

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

February 24, 2009

Table of Contents

<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
1. Consent Agenda:	2	
a. Minutes of the Regular Meeting held on January 27, 2009 and the Special Meeting held on February 3, 2009	3	
b. Power for Jobs Program – Extended Benefits	4	“1b-A”
c. Proposed Preservation Power Contract with Newton Falls Fine Paper Company – Notice of Public Hearing	7	“1c-A”
d. Request to Approve Extensions to the Terms of Service for Two Existing Expansion Power Customers	10	“1d-A”
e. Flywheel Energy Storage System Project for MTA-Long Island Rail Road – Contract Award	13	
f. Request for Increased Funding – Municipal and Rural Cooperative Electric Utilities Electric-Drive Vehicle Program	16	
g. Gas Transportation and Balancing Service Agreements with National Grid for the Small Clean Power Plants	18	
h. Banking Resolution Amendment to Reflect the Appointment of Chief Operating Officer and Change in Title of Vice President – Finance	20	
i. New York Power Authority Other Post-Employment Benefits Trust Fund: Selection of Small Cap Investment Manager	22	
j. Procurement (Services) Contract – Legal Services – Rivkin Radler LLP	24	
k. Lease of Office Space – Clarence D. Rappleyea Building – Berman Bavero Frucco & Gouz, P.C.	26	“1k-A” - “1k-B”
l. Partial Termination of Lease of Office Space – Clarence D. Rappleyea Building – J. P. Morgan Chase	28	“1l-A”

Resolution

<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
Discussion Agenda:		
2. Q&A on Reports from:		
a. President and Chief Executive Officer	30	
b. Chief Operating Officer	33	
c. Chief Financial Officer	41	“2c-A”
3. Informational Item: NYPA Transmission	43	
4. Motion to Conduct an Executive Session	44	
5. Motion to Resume Meeting in Open Session	45	
6. Resolution – Election of Chairman	46	
7. Resolution – Election of Vice Chairman	47	
8. Resolution – Election of Corporate Secretary	48	
9. Amendments to the Authority’s By-laws Resolution	49	“9-A”
10. Defense and Indemnification Resolution	50	
11. Other Business	51	
12. Next Meeting	52	
Closing	53	

Minutes of the Regular Meeting of the Power Authority of the State of New York held via videoconference at the following participating locations at 11:59 a.m.:

- 1) New York Power Authority, 123 Main Street, White Plains, NY
- 2) King Reporting Service, 14 Sun Tree Place, Suite 101, Melbourne, FL

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

Michael J. Townsend, Acting Chairman, (White Plains, NY)
D. Patrick Curley, Trustee, (White Plains, NY)
Elise M. Cusack, Trustee, (White Plains, NY)
Jonathan F. Foster, Trustee, (White Plains, NY)
Eugene L. Nicandri, Trustee, (Melbourne, FL)

Richard M. Kessel	President and Chief Executive Officer
Gil C. Quiniones	Chief Operating Officer
Terryl Brown Clemons	Executive Vice President and General Counsel
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer
Edward A. Welz	Executive Vice President and Chief Engineer – Power Supply
Steven J. DeCarlo	Senior Vice President – Transmission
Paul F. Finnegan	Senior Vice President – Public and Governmental Affairs
William J. Nadeau	Senior Vice President – ERM and Strategic Planning
Donald A. Russak	Senior Vice President – Corporate Planning and Finance
Joan Tursi	Senior Vice President – Enterprise Shared Services
James H. Yates	Senior Vice President – Marketing and Economic Development
Arnold M. Bellis	Vice President and Controller
Thomas A. Davis	Vice President – Energy Risk Assessment and Control
Thomas P. DeJesu	Vice President – Government Relations
John M. Kahabka	Vice President – Environment, Health and Safety
Lesly Y. Pardo	Vice President – Internal Audit
Dennis T. Eccleston	Chief Information Officer
Arthur T. Cambouris	Deputy General Counsel
Joseph J. Carline	Assistant General Counsel – Power and Transmission
Anne B. Cahill	Corporate Secretary
Angela D. Graves	Deputy Corporate Secretary
Albert Swansen	First Deputy Inspector General
Joseph Leary	Executive Director – Corporate Community Affairs
Thomas J. Concadoro	Director – Accounting
Mark D. O’Connor	Director – Real Estate
James F. Pasquale	Director – Marketing Analysis and Administration
Michael A. Saltzman	Director – Media Relations
Victoria Simon	Director – Special Projects and Business Integration
Jennifer Becker	Chief Sustainability Manager – Special Projects and Business
Thomas J. Shust	General Manager – Clark Energy Center
John M. Markowitz	Electric Transportation Engineer II – Research and Technology Development
D’Ambrosio, Denise	Principal Attorney I – Finance and Risk Management
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
Charles Haddon	Managing Director – Navigant Consulting
Bert Cunningham	

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

1. Consent Agenda

Trustee Jonathan Foster said items 1b (Power for Jobs Program – Extended Benefits), 1c (Proposed Preservation Power Contract with Newton Falls Fine Paper Company – Notice of Public Hearing) and 1d (Request to Approve Extensions to the Terms of Service for Two Existing Expansion Power Customers) did not include consistent metrics on how the jobs-per-kilowatt figures were calculated. According to Trustee Foster, the company in item 1d has committed to having 1,600 jobs but only has 1,000 jobs now; the item does not show how the company will increase its job count. President Richard Kessel said that Trustee Foster’s point was well taken and asked Mr. Gil Quiniones to work with Trustee Foster on this issue. Mr. Quiniones said that a cost-benefit analysis would be included in future Trustee items of this sort. President Kessel added that the Trustees would soon receive a draft plan for the Authority’s economic development power programs that addresses such concerns.

President Kessel said that he had not been involved in the Long Island Power Authority issue that was the subject of item 1j (Procurement (Services) Contract – Legal Services – Rivkin Radler LLP).

Chairman Michael Townsend said that the Economic Development Power Allocation Board had recommended that the Authority’s Trustees approve item 1b (Power for Jobs Program – Extended Benefits) at their meeting of February 23, 2009.

1a. Approval of the Minutes

The Minutes of the Regular Meeting held on January 27, 2009 and the Special Meeting held on February 3, 2009 were unanimously adopted.

1b. 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 75 Power for Jobs (‘PFJ’) customers as listed in Exhibit ‘1b-A.’ These customers have been recommended to receive such extended benefits by the Economic Development Power Allocation Board (‘EDPAB’).

BACKGROUND

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

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

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

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

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

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

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

DISCUSSION

“At its meeting on February 23, 2009, EDPAB recommended that the Authority’s Trustees approve electricity savings reimbursement rebates to the 75 businesses listed in Exhibit ‘1b-A.’ Collectively, these organizations have agreed to retain more than 90,000 jobs in New York State in exchange for the rebates. The rebate program will be in effect until June 30, 2009, the program’s sunset.

“The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit ‘1b-A’ in a total amount currently not expected to exceed \$8 million. Staff recommends that the Trustees

authorize a withdrawal of monies from the Operating Fund for the payment of such amount, provided that such amount is not needed at the time of withdrawal for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. Staff expects to present the Trustees with requests for additional funding for rebates to the companies listed in the Exhibit in the future for other rebate months.

FISCAL INFORMATION

“Funding of rebates for the companies listed on Exhibit ‘1b-A’ is not expected to exceed \$8 million. Payments will be made from the Operating Fund. To date, the Trustees have approved \$160.4 million in rebates.

RECOMMENDATION

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

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

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

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

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

RESOLVED, That based on staff’s recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to \$8 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 and General Counsel; and be it further

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

**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		Type	Service
											KW	Jobs/MW		
1	92nd Street YM-YWHA	New York	New York	Con Ed	200	852	855	3	0%	Yes	200	4,275	NFP	Community/cultural center
2	American Ballet Theater	New York	New York	Con Ed	20	175	230	55	31%	Yes	20	11,500	NFP	Performing arts organization
3	American Cancer Society	New York	New York	Con Ed	80	25	73	48	192%	Yes	80	913	NFP	Social Services Provider
4	Columbia University - Trustees	New York	New York	Con Ed	750	749	750	1	0%	Yes	750	1,000	NFP	Educational and Student Services
5	Empire Merchants LLC	Astoria	Queens	Con Ed	750	938	968	30	3%	Yes	750	1,291	Large	Distributors of wines and spirits
6	IBM - White Plains	Armonk	Westchester	Con Ed	3,870	2,177	2,115	-62	-3%	Yes	3,870	547	Large	Computer Technology Solutions
7	Kingsbrook Jewish Medical Center	Brooklyn	Kings	Con Ed	1,200	1,865	1,910	45	2%	Yes	1,200	1,592	NFP	Medical and Research Institution
8	Lincoln Center for the Performing Arts	New York	New York	Con Ed	3,000	3,763	4,035	272	7%	Yes	3,000	1,345	NFP	Performing Arts Center
9	Long Island Jewish Medical Center	Manhasset	Nassau	Con Ed	2,000	6,958	6,508	-450	-6%	Yes	2,000	3,254	NFP	Medical Center
10	Memorial Sloan-Kettering Cancer Center	New York	New York	Con Ed	5,000	9,286	9,840	554	6%	Yes	5,000	1,968	NFP	Medical Center
11	Mount Sinai Medical Center	New York	New York	Con Ed	2,000	10,220	10,327	107	1%	Yes	2,000	5,164	NFP	Medical Center
12	New York Presbyterian Hospital	New York	New York	Con Ed	5,000	8,423	8,423	0	0%	Yes	5,000	1,685	NFP	Medical Center
13	New York University	New York	New York	Con Ed	1,700	16,216	11,756	-4460	-28%	Yes *	1,700	6,915	NFP	Institution of Higher Education
14	Norampac New York City, Inc	Maspeth	Queens	Con Ed	600	204	204	0	0%	Yes	600	340	Large	Manufacturer of corrugated paper packaging
15	NYU Medical Center	New York	New York	Con Ed	4,000	10,924	11,364	440	4%	Yes	4,000	2,841	NFP	Medical Center
16	Pepsi Cola Bottling Company	College Point	Queens	Con Ed	2,200	1,015	1,003	-12	-1%	Yes	2,200	456	Large	Manufactures & distributes of soft drinks
17	TanaSeybert, LLC	New York	New York	Con Ed	400	194	294	100	52%	Yes	400	735	Large	Printing trade services
18	The Brooklyn Historical Society	Brooklyn	Kings	Con Ed	30	19	18	-1	-5%	Yes	30	600	NFP	Community Services
19	The Joyce Theater Foundation, Inc.	New York	New York	Con Ed	150	42	46	4	10%	Yes	150	307	NFP	Dance Performance
20	The Museum of Modern Art	New York	New York	Con Ed	1,000	765	766	1	0%	Yes	1,000	766	NFP	Museum
	Total Con Ed		Subtotal	20	33,950	74,810	71,485				33,950			
21	American Technical Ceramics	Huntington Station	Suffolk	LIPA	200	331	386	55	17%	Yes	200	1,930	Small	Ceramic Capacitors
22	Commercial Envelope Manufacturing Corp.	Deer Park	Suffolk	LIPA	700	174	154	-20	-11%	No	620	248	Large	Manufacturer of envelopes
23	Kleer-Fax Inc.	Amityville	Suffolk	LIPA	200	130	130	0	0%	Yes	200	650	Small	Mfr. paper and plastic office products
24	Silver Lake Cookie Co.	Islip	Suffolk	LIPA	400	210	195	-15	-7%	Yes	400	488	Large	Manufacturer of specialty cookies
25	Southern Container Corp.	Deer Park	Suffolk	LIPA	500	216	222	6	3%	Yes	500	444	Large	Manufactures packaging cartons
	Total LIPA		Subtotal	5	2,000	1,061	1,087				1,920			
26	3M	Tonawanda	Erie	Grid	2,000	392	367	-25	-6%	Yes	2,000	184	Large	Cellulose sponges
27	Applied Energy Solutions	Caledonia	Livingston	Grid	300	65	62	-3	-5%	Yes	300	207	Small	Electronics
28	Atofina Chemicals, Inc.	Geneseo	Livingston	Grid	850	95	95	0	0%	Yes	850	112	Large	Chemical manufacturing plant
29	Carville National Leather Corp.	Johnstown	Fulton	Grid	200	31	33	2	6%	Yes	200	165	Small	Quality leather production
30	Clarkson University	Potsdam	St. Lawrence	Grid	1,500	664	664	0	0%	Yes	1,500	443	NFP	Higher education
31	Cooper Hand Tools	Cortland	Cortland	Grid	1,330	123	118	-5	-4%	Yes	1,330	89	Large	Metal machining and casting
32	Cortland Line Co., Inc.	Cortland	Cortland	Grid	450	84	83	-1	-1%	Yes	450	184	Large	Manufactures fishing line
33	Crucible Specialty Metals	Syracuse	Onondaga	Grid	4,000	687	682	-5	-1%	Yes	4,000	171	Large	Specialty steel manufacturer.
34	CWM Chemical Services, LLC	Model City	Niagara	Grid	330	78	65	-13	-17%	Yes *	330	197	Small	Industrial waste treatment & disposal
35	Dal Tile Corporation	Olean	Cattaraugus	Grid	1,000	204	218	14	7%	Yes	1,000	218	Large	Ceramic tile
36	Dielectric Laboratories, Inc.	Cazenovia	Madison	Grid	400	190	193	3	2%	Yes	400	483	Large	Ceramic capacitors and packaging
37	Diemolding Corporation	Canastota	Madison	Grid	200	238	201	-37	-16%	Yes *	184	1,092	Small	Thermoset plastic forming
38	Distributor Data Forms, Inc.	Cortland	Cortland	Grid	50	13	13	0	0%	Yes	50	260	Small	Manufacturer of custom forms
39	Dodge-Graphic Press Inc	Utica	Herkimer	Grid	300	67	74	7	10%	Yes	300	247	Small	Printing Company

February 24, 2009

40	Edward John Noble Hospital	Gouverneur	St. Lawrence	Grid	100	241	237	-4	-2%	Yes	100	2,370	NFP	Medical Center
41	Fitzpatrick & Weller, Inc.	Ellicottville	Cattaraugus	Grid	1,000	93	86	-7	-8%	Yes	1,000	86	Large	Lumber & wood components
42	G L & V Sandy Hill Inc.	Hudson Falls	Washington	Grid	750	94	99	5	5%	Yes	750	132	Large	Full service foundry & machine shop
43	Intertek Testing Services	Cortland	Cortland	Grid	600	306	311	5	2%	Yes	600	518	Large	Independent test lab
44	Keystone Corporation	Buffalo	Erie	Grid	300	40	41	1	3%	Yes	300	137	Large	Fabricated metal products
45	Kilian Manufacturing Corporation	Syracuse	Onondaga	Grid	400	154	144	-10	-6%	Yes	400	360	Large	Manufactures ball bearings
46	Lewis County General Hospital	Lowville	Lewis	Grid	200	382	418	36	9%	Yes	200	2,090	NFP	Medical Center
47	Lydall Manning	Green Island	Albany	Grid	1,100	113	114	1	1%	Yes	1,100	104	Large	Specialty Paper Manufacturer
48	Meloon Foundries, Inc.	Syracuse	Onondaga	Grid	275	58	52	-6	-10%	Yes	275	189	Small	Non-Ferrous Sand Casting Foundry
49	Mohawk Paper Mills	Cohoes	Albany	Grid	2,250	330	415	85	26%	Yes	2,250	184	Large	Manufacturer of text and cover papers
50	Natrium Products, Inc.	Cortland	Cortland	Grid	90	21	21	0	0%	Yes	90	233	Small	Manufacturer of sodium bicarbonate
51	Paul Bunyan Products, Inc.	Preble	Cortland	Grid	150	28	24	-4	-14%	Yes *	150	160	Small	Hardwood lumber components
52	Precision Systems Mfg., Inc.	Liverpool	Onondaga	Grid	180	63	60	-3	-5%	Yes	180	333	Small	Machining and sheet metal manufacturing
53	Queensboro Farm Products, Inc.	Canastota	Madison	Grid	500	81	80	-1	-1%	Yes	500	160	Large	Milk manufacturing and processing plant
54	Revere Copper Products	Rome	Oneida	Grid	2,000	424	412	-12	-3%	Yes	2,000	206	Large	Copper & brass products
55	Robison & Smith, Inc.	Gloversville	Fulton	Grid	384	200	205	5	3%	Yes	384	534	Small	Linen & Laundry Supply
56	Schneider Packing Equipment	Brewerton	Onondaga	Grid	200	122	143	21	17%	Yes	200	715	Small	Makes packaging machinery
57	Specialized Packaging Radisson, Inc	Baldwinsville	Onondaga	Grid	180	173	192	19	11%	Yes	180	1,067	Small	Produces printed folding cartons
58	Spray Nine Corporation	Johnstown	Fulton	Grid	300	119	106	-13	-11%	Yes	300	353	Small	Specialty cleaning chemical
59	Syracuse Casting Sales Corp.	Cicero	Onondaga	Grid	300	107	98	-9	-8%	Yes	300	327	Small	Produces subterranean vault equipment
60	Syracuse China Company	Syracuse	Onondaga	Grid	460	303	288	-15	-5%	Yes	460	626	Large	Manufactures restaurant china
61	Syracuse Label Co., Inc.	Liverpool	Onondaga	Grid	200	88	88	0	0%	Yes	200	440	Small	Consumer and industrial printing labels
62	Syracuse University	Syracuse	Onondaga	Grid	2,000	4,530	4,575	45	1%	Yes	2,000	2,288	NFP	Institution of Higher Education
63	Vicks Lithograph & Printing	Yorkville	Oneida	Grid	750	137	112	-25	-18%	Yes *	750	149	Large	Book printer & distribution
	Total National Grid		Subtotal	38	27,579	11,138	11,189				27,563			
64	A. T. Reynolds & Sons, Inc.	Kiamesha Lake	Sullivan	NYSEG	250	55	54	-1	-2%	Yes	250	216	Small	Spring water and Ice Manufacturer
65	Agri-Mark, Inc	Chateaugay	Franklin	NYSEG	500	115	116	1	1%	Yes	500	232	Large	Cheese Manufacturer
66	Audio Sears	Stamford	Delaware	NYSEG	190	89	81	-8	-9%	Yes	190	426	Small	Makes audio equipment
67	Corning (Erwin Plant)	Corning	Steuben	NYSEG	1,500	614	624	10	2%	Yes	1,500	416	Large	Optical fiber, glass & ceramics
68	Currier Plastics, Inc.	Auburn	Cayuga	NYSEG	300	141	144	3	2%	Yes	300	480	Small	Manufactures plastic products
69	Endicott Interconnect Technologies	Endicott	Broome	NYSEG	3,500	4,207	4,172	-35	-1%	Yes	3,500	1,192	Large	Electronic interconnect solutions
70	Merritt Plywood Machinery, Inc.	Lockport	Niagara	NYSEG	75	18	9	-9	-50%	Yes *	75	120	Small	Machinery for hardwood production
71	Vail Ballou Press, Inc.	Binghamton	Broome	NYSEG	1,800	408	399	-9	-2%	Yes	1,800	222	Large	Book printer and distributor
	Total NYSEG		Subtotal	8	8,115	5,647	5,599				8,115			
72	IBM - Sterling Forest	Sterling Forest	Orange	O&R	700	523	503	-20	-4%	Yes	700	719	Large	Computer Technology Solutions
	Total Orange & Rockland		Subtotal	1	700	523	503				700			
73	Flower City Printing, Inc.	Rochester	Monroe	RGE	1150	312	306	-6	-2%	Yes	1,150	266	Large	Commercial printer
74	IBM - Rochester	Rochester	Monroe	RGE	1150	583	592	9	2%	Yes	1,150	515	Large	Computer Technology Solutions
75	XLI Corporation	Rochester	Monroe	RGE	175	75	75	0	0%	Yes	175	429	Small	Makers of precision machine components
	Total RG&E		Subtotal	3	2,475	970	973				2,475			
	Total		75	74,819	94,149	90,836					74,723			

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

**1c. Proposed Preservation Power Contract with
Newton Falls Fine Paper Company –
Notice of Public Hearing**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize a public hearing, pursuant to Section 1009 of the Public Authorities Law, on a new contract (‘Contract’) for the sale of 2,000 kW of Preservation Power to Newton Falls Fine Paper Company (‘Newton Falls’).

BACKGROUND

“In 2005, the New York State Legislature enacted, and the Governor signed, Chapter 313 of the Laws of 2005, which established the Preservation Power program set forth in Section 1005(13) of Public Authorities Law. Preservation Power allows businesses in northern New York State to be served with low-cost hydroelectric power from the Authority’s St. Lawrence/FDR Power Project. This program governs the allocation of any power relinquished from the block of 490 MW of St. Lawrence/FDR Project firm and interruptible power currently sold to Alcoa and General Motors – Powertrain. The law authorizes allocation of power to businesses in Franklin, Jefferson and St. Lawrence counties and applies the same allocation criteria as pertain to allocations of Replacement and Expansion Power.

“Each application for an allocation of Preservation Power 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 the 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 November 24, 2008, the Authority, National Grid, Empire State Development Corporation and Franklin, Jefferson and St. Lawrence counties signed a Memorandum of Understanding (‘MOU’) that outlines the process to coordinate marketing and allocating Preservation Power. The entities noted above have formed the Northern New York Advisory Group (‘Advisory Group’) with the intent of better using the value of this resource to improve the economy of Northern New York and the State of New York. Nothing in the MOU changes the legal requirements applicable to the allocation of Preservation Power and the Authority Trustees are the sole decision-makers regarding allocations of Preservation Power, subject only to the Governor’s contract approval role under Section 1009 of the Public Authorities Law.

DISCUSSION

“Newton Falls Paper Mill was originally opened in 1894 by the Newton family. Appleton Paper bought the mill in 1995 to provide entry into the coated paper market. In 1999, the company moved the manufacturing of this product to its Wisconsin facility, which eliminated 150 jobs in New York State. After being closed for eight years, the Newton Falls Paper Mill was purchased by Newton Falls Fine Paper Company, LLC. By 2007, the mill had resumed full operations and hired more than 100 employees. In less than one year, plant output increased 54%. With its reopening, the mill is helping to reinvigorate the North Country economy. An allocation of Preservation Power will be a major factor in any decision regarding future capital investment and the restart of additional machines.

“Authority staff has completed their review of Newton Falls’ application for Preservation Power. Staff recommends a 2,000 kW allocation of power to Newton Falls. This allocation is supported by the Advisory Group. The proposed Contract is attached as Exhibit ‘1c-A.’

“The allocation of Preservation Power is in consideration of Newton Falls’ agreement to invest \$4.5 million to expand its plant. The company plans to expand the mill’s capacity by 40% to position the company for future growth, secure new contracts and expand into new markets. In addition to plant renovation necessary for increased capacity, the company will re-commission the existing paper machine in the mill, which has been idle since 1999. Re-commissioning the production line is a complex project that will include reconstruction of the paper machines and part testing and replacement. In addition, the company agrees to retain 118 jobs and add 54 new positions as a result of this expansion. The key elements of the Contract are as follows:

Power Allocation Quantity

“The recommended allocation is 2,000 kW of Preservation Power. The firm service will be equivalent to that provided to all other Authority firm hydropower customers and subject to pro-rata curtailment when there is insufficient generation at the Niagara and St. Lawrence/FDR facilities to meet the energy requirement of the firm hydropower customers.

“The total amount of hydropower will be subject to an enforceable employment commitment of 118 existing jobs and 54 new jobs over the term of the Contract, which includes an annual job report to be submitted by Newton Falls to the Authority. A job compliance threshold of 90% will apply. Should Newton Falls’ actual jobs reported fall below the compliance percentage, the Authority may reduce the amount of hydropower allocated to the company on a pro-rata percentage basis.

Rates

“Preservation Power rates will apply.

Term

“The Contract will have a five-year term from the initial start of power takedown.

RECOMMENDATION

“The Director – Marketing Analysis and Administration recommends that the Trustees approve a public hearing on the Preservation Power Contract with Newton Falls Fine Paper Company to be held at the Frank S. McCullough, Jr. Hawkins Point Visitors Center at the St. Lawrence/FDR Project in Massena, New York on Wednesday, April 8, 2009 at 11:00 a.m. It is further recommended that, pursuant to Section 1009 of the Public Authorities Law, the Corporate Secretary be authorized to transmit copies of the proposed contract to the Governor and legislative leaders, and to arrange for the publication of a notice of public hearing in six newspapers throughout the State in accordance with the Public Authorities Law.

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

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

RESOLVED, That the Trustees hereby authorize a public hearing on the terms of the proposed contract for the sale of Preservation Power to Newton Falls Fine Paper Company to be held at the Frank S. McCullough, Jr. Hawkins Point Visitors’ Center at the St. Lawrence/FDR Project in Massena, New York on Wednesday, April 8, 2009 at 11:00 a.m.; and be it further

RESOLVED, That the Corporate Secretary be, and hereby is, authorized to transmit copies of the proposed contract to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee pursuant to Section 1009 of the Public Authorities Law; and be it further

RESOLVED, That the Corporate Secretary be, and hereby is, authorized to arrange for the publication of a notice of public hearing in six newspapers throughout the State, all done in accordance with the provisions of Section 1009 of the Public Authorities Law; and be it further

RESOLVED, That the Chief Operating Officer or his designee be, and hereby is, authorized, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to enter into such agreements, and to do such other things, as may be necessary or desirable to implement the contract with Newton Falls Fine Paper Company as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

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

February 24, 2009
Exhibit "1c-A"

POWER AUTHORITY
OF THE
STATE OF NEW YORK

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

AGREEMENT FOR THE SALE
OF PRESERVATION POWER AND ENERGY
TO NEWTON FALLS FINE PAPER COMPANY, LLC

Service Tariff No. PP-1 – Firm Preservation Power Sales

POWER AUTHORITY OF THE STATE OF NEW YORK

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

AGREEMENT FOR THE SALE OF PRESERVATION POWER AND ENERGY

Newton Falls Fine Paper Company, LLC (“Customer”) hereby enters into this Agreement with the Power Authority of the State of New York (“Authority,” and collectively with Customer, the “Parties”) for the sale of power and energy for its facilities at 875 County Route 60, Newton Falls, New York 13666 as follows:

WHEREAS, Customer has applied to the Authority for an allocation of Preservation Power (or “PP”) for use in its above facilities; and

WHEREAS, on February 24, 2009, the Authority’s Trustees approved an allocation of 2,000 kW of PP to Customer (“Allocation”) on the terms set forth herein; and

WHEREAS, the Allocation approved by the Authority’s Trustees shall be sold by the Authority to Customer under this Agreement for the Sale of Preservation Power and Energy (“Agreement”) with delivery service provided by Niagara Mohawk Power Corporation d/b/a National Grid (“National Grid”) in accordance with Part IV the Open Access Transmission Tariff (“OATT”) of the New York Independent System Operator, Inc. (“NYISO”), as filed with FERC.

NOW THEREFORE, the Parties hereto agree as follows:

I. Definitions

- a. **Agreement** means this Agreement.
- b. **Allocation** is the allocation of 2,000 kW of Preservation Power to Customer on the terms set forth herein.
- c. **Authority** is the Power Authority of the State of New York.
- d. **Contract Demand** will be the amount set forth in Article II or such other amount as may be determined in accordance with the provisions of this Agreement.
- e. **Customer** is the Preservation Power customer identified above.
- f. **Electric Service** is Power and Energy sold to Customer in accordance with this Agreement and applicable Service Tariffs and Rules.

- g. Preservation Power (or “PP”)** is power and associated energy allocated by the Authority for business use pursuant to Section 1005 (13) of the Public Authorities Law.
- h. FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- i. FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which new license became effective, October 31, 2003 after expiration of the Project’s original license issued in 1953.
- j. International Joint Commission (or “IJC”)** prevents and resolves disputes between the United States of America and Canada under the *1909 Boundary Waters Treaty* and pursues the common good of both countries as an independent and objective advisor to the two governments. The Commission rules upon applications for approval of projects affecting boundary or transboundary waters and may regulate the operation of these projects.
- k. NYISO** means the New York Independent System Operator or any successor organization.
- l. Project** means the St. Lawrence - FDR Power Project, FERC Project No. 2000-036.
- m. Rules** are the applicable provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York).
- n. Service Tariffs** are schedules of Authority establishing rates and other conditions for sale of Electric Service to Customer.

II. Electric Service to be Provided

- a. The Authority shall provide Electric Service pursuant to Service Tariff *PP-1* for Power and/or Energy to enable the Customer to receive its Allocation of Preservation Power from the Project, in the amount set forth below:

2,000 Kilowatts, which shall be the Contract Demand, with the following Take Down Schedule:

2,000 kW **Month 200X through end of contract**
Any additional takedown will occur upon request with proper notice to the Authority. (if applicable)

As part of the Allocation, the Authority shall provide Unforced Capacity in amounts necessary to meet Customer's NYISO Unforced Capacity obligations associated with the foregoing allocation of Firm Hydroelectric Power and Energy Service in accordance with the rules and tariffs of the NYISO. Neither Ancillary Services (as defined in the rules and tariffs of the NYISO), nor renewable or "green" attributes (as may be defined from time to time by the New York State Public Service Commission or other agency having jurisdiction over such matters) are included in such allocation.

- b. The Contract Demand for Preservation Power may be modified by the Authority if the amount of Firm Hydroelectric Power and Energy Service available for sale from the Project is modified as required to comply with any ruling, order or decision of any regulatory or judicial body having jurisdiction.

III. Preservation Power Commitments

Schedule A to this Agreement entitled "Preservation Power Commitments", is attached to and made a part of this Agreement ("Schedule A").

IV. Rules, Regulations and Service Tariffs

The Rules and Service Tariff No. *PP-1*, as now in effect and/or such superseding tariffs or other tariffs as the Authority may later promulgate, and may be later amended from time to time by the Authority, are hereby incorporated into this Agreement with the same force and effect as if herein set forth at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariffs and the Rules, the provisions of the Service Tariffs shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and the Service Tariffs, the provisions of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to Customer of any proposed change in the above Rules and Service Tariff, but in no

event shall Authority provide less notice than that provided to similarly affected customers within New York State.

V. Transmission and Delivery of Power and Energy

Customer will pay National Grid for transmission and delivery service associated with the Allocation in accordance with all applicable tariffs, agreements, rulemakings, and orders. Customer agrees to compensate the Authority for all charges Authority incurs for transmission and delivery associated with the Allocation. Further, Customer understands that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the Load Serving Entity (“LSE”) with respect to the NYISO, or arrange for another entity to do so on its behalf. Customer agrees and understands that it shall be responsible to the Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO’s OATT, or other applicable tariff, as set forth in the Authority’s Service Tariff No. *PP-1*.

VI. Rates, Load Splitting and Billing

- a. Power and energy associated with the Allocation shall be sold to Customer hereunder at rates determined in accordance with Service Tariff No. *PP-1* attached hereto, the terms of which may be amended by the Authority from time to time.
- b. The charges for this Allocation shall be determined in accordance with the Load Splitting Methodology, if any, set forth in the National Grid’s service agreement with Customer to which Authority has consented. Notwithstanding anything in this Agreement to the contrary, the Parties may agree to modify in writing the Load Splitting Methodology, provided that National Grid consents to such modification.
- c. The Authority shall render bills for power and energy by the tenth (10th) business day of the month for charges due for the previous month. Such bills shall include the NYISO Charges (as defined in the Authority’s Service Tariff No. *PP-1*) associated with the Allocation on a two-month lag basis.

VII. Reduced Water Flows and Substitute Energy

- a. **Reduced Water Flows.** As a result of reduced water flows, the amount of firm demand and energy associated with the Customer’s Preservation Power service will be subject to reduction in an equitable manner consistent with the Authority’s existing practices. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the hydropower that would otherwise have been supplied.

Billing for Substitute Energy. For each kilowatt-hour of Substitute Energy so supplied by the Authority, the Customer will pay the Authority directly the difference between the average wholesale cost (including any transmission costs) incurred by the Authority for supplying the Substitute Energy to the Customer during the billing month and the Preservation Power energy charge (the Difference). Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's current Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

- b. Substitute Energy Provision Affect on Contract.** All other provisions of the agreement shall continue in effect with Substitute Energy being delivered in the same manner as would have otherwise been the case. The provision of Substitute Energy may be terminated by the Authority or the Customer on 15 days' prior written notice.

VIII. Term and Termination of Service

Once initiated, service under the Agreement shall continue until the earliest of (a) termination by Customer with respect to all or part of its allocation upon ninety (90) days prior written notice, (b) termination by the Authority pursuant to the Rules upon required notice, or (c) Month 1, 201X (five years from start of takedown). The Authority may cancel service hereunder or modify the quantities of power and energy associated with the Allocation only (a) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency), or (b) as otherwise provided herein or in the Rules. Notwithstanding the foregoing, upon mutual agreement this Agreement may be extended beyond such date on a month to month basis pending execution of any successor agreement between the Customer and Authority.

IX. Notification

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

To: The Authority

Mr. James F. Pasquale
Director -- Marketing Analysis & Administration
New York Power Authority
123 Main Street
White Plains, New York 10601

To: Customer

Mr. Dennis Bunnell
President/COO
Newton Falls Fine Paper Company, LLC
875 County Route 60
Newton Falls, NY 13666

X. Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License and rulings by the IJC and without regard to conflicts of law provisions.

XI. Successors and Assigns

This Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the legal successors and assigns of either Party hereto; provided, however, that no assignment by either Party or any successor or assignee of such Party of its rights and obligations hereunder shall be made or become effective without the prior written consent of the other Party in each case obtained, which consent shall not be unreasonably withheld.

XII. Previous Agreements and Communications

Except for any appropriate modification made under Article VI.b., this Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the sale, transmission and delivery of the Allocation and supersedes all previous communications between the Parties hereto, either oral or written, with reference to the Allocation. No modifications of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

XIII. Severability and Voidability

If any term or provision of this Agreement shall be invalidated, declared unlawful or ineffective in whole or in part by an order of the FERC or a court of competent jurisdiction, such order shall not be deemed to invalidate the remaining terms or provisions hereof.

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

adversely impacted by any such action, be rendered void and unenforceable by such affected Party.

XIV. Effectiveness of Agreement

Service shall be initiated under this Agreement on the later of Month 1, 200X, or the date on which all necessary transmission and delivery arrangements are effective under Article V hereof.

AGREED:

Newton Falls Fine Paper Company, LLC

BY: _____

Title: _____

Date: _____

(Seal)
Attest by: _____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY: _____

Title: _____

Date: _____

(Seal)
Attest by: _____

SCHEDULE A

PRESERVATION POWER COMMITMENTS

I. Employment Commitment

A. Employment Levels.

The provision of Preservation Power to Customer hereunder is in consideration of Customer's creation and/or maintenance of the employment level set forth in Appendix A of this Schedule (the "Base Employment Level"). Such Base Employment Level shall be the number of full-time positions held by employees of the Customer at the facilities identified in such Appendix A, and shall not include part-time employees (less than 35 hours per week); provided, however, that two part-time employees each working 20 hours per week or more shall be counted as one full-time employee.

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

B. Employment Records and Reports.

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

Schedule A

II. Reductions of Contract Demand

A. Employment Levels.

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

B. Power Utilization Levels.

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

C. Notice of Intent to Reduce Contract Demand.

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

Schedule B

APPENDIX A

Base Employment Level

In accordance with Article I of this Schedule, the Customer agrees to add 54 new employees above a base of 118 employees at the Customer's facility located at 875 County Route 60, Newton Falls, NY 13666, by the end of the fourth year of service.



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

Schedule of Rates for Sale of Firm Preservation Power

Service Tariff No. 10

Table of Contents

Schedule of Rates for Firm Power Service		Leaf No.
I.	Applicability	3
II.	Frequently used Abbreviations and Terms	3
III.	Monthly Rates and Charges	
	A. Monthly Base Rates	5
	B. Minimum Monthly Charge	5
	C. Billing Period	5
	D. Billing Demand	6
	E. Billing Energy	6
	F. Contract Demand	6
	G. NYISO Transmission and Related Charges	6
	H. Substitute Energy	7
	I. Payment Information	7
	J. Customer Resales Prohibited	7
IV.	General Provisions	
	A. Character of Service	8
	B. Availability of Energy	8
	C. Delivery	8
	D. Load Split Determination	8
	E. Billing Methodology	8
	F. Adjustment of Charges	
	1. Distribution Losses	9
	2. Authority Transmission Charge	9
	3. Taxes	9
	4. Other Third-Party Charges	9
	5. Deposits	9
	G. Rules and Regulations	10
V.	Annual Adjustment Factor	11

Schedule of Rates for Firm Power Service

I. Applicability

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

II. Frequently used Abbreviations and Terms

A. The following abbreviations are used:

kW	kilowatt(s)
kW-mo.	kilowatt-month
kWh	kilowatt-hour(s)
MWh	megawatt-hour(s)
NYP&A	New York Power Authority
NYISO	New York Independent System Operator
NY PAL	New York Public Authorities Law

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

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

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

E. The term "Preservation Power Customer" or "Customer" means a business customer who has received a Preservation Power allocation from the Authority and who purchases Preservation Power directly from Authority.

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

G. The term "Project" means the Authority's St. Lawrence-FDR Power Project, FERC Project No. 2000.

H. The term "Rate Year" means July 1 through June 30 of any year in which Customer and Authority are parties to a Sales Agreement.

- I. The term "Sales Agreement" means an executed Agreement for the Sale of Preservation Power and Energy between Authority and Customer.
- J. The term "Service Tariff" means this Service Tariff No. 10.

III. Monthly Rates and Charges

A. Monthly Base Rates

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

Rate Year	Demand Charge \$/kW-mo.	Energy Charge Mills/kWh
July 1, 2008 through June 30, 2009	5.17	8.84
July 1, 2009 through June 30, 2010	5.56	9.78
July 1, 2010 through June 30, 2011	5.97	10.82
July 1, 2011 through June 30, 2012	6.42	11.97
July 1, 2012 through June 30, 2013	6.90	13.24
July 1, 2013 through June 30, 2014	7.41	14.65

The monthly base rates set forth above exclude any applicable costs for delivery services provided by the local utility. Beginning with the Rate Year starting July 1, 2014, and for each Rate Year thereafter, such rates shall be subject to an Annual Adjustment Factor set forth in Section V herein.

B. Minimum Monthly Charge

The minimum monthly charge shall equal the product of the demand charge set forth above and the Contract Demand (defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges, Taxes or Other Third-Party Charges (each as defined herein) incurred by Authority with respect to the Customer's allocation.

C. Billing Period

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

D. Billing Demand

The billing demand shall be determined by applying the billing methodology as agreed to in the Sales Agreement to total meter readings during the billing period.

E. Billing Energy

The billing energy shall be determined by applying the billing methodology as agreed to in the Sales Agreement to total meter readings during the billing period.

F. Contract Demand

The Contract Demand of each Preservation Power Customer will be the amount of Preservation Power allocated to such Customer by the Authority for which the Customer agrees to take and pay. The minimum Contract Demand for any Preservation Power allocation shall be 100 kW.

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

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

1. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;
2. Marginal losses;
3. The New York Power Authority Transmission Adjustment Charge ("NTAC");
4. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;
5. Any and all other charges, assessments or other amounts associated with deliveries to Customers or otherwise associated with the Authority's responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO or any successor organization under the provisions of its OATT or under other applicable tariffs; and

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

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

H. Substitute Energy

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

I. Payment Information

Bills computed under Service Tariff No. 10 are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill and adjustments, if necessary, will be made thereafter.

J. Customer Resales Prohibited

No Customer shall be permitted to resell any quantity of Preservation Power it has purchased from the Authority.

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

1. The Authority shall provide to Customer in any billing period Firm Energy associated with Firm Power subject to hydrologic conditions set forth in subsection 2, below. The offer of Firm Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Firm Energy is taken by Customer.
2. The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Customer if such reductions are necessary due to low flow (i.e. hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Customer in later billing periods.

C. Delivery

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

D. Load Splitter Determination

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

E. Billing Methodology

The billing methodology to be used to render bills to Customer related to its Preservation Power allocation shall be determined in accordance with the Sales Agreement.

F. Adjustment of Charges

1. Distribution Losses

Where Customer purchases power directly from Authority, where applicable, appropriate adjustments will be made to compensate for distribution losses.

2. Authority Transmission Charge

The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the allocation, including such costs that are charged pursuant to the NYISO Open Access Transmission Tariff ("OATT").

3. Taxes

The Preservation Power Customer shall compensate the Authority for any taxes, assessments or any other charges (collectively "Taxes") that are incurred by Authority with respect to the Customer's allocation. Taxes shall be any adjustment as Authority deems necessary to recover from Customer any rates, taxes, assessments or any other charges mandated by federal, state and local agencies that are levied on the Authority or that the Authority is required to collect from Customer if and to the extent such rates, charges, taxes or assessments are not recovered by Authority pursuant to another provision of this Service Tariff.

4. Other Third-Party Charges

The Preservation Power Customer shall compensate the Authority for any costs imposed upon Authority with respect to an allocation of Preservation Power, including without limitation, to comply with any law or regulation applicable in New York State related to energy efficiency, renewable portfolio standards or carbon emissions.

5. Deposits

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

G. Rules and Regulations

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

V. Annual Adjustment Factor

A. Adjustment of Rates

1. The Annual Adjustment Factor will be based upon a weighted average of three indices described below. For each new Rate Year, the index value for the latest available calendar year ("Index Value for the Measuring Year") will be compared to the index value for the calendar year immediately preceding the latest available calendar year (the Index Value for the Measuring Year -1"). The change for each index will then be multiplied by the indicated weights. As described in detail below, these products are then summed, producing the Annual Adjustment Factor. The Annual Adjustment Factor will be multiplied by the base rate for the current Rate Year to produce the base rates for the new Rate Year, subject to a maximum adjustment of +/-2.2%.

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

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

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

2. Annual Adjustment Computation Guide

- Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.
- Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the Annual Adjustment Factor.
- Step 3: Multiply the current Rate Year base rate by the Annual Adjustment Factor calculated in Step 2 to determine the adjusted base rate.
- Step 4: Determine if the adjusted base rate is within +/- 2.2% of the current Rate Year base rate. Apply the maximum adjustment as appropriate to determine the new Rate Year base rate.

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

3. Authority shall provide Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15th of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.
4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, Customer and Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in this subsection V.A.1.

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

STEP 1

Determine the Index Value for the Measuring Year and Measuring Year – 1 for Each Index

- Index 1 - Producer Price Index, Industrial Power

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

- Index 2 – EIA Industrial Rate

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

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

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

STEP 2

Determine Annual Adjustment Factor by Summing the Weighted Indices

<u>Index</u>	<u>Ratio of MY to MY-1</u>	<u>Weight</u>	<u>Weighted Factors</u>
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	<u>0.255</u>
Annual Adjustment Factor			1.016

STEP 3

Apply Annual Adjustment Factor to Calculate Adjusted Base Rate

	<u>Demand</u> \$/kw	<u>Energy</u> Mills/kWh
Current Rate Year base rate	7.41	14.65
Adjusted base rate	7.53	14.88

STEP 4

Apply Cap of +/- 2.2% to Determine Rate Year Base Rate

	<u>Demand</u> \$/kw	<u>Energy</u> Mills/kWh
Current Rate Year base rate, -2.2%	7.25	14.33
Current Rate Year base rate, +2.2%	7.57	14.97
Rate Year Base Rate	7.53	14.88

1d. Request to Approve Extensions to the Terms of Service for Two Existing Expansion Power Customers

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve extensions to the terms of service for two allocations of Expansion Power (‘EP’), totaling 14,300 kW, to the two companies listed in Exhibit ‘1d-A,’ both of which are existing customers.

BACKGROUND

“Under Section 1005(13) of the Power Authority Act, the Authority may contract to allocate or reallocate directly, or by sale for resale, 250 MW of firm hydroelectric power as EP to businesses within the State that are located within 30 miles of the Niagara Power Project (‘Project’), provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 (19,732 kW) continues to be allocated in such county.

“Each application for an EP allocation 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 eligibility criteria, and (b), which sets forth revitalization criteria.

DISCUSSION

General Motors, Tonawanda, Erie County

“General Motors’ (‘GM’) Powertrain Tonawanda Engine Plant was initially built in 1937. The original building was 1 million square feet. The facility has since been expanded on several occasions to bring the site to its current 3.45 million square feet. The plant produces four types of engines used in many products, both within and outside GM. Engine production for 2008 was just under 750,000, with sales of \$1.9 billion.

“GM needs its EP allocation to remain competitive and keep its costs low and stable. Without EP, GM’s costs would be higher and much less certain, as prices in the New York State electricity market are highly volatile, while EP rates are relatively stable. Uncertain rates not only add to production cost but also greatly disadvantage the plant when trying to attract future product programs. In addition, the plant sources material and resources from more than 90 suppliers throughout New York State.

“EP has been an important tool in bringing investment and employment to the plant over the last 15 years and is a critical component of its continued viability and future success. In 2004, more than \$300 million was invested to bring the high-valve engine program to the site. In addition, more than \$75 million will be spent modernizing the L850 engine line in 2009 and 2010. The plant has also made significant productivity improvements over the last five years, which have made it much more competitive in the global environment.

“Since GM’s contract for 13,800 kW expired on January 31, 2009, the company is receiving EP on a month-to-month basis. The allocation has an associated job commitment of 1,600; less than 1,000 employees work at the facility. Staff will not ask the Trustees to reduce the job commitment until a review of all of the Authority’s auto industry customers is completed.

“Staff recommends that the Trustees approve an extension to the term of service for the 13,800 kW EP allocation for four years, until January 31, 2013, with an employment commitment of 1,600 jobs.

Nestle Purina Pet Care, Dunkirk, Chautauqua County

“Nestle, which began operations at this plant in 1972, is the only major pet food manufacturer in New York State. The company has invested \$106 million in modern machinery during the past six years, including a large 200,000-square-foot expansion of its warehouse that was completed in 2007. Nestle has also made investments in its high-voltage electric substation, two 300-horsepower air compressors and a new dog treat production line. Together, these investments have set the stage for a promising future at this location. The company would not have made these investments without the active involvement, commitment and support of its local utilities and economic development agencies.

“An extension of Nestle’s EP allocation is essential to its business as the company seeks to preserve its cost structure. With the renewal of the hydropower allocation, the possibility of losing volume and jobs to out-of-state competitors and other Nestle Pet Care facilities is certainly diminished.

“The EP contract extension is considered a necessity from Nestle’s perspective to maintain a favorable manufacturing position for its Western New York facility. With low-cost EP, the company can stabilize electricity costs and help secure the facility’s future. The contract for Nestle’s 500 kW EP allocation, with an associated commitment for 284 jobs, expires on April 30, 2009. The company has since added jobs and is willing to commit to an increased number of jobs in return for an extension of its contract.

“Staff recommends that the Trustees approve an extension to the term of service for the 500 kW EP allocation for four years, until April 30, 2013, with an employment commitment of 328 jobs.

“The extensions requested above will help maintain costs and enable these two companies to compete more effectively. In addition, they will further secure employment levels in Western New York.

“The requests were reviewed in accordance with the applicable criteria set forth in Part 460 of the Authority’s Rules and Regulations governing the Allocation of Industrial Power (21 NYCRR Part 460 (1988)).

RECOMMENDATION

“The Director – Marketing Analysis and Administration recommends that the Trustees approve extensions to the terms of service for two allocations of Expansion Power totaling 14,300 kW to the two companies listed in Exhibit ‘1d-A.’

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

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

RESOLVED, That the Trustees find that staff’s review supports the extension of contracts for 14,300 kW of Expansion Power, as detailed in Exhibit “1d-A,” which is hereby approved on the terms set forth in the foregoing report of the President and Chief Operating Officer; and be it further

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

February 24, 2009

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

New York Power Authority
Expansion Power
Recommendations for Contract Extensions

Exhibit "1d-A"
February 24, 2009

Line	Company	City	County	IOU	KW Allocation	Total Jobs	Recent Capital Investment	Jobs/MW	Contract Expires	Term of Extension
1	General Motors Corporation	Buffalo	Erie	N. Grid	13,800	1,600	\$75,000,000	116	1/31/2009	4 Years
2	Nestle Purina PetCare	Dunkirk	Chautauqua	N. Grid	500	328	\$106,000,000	656	4/30/2009	4 Years
	Total				14,300	1,928	181,000,000			

**1e. Flywheel Energy Storage System Project for
MTA-Long Island Rail Road – Contract 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 up to \$4.6 million to Pentadyne Power Corporation (‘Pentadyne’) for the design, engineering, equipment procurement, installation and financing of a 2.5 MW Flywheel Energy Storage System for the Metropolitan Transit Authority (‘MTA’) - Long Island Rail Road’s (‘LIRR’) West Hempstead line. The installation will be owned and operated by LIRR. The total project cost will be \$5.2 million and financing will come from the Statewide Energy Services Program (‘ESP’) previously approved by the Trustees.

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 requires the Trustees’ approval.

“LIRR is experiencing sag or reduction in the DC track voltage on the West Hempstead line, which forces commuter trains to be operated periodically in a low-speed mode, resulting in problematic scheduling delays for LIRR and its passengers. One possible solution to this voltage problem would be to install a new substation at an estimated cost of \$12 million. A lower-cost option would be to install an energy storage system such as a high-speed flywheel. Because of their high power ratings, rapid response time and ability to withstand millions of operating cycles, flywheels are ideal for electric transit applications.

“In 2002, the Authority completed the testing of a pilot 1 MW Flywheel Energy Storage System on the MTA-New York City Transit Authority’s Far Rockaway line. This project, the first of its kind in the United States, successfully demonstrated the use of flywheel energy storage on a transit system. Over the course of 12 months, the system was tested under a variety of conditions and performed to the Transit Authority’s expectations.

“Energy storage systems can be configured to offer a railroad several energy management benefits in addition to DC track voltage support. By placing energy storage systems at key locations, the resistive losses of the tracks can be minimized, thus improving energy efficiency. Many railroads pay high demand charges due to the peak-intensive nature of their electrical load. Energy storage systems can be used to manage these costs through peak shaving strategies. In the event of a power failure, an energy storage system can be used in emergency recovery efforts by powering trains in a limp mode just long enough to discharge passengers at the nearest station. However, the most promising saving enabled by flywheel energy storage is the recapture of regenerative braking energy.

“LIRR is currently in the process of replacing its existing trains with new trains capable of recovering (regenerating) energy during braking. In transit systems without sufficient energy storage capability, the braking energy is usually wasted as heat. This project, in addition to providing DC track voltage support, will enable LIRR to gain experience in storing regenerated energy with a trackside energy storage system as the new trains enter into service.

“LIRR’s 2.5 MW Flywheel Energy Storage System will operate in parallel with LIRR’s electric power supply and will be installed in a prefabricated enclosure that could be moved to an alternate location, if required.

DISCUSSION

“In April 2008, the Authority solicited bids for procurement and installation of a 2.5 MW flywheel energy storage system for LIRR. Two bids were received on July 11, 2008, one from Pentadyne and one from Eaton Corporation. Authority staff reviewed the two bids in cooperation with LIRR and the New York State Energy Research and Development Authority (‘NYSERDA’), one of the project co-funders. Pentadyne was the lowest bidder. Pentadyne has extensive experience in designing and installing flywheel energy storage systems.

“Subject to the Trustees’ approval, the Authority will enter into a contract with Pentadyne to design, permit and install the flywheel energy storage system, as well as to provide maintenance services for the system for a period of 36 months through an extended warranty. The extended warranty provision will allow LIRR to become familiar with flywheel energy storage system operation and maintenance practices and ensure a successful and safe demonstration program.

“The flywheel energy storage project is subject to a site installation agreement between the Authority and LIRR. This site agreement will be fully authorized prior to awarding a contract to Pentadyne. The Authority will pay for and finance the capital costs associated with this project. Upon installation, LIRR will assume ownership of the flywheel energy storage system.

“The flywheel energy storage system, once put into operation, will represent one of the largest flywheel energy storage demonstration projects in the world for transit operations. The Authority and LIRR have applied for and received an award of \$1 million in NYSERDA co-funding for this initiative that will be used to reduce project capital costs. In addition, the Authority is providing a \$200,000 energy services grant.

“The Authority will be responsible for overall project implementation and oversight. Upon completion of the installation and commissioning, LIRR will take over ownership of the equipment and be responsible for ongoing operation and maintenance of the Flywheel Energy Storage System.

FISCAL INFORMATION

“Financing for the overall Project will be provided by previously approved funds in the ESP. This funding will be from proceeds of the Authority’s Commercial Paper Notes and/or its Operating Fund. A \$1 million grant will be provided by NYSERDA, along with a \$200,000 energy services grant from the Authority and a \$60,000 grant from the Petroleum Overcharge Restitution (‘POCR’) Fund. POCR funds have been/are appropriated to the Authority by the State Legislature for implementation of energy services projects. The costs of the remainder of the project (i.e., excluding the \$1 million NYSERDA grant, the \$200,000 Authority grant and the \$60,000 POCR grant) will be recovered from LIRR consistent with the terms of the ESP agreement.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology and the Chief Technology Development Officer recommend that the Trustees approve a contract award in the amount of \$4.6 million to Pentadyne Power Corporation for the flywheel project.

“The Chief Operating Officer, the Executive Vice President and Chief Financial Officer, the Acting Executive Vice President – Corporate Services and Administration, the Senior Vice President – Marketing and Economic Development, the Acting Vice President – Procurement and I concur in the recommendation.”

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority’s Expenditure Authorization Procedures, the Trustees hereby authorize the award of a contract in an amount up to \$4.6 million to Pentadyne Power Corporation

("Pentadyne") for design, engineering, equipment procurement, installation and financing of a 2.5 MW Flywheel Energy Storage System for the Metropolitan Transportation Authority - Long Island Rail Road's ("LIRR") West Hempstead line; and be it further

RESOLVED, That Commercial Paper and/or Operating Fund monies will be used to finance contract costs in the amounts and for the purposes listed below:

<u>Commercial Paper, Operating Funds/POCR</u>	<u>Expenditure Authorization (not to exceed)</u>
Design, engineering, equipment procurement, installation and Authority overhead and financing	<u>\$4,600,000</u>

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 the Project costs; and be it further

RESOLVED, That the Senior Vice President – Energy Services and Technology is authorized to determine which projects in the Statewide 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) Petroleum Overcharge Restitution Legislation") to be funded in part with Petroleum Overcharge Restitution Funds allocated pursuant to the Section (7) Petroleum Overcharge Restitution legislation; and be it further

RESOLVED, That Petroleum Overcharge Restitution funds allocated to the Authority by Section (7) Petroleum Overcharge Restitution 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 Statewide Energy Services Program projects; and be it further

RESOLVED, That the Trustees authorize the President and Chief Executive Officer, the Senior Vice President – Energy Services and Technology or such other officer designated by the President and Chief Executive Officer to execute agreements and other documents between the Authority and LIRR, and to execute agreements and other documents as required, having such terms and conditions as such executing officer deems advisable, subject to the approval of the form of such agreement by the Executive Vice President and General Counsel, as necessary or advisable for the development and implementation of the project; and be it further

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

1f. Request for Increased Funding – Municipal and Rural Cooperative Electric Utilities Electric-Drive Vehicle Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize increased funding in the amount of \$1.8 million for the Municipal and Rural Cooperative Electric Utilities Electric-Drive Vehicle Program (‘Muni-Coop E-D Program’). This program is for all Municipal (‘Muni’) and Rural Electric Cooperative (‘Coop’) utilities served by the Authority. The program has enabled the Munis and Coops to purchase various electric and hybrid-electric vehicles for use in their municipal fleets and has furthered the Governor’s efforts to encourage the use of electric-drive vehicles in order to reduce air and noise pollution in New York State and to lessen reliance on imported oil. The amount requested is in addition to the \$1.2 million previously approved by the Trustees at their May 20, 2003 meeting.

BACKGROUND

“Since the 1980s, through its Energy Services Programs (‘ESP’), the Authority has offered various types of energy services and clean energy technology programs to participants throughout the State to help them lower their energy usage and/or achieve cleaner and more energy-efficient use of energy and natural resources.

“At their meeting of May 20, 2003, the Trustees authorized \$1.2 million to finance the Muni-Coop E-D Program, a new partnership between the Authority and the Munis/Coops. This program facilitated the purchase of electric and hybrid-electric vehicles for the Muni/Coop systems’ municipal fleets. As of December 2008, 31 such vehicles had been placed with 15 municipal systems, resulting in a savings of more than 13,000 gallons of imported fossil fuel and a reduction in greenhouse gases of more than 92 tons.

“At their meeting of May 23, 2006, the Trustees authorized the inclusion of the Authority’s 51 Muni and Coop customers in the Statewide ESP program for the purpose of working with each Muni and Coop to launch and administer its own energy efficiency programs.

“At their meeting of September 23, 2008, the Trustees approved up to \$5 million in funding to provide home weatherization kits for low-income residential customers of the Munis/Coops. The Authority purchased these kits and provided free distribution to eligible customers to help mitigate home heating costs for the winter of 2008-09. It is anticipated that more than 18,000 kits will be distributed by the end of February 2009.

DISCUSSION

“The current Muni-Coop E-D Program is available to all Munis and Coops. The Munis and Coops apply to the Authority for funding to purchase on-road passenger vehicles such as the Honda Civic and the Toyota Prius hybrid-electrics; heavy-duty work vehicles such as the International hybrid-electric utility bucket truck or off-road work vehicles such as the Taylor-Dunn Electruck and the John Deere E-Gator. The vehicles are used by the Munis/Coops personnel and/or their affiliated municipal agencies to carry out their functions. The funds made available to the Munis and Coops for purchasing these vehicles are recovered over three years through a monthly bill to the participating utility.

“In addition, the Trustees have authorized that full-requirements Muni/Coop customers, which are regulated by the Authority, be permitted to recover from their retail customers all costs associated with the electric-drive vehicle finance program, as well as any other Authority energy efficiency programs and initiatives. Recovery of these costs will be through the Purchased Power Adjustment Charge (‘PPAC’). The partial-requirements systems, which are regulated by the New York State Public Service Commission (‘PSC’), will request similar permission from the PSC to recover costs associated with the vehicle purchase and other energy efficiency programs from their customers.

“If approved by the Trustees, the additional funding will enable the Authority to continue its successful partnership with the Munis and Coops to expand the integration of electric-drive vehicles into their municipal fleets.

FISCAL INFORMATION

“The total cost to the Authority for the program is not to exceed \$3 million. This cost, including any financing costs, will be recovered directly from the participants in the program. Except for the Petroleum Overcharge Restitution (‘POCR’) funds, discussed below, the funds will be recovered over a period of up to three years through an electric bill surcharge.

“The program will be funded from Commercial Paper Note proceeds and/or Operating Fund monies. A small portion of the funding will be supplemented by POCR funds allocated to the Authority by the New York State Legislature, in such amounts as the Senior Vice President – Energy Services and Technology deems advisable.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology and the Senior Vice President – Marketing and Economic Development recommend that the Trustees authorize an additional \$1.8 million in funding for implementation of the Municipal and Rural Cooperative Electric Utilities Electric-Drive Vehicle Program and continue the use of the Purchased Power Adjustment Charge to allow the full-requirements Municipal and Rural Cooperative Electric Utilities regulated by the Authority to recover their costs for the program.

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

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

RESOLVED, That the Trustees, having earlier authorized \$1.2 million, hereby authorize \$1.8 million in additional funding to continue the Municipal and Rural Cooperative Electric Utilities Electric-Drive Vehicle Program, as described in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Municipal and Rural Cooperative Electric Utilities Electric-Drive Vehicle Program may be funded with the proceeds of Series 1, 2 or 3 Commercial Paper Notes, Operating Fund monies and/or Petroleum Overcharge Restitution (“POCR”) funds allocated to the Authority by the New York State Legislature, with such POCR funding being in amounts deemed advisable by the Senior Vice President – Energy Services and Technology; and be it further

RESOLVED, That the Trustees hereby authorize the full-requirements Municipal and Rural Electric Cooperative systems served by the Authority to continue to recover costs for this program through the Purchased Power Adjustment Charge; and be it further

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

1g. Gas Transportation and Balancing Service Agreements with National Grid for the Small Clean Power Plants

The Chief Operating Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize execution of two Gas Transportation and Balancing Service Agreements (‘Agreements’) between the Authority and The Brooklyn Union Gas Company d/b/a National Grid NY (‘National Grid’) (formerly ‘KeySpan Energy Delivery New York’) and KeySpan Gas East Corporation d/b/a National Grid (‘National Grid’) (formerly ‘KeySpan Energy Delivery Long Island’). Such Agreements would provide for the transportation and balancing of Authority-owned natural gas to the five Small Clean Power Plants (‘SCPPs’) located in National Grid’s service territories.

BACKGROUND

“On March 1, 2004, the Authority entered into agreements with KeySpan Energy Delivery New York (‘KeySpan-NY’) and KeySpan Energy Delivery Long Island (‘KeySpan-LI’) providing for local gas transportation and balancing services to the four SCPPs located in the KeySpan-NY service territory and the one SCPP located in the KeySpan-LI service territory. The expiration of these agreements on February 28, 2009 requires that new Agreements be secured with National Grid, the only source of these services, which are required on an ongoing basis to support the Authority’s generating assets. Prior to March 1, 2004, the Authority satisfied its transportation and balancing service requirements for the SCPPs under Agreements with KeySpan-NY and KeySpan-LI dated June 26, 2001. The SCPPs went into commercial operation in July and August of 2001.

DISCUSSION

“The proposed Agreements are essentially a continuation of the existing gas transportation and balancing services and are based on the same cost components currently in place, which were approved by the Public Service Commission (‘PSC’). In addition to local gas transportation, National Grid would also provide the Authority with balancing services that accommodate differences in the amount of daily gas scheduled versus the amount of gas consumed (‘imbalances’). Daily imbalances would be reconciled (or ‘cashed out’) through the sale or purchase of imbalance gas by the Authority under pricing provisions corresponding to specific imbalance threshold levels set forth in the proposed Agreements.

“Consistent with PSC-approved tariff provisions for electric generators, National Grid would continue to retain the right, in its sole discretion, to interrupt or curtail transportation service to the Authority, in whole or in part, for up to 720 hours each year. Based on historical experience, the likelihood of interruptions or curtailments is considered very small, particularly during the summer period when transportation capacity typically exceeds demand. In the event such curtailments or interruptions do occur, however, the Authority would have a maximum of two hours within which to reduce or discontinue gas usage.

“One of the benefits contained in the proposed Agreements is a provision for aggregating the Authority’s daily scheduled gas supplies for all generating units within National Grid’s New York service territory. The ability to aggregate supplies and use gas interchangeably among units provides the Authority with improved operating flexibility, helping to mitigate against costly imbalance penalties. Imbalance penalties occur when scheduled gas deliveries deviate from actual usage.

“The term of the Agreements would be five years, commencing on March 1, 2009 and expiring on February 28, 2014.

“The prices, quantities and other relevant commercial terms and conditions of the Agreements have been summarized in a Term Sheet provided under separate cover to the Trustees.

FISCAL INFORMATION

“Expenditures under the proposed Agreements are estimated to be \$1.265 million per year for services provided by National Grid in its New York service territory and \$775,000 per year for services provided by National Grid in its Long Island service territory, for a total estimated annual expenditure of \$2.040 million. Actual expenditures incurred will vary based on quantities of gas delivered and balanced on behalf of the Authority, including applicable fixed and variable costs associated with such services. Expenditures under the proposed Agreements will be made from the Operating Fund.

RECOMMENDATION

“The Senior Vice President – Energy Resource Management and Strategic Planning and the Director – Fuel Planning and Operations recommend that the Trustees authorize the execution of the proposed Gas Transportation and Balancing Service Agreements between the Authority and National Grid, having terms and conditions substantially consistent with those set forth in the Term Sheet provided to the Trustees and the discussion above.

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

The following resolution, as submitted by the Chief Operating Officer, was unanimously adopted.

RESOLVED, That the Acting Chairman, the Chief Operating Officer, the Executive Vice President and Chief Financial Officer and the Senior Vice President – Energy Resource Management and Strategic Planning are, and each hereby is, authorized on behalf of the Authority to execute the Gas Transportation and Balancing Service Agreements with National Grid and the Authority having terms and conditions that are substantially consistent with those set forth in the Term Sheet provided to the Trustees, with such modifications, additions and deletions as he or she may deem necessary or desirable and as are consistent with the foregoing report of the Chief Operating Officer, subject to the approval of the form thereof by the Executive Vice President and General Counsel; and be it further

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

1h. Banking Resolution Amendment to Reflect Appointment of Chief Operating Officer and Change in Title of Vice President – Finance

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the attached Resolution, which amends the Banking Resolution adopted by the Trustees on September 26, 2006, to reflect the appointment of the Chief Operating Officer and the change in title from Vice President – Finance to Senior Vice President – Corporate Planning and Finance.

BACKGROUND

“The Banking Resolution adopted by the Trustees on September 26, 2006 establishes (1) procedures and specifies those individuals by title who may, among other things, establish bank accounts, sign checks, invest Authority funds and execute agreements and other documents on behalf of the Authority, and (2) what individuals may authorize other individuals within the Authority to sign checks, deposit money and transfer and invest funds on behalf of the Authority.

“The proposed amendments would reflect the appointment of the Chief Operating Officer and the position title change of Vice President – Finance to Senior Vice President – Corporate Planning and Finance, and would transfer functions previously assigned to the Vice President – Finance to the Senior Vice President – Corporate Planning and Finance.

“The proposed Resolution has been reviewed and approved by both the Authority’s Vice President – Controller and its Vice President – Internal Audit.

FISCAL INFORMATION

“There is no fiscal impact associated with this action.

RECOMMENDATION

“The Treasurer recommends that the Trustees approve the attached proposed Resolution.

“The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Corporate Planning and Finance and I concur in the recommendation.”

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

RESOLVED, That the resolution adopted by the Trustees at their meeting of September 26, 2006 relating to the Management of Authority Banking Relationships is hereby amended in its entirety to read as follows (added material in italics):

RESOLVED, That the following authorizations are established with respect to the national or state banks (hereinafter referred to individually as the “Bank”) or trust companies organized under the laws of any state (hereinafter referred to individually as the “Trust Company”) that may be designated as a depository of the Authority and the execution of account-related agreements or documents on behalf of the Authority:

1. The establishment, maintenance or closing of bank accounts, including depository and custody accounts, for and in the name of the Authority with any Bank or Trust Company shall be authorized by the *Senior Vice President – Corporate Planning and Finance*, the Treasurer or the Deputy Treasurer with concurrence by one of the following: the Chairman, the President and Chief Executive Officer, *the Chief Operating Officer* or the Executive Vice President and Chief Financial Officer;

2. The Executive Vice President and Chief Financial Officer, the *Senior Vice President – Corporate Planning and Finance*, the Treasurer and the Deputy Treasurer, or such other individual(s) as may be designated by the Treasurer with the concurrence of the Executive Vice President and Chief Financial Officer, are hereby authorized to: (i) sign checks, drafts and other items for withdrawal or deposit of monies for and on behalf of the Authority, and (ii) initiate the transfer of monies by wire or otherwise for the payment or withdrawal of funds, for and on behalf of the Authority;

3. The Executive Vice President and Chief Financial Officer, the *Senior Vice President – Corporate Planning and Finance* and the Treasurer are hereby authorized to sign checks with a facsimile signature for the withdrawal of monies from Authority accounts;

4. The Executive Vice President and Chief Financial Officer, the *Senior Vice President – Corporate Planning and Finance*, the Treasurer and the Deputy Treasurer or such other individuals as may be designated by the Treasurer, are authorized to invest and reinvest monies in the account for, and on behalf of, the Authority; and

5. Execution of agreements, certificates, indemnities and other documents related to conducting business with the Bank or Trust Company may be authorized by the *Senior Vice President – Corporate Planning and Finance*, the Treasurer or the Deputy Treasurer with the concurrence of one of the following: the Chairman, the President and Chief Executive Officer, *the Chief Operating Officer* or the Executive Vice President and Chief Financial Officer.

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

ii. New York Power Authority Other Post-Employment Benefits Trust Fund: Selection of Small Cap Investment Manager

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a multiyear procurement contract to Fiduciary Management, Inc. relating to professional small cap investment management services in connection with the Authority’s Other Post-Employment Benefits (‘OPEB’) Trust Fund.

BACKGROUND

“Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the Trustees’ approval for procurement contracts involving services to be rendered for a period in excess of one year. Moreover, the Authority’s Expenditure Authorization Procedures require the Trustees’ approval for the award of personal services contracts in excess of \$1 million if low bidder, or \$500,000 if sole source or non-low bidder. The term of the contract considered herein is for more than one year and, therefore, Trustee approval is required.

“Certain Governmental Accounting Standards Board (‘GASB’) standards¹ issued in 2004 require governmental employers to account for OPEB liabilities on an ‘accrual’ basis, i.e., as the benefits are earned during the working career of the employee, rather than a ‘pay-as-you-go’ basis, where costs are recorded as the benefits are paid during the employee’s retirement.

“At their meeting of December 19, 2006, the Trustees authorized staff to initiate certain actions to establish a separately managed Trust for OPEB, which included: establishing the parameters of a trust; developing investment guidelines and competitively searching and/or soliciting for a financial management consultant, investment manager(s) and Trustee Custodian.

“At their July 31, 2007 meeting, the Trustees: (1) approved the creation of the New York Power Authority Other Post-Employment Benefits Trust; (2) adopted the Trust Investment Policy Statement; (3) appointed The Bank of New York – Mellon as Trustee Custodian and (4) approved an initial \$225 million funding plan.

“At their meeting of October 30, 2007, the Trustees approved the award of nine multiyear procurement contracts relating to a diversified group of professional investment management services in connection with the Trust. Staff successfully negotiated agreements with all of the recommended investment managers with the exception of the manager for the small cap asset class, Denver Investment Advisors, LLC. Provisions related to brokerage and custodial services were unsatisfactory to the Authority and therefore the decision was made to re-bid for these services.

DISCUSSION

“On August 18, 2008, staff solicited proposals for professional small cap investment management services by notice to a number of firms providing such services and advertisement in the New York State Contract Reporter. On or before September 19, 2008, the Authority received a total of 13 proposals.

¹ These standards include Statement No. 43 – Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans and Statement No.45 – Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions.

“Staff, with the support of its financial advisor, PFM Advisors, evaluated each proposal according to various criteria, including, but not limited to, performance, performance consistency and volatility, correlation to market, schedule of fees and supporting organizational capabilities. Based on this evaluation, staff is recommending the award of a procurement contract to Fiduciary Management, Inc. for management of the small cap asset class.

“The recommended manager has shown steady performance against its respective benchmark averages over the past seven years. Overall risk-adjusted returns showed solid results and Fiduciary Management, Inc. is backed by appropriate research support. On the basis of the evaluation criteria established for this review by staff and its financial advisor, Fiduciary Management, Inc. scored at the top. In order to achieve consistency and stability in the management of the Trust’s assets, it is recommended that Fiduciary Management, Inc. be awarded a five-year contract, subject, however, to early termination at any time by the Authority on 60 days’ notice.

FISCAL INFORMATION

“The fees for the small cap investment management services will be 90 basis points (a basis point is equal to one 1/100th of 1 percent, or 0.01%) and will be paid from OPEB Trust assets. The fees should equal about \$125,000 per year, growing as the Fund’s assets grow. Over the course of the recommended five-year term of the investment management contract, fees are estimated to total approximately \$725,000, assuming a 7.0% growth rate in the Fund’s Assets.

RECOMMENDATION

“The Treasurer recommends the Trustees’ approval of the award of a multiyear service contract to Fiduciary Management, Inc. for management of the small cap asset class for the New York Power Authority Other Post-Employment Benefit Trust Fund.

The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Corporate Planning and Finance and I concur in the recommendation.”

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority’s Expenditure Authorization Procedures, the award and funding of the multiyear investment management service contract with Fiduciary Management, Inc. to manage small cap assets for the New York Power Authority Other Post-Employment Benefits Trust (“Trust”) is hereby approved and its execution by the Executive Vice President and Chief Financial Officer or his designee is approved, subject to approval of the form thereof by the Executive Vice President and General Counsel, on behalf of the Authority, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

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

**1j. Procurement (Services) Contract –
Legal Services – Rivkin Radler LLP**

The Chief Operating Officer submitted the following report:

SUMMARY

“The Trustees are requested to extend the contract for legal services with Rivkin Radler LLP through December 31, 2010 and to approve additional funding for the contract in the amount of \$45,000, which is to be reimbursed by Long Island Power Authority (‘LIPA’).

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.

“Rivkin Radler was retained on January 30, 2008 to represent the authority in connection with the pending litigation *In the Matter of the Application of Steel Los III, LP and Associated Brook Corp. v. Power Authority of the State of New York* (‘Steel Los’), Index No.: 5662/05 (Sup. Ct. Nassau Co.). The retention of Rivkin Radler was pursuant to a one-year legal services contract effective January 18, 2008 for an amount not to exceed \$200,000, which was recently extended to February 29, 2008 by memorandum of the Executive Vice President and General Counsel to Procurement.

“This litigation involves an Article 78 proceeding challenging a condemnation by the Authority. A related Court of Claims proceeding for \$14 million in compensation as a result of this taking is also pending, as are related federal court actions. The Court of Claims and federal court actions have been stayed until the Supreme Court matter is resolved.

“The Authority condemned the property at LIPA’s request, pursuant to an Authority authorizing resolution dated June 29, 2004, as well as a Memorandum of Understanding (‘MOU’) dated July 6, 2004, as amended on October 19, 2005, between the Authority and LIPA. The MOU provides for the Authority to be fully indemnified for its costs of services and litigation associated with the condemnation through termination of the litigation.

“By order of the Supreme Court dated September 15, 2008, the Authority’s condemnation of the property was deemed unauthorized and set aside. The request for judgment declaring the eminent domain taking procedures unconstitutional and the request for an award of counsel fees were denied.

“The Authority has filed a notice of appeal and Petitioners filed a cross-appeal. In the meantime, the parties have begun settlement negotiations which, if not concluded in the next month or so, will necessitate the Authority perfecting the appeal in March 2009. It is estimated that the appellate process will be completed by December 2010 and that an additional \$45,000 will be required for legal services and fees associated with the appeal.

FISCAL INFORMATION

“There will be no fiscal impact, as funds will be reimbursed by LIPA.

RECOMMENDATION

“The Executive Vice President and General Counsel recommends approval of the extension of the legal services contract with Rivkin Radler LLP and the additional \$45,000 in funding.

“I concur in the recommendation.”

The following resolution, as submitted by the Chief Operating Officer, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the contract for legal services with Rivkin Radler LLP be extended through December 31, 2010 and additional funding for the contract in the amount of \$45,000 is approved; and be it further

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

1k. Lease of Office Space – Clarence D. Rappleyea Building – Berman Bavero Frucco & Gouz, P. C.

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize a Second Amendment of Lease (hereinafter ‘Amendment’) with an existing tenant, Berman Bavero Frucco & Gouz, P. C. (hereinafter ‘Berman’). Berman currently leases approximately 7,814 rentable square feet (‘rsf’) on the 17th floor of the Clarence D. Rappleyea Building (‘Rappleyea Building’) at 123 Main Street, White Plains, as shown on Exhibit ‘1k-A.’ This Amendment would extend the term of the lease an additional five years to September 30, 2014 at an average annual rent of \$26.85 per square foot, including electricity and adjustments to recover increases in taxes and operating expenses over a base year, as more specifically discussed in Exhibit ‘1k-B.’

BACKGROUND

“By deed dated July 10, 1991, the Authority acquired the Rappleyea Building, a commercial office building containing approximately 420,195 rsf. Currently, the Authority leases approximately 160,784 rsf. Berman, whose current lease expires on September 30, 2009, has requested that the lease be extended an additional five years.

DISCUSSION

“Berman’s law practice has been located in the Rappleyea Building since September 1, 1998. Preliminary negotiations with Berman have resulted in the basic lease terms set forth in Exhibit ‘1k-B.’

“A review of local market conditions indicates that this transaction compares favorably with other space being offered in downtown White Plains and the Rappleyea Building.

FISCAL INFORMATION

“There will be no fiscal impact.

RECOMMENDATION

“The Director – Real Estate and the Director – Corporate Support Services recommend that the Trustees approve entering into a lease amendment with Berman Bavero Frucco & Gouz, P.C. on terms substantially in accordance with the foregoing and with Exhibit ‘1k-B’ attached hereto.

“The Executive Vice President and General Counsel, the Senior Vice President – Enterprise Shared Services and I concur in the recommendation.”

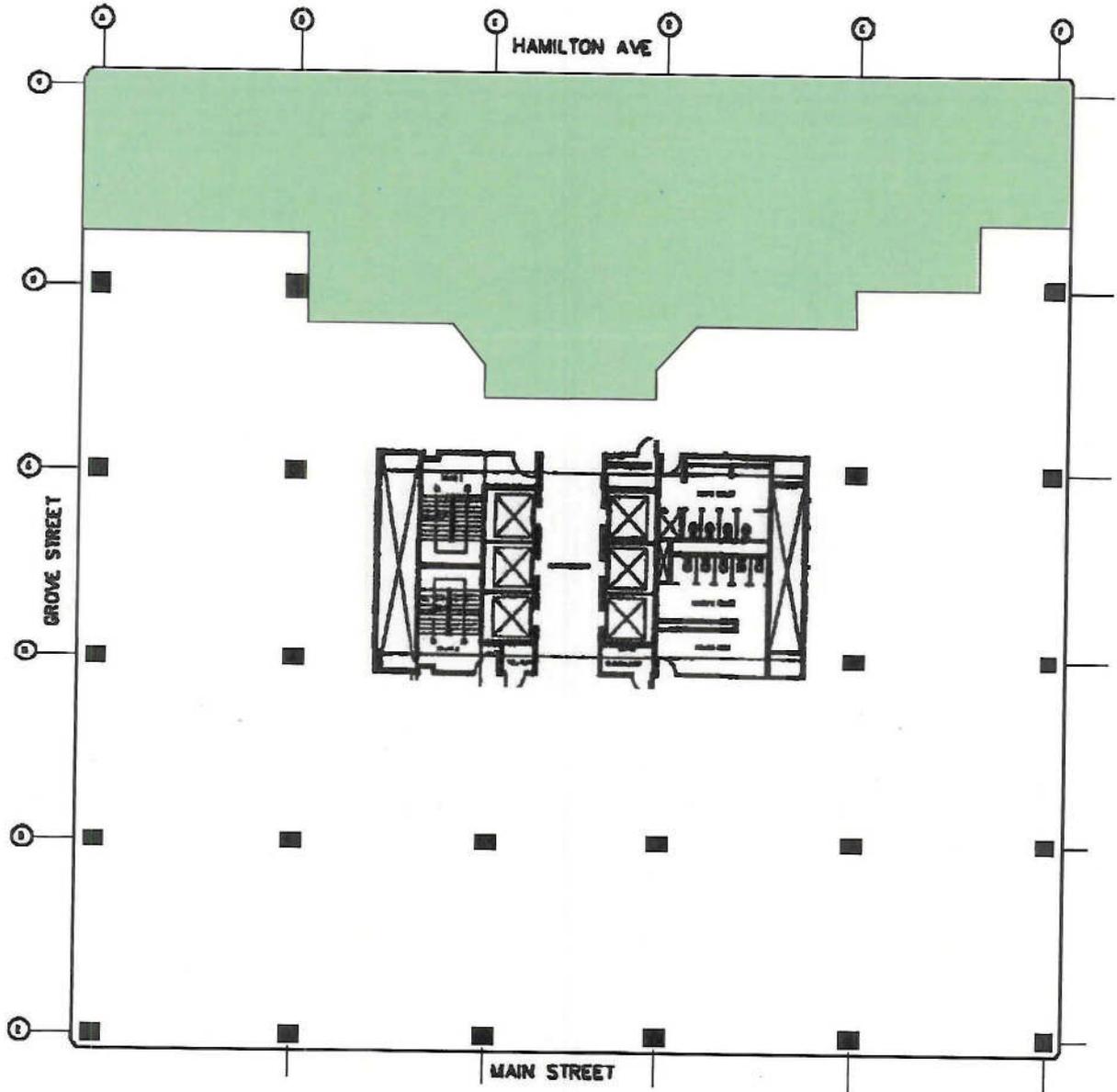
The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the President and Chief Executive Officer or the Senior Vice President – Enterprise Shared Services be, and hereby is, authorized to enter into a lease amendment for office space in the Clarence D. Rappleyea Building with Berman Bavero Frucco & Gouz, P.C. on substantially the terms set forth in the foregoing report of the President and Chief Executive Officer and Exhibit “1k-B,” subject to approval of the lease documents by the Executive Vice President and General Counsel or her designee; and be it further

RESOLVED, That the Senior Vice President – Enterprise Shared Services or the Director – Real Estate be, and hereby is, authorized on behalf of the Authority to execute any and all agreements, papers or instruments that may be deemed necessary or desirable to carry out the foregoing, subject to the approval of the form thereof by the Executive Vice President and General Counsel or her designee; and be it further

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

EXHIBIT A



**PORTION OF THE 17TH FLOOR
BERMAN, BAVERO, FRUCCO & GOUZ
(NOT TO SCALE)**

BASIC LEASE TERMS
AUTHORITY TO BERMAN BAVERO FRUCCO & GOUZ P.C.

Exhibit B

Premises:	7,814 rsf total (approximately)
Term:	Existing lease expires September 30, 2009 Lease to be extended an additional five years to September 30, 2014
Electric:	October 1, 2009 to September 30, 2012 \$2.75/sf or \$21,488.50 annually October 1, 2012 through September 30, 2014 \$3.00/sf or \$23,442.00 annually
Base Annual Rentable Rate:	October 1, 2009 through September 30, 2010 \$179,722.00 per annum October 1, 2010 through September 30, 2011 \$183,629.00 per annum October 1, 2011 through September 30, 2012 \$187,536.00 per annum October 1, 2012 through September 30, 2013 \$191,443.00 per annum October 1, 2013 through September 30, 2014 \$195,350.00 per annum
Landlord's Contribution to Tenant's Work:	None
Escalations:	Proportionate share of increases in real estate taxes over a base year of 2009. Proportionate share of increases in operating expenses over a base year of 2009.
Parking:	Landlord to make available to tenant four (4) reserved parking spaces at a monthly cost of \$95.00 and twelve (12) non-reserved parking spaces at a monthly cost of \$75.00 each subject to increase over the extension term.

**11. Partial Termination of Lease of Office Space –
Clarence D. Rappleyea Building – J. P. Morgan Chase**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize a partial termination of lease agreement whereby J. P. Morgan Chase, National Association (‘Chase’), a subsidiary of J. P. Morgan Chase & Co., as assignee and successor tenant of the Bank of New York (‘BNY’), surrenders all of its remaining leasehold interest in and to the entire 5th floor (approximately 29,401 rentable square feet, or ‘rsf’) of the Rappleyea Building (‘Building’) at 123 Main Street, White Plains, to the Authority on the terms and conditions set out below.

BACKGROUND

“At their meeting of March 26, 1991, the Trustees approved the purchase of the Building. At the time of the purchase, the Building had several tenants, the largest of which was ‘BNY’, which occupied approximately 58,801 rsf on the entire 4th and 5th floors. The original lease was for a period of 20 years commencing on August 1, 1981, and terminating on July 31, 2001. The lease contained two five-year options to extend the term. Pursuant to these terms, the lease was extended from August 1, 2001 to July 31, 2006 and then again from August 1, 2006 to July 31, 2011. The current annual rental is \$1,264,222 plus adjustments to recover increases in taxes and operating expenses.

“Further, at their meeting of September 26, 2006, the Trustees approved the assignment by BNY and the assumption by Chase of all of BNY’s interest in its lease of the premises, whereby Chase would assume all of the obligations under the lease on and after the effective date of the assignment and assumption agreement.

DISCUSSION

“Due to various consolidations, Chase has made very limited use of the 5th floor of the Building. The remainder of the Building remains essentially full, between space occupied by the Authority and space occupied by private tenants, most of which are currently in long-term leases with the Authority.

“Due to space constraints, Authority staff negotiated a proposal with Chase whereby Chase would release and terminate all of its right and interest in the entire 5th floor of the Building from the effective date of the partial termination of lease agreement (proposed for March 31, 2009). Further, Chase would pay the Authority approximately \$1.55 million in settlement of its remaining lease payment obligation and grant the Authority a proposed License for immediate use of a portion of the 5th floor containing approximately 4,100 rsf as shown on Exhibit ‘11-A’ prior to the termination date of March 31, 2009. In accordance with the proposed License, the Authority would pro-rate the rent and additional rent effective upon the date of the License agreement to the proposed termination date. The current rent obligation without increases in taxes and operating expenses has been calculated to be approximately \$1,674,632. In consideration thereof, the Authority would accept such termination and payment therefor and there would be no further obligation between the Authority and Chase regarding the 5th floor. The Authority would then be free to use the 5th floor in a manner consistent with its ongoing business needs.

FISCAL INFORMATION

“There is no fiscal impact from consenting to this transaction.

RECOMMENDATION

“The Senior Vice President – Enterprise Shared Services and the Director – Corporate Support Services recommend that the Trustees approve the partial surrender and termination of the lease of the 5th floor of the Rappleyea Building, 123 Main Street, White Plains, from J. P. Morgan Chase, National Association as assignee of the Bank of New York.

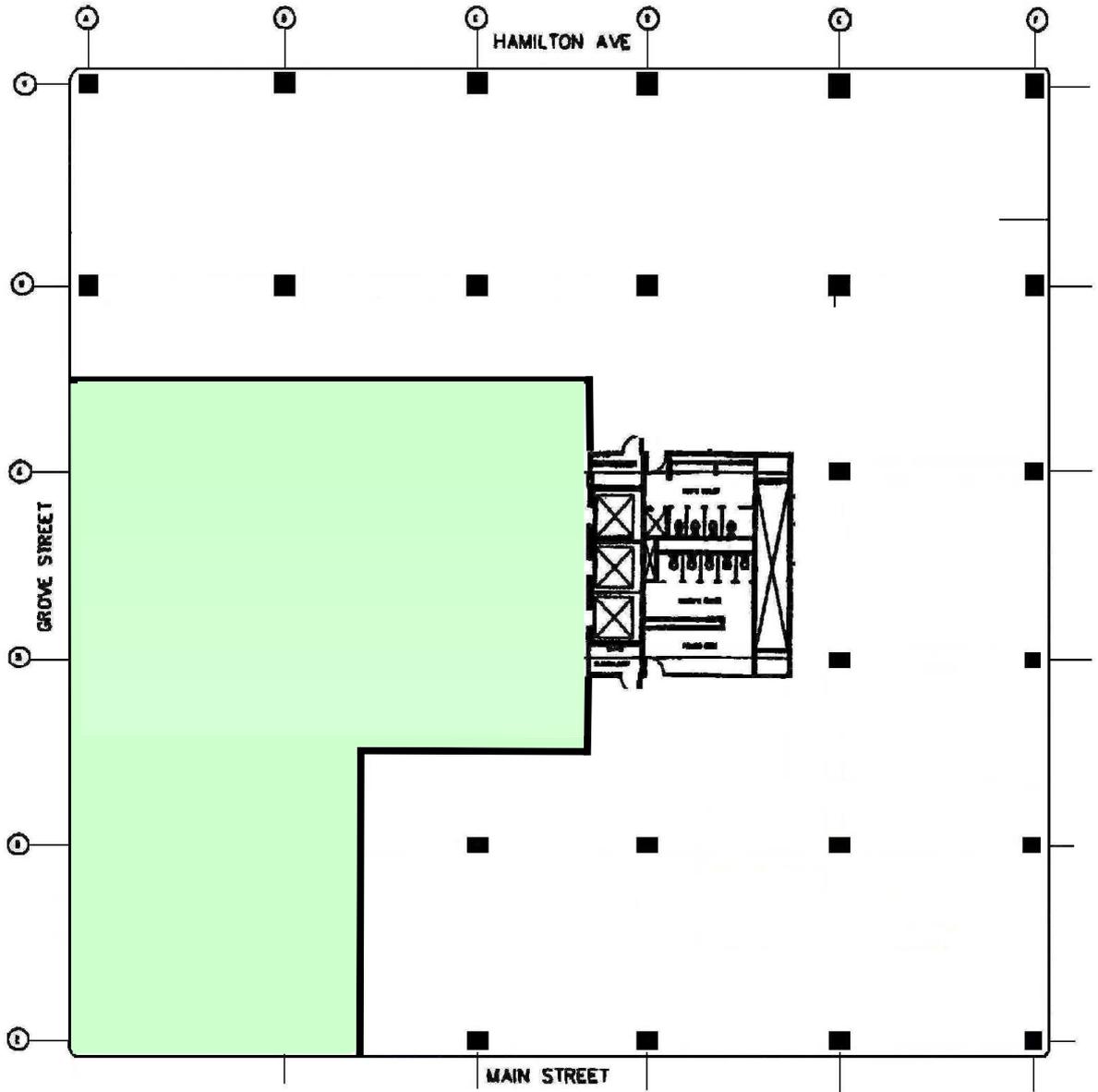
“The Chief Operating Officer, the Executive Vice President and General Counsel and I concur in the recommendation.”

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

RESOLVED, That the President and Chief Executive Officer, the Chief Operating Officer or the Senior Vice President – Enterprise Shared Services be, and hereby is, authorized to enter into a partial termination of lease agreement between the Authority and J. P. Morgan Chase, National Association, on substantially the terms set forth in the foregoing report of the President and Chief Executive Officer and subject to the approval of the documents by the Executive Vice President and General Counsel or her designee; and be it further

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

EXHIBIT A



LICENSED PREMISES

PORTION OF 5TH FLOOR

(NOT TO SCALE)

Discussion Agenda

2a. President and Chief Executive Officer's Report

President Kessel provided the Trustees with updates on the following:

Transmission Initiatives

Hydro Quebec:

- *The preliminary findings of the working group will form the basis for the Phase II study, which has begun and will identify transmission projects. The preliminary results of Phase II will be available in March, with a draft final report due by April 15. President Kessel commended the transmission team, including Mr. John Suloway's group, for their efforts.*
- *The Hydro Quebec project would be the biggest energy project in New York State since the 1950s construction of the Niagara and St. Lawrence projects.*
- *The working group has reached out to National Grid and Con Edison, whose involvement will be necessary for this project.*
- *The project will make possible the transmission of 800 to 1,000 MW of U. S. wind power and a total of more than 2,000 MW of renewable energy. This will be especially important to New York's North Country.*
- *The project may go forward by the second or third quarter of 2009.*

Hudson Transmission Partners ("HTP"):

- *The Authority and HTP are close to agreeing to the terms of a contract, that should be in place within the next three months.*
- *Navigant Consultants is conducting an independent analysis of the costs and benefits of the project.*
- *This project will bring power to New York City, so management and staff have been talking with Mayor Bloomberg, Con Edison, the Metropolitan Transportation Authority and the Port Authority of New York and New Jersey.*
- *It's possible that federal stimulus money could be used for this project.*

Federal stimulus plan

- *The Authority has been named to the Governor's Economic Recovery and Reinvestment Cabinet and President Kessel has spoken with Mr. Timothy Gilchrist, the Governor's Senior Advisor for Infrastructure and Transportation, about the Authority's role. Ms. Terryl Brown Clemons will also be working with the Authority's Washington office on this effort.*
- *The Authority has submitted a list of projects for energy efficiency, renewable energy, smart grid technology and transmission generation. \$16.8 billion is available for energy efficiency and renewable energy projects and technology.*
- *The Authority's Energy Services Program, through existing federal block grants, includes:*
 - *23 school efficiency retrofit projects totaling \$29.8 million that could begin construction within two years with \$7.5 million in federal funds.*
 - *175 public building retrofit projects totaling \$630 million that could begin construction within two years with \$158 million in federal funds.*

In response to a question from Trustee Foster, President Kessel said that tens of millions of dollars of energy efficiency money would be made available to New York State, while the overall amount of money available would be several hundreds of millions. He said that the Authority can make a case for funding one of its transmission projects. President Kessel said that the Authority would be meeting with New York State's Congressional delegation within the next couple of weeks about this topic. In addition, President Kessel has spoken with Mr. Ashok Gupta of the National Resources Defense Council, who is going to try to get the Authority a meeting with key people at the U. S. Department of Energy.

Community Outreach – Upstate/Downstate:

President Kessel said that he is continuing to travel around the State. Tomorrow he will be in Rochester with Acting Chairman Townsend for a meeting with the Rochester Democrat and Chronicle editorial board, a press event in Fairport and meetings with local officials. Recently, he met with the Newsday editorial board. In March, he plans to be in Buffalo several times and will meet with the Buffalo/Niagara Partnership.

February 24, 2009

President Kessel introduced Mr. Thomas DeJesu, the Authority's new Vice President – Southeastern New York Public and Governmental Affairs.

2b. Chief Operating Officer's Report

Mr. Gil Quiniones presented the following report:

Generation output at Authority facilities for the month of January exceeded the projected total, while the transmission lines recorded outage-free performance during the month.¹ In addition, progress continued on major initiatives in the Energy Services and Technology, Marketing and Economic Development and Corporate Services and Administration Business Groups.

Key Activities and Accomplishments of the Past Month

POWER SUPPLY

Plant Performance

Total net generation for January was 2,267,447 mwh, compared with the projected amount of 2,197,914 mwh.^{2,3} However, the system-wide unforced capacity rating of 96.3% was below the target of 98.5%.⁴ The target was not met because of four forced, or unplanned, outages at Blenheim-Gilboa ("B-G"), combined with the fact that the New York Independent System Operator ("NYISO") did not call on the project to supply electricity as frequently as had been anticipated.⁵ The plants were available to generate electricity 92.8% of the time. River flows at the Niagara Project in January were at historical averages, but were slightly below normal when compared with the short- and long-term forecasts. At St. Lawrence, flows were slightly above the historical average and consistent with the forecasts.

Outages

The forced outages at B-G totaled 30 hours and were due to mechanical problems at Units 1 and 4. There were two significant forced outages at the small clean power plants.⁶ A repair to the generator unit circuit breaker at the Vernon Boulevard 2 plant in Queens, which began on December 28, 2008, continued through January 12, with the plant out of service for 277 hours.⁷ The Harlem River 2 unit in the Bronx failed to start on January 6 because of vibration issues, resulting in an outage of 68 hours before repairs were completed.⁸

Transmission Performance

With no outages, either forced or scheduled, during January, the transmission lines achieved a reliability rating of 100%, exceeding the target of 99.99%.⁹

Vegetation Management Award

The Authority received a Project Habitat Award for its vegetation management principles and practices in a national competition sponsored by BASF Corporation, a major chemical company with headquarters in Florham Park, N.J. The Authority was one of three winners in the utility category. The Authority has successfully implemented an integrated vegetation management program along its more than 1,400 circuit-miles of transmission rights-of-way.¹⁰

Transmission Studies

Authority staff and ALTRAN Solutions continued studies of how to address the transmission needs of New York State and New York City, with a focus on the effects of installing capacitor banks of various sizes and voltages at different substation locations in the State.¹¹ Preliminary results indicate that the installation of capacitor banks at transmission levels would result in very small reductions in transmission losses and that increasing the size of the capacitor banks would not cause proportional decreases in losses at a given location.^{12,13} These studies complement those being conducted by the NYISO and its consultants. The preliminary results are being shared with the NYISO to determine what additional work should be performed.

ENERGY SERVICES AND TECHNOLOGY

Energy Efficiency Investment

The Authority's energy efficiency investment for January was \$5 million, while overhead cost recovery was 67%. Although neither figure was on pace to meet the annual targets of \$120 million and 104%, respectively, staff anticipates that the targets will be achieved as major projects proceed during the remainder of the year. Among other initiatives, construction is expected to begin in the spring on a chiller and boiler plant at the Namm building at the City University of New York's New York City College of Technology; new lighting in the Holland Tunnel, operated by the Port Authority of New York and New Jersey and chillers at the State University of New York at Buffalo and the Empire State Plaza in Albany. Achievement of the annual cost-recovery target would enable the Authority to more than recover its administrative costs for the program.

Clean Energy Benefits

Clean energy benefits for January totaled 21,700 mwh, including 6,700 mwh from energy efficiency and 15,000 mwh from renewable projects and the purchase of renewable energy attributes.¹⁴ The January total was on pace to exceed the annual clean energy target of 234,000 mwh.

PlaNYC Projects for 2009

The Authority received a list of 66 projects from the City of New York on February 9 representing the next round of approved PlaNYC energy efficiency projects to be implemented by the Authority in the City's current fiscal year.¹⁵ Work on these sites will begin immediately. The list includes 13 of the 22 sites at which the Authority has conducted energy audits as part of PlaNYC. Two of those sites, already under development, are the Leonard Covello Senior Center in Manhattan and St. Mary's Recreation Center in the Bronx. Projects are also expected to be completed at the other nine audit sites and at the 53 additional locations designated by the City. The City plans to provide the Authority with its list of projects for the 2009-10 fiscal year, which begins July 1, in the near future.

Advancing New Technologies

The Authority is proceeding with a \$1 million project to install an advanced 200 kw fuel cell adjacent to its White Plains office building. The fuel cell is being fabricated by UTC Power of South Windsor, CT, and will be among the company's first "beta" models, which will double the stack life of the previous model from 5 to 10 years.¹⁶ This will provide significant economic benefits, since the stack represents the bulk of a fuel cell's costs. The success of the new technology could thus make future fuel cell projects much more cost effective. In addition to its importance as a demonstration project, the new unit, scheduled for installation in July, will meet a small part of the building's electricity needs.

Meanwhile, UTC Power continues to fabricate and test the first of the 12 fuel cells scheduled for installation in the Freedom Tower and three other new towers at the former World Trade Center site in lower Manhattan. The Authority is purchasing the fuel cells, which will have a total capacity of 4.8 mw, and is financing energy efficiency measures for the Freedom Tower.

Clean Transportation

On February 12, the Authority took delivery of a Ford Escape plug-in hybrid vehicle for a three-year trial.¹⁷ This is one of 20 prototype vehicles to be built by Ford as part of a \$30 million national demonstration program in collaboration with the U. S. Department of Energy and the Electric Power Research Institute (“EPRI”).¹⁸ This project is directly in line with Governor Paterson’s call in his State of the State address for New York State to take a leading role in developing plug-in hybrid vehicles, which he described as essential to “the future of America’s energy and transportation policies.” The Authority plans to demonstrate the vehicle in its own fleet and those of its customers and to make it available for technology workshops and additional educational events with its customers and others. Ford and EPRI will work with the Authority and other project participants to collect vehicle data over the three-year period. Each vehicle is equipped with a 10 kilowatt-hour lithium ion battery and will be charged from a 120-volt electric outlet.¹⁹ Gasoline-electric operation will be blended to optimize fuel efficiency, with the vehicles providing approximately 30 miles of range in electric mode. The vehicles also feature “smart” charging capability to allow for charging schedules that avoid periods of peak utility demand.

Technology Transfer Award

In January, the Authority received an EPRI Technology Transfer Award for its work in advancing the compressor dependability root cause analysis and maintenance guidance for General Electric FA gas turbines such as those used at the Authority’s 500 mw combined-cycle plant in Astoria, Queens.^{20,21} The award recognizes outstanding accomplishments and contributions in demonstrating technologies important to the power industry. Authority employees singled out for recognition were Mr. John DeLise of the Energy Services and Technology Business Group and Mr. Paul Mitchell and Mr. Timothy Zandes of the Power Supply Business Group.

MARKETING AND ECONOMIC DEVELOPMENT

Preservation Power

A Trustee item seeking a start to the approval process for the first allocation of Preservation Power from the St. Lawrence-Franklin D. Roosevelt Power Project was on today’s Consent Agenda.²² The Trustees authorized a public hearing on a contract for the sale of 2 mw to the Newton Falls Fine Paper Co. in St. Lawrence Country. In return for the power, the company will agree to invest \$4.5 million in its existing plant,

create 54 new jobs and retain 118 positions. This is a milestone in the development and implementation of a Preservation Power allocation plan, an extensive effort involving Authority staff members and State and local officials. The allocation to Newton Falls has been unanimously recommended by the Northern New York Advisory Group formed to assist in marketing Preservation Power to businesses in St. Lawrence, Franklin and Jefferson counties.

CORPORATE SERVICES AND ADMINISTRATION

Human Resources Study

Phase 3 of the Authority's Human Resources study, dealing with succession planning, has been completed. Staff is beginning Phase 4, which comprises implementation of recommendations from the three completed phases. (The first two focused on organizational design and business practices.)

ANTICIPATED DEVELOPMENTS IN THE NEXT SIX MONTHS

Federal Stimulus Bill

President Obama signed the American Recovery and Reinvestment Act, a \$787 billion stimulus bill, into law on February 17, 2009. Preliminary analysis indicates that New York State could receive approximately \$24.6 billion over the next two years. A New York State Economic Recovery and Reinvestment Cabinet was established and the Authority has been named a member. An internal Authority team was created to advance Authority projects in energy efficiency, renewables, transmission, smart grid technology and generation projects.

POWER SUPPLY

Hudson Transmission Partners Project

Staff anticipates major developments in the coming months concerning the Hudson Transmission Partners ("HTP") project, a proposed 345 kv transmission line that would carry clean, economical electricity from the Pennsylvania-New Jersey-Maryland ("PJM") interconnection for use by the Authority's governmental customers in New York City and other power consumers in the City.²³ Staff has essentially completed negotiations on the major terms and conditions of a proposed long-term firm transmission contract with HTP, which would build the line under the Hudson River from Bergen County, New Jersey to a Con Edison substation in midtown Manhattan. An economic assessment of the project by Navigant Consulting, Inc., which has focused

on the critical issue of the cost of transmission system upgrades and interconnections in the PJM territory, is also nearing completion. When results of this study are available, staff will meet with the governmental customers and Con Edison to determine their interest in having the Authority move forward with the HTP contract. The Authority and HTP have worked together in lengthy negotiations with PJM that have significantly lowered the projected transmission upgrade and interconnection costs. Staff believes there is a potential to lower these costs still further in the coming months. Staff is also seeking funds from the federal economic stimulus package to help in offsetting these expenses and ensuring that the project is beneficial to ratepayers. Staff hopes to conclude the discussions with the governmental customers and Con Edison in early April. Assuming that they agree to proceed, staff would then seek approval from the Trustees at a future meeting to execute the contract with HTP.

Life Extension and Modernization Programs

Continued progress is expected in the Life Extension and Modernization (“LEM”) programs at the St. Lawrence and B-G projects.²⁴ At St. Lawrence, the 11th of 16 units is on schedule to return to service on March 31, with work to begin the following day on Unit 12. (Unit 11 was removed from service on August 1, 2008.) Overall, the \$281 million project is on schedule and within budget. The \$135.4 million B-G LEM program remains on schedule and on budget, with the third of four units expected to resume operation in June. (The unit was taken out of service on September 15, 2008.)

MARKETING AND ECONOMIC DEVELOPMENT

Economic Development Legislation

An Authority economic development program reform proposal is being finalized internally and will be shared with the Trustees for their feedback and recommendations. Once the proposal has been reviewed by the Trustees, the Authority will share it with the Governor’s Office and seek guidance on next steps.

GLOSSARY

¹*Outage—Removal of a power plant or transmission line from service. May be scheduled for purposes such as anticipated maintenance, or forced by unexpected events.*

²*Net generation—Energy generated in a given time period by a power plant or group of plants, less the amount used at the plants themselves (station service) or for pumping in a pumped storage facility.*

³*Megawatt hour—Amount of electricity needed to light 10,000 100-watt light bulbs for 1 hour. MW is equal to 1,000 kw and can power about 800 homes, based on national averages.*

⁴*Unforced capacity rating—All power plants have installed capacity (“ICAP”), meaning the amount of power they could generate under perfect conditions. Since conditions are not always perfect and plants are shut down, a second measurement called unforced capacity (“UCAP”), which is how much power a plant actually can produce. For NYS power plants, this measurement is influenced by the amount of time a plant is forced out of service when it is called into service through the NYISO to provide energy.*

⁵*New York Independent System Operator—Not-for-profit organization that operates NYS transmission system, administers State’s wholesale electricity markets and engages in planning to ensure future reliability of statewide power system.*

⁶*Small clean power plants—Group of 11 combustion turbines, fueled by natural gas, installed by the Authority at 7 locations in NYC and on Long Island to avert a potential power shortage in the summer of 2001. The units have a combined output of about 460 mw and are equipped with sophisticated environmental controls.*

⁷*Generator unit circuit breaker—Device that connects and disconnects a generator from the electric grid.*

⁸*Vibration issues—Limits are set to prevent a unit from operating if excessive vibration is detected in the generator or turbine. In the case of the Harlem River 2 unit, the vibration problem resulted from a misalignment between the generator and the turbine that was attributable to the manufacturer.*

⁹*Transmission reliability rating—Measurement of impact of forced and scheduled outages on statewide system’s ability to transmit power.*

¹⁰*Integrated vegetation management—System of vegetation management on power-line corridors in which cultural, biological, physical and chemical procedures are balanced to control undesirable tall-growing woody species that could interfere with operation of the lines, while at the same time promoting the growth of desirable low-growing plant communities. The overall goal is to elicit environmentally, economically and socially responsible treatment effects that lead to refined, sustainable achievement of these objectives*

¹¹*Capacitor bank—Device placed on power system to regulate voltage; generally applied to maintain system voltage. (Voltage is a measurement of the force that pushes electricity through a transmission line, much as water is forced through a hose.) The performance of a transmission line, especially those of medium length or longer, depends on maintaining voltage at certain levels. The maximum amount of power a line can transmit is reduced as voltage decreases.*

¹²*Transmission levels—North American Electric Reliability Corporation, which sets and enforces reliability standards for power systems in U. S. and Canada, considers transmission lines of 100 kv and above to be at transmission level. The Authority’s system consists of transmission lines of 115, 230, 345 and 765 kv.*

¹³*Transmission losses—During transmission, electricity generates heat that displaces electrons, meaning that less electricity flows on the line (longer line = greater loss). Power is also lost when it moves through substation equipment.*

¹⁴*Renewable energy attributes—Environmental, social and economic features of renewable energy that may be sold separately from energy itself; the Authority obtains such attributes on behalf of its NYC governmental customers.*

¹⁵*PlaNYC—Program developed by NYC Mayor Bloomberg’s administration to reduce energy consumption and greenhouse gas emissions in City-owned buildings and operations by 30% below 2005 levels by 2017.*

¹⁶*Fuel cell stack—Group of fuel cell components in which hydrogen is combined with oxygen to produce electricity and water in virtually emission-free process.*

¹⁷*Plug-in hybrid vehicle—Vehicle that operates on both gasoline and electricity and that can be recharged from a standard home electrical outlet. Rechargeable battery on board the vehicle is discharged during driving to significantly improve fuel economy.*

¹⁸*Electric Power Research Institute (“EPRI”)—Electric power industry’s international research and technology organization. The Authority has long been active in EPRI and has collaborated with the organization on a number of major initiatives.*

¹⁹*Lithium ion battery—Rechargeable battery with very high energy density per unit weight and volume. Capable of high number of charge-discharge cycles and fast charging.*

²⁰*Compressor—Compressor section of a combustion turbine engine draws in air from the atmosphere and incrementally increases the pressure of that air. The pressurized air is then directed to a combustion chamber, where it is mixed with fuel and ignited.*

²¹*Root cause analysis—Method of evaluating a problem so that the principal causes or influencing factors are determined.*

²²*Preservation Power—Block of 490 mw from St. Lawrence designated under 2005 State law for allocation to qualifying businesses in St. Lawrence, Jefferson and Franklin counties if relinquished by current recipients. Up to 12 mw is expected to become available because of General Motors’ (“GM”) shutdown of its Powertrain plant in Massena scheduled for May 1, 2009. GM has already give up 2 mw.*

²³*Pennsylvania-New Jersey-Maryland (“PJM”) Interconnection—Regional transmission organization that coordinates movement of wholesale electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and District of Columbia.*

²⁴*Life Extension and Modernization (“LEM”) programs—Major undertakings in which all turbines at St. Lawrence and B-G are being replaced and generators and other components significantly refurbished. Intended to ensure that projects operate at maximum efficiency far into the future.*

2c. **Chief Financial Officer's Report**

Mr. Joseph Del Sindaco presented the following report:

2008 Financial Report

Ernst & Young ("E&Y") has given the Authority an unqualified opinion for the Authority's 2008 financial report. E&Y made a formal presentation of its findings to today's Audit Committee meeting. An item seeking the Trustees' approval will be presented at the March meeting.

Adjustments to 2009 Operating Forecast

After projecting 2009 Authority net revenues of \$173 million in their November 2008 operating forecast, staff re-evaluated and revised this project due to several key events in December and early January:

- *Precipitation over the Great Lakes in December was significantly higher than the norm, with Lakes Erie and Ontario receiving 169% and 139% of their long-term averages, respectively. An update to the net generation forecast for the year has added an additional 1.5 twh (1.5 million mwh) to the projection, which has added a net of \$63 million to the budget.*
 - *Niagara is showing an increase of about \$75 million due to the additional generation; however, St. Lawrence is showing a decrease of about \$12 million due to the nature of the interruptible sales to Alcoa. An increase in generation at these levels brings production levels above the curtailment point for the Alcoa interruptible, resulting in a net reduction in the Authority's wholesale sales to the NYISO (at market rates) and an increase in interruptible sales (at the lower tariff rates).*
- *Reduced Business Customer Sales at Niagara due to worsening economic conditions have caused an increase in the expected level of wholesale sales. A portion of these relinquished sales will be used to off-set the costs of the Market Supply Power sector's Energy Cost Savings Benefits ("ECSB") program (noted below).*
- *Improved Results in the Market Supply Power Segment are projected due to the increased availability of hydropower used to defray the cost of purchased power for the ECSB program*

(\$19 million). In addition, overall lower market prices are expected to reduce the cost of Power for Jobs rebates by \$7 million for a total improvement in the Market Supply Power segment of about \$26 million.

- Updated accounting treatment of the Authority's voluntary contributions to the State, now based on the actual plan, more accurately reflects the proper alignment of the costs with the appropriate time period. As a result, the portion of the contributions recognized for accounting purposes during calendar year 2009 will be reduced by \$45 million.*

The total of these adjustments will move the revised 2009 projection to \$308 million from the previous \$173 million. The monthly Trustee financial reports for 2009 will be reported on this basis.

Reset Rate for the Authority's Adjustable Rate Tender ("ART") Notes

In 1985, the Authority issued ART Notes to finance in part the Marcy-South transmission line. The ART Notes' interest rate is reset every six months. Currently, \$137.5 million in ART Notes are outstanding, with final maturities in 2016 and 2020. This week, the ART Notes reset at 0.60% (60 basis points) for the coming March-September period, the lowest rate the Authority has seen. The previous low was 0.90% (90 basis points) in 2003-04, while the all-time high reset rate was 6.90% in 1989.

By way of comparison, the current 6-month LIBOR rate is 1.78%, so the Authority's product settled at about 33% of LIBOR. The Authority's ART Notes historically trade at about 2/3 of the LIBOR rate, with the last two resets at 2.10% and 1.60%. With 6-month treasuries yielding about 50 bps and the Authority's paper yielding about 60 bps, it is a clear indication that the "flight to quality" still abounds in the marketplace and the Authority's "clean name" remains a beneficiary. Recent trades in the Authority's commercial paper reflect this as well, as some of our paper settled between 60 and 65 bps over the past several days.

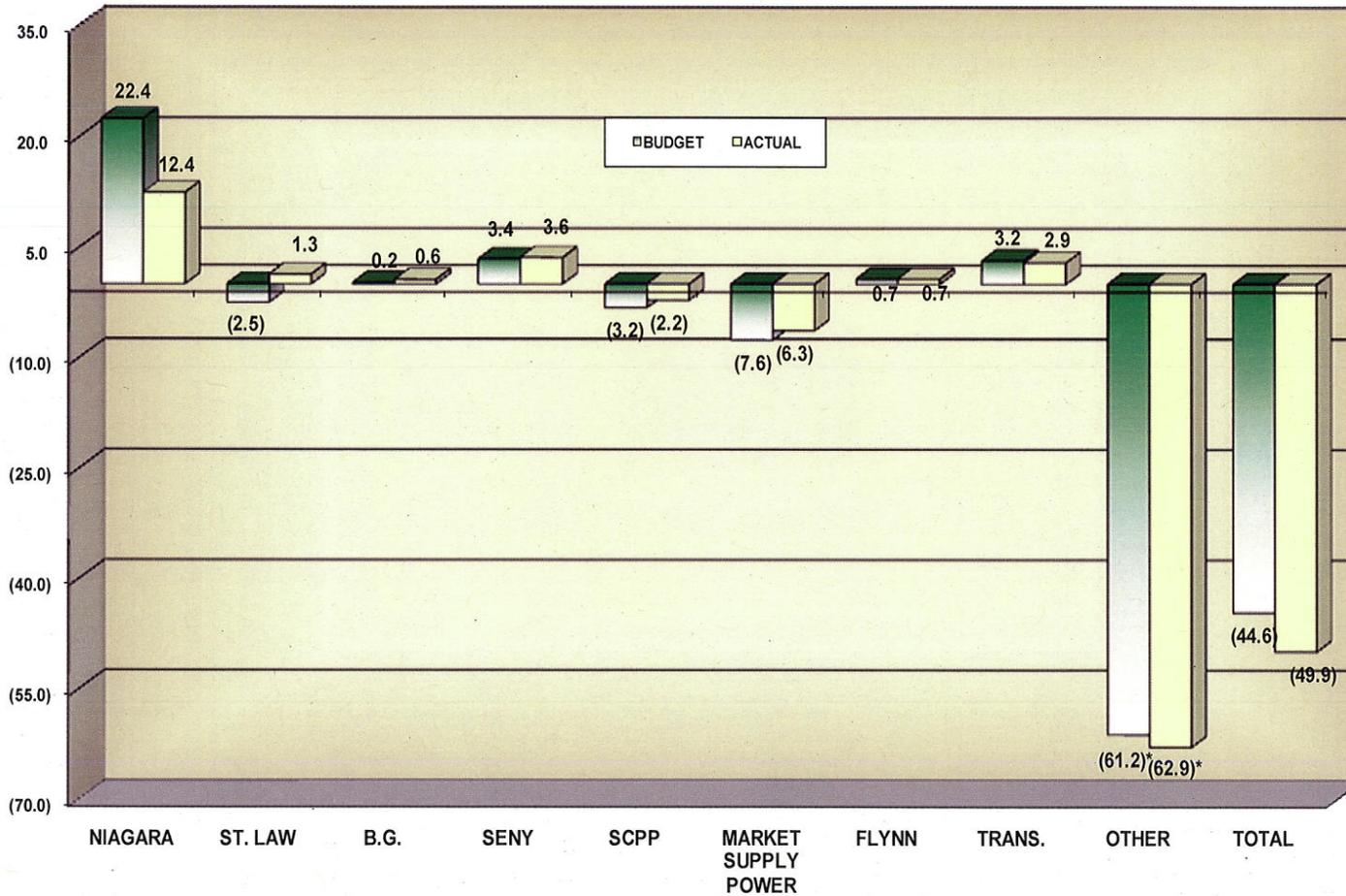
Acting Chairman Townsend said that he and the other Trustees appreciated the timeliness of the Chief Operating Officer and Chief Financial Officer reports. Trustee Nicandri said that the reports were very clear and that he appreciated their conciseness. Mr. Quiniones thanked Trustee Foster for helping staff to focus and present the reports in plain English.

NEW YORK POWER AUTHORITY

REPORT OF THE CHIEF FINANCIAL OFFICER

FOR THE MONTH ENDED JANUARY 31, 2009

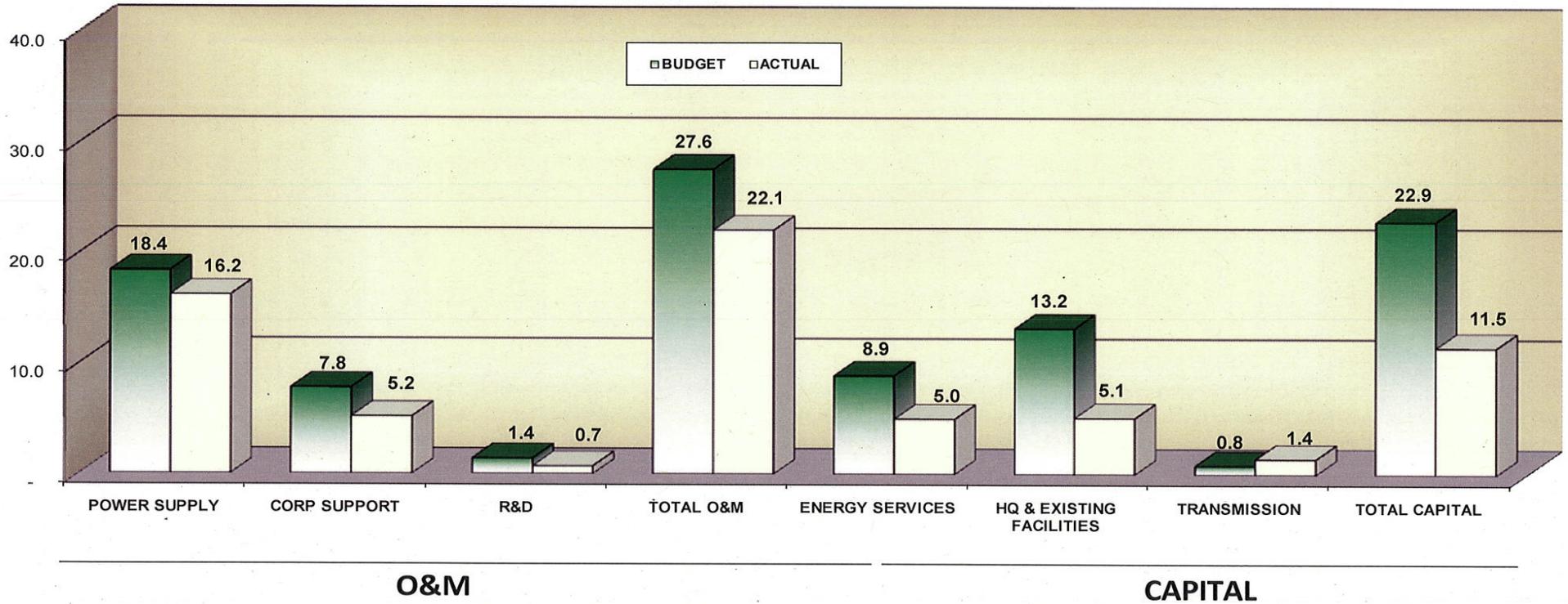
Net Revenues By Facility January 2009 (\$ in millions)



Major Factors	Better (Worse)
Niagara Lower market-based sales (5% lower production), partially offset by higher customer revenues.	(10.0)
St. Lawrence Higher market based sales & lower Purchased Power (11% higher production).	3.8
SCPP'S Lower O&M (budget assumed Jan outage).	1.0
MSP Higher revenues.	1.3
Other Primarily higher MTM loss on investments. (higher market interest rates).	(1.7)
Misc.	0.3
TOTAL	(5.3)

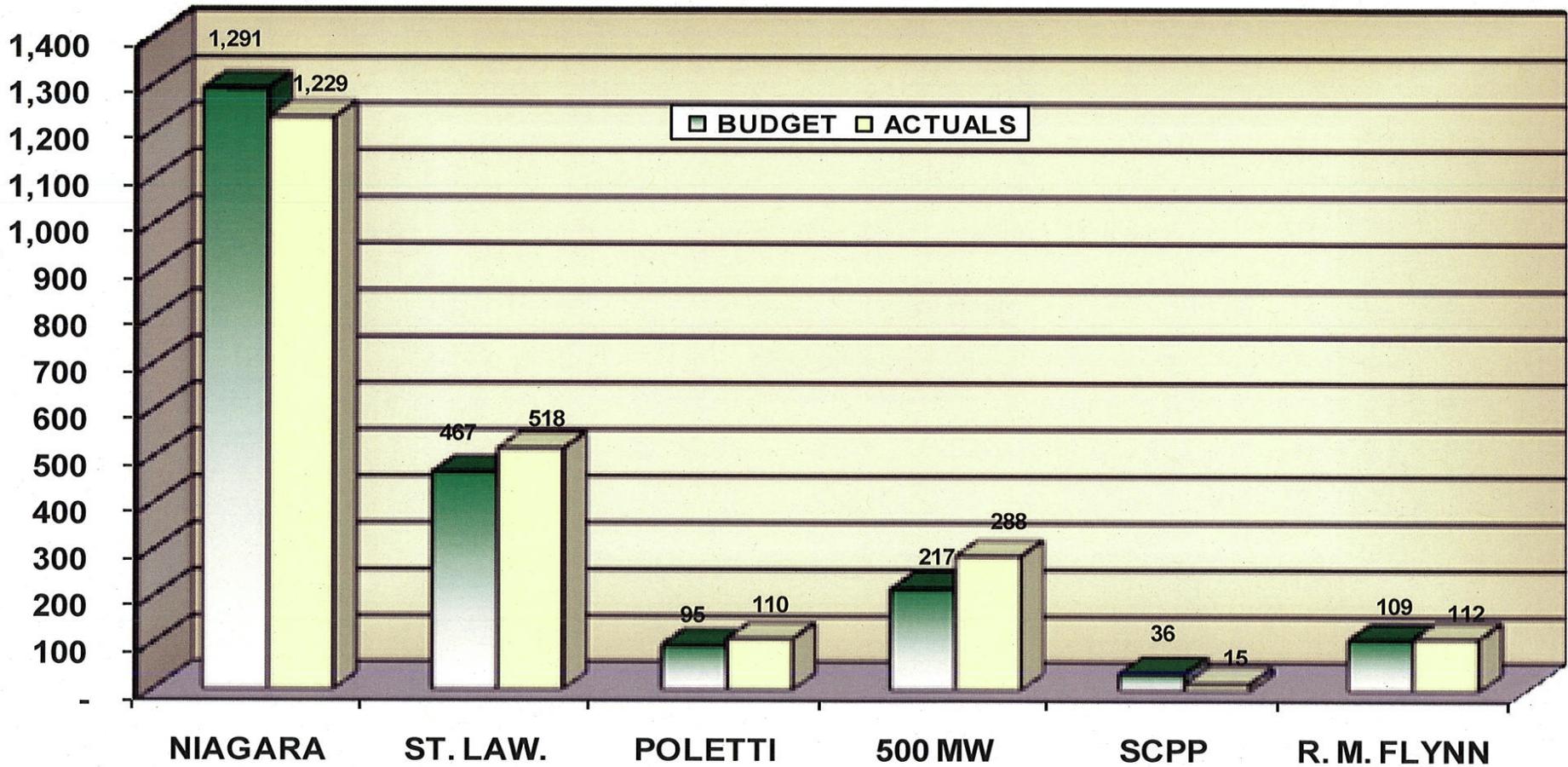
* Includes \$70 million contribution to NY State (Actual & Budget).

O&M and CAPITAL EXPENDITURES January 2009 (\$ in millions)



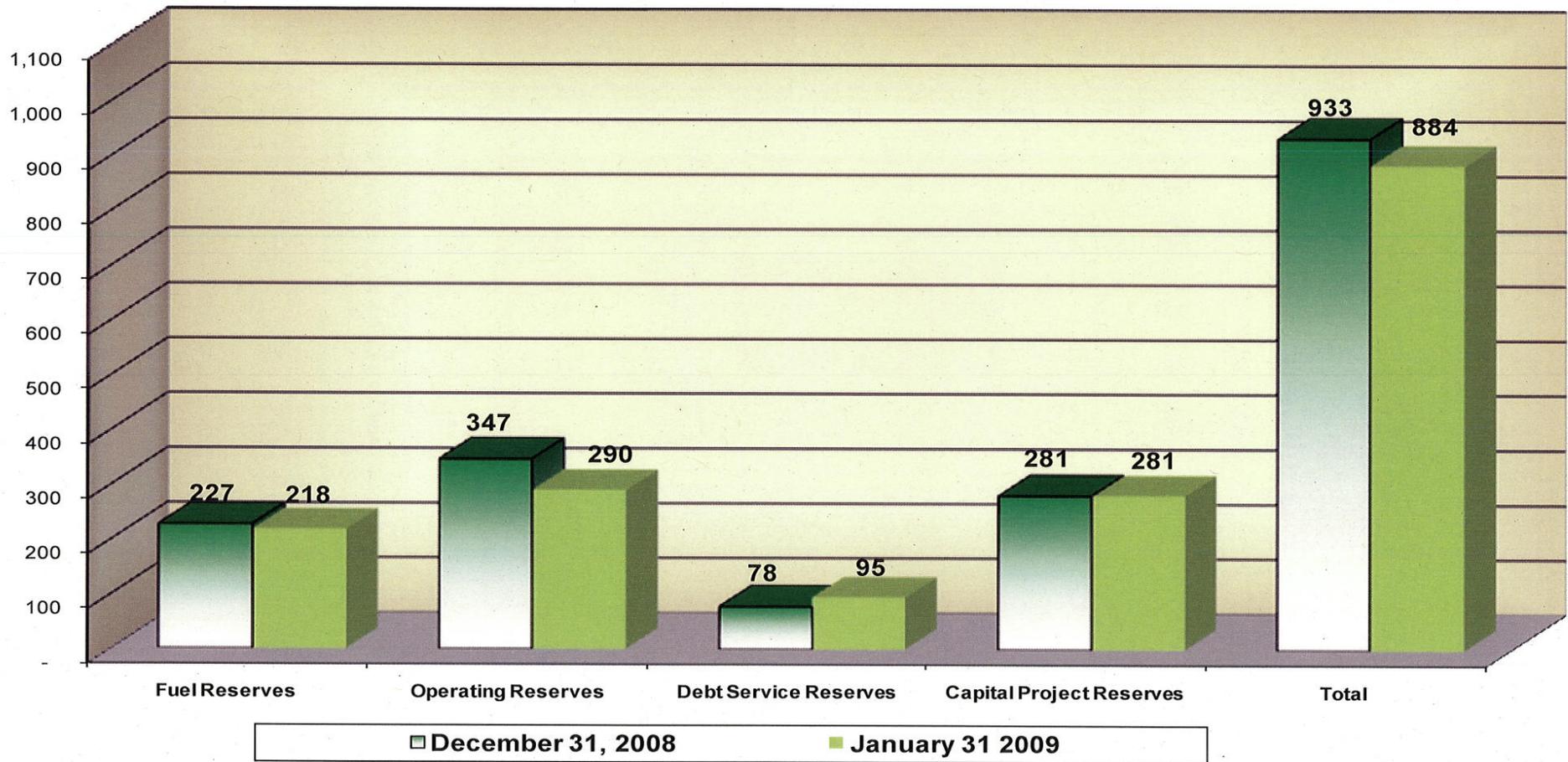
- For January, O&M expenses were \$5.5 lower than the budget.
- Power Supply expenditures were \$2.2 lower primarily due to a timing difference for the mini overhaul at the Kent facility (SCPP's).
- Corporate Support expenses were under budget by \$2.6 due mostly to under spending for communications and IT computer hardware and software.
- Lower capital expenditures at HQ and Existing Facilities were primarily due to delays in various projects such as the 500MW spare GSU Transformer and the St. Lawrence LEM and Breaker Replacement. Energy Services expenditures were under budget due to temporary timing differences related to the Governmental Energy Services Projects and NYPA Energy Services Programs.
- Under the Expenditures Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$2.9 million for 2009. (Niagara- LPGP Unit #1 Rewind).

GENERATION January 2009 (MWH in thousands)



Production for January (2,267 gwh) was 3% higher than anticipated (2,198 gwh). Generation was higher at the 500MW plant (33%), St. Lawrence (11%) and Poletti (16%) partially offset by lower production at Niagara (5%).

Operating Fund As of January 31, 2009



Fuel Reserves include \$215.5 million for Nuclear Spent Fuel and \$2.0 million for Energy Hedging Reserve Fund.

The decrease in the January operating reserve balance resulted primarily from the \$119 million voluntary contribution to NY State partially offset by the receipt of a \$72 million payment from Entergy, related to the Value Sharing Agreements.

**New York Power Authority
Financial Reports
For The Month Ended January 31, 2009**

NET REVENUES

(in \$ millions)

	<u>Annual Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
Operating Revenues				
Customer	\$2,081.9	\$189.6	\$180.0	\$9.6
Market-Based Power Sales	805.4	63.5	60.1	3.4
Ancillary Services	62.3	4.3	6.1	(1.8)
NTAC and Other	88.0	7.1	8.4	(1.3)
	<u>955.7</u>	<u>75.0</u>	<u>74.6</u>	<u>.3</u>
	3,037.6	264.6	254.7	9.9
Operating Expenses				
Purchased Power	1,060.3	109.9	94.4	(15.5)
Fuel Consumed - Oil & Gas	516.5	52.1	48.4	(3.6)
Ancillary Services	95.8	6.7	8.1	1.4
Wheeling	441.6	31.3	30.5	(.8)
Operations & Maintenance	304.6	22.1	27.6	5.5
Depreciation & Amortization	160.7	13.4	13.4	-
Other Expenses	115.0	9.7	10.5	.7
Allocation to Capital	(10.4)	(.5)	(.8)	(.3)
	<u>2,684.0</u>	<u>244.8</u>	<u>232.1</u>	<u>(12.7)</u>
Net Operating Revenues	353.6	19.8	22.6	(2.7)
Non Operating Revenues				
Post Nuclear Sale Income	89.8	8.7	8.7	-
Investment Income	43.9	3.6	3.3	.4
Mark to Market Investments	(3.7)	(3.9)	(.3)	(3.6)
	<u>130.0</u>	<u>8.4</u>	<u>11.7</u>	<u>(3.2)</u>
Non Operating Expenses				
Contribution to State	70.0	70.0	70.0	-
Interest and Other Expenses	105.7	8.1	8.9	(.8)
	<u>175.7</u>	<u>78.1</u>	<u>78.9</u>	<u>(.8)</u>
Net Income (Loss)	<u><u>\$307.9</u></u>	<u><u>(\$49.9)</u></u>	<u><u>(\$44.6)</u></u>	<u><u>(\$5.2)</u></u>

**New York Power Authority
Financial Reports
For The Month Ended January 31, 2009**

COMPARATIVE STATEMENT OF NET ASSETS

(in \$ millions)

	<u>January 2009</u>	<u>December 2008</u>	<u>Net Change</u>
ASSETS:			
Electric Plant In Service, Less Accumulated Depreciation	\$3,359.6	\$3,370.6	(\$11.0)
Construction Work In Progress	163.7	157.6	6.2
Net Utility Plant	<u>3,523.4</u>	<u>3,528.2</u>	<u>(4.9)</u>
Restricted Funds	100.4	99.8	.6
Construction Funds	208.7	215.2	(6.5)
Investment in Decommissioning Trust Fund	814.3	811.8	2.5
Current Assets:			
Cash	.1	.1	-
Investments in Government Securities	905.1	961.1	(56.0)
Interest Receivable on Investments	8.5	7.1	1.4
Receivable-Customers	208.1	159.0	-
Materials & Supplies - Plant & General	82.6	84.5	(1.9)
- Fuel	36.2	38.6	(2.4)
Prepayments and Other	206.4	188.6	17.8
Notes Receivable - Nuclear Sale	118.9	182.2	(63.3)
Deferred Charges and Other Assets	<u>501.8</u>	<u>503.3</u>	<u>(1.5)</u>
TOTAL ASSETS	<u>\$6,714.5</u>	<u>\$6,779.5</u>	<u>(\$64.9)</u>
LIABILITIES AND OTHER CREDITS:			
Long-term Debt			
Bonds	1,701.8	1,702.0	(.2)
Notes	144.0	144.0	-
Short-term Notes Payable	271.6	272.5	(1.0)
Accounts Payable and Accrued Liabilities	920.7	924.8	(4.1)
Spent Nuclear Fuel Disposal	215.5	215.5	-
Decommissioning of Nuclear Plants	814.3	811.8	2.5
Deferred Revenue	<u>140.1</u>	<u>142.0</u>	<u>(1.9)</u>
TOTAL LIABILITIES AND OTHER CREDITS	<u>4,207.9</u>	<u>4,212.6</u>	<u>(4.7)</u>
ACCUMULATED NET REVENUES - JANUARY 1	2,556.5	2,268.4	288.1
NET REVENUES	<u>(49.9)</u>	<u>298.5</u>	<u>(348.3)</u>
TOTAL LIABILITIES AND CAPITAL	<u>\$6,714.5</u>	<u>\$6,779.5</u>	<u>(\$64.9)</u>

**New York Power Authority
Financial Reports
For The Year Ended December 31, 2008**

NET REVENUES

(in \$ millions)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
Operating Revenues			
Customer	\$2,031.6	\$2,001.3	\$30.3
Market-Based Power Sales	986.3	723.8	262.5
Ancillary Services	67.2	60.2	7.0
NTAC and Other	100.0	92.6	7.3
	<u>1,153.4</u>	<u>876.6</u>	<u>276.8</u>
	3,185.0	2,877.9	307.1
Operating Expenses			
Purchased Power	1,104.4	1,055.2	(49.2)
Fuel Consumed - Oil & Gas	615.1	542.8	(72.3)
Ancillary Services	136.3	91.1	(45.2)
Wheeling	388.4	384.3	(4.1)
Operations & Maintenance	294.4	295.0	.6
Depreciation & Amortization	173.1	175.4	2.3
Contributions to State (P4J Related)	25.0	25.0	-
Other Expenses	149.1	115.9	(33.2)
Allocation to Capital	(9.3)	(8.0)	1.3
	<u>2,876.5</u>	<u>2,676.7</u>	<u>(199.7)</u>
Net Operating Revenues	308.5	201.2	107.3
Non Operating Revenues			
Post Nuclear Sale Income	90.7	90.7	-
Interest Income	49.1	53.7	(4.6)
Mark to Market Investments	24.5	12.0	12.5
	<u>164.2</u>	<u>156.4</u>	<u>7.8</u>
Non Operating Expenses			
Contribution to State	60.0	-	(60.0)
Interest and Other Expenses	114.3	128.9	14.6
	<u>174.3</u>	<u>128.9</u>	<u>(45.4)</u>
Net Income	<u><u>\$298.5</u></u>	<u><u>\$228.7</u></u>	<u><u>\$69.7</u></u>

Final net revenues for the year ended December 31, 2008 amounted to \$299 which was in line with preliminary figures reported last month. Lower sales revenues were offset by lower operating expenses resulting from a true-up of prior estimates.

3. **Informational Item: NYPA Transmission**

Mr. Thomas Shust made a presentation on the Authority's transmission system. Mr. Quiniones pointed out that voltage is akin to water pressure, with Mr. Shust adding that the higher the voltage, the more power can be transferred for a given amount of current. Responding to a question from Acting Chairman Townsend, Mr. Shust said that many of the Authority's older transmission line poles were made of wood and are 60-70 years old. In response to another question from Acting Chairman Townsend, Mr. Shust said that the new generation of transmission wires is dramatically better than the old copper wires. Responding to a question from Trustee Nicandri, Mr. Shust said that the poles for the MA1 and MA2 lines are wood, and that each circuit is rated at 230 kV but can be upgraded to 345 kV within the existing right-of-way. Mr. Quiniones said that the Authority is exploring the feasibility of using existing rights-of-way for higher-voltage lines. President Kessel added that doing so reduces community concerns. He also said that using superconducting cable as part of the transmission grid would allow the transmission of three to five times as much power on the same-sized wire. Responding to a question from Trustee Curley, President Kessel said that the Authority has opposed the proposed New York Regional Interconnect ("NYRI") project with the Public Service Commission ("PSC"), as it would interfere with the Authority's transmission lines and rights-of-way. He said that three of the five PSC Commissioners were opposed to the NYRI project as well and that NYRI recently indicated that if the NYISO regulation is not overturned by the federal government, NYRI will drop its plans for the line. According to President Kessel, the final PSC decision is due by August, although it may be announced sooner than that.

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

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

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

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

6. **Resolution – Election of Chairman**

The following resolution, as submitted by Trustee Foster was unanimously adopted.

RESOLVED, That pursuant to §1004 of the Public Authorities Law and §169(1)(f) of the Executive Law, Michael J. Townsend of Fairport, New York, is hereby elected as Chairman, at an annual salary of \$90,800, effective immediately.

President Kessel congratulated Chairman Townsend on his election and commended him on the extraordinary job he had done as Acting Chairman, saying that his election to Chairman shows that the other Trustees have a great deal of confidence in him.

7. **Resolution – Election of Vice Chairman**

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

RESOLVED, That pursuant to §1004 of the Public Authorities Law, Jonathan F. Foster of New York, New York, is hereby elected as Vice Chairman, effective immediately.

President Kessel said that Vice Chairman Foster has the confidence of the other Trustees and Authority staff and congratulated him on his election.

8. **Resolution – Election of Corporate Secretary**

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

RESOLVED, That pursuant to Article IV, Section 2 of the Authority's By-Laws, Karen Delince is hereby elected as Corporate Secretary, at an annual salary of \$165,000, effective on a date to be determined, for a term expiring at the next annual meeting of the Trustees in March 2009, or until her successor is elected.

President Kessel thanked Ms. Anne Cahill for the terrific job she had done as Corporate Secretary.

Trustee Cusack praised Ms. Cahill's intelligence and pleasant demeanor. Chairman Townsend added that Ms. Cahill had her hands full keeping him out of trouble.

9. Amendments to the Authority's By-laws

The President and Chief Executive Officer submitted the following report:

“The Trustees are requested to amend the Authority’s By-laws to change the reporting structure of the Corporate Secretary’s Office from reporting to the Chairman and the Board of Trustees to reporting to the Chairman, the Board of Trustees and the Executive Vice President and General Counsel.

“Since 2006, the Corporate Secretary’s Office has reported directly to the Chairman of the Board of Trustees with a ‘dotted-line’ reporting nexus to the Executive Vice President and General Counsel. Previous to that time, the Corporate Secretary’s Office was part the Authority’s Law Department. Experience has shown that many of the functions of the Corporate Secretary’s Office, such as compliance with the Freedom of Information Law and the State Administrative Procedure Act, require direct interaction with the Law Department. In addition, the Executive Vice President and General Counsel, as counsel to both the Board of Trustees and the President and Chief Executive Officer, is ultimately responsible for overseeing the activities of the Corporate Secretary’s Office. Indeed, in many corporations, the Corporate Secretary’s Office is part of the General Counsel’s office. Accordingly, it makes sense from both an organizational and a governance standpoint to have the Corporate Secretary’s Office report to the Chairman, the Board of Trustees and the Executive Vice President and General Counsel.

“The specific changes to the By-laws are as follows:

- (1) Amend Article IV, Section 6(F) to amend the duties of the Executive Vice President and General Counsel.
- (2) Amend Article IV, Section 6(G) to amend the reporting structure therein.

“A redlined version of the amended By-laws with strikethroughs denoting deletions and underlining reflecting new language is attached as Exhibit ‘9-A.’

“The Chief Operating Officer, the Executive Vice President and General Counsel and I recommend that the Trustees approve the proposed By-laws amendments.”

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

RESOLVED, That the revisions to the By-laws (originally adopted on April 9, 1954, and last amended on October 28, 2008) discussed in the attached memorandum of the President and Chief Executive Officer and attached hereto as Exhibit “9-A,” be hereby adopted; and be it further

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

**BY-LAWS
of the
POWER AUTHORITY
OF THE STATE OF NEW YORK**

Statutory Authority
Public Authorities Law §1004

Originally AdoptedApril 9, 1954,
and amended..... July 28, 1954;
September 28, 1956;
May 1, 1961;
December 19, 1966;
July 1, 1968;
April 27, 1978;
November 28, 1978;
October 31, 1979;
December 18, 1984;
January 22, 1985;
October 29, 1985;
April 29, 1986;
February 28, 1989;
February 22, 1994;
April 26, 1994;
August 29, 1995;
December 17, 1996;
September 11, 1997;
December 15, 1998;
October 26, 1999;
November 28, 2000;
April 30, 2002;
February 28, 2006;
April 28, 2006;
April 24, 2007;
October 30, 2007
October 28, 2008
February 24, 2009

**Power Authority of the State of New York
30 South Pearl Street
Albany, New York 12207**

**BY-LAWS
of the
POWER AUTHORITY
OF THE STATE OF NEW YORK**

Table of Contents

ARTICLE I - OFFICES	1
SECTION 1. PRINCIPAL OFFICE	1
SECTION 2. OTHER OFFICES	1
SECTION 3. BOOKS AND RECORDS	1
ARTICLE II - TRUSTEES.....	1
SECTION 1. NUMBER, TERM, APPOINTMENT AND VACANCIES	1
SECTION 2. POWERS AND DUTIES	1
ARTICLE III - TRUSTEES' MEETINGS.....	1
SECTION 1. PLACE OF MEETINGS	1
SECTION 2. ANNUAL MEETING	1
SECTION 3. REGULAR MEETINGS	1
SECTION 4. SPECIAL MEETINGS	1
SECTION 5. QUORUM	<u>212</u>
ARTICLE IV - OFFICERS	<u>212</u>
SECTION 1. OFFICERS.....	<u>212</u>
SECTION 2. ELECTION AND APPOINTMENT OF NON-STATUTORY OFFICERS.....	<u>212</u>
SECTION 3. TERM OF OFFICE.....	<u>212</u>
SECTION 4. VACANCIES	<u>212</u>
SECTION 5. REMOVAL.....	<u>212</u>
SECTION 6. POWERS AND DUTIES	<u>313</u>
A. Chairman.....	<u>313</u>
B. Vice Chairman.....	<u>313</u>
C. President and Chief Executive Officer.....	<u>313</u>
D. Chief Operating Officer.....	<u>313</u>
E. Executive Vice President and Chief Engineer – Power Supply	<u>313</u>
F. Executive Vice President and General Counsel.....	<u>414</u>
G. Executive Vice President – Chief Administrative Officer.....	<u>414</u>
H. Executive Vice President and Chief Financial Officer.....	<u>414</u>
I. Executive Vice President – Energy Marketing and Business Development.....	<u>414</u>
J. Corporate Secretary.....	<u>414</u>
K. Treasurer.....	<u>414</u>
L. Controller.....	<u>414</u>
M. Vice President - Internal Audits.....	<u>514</u>
N. Inspector General.....	<u>515</u>
O. Succession – Absence or Vacancy of Office of President and Chief Executive Officer.....	<u>515</u>
ARTICLE V - COMMITTEES.....	<u>515</u>
SECTION 1. EXECUTIVE MANAGEMENT COMMITTEE	<u>515</u>
SECTION 2. AUDIT COMMITTEE	<u>515</u>
SECTION 3. GOVERNANCE COMMITTEE	<u>515</u>
SECTION 4. OTHER COMMITTEES	<u>615</u>
ARTICLE VI - CORPORATE SEAL.....	<u>616</u>
SECTION 1. SEAL.....	<u>616</u>

ARTICLE VII - FISCAL MANAGEMENT	<u>616</u>
SECTION 1. FISCAL YEAR.....	<u>616</u>
SECTION 2. STRATEGIC PLAN.....	<u>616</u>
SECTION 3. ANNUAL BUDGETS	<u>616</u>
SECTION 4. CAPITAL EXPENDITURE PLAN.....	<u>616</u>
SECTION 5. EXPENDITURE AUTHORIZATION PROCEDURES	<u>616</u>
SECTION 6. DISBURSEMENT OF FUNDS.....	<u>616</u>
ARTICLE VIII - EXECUTION OF INSTRUMENTS.....	<u>717</u>
SECTION 1. EXECUTION OF INSTRUMENTS	<u>717</u>
ARTICLE IX - AMENDMENT	<u>717</u>
SECTION 1. AMENDMENT.....	<u>717</u>
ARTICLE X - MISCELLANEOUS	<u>717</u>
SECTION 1. ADDITIONAL APPOINTMENTS	<u>717</u>
SECTION 2. ANNUAL REPORTS	<u>717</u>
SECTION 3. DEFENSE AND INDEMNIFICATION OF TRUSTEES AND EMPLOYEES.....	<u>717</u>
SECTION 4. CORPORATE POLICIES AND PROCEDURES	<u>717</u>

ARTICLE I - Offices

Section 1. Principal Office

The principal office of the Power Authority of the State of New York (hereinafter referred to as the "Authority") shall be its Albany Office.

Section 2. Other Offices

The Authority may also have offices at such other places as the Trustees may from time to time determine or the business of the Authority may require.

Section 3. Books and Records

Except as otherwise determined by the Trustees, or as the business of the Authority may require, all books and records of the Authority shall be kept at its White Plains, New York office.

ARTICLE II - Trustees

Section 1. Number, Term, Appointment and Vacancies

The number and term of Trustees and the appointment and process of filling vacancies shall be governed by Title 1 of Article 5 of the Public Authorities Law, Chapter 870, Laws of New York, 1939, as amended (hereinafter referred to as "Power Authority Act").

Section 2. Powers and Duties

The powers and duties of the Trustees shall be governed by the Power Authority Act and the applicable provisions of the Public Authorities Accountability Act of 2005. To implement these powers and duties, the Trustees shall oversee the Authority's chief executive and other senior management in the effective and ethical management of the Authority; understand, review and monitor financial, management and operational decisions of the Authority and to review and approve annually the policies and procedures governing: (i) the salary, (ii) compensation, (iii) benefits and (iv) time and attendance of the chief executive and senior management.

ARTICLE III - Trustees' Meetings

Section 1. Place of Meetings

Meetings of the Trustees shall be held at the principal office of the Authority or at such other place as the Trustees may from time to time designate.

Section 2. Annual Meeting

The annual meeting of the Trustees shall be held in March of each year, unless otherwise determined by them and at such time and place as the Trustees may from time to time designate.

Section 3. Regular Meetings

Regular meetings of the Trustees shall be held in accordance with a schedule adopted annually by the Trustees for that purpose and may be changed from time to time within that year by the Chairman in consultation with the Trustees.

Section 4. Special Meetings

Special meetings of the Trustees may be called by the Chairman or Vice Chairman or upon the request of any three Trustees. The Corporate Secretary shall give notice of the time, place and purpose or purposes of each

special meeting by mail at least three days before the meeting or in person or by telephone or facsimile or by other electronic communication at least two days before the meeting to each Trustee. The notice required to be given under this section may be waived by the Trustee to whom such notice is required to be given.

Section 5. Quorum

At all Trustees' meetings, the presence of four Trustees shall be necessary to constitute a quorum and shall be sufficient for the transaction of business. Any act shall be sufficient for the transaction of business if such four Trustees are in agreement and any act of such four Trustees present at a meeting and which constitutes a quorum shall be an act of the Trustees.

ARTICLE IV - Officers

Section 1. Officers

The statutory officers of the Authority shall be a Chairman and a Vice Chairman, whose offices are created by and named in Section 1004 of the Public Authorities Law and who shall be chosen from among the Trustees; the non-statutory officers of the Authority shall be a President and Chief Executive Officer, a Chief Operating Officer, one or more Executive Vice Presidents, an Executive Vice President and General Counsel, a Corporate Secretary, a Treasurer, a Controller, and such other officers as may be deemed necessary by the President and Chief Executive Officer to transact the business and exercise the general and special powers of the Authority, all of whom shall be employees of the Authority.

Section 2. Election and Appointment of non-statutory Officers

The President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President – and Chief Engineer – Power Supply, the Executive Vice President – Chief Administrative Officer, Executive Vice President – Chief Financial Officer, the Executive Vice President – Energy Marketing and Business Development and the Corporate Secretary shall be elected annually at the annual Trustees' meeting. In addition, such officers may be elected from time to time at any regular or special meeting of the Trustees. All other officers of the Authority shall be appointed by and serve at the pleasure of the President and Chief Executive Officer, except that the Vice President – Internal Audits shall be appointed by and serve at the pleasure of the Audit Committee and the Inspector General shall be appointed by and serve at the pleasure of the Governance Committee.

Section 3. Term of Office

The President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Corporate Secretary, the Executive Vice President and Chief Engineer - Power Supply, the Executive Vice President – Chief Financial Officer, the Executive Vice President – Energy Marketing and Business Development and the Executive Vice President – Chief Administrative Officer shall hold office for a term expiring at the next annual Trustees' meeting or until their successors are elected.

Section 4. Vacancies

The Trustees may leave unfilled any office except those of Chairman, Vice Chairman, President and Chief Executive Officer, Chief Operating Officer, Executive Vice President and General Counsel, or Corporate Secretary.

Section 5. Removal

Any officer elected by the board or appointed pursuant to Section two herein shall be subject to removal at any time by the appointing authority with or without cause.

Section 6. Powers and Duties

A. Chairman

The Chairman shall preside at all meetings of the Trustees and shall on behalf of the Trustees oversee the Authority's chief executive and senior management in the effective and ethical management of the Authority. The Chairman may appoint such assistants and employees as he may deem necessary in order to perform such function and may fix their power, duties and compensations. The Chairman may delegate to the Vice Chairman, President and Chief Executive Officer, or other officer or officers such of the Chairman's powers and functions in the general supervision of the business of the Authority.

B. Vice Chairman

The Vice Chairman shall possess such powers and shall perform such duties as may be assigned to him from time to time by the Trustees. The Vice Chairman shall be Acting Chairman in the absence or incapacity of the Chairman and shall assume the powers and perform all duties of the Chairman if the Chairman is unable to perform such duties for any reason. The Vice Chairman, when acting in the capacity of Acting Chairman under this section, may delegate the powers or duties of Chairman to another Trustee or the President and Chief Executive Officer during the period of disability or incapacity of the Chairman.

C. President and Chief Executive Officer

The President, when elected by the Trustees, shall be the Chief Executive Officer of the Authority and subject to such supervision as the Chairman or the Trustees may from time to time exercise, shall have such duties and powers as hereinafter described and as customarily pertain to such office. The President and Chief Executive Officer shall be responsible for developing and implementing the strategic vision and mission of the Authority, for the overall supervision of the Authority's operations, legal and financial matters and management of the Authority's relationships with elected officials, governmental agencies, authorities, commissions and the public. The President and Chief Executive Officer may sign, execute and deliver in the name of the Authority powers of attorney, contracts, agreements, leases, notes, checks, drafts, bonds, obligations and such documents other than those required by these By-laws, law or resolution to be executed by the Chairman and/or the Corporate Secretary. The President and Chief Executive Officer may, as deemed appropriate, delegate his or her powers and responsibilities to any non-statutory officers of the Authority.

D. Chief Operating Officer

The Chief Operating Officer, when elected by the Trustees, shall have such duties and powers as hereinafter described and as customarily pertain to such office. The Chief Operating Officer shall manage and monitor the day-to-day activities and operations of the Authority and shall report on same to the President and Chief Executive Officer. Except as may be prescribed by the Chairman or the Trustees, the Chief Operating Officer shall have primary responsibility for the property, business and affairs of the Authority and shall manage its several other officers, employees and agents other than, those officers and employees reporting directly to the Chairman, the Trustees or the President and Chief Executive Officer. The Chief Operating Officer may sign, execute and deliver in the name of the Authority powers of attorney, contracts, agreements, leases, notes, checks, drafts, bonds, obligations and such documents other than those required by these By-laws, law or resolution to be executed by the Chairman and/or the Corporate Secretary. The Chief Operating Officer may, as deemed appropriate, delegate his or her powers and responsibilities to any non-statutory officers of the Authority.

E. Executive Vice President and Chief Engineer – Power Supply

The Executive Vice President and Chief Engineer – Power Supply shall be responsible for the safe, reliable and cost-effective operation and maintenance of all Authority generating and transmission facilities; all engineering, construction, maintenance and project management services and staff functions of business development and asset management, environmental health and safety, technical training and project development and licensing.

F. Executive Vice President and General Counsel

There shall be an Executive Vice President and General Counsel of the Authority, who shall report to both the Trustees and the President and Chief Executive Officer and be the chief legal officer of the Authority. In that capacity, he shall advise and represent the Authority generally in all legal matters and proceedings, including legislative proceedings, shall designate those employees who shall be eligible to accept service of process on behalf of the Authority and possess such powers and shall have general supervision over the property, business and affairs of the Office of the General Counsel. In addition, the Executive Vice President and General Counsel shall supervise and direct the activities of the Office of the Corporate Secretary together with the Chairman and Board of Trustees.

G. Executive Vice President – Chief Administrative Officer

The Executive Vice President – Chief Administrative Officer, shall supervise the Authority's procurement of goods and services, its real estate, fleet management and information technology operations and shall implement and manage its human resource policies.

H. Executive Vice President and Chief Financial Officer

The Executive Vice President and Chief Financial Officer shall supervise and direct the activities of the Business Services Division, give advice to the President and Chief Executive Officer regarding financial and investment policies of the Authority, supervise the Authority's investment program, recommend and implement financial policies of the Authority, participate in the preparation of the financial reports of the Authority required by applicable law.

I. Executive Vice President – Energy Marketing and Business Development

The Executive Vice President – Energy Marketing and Business Development shall manage and direct the Authority's client-based programs, its economic development, energy services and technology, and power resource planning and acquisition activities and the development of new products and programs.

J. Corporate Secretary

The Corporate Secretary shall report to the Chairman and Board of Trustees and to the Executive Vice President and General Counsel and attend all meetings of the Trustees and record all votes and shall keep a record of the proceedings of the Trustees in a Minute Book to be kept for that purpose. The Corporate Secretary shall cause notice to be given of all meetings of the Trustees and shall be custodian of the records of the actions of the Trustees and shall keep in safe custody the seal of the Authority and shall have the authority to affix such seal to all documents and papers authorized to be executed by the Trustees or officers of the Authority requiring such seal to be affixed. The Corporate Secretary shall attest to the signatures of the Trustees and officers of the Authority and shall have the authority to cause copies to be made of all minutes, resolutions, records and documents of the Authority and to deliver certificates under seal to the effect that such copies are true and accurate and that all persons dealing with the Authority may rely on same.

K. Treasurer

The Treasurer shall have general custody of all funds and securities of the Authority and have general supervision of the collection and disbursement of Authority funds and shall endorse on behalf of the Authority for collection checks, notes and other obligations, and shall deposit the same to the credit of the Authority in such bank or banks or depositories as the Trustees may designate. The Treasurer may sign with the President and Chief Executive Officer, or such other person or persons as may be designated for such purpose by the Trustees, all bills of exchange or promissory notes of the Authority.

L. Controller

The Controller shall be in charge of the accounting operations, the preparation of fiscal accounts and the coordination of all external audits of the Authority.

M. Vice President - Internal Audits

There shall be a separate Office of Internal Audits which shall report to the Audit Committee and shall have such other powers and perform such other duties as customarily pertain to such officer and as may be assigned to it by the Chairman and the President and Chief Executive Officer. The Vice President of Internal Audits shall meet at least three times per year with the Audit Committee.

N. Inspector General

There shall be a separate Inspector General which shall report to the Trustees, the Governance Committee and the President and Chief Executive Officer and shall have such other powers and perform such other duties as customarily pertain to such officer. The Inspector General shall attend the meetings of the Governance Committee.

O. Succession – Absence or Vacancy of Office of President and Chief Executive Officer

In the event of the incapacity or absence of the President and Chief Executive Officer, the Chief Operating Officer shall perform the duties of President and Chief Executive Officer. If the office of Chief Operating Officer is vacant or the incumbent is absent, then the Executive Vice President and Chief Engineer – Power Supply shall perform the duties of the President and Chief Executive Officer. If the offices of Chief Operating Officer and Executive Vice President and Chief Engineer – Power Supply is vacant or the respective incumbents are absent, then the Executive Vice President – General Counsel shall perform the duties of the President and Chief Executive Officer. If the offices of Chief Operating Officer, Executive Vice President and Chief Engineer – Power Supply and Executive Vice President and General Counsel are vacant or the respective incumbents are absent, then the Executive Vice President – Chief Financial Officer shall perform the duties of the President and Chief Executive Officer.

ARTICLE V - Committees

Section 1. Executive Management Committee

The President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Engineer - Power Supply, the Executive Vice President – Chief Administrative Officer, the Executive Vice President – Chief Financial Officer, the Executive Vice President – Energy Marketing and Business Development and such other officers as the President and Chief Executive Officer may from time to time designate shall be members of an Executive Management Committee which shall periodically review and propose Authority corporate strategies, policies and programs and shall report on and make recommendations, with the Chairman's concurrence, to the Trustees. Any officer so designated shall serve on the Executive Management Committee at the pleasure of the President and Chief Executive Officer.

The President and Chief Executive Officer, or in his absence or disability his designee, shall preside at Executive Management Committee meetings, which shall meet quarterly or more often as the President and Chief Executive Officer may designate.

Section 2. Audit Committee

The Audit Committee shall consist of three eligible Trustees and have oversight of such activities of the Authority as set forth in the Audit Committee Charter adopted by the Trustees and may exercise such powers as the Trustees shall from time to time determine.

Section 3. Governance Committee

The Governance Committee shall consist of three eligible Trustees, and have oversight of such activities of the Authority as set forth in the Governance Committee Charter adopted by the Trustees and may exercise such powers as the Trustees shall from time to time determine.

Section 4. Other Committees

The Trustees or the Chairman may appoint other committees which shall have and may exercise such powers as shall be authorized by the Trustees or by actions of the Chairman or President and Chief Executive Officer.

ARTICLE VI - Corporate Seal

Section 1. Seal

The seal of the Authority shall be a design symbolizing its activities and shall be surrounded by the words "Power Authority of the State of New York" as shown by the following impression of such seal:



ARTICLE VII - Fiscal Management

Section 1. Fiscal Year

The Trustees shall have the power to fix, and may, from time to time change by resolution, the fiscal year of the Authority. Unless otherwise fixed by the Trustees, the calendar year shall be the fiscal year.

Section 2. Strategic Plan

The Trustees shall annually review a strategic plan developed by the Executive Management Committee which shall become the basis for the development of departmental plans, the annual budget and the capital expenditure plan.

Section 3. Annual Budgets

The Trustees shall annually adopt an operation and maintenance budget and a capital budget for the Authority's operating facilities and support departments.

Section 4. Capital Expenditure Plan

The Trustees shall review an annual capital expenditure plan which shall summarize all present and proposed capital projects.

Section 5. Expenditure Authorization Procedures

The Trustees shall adopt expenditure authorization procedures which shall govern the annual budget, capital expenditure plan, contract executions and all approval authorizations.

Section 6. Disbursement of Funds

The Trustees, except as otherwise provided in these By-laws, may authorize any officer or other employee to execute any requisition, voucher, draft or check for the disbursement or transfer of funds of the Authority.

ARTICLE VIII - Execution of Instruments

Section 1. Execution of Instruments

The Trustees, except as otherwise provided in these By-laws, may authorize any officer, employee or agent pursuant to the expenditure authorization procedures or otherwise, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Authority, and such power to execute and deliver may be general or specific; unless so authorized, no officer, employee or agent shall have any power or authority to bind the Authority by any contract or engagement or pledge its credit or to render it liable pecuniarily for any purpose or in any amount.

ARTICLE IX - Amendment

Section 1. Amendment

The Trustees shall have the power to amend, alter or repeal any provision or provisions of these By-laws at any regular or special meeting.

ARTICLE X - Miscellaneous

Section 1. Additional Appointments

The Chief Operating Officer shall appoint all regional managers and site executive officers. The Trustees may extend employment contracts to one or more officers of the Authority, in order to insure continuity of senior management.

Section 2. Annual Reports

The Trustees shall submit an annual report, as prescribed by the Public Authorities Law, within ninety days after the close of the fiscal year.

Section 3. Defense and Indemnification of Trustees and Employees

The provisions of the Defense and Indemnification Policy ("Policy") of the Authority as amended and adopted on April 26, 1994, and the provisions of the resolution as amended and adopted by the Authority on April 26, 1994, conferring the benefits of Section 18 of the New York Public Officers Law ("POL § 18") on the Authority's Trustees and Employees and agreeing to be held liable for the costs thereof, shall constitute a contract between the Authority and each of its Trustees and Employees, as such persons are defined in the Policy, and the Authority agrees that the benefits thereof shall be made available to each Trustee or Employee with respect to any act or omission which has occurred or may in the future occur during the period such Policy and the resolution conferring the benefits of POL § 18 are in effect, and no amendment to such Policy or such resolution which modifies the provisions thereof shall take effect with respect to any act or omission of a Trustee or Employee which occurred prior to the effective date of such amendment unless the effect of such amendment is to increase the defense and indemnification protection afforded to such Trustee or Employee prior to such effective date.

Section 4. Corporate Policies and Procedures

Unless otherwise provided by statute or these By-laws, every officer or employee of the Authority shall be subject to the Authority's corporate policies and procedures as embodied in its corporate policies program.

10. **Defense and Indemnification**

After due consideration of the underlying circumstances disclosed during the Executive Session, and upon motion made and seconded, the following resolution, as submitted by Trustee Cusack, was unanimously adopted.

RESOLVED, That pursuant to the Authority's Corporate Policy 6-3, an eligible individual's written request for defense and indemnification in connection with an ongoing proceeding is hereby approved.

11. Other Business

Chairman Townsend said that Authority staff are top flight and very professional and thanked them for their dedication and hard work during such difficult times.

12. **Next Meeting**

The Annual Meeting of the Trustees will be held on Tuesday, March 31, 2009, at 11:00 a.m., at a location to be determined, unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

On motion made and seconded, the meeting was adjourned by the Chairman at approximately 3:09 p.m.



Anne B. Cahill
Corporate Secretary