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

February 26, 2008

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Minutes of the Regular Meeting of the Power Authority of the State of New York held via video conference at the following participating locations, at 11:15 a.m.:

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

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

Present: Frank S. McCullough, Jr., Chairman (White Plains, NY)
Michael J. Townsend, Vice Chairman (White Plains, NY)
Elise M. Cusack, Trustee (Lewiston, NY)
Robert E. Moses, Trustee (White Plains, NY)
Thomas W. Scozzafava, Trustee (White Plains, NY)
James, A. Besha, Sr., Trustee (White Plains, NY)
D. Patrick Curley, Trustee (White Plains, NY)

Roger B. Kelley	President and Chief Executive Officer
Thomas J. Kelly	Executive Vice President, General Counsel and Chief of Staff
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer
Gil C. Quiniones	Executive Vice President – Energy Marketing and Corporate Affairs
Vincent C. Vesce	Executive Vice President – Corporate Services and Administration
Steven J. DeCarlo	Senior Vice President – Transmission
Angelo S. Esposito	Senior Vice President – Energy Services and Technology
William J. Nadeau	Senior Vice President – Energy Resource Management and Strategic Planning
Edward A. Welz	Senior Vice President and Chief Engineer – Power Generation
James H. Yates	Senior Vice President – Marketing and Economic Development
Arnold M. Bellis	Vice President and Controller
Paul F. Finnegan	Vice President – Intergovernmental and Community Affairs
Lesly Y. Pardo	Vice President – Internal Audit
Donald A. Russak	Vice President – Finance
William V. Slade	Vice President – Environment, Health and Safety
Thomas Warmath	Vice President and Chief Risk Officer
Stephen P. Shoenholz	Deputy Vice President - Public Affairs
Daniel Wiese	Inspector General and Vice President – Corporate Security
Brian C. McElroy	Treasurer – Corporate Finance
Anne B. Cahill	Corporate Secretary
Angela D. Graves	Deputy Corporate Secretary
Dennis T. Eccleston	Chief Information Officer
Joseph Leary	Director - SENY Public and Governmental Affairs
James F. Pasquale	Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing
Michael A. Saltzman	Director – Media Relations
Victoria Simon	Director – Business Integration and Special Projects
Michael Nash	Engineering Manager – Energy Services and Technology
Lou Paonessa	Community Relations Manager - Niagara Power Project
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
Jack Murphy	Temporary Public Relations Counsel

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

1. <u>Consent Agenda</u>:

a. <u>Minutes of the Regular Meeting held on January 29, 2008</u>

The Minutes of the Regular Meeting held on January 29, 2008 were unanimously adopted.

b. **Power for Jobs Program – Extended Benefits**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve extended benefits for 23 Power for Jobs ('PFJ') customers as listed in Exhibit '1b-A.' These customers have been recommended to receive such extended benefits by the Economic Development Power Allocation Board ('EDPAB').

BACKGROUND

"In July 1997, the New York State Legislature approved a program to provide low-cost power to businesses and not-for-profit corporations that agree to retain or create jobs in New York State. In return for commitments to create or retain jobs, successful applicants receive three-year contracts for PFJ electricity.

"The PFJ program originally made 400 megawatts ('MW') of power available. The program was to be phased in over three years, with approximately 133 MW made available each year. In July 1998, as a result of the initial success of the program, the Legislature amended the PFJ statute to accelerate the distribution of the power and increase the size of the program to 450 MW.

"In May 2000, legislation was enacted that authorized another 300 MW of power to be allocated under the PFJ program. Legislation further amended the program in July 2002.

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

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

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

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

"In 2005, provisions of the approved State budget extended the period PFJ customers could receive benefits until December 31, 2006. Chapter 645 of the Laws of 2006 included provisions extending program benefits until June 30, 2007. In 2007, a new law (Chapter 89 of the Laws of 2007) included provisions extending program benefits until June 30, 2008.

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

DISCUSSION

"At its meeting on February 25, 2008, EDPAB recommended that the Authority's Trustees approve electricity savings reimbursement rebates to the 23 businesses listed in Exhibit '1b-A.' Collectively, these organizations have agreed to retain more than 21,400 jobs in New York State in exchange for the rebates.

"The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit '1b-A' in a total amount currently not expected to exceed $2.6 million. Staff recommends that the Trustees authorize a withdrawal of monies from the Operating Fund for the payment of such amount, provided that such amount is not needed at the time of withdrawal for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. Staff expects to present the Trustees with requests for additional funding for rebates to the companies listed in the Exhibit in the future.

FISCAL INFORMATION

"Funding of rebates for the companies listed in Exhibit '1b-A' is not expected to exceed $2.6 million. Payments will be made from the Operating Fund. To date, the Trustees have approved $110.8 million in rebates.

RECOMMENDATION

"The Executive Vice President and Chief Financial Officer and the Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommend that the Trustees approve the payment of electricity savings reimbursements to the Power for Jobs customers listed in Exhibit '1b-A.'

"The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Energy Marketing and Corporate Affairs, the Senior Vice President – Marketing and Economic Development and I concur in the recommendation."

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

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

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

RESOLVED, That based on staff's recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to $2.6 million, and it is hereby found that amounts may properly be withdrawn from the Operating Fund to fund such payments; and be it further

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

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

Executive Vice President, General Counsel and Chief of Staff; and be it further

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

February 26, 2008
Exhibit "1b-A"

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

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended Allocation KW	Jobs/MW	Type	Service
1	Display Producers, Inc.	Bronx	Bronx	Con Ed	340	340	340	0	0%	Yes	340	1,000	Small	Display cases
2	International Business Machines - White Plains	White Plains	Westchester	Con Ed	3,870	1,559	2,177	618	40%	Yes	3,870	563	Large	Computer Manufacturer
3	Memorial Sloan-Kettering Cancer Cen	New York	New York	Con Ed	5,000	8801	9,286	485	6%	Yes	5,000	1,857	NFP	Medical Center
4	Norampac New York City, Inc	Maspeth	Queens	Con Ed	600	213	204	-9	-4%	Yes	600	340	Large	Manufacturers' of corrugated paper packaging
5	The Museum of Modern Art	New York	New York	Con Ed	1,000	800	765	-35	-4%	Yes	1,000	765	NFP	Museum
6	Verizon	New York	New York	Con Ed	5,000	4,901	3,832	-1,069	-22%	Yes*	5,000	766	Large	Local and wireless phone service provider
	Total Con Ed		**Subtotal**	**6**	**15,810**	**16,614**	**16,604**				**15,810**			
7	Kozy Shack, Inc.	Hicksville	Nassau	LIPA	1,000	251	260	9	4%	Yes	1,000	260	Large	Manufacturer of puddings & snacks
8	Madelaine Chocolates	Rockaway Beach	Queens	LIPA	575	541	518	-23	-4%	Yes	575	901	Large	Manufactures chocolate
	Total LIPA		**Subtotal**	**2**	**1,575**	**792**	**778**				**1,575**			
9	Bison Foods - Div. of Upstate Farms	Buffalo	Erie	N. Grid	500	134	136	2	1%	Yes	500	272	Large	Dairy Products
10	C. R. Bard, Inc.	Queensbury	Warren	N. Grid	800	845	923	78	9%	Yes	800	1,154	Large	Manufacturer of Medical devices
11	Cooper Industries	Syracuse	Onondaga	N. Grid	2,350	579	592	13	2%	Yes	2,350	252	Large	Manufacturer of electrical equipment
12	Lewis County General Hospital	Lowville	Lewis	N. Grid	200	379	382	3	1%	Yes	200	1,910	NFP	Medical Center
13	Lydall Manning	Green Island	Albany	N. Grid	1,100	115	113	-2	-2%	Yes	1,100	103	Large	Specialty Paper Manufacturer
14	McLane Eastern	Baldwinsville	Onondaga	N. Grid	875	823	945	122	15%	Yes	875	1,080	Large	Wholesale grocery distributor
15	Standard Manufacturing Co., Inc.	Troy	Rensselaer	N. Grid	30	41	67	26	63%	Yes	30	2,233	Small	Apparel
16	Syracuse Plastics, Inc.	Liverpool	Onondaga	N. Grid	400	55	38	-17	-31%	Yes*	400	95	Large	Maker of plastic parts and components
17	Turbine Engine Components Technologies	Whitesboro	Oneida	N. Grid	1,200	268	281	13	5%	Yes	1,200	234	Large	Precision forging plant
18	Vicks Lithograph & Printing	Yorkville	Oneida	N. Grid	750	153	137	-16	-10%	Yes	750	183	Large	Book printer & distribution
	Total National Grid		**Subtotal**	**10**	**8,205**	**3,392**	**3,614**				**8,205**			
19	Custom Electronics, Inc.	Oneonta	Otsego	NYSEG	150	62	64	2	3%	Yes	150	427	Small	Electronic components and assemblies
20	IEC Electronics Corp.	Newark	Wayne	NYSEG	590	167	243	76	46%	Yes	590	412	Large	Assembly of printed circuit boards
21	Merritt Plywood Machinery, Inc.	Lockport	Niagara	NYSEG	75	19	18	-1	-5%	Yes	75	240	Small	Makes machinery for hardwood, veneer and plywood
22	Milward Alloys	Lockport	Niagara	NYSEG	600	43	43	0	0%	Yes	600	72	Large	Produces copper and aluminum based alloys
	Total NYSEG		**Subtotal**	**4**	**1,415**	**291**	**368**				**1,415**			
23	Jada Precision Plastics Co.	Rochester	Monroe	RGE	300	59	98	39	66%	Yes	300	327	Small	Custom injection molder
	Total RG&E		**Subtotal**	**1**	**300**	**59**	**98**				**300**			
			Total	**23**	**27,305**	**21,148**	**21,462**				**27,305**	**786**		

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

c. Allocation of 130 kW of Hydropower

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve an allocation of available Replacement Power ('RP') totaling 130 kW to Shipman Printing Industries, Inc.

BACKGROUND

"Under Section 1005(13) of the Power Authority Act, as amended by Chapter 313 of the Laws of 2005, the Authority may contract to allocate or reallocate directly, or by sale for resale, 250 MW of firm hydroelectric power ('hydropower') as Expansion Power ('EP') and up to 445 MW of RP to businesses in the State located within 30 miles of the Niagara Power Project, provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 continues to be allocated in such county.

"Each application for an allocation of EP or RP must be evaluated under criteria that include, but need not be limited to, those set forth in Public Authorities Law Section 1005(13) (a), which sets forth general eligibility requirements.

"Among the factors to be considered when evaluating a request for an allocation of hydropower are the number of jobs created as a result of a power allocation; the business' long- term commitment to the region as evidenced by the current and/or planned capital investment in the business' facilities in the region; the ratio of the number of jobs to be created to the amount of power requested; the types of jobs created, as measured by wage and benefit levels, security and stability of employment and the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed.

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

DISCUSSION

"Staff recommends and the Advisory Group supports the available power being allocated to Shipman Printing Industries, Inc., as set forth in Exhibit '1c-A.' The Exhibit shows, among other things, the amount of power requested, the recommended allocation and additional employment and capital investment information. This project will help maintain and diversify the industrial base of Western New York and provide new employment opportunities. It is projected to result in the creation of five jobs.

RECOMMENDATION

"The Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommends that the Trustees approve the allocation of 130 kW of hydropower to the company listed in Exhibit '1c-A.'

"The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Energy Marketing and Corporate Affairs, the Senior Vice President – Marketing and Economic Development and I concur in the recommendation."

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

> **RESOLVED, That the allocation of 130 kW of Replacement Power, as detailed in Exhibit "1c-A," be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, General Counsel and Chief of Staff.**

New York Power Authority
Replacement Power
Recommendations for Allocations

'February 26, 2008
Exhibit "1c-A"

Exhibit Number	Company Name	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term
A-1	Shipman Printing Industries, Inc.	Wheatfield	Niagara	136	5	$900,000	$38,000	**130**	Five Years
	Total RP Recommended				**5**	**$900,000**		**130**	

Exhibit "1c-A-1"
February 26, 2008

APPLICATION SUMMARY
Replacement Power

Company:	Shipman Printing Industries, Inc.
Location:	Wheatfield
County:	Niagara
IOU:	National Grid
Business Activity:	Printing services
Project Description:	The expansion project will allow Shipman to expand its product line and upgrade the power supply coming into its production facility. An additional power supply will enable the company to upgrade its existing commercial press with an ultraviolet drying system. The company will also be able to replace its existing web press with a new, faster web press that will greatly enhance the quality of the company's products.
Existing Allocation:	None
Power Request:	136 kW
Power Recommended:	130 kW
Job Commitment:	
Existing:	34 jobs
New:	5 jobs
New Jobs/Power Ratio:	38 jobs/MW
New Jobs - Avg. Wage and Benefits:	$38,000
Capital Investment:	$900,000
Capital Investment per MW:	$6.9 million/MW
Summary:	Shipman must make business changes to keep pace with customer demand and competition. Shipman's ability to continue as a thriving business hinges on its having the resources to invest in the company and its employees. Without the power expansion, Shipman will be forced to remain at the status quo, since its current equipment is maxing out its present power supply. Additional power will allow the company to move forward and remain competitive.

d. City of Sherrill – Increase in Retail Rates - Notice of Adoption

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Board of the City of Sherrill ('City Board') has requested the Trustees to approve revisions to the City of Sherrill's ('City') retail rates for each customer service classification. These revisions will result in an additional 2.5% in total annual revenues, or about $72,500.

BACKGROUND

"The City Board has requested the proposed rate increase primarily to provide additional revenues to allow for sufficient working funds and meet forecasted increases in operation and maintenance expenses and additional debt payment requirements. The current rates have been in effect since April 1982.

"The Village Board has planned upgrades to the electric system amounting to $470,000 in order to provide reliable service to its customers. The upgrades will be directed primarily at substation distribution equipment, acquisition of smart customer meters and a bucket truck. The Village is planning to debt-finance 90% of its capital program by issuing a new bond.

"Under the new rates, an average residential customer who currently pays about 4.5 cents per kWh will pay about 4.6 cents per kWh. A small commercial customer that currently pays 4.3 cents per kWh will pay 4.4 cents per kWh, a large commercial customer will continue to pay 3.9 cents per kWh and the average industrial customer that currently pays 8.3 cents per kWh will pay 8.5 cents per kWh.

DISCUSSION

"The proposed rate revisions are based on a cost-of-service study requested by the City and prepared by Authority staff. A public hearing was held by the City of Sherrill on November 26, 2007. No ratepayer comments were received at the public hearing. The City Board has requested that the proposed rates be approved.

"Pursuant to the approved procedures, the Senior Vice President – Marketing and Economic Development requested that the Corporate Secretary file a notice for publication in the *New York State Register* of the City's proposed revision in retail rates. Such notice was published on December 26, 2007. No comments concerning the proposed action have been received by the Authority's Corporate Secretary.

"An expense and revenue summary, comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits '1d-A,' '1d-B' and '1d-C,' respectively. The rates were designed to encourage conservation by the largest users of power.

RECOMMENDATION

"The Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommends that the attached schedule of rates for the City of Sherrill be approved as requested by the Board of the City of Sherrill to take effect beginning with the first full billing period following the date this resolution is adopted.

"It is also recommended that the Trustees authorize the Corporate Secretary to file a notice of adoption for publication in the *New York State Register* and to file such other notice as may be required by statute or regulation.

"The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Energy Marketing and Corporate Affairs, the Senior Vice President – Marketing and Economic Development and I concur in the recommendation."

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

RESOLVED, That the proposed rates for electric service for the City of Sherrill, as requested by the Board of the City of Sherrill, be approved, to take effect with the first full billing period following this date, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, authorized to file a notice of adoption for publication in the *New York State Register* and to file any other notice required by statute or regulation; and be it further

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

Exhibit "1d-A"
February 26, 2008

City of Sherrill

Expense and Revenue Summary

	Four-Year Average	2006	Proposed[1]
Purchase Power Expense (NYPA hydro and incremental)	$ 1,317,104	$ 1,736,859	$ 2,142,739
Distribution Expense (City-owned facilities)	229,933	252,473	260,410
Depreciation Expense (on all capital facilities and equipment)	127,671	129,682	185,219
General and Administrative Expenses (salaries, insurance, management services and administrative expenses)	228,090	256,194	304,000
Total Operating Expenses	1,902,798	2,375,208	2,892,368
Net Rate of Return – (average four years - 1.3%, 2006 – 0%, proposed - 7.2%) (includes debt service on current and planned debt, cash reserves and contingencies)	23,426	-0-	131,720
Total Cost of Service	$1,926,224	$ 2,375,208	$ 3,024,088
Revenue at Present Rates			2,951,617
Deficiency at Current Rates			72,471
Revenue at Proposed Rates			$ 3,024,088
Increase % at Proposed Rates			2.5%

[1]Based on four years of historical and projected data.

Exhibit "1d-B"
February 26, 2008

City of Sherrill

Comparison of Present and Proposed Annual Total Revenues

SERVICE CLASSIFICATION	PRESENT REVENUE	PROPOSED REVENUE	% INCREASE
Residential – SC1	$ 1,034,549	$ 1,059,950	2.5%
Small Commercial – SC2	132,551	135,806	2.5%
Large Commercial - SC3	173,837	178,106	2.5%
Security Lights – SC4	30,949	31,708	2.5%
Industrial – SC5	1,579,731	1,618,518	2.5%
Total	$ 2,951,617	$ 3,024,088	2.5%

City of Sherrill

Comparison of Present and Proposed Net Monthly Rates

Present [1] Rates		Proposed [1] Rates
	Residential SC 1	
$ 3.20	Customer Charge	$ 5.05
	Energy Charge, per kWh	
$ .0434	First 1,750 kWh	$ .0408
$ .0434	Over 1,750 kWh	$ .0501
	Small Commercial SC 2	
$ 5.12	Customer Charge	$ 6.50
$ .0418	Energy Charge, per kWh	$ .0425
	Large Commercial SC 3	
$ 2.15	Demand Charge, per KW	$ 3.75
$ .0332	Energy Charge, per kWh	$ .0301

[1] Average annual purchased power adjustment (PPA) reflected in present and proposed rates.

City of Sherrill

Comparison of Present and Proposed Net Monthly Rates

Security Lights SC 4

Per month, per unit of:

Present [1] Rates		Proposed [1] Rates
$ 3.63	100 Watts – High-Pressure Sodium	$ 4.95
$ 5.20	150 Watts – High-Pressure Sodium	$ 7.09
$ 7.50	250 Watts – High-Pressure Sodium	$ 0.23
$ 6.87	400 Watts – High-Pressure Sodium	$ 9.37
$ 15.50	1000 Watts – High-Pressure Sodium	$ 1.15
$ 3.63	100 Watts – Mercury Vapor	$ .95
$ 2.80	175 Watts – Mercury Vapor	$ .82
$ 11.87	200 Watts – Mercury Vapor	$16.19
$ 9.90	1000 Watts – Mercury Vapor	$ 13.51
$ 9.10	400 Watts – Halogen	$ 12.41
$ 9.90	1000 Watts – Halogen	$ 13.51

Industrial SC 5

$ 1.92	Demand Charge, per KW	$ 3.75
$ .0318	Energy Charge, per kWh	$ .0271

[1] Average annual purchased power adjustment (PPA) reflected in present and proposed rates.

2. Financial Reports for the Year Ended December 31, 2007 and the Month of January 2008

Mr. Arnold Bellis presented the highlights of the financial reports to the Trustees. Trustee Curley requested, and the other Trustees concurred, that in the future Niagara and St. Lawrence revenues be reported separately and not combined.

NEW YORK POWER AUTHORITY

FINANCIAL REPORTS

FOR THE YEAR ENDED DECEMBER 31, 2007 (FINAL)

AND

THE MONTH OF JANUARY 2008

Financial Reports
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1 Financial Summary - Year Ended December 31, 2007 and the Month of January 2008

December 2007

2 Statement of Net Revenues

3 Statement of Net Revenues by Facility

4 Net Revenues-Variance from Budget

January 2008

5 Statement of Net Revenues

6 Statement of Net Revenues by Facility

7 Net Revenues-Variance from Budget

8 Operations & Maintenance

9 Statement of Net Assets

10 Summary of Net Generation

11 Capital Expenditures

12 Demand Side Management Financial Report

13 Operating Fund

14 Portfolio Performance and Financing Rates

NEW YORK POWER AUTHORITY
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2007
AND THE MONTH OF JANUARY 2008

($ in millions)

	Year 2007		January 2008	
Financial Summary	**Actual**	**Budget**	**Actual**	**Budget**
Net operating revenues	$176.8	$242.2	25.7	$24.4
Net revenues	234.8	175.9	38.5	33.6
O&M (incl. administrative)	279.9	281.2	21.5	23.7
Generation (gwh's)	26,318	26,374	2,310	2,229

	December	January
Reserves	$284	$314

Net revenues for the year ended December 31, 2007 were $234.8 which was $58.9 higher than budgeted and $2.4 less than the preliminary amount reported last month (due to a true-up of estimated sales). Results for the year included net non-recurring charges of $18.0 not included in the budget. These items included the accrual of an additional voluntary contribution to the State Treasury of $90.0 partially offset by the recognition of $72.0 additional income related to the revised value sharing agreements with Entergy. (The Trustees authorized $205.0 in voluntary contributions, of which $115.0 had been accrued in prior periods). Excluding these items, net revenues were $76.9 higher than budgeted resulting from higher non-operating income ($52.4) and higher net operating revenues ($24.5). Non-operating income included higher earnings on investments (due to higher balances), a mark-to-market gain on the Authority's investment portfolio, and lower than anticipated costs on variable rate debt. Net operating revenues were higher at Blenheim-Gilboa ($14.2) and the SCPP'S ($9.1) due mainly to a higher volume of market-based sales and higher prices for capacity. The favorable variance at the transmission facilities ($5.3) was due primarily to higher than anticipated congestion payments to the Authority due to a higher level of congestion across the central-east interface (assigned to FACTS project TCC's). These positives were partially offset by a negative variance at Flynn ($5.6) due to the repair of the generator rotor.

Net revenues for the month of January were $38.5 which was $4.9 higher than budgeted. This positive variance was attributable to higher non-operating income ($3.6) and higher net operating revenues ($1.3). Non-operating income included a higher than anticipated mark-to-market gain on the Authority's investment portfolio resulting from the drop in market interest rates during the month. Net operating revenues were higher primarily at the transmission facilities due in part to higher congestion payments to the Authority (FACTS project). Production for January (2,310 gwh) was 4% higher than anticipated (2,229 gwh) including higher fossil and other generation (95 gwh) partially offset by lower Niagara/ St. Lawrence production (14 gwh). The increase in the January operating reserve balance includes the receipt of a $72 million payment from Entergy, related to the Value Sharing Agreements, partially offset by additions to other reserves.

NYPA
Net Revenues
For The Year ended December 31, 2007
($ in 000'S)

	Actual	Budget	Variance Favorable/ (Unfavorable)
Operating Revenues			
Customer	$1,852,304	$1,826,709	$25,595
Market-Based Power Sales	908,316	755,057	153,259
Ancillary Services	58,972	67,499	(8,527)
NTAC and Other	87,421	81,764	5,657
Total Market-Based and ISO	1,054,709	904,320	150,389
	2,907,013	**2,731,029**	**175,984**
Operating Expenses			
Purchased Power:			
Entergy	159,954	155,371	(4,583)
Other	919,078	826,705	(92,373)
Ancillary Services	103,514	73,734	(29,780)
Fuel Consumed - Oil & Gas	534,816	519,481	(15,335)
Wheeling	327,467	325,867	(1,600)
Operations & Maintenance	279,943	281,154	1,211
Other expenses	237,637	142,607	(95,030)
Depreciation & Amortization	179,356	176,446	(2,910)
Allocation to Capital	(11,574)	(12,681)	(1,107)
	2,730,191	**2,488,684**	**(241,507)**
Net Operating Revenues	**176,822**	**242,345**	**(65,523)**
Interest Income and Realized Gains	85,204	56,743	28,461
Mark to Market Adjustment	10,745	1,000	9,745
Entergy Value Sharing Agreements	72,000	-	72,000
Investment and Other Income	167,949	57,743	110,206
Interest and Other Expenses	110,001	124,194	14,193
Net Revenues	**234,770**	**175,894**	**58,876**

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

	Niagara/ St. Lawrence	B-G	SENY	SCPP	Market Supply Power	Flynn	Transmission	Eliminations & Adjmts	Total
Operating Revenues									
Customer	$ 338,383	$ 7,988	$ 1,131,852	$ 590	$ 231,573	$ 89,560	$ 82,709	$ (30,351)	$ 1,852,304
Market-Based Power Sales	161,394	96,429	555,364	146,096	43,411			(94,378)	908,316
Ancillary Services	49,998	3,018	5,402	818				(264)	58,972
NTAC and Other							87,421		87,421
Total Market-Based and ISO	211,392	99,447	560,766	146,914	43,411	-	87,421	(94,642)	1,054,709
	549,775	**107,435**	**1,692,618**	**147,504**	**274,984**	**89,560**	**170,130**	**(124,993)**	**2,907,013**
Operating Expenses									
Purchased Power:									
Entergy			159,954						159,954
Other	108,985	58,594	615,725	8,118	265,209		51	(137,604)	919,078
Ancillary Services	31,684	319	59,968	166	11,377				103,514
Fuel Consumed - Oil & Gas			400,992	74,219		59,605			534,816
Wheeling	10,151		305,976		10,851	489			327,467
Operations & Maintenance	97,064	26,508	56,184	17,912	1,412	16,357	64,506		279,943
Other expenses	24,866	3,495	16,816	1,087	52,493	850	11,957	126,073	237,637
Depreciation & Amortization	38,408	6,852	58,979	28,525	874	5,289	40,429		179,356
Allocation to Capital	(4,985)	(1,400)	(1,961)	(51)		(383)	(2,794)		(11,574)
	306,173	**94,368**	**1,672,633**	**129,976**	**342,216**	**82,207**	**114,149**	**(11,531)**	**2,730,191**
Net Operating Revenues	**243,602**	**13,067**	**19,985**	**17,528**	**(67,232)**	**7,353**	**55,981**	**(113,462)**	**176,822**
Investment and Other Income	10		7,786	125		27	208	87,793	95,949
Entergy Value Sharing Agreements								72,000	72,000
Interest and Other Expenses	(29,768)	1,142	(32,896)	(24)	(47)	(2,389)	(26,757)	(19,262)	(110,001)
Net Revenues (loss)	213,844	14,209	(5,125) *	17,629	(67,279)	4,991	29,432	27,069	234,770
Budget	208,798	(375)	(12,396)	8,422	(63,915)	10,087	22,216	3,057	175,894
Variance	$ 5,046	$ 14,584	$ 7,271	$ 9,207	$ (3,364)	$ (5,096)	$ 7,216	$ 24,012	$ 58,876

*** Revenues for SENY include $9.9 million from the application of an energy charge adjustment to recover variable costs under the LT Supplemental Energy Supply Agreement.**

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

		Better/(Worse) than budget	
Niagara/St. Lawrence	o Higher customer revenues	$ 28.6	
	o Higher purchased power costs (primarily higher congestion)	(12.2)	
	o Higher ancillary service costs (residual adjustments)	(11.2)	
	o Lower St. Lawrence site O&M (lower than anticipated maintenance costs)	1.8	
	o Other	(1.9)	
			$5.1
Blenheim-Gilboa	o Higher market-based revenues (higher volumes & ICAP prices)	20.5	
	o Higher purchased power costs (higher volumes)	(5.4)	
	o Other	(0.5)	14.6
SENY	o Higher customer revenues (higher than anticipated ECA revenue)	25.9	
	o Higher market-based sales (higher volumes)	72.1	
	o Higher purchased power costs (higher volumes & prices)	(67.0)	
	o Higher ancillary service costs (primarily local reliability)	(15.5)	
	o Higher fuel costs (higher prices & higher generation)	(17.0)	
	o Other (primarily lower interest costs)	8.8	7.3
SCPP	o Higher revenues (primarily a higher volume of market-based sales)	39.2	
	o Higher purchased power costs (higher volumes)	(5.6)	
	o Higher fuel costs (primarily higher generation)	(18.9)	
	o Higher site O&M (includes advance overhaul work)	(3.6)	
	o Other	(1.9)	9.2
Market Supply Power	o Higher revenues (primarily a higher volume of market-bases sales)	15.7	
	o Higher purchased power costs (higher volumes & prices)	(13.5)	
	o Higher ancillary service costs (residual adjustments)	(2.6)	
	o Other (higher P4J customer rebates)	(3.0)	(3.4)
Flynn	o Lower revenues	(25.3)	
	o Lower fuel costs (primarily lower generation - rotor failure)	20.6	
	o Higher site O&M (generator rotor repair)	(1.1)	
	o Other	0.7	(5.1)
Transmission	o Higher revenues (including TCC revenues for the FACTS project)	2.4	
	o Lower allocated administrative expenses	2.2	
	o Other (includes lower interest costs)	2.6	7.2
Consolidating adjustments	(higher investment earnings & Entergy VSA, partially offset by an additional accrual for voluntary contribution to NYS)		24.0
Net Revenues			$ 58.9

NYPA
Net Revenues
For The Month ended January 31, 2008
($ in 000'S)

	Annual Budget	Actual	Budget	Variance Favorable/ (Unfavorable)
Operating Revenues				
Customer	$2,001,278	$164,013	$167,489	($3,476)
Market-Based Power Sales	723,815	81,278	62,260	19,018
Ancillary Services	60,181	7,962	6,739	1,223
NTAC and Other	92,647	8,764	8,831	(67)
Total Market-Based and ISO	876,643	98,004	77,830	20,174
	2,877,921	**262,017**	**245,319**	**16,698**
Operating Expenses				
Purchased Power	1,055,203	93,997	$89,346	(4,651)
Ancillary Services	91,102	14,995	7,741	(7,254)
Fuel Consumed - Oil & Gas	542,804	57,683	52,247	(5,436)
Wheeling	384,331	21,680	21,484	(196)
Operations & Maintenance	294,993	21,452	23,749	2,297
Other expenses	140,879	11,794	11,740	(54)
Depreciation & Amortization	175,420	15,276	15,233	(43)
Allocation to Capital	(8,002)	(519)	(605)	(86)
	2,676,730	**236,358**	**220,935**	**(15,423)**
Net Operating Revenues	**201,191**	**25,659**	**24,384**	**1,275**
Interest Income and Realized Gains	144,416	13,209	13,433	(224)
Mark to Market Adjustment	12,000	10,317	7,000	3,317
Investment Income	156,416	23,526	20,433	3,093
Interest and Other Expenses	128,887	10,723	11,259	536
Net Revenues	**228,720**	**38,462**	**33,558**	**4,904**

New York Power Authority
Net Revenues by Facility
For the Month ended January 31, 2008
($ in 000's)

	Niagara/ St. Lawrence	B-G	SENY	SCPP	Market Supply Power	Flynn	Transmission	Eliminations & Adjmts	Total
Operating Revenues									
Customer	$ 32,652	$ 484	$ 91,495	$ 50	$ 23,664	$ 11,403	$ 7,813	$ (3,548)	$ 164,013
Market-Based Power Sales	17,365	11,290	54,080	7,582	3,717			(12,756)	81,278
Ancillary Services	6,221	736	942	63					7,962
NTAC and Other							8,764		8,764
Total Market-Based and ISO	23,586	12,026	55,022	7,645	3,717	-	8,764	(12,756)	98,004
	56,238	**12,510**	**146,517**	**7,695**	**27,381**	**11,403**	**16,577**	**(16,304)**	**262,017**
Operating Expenses									
Purchased Power	15,903	7,586	60,797	354	26,143			(16,786)	93,997
Ancillary Services	4,070	29	9,262	7	1,627				14,995
Fuel Consumed - Oil & Gas			43,375	5,059		9,249			57,683
Wheeling	650		20,231		750	49			21,680
Operations & Maintenance	8,677	2,221	3,764	733	106	699	5,252		21,452
Other expenses	1,430	144	960	84	4,187	42	698	4,249	11,794
Depreciation & Amortization	3,769	602	4,919	2,164	70	443	3,309		15,276
Allocation to Capital	(224)	(63)	(88)	(2)		(17)	(125)		(519)
	34,275	**10,519**	**143,220**	**8,399**	**32,883**	**10,465**	**9,134**	**(12,537)**	**236,358**
Net Operating Revenues	**21,963**	**1,991**	**3,297**	**(704)**	**(5,502)**	**938**	**7,443**	**(3,767)**	**25,659**
Investment and Other Income			331			7		23,188	23,526
Interest and Other Expenses	(4,685)	48	(2,745)	(4)	(8)	(110)	(2,051)	(1,168)	(10,723)
Net Revenues (loss)	17,278	2,039	883 *	(708)	(5,510)	835	5,392	18,253	38,462
Budget	17,660	1,209	930	(182)	(5,547)	1,122	3,176	15,190	33,558
Variance	$ (382)	$ 830	$ (47)	$ (526)	$ 37	$ (287)	$ 2,216	$ 3,063	$ 4,904

*** Revenues for SENY include $1.8 million from the application of an energy charge adjustment to recover variable costs under the LT Supplemental Energy Supply Agreement.**

NEW YORK POWER AUTHORITY
VARIANCE FROM BUDGET
MAJOR FACTORS
For the Month ended January 31,2008
(Millions)

		Better/(Worse) than budget	
Niagara/St. Lawrence	o Higher revenues (primarily a higher volume of market-based sales)	$ 3.4	
	o Higher purchased power costs (higher prices & volumes)	(2.4)	
	o Higher ancillary service costs (primarily local reliability)	(1.4)	($0.4)
Blenheim-Gilboa	o Higher market-based revenues (higher prices)	0.8	0.8
SENY	o Lower customer revenues (lower than anticipated ECA revenue)	(1.3)	
	o Higher market-based sales (higher prices & volumes)	16.7	
	o Higher purchased power costs (primarily higher volumes)	(3.2)	
	o Higher ancillary service costs (primarily local reliability)	(5.0)	
	o Higher fuel costs (higher generation & higher prices)	(7.7)	
	o Other	0.5	(0.0)
SCPP	o Lower revenues (lower prices on market-based sales)	(1.9)	
	o Lower fuel costs (lower prices)	0.8	
	o Lower site O&M (less than anticipated maintenance charges)	0.8	
	o Other	(0.2)	(0.5)
Market Supply Power	o Higher revenues	0.2	
	o Lower purchased power costs (primarily lower congestion)	0.5	
	o Higher ancillary service costs (primarily local reliability)	(0.8)	
	o Other	0.1	0.0
Flynn	o Lower revenues	(1.8)	
	o Lower fuel costs (lower prices)	1.4	
	o Other	0.1	(0.3)
Transmission	o Higher revenues (including TCC revenues for the FACTS Project)	1.2	
	o Other (includes lower interest costs)	1.0	2.2
Consolidating adjustments	(Primarily higher mark-to-market gain)		3.1
Net Revenues			$ 4.9

NYPA
Operations & Maintenance
For the Month Ended January 31, 2008

	($'s in millions) Actual	Budget
Power Generation		
Headquarters Support	$1.3	$0.5
Blenheim-Gilboa	1.2	1.1
Charles Poletti	1.2	1.6
500 MW	0.6	0.9
R.M. Flynn	0.4	0.5
SCPP	0.6	1.4
Small Hydros	0.2	0.3
Niagara	3.3	3.2
St. Lawrence	1.4	1.5
	10.2	11.1
Transmission		
ECC/Headquarters	0.9	1.0
Transmission Facilities	2.9	2.9
	3.8	3.9
Corporate Support		
Executive Office	0.8	1.0
Business Services	2.7	3.0
HR & Corporate Support	1.9	1.5
Energy Marketing &Corporate Affairs	1.2	2.0
	6.6	7.5
Research & Development & Other	0.9	1.2
Total	$21.5	$23.7

For the month, O&M expenses were $2.2 million under budget including underruns in HQ Corporate Support departments and Power Generation.

HQ Corporate Support expenses were under budget by $1.1 million mostly due to early year under spending for legal consultants, industry dues and fuel cell maintenance.

Power Generation expenditures were $0.9 million lower than anticipated due primarily to underruns at the SCPP's ($0.8), Poletti ($0.6) and the 500MW plant ($0.3) partially offset by overruns at Power Generation HQ ($0.8). SCPP under spending reflects less than expected maintenance and non-recurring charges in January. Poletti and the 500MW plant are under budget primarily due to lower than expected contract costs for routine maintenance and lower than expected charges from headquarters. Power Generation HQ was over budget due to lower than expected labor charged to capital projects and greater than expected computer software purchases.

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

	JANUARY 2008	DECEMBER 2007	NET CHANGE
ASSETS:			
Electric Plant In Service, Less Accumulated Depreciation	$3,435,413	$3,449,829	(14,416)
Construction Work In Progress	133,471	124,519	8,952
Net Utility Plant	$3,568,884	$3,574,348	(5,464)
Restricted Funds	94,322	93,683	639
Construction Funds	247,314	261,181	(13,867)
Investment In Decommissioning Trust Fund	981,836	979,336	2,500
Current Assets:			
Cash	72	72	-
Investments In Government Securities	963,017	861,405	101,612
Interest Receivable On Investments	22,445	20,067	2,378
Receivables-Customers	204,651	175,365	29,286
Materials & Supplies-Plant & General	75,338	75,604	(266)
-Fuel	28,529	33,809	(5,280)
Prepayments And Other	39,158	44,318	(5,160)
Notes Receivable-Nuclear Sale	130,301	193,533	(63,232)
Deferred Charges And Other Assets	484,970	478,576	6,394
TOTAL ASSETS	**$6,840,837**	**$6,791,297**	**$49,540**
LIABILITIES AND OTHER CREDITS:			
Long-Term Debt - Bonds	$1,870,316	$1,869,236	1,080
Notes	150,000	150,000	-
Short-Term Notes Payable	259,488	268,488	(9,000)
Accounts Payable And Accrued Liabilities	863,205	846,161	17,044
Spent Nuclear Fuel Disposal	211,913	211,316	597
Decommissioning Of Nuclear Plants	981,836	979,336	2,500
Deferred Revenue	197,227	198,369	(1,142)
TOTAL LIABILITIES AND OTHER CREDITS	**4,533,985**	**4,522,906**	**11,079**
ACCUMULATED NET REVENUES-JANUARY 1	2,268,390	2,033,621	234,769
NET REVENUES	38,462	234,770	(196,308)
TOTAL LIABILITIES AND CAPITAL	**$6,840,837**	**$6,791,297**	**$49,540**

NYPA
SUMMARY OF NET GENERATION (MWH'S)
FOR THE MONTH ENDED JANUARY 31, 2008

Facility	Actual	Budget	Variance (Actual vs Budget)	% Variance from Budget
Niagara	1,258,006	1,300,000	(41,994)	-3.23%
St. Lawrence	498,147	470,000	28,147	5.99%
Combined	1,756,153	1,770,000	(13,847)	-0.78%
Poletti	118,276	68,357	49,919	73.03%
500MW	287,597	258,901	28,696	11.08%
SCPP	43,803	45,050	(1,247)	-2.77%
Blenheim Gilboa	(30,183)	(41,150)	10,967	-26.65%
Small Hydro	21,832	16,195	5,637	34.81%
R. M. Flynn	112,260	111,461	799	0.72%
Total	2,309,738	2,228,814	80,924	3.63%

NYPA
Capital Expenditures
For the Month Ended January 31, 2008

	($'s in millions)	
	Actual	**Budget**
Energy Services	**6.1**	**6.5**
Existing Facilities	**4.3**	**7.7**
Transmission	**1.3**	**1.7**
Headquarters	**1.6**	**0.7**
General Plant and Minor Additions	**0.9**	**0.2**
	$14.2	**$16.8**

Capital expenditures for January were $2.6 million lower than the budget. **Existing Facilities** were under running the budget by $3.4 million primarily due to less than anticipated usage of consultants for the Niagara Relicensing Project, coupled with minor schedule changes for the St. Lawrence LEM Project. The underrun in **Transmission** of $0.4 million was primarily due to delays in the Static Var Compensator & Tri Lake Reliability Projects. **Headquarters** overruns of $0.9 were caused by temporary differences for expenditures required to be made for the Billing System Project

Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of $ 0.9 million for 2008 as follows:

HQ-IT	Hardware Purchases	$0.9

Demand Side Management
Cost Summary (Inception to Date)
January 31, 2008
($ in 000's)

(A) DSM Projects

Authorized	Program	Prog	(A) Projects In-Progress	(B) Completed Projects	(C) Cumulative Cost	(D) Recoveries to Date	(E) Net Investment (C-D)
$183,050	Electrotechnologies LTEPA	ES-EPN	10,095	74,534	84,629	50,607	34,022
433,000	NYPA Energy Services Program	ES-ESN	86,734	113,895	200,629	60,251	140,378
530,000	SENY Govt Cust Energy Serv	ES-GSN	80,543	20,374	100,917	39,328	61,589
130,000	SENY HELP LTEPA	ES-LTN	5,921	81,805	87,726	62,010	25,716
1,200	MUNI Vehicle Program	ES-MVN		508	458	355	103
140,000	Non-Elect End Use LTEPA	ES-NEN	32,872	57,634	90,506	53,397	37,109
35,000	Peak Load Mgmt	ES-PLN	8,719	165	8,884		8,884
	Completed Programs						
5,000	Coal Conversion LTEPA	ES-CCN		5,000	5,000	3,466	1,534
5,000	County & Muni's	ES-CMN		1,919	1,919	1,919	0
13,000	Distributed Generation	ES-DGN		$1,440	$1,787	$1,181	$606
14,600	Industrial	ES-IPN		6,875	6,875	6,875	0
51,000	LI HELP	ES-LIN		47,505	47,505	47,276	229
15,000	SENY New Constr	ES-NCN		2,992	2,992	2,992	0
75,000	Public Housing LTEPA	ES-PHN		72,081	72,081	72,081	0
40,000	Public Schools	ES-PSN		38,941	38,941	38,917	24
130,000	SENY HELP	ES-SEN		134,305	134,305	134,305	0
60,000	Statewide	ES-SWN		56,733	56,733	55,828	905
4,085	Other			746	746	746	0
7,500	Wattbusters			5,441	5,441	5,441	0
$1,872,435			$224,884	$722,893	$948,074	$636,975	$311,099

(B) POCR Funding

LOANS

Authorized	Program	Loans Issued	Repayments	Outstanding Balance
$ 16,390	Colleges & Universities	$ 16,390	$ 16,175 (1)	$ 215

GRANTS

Authorized	Program	Issued
$9,105	Coal Conversion Pilot	$9,105
4,558	Hybrid Bus Program	4,558
663	Solar Grants	663
3,000	NYSERDA	3,000
25,768 (1)	Energy Services Programs	16,033
31,199 (1)	POCR Grants	13,638
$ 74,293		$ 46,997

(C) CASP Funding

Authorized	Program	Issued
$133,110 (2)	Coal Conversion	$118,819

(D) Board of Ed Funding

Authorized	Program	Issued
$39,010 (2)	Climate Controls (NYC BOE)	$35,077

(E) NYC Housing Auth Funding

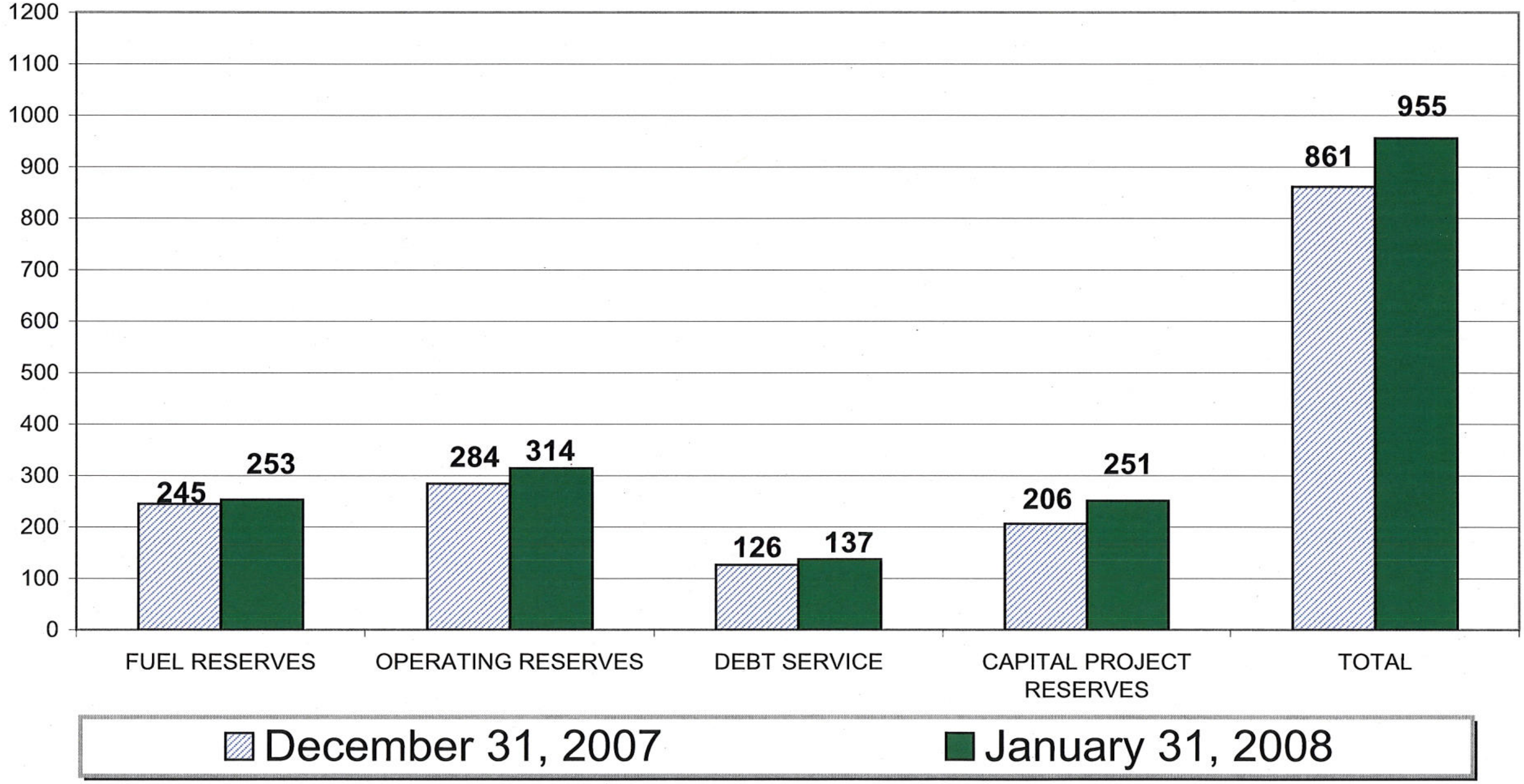
Authorized	Program	Issued
$25,708 (2)	NYCHA Hot Water Heaters	$19,902

(F) Lower Manhattan Energy Independence Initiative Program

Authorized	Program	Issued
$25,000 (2)	Lower Manhattan Energy Serv	$6

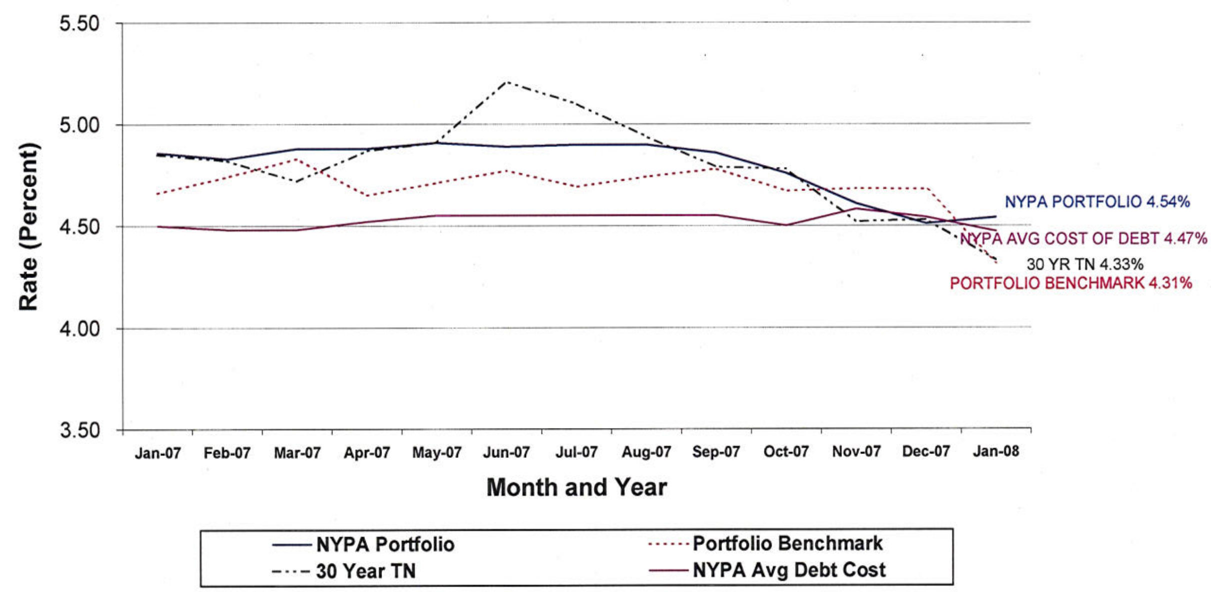
(1) Funds recovered via loan repayments are available and assigned to be used as grants in the Energy Services Program and for POCR Grant Program.
(2) Authorized funds reflect both principal received and the interest earned on such principal.

NEW YORK POWER AUTHORITY
OPERATING FUND
($ MILLIONS)

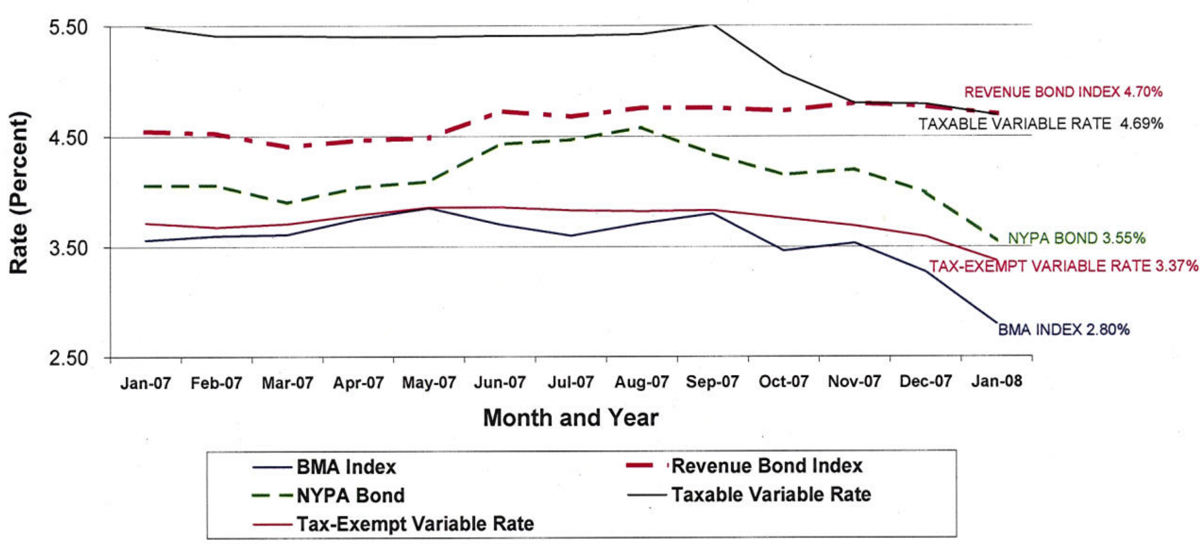


Fuel Reserves include $212 million for Nuclear Spent Fuel and $41 million for Energy Hedging Reserve Fund.

Portfolio Performance



Financing Rates



3. Report from the President and Chief Executive Officer

President Roger Kelley said that work is continuing on RFP #5, which seeks to bring additional generating capacity to the Authority's Southeastern New York customers, with the goal of making a recommendation to the Trustees at their April meeting.

With regard to RFP #4, the Hudson Transmission Partners cross-Hudson project, the technical design has been advanced and the Article VII application has been filed by Hudson with the New York State Public Service Commission.

According to President Kelley, the Blenheim-Gilboa Unit 2 345 kV oil-filled cable failed on February 6th. A vendor, USi, was immediately mobilized to implement repairs under an existing contract previously authorized by the Trustees. President Kelley signed an interim authorization to increase the compensation ceiling for this contract to replace the cables for both Unit 2 and Unit 1. Formal approval of this interim authorization will be sought at the March Trustees' Meeting, with a Capital Expenditure Authorization Request to be submitted at the June or July meeting for replacement of the other two cables.

President Kelley said he was proud to announce that the Authority received a first-place Quality Vegetation Management ("QVM") Project Habitat award from BASF, a major international chemical company. The award, which has 13 entry categories, is given to entities that create and sustain a healthy habitat through professional, ethical and responsible practices. The Authority entered the competition in the Utility-Municipal category for its 2007 annual maintenance work on the Marcy South 345 kV transmission line using Lewis Tree Service as its QVM Certified Applicator. The award from BASF recognized the Authority's well-maintained and reestablished right-of-way that protects the environment and the power line through the establishment of a low-growing plant community, as well as the Authority's solid bond with existing landowners for the 2007 and future work. President Kelley offered his congratulations to Mr. Steven DeCarlo, the Authority's Senior Vice President – Transmission, and his business unit.

On February 25th, Lieutenant Governor Paterson's Renewable Energy Task Force announced 16 recommendations as part of a roadmap for significantly increasing renewable energy generation in New York State. These first recommendations include more solar energy production, funding the State's program to get 25% of New York's electricity from renewable energy by 2013 and new business incentives targeted to attract

renewable energy producers and expand the State's "green collar" workforce. President Kelley offered to provide the Trustees with a list of the Task Force's specific recommendations.

President Kelley said that from the Authority's perspective there is not much news to report on the 2008-09 State Budget and the Governor's proposed Electricity Discount Program, saying that he should have more to report on this at the March Trustees' Meeting.

Chairman McCullough said that the Audit Committee had appointed Mr. Lesly Pardo as Vice President – Internal Audit at their meeting earlier this morning. He congratulated Mr. Pardo and thanked him for the terrific job he had done last year as the acting head of the Internal Audit department.

3a. Municipal and Rural Cooperative Economic Development Program Allocation to the Green Island Power Authority

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve an allocation of power under the Municipal and Rural Cooperative Economic Development Program ('Program') to the Green Island Power Authority.

BACKGROUND

"The 1991 amendment to the power sales agreement between the Authority and the Municipal and Rural Cooperative Systems reserved 108,000 kW of power for economic development in the systems' service territories. As of April 30, 2007, 40,480 kW had been allocated.

"Power from this block can be allocated to individual systems to meet the increased electric load resulting from eligible new or expanding businesses in their service area. The recommended allocations under the Program comprise half hydropower and half incremental power. Under the guidelines established for the Program, an allocation to a system should meet a target number of new jobs per MW. The guidelines provide that for businesses new to a system, the jobs-per-MW ratios are considered on a case-by-case basis. For projects involving existing businesses, the number of jobs per MW is the number of new jobs as compared to the level of employment prior to the expansion. Specifically, for companies employing 100 or less, the target ratio is 25 jobs per MW; for companies employing between 101 and 250, the ratio is 50 jobs per MW; for companies employing between 251 and 500, the ratio is 75 jobs per MW and for companies employing more than 500, the ratio is 100 jobs per MW.

"The Green Island Power Authority has submitted an application for power under the Program for consideration by the Trustees.

DISCUSSION

"An application has been submitted by the Green Island Power Authority on behalf of Arcadia Supply, Inc. ('Arcadia'). Arcadia is a privately held company incorporated in the State of New York. The company offers full-contract manufacturing applications of small- to medium-sized metal parts and subassemblies. Arcadia is the largest water jet and laser cutting company in the Northeast.

"Currently, Arcadia has two locations, both in Albany. A planned expansion will relocate some of Arcadia's cutting and fabrication activities from one of the two Albany locations to a new 66,400-square-foot building in Green Island. The company explored locations in Florida and Ohio, but decided to relocate to Green Island instead after evaluating the benefits associated with customer base locations, reduced operating costs and the availability of skilled and less expensive labor, enhancing competitiveness and future profitability.

"Planned capital equipment purchases related to the partial relocation and expansion would take place over the next three years. The estimated cost of the project is expected to total $4 million. Initially, two laser machines, one press brake, administrative offices, materials and related material-handling equipment would be moved to the Green Island site. The new facility will provide Arcadia with 64,100 square feet of manufacturing floor, compared to 15,360 square feet at the old site, and provide for an additional 15 full-time jobs over the next three years, adding revenue to the local economy and resulting in 100 jobs per MW of hydropower. The additional estimated electrical monthly peak load for the facility is 100 kW. It is recommended that the Trustees approve an allocation of 300 kW, of which half is hydropower, for the Green Island Power Authority on behalf of Arcadia.

"The recommended allocations under the Program comprise half hydropower and half incremental power. In accordance with the Authority's marketing arrangement with the municipal and cooperative customers, the hydropower will be added to the recipient system's contract demand at the time the project becomes operational and the additional jobs and load commitments are reached. The hydropower earmarked for this Program is presently sold to the municipal and cooperative customers on a withdrawable basis. As a partial-requirement customer, the Green Island Power Authority may purchase the incremental power from the Authority or an alternate supplier.

RECOMMENDATION

"The Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommends that the Trustees approve the allocation of power under the Municipal and Rural Cooperative Economic Development Program to the Green Island Power Authority in accordance with the above.

"The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Energy Marketing and Corporate Affairs, the Senior Vice President – Marketing and Economic Development and I concur in the recommendation."

Trustee James Besha recused himself from consideration of and voting on this item as he stated that the engineering firm he is employed with (and a principal of) has a business relationship with the Green Island Power Authority. Mr. Besha then removed himself from the proceedings. Mr. James Pasquale presented the highlights of staff's recommendations to the Trustees, noting that the allocation is for the Green Island Power Authority, not the Village of Green Island as stated in the Trustee item, and the item was amended accordingly.

The following resolution, as submitted by the President and Chief Executive Officer, as amended, was adopted with a vote of 6-1 with Trustee James Besha, Sr. recusing himself.

RESOLVED, That the allocation of power to the Green Island Power Authority under the Municipal and Rural Cooperative Economic Development Program is hereby approved as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Senior Vice President – Marketing and Economic Development or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate this allocation; and be it further

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

4. Procurement (Services) Contract – EME Consulting Engineering Group, LLC and Genesys Engineering P.C. – Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of contracts for a term of five years commencing February, 26 2008 for energy audit services with the firms of EME Consulting Engineering Group, LLC, New York, NY ('EME') and Genesys Engineering P.C., Pelham, NY ('Genesys') for an aggregate amount of $20 million in connection with the Governmental Customers Energy Services Program ('GCESP') and the Statewide Energy Services Program ('SWESP').

"The energy audits conducted under these contracts will be located in all five boroughs of New York City, and in Westchester, Orange, Rockland, Putnam, Suffolk and Nassau counties.

"Funding for these contracts will be taken from previously approved funding for the GCESP and SWESP, so no new funds are requested at this time. These funds, along with the cost of advancing these funds, will be recovered from the customers participating in the Energy Services and Technology ('ES&T') programs.

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.

"In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services or equipment 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, requires the Trustees' approval.

"The Authority's mission is to provide clean, economical and reliable energy consistent with its commitment to safety, while promoting energy efficiency and innovation for the benefit of its customers and all New Yorkers. In that regard, since the late 1980s, the Authority has offered energy efficiency programs Statewide. These programs have been very successful and to date, the Authority has achieved nearly $103 million in customer savings. Of these savings, more than $70 million is attributable to the Governmental Customers served by the Authority in the downstate region.

"In April 2007, both Governor Eliot Spitzer and Mayor Michael Bloomberg announced plans to reduce overall electricity usage and greenhouse gas emissions in New York State ('the State') and New York City ('the City'), respectively. Due to anticipated growth caused by the energy plans set forth by the Governor (15% X 2015) and the Mayor (PlaNYC 2030), the Authority is planning to implement an expanded energy efficiency program to help the State and the City achieve the aggressive goals outlined in their plans. It is estimated that an investment of $1.4 billion Statewide will be required to help the Governor attain a 15% reduction in energy usage by 2015, with about $700 million invested for the Authority's Governmental Customers as part of the GCESP. This funding will be addressed in a future request to the Trustees.

"Since the early 1990s, the Authority has offered 'in-house' energy services for its downstate Governmental Customers, as well as for publicly operated facilities Statewide. These energy efficiency projects provide a turnkey approach to identifying, procuring and implementing energy savings solutions.

"In some cases, participants are interested in identifying energy-saving solutions but are unsure of the implementation and/or financing strategy to use after they consider the recommended measures. For participants unwilling to commit to full turnkey program formats, an energy audit of their site is an excellent option for identifying future savings opportunities.

"This is currently the case with the roll-out of PlaNYC by the City. The City has committed to invest approximately $80 million per fiscal year on a wide range of energy projects, with $1.5 million of these funds earmarked for energy audits. To date, the City has approached the Authority to conduct 10 of these audits.

"In addition, the Governor's Clean Energy Collaborative Initiative, in which the Authority is a participant, is being rolled out Statewide. Already, site visits have been made to the State University of New York's Stony Brook, Southampton and Old Westbury campuses, with additional visits planned. It is apparent that a standalone audit component will be required as this initiative unfolds, too.

"For these reasons, the City's five boroughs and the counties of Westchester, Orange, Rockland, Putnam, Suffolk and Nassau are included in this award. As the Governor's 15X15 plan develops across the State, additional regional energy audit contracts will be developed as needed.

DISCUSSION

Contractor Selection

"On December 31, 2007, the Authority advertised a Request for Proposals ('RFP') in the New York State Contract Reporter soliciting firms interested in providing energy audit services in the downstate region. As a result of that advertisement and invitations to bid, 23 firms downloaded the RFP from the Authority's website. A mandatory bidders' conference was held on January 10, 2008 to explain the proposed scope of work and provide an opportunity for potential bidders to ask questions and seek clarification. Ten firms attended the mandatory pre-bid conference.

"On January 25, 2008, three firms submitted bids for the program. The bids were evaluated based on a number of technical criteria and cost by a team of staff members. These criteria included items such as the firm's and its personnel's relevant experience in conducting audits and preparing energy analysis reports; cost per building type; office location; references; understanding of local codes and building practices; ability to perform building simulation modeling and proposed project management structure. As a result, staff recommends the award of contracts to the two firms that offered the best services at the lowest cost: EME and Genesys.

EME Consulting Engineering Group, LLC

"For more than 20 years, EME has specialized in energy auditing, energy modeling, commissioning and building design throughout the State. The company is headquartered in the City, with a branch office in Albany.

"EME has been responsible for numerous projects that demonstrate its experience in detailed energy audit studies, as well as designing and cost estimating central chiller plants, boiler plants and other HVAC retrofit projects for federal agencies, State and City agencies, healthcare institutions, educational facilities, electric and gas utilities and Fortune 500 clients. This experience also reflects EME's knowledge of design standards and building codes, including those of the American Society of Heating, Refrigerating and Air-Conditioning Engineers, the New York City Building Code and the American Institute of Architects' Guidelines for Healthcare. EME is an approved retro commissioning agent for the New York State Energy Research and Development Authority ('NYSERDA').

"EME's partner-in-charge will put together a project team for each assignment based on facility type and requirements. To ensure that the necessary skills are brought to the project, each team member will possess energy auditing, design or retro commissioning expertise. EME's proposal clearly delineates step-by-step procedures for performing the services, as required by the Authority's RFP. EME's pricing structure was, on average, the second lowest of the three bidders.

Genesy Engineering P.C.

"Genesys' staff of professional engineers has expertise in the architectural, structural, mechanical and civil engineering disciplines. The firm has sufficient depth of resources to perform large, complex projects, including planning, design, project management and commissioning services for the energy and utility infrastructure of major facilities and large building complexes. Genesys is performing well on its current contracts with NYSERDA for similar services.

"Genesys has offices in Pelham (headquarters), Kingston, Albany and White Plains. Many of the 35 people on its staff are licensed Professional Engineers and/or Certified Energy Managers, in addition to having Leadership in Energy and Environmental Design certification.

"Several references attested to Genesys' professionalism and timeliness, as well as its ability to maintain an intact project team from start to finish and complete projects on time and within budget. Genesys, on average, was the lowest-cost bidder.

FISCAL INFORMATION

"Funding for these contracts will be provided by previously approved GCESP and SWESP funds as appropriate for the particular project and will come from the proceeds of the Authority's Commercial Paper Notes and/or the Operating Fund. In addition, projects may be funded, in part, with monies from the Petroleum Overcharge Restitution ('POCR') fund. All Authority costs, including Authority overheads and the costs of advancing funds, but excluding any grant of POCR funds, will be recovered consistent with other ES&T Programs.

RECOMMENDATION

"The Senior Vice President – Energy Services and Technology and the Director – Energy Services recommend that procurement services contracts for energy audit services be awarded to EME Consulting Engineering Group, LLC and Genesys Engineering P.C.

"The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Corporate Services and Administration, the Executive Vice President – Energy Marketing and Corporate Affairs, the Senior Vice President – Marketing and Economic Development, the Vice President – Procurement and Real Estate and I concur in the recommendation."

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

RESOLVED, That the Trustees authorize the President and Chief Executive Officer, the Executive Vice President – Energy Marketing and Corporate Affairs, the Senior Vice President – Energy Services and Technology or such officer designated by the President and Chief Executive Officer to execute agreements and other documents between the Authority and Governmental Customer Energy Services Program ("GCESP") or Statewide Energy Services Program ("SWESP") participants, and to execute agreements and other documents with EME Consulting Engineering Group, LLC and Genesys Engineering P.C., such agreements having such terms and conditions as the executing officer may approve, subject to the approval of the form thereof by the Executive Vice President, General Counsel and Chief of Staff, to facilitate the development of GCESP or SWESP, as applicable, and that these contracts be paid for by funds the Trustees have previously authorized for GCESP or SWESP as applicable; and be it further

RESOLVED, That in accordance with the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, $20 million of the foregoing amount be allocated to the approved contracts for EME Consulting Engineering Group, LLC and Genesys Engineering P.C. in the amount and for the purposes listed below:

Commercial Paper Program/ Operating Fund/POCR	**Ceiling**	**Date**
EME Consulting Engineering Group, LLC	**$20 million (aggregate)***	**02/26/2013**
Genesys Engineering P.C.		

AND BE IT FURTHER RESOLVED, That the Authority's Commercial Paper Notes, Series 1, Series 2 and Series 3, may be issued and Operating Fund monies may be used to finance costs for these programs; and be it further

RESOLVED, That the Senior Vice President – Energy Services and Technology is authorized to determine which projects will be deemed to be energy services projects within the meaning of Section (7) of Part P of Chapter 84 of the Laws of 2002 (the "Section (7) POCR Legislation") to be funded in part with Petroleum Overcharge Restitution ("POCR") Funds allocated pursuant to Section (7) POCR Legislation; and be it further

RESOLVED, That POCR funds allocated to the Authority by Section (7) POCR Legislation may be used to the extent authorized by such legislation, in such amounts as may be deemed necessary or desirable by the Senior Vice President – Energy Services and Technology to finance projects within these programs; and be it further

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

* A total of $20 million will be allocated to EME Consulting and Genesys Engineering. The allocation will be determined as facilities are assigned. The initial award will be $2 million to each contractor.

5. Procurement (Equipment) Contract – UTC Power – Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a contract in the amount of $17,126,808 to UTC Power for the fabrication and delivery of four 1.2 MW Fuel Cell Power Plant Systems for the Freedom Tower and Towers 2, 3 and 4 at the World Trade Center ('WTC') site. The fuel cells in the Freedom Tower will be owned and operated by the Port Authority of New York and New Jersey ('Port Authority'). The fuel cells in Towers 2, 3 and 4 will be owned and operated by World Trade Center Properties, LLC ('WTC Properties').

"Funding for the Freedom Tower will come from funds previously approved by the Trustees at their meeting on June 27, 2006 in the Governmental Customers Energy Services Program account ('GCESP Account') and will be recovered from the Port Authority pursuant to the existing Energy Services Program Agreement between the Authority and the Port Authority. Funding for Towers 2, 3 and 4 will come from the Lower Manhattan Energy Independence Initiative account ('LMEI Account'), which was funded by the State of New York (the 'State').

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.

"In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services or equipment 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, requires the Trustees' approval.

"The WTC site is being developed by the Port Authority, one of the Power Authority's New York City Governmental Customers. The Freedom Tower is being built and will be owned and operated by the Port Authority. Towers 2, 3 and 4 are being built and will be operated by WTC Properties under a lease agreement with the Port Authority. The Power Authority has an obligation to serve the electric loads of the Port Authority at the WTC site through 2017 under the terms of the 1976 Application for Service, as supplemented and amended, and the 2005 agreement containing certain supplemental terms and conditions governing the supply of electricity (the '2005 LTA'). The 2005 LTA stipulates that the Power Authority and the Port Authority will work in partnership to identify energy efficiency and clean energy technology projects; financing offered by the Power Authority would provide opportunities to promote energy efficiency and improve the environment at Port Authority facilities.

"Furthermore, the Port Authority made certain commitments in order to secure environmental permits for the WTC site development. The Governor's Office requested that the Power Authority assist the Port Authority in meeting these commitments. One of these commitments entails installing clean, efficient combined heat and power ('CHP') equipment at the WTC. The provision of 4.8 MW of fuel cell power generation capacity in four clusters of 1.2 MW each at the WTC facility will realize significant environmental benefits by assisting the Port Authority in meeting this commitment.

"In 2006, the Authority entered into two agreements: (1) with the Port Authority, the New York State Energy Research and Development Authority ('NYSERDA') and the WTC Memorial Foundation ('MF') for the Power Authority to finance energy measures in the Freedom Tower and the Memorial and Museum and to purchase and deliver a 1.2 MW Fuel Cell System for the Freedom Tower, and for the Power Authority to be repaid in accordance with the provisions of the Energy Services Agreement between the Power Authority and the Port Authority; and (2) with WTC Properties and NYSERDA for the Authority to purchase and deliver three 1.2 MW Fuel Cell Systems for WTC Towers 2, 3 and 4, to be paid for out of the LMEI Account. Thus, the Power Authority agreed to purchase and deliver a total of 4.8 MW of fuel cell power plant equipment to the WTC site.

DISCUSSION

"On October 25, 2007, the Authority advertised a Request for Proposals ('RFP') in the New York State Contract Reporter soliciting proposals for furnishing, delivering and commissioning four Fuel Cell Power Plant Systems with a nominal capacity of 1.2 MW each. Pricing was also requested for certain optional items, including a five-year maintenance agreement, an extended warranty and an absorption chiller to be operated in conjunction with the fuel cells. A mandatory bidders' conference was held on November 14, 2007 to explain the proposed scope of work and provide an opportunity for potential bidders to ask questions and seek clarification. Four firms attended the conference.

"Two firms submitted bids for the four fuel cell systems as follows:

Vendor	UTC Power	Fuel Cell Energy
Base Bid	$10,628,236	$20,658,000
Options	6,498,572	9,012,000
TOTAL	$17,126,808	$29,670,000

"The bids were evaluated based on the firms' relevant experience, technical capabilities, first cost and lifecycle cost. As a result of these evaluations, staff recommends awarding a contract to the low bidder, UTC Power Corporation. Approval of this award by the Port Authority is now being solicited; the Trustees are requested to approve the award pending Port Authority approval.

"The fuel cell systems are currently scheduled to be delivered as follows:

Tower	Delivery Date
Freedom Tower	January 2009
Tower 2	January 2011
Tower 3	July 2010
Tower 4	October 2010

"Commissioning and final acceptance for the last of the systems will be completed by mid-2011.

FISCAL INFORMATION

"Funding for the contract for the Freedom Tower will be paid from previously approved GCESP funds. This funding will be provided from the proceeds of the Authority's Commercial Paper Notes and/or the Operating Fund. All Authority costs for the Freedom Tower, including Authority overheads and the costs of advancing funds, will be recovered consistent with other Energy Services and Technology Programs.

"Funding for the contract for Towers 2, 3 and 4 will be paid from the LMEI Account, which was funded by the State as part of Chapter 108 of the Laws of 2006. The funds were transferred to the Authority on March 27, 2007 and are being held in an escrow account.

RECOMMENDATION

"The Senior Vice President – Energy Services and Technology and the Director – Energy Services recommend that, pending approval of the Port Authority of New York and New Jersey, the Trustees approve a contract award in the amount of $17,126,808 to UTC Power for four 1.2 MW Fuel Cell Power Plant Systems.

"The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Corporate Services and Administration, the Executive Vice President – Energy Marketing and Corporate Affairs, the Senior Vice President – Marketing and Economic Development, the Vice President – Procurement and Real Estate and I concur in the recommendation."

Mr. Angelo Esposito presented the highlights of staff's recommendations to the Trustees. Responding to a question from Chairman McCullough, Mr. Esposito said that the payback period for Authority funds was 10 years. In response to questions from Trustees Besha and Scozzafava, Mr. Esposito said that the enormous difference between the prices of the two bids was due to the new technology being used by UTC Power, which has been used commercially once before. He added that staff would be coming back to the Trustees for approval of the installation contract. Responding to another question from Trustee Besha, Mr. Esposito said that the contract package includes maintenance, an extended warranty and other options. In response to other questions from Trustees Scozzafava and Besha, Mr. Esposito said that the Authority has 15 fuel cells, 14 of which were fabricated by UTC Power, and that there is no performance bond for this project. Responding to a question from Trustee D. Patrick Curley, Mr. Esposito said that the Port Authority of New York and New Jersey would be signing a Customer Implementation Commitment that covered delivery of the fuel cell and installation by the Port Authority.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, the Trustees hereby authorize the award of a contract in the amount of $17,126,808 to UTC Power for four 1.2 MW Fuel Cell Power Plant Systems; and be it further

RESOLVED, That Commercial Paper, the Lower Manhattan Energy Independence Initiative account ("LMEI Account") and Operating Fund monies will be used to finance the contract costs in the amounts and for the purposes listed below:

Commercial Paper, LMEI Account and Operating Funds	Expenditure Authorization (not to exceed)
Four 1.2MW Fuel Cell Power Plant Systems	$17,126,808

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

6. Procurement (Services) Contract – SmartWatt Energy Services, Con Edison Solutions and Applied Energy Management – Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize increased funding in the amount of $250 million to finance energy efficiency and clean energy technology projects for the Authority's 'Governmental Customers.' This amount will be in addition to the $530 million previously approved by the Trustees at their June 28, 2005 meeting.

"As provided by the Long-Term Agreements ('LTA') with the Authority's Governmental Customers, these funds, along with the cost of advancing these funds, will be recovered from the customers participating in the Governmental Customers Energy Services Program ('GCESP').

"In addition, the Trustees are requested to approve the award of contracts for project management and program implementation services with the firms of SmartWatt Energy Services, Con Edison Solutions and Applied Energy Management for an aggregate amount of $100 million in connection with the GCESP.

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.

"In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services or equipment contracts in excess of $3,000,000, as well as personal services contracts in excess of $1,000,000 if low bidder, or $500,000 if sole source or non-low bidder, requires the Trustees' approval.

"The Authority's mission is to provide clean, economical and reliable energy consistent with its commitment to safety, while promoting energy efficiency and innovation for the benefit of its customers and all New Yorkers. In that regard, since the late 1980's the Authority has offered energy efficiency programs Statewide. These programs have been very successful and to date, the Authority has achieved nearly $103 million in customer savings. Of these savings, over $70 million is attributable to the Governmental Customers served by the Authority in the downstate region.

"In April 2007, both Governor Spitzer and Mayor Bloomberg announced plans to reduce overall electricity usage and greenhouse gas emissions in New York State ('State') and the City of New York ('City'), respectively. Due to the anticipated growth caused by the energy plans set forth by Governor Spitzer (15% X 2015) and NYC Mayor Michael Bloomberg (PlaNYC 2030), the Authority is planning to implement an expanded energy efficiency program to help the State and the City achieve the aggressive goals outlined in their plans. It is estimated that an investment of $1.4 billion Statewide will be required to help the State's plan to realize a 15% reduction in energy usage by 2015 with about $700 million invested for the Authority's Governmental Customers as part of the GCESP. Two hundred fifty million dollars of the $700 million is being requested at this time; additional funds will be addressed in future request(s) to the Trustees.

"Since the early nineties, the Authority has offered 'in-house' energy services for Governmental Customers the Authority serves in the downstate region. These energy efficiency projects provide a turnkey approach to identifying, procuring and implementing energy-savings solutions for technologies that require little to no capital funding, such as lighting, motors and occupancy sensors. On these projects, the Authority not only serves as the general contractor, but also provides its own staff to perform all engineering and construction management required to implement the project.

"Due to the expansion of the GCESP, the Authority will need to augment its capabilities by using outside firms (Implementation Contractors).

DISCUSSION

Contractor Selection

"As the general contractor for GCESP, the Authority reserves the right to either contract for the installation of ESP measures with Implementation Contractors ('ICs') or perform the services 'in-house.' The services provided by the ICs complement the Authority's staff resources in implementing the GCESP. The scope of work consists of the following:

- On-site screenings of participants' facilities to determine likely candidates for significant energy and operational cost savings realized by installing energy efficiency measures.
- On-site surveys, energy audits and technical feasibility studies to identify potential applications for energy efficiency measures approved for the GCESP.
- Detailed engineering studies and analyses of specific energy efficiency measures or systems.
- Design of proposed systems and/or measures.
- Preparation of project proposal documents and solicitation of competitive bids.
- Construction management and oversight of proposed system and/or measure installation and project closeout (including waste management).

"In addition, the IC, under Authority staff supervision, is required to work directly with the participant from facility audit to the final acceptance of the equipment installed. The IC, which competitively bids procurement of materials and installation of the recommended energy efficiency measure, is required to guarantee the quality of all work.

"On December 3, 2007, the Authority advertised a Request for Proposals ('RFP') in the New York State Contract Reporter soliciting firms interested in providing IC services for the GCESP. As a result of that advertisement and invitations to bid, 19 firms downloaded the RFP from the Authority's website. A mandatory bidders' conference was held on December 18, 2007 to explain the proposed scope of work and provide an opportunity for potential bidders to ask questions and seek clarification. Seven firms attended the mandatory pre-bid conference.

"On January 7, 2008, four firms submitted bids for the program. The bids were evaluated based on a number of technical criteria and cost by a team of six staff members. These criteria included: the firm's relevant experience; fee percentages; relevant technical experience of personnel; experience of conducting audits and preparing energy analysis reports; general knowledge of lighting; location of office; quality of the materials used; list of contractors; safety and OSHA procedures and manuals and a hazardous waste and recycling program and procedures. As a result, staff recommends awarding contracts to the following firms, which offered the best services at the lowest cost: SmartWatt Energy Services, Con Edison Solutions and Applied Energy Management. The contracts would cover a five-year period starting in February 2008 and ending in February 2013.

SmartWatt Energy Services

"Headquartered in Clifton Park, New York, SmartWatt Energy Services is a turnkey energy services company specializing in the development, design and construction implementation of lighting projects. Although SmartWatt is a smaller company and has not worked with the Authority in the past, they are planning to significantly increase staff and expand their Westchester County office in order to meet the Authority's needs. Additionally, SmartWatt has business relationships with other construction management consulting firms, and may partner with them depending on the size and number of projects undertaken.

Con Edison Solutions ("CES")

"Headquartered in White Plains, New York, CES is a full service company that provides turnkey energy conservation services including the development, design and construction implementation of lighting projects. CES has extensive knowledge in working in the public sector and have conducted energy service projects for many governmental agencies including the U.S. Post Office, U.S. Navy, U.S. Army and the City University of New York ('CUNY').

Applied Energy Management ("AEM")

"Headquartered in Lee, Massachusetts, AEM specializes in the development, design and construction management of lighting systems, including energy conservation analysis. Although AEM has not worked with the Authority, their President has had past experience providing design and implementation services for the Authority's High Efficiency Lighting Program ('HELP') while working for another firm that has performed well.

FISCAL INFORMATION

"Additional funding of $250 million is requested to implement the Authority's service offering under the GCESP. The funding will be provided from the proceeds of the Authority's Commercial Paper Notes and/or the Operating Fund. In addition, projects may be funded, in part, with monies from Petroleum Overcharge Restitution ('POCR') fund. All Authority costs, including Authority overheads and the costs of advancing funds, but excluding any grant of POCR funds, will be recovered consistent with other Energy Services and Technology Programs.

RECOMMENDATION

"The Senior Vice President – Energy Services and Technology and the Director – Energy Services recommend that the authorized funding for the Governmental Customer Energy Services Program be increased by $250 million and that procurement services contracts for Implementation Contractor services be awarded to SmartWatt Energy Services and Applied Energy Management.

"The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Corporate Services and Administration, the Senior Vice President – Marketing and Economic Development, the Vice President – Procurement and Real Estate and I concur in the recommendation."

Mr. Esposito presented the highlights of staff's recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Esposito said that the aggregate amount for the three contracts is up to $100 million. Responding to a question from Trustee Curley, Mr. Esposito said that every energy efficiency services project has a Customer Implementation Commitment contract. Mr. Thomas Kelly said that most of the customers entering into these contracts were municipalities, but that in the case of not-for-profit organizations, there's a review of the application for creditworthiness. Responding to a question from Trustee Scozzafava, Mr. Kelly said that if a municipality has a good credit rating, you could monetize the loan, building in protections; however, the Authority has never done this. President Kelley pointed out that there had been no loan defaults for any of the 2,600 energy services projects already undertaken.

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

RESOLVED, That the Trustees authorize the President and Chief Executive officer, the Senior Vice President – Energy Services and Technology or such officer designated by the President and Chief Executive Officer to execute agreements and other documents between the Authority and SmartWatt Energy Services, between the Authority and Con Edison Solutions and between the Authority and Applied Energy Solutions, such agreements having such terms and conditions as the executing officer may approve, subject to the approval of the form thereof by the Executive Vice President, General Counsel and Chief of Staff, to facilitate the development of the Governmental Customers Energy Services Program ("GCESP"), and that the authorized funding level for the GCESP be $250 million, in addition to the $530 million previously authorized for the GCESP, as listed below:

Commercial Paper Program/ Operating Fund/POCR	**Authorization**
Governmental Customers ESP	
Previously Authorized	**$530 million**
Additional Funding	**$250 million**
Total Amount Authorized	**$780 million**

AND BE IT FURTHER RESOLVED, That in accordance with the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, $100 million of the foregoing amount be allocated to the approved contracts for SmartWatt Energy Services, Con Edison Solutions and Applied Energy Solutions in the amounts and for the purposes listed below:

Commercial Paper Program/ Operating Fund/POCR	**Ceiling**	**Date**
SmartWatt Energy Services, Con Edison Solutions and Applied Energy Management	**$100 million (aggregate)***	**02/26/2013**

AND BE IT FURTHER RESOLVED, That the Authority's Commercial Paper Notes, Series 1, Series 2 and Series 3, may be issued to finance GCESP costs and Operating Fund monies may be used to finance GCESP costs; and be it further

RESOLVED, That the Senior Vice President – Energy Services and Technology is authorized to determine which projects in the Governmental Customers Energy Services Program will be deemed to be energy services projects within the meaning of Section (7) of Part P of Chapter 84 of the Laws of 2002 (the "Section (7) POCR Legislation") to be

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* A total of $100 million will be allocated to SmartWatt Energy Services, Con Edison Solutions and Applied Energy Management. The allocation will be determined as facilities are assigned. The initial award will be $10 million to each contractor.

funded in part with Petroleum Overcharge Restitution ("POCR") Funds allocated pursuant to Section (7) POCR Legislation; and be it further

RESOLVED, That POCR funds allocated to the Authority by Section (7) POCR Legislation may be used to the extent authorized by such legislation, in such amounts as may be deemed necessary or desirable by the Senior Vice President – Energy Services and Technology to finance projects within the Governmental Customers Energy Services Program; and be it further

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

7. Revisions to the Transaction Authorization Limits
<u>for Energy and Energy-Related Financial Transactions</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to revise the transaction authorizations previously delegated to the President and Chief Executive Officer and certain other officers and staff by the Trustees, for energy-related transactions and hedging transactions (see attached Exhibit '7-A'). The requested changes to the cascading authority table fall within five general areas: (a) title changes or revisions (ministerial), (b) revised authority to an existing position, (c) new authority to a new position, (d) revisions and/or clarifications to the accompanying footnotes to the table of authorities or (e) changes to other Trustee authorizations. Specifically, there are title changes or title revisions to five existing positions with no change requested in authority sought; a request to increase the authority of the Senior Vice President – Energy Resource Management and Strategic Planning for physical fuels; a request for transactional authority sought for the new position of Executive Vice President – Energy Marketing and Corporate Affairs; some ministerial changes to some of the footnotes accompanying the cascading authority table and a clarification of a previous Trustee action. The details of these changes are set forth below.

<u>BACKGROUND</u>

"The Trustees, by Resolutions dated October 29, 2002, April 27, 2004, January 25, 2005 and January 31, 2006, delegated authorization for energy and energy-related financial transactions ('energy hedging transactions') to the President and Chief Executive Officer and certain other officers and staff. Such transaction authorizations enable the acquisition or sale of energy and fuel to support the Authority's generation assets and to limit the Authority's exposure to the potential adverse financial impact of price changes in the energy commodity markets by enabling the implementation of hedging strategies.

<u>DISCUSSION</u>

"The Authority annually reviews its delegations of authority to enter into energy and energy hedging transactions. The review is to ensure that Authority management and staff have the necessary authorizations to engage in physical and financial energy transactions. As the Authority's relationship with its customers is always evolving, the Authority needs to be responsive to their interests; thus, revisions to delegated authorizations can be required. The proposed revisions are specified below and specifically incorporated in 'Authorization Limits for Energy and Energy Hedging Related Transactions,' attached as Exhibit '7-A.' The revisions are as follows:

(a) <u>Title changes or revisions</u>:

<u>Old Title</u>	**<u>New Title</u>**
Senior Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer
Senior Vice President – Power Generation	Senior Vice President and Chief Engineer – Power Generation
Vice President – Energy Resource Management	Senior Vice President – Energy Resource Management and Strategic Planning

Old Title	**New Title**
Senior Vice President – Marketing, Economic Development and Supply Planning	Senior Vice President – Marketing and Economic Development
Director – Supply Planning, Pricing and Power Contracts	Director – Power Resource Planning and Acquisition

(b) Revised authority to existing positions:

Old Authority	**New Authority**
Senior Vice President – Energy Resource Management and Strategic Planning:	
$15 million per transaction for fuel	$20 million per transaction for fuel

"Since January 2007, the 12-month strip or the New York Mercantile Exchange listed price for the subsequent 12 months for natural gas has increased from an average of approximately $6.90 per dth to approximately $8.20 per dth. Also, the new proposed $20 million level for fuel purchases is equal to the current authority limit for electrical purchases.

(c) New authority for a new position:

New Positions	**New Authority**
Executive Vice President – Energy Marketing and Corporate Planning	See Exhibit '7-A'

(d) Revisions to cascading authority table footnotes:

Old footnote	**New footnote**
# 2 The Vice President – Chief Risk Officer shall determine what instruments qualify as financial instrument or instruments that may be used for hedging purposes.	The Vice President and Chief Risk Officer shall determine what instruments qualify as financial instruments and/or energy-related financial transactions for hedging purposes, and what constitutes an emission, emission credit or environmental attribute.

Old footnote	**New footnote**
#5 In addition, in the case of any physical or financial transaction having a value of $15 million or more, prior to any officer or staff member approving such transaction under the authority granted hereunder, such officer or staff member would obtain the written concurrence of (a) those members of his or her staff at the level of Manager and above (or their designees in the case of their absence) having responsibility for such transaction, (b) the Executive Vice President, Secretary and General Counsel as to the acceptability of the contractual arrangement governing such transaction and (c) in the case of financial derivative and physical transactions, the Vice President – Chief Risk Officer, or, in his absence, his designee, as to the acceptability of the transaction from a risk management perspective.	In addition, in the case of any physical or financial transaction having a value of $15 million or more, prior to any officer or staff member approving such transaction under the authority granted hereunder, such officer or staff member would obtain the verbal concurrence of (a) those members of his or her staff at the level of Manager and above (or their designees in the case of their absence) having responsibility for such transaction, (b) the Executive Vice President, General Counsel and Chief of Staff as to the acceptability of the contractual arrangement governing such transaction and (c) in the case of financial derivative and physical transactions, the Vice President – Chief Risk Officer, or, in his absence, his designee, as to the acceptability of the transaction from a risk management perspective. Such verbal concurrence shall be followed up with written concurrence within three working days of the actual execution of such transaction.
# 6 Transaction term is measured as the period from the date a transaction is entered into through the last day of delivery. For example, a transaction entered into in January 2007 to purchase natural gas for delivery during the month of January 2008 has a term of 13 months.	**Adding the following** : However, an exception to this limitation is warranted for interruptible natural gas transportation ('IT') contracts because IT contracts are generally understood to be evergreen in nature and do not obligate or commit the Authority, except as the Authority determines in its sole discretion, to transport natural gas consistent with the tariff provisions of such transporting pipeline.
# 12 Emissions-related transactions include the purchase or sale of nitrous oxide (NOx) or sulfur dioxide (SO_2) emissions credits under either U. S. Environmental Protection Agency or New York State Department of Environmental Conservation programs. The transactions may also include the purchase or sale of environmental attributes (green tags).	Emissions-related transactions include the purchase or sale of CO_2 emissions under the RGGI program (or any successor program), nitrous oxide (NOx) or sulfur dioxide (SO_2) emissions credits under either U. S. Environmental Protection Agency or New York State Department of Environmental Conservation programs (or successor programs). The transactions may also include the purchase or sale of other emissions, emissions credits or environmental attributes (such as green tags), as those terms may be defined, not specifically cited herein, subject to the approval of the Vice President – Chief Risk Officer.

 # 13

Trading authorization limits may be delegated on a short- or extended-term basis. In the case of extended-term delegation, any such delegation of limits may not exceed and must be less than the trading limits of the delegating executive or manager. Such limits must be reauthorized annually. All staff delegated extended-term trading authorization must certify their understanding of all applicable Authority policies and procedures on an annual basis. A written record of the specific extended-term delegated trading authorization limits will be signed by the staff member, and approved by the direct supervisor providing the cascading authority, the respective executive of those designated above and the Vice President – Chief Risk Officer. In the case of short-term delegation, such as during a period of vacation or illness, unless specifically stated otherwise, the full trading authorization limits are considered to be delegated.

Trading authorization limits may be delegated for a short or extended term. All delegations, whether in whole or in part, and re-authorizations, must be in the written format prescribed by the Vice President – Chief Risk Officer. Extended-term delegations must be signed by the staff member receiving the delegation, approved by the immediate supervisor of the delegating manager, co-signed by the Vice President – Chief Risk Officer or his designee, accompanied by the staff member's certification of his or her understanding of all applicable Authority policies and procedures and re-authorized annually. In the case of short-term delegation, such as during a period of vacation or illness, unless specifically stated otherwise, the full trading authorization limits are considered to be delegated.

(e) Changes or revisions to other Trustee authorizations:

"It is recommended that the Trustee resolution dated April 27, 2004, entitled 'Authorization of Commodity Broker Agreements for Hedging Purposes, Additional NYMEX Transaction Authorizations and Creation of Margin Reserve' be clarified to provide for delegation of authority for NYMEX transactions by the Senior Vice President – Energy Resource Management and Strategic Planning, inclusive of authority to add and subtract margin in NYMEX brokerage accounts, consistent with delegation procedures, not just in times of his or her absence, an inadvertent limitation.

"Unless specifically revised, the transactional delegations approved and/or revised by the Trustees in prior resolutions shall continue in full force and effect.

RECOMMENDATION

"The Vice President and Chief Risk Officer recommends that the Trustees approve the revisions discussed above and specifically reflected in Exhibit '7-A' attached hereto.

"The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Energy Marketing and Corporate Affairs, the Senior Vice President and Chief Engineer – Power Generation, the Senior Vice President – Energy Resource Management and Strategic Planning, the Vice President – Finance and I concur in the recommendation."

Mr. Thomas Warmath presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Besha, Mr. Warmath said that the language that stipulates that lower-level managers could give margin account authorizations if the Senior Vice President – Energy Resource Management and Strategic Planning is not available was meant to address the Senior Vice President's absence due to illness or

vacation. Responding to another question from Trustee Besha, Mr. Warmath said that these authorization changes are consistent with the Annual Report Regarding Energy Risk Management Policies and Procedures.

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

> **RESOLVED, That the transaction authorization limits for energy and energy-related financial transactions be adopted as discussed above and specifically reflected in Exhibit "7-A" attached hereto; and be it further**
>
> **RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, General Counsel and Chief of Staff.**

Exhibit "7-A"
February 26, 2008

Authorization Limits[1] for Energy- and Energy Hedging-Related Transactions[2]

(financial and physical settlement, spot and term tenure, excluding transactions with the NYISO)

	Physical	**Financial**		**Transaction Notional Value [3, 4, 5]**			Term[6, 4]
Title[7]	--	OTC	NYMEX[8]	Fuel[9, 10] ($MM)	Electricity[11] ($MM)	Emissions[12] ($MM)	(months)
President and Chief Executive Officer	✓	✓	✓	30	30	10	48
Chief Operating Officer	✓	✓	✓	30	30	10	48
Executive Vice President and Chief Financial Officer	✓	✓	✓	30	30	10	48
Executive Vice President – Energy Marketing and Corporate Affairs	✓	✓		30	30	10	48
Senior Vice President and Chief Engineer – Power Generation	✓			25		4	36
Senior Vice President – Energy Resource Management and Strategic Planning	✓	✓	✓	20	20	2	36
Senior Vice President – Marketing and Economic Development	✓	✓			25	1	36
Director – Power Resource Planning and Acquisition	✓	✓			15	1	24
Others - trading authorization limits delegated by respective department executive[13]							

Notes to table:

[1] All limits apply only to transactions with external counterparties and each limit operates independently of every other limit.

[2] The Vice President – Chief Risk Officer shall determine what instruments qualify as a financial instrument and/or energy-related financial transaction for hedging purposes, and what constitutes an emission, emission credit or environmental attribute.

[3] Notional value for a specific transaction is calculated as the volume of the commodity (or in the case of a derivative transaction, the volume of the underlying commodity) times the contracted per-volume price. For futures or options, this price is typically referred to as the strike price. Multiple transactions entered into with the same counterparty in a single day for the same delivery date or transaction period are considered a single transaction for purposes of this limit.

[4] Transactions exceeding the notional value or term authorization limits require the specific authorization of the Trustees, except in cases where the President and Chief Executive Officer is of the view, based on recommendations by the Vice President – Chief Risk Officer and/or other Authority officers, that a proposed transaction exceeding the limits must be entered into on an expedited basis to protect the Authority from adverse financial consequences. In this circumstance, the President and Chief Executive Officer shall be authorized to approve such transactions with the approval of the Chairman or, if the Chairman is unavailable, the Vice Chairman; and in the event that the President and Chief Executive Officer is not available, the Senior Vice President and Chief Engineer – Power Generation, in cases involving fuel-related transactions, and the Executive Vice President and Chief Financial Officer, in cases involving either financial or physical transactions, shall be so authorized.

[5] In addition, in the case of any physical or financial transaction having a value of $15 million or more, prior to any officer or staff member approving such transaction under the authority granted hereunder, such officer or staff member would obtain the verbal concurrence of (a) those members of his or her staff at the level of Manager and above (or their designees in the case of their absence) having responsibility for such transaction, (b) the Executive Vice President, General Counsel and Chief of Staff as to the acceptability of the contractual arrangement governing such transaction and (c) in the case of financial derivative and physical transactions, the Vice President – Chief Risk Officer, or, in his absence, his designee, as to the acceptability of the transaction from a risk management perspective. Such verbal concurrence shall be followed up with written concurrence within 3 working days of the actual execution of such transaction.

[6] Transaction term is measured as the period from the date a transaction is entered into through the last day of delivery. For example, a transaction entered into in January 2007 to purchase natural gas for delivery during the month of January 2008 has a term of 13 months. However, an exception to this limitation is warranted for interruptible natural gas transportation (‘IT’) contracts because IT contracts are generally understood to be evergreen in nature and do not obligate or commit the Authority, except as the Authority determines in its sole discretion, to transport natural gas consistent with the tariff provisions of such transporting pipeline.

[7] Titles are representative of executive personnel under current Authority organizational structure. Where future organizational changes revise specific position titles, the designated transaction authorization levels are applicable to the individuals within those new titles provided that the President and Chief Executive Officer deems that such new title is the successor for the purpose of the delegations of authority herein.

[8] The aggregate purchase cost of all NYMEX contracts (natural gas, fuel oil, jet kero) not to exceed $250 million.

[9] Fuel-related transactions include the purchase or sale of physical fuel that can be burned at an Authority fossil-powered generation facility, as well as financially settled derivative transactions where such fuels are the underlying commodity, or derivative transactions for fuels recognized as representative for hedging purposes of those fuels burned at an Authority fossil-powered generating facility. These transactions also include contracts for the transportation of fuel, as well as financially settled derivative transactions where transportation is the underlying commodity.

[10] The cumulative volume represented by the physical fuel transactions plus the equivalent volume obligated by the financial transactions, if such were to be physically delivered, for a particular Authority generating facility or group of facilities (i.e., Small Clean Power Plants) cannot exceed the maximum volume of fuel that could be consumed and/or stored at such facility(ies) during any time period. The cumulative volume represented by the physical electricity for a particular Authority customer or customer group (i.e., SENY Governmental Customers) cannot exceed the maximum volume of electricity that could be consumed by that customer during any time period. The Senior Vice President – Energy Resource Management and Strategic Planning shall delegate specific volumetric control limits to immediate managers, and they to their respective staff, to ensure such total volumetric limits are not exceeded. Such delegation of volume limits shall be subject to the approval of the Vice President – Chief Risk Officer, or his designee.

[11] Electricity-related transactions include the purchase or sale of electrical energy or capacity products locationally within the area controlled by the New York Independent System Operator ('NYISO'), or within an area contiguous to that controlled by the NYISO where protocols are in place to facilitate the transfer of such products to within NYISO's area. Electricity-related transactions also include financially settled derivative transactions where such electricity products are the underlying commodity. These transactions may also include contracts for the transmission of electrical energy, as well as financially settled derivative transactions where transmission is the underlying commodity.

[12] Emissions-related transactions include the purchase or sale of CO_2 emissions under the RGGI program (or any successor program), nitrous oxide (NOx) or sulfur dioxide (SO_2) emissions credits under either U. S. Environmental Protection Agency or New York State Department of Environmental Conservation programs (or successor programs). The transactions may also include the purchase or sale of other emissions, emissions credits or environmental attributes (such as green tags), as those terms may be defined, not specifically cited herein subject to the approval of the Vice President – Chief Risk Officer.

[13] Trading authorization limits may be delegated for a short or extended term. All delegations, whether in whole or in part, and re-authorizations, must be in the written format prescribed by the Vice President – Chief Risk Officer. Extended-term delegations must be signed by the staff member receiving the delegation, approved by the immediate supervisor of the delegating manager, co-signed by the Vice President – Chief Risk Officer or his designee, accompanied by the staff member's certification of his or her understanding of all applicable Authority policies and procedures and re-authorized annually. In the case of short-term delegation, such as during a period of vacation or illness, unless specifically stated otherwise, the full trading authorization limits are considered to be delegated.

8. Informational Item: Annual Report Regarding Energy Risk Management Policies and Procedures

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Governing Policies for Energy Risk Management ('Governing Policies') direct the President and Chief Executive Officer, or his designee, to provide to the Trustees periodically, but no less than annually, a report on the results of the energy risk management program, including compliance with the Governing Policies and implementing procedures.

"In general, the risk management group continued with the same overall thrust of a risk policy and philosophy that are non-speculative in nature and focus on the importance of continuous communication of risks and their possible impact to the necessary decision makers and the ongoing search and review for new issues and new risks that may affect or expose the Authority. In this vein, two major work efforts were started in 2007 that continue this focus of communication (also known as risk reporting) and identification of new issues or risks that might affect the Authority. Specifically, a Request for Proposals ('RFP') was issued to solicit bids to acquire and implement a new energy trading risk management ('ETRM') system. Such a system would replace current vintage legacy or one-off systems that are no longer capable of meeting the Authority's needs and could become a common work space for multiple functions spanning the trading group, finance, accounting and risk management. A major activity of this new system will be to accurately and timely record and report on all energy-related transactions. Additionally, another RFP was issued to select a qualified consultant to assist the Authority in the formal design, structural set-up and implementation of an enterprise-wide risk management initiative. Both of these RFP efforts will continue into 2008 and possibly into later years as well. It is important to note that during 2007 compliance with existing risk policies and procedures was very good. The few minor issues of procedural administrative non-compliance were detected and corrected with no negative consequences to the Authority.

"The attached memorandum (Exhibit '8-A') is a more detailed report of activities of 2007."

123 Main Street
White Plains, New York 10601
914.287.3082

New York Power Authority

Tom H. Warmath
Vice President & Chief Risk Officer

Exhibit '8-A'
February 26, 2008

Date: February 9, 2008

To: The Trustees

From: Tom H. Warmath

Re: Annual Report Regarding Energy Risk Manangement Policies and Procedures.

As directed and set forth in the Governing Policies For Energy Risk Management, as amended January 31, 2006, Section 2.03 "Reporting" directs that periodically, but no less than annually, the President and Chief Executive Officer or his designee shall provide to the Trustees a report regarding policies and procedures established under this Policy, as well as Program results, and Policy compliance. This memorandum is provided as that report and describes program activities and developments in 2007.

BACKGROUND

The current Governing Policies were adopted by the Trustees at their meeting of October 29, 2002 and amended on January 31, 2006. The objectives of the Governing Policies are to identify exposures to energy and fuel price movements, to understand the potential financial impact of such exposure on the Authority and to mitigate, where appropriate or as deemed prudent by management, the possible adverse impact of such exposures while maintaining adequate flexibility to improve financial performance. The following parameters were established to facilitate the objectives:

- Scope of the program (all transactions related to physical commodities and derivatives for electrical energy, capacity, ancillary services, transmission, natural gas, fuel oil and related hedging transactions);
- Risk management philosophy (non-speculative);
- Energy Risk Management Committee ("ERMC") as the vehicle for establishing procedures for administering the program;
- Permissible risk management (hedging) instruments; and
- Requirement for reporting to the Trustees.

DISCUSSION

POLICIES AND PROCEDURES

Amendments to the Governing Policies require Trustee approval. Over the course of the past year, there have been no amendments to the Governing Policies or procedural changes to the administration of the energy risk management program. It is expected that after the completion of ongoing work by the consulting firm RW Beck, Inc. ("Beck") (selected via an RFP process to assist the Authority in developing and implementing an enterprise wide risk management structure) procedural changes may be warranted.

PROGRAM ACTIVITIES

The Authority is routinely exposed to energy and fuel price risk in the conduct of its day- to-day operations. In most cases, price volatility holds significant potential risk to the business objectives of the Authority. ERAC, through policy development and interaction with various Authority business units, works to identify such risk and make it known to management. A primary ERAC mission is to spread the culture of risk awareness and identification throughout the Authority and to bring to bear analytical analysis in an attempt to quantify the range of possible outcomes of activities. To this end, during the last year, ERAC has undertaken the following:

- Continued to develop and refine the analytical model developed by a consultant for the Authority to project a range of potential regional forward electric prices, as well as economic generation levels within Authority environmental permit limitations;

- Continued to make incremental improvements in the Authority's processes and systems for capturing hedge transactions and measuring financial risk;

- Proposed to the Trustees specific guidelines for executing approval of hedge transactions to satisfy long-term agreement obligations for certain Governmental Customers (approved by the Trustees at their meeting of June 26, 2007)

- Selected a consultant (Beck Agreement # 4500145933) to (a) assist in the creation, development and implementation of an enterprise wide risk management ("EWRM") initiative and to (b) assist in the development of a business continuity plan for all critical business functions. Beck consultants have started both projects and it is currently anticipated that the consultant will deliver a draft report concerning EWRM the first quarter of 2008. A report concerning business continuity is expected by the end of the fourth quarter 2008. The scope of work requires that Beck, among other things, advise the Authority on (i) the structure and composition of a risk committee and charter for same, (ii) the identification of an inventory of enterprise risks , (iii) the development of a risk ranking scale and prioritization of the identified inventory of, (iv) the identification of the business unit responsible for developing a mitigation plan for review and approval by ERAC, the risk committee and the Trustees (if necessary), and (v) a plan, as necessary or desired, for mitigation of each identified risk. The initial draft report, presented to senior management in January contained a list of 81 risk issues. From this inventory of issues 18 were identified and ranked as moderate-high to high and the remainder were ranked lower. Those issues ranked or categorized as moderate-high to high will be the first to be addressed by the individual business unit heads with mitigation plans. Among the inventory of risk issues, especially those specific 18 categorized as moderate-high to high none were identified that were previously unknown to management.

- Initiated an initiative to evaluate a replacement of RiskSpectives (RS), the current energy commodity transaction recording and risk reporting system. The RS system, which has been in use for about 5 years, is no longer adequate for the Authority's evolving needs in that it is not capable of producing the type of risk reports desired, not designed to accept and record some of the types of transaction the Authority could be executing and no longer supported by the firm that created and wrote the code upon which it is based (Pace Global Energy). As such an RFP was issued (Q02-4090DG) to solicit bids for replacement of the RS system and for possible replacement/alternatives to the current NorthBridge process for development of forward price forecasting. An evaluation team, comprised of representatives of each Authority business unit, reviewed the eleven bids received and selected two bidders to make1-2 day long demonstrations and presentation of their energy trading risk management system (ETRM), using not only their own data but also a data set(s) supplied by the Authority. By the first or second quarter of 2008 a final recommendation will be made to senior management, and thereafter the Trustees, as may be appropriate, for an award of the bid.

PROGRAM RESULTS AND COMPLIANCE

ERAC, in coordination with the Human Resource Department's Performance Planning Group, developed two performance measures for the energy risk management program. One measure characterizes the collective financial quality of the counterparties used for the Authority's hedge transactions and is essentially calculated as a credit exposure weighted average of the counterparties' Standard & Poor's default ratings. The other measure determines whether the distribution of forward prices generated via modeling processes is a reasonable representation of future market prices. This measure essentially examines how frequently the actual NYISO zone A on-peak forward price, for the next three months of each forward curve developed, falls within the range of projected possibilities. Cumulative results of 0.25% and 83%, respectively, were recorded for these two measures, which compare favorably to established control limits of 3% and 80%, respectively.

In March 2005 the Authority entered into a Long Term Agreement (LTA) with certain of the Authority's governmental customers. Two salient features of the LTA are a risk-sharing provision between the Governmental Customers and the Authority and a collaborative decision-making process on hedging the risks associated with serving the customer load. For the 2008 rate year, the Governmental Customers selected an energy charge adjustment ("ECA") mechanism, so there will be no risk sharing between the Authority and Governmental Customers for 2008. However, currently all options set forth in the LTA including risk sharing and the obligation for the Authority to offer a fixed price come into play for the 2009 rate year unless a change or amendment to the LTA is negotiated.

During 2007 a legal and regulatory compliance risk assessment review was substantially completed by Day Pitney LLP for the Authority. The review focused upon (i) identifying, assessing and prioritizing compliance risk that could adversely effect the Authority's operations, and (ii) strengthening or developing compliance controls to address those risks. The intent is to develop a benchmark of the Authority's overall compliance environment that will form the basis for an on going compliance monitoring program. The review detailed 43 compliance risk activities and 20 business risk activities. Each risk was rated high, medium or low with none being rated high because all the risks, in Day Pitney's opinion, are, in large measure, controlled. An on-going compliance monitoring plan is being developed by internal audit and legal staff.

Overall, compliance with existing policies and procedures established by the ERMC was very good. The few minor issues of procedural administrative noncompliance that arose were detected and corrected with no negative consequences to the Authority.

FUTURE PROGRAM INITIATIVES

The Authority's activities in the area of energy commodity hedging transactions continue to expand. The Authority's recent risk-sharing arrangements with theGovernmental Customers have also increased the ERM and ERAC workload. This workload is anticipated to further increase given the Authority's energy trading risk management ("ETRM") initiative (RFP Inquiry # Q-02-4090DG) to evaluate replacement of its commodity transaction recording and risk reporting system with a newer more efficient software system with greater flexibility to allow for a common work space for multiple functional areas within the Authority. The software provider will be selected through the RFP process. The objectives of the ETRM project are targeted to satisfy the following requirements:

- Utilizing a single repository for all executed transactions, eliminating the need for multiple deal entry and multiple data sources for transaction details. Any given physical or financial energy commodity hedging transaction would be entered only one time in one particular place;
- Supporting multiple physical and/or financial commodities including power, natural gas, coal, fuel oil, heating oil, jet kero, residual oil and emissions;
- Minimizing the need for manual reconciliations among multiple data sources;

- Insuring greater price transparency by housing all approved prices, historical prices, settlement prices and forward prices in one authorized repository;
- Leveraging existing platforms and eliminating redundant data entry through the use of integration;
- Providing improved risk/audit reporting capabilities and quicker responses to ad hoc data requests;
- Facilitating increased collaboration and integration across departments while maintaining a separation of duties across the functions of front office (transaction origination), middle office (market and counterparty credit risk management), and back office (settlements, inventory reconciliation, and accounts receivable/payable);
- Enabling greater transparency of risk analysis and hedge effectiveness;
- Providing better access to data for decision making purposes;
- Facilitating scalable and robust system integration;
- Supporting strong internal system and process controls and risk management best practices;
- Attaining consistency with the FAS-133 Financial Accounting Standards associated with derivatives transactions; and
- Incorporating a strong systematic workflow process to schedule tasks and to automate functions and routine procedures. (The workflow process should be updatable to accommodate organizational changes.)

In addition to evaluation of the ETRM system bids, and upon completion of the work by the consultant Beck, new processes and procedures will likely be required to implement the enterprise wide risk management oversight structure currently under review for adoption by the Authority.

<u>CONCLUSION</u>

Maintaining and implementing an independent energy risk assessment and control program is a major task and, due to the ever-changing character of relevant markets, an ongoing process. Such challenges will continue and grow as the Authority formally implements an enterprise wide risk management oversight structure as has been recommended in a number of recent reviews of Authority activities (Hay Report, IIA Report, Day Pitney Report). As the deregulated electric marketplace and the Authority's obligations continue to change, it has become apparent that, in large part, many portions of risk systems currently in place are no longer adequate to either address the Authority's needs or handle the expected workload and complexity of the Authority's activities; hence, the RFP to identify a new risk system and to solicit software suppliers and implementation of such a new system. However, this year, the program's main focus was upon:

- Working to formulate an RFP wherein the Authority solicits bids to identify the software and system needs for a new ETRM system for the Authority;
- Developing an RFP to solicit and select an enterprise wide risk management advisor;
- Meeting the Authority's obligations under the LTA by working with the Governmental Customers to develop, design and coordinate analysis and implementation of their selected hedging program for 2008;
- Developed a 2008-2011 four year base variable cost estimate for the GC group to identify future expected base variable costs and identify the need to work together to developing/implementing a hedging program to minimize the uncertainty around these future expected base variable costs.
- Continuing to further refine a new modeling process specifically for Governmental Customers by which they can assess the performance of their own selected hedge strategy or otherwise assess how their cost might change by varying hedge positions or due to changes in market prices;
- Ensuring that risk considerations remains a part of every business discussion and process;

- Initiating and selecting the consultant to advise the Authority upon the implementation of an EWRM approach.

Going forward into 2008, the focus will be as follows:

- Selecting an ETRM provider (if a winner is selected) and beginning implementation;
- Finalize the evaluation and begin implementing an enterprise wide risk management structure within NYPA with the assistance of the consultant selected via the RFP process;
- Implementing mutually agreed-upon recommendations contained in the CRA International audit report with the Governmental Customers;
- Continuing to identify, analyze and review the Authority's risk exposures;
- Situating staff and the organization to be prepared to undertake analysis that might be required to support a decision/conclusion by the Authority to engage in the building of generation or transmission or other facilities to support the electrical energy needs of the State of New York;
- Maintaining a robust customer/client relationship between ERAC and all other Authority business units;
- Providing continued staff development and training.

9. <u>Next Meeting</u>

The next Meeting (Annual) of the Trustees will be held on **Tuesday, March 25, 2008, 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 duly made and seconded, the meeting was adjourned by the Chairman at approximately 11:50 a.m.

Anne B. Cahill
Corporate Secretary