transmission Life Extension and Modernization (NERC Mandated Line Clearance)	\$2,200.0
Transmission Life Extension and Modernization Program	\$500.0

(Phase 1)

Small Clean Power Plant Maintenance Outage (2 Units)	\$3,000.0
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Human Capital (\$000's) – YE Projections

Incremental Overtime Needed to Complete Key projects in 2011	\$700.0
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TOTAL (as of 8/31/11)	\$9,612.6
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FISCAL INFORMATION

“Funding will be made available from the Authority’s Operating Fund.

RECOMMENDATION

“The Acting Chief Operating Officer/Executive Vice President and Chief Engineer – Power Supply and the Senior Vice President – Power Supply Support Services, recommend that the Trustees authorize increased funding in the amount of \$9,612.6K in the Power Supply Operations and Maintenance budget for the 2011 fiscal year for reinvestment in the Authority’s facilities.

“For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

Ms. Dolly Jinvit presented highlights of staff’s recommendation to the Trustees. In response to a question from Trustee Dyson, Mr. Russak said that the Authority will be able to finance these projects. Trustee Nicandri suggested and Trustee Dyson agreed that, in the future, staff should reduce the size of the list by making investments in the Authority’s facilities as an on-going process.

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

RESOLVED, That pursuant to the Expenditure Authorization Procedures adopted by the Authority, approval is hereby granted to increase investment in the 2011 Power Supply Operations and Maintenance Budget, in the amount of \$9,612.6K, for the funding of emergent repairs and currently deferred critical items, as recommended in the foregoing report of the Acting President and Chief Executive Officer; and be it further

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

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

Mr. Chairman, I move that the Authority conduct an executive session pursuant to the Public Officers Law of the State of New York section §105 to discuss matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of a particular person or corporation. On motion made and seconded, an Executive Session was held.

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

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

12. **Next Meeting**

The next regular meeting of the Trustees will be held on **Tuesday, October 25, 2011, at 11:00 a.m., at the Clarence D. Rappleyea Building, White Plains, New York**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

On motion made and seconded, the meeting was adjourned by the Chairman at approximately 1:50 p.m.

A handwritten signature in black ink, appearing to read "Karen Delince". The signature is fluid and cursive, with a large initial "K" and "D".

Karen Delince
Corporate Secretary

September 27, 2011

EXHIBITS

For

September 27, 2011

Trustees' Meeting

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

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
ENERGY SERVICES & TECHNOLOGY-ENERGY SERVICES	Q11-4995; 4 awards: 1. ARCADIS US INC. New York, NY 2. HILL INTERNATIONAL, INC. New York, NY 3. NAUTILUS CONSULTING, LLC Syosset, NY 4. THE LOUIS BERGER GROUP, INC. New York, NY (PO#s TBA)	10/01/11 (on or about)	Provide for technical risk management services in connection with SENY Energy Services Program ("ESP") projects	09/30/16	B/P			\$5,000,000*
								*Note: represents aggregate total for up to 5-year term All costs will be recovered by the Authority.
ENERGY SERVICES & TECHNOLOGY-RESEARCH & TECHNOLOGY DEVELOPMENT + TRANSMISSION	2 awards: 1. THE VALLEY GROUP, INC. (A NEXANS Company) Bethel, CT 2. NEW ELECTRICITY TRANSMISSION SOFTWARE SOLUTIONS, INC. (“NETSS”) Sudbury, MA (PO#s TBA)	01/01/12 (on or about)	Provide for equipment and services in connection with the Dynamic Line Rating Demonstration Project (Co-funded by NYSERDA)	12/31/14	S/N			\$950,000* \$650,000*
								*Note: represents total for up to 3-year term 50% of the costs will be reimbursed by NYSERDA

♦ **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; A= Architectural & Engineering Service; L= Legal Service

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

EXHIBIT "2b-A"
September 27, 2011

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
ENERGY SERVICES & TECHNOLOGY-ENERGY SERV. + POWER SUPPLY-EH&S	VEOLIA ES TECHNICAL SOLUTIONS, LLC Port Washington, WI (HQ) and Stoughton, MA (Facility) (Q11-5075; PO# TBA)	10/01/11 (on or about)	Provide for recycling/disposal of lamps, light ballasts and other related waste streams generated by Energy Services Program projects	09/30/16	B/S			\$7,500,000*
*Note: represents total for up to 5-year term All costs will be recovered by the Authority.								
ENTERPRISE SHARED SERVICES - INFORMATION TECHNOLOGY	Q11-5019; 16 pre-qualified firms: 1. CARLYLE CONSULTING SERVICES, INC. New York, NY 2. COMPNOVA, INC. Richardson, TX 3. DELPHI SOLUTIONS, LLC dba ROHN ROGERS ASSOCIATES New York, NY 4. ECLARO INTERNATIONAL, INC. ♦ New York, NY 5. GLOBAL IT SOLUTIONS USI, INC. ["GITSUS"] ♦ Brooklyn, NY 6. INFOTECH GLOBAL, INC. ♦ Piscataway, NJ 7. KFORCE INC. New York, NY	10/01/11 (on or after)	Provide for services of temporary programming personnel to support various IT initiatives, on an "as needed" basis	09/30/14	B/S			\$9,000,000*
*Note: represents aggregate total for up to 3-year term								

[continued on next page]

♦ 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; A= Architectural & Engineering Service; L= Legal Service

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

EXHIBIT "2b-A"
 September 27, 2011

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
	Q11-5019 continued:							
	8. MANPOWER PROFESSIONAL SERVICES							
	dba EXPERIS IT Milwaukee, WI							
	9. MITCHELL MARTIN INC.							
	New York, NY							
	10. MONROE STAFFING SERVICES							
	Monroe, CT							
	11. NEOTECRA, INC.							
	New York, NY							
	12. PSI INTERNATIONAL, INC. ♦							
	Fairfax, VA							
	13. QED NATIONAL ♦							
	New York, NY							
	14. RCG GLOBAL SERVICES							
	(formerly RCG INFORMATION TECHNOLOGY, INC.) Edison, NJ (HQ) New York, NY (Branch Office)							
	15. SYSTEM EDGE (USA), LLC ♦							
	Iselin, NJ							
	16. UNIQUE COMP INC. ♦							
	Long Island City, NY (PO#s TBA)							

♦ 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; A= Architectural & Engineering Service; L= Legal Service

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

EXHIBIT "2b-A"
September 27, 2011

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
LAW	ABRAMS & ABRAMS LLP New York, NY (Q11-5103; PO# TBA)	10/01/11 (on or about)	Provide for legal services in connection with immigration matters	09/30/16	C/L			\$250,000*
							*Note: represents total for up to 5-year term	
POWER SUPPLY- SENY + PROJECT MANAGEMENT+ EH&S	Q11-5093; 2 awards: 1. ALLSTATE POWER VAC, INC. Rahway, NJ 2. MILLER ENVIRONMENTAL GROUP, INC. Calverton, NY (PO#s TBA)	10/01/11 (on or about)	Provide for general environmental services for the Authority's SENY plants	09/30/16	B/S			\$7,500,000*
							*Note: represents aggregate total for up to 5-year term	
POWER SUPPLY- PROJECT MANAGEMENT	Q11-5061; 4 awards: 1. AECOM TECHNICAL CORP. New York, NY 2. GREENMAN-PEDERSEN, INC. Montebello, NY 3. STONE & WEBSTER ENGINEERING NEW YORK, P.C. (a Shaw Group company) Stoughton, MA (HQ) and New York, NY (Branch Office) [continued on next page]	10/01/11 (on or about)	Provide for on-call engineering, construction management and oversight services for Authority Projects and facilities statewide	09/30/15	B/P			\$10,000,000*
							*Note: represents aggregate total for up to 4-year term	

♦ **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; A= Architectural & Engineering Service; L= Legal Service

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

EXHIBIT "2b-A"
 September 27, 2011

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
	Q11-5061 continued:							
	4. TRC ENGINEERS, INC. Windsor, CT (HQ) New York, NY (Branch Office) (PO#s TBA)							

◆ 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; A= Architectural & Engineering Service; L= Legal Service

Procurement (Services) Contracts – Extensions and/or Additional Funding
(For Description of Contracts See "Discussion")

EXHIBIT "2b-B"
September 27, 2011

<u>Plant Site/ Bus. Unit</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
POWER SUPPLY- SCPPs	GE PACKAGED POWER, INC. Houston, TX 4600001798	04/01/07	Provide for emergency repair support services for SCPPs	12/31/12	S/S	\$11,000,000 ("Target Value") *Note: includes previously approved amount of \$11 million + CURRENT INCREASE OF \$5 million	\$9,772,866 ("Released Amt")	\$16,000,000*
POWER SUPPLY- PROJECT MANAGEMENT + NIAGARA	MOLLENBERG BETZ, INC. Buffalo, NY 4500194884	10/13/10	Provide for upgrade of CO2 ventilation system at RMNPP	04/12/12	B/C	\$506,028 *Note: includes originally approved amount of \$423,000 + an additional \$83,028 authorized per the EAPs NO ADDITIONAL FUNDING REQUESTED	\$304,220	\$506,028*
POWER SUPPLY- ASSET & MAIN- TENANCE MGMT	PREMIER UTILITY SERVICES, LLC Hauppauge, NY 4500195520	10/26/10	Provide for locating and mark-out services for underground utilities at NYPA-owned or ope- rated facilities or prop- erty in SENY region	12/31/11	S/S	\$10,000 *Note: represents originally approved amount of \$10,000; NO ADDITIONAL FUNDING REQUESTED	\$5,287	\$10,000*
POWER SUPPLY- TRANSMISSION + PROJECT MANAGEMENT	QUANTA TECH- NOLOGY, LLC Raleigh, NC 4500194644	09/29/10	Perform a condition assessment of the Authority's Transmission System assets	03/31/12	B/P	\$2,183,228 *Note: includes previously approved amount of \$2,047,733 + an additional \$135,495 authorized per the EAPs NO ADDITIONAL FUNDING REQUESTED	\$1,089,327	\$2,183,228*

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 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

Acting Chief Executive Officer Report Gil Quiniones

September 27, 2011

Board of Trustee Meeting

Acting CEO Report Overview

- Executive Management
- Storms, Flooding, and Additional Response
- Key Issues
 - Recharge New York Implementation
 - Long Island – New York City Offshore Wind
 - Proposed Hydro Rate Increase
 - Overhead Cost Reductions
 - Financial and Strategic Planning

Executive Management

- **Donald Russak**
Senior Vice President, Corporate Planning & Finance
Acting Chief Financial Officer
- **Edward Welz**
Executive Vice President & Chief Engineer Power Supply
Acting Chief Operating Officer
- **Judith McCarthy**
First Deputy General Counsel
Acting General Counsel
- **Paul Finnegan**
Senior Vice President Public, Governmental, & Regulatory Affairs
- **James Pasquale**
Senior Vice President Marketing & Economic Development
- **Joan Tursi**
Senior Vice President Corporate Support Services
- **Michael Saltzman**
Director Media Relations

Storms, Flooding, and Response

Blenheim-Gilboa

- Staff managed an inflow surge of water equivalent to 1.3 times the flow over Niagara Falls during peak tourist season.
- Preserved the lower reservoir.



Flooding debris near Blenheim-Gilboa Plant



All three Tainter gates in full 42 ft. open position.

Storms, Flooding, and Response

Vischer Ferry

- Shored-up and prevented the earthen embankment at Lock 7 from failing when the flows on the Mohawk River reached historic high levels and crested above the concrete core wall.



Debris from storm damage at Vischer Ferry



Reinforcing downstream side of the embankment

Storms, Flooding, and Response

Additional Response

- Three transmission crews provided assistance to Long Island Power Authority (LIPA) and New York State Electric and Gas (NYSEG)
- Employees volunteered on weekends for flood clean-up



NYPA transmission crews assisted LIPA and NYSEG during storm response

Key Issues

Recharge New York Implementation

- Communications roll-out in progress
- Applications available starting today, due November 30
- Initial allocations to be made in mid-December

Long Island – New York City Offshore Wind

- Lease application filed with the federal government on September 15 on behalf of the Collaborative, including LIPA and Con Edison
- Next step is preliminary review of the application and determination of the type of process to be used for award

Proposed Hydro Rate Increase

- Public comment period and communications outreach has commenced
- Staff met with elected officials in the Niagara and St. Lawrence regions on September 8 and 9
- Public Forums are scheduled for Syracuse (September 19), Niagara (September 20) and Massena (September 22)

Key Issues

Overhead Cost Reduction

- Study conducted at the request of the Trustees in July
- Near term savings opportunities identified in the areas of staffing, consulting, and other headquarters spending: recommendations to be presented at September meeting
- Longer term savings under review – to be incorporated into 2012 Budget request

Financial and Strategic Planning

- Operation & Maintenance and Capital Budgets to be presented at December Board meeting with briefing materials distributed mid-to-late November
- Annual Strategic Plan to be presented at March 2012 Board meeting for filing with the New York State Authorities Budget Office

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Edward Welz
Acting Chief Operating Officer

TO: NYPA BOARD OF TRUSTEES
FROM: EDWARD WELZ, ACTING CHIEF OPERATING OFFICER
DATE: SEPTEMBER 27, 2011
SUBJECT: MONTHLY REPORT FOR THE BOARD OF TRUSTEES

This report covers performance of the Operations group in July and August. In August, Tropical Storm Irene passed through New York State causing flooding, power outages, and storm-related damage in New York City, Long Island, and the Hudson Valley. NYPA facilities in these areas were threatened, but NYPA Operations and other staff managed these emergency situations with no resulting significant damage.

Power Supply

Plant Performance

Systemwide net generation¹ was 2,710,698 megawatt-hours² (MWh) in July, compared to projected net generation of 2,344,705 MWh. In August, systemwide net generation was 2,566,067 MWh compared to projected net generation of 2,283,576 MWh. Year-to-date net generation is 18,031,656 MWh, compared to the target of 16,918,207 MWh.

The fleet availability factor³ was 99.5 percent in July, 99.3 percent in August, and is 99.4 percent for the year. Generation market readiness factor⁴ was 99.9 percent in July and 99.7 percent in August, compared with monthly targets of 99.4 percent. Year-to-date generation market readiness factor is 99.9 percent.

There was one significant unplanned generation event⁵ in July. At the Brentwood Gas Turbine Facility on Long Island, a gas compressor⁶ tripped due to low lube oil pressure. The resulting outage lasted three days.

There were no significant unplanned generation events in August.

Generation revenue in July was \$247.7 million, with less than \$0.1 million revenue lost from unscheduled outages. Generation revenue in August was \$210.5 million, with less than \$0.3 million revenue lost from unscheduled outages. Year-to-date lost opportunity cost is \$1.91 million, about 0.14 percent of year-to-date generation revenue of \$1,360.0 million.

River flows at the Niagara Power Project were above forecast in July and August, and are forecast to be above average through the beginning of 2012. At the St. Lawrence-FDR Power Project, flows were above forecast in July and August, and are expected to be at historical average levels in 2012.

Transmission Performance

Transmission reliability⁷ in July was 94.99 percent, which was below the target of 99.68 percent. Transmission reliability in August was 96.15 percent, which was below the target of 99.58 percent. Year-to-date transmission reliability is 98.20 percent, below the target of 98.69 percent.

There was one significant unplanned transmission event⁸ in July that continued into August. On July 15, the Long Island Sound Cable⁹ (Y49 Feeder) experienced a fault in a buried section of the cable in Westchester County that resulted in an outage of 335 hours in July and 229 hours in August. Line repairs were completed on August 10.

Life Extension and Modernization Program

Work on Unit 19 at the St. Lawrence-FDR Power Project, the 15th of the 16 units, began on July 25 as part of the Project's Life Extension and Modernization¹⁰ (LEM) program. The unit is expected to return to service on April 18, 2012. The 2013 scheduled completion date for the LEM project remains unchanged.

Environmental

There were three reportable events in July. At the Niagara Power Project, a lawn mower released over one pint of hydraulic fluid to land and approximately one gallon of hydraulic fluid to pavement due to a failed fitting. This incident was reported to the NYS Department of Environmental Conservation (NYSDEC) because it occurred partly on a permeable surface (i.e. grass and dirt). The spill was immediately cleaned up. Also at Niagara, an air conditioning unit leaked approximately 5.8 pounds of R-22 refrigerant¹¹, exceeding the NYS Department of Environmental Conservation (NYSDEC) Reportable Quantity limit (1 pound). At the St. Lawrence-FDR Power Project, approximately two to three gallons of hydraulic oil was released from a ruptured hydraulic line. NYPA General Maintenance responded with oil pads and booms to contain the spill, and approximately two yards of contaminated soil was recovered and stockpiled for future disposal.

There were two reportable events in August. At Niagara, there was an exceedance of the Total Suspended Solids condition of the State Pollution Discharge Elimination System (SPEDS) permit¹², most likely as a result of improper contractor sampling. On the

Transmission system, approximately 2,200 gallons of dielectric fluid was released as a result of pipe corrosion on Feeder Q35L. The leak was discovered by Con Edison, which maintains the line and made regulatory notifications to NYSDEC and the NYC Department of Environmental Protection. Clean up efforts are ongoing.

Year-to-date number of recordable environmental incidents is 25; the 2011 target is 25.

Transmission Initiative

NYPA continues 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 and Long Island. Staff is developing alternative project configurations that would terminate in either Westchester County or further north of New York City. These configurations could be more cost effective and could address many New York State energy issues.

Technical Compliance – NERC Reliability Standards

In July, the Northeast Power Coordinating Council (NPCC)¹³ completed its on-site Federal Energy Regulatory Commission¹⁴ (FERC) Order 706 audit for Critical Infrastructure Protection¹⁵ (CIP) standards at the Clark Energy Control Center and Niagara Power Project. In its exit briefing, the NPCC audit team stated that they did not discover any findings of potential violations of the CIP standards. They suggested a couple of improvements for NYPA's CIP compliance program, but also identified several examples of reliability compliance excellence.

Also in July, NPCC completed its off-site FERC Order 693 audit (non-CIP standards) of NYPA. In its exit briefing, the NPCC audit team stated that they did not discover any findings of potential violations of the FERC Order 693 standards that were audited, nor did they have any recommendations for improvements.

In August, NPCC provided NYPA with the draft public and non-public audit reports for both the Order 706 and Order 693 audits. The reports defined the audit process, the audit methodology and scope, and summarized the audit results. As stated above, there were no findings of potential violations from either audit – a significant accomplishment. NYPA provided NPCC with minor comments on the FERC Order 693 draft audit reports in late August. Comments on the FERC Order 706 draft audit reports will be submitted to NPCC in mid-September. The final reports for both audits are expected to be completed and filed with the North American Electric Reliability Corporation¹⁶ (NERC) in late September.

Pursuant to FERC Order 743, NERC established a Standard Drafting Team to develop a new Bulk Electric System (BES) definition and a Rules of Procedure Team to develop rules of procedure for an exception process. NYPA's internal team of subject matter experts continues to monitor the work of both of these teams. At a July meeting in Salt Lake City, the teams reviewed and discussed industry comments related to demonstrating exceptions and the exception process. In August, the teams posted the second draft of the new BES Definition and Implementation Plan for a 45-day ballot pool and comment period and a 10-day ballot period.

The Rules of Procedure, which addresses the process for requesting BES exceptions, is anticipated to be posted for stakeholder comment and ballot in September. NYPA will submit comments and vote on these proposals pursuant to the established standards development process.

Representatives from the New York Independent System Operator¹⁷ (NYISO) and the New York Transmission Owners continue to work together to plan for obligations that could result from the revised BES definition. Preliminary estimates of possible cost and resource implications to meet the obligations of the Reliability Coordinator and Transmission Operator functions using three evaluated options of registration models were completed following a high level review of the requirements within the current applicable NERC Standards. The general consensus during the team's August 30 meeting was that compliance may require significant increases in enduring resources to manage both operational and compliance requirements. However, the analysis remains insufficient to inform a recommendation. The team agreed to review the requirements in more detail and identify what additional next steps are required to achieve a robust recommendation. The next meeting is planned for September 16, when NPCC will be invited to provide its perspective on Transmission Operator registration options.

NYPA continues to implement its assessment plan developed in response to NERC's Alert Recommendation to Industry regarding overhead transmission line ground clearances pursuant to the NERC Facility Ratings Standards. NYPA's assessment progressed as planned in July and August. Consultants performing ground clearance studies of NYPA transmission facilities issued an updated schedule confirming that all studies will be complete by the end of 2011.

In July, NYPA received notification that the mitigation plans for self-reports identified in February 2011 associated with NERC Standards PRC-005 and PRC-018 were approved by NPCC and NERC enforcement staff.

Energy Resource Management

NYISO Markets

In July, Energy Resource Management (ERM) bid more than 2.7 million MWh of NYPA generation into the NYISO markets, netting \$85.8 million in power supplier payments to the Authority. In August, Energy Resource Management (ERM) bid more than 2.5 million MWh of NYPA generation into the NYISO markets, netting \$69.6 million in power supplier payments to the Authority. Year-to-date net power supplier payments are \$376.5 million.

Fuel Planning & Operations

In July, NYPA's Fuels Group transacted \$36.5 million in natural gas and oil purchases, compared with \$20.3 million in July 2010. In August, the Fuels Group transacted \$29.1 million of fuel purchases, compared with \$20.0 million in August 2010. Year-to-date natural gas and oil purchases are \$182.9 million, compared with \$155.2 million at this point in 2010. The total

year-to-date \$27.7 million increase is mainly attributed to the start up of Astoria Energy II Plant (+\$22.0 million), increased fuel cost at the 500-MW Combined Cycle Plant (+\$2.5 million), and increased generation at the Small Clean Power Plants (+\$6.1 million) and the Richard M. Flynn Power Plant (+\$9.7 million), which was offset by cessation of operations at the Poletti Power Project (-\$12.6 million, the last day of operations was January 31, 2010).

GLOSSARY

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 100-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 pumped storage unit was pumping water instead of generating power).

⁴ **Generation Market Readiness Factor** – The availability of generating facilities for bidding into the New York Independent System Operator (NYISO) market. It factors in available hours and forced outage hours that 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 **Compressor** – The part of the gas-fired turbine that compresses intake air to high pressure so that it can be used in the combustion area.

⁷ **Transmission Reliability** – A measurement of the impact of forced and scheduled outages on the statewide system's ability to transmit power.

⁸ **Significant Unplanned Transmission Events** – Forced or emergency outages of individual transmission lines that 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 eight hours, or have a repair cost greater than \$75,000.

⁹ **Long Island Sound Cable** – The Sound Cable Project, designated as Feeder Y49, is a 345 kV AC transmission circuit connecting the Consolidated Edison Company of New York, Inc. Sprain Brook Substation in Westchester County with the LIPA East Garden City Substation in Nassau County. The project is approximately 26.3 mile long, including 18.4 miles of underground high pressure fluid filled pipe-type cable and 7.9 miles of underwater self-contained fluid filled cable submarine crossing in the Long Island Sound.

¹⁰ **Life Extension and Modernization Program** — A major undertaking in which all the turbines at the St. Lawrence-Franklin D. Roosevelt project are being replaced and the generators

and other components significantly refurbished. The program is intended to ensure that the project operates at maximum efficiency far into the future.

¹¹ **R-22 Refrigerant** – Common refrigerant used in residential and light commercial air conditioning, refrigerators, and freezers. R-22 is being phased out of production in the U.S. because of concerns over its threat to ozone depletion.

¹² **State Pollution Discharge Elimination System (SPDES) Permit** – A permit required by the New York State Department of Environmental Conservation to regulate the point source discharge of pollutants contained in process water and storm water to surface water and ground water in New York State.

¹³ **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).

¹⁴ **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.

¹⁵ **Critical Infrastructure Protection (CIP)** – The Critical Infrastructure Protection (CIP) program coordinates all of the North American Electric 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.

¹⁶ **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.)

¹⁷ **New York Independent System Operator** – 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.

New York Power Authority

Report of the Chief Financial Officer

For the Eight Months Ended August 31, 2011

**Report of the Chief Financial Officer
For the Eight Months Ended August 31, 2011
Executive Summary**

Results of Operations

Net income for the eight months ended August 31, 2011 was \$172.7 million which was \$56.3 million higher than budgeted. Positive variances attributable to higher net margins on sales (\$28.2 million) and higher non-operating income (\$41 million) were partially offset by higher other operating expenses (\$21.2 million).

Net margins on sales were higher at St. Lawrence (\$24.4 million) and Niagara (\$14.7 million) due to higher generation and higher prices on market-based sales. Net generation at Niagara and St. Lawrence was 21% higher than budgeted for the month of August and 10% higher than budgeted for the year-to-date. These positives were partially offset by a lower net margin at Blenheim-Gilboa (\$6.1 million) primarily due to lower prices on capacity sales. Non-operating income through August included a higher mark-to-market gain on the Authority's investment portfolio (\$14.8 million), lower interest costs (\$15.1 million) and the settlement of a spent nuclear fuel claim (\$11 million) not included in the budget. The mark-to-market gain and lower interest costs resulted primarily from lower than budgeted market interest rates. In August, the Authority received a payment of \$11 million settling a claim against the U.S. Department of Energy relating to the failure to take delivery of spent nuclear fuel for disposal from the Indian Point 3 and James A. FitzPatrick nuclear power plants. Other operating expenses were higher due to additional Power for Jobs related voluntary contributions to New York State (\$11.5 million) and the recognition of residential consumer discounts (\$8.3 million) included in the Recharge New York (RNY) Power Program legislation. The additional Power for Jobs voluntary contribution includes \$7.5 million related to 2010 paid in June and the accrual of a portion of the amount for 2011. On June 28, 2011, the Authority's Trustees authorized the use of revenues from the sale of withdrawn hydropower under the RNY legislation into the wholesale market or, as necessary, internal funds to fund the residential consumer discount program for its first six months.

Net income through August 2011 (\$172.7 million) was \$58 million higher than the comparable period in 2010 (\$114.7 million). Lower voluntary contributions to New York State (\$82 million) were partially offset by lower net operating income (\$17.6 million) and lower non-operating income (\$6.4 million) during the period. Year-to-date voluntary contributions were \$65 million in 2011 compared to \$147 million through August 2010. Net operating income was lower primarily due to higher other operating expenses in 2011 including higher retiree health benefits and higher Power for Jobs related contributions to New York State. Non-operating income in 2011 reflects a lower mark-to-market gain on the Authority's investment portfolio and higher interest costs (primarily related to Astoria II) than the comparable period in 2010.

Year-end Projection

Year-end net income is currently projected to be \$223 million, \$45 million above the 2011 budget. The projected increase is mainly attributable to increased hydro generation (\$42 million), higher energy prices (\$17 million) and the aforementioned claim settlement with the U.S. Department of Energy (\$11 million). These positives were partially offset by the impact of lower capacity prices (\$22 million) and higher voluntary contributions (\$8.5 million) related to the Power for Jobs Program. The current annual hydro generation forecast remains at 20.6 TWh for 2011 (1.5 TWh above budget). Energy prices are approximately 13% higher than the 2011 budget, while capacity prices have declined by approximately 11% for New York City and 79% for Rest-of-State.

Cash & Liquidity

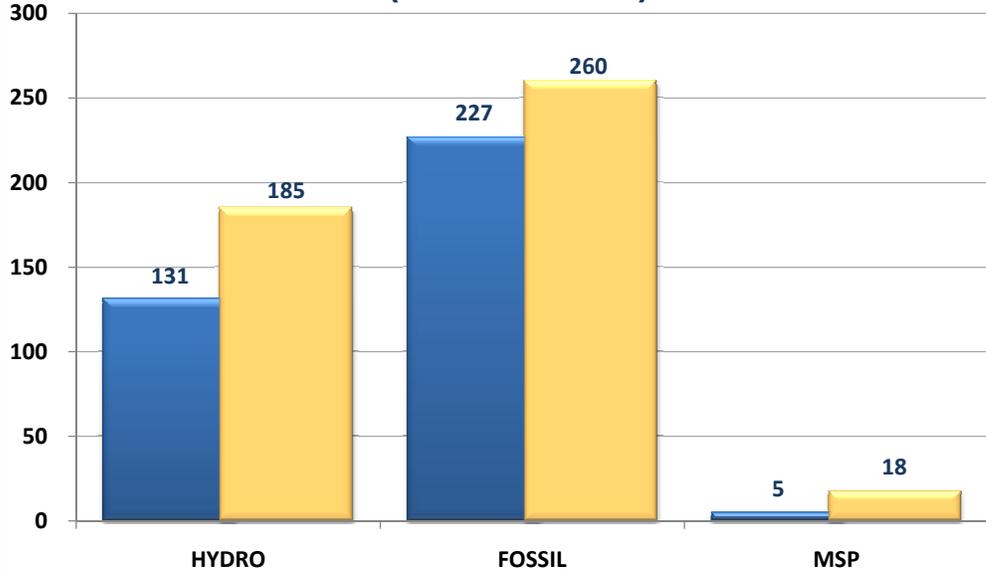
The Authority ended the month of August with total operating funds of \$1,155 million as compared to \$1,069 million at the end of 2010. The increase of \$86 million was primarily attributable to net cash from operations and the Value Sharing payment received from Entergy in January partially offset by voluntary contributions to New York State, scheduled debt service payments, and delivery service refunds to NYPA's SENY Government customers.

Net Income
Eight Months ended August 31, 2011
(\$ in millions)

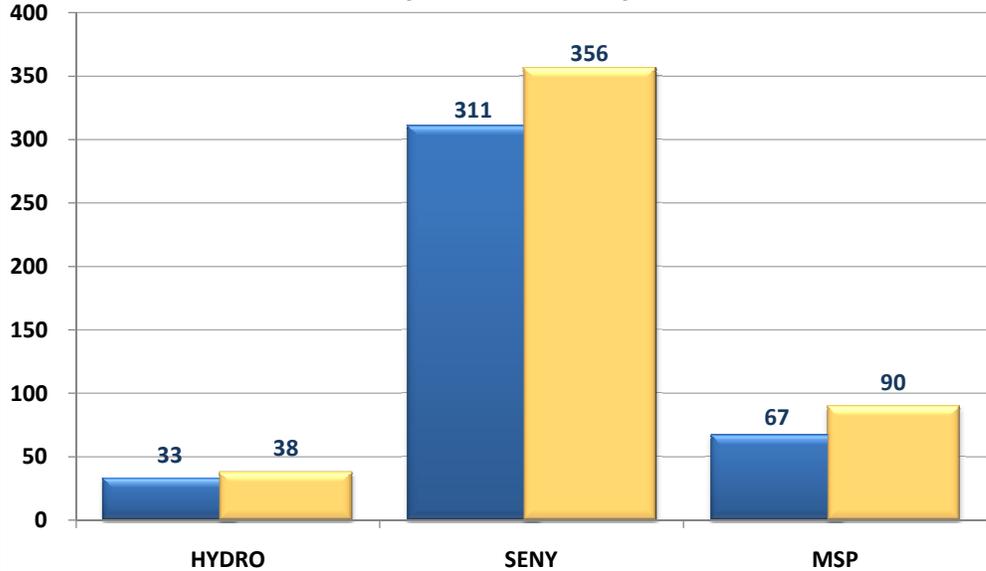
	Actual	Budget	Variance
Niagara	\$73.7	\$59.6	\$14.1
St. Lawrence	38.1	19.0	19.1
Blenheim-Gilboa	(9.3)	(3.2)	(6.1)
SENY	25.5	23.9	1.6
SCPP	16.6	14.2	2.4
Market Supply Power	(38.4)	(27.2)	(11.2)
Flynn	11.3	8.4	2.9
Transmission	26.5	23.6	2.9
Non-facility	28.7	(1.9)	30.6
Total	\$172.7	\$116.4	\$56.3

<u>Major Factors</u>	<u>Better (Worse)</u>
<p><u>Niagara</u> Primarily higher net margin on sales and lower O&M. Net margins were higher (\$14.7) due to higher market based sales (9% higher net generation) partially offset by higher purchased power costs to support customer loads . Purchased power costs were higher due to an extended outage at an upstate transmission line. Lower O&M due to timing underruns in non-recurring projects were substantially offset by hydro subsidies related to the Recharge NY Power Program.</p>	\$14.1
<p><u>St. Lawrence</u> Higher net margin (\$24.4) resulting from 14% higher generation and higher prices on market sales (\$40/mwh vs \$37/mwh), partially offset by hydro subsidies related to the Recharge NY Power Program (\$4.6).</p>	19.1
<p><u>Blenheim-Gilboa</u> Lower prices on capacity sales into the market.</p>	(6.1)
<p><u>Market Supply Power</u> Primarily accruals and payment of voluntary contributions (\$11.5) not in budget (extension of Power for Jobs program).</p>	(11.2)
<p><u>Flynn</u> Primarily lower fuel costs due to lower prices.</p>	2.9
<p><u>Other facilities</u> Positive variances at the SCPP's (\$2.4) due to higher production and prices and at the Transmission facility (\$2.9) due to lower O&M and other expenses.</p>	6.9
<p><u>Non-facility (including investment income)</u> Mark-to-market gain on the Authority's investment portfolio (\$14.8) due to lower than budgeted market interest rates during the period and settlement of spent nuclear fuel claim (\$11.0)</p>	30.6
Total	\$56.3

Market-Based Energy Sales
Eight months ended August 31, 2011
 (\$ in millions)



Market-Based Energy Purchases
Eight months ended August 31, 2011
 (\$ in millions)



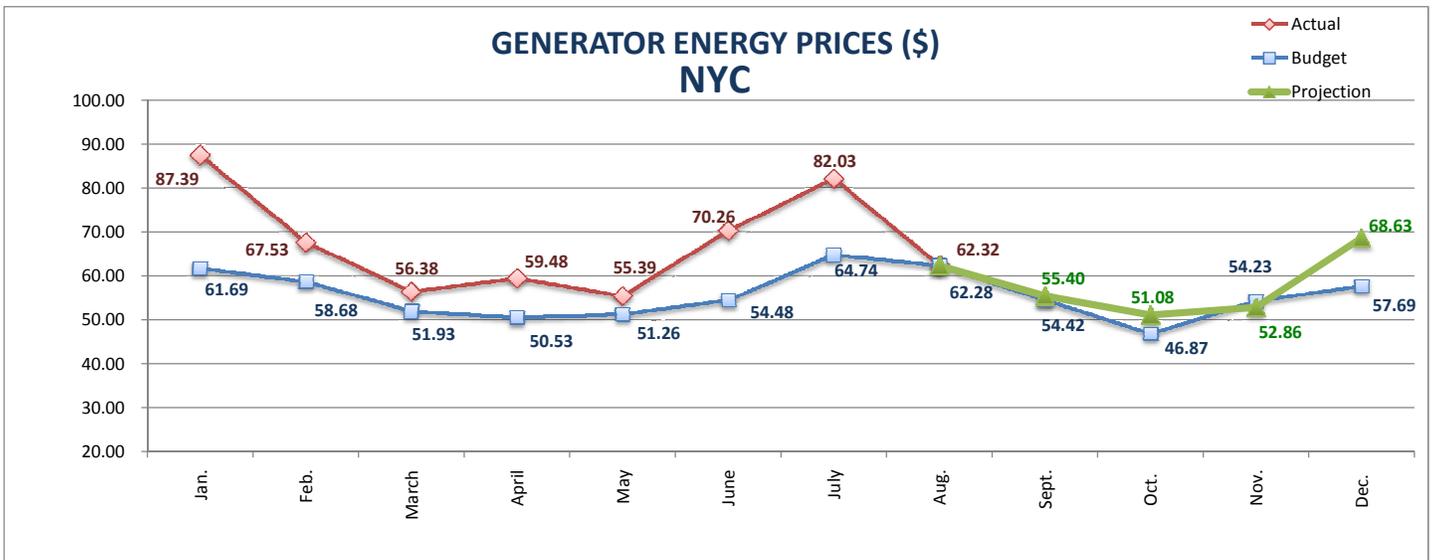
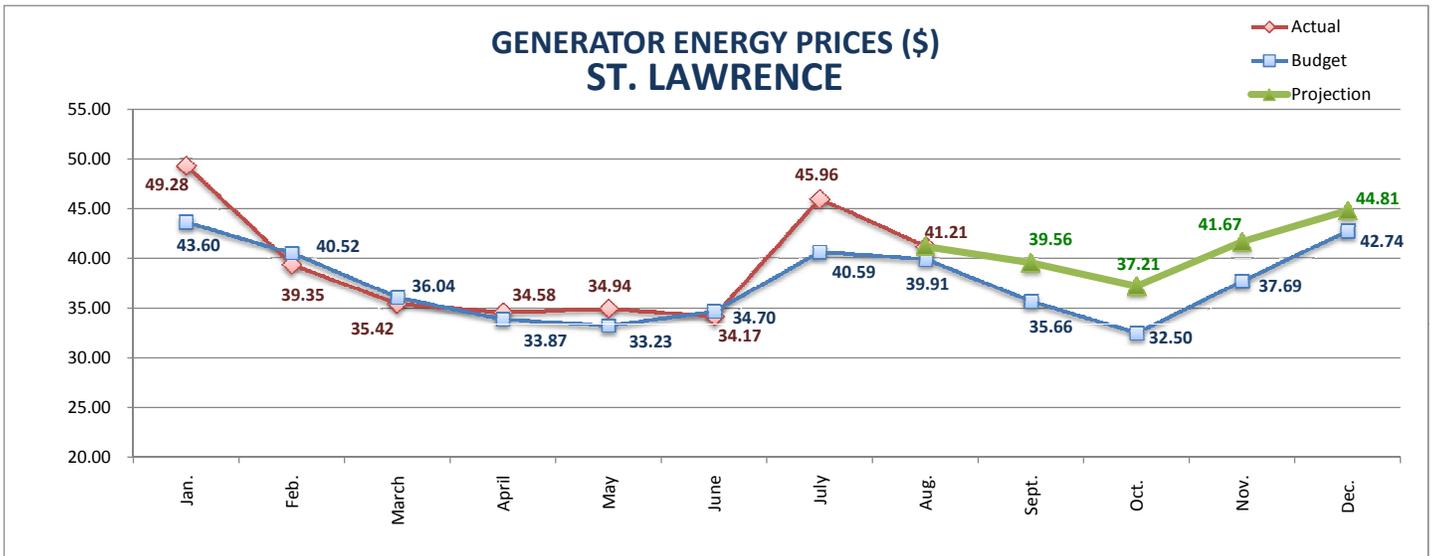
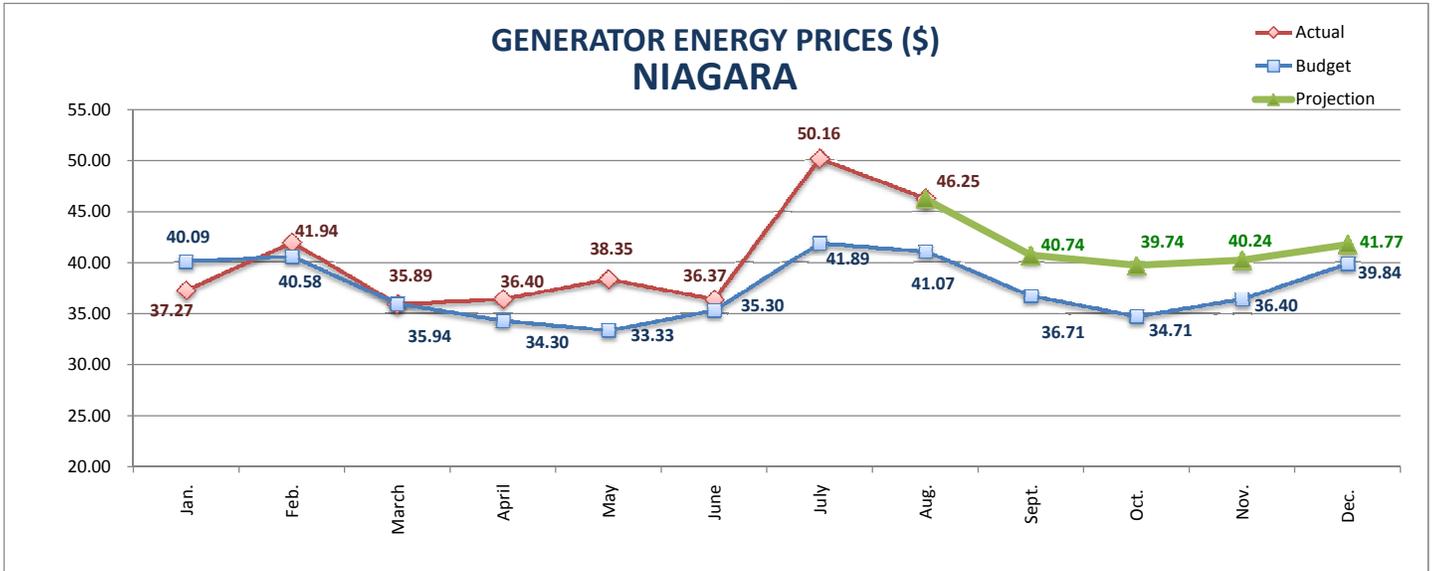
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	2,696,284	4,038,017
Fossil	3,395,057	3,468,719
MSP	148,142	382,694
TOTAL	6,239,483	7,889,430
PRICES (\$/MWH)		
Hydro*	\$40.95	\$43.88
Fossil	\$58.94	\$66.71
MSP	\$35.31	\$45.91
AVERAGE	\$50.61	\$54.01

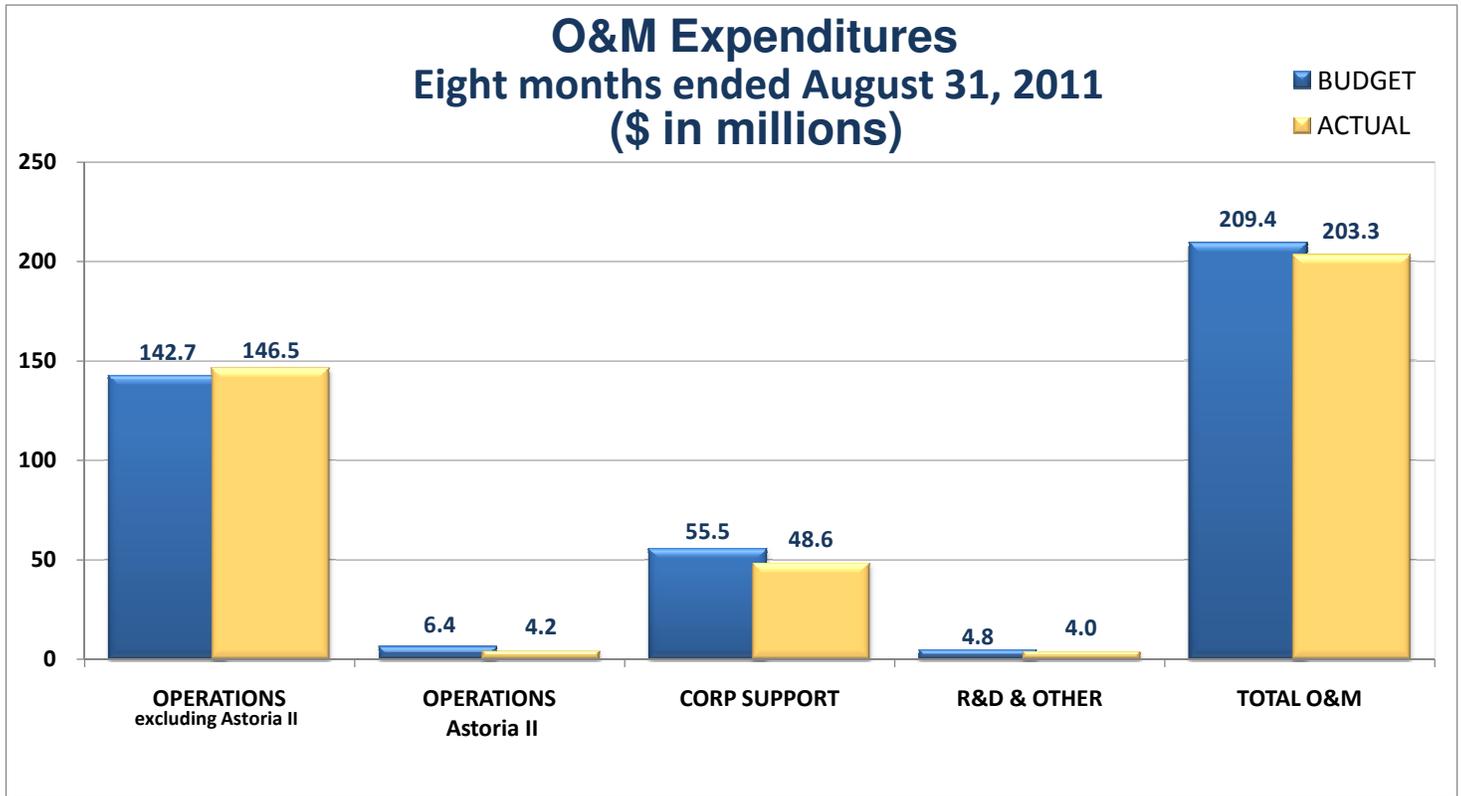
* Includes Niagara, St. Lawrence, B-G, and Small Hydro.

REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,290,038	2,327,020
St. Law.	886,567	1,402,274
PRICES (\$/MWH)		
Niagara	\$38.71	\$41.51
St. Law.	\$36.57	\$40.15

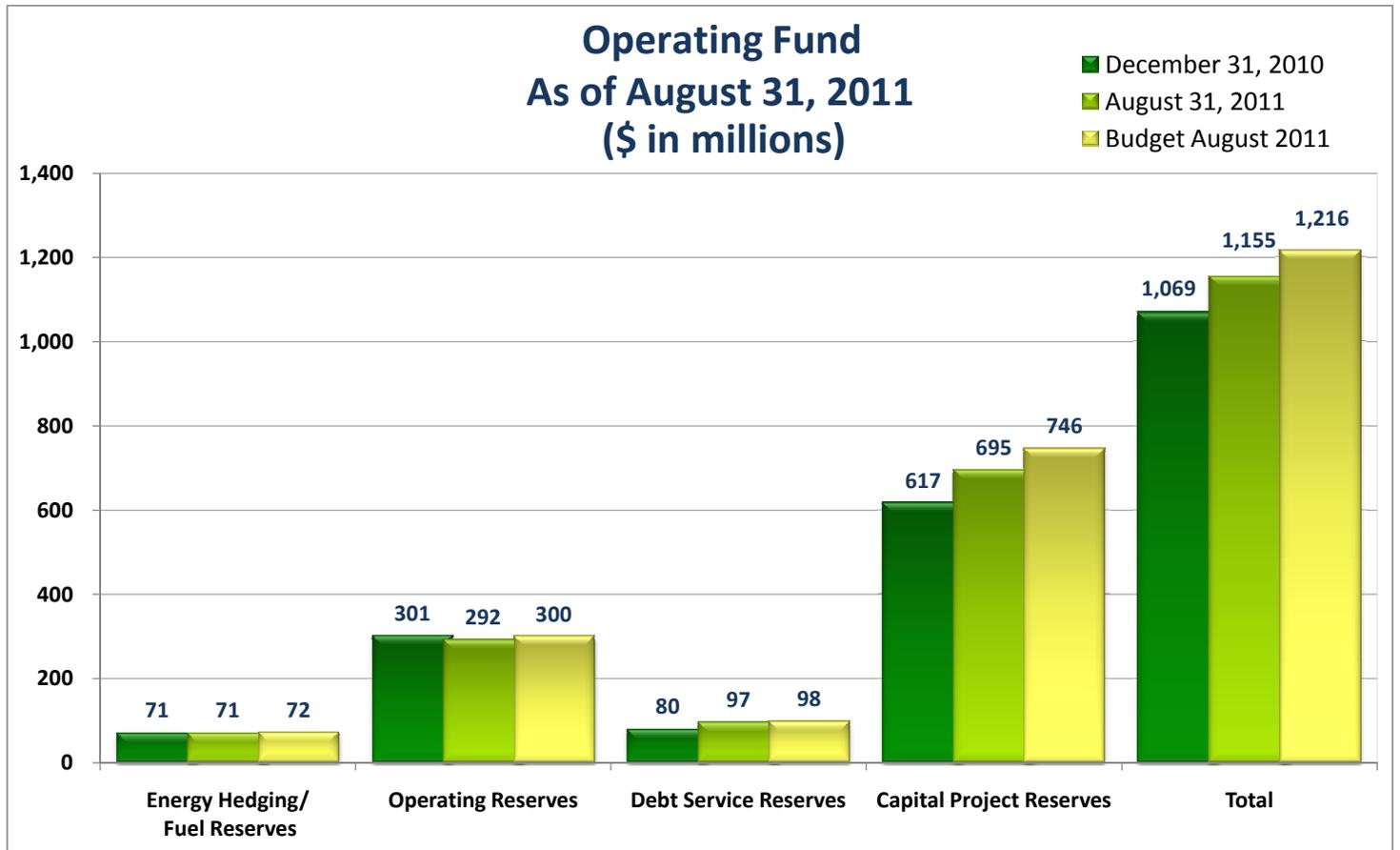
COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	1,332,194	1,079,558
SENY	6,004,200	6,437,954
MSP	1,810,197	2,003,236
TOTAL	9,146,591	9,520,748
COSTS (\$/MWH)		
Hydro	\$24.87	\$35.46
SENY	\$51.73	\$55.29
MSP	\$37.07	\$44.97
AVERAGE	\$44.92	\$50.87

RESULTS OF OPERATIONS
Market Energy Prices
Actual vs Budget

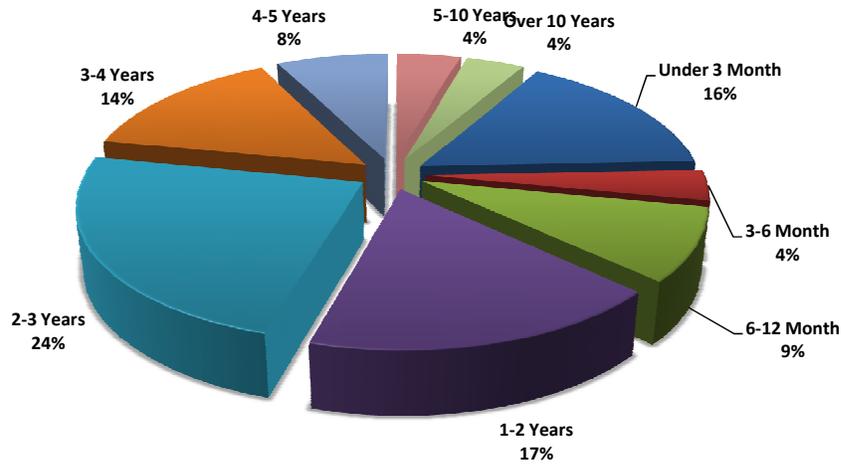




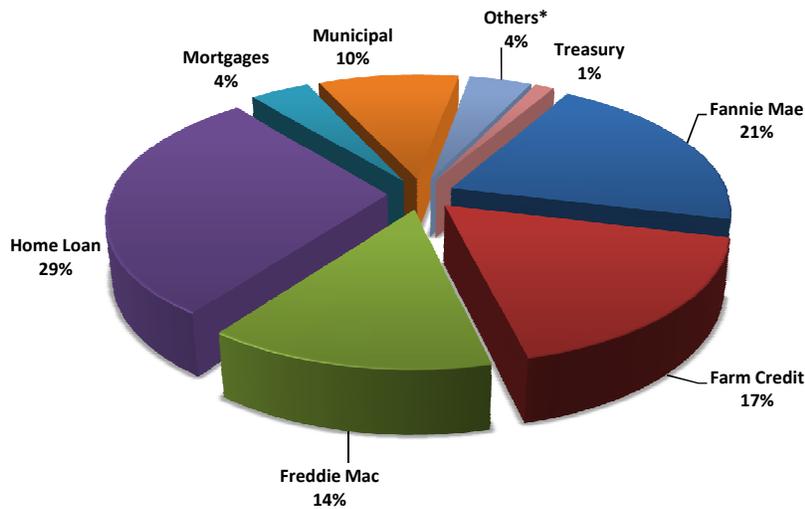
- Through August, O&M expenses were \$6.1 lower than the budget.
- HQ Corporate Support was under budget by \$6.9 due to lower than expected expenses for Human Resource contract services and employment agency fees, WPO building operations, computer software, hardware and services, and books and publications.
- Operations expenditures excluding Astoria II were \$3.8 higher than budgeted primarily due to emergent work at the Small Clean Power Plants (Pouch terminal, Harlem River and Kent), earlier than expected costs related to the Flynn planned outage and an overrun in Operations Shared Services due to less than anticipated labor charged to capital projects. These negatives were partially offset by timing underruns in non-recurring projects at Niagara. In addition, operations O&M, and the related revenue were lower by \$2.1 million as a result of a one-month delay in the commercial operation date for Astoria II.



The increase of \$86 in the Operating Fund (from \$1,069 to \$1,155) was primarily attributable to positive net cash provided by operating activities, the Value Sharing payment of \$72 received from Entergy and the settlement of the spent nuclear fuel claim (\$11), substantially offset by voluntary contributions to New York State (\$73) and repayments on commercial paper (\$83) and ART Notes (\$8). The variance from budget is primarily attributable to the additional Power for Jobs contribution to the State (\$7.5) and the early pay down of Commercial Paper (\$33.6), not included in the budget.

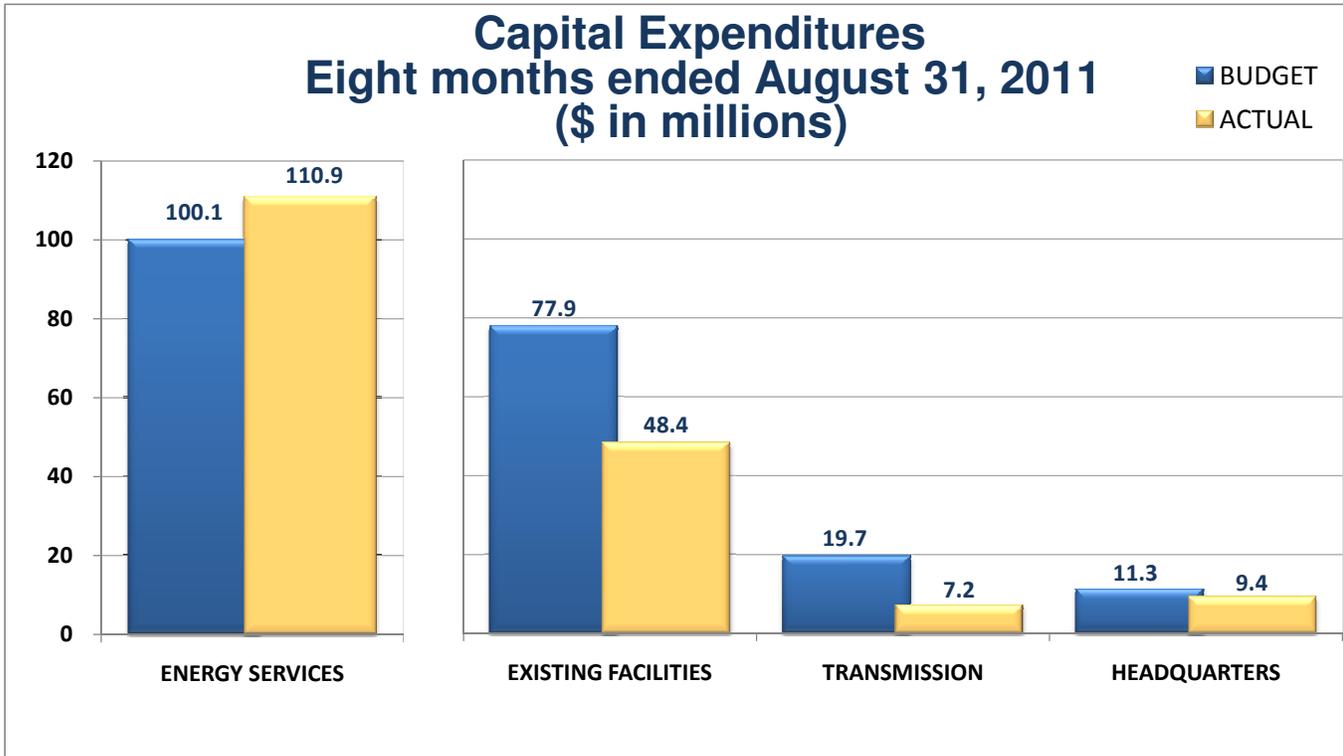
**Maturity Distribution
As of August 31, 2011**


MATURITY DISTRIBUTION	
(\$ in millions)	
Under 3 Month	\$199.2
3-6 Month	46.4
6-12 Month	110.1
1-2 Years	217.7
2-3 Years	295.1
3-4 Years	179.8
4-5 Years	93.5
5-10 Years	53.3
Over 10 Years	48.9
Total	\$1,244.0

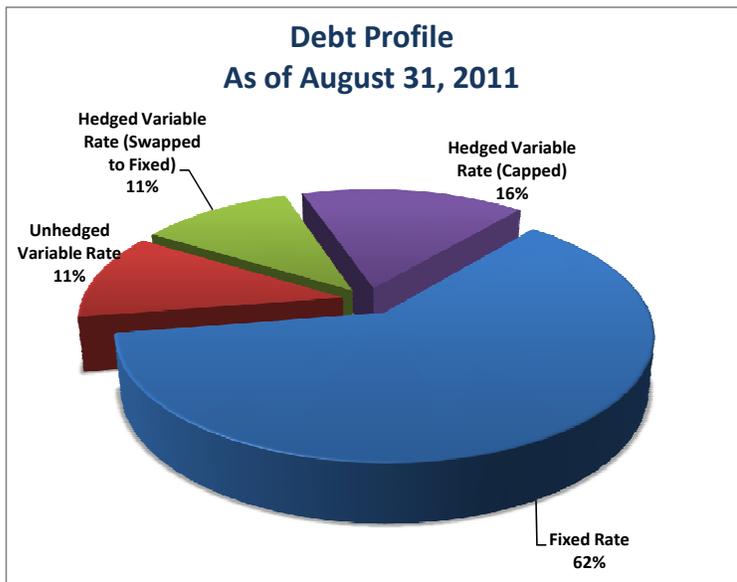
**Asset Allocation
As of August 31, 2011**


ASSET ALLOCATION	
(\$ in millions)	
Fannie Mae	\$254.9
Farm Credit	216.9
Freddie Mac	172.2
Home Loan	360.8
Mortgages	50.6
Municipal	119.8
Others*	52.8
Treasury	16.0
Total	\$1,244.0

*Includes CDs and Repos



- Energy Services expenditures were over budget primarily due to accelerated construction activity in the Governmental Services Program (primarily Queens Supreme Court-Chiller).
- Existing facilities expenditures were under budget by \$29.5 primarily due to the delays in permitting for projects related to the Niagara and St. Lawrence Relicensing Implementation and Compliance.
- Transmission expenditures were less than anticipated due to timing for several projects, primarily the 765 kv transmission line relay and switch replacements.
- Headquarters expenditures were less than budgeted due to timing for several IT projects.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$16.1 for 2011. In August, the President authorized \$1.5 for the BG Fire Detection System Replacement and \$0.2 for the BG Spillway Capacity Remediation.



DEBT PROFILE	
(\$ in millions)	
Fixed Rate	\$1,134.4
Unhedged Variable Rate	209.7
Hedged Variable Rate (Swapped to Fixed)	204.7
Hedged Variable Rate (Capped)	300.0
Total	\$1,848.8

ENERGY DERIVATIVES

Results

Year-to-date, energy derivative settlements have resulted in a net loss of \$41.2 million. Gains and losses on these positions are substantially passed through to customers as resulting hedge settlements are incorporated into and recovered through customer rates.

Year-to-Date 2011 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions
(\$ in Millions)

	Settlements	Fair Market Value			Total
	YTD ¹	2011	2012	>=2013	
NYPA	\$ 0.9	\$ (0.1)	\$ -	\$ -	\$ (0.1)
Customer Contracts	\$ (42.2)	\$ (31.3)	\$ (79.4)	\$ (70.9)	\$ (181.6)
Total	\$ (41.2)	\$ (31.5)	\$ (79.4)	\$ (70.9)	\$ (181.7)

¹Reflects August 2011 preliminary settlements.

At the end of August, the fair market value of outstanding positions was valued at an unrealized loss of \$181.7 million for positions extending through 2017. Based on these market positions NYPA has not been required to post collateral.

Market Summary

Exhibit 1 shows the average price of October to December 2011 futures contracts and how they have traded since the beginning of 2010, while Exhibit 2 illustrates the average price of futures contracts for entire year 2012.

Exhibit 1: Average October to December 2011 Forward Price as Traded

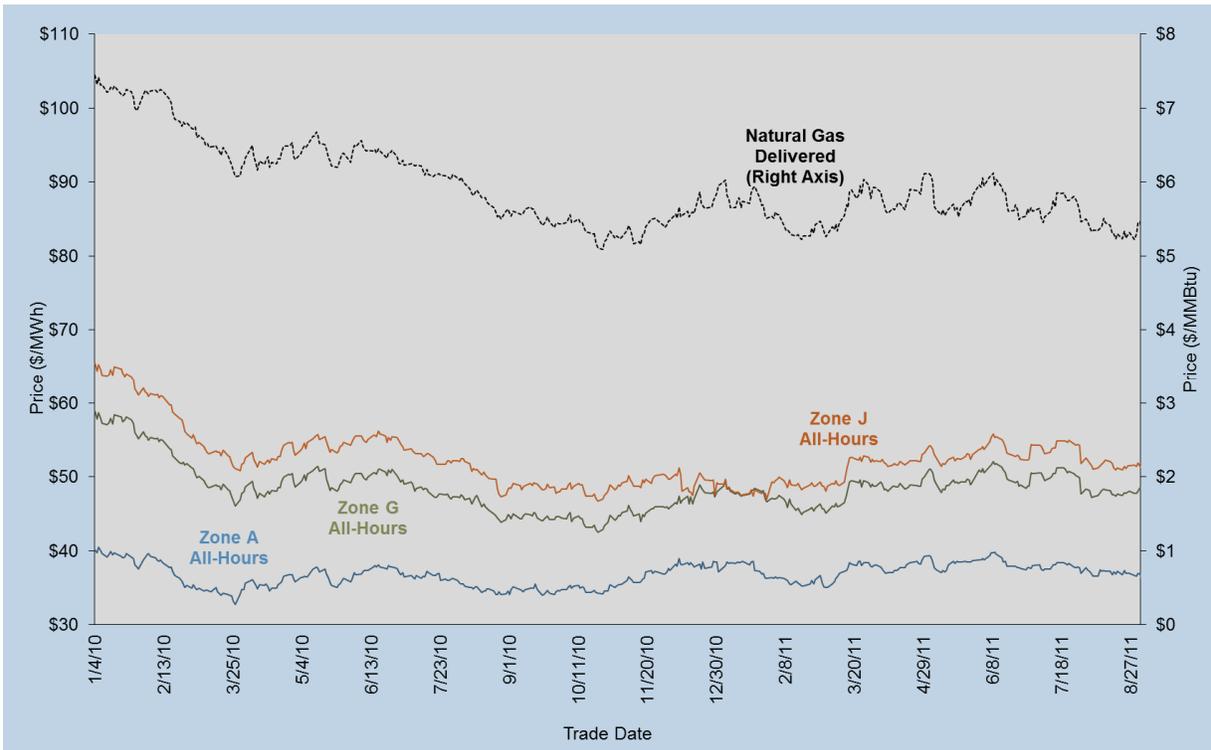
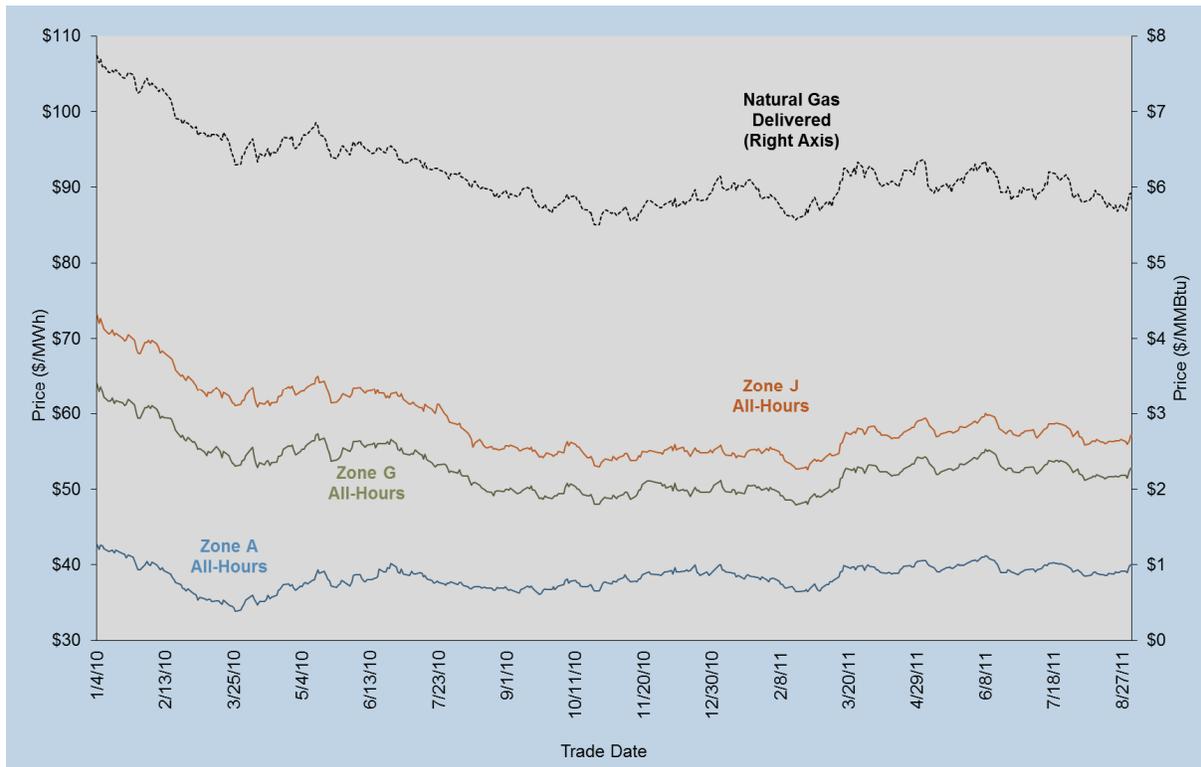


Exhibit 2: Average January to December 2012 Forward Price as Traded



STATEMENT OF NET INCOME
For the Eight Months Ended August 31, 2011
(\$ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
\$2,070.5	Customer	\$1,316.4	\$1,363.7	(\$47.3)
463.4	Market-based power sales	389.1	309.0	80.1
30.6	Ancillary services	17.6	17.5	0.1
114.9	NTAC and other	76.2	77.4	(1.2)
608.9	Total	482.9	403.9	79.0
2,679.4	Total Operating Revenues	1,799.3	1,767.6	31.7
	Operating Expenses			
804.7	Purchased power	593.4	549.2	(44.2)
295.6	Fuel consumed - oil & gas	182.8	191.8	9.0
108.2	Ancillary services	39.5	71.8	32.3
543.4	Wheeling	354.9	354.2	(0.7)
327.1	Operations and maintenance	203.3	209.4	6.1
194.9	Depreciation and amortization	117.5	122.2	4.7
135.5	Other expenses	113.6	92.4	(21.2)
(10.9)	Allocation to capital	(4.5)	(6.8)	(2.3)
2,398.5	Total Operating Expenses	1,600.5	1,584.2	16.3
280.90	Net Operating Income	198.8	183.4	15.4
	Nonoperating Revenues			
88.0	Post nuclear sale income	68.3	68.3	-
39.9	Investment income	25.8	25.9	(0.1)
(7.0)	Mark to market - investments	11.3	(3.5)	14.8
-	Other income	11.2	-	11.2
120.9	Total Nonoperating Revenues	116.6	90.7	25.9
	Nonoperating Expenses			
65.0	Contributions to New York State	65.0	65.0	-
157.5	Interest and other expenses	77.7	92.8	15.1
222.5	Total Nonoperating Expenses	142.7	157.8	15.1
\$179.3	Net Income	\$172.7	\$116.3	\$56.4

**COMPARATIVE BALANCE SHEETS
August 31, 2011
(\$ in millions)**

Assets	August 2011	August 2010	December 31, 2010
Current Assets			
Cash	\$0.1	\$0.1	\$0.1
Investments in government securities	1,188.5	1,009.4	1,091.1
Interest receivable on investments	6.9	7.2	5.5
Accounts receivable - customers	240.6	215.2	204.0
Materials and supplies, at average cost:			
Plant and general	76.9	77.5	75.1
Fuel	23.5	17.4	15.3
Prepayments and other	149.1	193.4	190.5
Total Current Assets	1,685.6	1,520.2	1,581.6
Noncurrent Assets			
Restricted Funds			
Investment in decommissioning trust fund	1,062.5	970.6	1,032.4
Other	81.3	90.3	83.3
Total Restricted Funds	1,143.8	1,060.9	1,115.7
Capital Funds			
Investment in securities and cash	109.5	166.2	144.8
Total Capital Funds	109.5	166.2	144.8
Net Utility Plant			
Electric plant in service, less accumulated depreciation	3,424.4	3,311.6	3,344.1
Capital lease, less accumulated amortization	1,034.9	-	-
Construction work in progress	81.0	152.1	123.3
Net Utility Plant	4,540.3	3,463.7	3,467.4
Other Noncurrent Assets			
Receivable - NY State	318.0	318.0	318.0
Deferred charges, long-term receivables and other	580.7	659.7	604.6
Notes receivable - nuclear plant sale	153.4	167.1	157.1
Total other noncurrent assets	1,052.1	1,144.8	1,079.7
Total Assets	\$8,531.3	\$7,355.8	\$7,389.2
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	\$822.2	\$889.6	\$881.7
Short-term debt	336.7	303.5	323.2
Total Current Liabilities	1,158.9	1,193.1	1,204.9
Noncurrent Liabilities			
Long-term Debt			
Revenue bonds	1,149.5	1,191.0	1,151.2
Adjustable rate tender notes	122.9	130.5	130.5
Commercial paper	254.9	342.4	336.5
Total Long-term Debt	1,527.3	1,663.9	1,618.2
Other Noncurrent Liabilities			
Nuclear plant decommissioning	1,062.5	970.6	1,032.4
Disposal of spent nuclear fuel	216.2	216.0	216.1
Capital lease obligation	1,128.0	-	-
Deferred revenues and other	264.6	377.1	316.5
Total Other Noncurrent Liabilities	2,671.3	1,563.7	1,565.0
Net Assets			
Accumulated Net Revenues - January 1	3,001.1	2,820.4	2,820.4
Net Income	172.7	114.7	180.7
Total Net Assets	3,173.8	2,935.1	3,001.1
Total Liabilities and Net Assets	\$8,531.3	\$7,355.8	\$7,389.2

SUMMARY OF OPERATING FUND CASH FLOWS
For the Eight Months Ended August 31, 2011
(\$ in millions)

Operating Fund	
Opening	\$1,069.2
Closing	1,154.8
	<hr/>
Increase/(Decrease)	85.6
 Cash Generated	
Net Operating Income	198.8
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	117.5
Net Change in Receivables, Payables & Inventory	(106.3)
Other	(3.9)
 Net Cash Generated from Operations	 206.1
 (Uses)/Sources	
Utility Plant Additions	(40.6)
Debt Service	
Commercial Paper 2	(44.8)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(38.3)
ART Notes	(7.6)
Investment Income	14.7
Entergy Value Sharing Agreement	72.0
Voluntary Contributions to NY State	(72.5)
Other	(3.4)
	<hr/>
Total (Uses)/Sources	(120.5)
 Net Increase in Operating Fund	 \$85.6

Increase in New York City Governmental Customer Rates –
Notice of Proposed Rulemaking

Appendix A

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Date of Issue: ~~June 28, 2011~~TBD

Date Effective: ~~July 2011~~January 2012 Bill Period

Issued in compliance with final rule adopted in I.D. No. ~~PAS-15-11-00020~~PTBD

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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(Table of Contents – Continued on Leaf No. 3)

Date of Issue: TBD

Date Effective: January 2012 Bill Period

Issued in compliance with final rule adopted in I.D. No. TBD

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

B. Minimum Bill

Unless otherwise provided in the Customer Supply Contract, each Customer Account shall be responsible for a Production minimum demand charge as follows. ~~Production minimum bill shall be exclusive of any minimum charges applicable to Delivery Service.~~

Demand Metered Service - Accounts where usage is measured by both demand and energy meters. The minimum demand charge shall be equal to three-quarters (75%) of the product of the demand rate applicable to the Account and the maximum metered demand from the previous twelve months for that Account. The application of the minimum demand charge shall have no effect on the continuing applicability of production energy charges.

Demand Unmetered Service - Accounts that are unmetered and billed for demand and energy. The minimum demand charge shall be equal to three-quarters (75%) of the product of the demand rate applicable to the Account and the maximum monthly billing demand from the previous twelve months for that Account. The application of the minimum demand charge shall have no effect on the continuing applicability of production energy charges.

Energy Metered Service – Accounts where usage is measured by energy meters alone. The minimum charge shall be equal to the product of the total energy rate, applicable to the Account and fifty (50) kWh of usage.

Energy Unmetered Service – Accounts that are unmetered and billed for energy only. The minimum charge shall be equal to the product of the total energy rate, applicable to the Account and fifty (50) kWh of usage.

Charges set forth above are effective with January 2012 bill period.

Production minimum bill shall be exclusive of any minimum charges applicable to Delivery Service.

C. Effective Date of Rates and Charges

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

D. NYISO-Related Charges

It is intended that the mechanisms to determine the demand charge, energy charge and Energy Charge Adjustment will account for all charges imposed upon Authority by the NYISO (or its successor) to serve the Customers including charges for capacity, transmission, ancillary services, marginal losses, congestion, reliability-related charges, demand curve charges or any other charge or assessment associated with Authority's responsibility as load serving entity to Customer. Such charges shall be net of any NYISO credits or revenues, including congestion rents, received by Authority and associated with service to Customer.

E. Distribution Losses

The determination of the demand charge, energy charge and Energy Charge Adjustment shall account for distribution losses, which losses represent the difference between the power and energy supplied by Authority to the load bus and the power and energy received by Customers.

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

Decrease in Westchester County Governmental Customer Rates –
Notice of Proposed Rulemaking

Appendix A

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