

**MINUTES OF THE MEETING
OF
THE GOVERNANCE COMMITTEE**

July 27, 2010

A meeting of the Governance Committee was held via videoconference at the St. Lawrence-FDR Power Project, 830 Barnhart Island Rd., Massena, New York; SUNY-Jefferson Community College, 1220 Coffeen St., Watertown, New York and 123 Main Street, White Plains, New York at approximately 10:00 a.m.

The following Members of the Governance Committee were present:

Trustee Eugene L. Nicandri, Chairperson
Trustee D. Patrick Curley

Vice Chairman Jonathan Foster was excused from attending.

Also in attendance were:

<i>Gil Quiniones</i>	<i>Chief Operating Officer</i>
<i>Terryl Brown</i>	<i>Executive Vice President and General Counsel</i>
<i>Joan Tursi</i>	<i>Senior Vice President – Corporate Support Services</i>
<i>Joseph Gryzlo</i>	<i>Vice President of Labor Relations and Chief Ethics and Compliance Officer</i>
<i>Patricia Leto</i>	<i>Vice President - Procurement</i>
<i>Lesly Pardo</i>	<i>Vice President – Internal Audit</i>
<i>Karen Pasquale</i>	<i>Vice President – Enterprise Shared Services</i>
<i>Karen Delince</i>	<i>Corporate Secretary</i>
<i>Angela Graves</i>	<i>Deputy Corporate Secretary</i>
<i>Dennis Eccleston</i>	<i>Chief Information Officer</i>
<i>Mark O’Connor</i>	<i>Director – Real Estate</i>
<i>Michael Saltzman</i>	<i>Director – Media Relations</i>
<i>Shannon Sramek</i>	<i>Senior Treasury Analyst</i>
<i>Louis Stanco</i>	<i>Senior Fuel Planner and Buyer</i>
<i>Mary Jean Frank</i>	<i>Associate Corporate Secretary</i>
<i>Lorna Johnson</i>	<i>Assistant Corporate Secretary</i>
<i>Louise Nestler</i>	<i>Assistant Ethics Officer</i>
<i>Sheila Baughman</i>	<i>Senior Secretary, Corporate Secretary’s Office</i>

1. **Minutes of the Regular Meeting of February 22, 2010**

The minutes of the Committee's meeting of February 22, 2010 were adopted.

2. **Procurement and Real Estate Reports**

Ms. Patricia Leto presented an overview of the Authority's Procurement activities, with Ms. Joan Tursi, Mr. Louis Stanco, Ms. Shannon Sramek and Mr. Mark O'Connor reporting on disposal of personal property, fossil fuel purchases, corporate finance activity and acquisition and disposal of real property, respectively.

2.1 Procurement Contract Activity

- As of June 30, 2010, 1,707 contracts (excluding fossil fuel and corporate finance expenditures) greater than \$5,000 in value were active.
- The overall value of these contracts was more than \$2.2 billion, with \$171 million in contract expenditures for the first half of 2010.
- 45% of the contracts were for the purchase of equipment and commodities.
- 30% of the contracts were for services such as temporary personnel, maintenance or repair.
- 16% of the contracts were for personal service contracts such as engineering and legal services.
- 9% of the contracts were for construction work.
- While approximately 62% of the total number of non-fuel contracts thus far in 2010 covered by the Report exceeded \$25,000, the total value of those contracts was approximately 99.6% of the total non-fuel expenditures.
- Based on the total value of the contracts included in the summary, approximately 96% of the total dollars expended (excluding fuels and corporate finance) were for contracts that were competitively bid.
- In terms of the number of contracts processed, approximately 77% of the contracts were competitively bid, while 23% were sole-source awards, including the purchase of highly specialized spare parts and services from original equipment manufacturers and procurement of services on an emergency basis and from proprietary sources.

Ms. Karen Pasquale said that on March 31, 2010, the “2009 Annual Report of Procurement Contracts” was certified by the Authority’s Chief Financial Officer and submitted to the New York State Comptroller’s Public Authorities Reporting Information System (PARIS) in accordance with Section 2879 of the New York State Public Authorities Law.

2.2 Disposal of Personal Property

During the reporting period, no Personal Property Disposal transactions greater than \$5,000 in value were conducted by or on behalf of the Property Disposal Coordinators. However, the Authority participated in one auction conducted by the firm JJ Kane Auctioneers on April 24, 2010 on behalf of Fleet Operations. Such auction resulted in the sale of 75 units, comprising light-duty vehicles, heavy-duty trucks and special equipment. Of this number, 18 were greater than \$5,000 in value. The total auction price for these 18 units was \$221,200, with the net price totaling \$210,639.50 after commission and transportation costs were deducted.

The Authority also participated in an online auction on December 22, 2009 handled by the firm Auctions International. Such auction resulted in the sale of three additional Fleet units, of which one was greater than \$5,000 in value. The auction price for this unit was \$6,999, with the net price totaling \$6,991 after a fee was deducted. The proceeds of this auction were received by the Authority in 2010.

Ms. Tursi said that the Authority would be participating in another fleet auction sponsored by National Grid on August 28.

2.3 Acquisition and Disposal of Real Property

The following easements were acquired in the first half of 2010:

- **Easement to Cumberland Head** – The Authority finalized a long-term easement for the placement, operation, and maintenance of the Authority’s 115 kV Plattsburgh-to-Vermont (PV-20) transmission line that crosses Lake Champlain from Cumberland Head in Clinton County, New York to Vermont. This important transmission line provides power to the New England states from the St. Lawrence Power Project and is in accordance with the Federal Energy Regulatory Commission operating license.
- **Sewer easements in support of new warehouse** – Real Estate has acquired easements for utilities across lands of Niagara University and the New York State Department of Transportation. These utilities, including a sewer line, will serve the new warehouse currently being constructed, as well as future expansion by Niagara University.
- **Holtsville fence easement** – The Authority acquired an easement from National Grid for the construction of a fence grounding system located on the perimeter of the Holtsville Power Plant on Long Island. This facility is to mitigate stray current from becoming a shock potential on the security fence surrounding the Holtsville plant. In addition, it mitigates any spark hazard from stray current.

Danger tree permits acquired/land use permits issued – The Authority acquired 54 danger tree permits during the first half of the year. These rights allow the Authority to eliminate dangerous vegetation, which is critical to the safe operation of the New York State transmission grid and to North American Electric Reliability Corporation (“NERC”) critical infrastructure compliance. In addition, six permits for use of the Authority’s easement areas were issued. These permits, with their accompanying insurance requirements, assure that use of the Authority’s easements is consistent with the operation of its transmission lines.

Leasing

The headquarters building at 123 Main Street, White Plains is essentially 100% leased. During this reporting period, the Authority entered into a five-year lease extension with a long-term tenant, Hodagaya Chemical, for space on the 9th floor of the building at an annual rental of \$69,817.

The Authority renewed its office and hangar lease at the Westchester County Airport for three additional years at an annual rental cost of \$82,044.

The Authority renewed and extended its office lease at 30 South Pearl Street, Albany through approximately July 1, 2015 at an annual rental cost of \$252,400.

The Authority entered into a Modification and Partial Surrender Agreement with 501 7th Avenue Associates that surrenders approximately 40,000 rentable square feet that the Authority had been subleasing to the New York State Office of General Services. This partial surrender will save

the Authority approximately \$477,000. In addition, the Authority extended its lease in much smaller space with the same Landlord through August 31, 2011 at an annual rental cost of \$276,622.60.

St. Lawrence Lands Program

All of the conveyances to municipalities under this program, which is part of the St. Lawrence Relicensing Settlement Agreement, have been completed. This left approximately 599 acres of removed lands to be conveyed, 503 of which have been conveyed. During the first half of the year, 52 deeds were finalized and recorded in the County Clerk's office. Another 50 deeds were transmitted for the landowners' executive, of which 18 remain unsigned. In addition, 58 deeds are awaiting final payment and acceptance of delivery by the landowners. To date, the Authority has received \$666,268 for the approximately 332 private parcels conveyed.

Mr. O'Connor said that the *Clements v. NYPA* lawsuit was dismissed about three weeks ago, but that the plaintiff had filed a motion to reargue which would be heard on August 13, 2010.

2.4 Supplier Diversity Program Activities

- Through June 30, 2010, the Authority awarded \$16.9 million (or 11.2% of its reportable expenditures) on contracts with certified M/WBEs, representing both direct contracts and subcontracts, including construction-related work.
- The Authority's annual goal for the use of New York State Certified Minority/Women-Owned Businesses ("M/WBEs") is 6% of its non-specialty procurements. The Authority does not include specialty procurements such as turbine runners, transformers, circuit breakers, other large electrical equipment, natural gas and other specialized goods and services since there are no M/WBEs available to provide these goods and services.
- In compliance with the New York State Executive Law, the Authority has developed and is expected to go live with an online utilization program for construction-related contracts by the end of July. The Executive Law requires construction contractors with contracts greater than \$100,000 to submit their M/WBE subcontractor utilization plans for posting on the Authority's Web site. Additionally, in compliance with another New York State law, the Authority is currently researching both locally and nationally information for development and implementation of a Mentor Protégé program. This law requires State agencies, departments or authorities that let more than \$10 million in construction contracts to establish mentor-protégé programs to enable the development and success of small M/WBEs. This will be a significant effort.
- The Authority continues an active outreach program with various M/WBE organizations and trade associations. The Authority hosted its 20th Annual Purchasing Exchange on June 17, 2010 in the White Plains Office. The event was an overwhelming success attended by more than 300 representatives of M/WBEs who met with representatives of approximately 41 New York State, federal, New York City and local government entities, as well as private companies.

Ms. Leto said that the Authority is not likely to achieve the level of M/WBE participation in its procurement activity it did last year, but that last year's level was an anomaly due to M/WBE participation in construction contracts.

Committee Chairman Nicandri asked that the M/WBE summary be forwarded to Trustee Mark O'Luck in view of his interest in and questions about the M/WBE program. Ms. Leto replied that Trustee O'Luck has been in frequent contact with Ms. Debra White, the Manager of the Supplier Diversity Program.

2.5 Inventory Statistics

As of June 30, 2010, overall inventory levels at all of the Authority's operating facilities totaled \$89.38 million, compared to a year-end total in 2009 of \$85.74 million. The 2010 year-to-date total includes additional spare parts associated with the Blenheim-Gilboa Life Extension and Modernization and Switchyard upgrades and additional stock requirements in preparation for the Flynn 2011 outage.

Construction of the new Niagara warehouse began in March 2010 and is proceeding on schedule. The new warehouse is designed to optimize the use of volume with modern racking and storage systems whenever possible. Construction is expected to be complete by July 2011.

Ms. Leto said that she would send the Committee members some photographs of the construction progress.

As of June 30, 2010

Facility	2010	2009	2008
Niagara	18,207,845	*18,135,587	20,110,763
St. Lawrence	11,604,637	12,027,477	12,358,850
Blenheim-Gilboa	**7,381,124	5,773,422	5,767,508
Clark Energy Center	4,371,045	4,155,826	4,099,634
Poletti Project	14,648,094	14,108,193	14,046,533
Flynn Project	***13,080,266	12,049,007	12,127,802
500 MW Project	20,088,622	19,496,314	19,197,422
Total Stock Value	\$89,381,633	\$85,745,826	\$ 87,708,512

2.6 Fossil Fuels Activity

- From January 1 through June 30, 2010, a total of \$111 million was spent on fuel purchases -- \$110 million for natural gas and related costs (e.g., interstate transport and local GT&B) and less than \$1 million for fuel oil costs/charges (e.g., oil storage/throughput and inspection services). These fuel purchases were carried out through 25 contracts for natural gas and fuel oil, as well as pipeline transportation and related services. All fuel purchases were competitively bid.
- The price of natural gas is about \$5 per dekatherm (the equivalent of 1 million Btus) (New York city-gate) and \$4.61 per dekatherm (Henry Hub production area).
- Crude oil is currently trading at \$79 a barrel, with the price of the oil used at Flynn at \$86 a barrel and the jet/kero used at the 500 MW plant at \$93 a barrel.
- Despite warmer-than-normal summer temperatures, natural gas prices are stable due to weak demand attributable to the weak economy and increased supply availability (e.g., high storage levels, alternative gas supplies [shale gas] and improved deliverability to the Northeast).

3. POWER AUTHORITY OF THE STATE OF NEW YORK
PROCUREMENT CONTRACTS
JANUARY THROUGH JUNE, 2010

FACILITY: WPO FOSSIL FUELS

CONTRACT NUMBER	PROVIDER NAME	CONTRACT DESCRIPTION	T E	Y A	M A	R A	O A	W A	F A	J A	M A	B A	TOTAL CONTRACT AMOUNT	TOTAL EXPENDED TO DATE	AMOUNT EXPENDED 2010	CONTRACT BALANCE	DATE OF CONTRACT	O / C	PROJ COMPLETE DATE	DATE CONTRACT COMPLETE
FD-2008-10	UNITED ENERGY TRADING, LLC 215 Union Blvd, Suite 425 Lakewood CO 80228	Natural Gas Purchase	E	B									\$5,248,275	\$5,248,275	\$3,350,039	\$0	11/18/2008	O	*	
FD-2008-11	ALLIED ENERGY RESOURCES CORPORATION 1330 Post Oak Blvd Suite 2200 Houston, TX 77056	Natural Gas Purchase	E	B									\$5,505,999	\$5,500,999	\$735,590	\$0	12/01/08	O	*	
FD-2007-06	ENJET, INC 5373 West Alabama- Suite 502 Houston, TX 77056	Natural Gas Purchase	E	B									\$120,926,911	\$120,926,911	\$9,779,793	\$0	3/21/2007	O	*	
FD-2001-23	SEMPRA 58 Commerce Road Stamford, CT 06902	Natural Gas Purchase	E	B									\$168,290,671	\$168,290,671	\$0	\$0	12/01/01	O	*	
FD-2009-03	nationalgrid -LJ (Flynn) 100 E Old County Rd Hicksville, NY 11801	Balancing Service	E	S									\$1,850,000	\$1,850,000	\$590,000	\$0	01/01/09	O		12/31/14
FD-2009-04	nationalgrid -LJ (Flynn) 100 E Old County Rd Hicksville, NY 11801	Transport Service	E	S									\$3,434,851	\$3,434,851	\$896,093	\$0	01/01/09	O		12/31/14
FD-2009-05	nationalgrid-NY(GKP) One Metrotech Center Brooklyn, NY 11201	Transport Service	E	S									\$1,681,910	\$1,681,910	\$901,255	\$0	03/01/09	O		03/31/14
FD-2009-06	nationalgrid -LJ(Brentwood) 100 E Old County Rd Hicksville, NY 11801	Transport Service	E	S									\$65,607	\$65,607	\$24,588	\$0	03/01/09	O		03/31/14
FD-2002-11	PSEG ENERGY RESOURCES 50 Park Plaza Fl. 119 Newark, NJ 07102	Natural Gas Purchase	E	B									\$11,017,721	\$11,017,721	\$0	\$0	11/01/02	O	*	
FD-2003-09	J. ARON 85 Broad Street New York, NY 10004	Natural Gas Purchase	E	B									\$83,241,402	\$83,241,402	\$0	\$0	04/22/03	O	*	
FD-2005-10	BP ENERGY COMPANY 501 Westlake Park Houston, TX 77253	Natural Gas Purchase	E	B									\$163,135,081	\$163,135,081	\$11,618,057	\$0	10/01/04	O	*	
FD-2003-12	CONSTELLATION POWER SOURCE 111 MARKET Place BALTIMORE, MD 21202	Natural Gas Purchase	E	B									\$55,860,851	\$55,860,851	\$0	\$0	06/09/03	O	*	

2.7 Corporate Finance Activity

The “Corporate Finance Addendum” for the Annual Report of Procurement Contracts identifies non-procurement items paid during the year for unique and specialized financial services requiring a broad depth of knowledge and expertise and are therefore provided by a limited group of firms. The non-procurement items include trustees and paying agent services, commercial paper remarketing services, escrow agent services and fees paid for revolving credit agreements supporting the Authority’s Variable Rate Debt Program. Through June 30, 2010, the total amount for these items was \$773,000, of which \$383,000 (or roughly 50%) was associated with the Authority’s revolving credit agreements.

In response to a question from Committee Chairman Nicandri, Ms. Shannon Sramek said that the fees reported in the Corporate Finance Addendum are strictly related to corporate finance. However, they do include counterparty legal fees, passed through to the Authority, associated with work on the Authority’s Commercial Paper Revolving Credit Agreement.

7/20/2010

POWER AUTHORITY OF THE STATE OF NEW YORK
REPORT OF PROCUREMENT CONTRACTS AS OF 6/30/10
REQUIRED BY N.Y. PUBLIC AUTHORITIES LAW, SECTION 2879
CORPORATE FINANCE ADDENDUM

2.7

CORPORATE FINANCE: WPO

PROVIDER NAME	CONTRACT DESCRIPTION	T Y P E	M R O W P O N E	M B I D E S	TOTAL CONTRACT AMOUNT	TOTAL EXPENDED TO DATE
Bank of New York (formely JPMorgan) 101 Barclay Street New York, NY 10286	Trustee/Paying Agent Services on Bonds	S	C	9 N	353,003	353,003
Bank of New York (formely JPMorgan) 101 Barclay Street New York, NY 10286	Trustee- ARTN	S	C	9 N	158,531	158,531
Bank of New York (formely JPMorgan) 101 Barclay Street New York, NY 10286	Trustee- Commercial Paper	S	S	9 N 1	58,865	58,865
Bank of Nova Scotia One Liberty Plaza, 28th Fl. New York, NY 10006	Revolving Line of Credit for ARTN	S	C	9 N 6	1,300,901	548,529
Barclays Capital (assigned from Lehman Bros.) ** 745 Seventh Avenue New York, NY 10019	Re-marketing Agent CP-1	S	C	9 N	888,011	888,011
Barclays Capital (assigned from Lehman Bros.) 745 Seventh Avenue New York, NY 10019	Re-marketing Agent CP-3	S	S	9 N 1	10,775	10,775
Citigroup 390 Greenwich Street New York, NY 10013	Re-marketing Agent CP-2	S	C	9 N	411,721	411,721
Fiduciary Communications / Source Media One Whitehall, 9th Floor New York, NY 10004	Bond Calls Printed in Wall St. Journal and Bond Buyer	S	C	9 N	310,797	310,797
Goldman, Sachs & Co. 85 Broad Street New York, NY 10004-2456	Re-marketing Agent CP-2 and 3	S	C	9 N	878,407	878,407
Goldman, Sachs & Co. 85 Broad Street New York, NY 10004-2456	Re-marketing EMCP	S	C	9 N	422,253	422,253
Goldman, Sachs & Co. ** 85 Broad Street New York, NY 10004-2456	ART Notes Remarketing	S	C	9 N	1,607,975	1,607,975

3. Recent Developments and Status of NYPA’s Ethics and Compliance Programs

Mr. Joseph Gryzlo said that this is the first report to the Governance Committee that includes information about the Authority’s Compliance program, as per the revised Governance Committee Charter.

Ethics

Mr. Gryzlo provided an overview of the Ethics Office’s key initiatives. There have been 62 ethics inquiries to date in 2010. He said that the principal substantive issues arising under the ethics laws and/or the Authority’s Code of Conduct fall into the following categories:

Appearance of impropriety/conflicts of interest	9
Gifts	12
Outside activities	7
Outside employment	15
Post-employment	7
Unwarranted privilege	5
Allegations	2
Advertising	1
Political activities	1
Securities	1
Financial Disclosure	1
Referrals	1

Mr. Gryzlo said that he views the increase in inquiries and cases, and especially those from generating and transmission facilities, as positive and a direct outgrowth of the new Code of Conduct (which for the first time covers bargaining unit employees).

One case that was reported through the Authority’s toll-free hotline involved an employee’s claim about his supervisor’s manner of communicating with him about work assignments and time slips. An investigation led to facilitation of a meeting by Human Resources with the supervisor and the employee. Supervisory roles and responsibilities were reaffirmed, as were the expectations for the employee to cooperate with work assignments and procedures and the case was closed.

The Office of the State Inspector General referred an allegation concerning a headquarters employee who was alleged to have misused Authority phone and Information Technology assets. An investigation found the allegation unsubstantiated, which was reported back to the Office of the State Inspector General.

May 17th was the filing deadline for employees required to file an annual Financial Disclosure statement with the Commission on Public Integrity. As in past years, the Authority used an internal tracking system to ensure that all affected employees and Trustees met their

statutory obligation to file a timely report. Several individuals requested extensions of the deadline.

Compliance

The Authority has undertaken a comprehensive review of its compliance with NERC Standards, which were developed to ensure the reliable operation of the bulk power system. There are approximately 100 Standards that incorporate 1,000+ sub-requirements. The Technical Compliance Group within the Power Supply Business Unit is leading preparations for an expected 2011 reliability audit by the Northeast Power Coordinating Council (“NPCC”), the regional entity charged with the enforcement of applicable NERC standards. A multi-departmental team of staff from Corporate Compliance, the Law Department and Technical Compliance has been formed to manage the process, which is a major undertaking.

The Authority has submitted 11 self reports of potential violations to NPCC during 2010, which are at various stages of completion. NERC and NPCC encourage self-reporting as a component of a viable and robust compliance program and as a means to mitigate penalties.

Annual Federal Energy Regulatory Commission (“FERC”) Standards of Conduct training was provided in July to those employees who engage in transmission and power marketing functions. The training reinforces FERC rules, including those designed to ensure that the Authority treats its customers on a non-discriminatory basis and without undue preferences.

A discussion ensued among the Committee members and Ms. Terry Brown about the possible need to develop a policy for dealing with correspondence received by the Trustees urging them to approve certain power allocations.

Ms. Brown also briefed the Committee about a lawsuit filed the previous day against the Authority and Richard Kessel challenging the funds being given by government agencies to the Western New York Harbor Redevelopment Corporation.

4. Next Meeting

The next regular meeting of the Governance Committee will be held on October 26, 2010 at 9:00 a.m. On motion made and seconded, the meeting was adjourned at approximately 10:50 a.m.