

**PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER XX, 2015**

**NEW ISSUE—BOOK ENTRY ONLY**

*In the opinion of Co-Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2015 A Revenue Bonds (the “2015 A Bonds”) is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2015 A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. See “Tax Matters” herein. In addition, in the opinion of Co-Bond Counsel, under existing statutes, interest on the 2015 A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the 2015 A Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers.*

\$ \_\_\_\_\_,\_\_\_\_\_,\_\_\_\_\_\*

**Power Authority of the State of New York  
Series 2015 A Revenue Bonds**

**Dated: Date of Delivery**

**Due: November 15, as shown on inside cover page**

The Power Authority of the State of New York (the “Authority”), a corporate municipal instrumentality and political subdivision of the State of New York, is issuing the above-captioned bonds (the “2015 A Bonds”) to refund the Authority’s Series 2006 A Revenue Bonds and to pay the costs of issuance of the 2015 A Bonds.

The 2015 A Bonds will be issued only as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the 2015 A Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the 2015 A Bonds purchased. So long as DTC or its nominee is the registered owner of the 2015 A Bonds, payments of the principal of, and premium, if any, and interest on the 2015 A Bonds will be made directly to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursements of such payments to the beneficial owners is the responsibility of DTC Participants and Indirect Participants. See “PART 1—APPENDIX B—Book-Entry-Only System Procedures” herein. The Bank of New York Mellon is the Trustee under the General Resolution Authorizing Revenue Obligations herein described. Principal of the 2015 A Bonds will be payable as provided on the inside cover page of this Official Statement. Interest on the 2015 A Bonds will be payable on November 16, 2015 and semiannually thereafter on May 15 and November 15.

The 2015 A Bonds will be payable from and secured by a pledge of the Trust Estate (subject to no prior pledge or lien), after the payment of Operating Expenses, including all revenues derived directly or indirectly from any of the Authority’s operations other than those revenues attributable directly or indirectly to the ownership or operation of any Separately Financed Projects as described herein. The 2015 A Bonds are on a parity with other Obligations and the Parity Debt of the Authority. See “PART 1—SECURITY FOR THE 2015 A BONDS” herein.

**The Authority has no taxing power and its obligations are not debts of the State of New York or of any political subdivision of the State, other than the Authority.**

*The 2015 A Bonds are offered when, as and if issued and accepted by the Underwriters, and subject to the approval of legality by Hawkins Delafield & Wood LLP and Bryant Rabbino LLP, each Co-Bond Counsel to the Authority. Certain legal matters are subject to the approval of Nixon Peabody LLP and Love and Long, LLP, each Co-Special Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Gonzalez, Saggio & Harlan LLP. It is expected that the 2015 A Bonds in definitive form will be available for delivery in New York, New York, on October [\_\_], 2015.*

**Goldman, Sachs & Co.**

**Loop Capital Markets LLC**

October \_\_, 2015

\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change, without notice. The securities described herein may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

\$\_\_\_\_,\_\_\_\_,\_\_\_\_<sup>\*</sup>  
**Series 2015 A Revenue Bonds**

**SERIAL BONDS**

| <u><b>Maturity<br/>November 15</b></u> | <u><b>Principal<br/>Amount<sup>*</sup></b></u> | <u><b>Interest<br/>Rate</b></u> | <u><b>Price or<br/>Yield</b></u> | <u><b>CUSIP<br/>(64989K)<sup>†</sup></b></u> |
|--|--|---------------------------------|----------------------------------|--|
| 2016                                   | \$____,____,____                               |                                 |                                  |  |
| 2017                                   | ____,____,____                                 |                                 |                                  |  |
| 2018                                   | ____,____,____                                 |                                 |                                  |  |
| 2019                                   | ____,____,____                                 |                                 |                                  |  |
| 2020                                   | ____,____,____                                 |                                 |                                  |  |

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<sup>\*</sup> Preliminary, subject to change.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Authority or the Underwriters and are included solely for the convenience of the registered owners of the applicable 2015 A Bonds. Neither the Authority nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable 2015 A Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2015 A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2015 A Bonds.

No dealer, broker, salesperson or other person has been authorized by the Power Authority of the State of New York (the "Authority") to give any information or to make any representations, other than as contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2015 A Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the Authority and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

The statements contained in this Official Statement that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "illustrate," "example," and "continue," or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumption and estimates and possible changes or developments in various important factors. Accordingly, actual business and financial results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material.

In connection with the offering of the 2015 A Bonds, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of such bonds at levels above those which might otherwise prevail in the open market. Such stabilization or maintenance, if commenced, may be discontinued at any time.

**THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**THIS OFFICIAL STATEMENT CONSISTS OF THE COVER PAGE, THE INSIDE FRONT COVER, THE TABLES OF CONTENTS, THE SUMMARY AND THIS PART 1, INCLUDING THE APPENDICES TO THIS PART 1 (ALL OF THE FOREGOING ARE REFERRED TO COLLECTIVELY AS "PART 1"), AND THE ATTACHED PART 2, INCLUDING ALL APPENDICES THERETO (COLLECTIVELY, "PART 2"). BOTH THIS PART 1 AND PART 2 ARE DATED OCTOBER \_\_, 2015. THIS PART 1, TOGETHER WITH PART 2, CONSTITUTES THE AUTHORITY'S OFFICIAL STATEMENT RELATING TO THE 2015 A BONDS (AND ONLY SUCH BONDS). BOTH PART 1 AND PART 2 MUST BE READ IN THEIR ENTIRETY.**

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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## SUMMARY

*The following summary does not purport to be complete and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Official Statement and any supplement or amendment hereto. Capitalized terms used in this Summary and not defined herein have the meanings given to such terms elsewhere in this Official Statement.*

|                                    |   |
|------------------------------------|---|
| Issuer.....                        | Power Authority of the State of New York (the “Authority”) is a corporate municipal instrumentality and political subdivision of the State of New York (the “State”). The Authority generates, transmits and sells electric power and energy at both wholesale and retail. The Authority’s primary customers are municipal and investor-owned utilities and rural electric cooperatives located throughout the State, high load factor industries and other businesses, various public corporations located within the metropolitan area of New York City (the “City”), and certain neighboring states. The Authority owns and operates five major generating facilities, 11 small electric generating facilities, and four small hydroelectric facilities, with a total installed capacity of 6,051 MW, and a number of transmission lines, including major 765-kV and 345-kV transmission facilities. |
| The 2015 A Bonds .....             | <p>The 2015 A Bonds are being offered in the principal amount per maturity and bearing the interest rates set forth on the cover and inside front cover pages of this Official Statement.</p> <p>The 2015 A Bonds will be issued pursuant to the Authority’s General Resolution Authorizing Revenue Obligations, adopted on February 24, 1998, as amended and supplemented (the “General Resolution”).</p>  |
| Denominations .....                | \$5,000 or any integral multiple thereof.   |
| Interest Payment Dates .....       | November 16, 2015 and semiannually thereafter on each May 15 and November 15.   |
| Security for the 2015 A Bonds..... | The 2015 A Bonds will be payable from and secured by a pledge of the Trust Estate (subject to no prior pledge or lien), including all revenues derived directly or indirectly from any of the Authority’s operations other than those revenues attributable directly or indirectly to the ownership or operation of any Separately Financed Projects and not including any Federal or State grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose. The General Resolution provides that the amounts in the Operating Fund are to be used to pay debt service on the Obligations, including the 2015 A Bonds, and to pay Parity Debt after the payment of Operating Expenses. See “PART 1—SECURITY FOR THE 2015 A BONDS.”   |
| Rate Covenant.....                 | The Authority has covenanted in the General Resolution that it shall at all times maintain rates, fees or charges sufficient, together with other moneys available therefor, to pay all Operating Expenses of the Authority and to pay the debt service on all Obligations, including the 2015 A Bonds. See “PART 1—SECURITY FOR THE 2015 A BONDS.”   |

|  |  |
|--|--|
|  | <p>The Authority is a party to various power sales agreements which impose limitations on the Authority’s discretion to establish rate increases. See “PART 2—POWER SALES.”</p>  |
| Application of Proceeds.....                 | <p>The proceeds of the 2015 A Bonds will be used to refund \$74,590,000 of the Authority’s Series 2006 A Revenue Bonds and to pay the costs of issuance of the 2015 A Bonds. See “Part 1—USE OF PROCEEDS.”</p>   |
| General Resolution Funds.....                | <p>Two funds are established under the General Resolution: the Operating Fund and the Capital Fund, both held by the Authority. The Authority may also establish additional funds and accounts. Amounts in the Operating Fund shall be used in the following order of priority: to pay Operating Expenses; to pay debt service on Obligations, which includes the 2015 A Bonds and Parity Debt; to pay debt service on any Subordinated Indebtedness and Subordinated Contract Obligations; for withdrawal and deposit in the Capital Fund; and for withdrawal for any lawful corporate purpose, provided that such amounts are not needed at the time of such withdrawal to pay Operating Expenses or debt service as described above. See “PART 1—SECURITY FOR THE 2015 A BONDS.”</p> <p>The Authority shall from time to time, and in all events prior to any withdrawal of moneys from the Operating Fund for lawful corporate purposes, as described above, determine the amount, if any, to be held for reserves in the Operating Fund.</p> <p>Amounts in the Capital Fund shall be applied to the Capital Costs of the Authority, but must be applied to the payment of debt service on the Obligations, including the 2015 A Bonds and Parity Debt, if needed.</p> |
| Additional Indebtedness;<br>Parity Debt..... | <p>As of June 30, 2015, the Authority had outstanding \$940,900,000 in principal amount of Revenue Bonds, which are Obligations on a parity with the 2015 A Bonds. As of June 30, 2015, the Authority had outstanding \$86,115,000 of Adjustable Rate Tender Notes issued in 1985 (the “ART Notes”), which are on a parity with the Revenue Bonds, including the 2015 A Bonds.</p> <p>The Authority may issue additional Obligations pursuant to the General Resolution, payable and secured on a parity with the 2015 A Bonds, for any purpose of the Authority authorized by Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended from time to time (the “Act”), as amended from time to time, or by other then-applicable State statutory provisions. The principal amount of Obligations which may be delivered under the General Resolution is not limited, and there is no debt service coverage or historical or projected earnings test that must be satisfied as a condition to any such delivery.</p> <p>The Authority may also incur additional Parity Debt payable and secured on a parity with Obligations, including the 2015 A Bonds.</p>   |

Parity Debt currently includes the ART Notes (see “PART 1—SECURITY FOR THE 2015 A Bonds—Additional Debt Issuance”). Parity Debt may also be incurred in connection with, among other things, Credit Facilities, Qualified Swaps and certain take-or-pay fuel or power contracts. See “PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt.”

The Authority may issue Subordinated Indebtedness or incur Subordinated Contract Obligations payable from the Trust Estate subject and subordinate to the payments to be made with respect to the Obligations, including the 2015 A Bonds, and any Parity Debt, and secured by a lien on and pledge of the Trust Estate junior and inferior to the lien on and pledge of the Trust Estate created for the payment of the Obligations, including the 2015 A Bonds, and any Parity Debt.

As of June 30, 2015, the Authority had outstanding \$548,793,000 of Subordinated Indebtedness.

The Authority may issue bonds, notes, or other obligations or evidences of indebtedness, other than Obligations, for any project authorized by the Act or by other then-applicable State statutory provisions. The Authority also may finance any such project from other available funds (any project so financed is referred to herein as a “Separately Financed Project”), if such bonds, notes, or other obligations or evidences of indebtedness, if any, and the Authority’s share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project or from other available funds of the Authority released from the lien on the Trust Estate in accordance with the General Resolution. There are currently no Separately Financed Projects.

Registration of the 2015 A

Bonds .....

The 2015 A Bonds will be issuable as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). No person acquiring an interest in the 2015 A Bonds (a “Beneficial Owner”) will be entitled to receive a 2015 A Bond in certificated form (a “Definitive Obligation”), except under the limited circumstances described in this Official Statement under “PART 1—APPENDIX B—BOOK-ENTRY-ONLY SYSTEM PROCEDURES.” Unless and until Definitive Obligations are issued, all references to actions by Owners will refer to actions taken by DTC, upon instructions from DTC Participants, and all references herein to distributions, notices, reports and statements to Owners shall refer to distributions, notices, reports and statements, respectively, to DTC or Cede & Co., as the registered owner of the 2015 A Bonds, or to DTC Participants for distribution to Beneficial Owners in accordance with DTC procedures.

Tax Considerations .....

In the opinion of Co-Bond Counsel, to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2015

A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2015 A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. See “PART 1—TAX MATTERS.”

In addition, in the opinion of Co-Bond Counsel under existing statutes, interest on the 2015 A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including the City), and the 2015 A Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers. See “PART 1—TAX MATTERS.”

Trustee .....

The Bank of New York Mellon.

Authority’s Financial Advisor .....

Public Financial Management, Inc.

Ratings .....

Moody’s Investors Service, Inc. (“Moody’s”), Standard & Poor’s Public Finance, a Standard & Poor’s Financial Services LLC Business (“S&P”), a division of the McGraw-Hill Companies, Inc., and Fitch Ratings (“Fitch”) have assigned ratings of “[ ]”, “[ ]”, and “[ ]”, respectively, to the 2015 A Bonds.

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**PART 1**  
**of the**  
**OFFICIAL STATEMENT**  
**of the**  
**POWER AUTHORITY OF THE STATE OF NEW YORK**  
**\$\_\_\_\_,\_\_\_\_,\_\_\_\_\***  
**SERIES 2015 A REVENUE BONDS**

This Official Statement provides certain information concerning the Power Authority of the State of New York (the “Authority”) in connection with the issuance of the Authority’s Series 2015 A Revenue Bonds (the “2015 A Bonds”). This Official Statement is dated [October \_\_, 2015] to reflect the execution of a Contract of Purchase for the 2015 A Bonds on that date. The 2015 A Bonds are authorized to be issued pursuant to the Power Authority Act of the State of New York (the “State”), Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended from time to time (the “Act”), and the Authority’s “General Resolution Authorizing Revenue Obligations,” adopted on February 24, 1998, as amended and supplemented, including, in regard to the 2015 A Bonds, as supplemented by a Tenth Supplemental Resolution adopted on September 29, 2015, which authorized the issuance of the 2015 A Bonds (the “Tenth Supplemental Resolution”). The General Resolution Authorizing Revenue Obligations, as amended and supplemented, is herein collectively referred to as the “General Resolution.” The outstanding bonds, notes, and other obligations (including the 2015 A Bonds) of the Authority hereafter issued as parity obligations and outstanding pursuant to the General Resolution are referred to herein as the “Obligations.” All words and terms which are defined in the General Resolution are used herein as so defined.

**INTRODUCTION**

The Authority is a corporate municipal instrumentality and political subdivision of the State created in 1931 by the Act, which has its principal office located at 30 South Pearl Street, Albany, New York 12207-3425. The Authority generates, transmits and sells electric power and energy, principally at wholesale, as permitted or required by applicable law. The Authority’s primary customers are municipal and rural electric cooperatives located throughout the State, investor-owned utilities, high load factor industries, statewide commercial/industrial and not-for-profit businesses, various public corporations located within the metropolitan area of New York City, including The City of New York (the “City”), and certain neighboring states.

The Authority owns and operates five major generating facilities, 11 small electric generating facilities, and four small hydroelectric facilities, with a total installed capacity of 6,051 megawatts (“MW”), and a number of transmission lines, including major 765-kilovolt (“kV”) and 345-kV transmission facilities (see “PART 2—THE AUTHORITY’S FACILITIES”).

The Authority’s generating facilities consist of two large hydroelectric facilities (Niagara and St. Lawrence-FDR), a large pumped-storage hydroelectric facility (Blenheim-Gilboa), two gas-and-oil-fired facilities (Flynn and the combined-cycle electric generating plant located in Queens, New York, referred to herein as the “500-MW Plant”), 11 small electric generating facilities, and various small hydroelectric facilities. The Authority’s net generation in 2014 by energy source was as follows: hydroelectric [82%]; and gas/oil [18%]. In 2014, the Authority generated approximately [15%] of the electric energy used in the State. The Authority also supplied a significant portion of its customers’ needs through purchased power (see “PART 2—POWER SALES”). Although the Authority’s rates for power

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\* Preliminary, subject to change.

and energy vary depending upon a number of factors, overall, the Authority provides low cost power and energy to its customers.

The customers served by the Authority and the rates paid by such customers vary with the facility or other source supplying the power and energy (see “PART 2—POWER SALES”). The following is a brief description of the customers served by the Authority.

*St. Lawrence-FDR and Niagara Customers.* Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities are sold to New York investor-owned electric utilities, municipal electric systems, rural electric cooperatives, industrial customers, certain public bodies, and out-of-state customers.

*Blenheim-Gilboa Customers.* Blenheim-Gilboa power and energy are used to meet the requirements of the Authority’s business and governmental customers and to provide services in the New York Independent System Operator (“NYISO”) markets.

*Southeastern New York (“SENY”) Governmental Customers.* Power and energy purchased by the Authority in the capacity and energy markets, as supplemented by Authority resources, are sold to various municipalities, school districts and public agencies in the City and Westchester County area.

*500-MW Plant.* The power and energy of the 500-MW Plant is used to meet the requirements of the Authority’s City governmental customers and to provide services in the NYISO markets for the benefit of those customers.

*Flynn.* The output of Flynn is being sold into the NYISO Market as merchant generation.

*Small Clean Power Plants (“SCPPs”).* The power and energy of these plants is used to meet the requirements of the Authority’s business and governmental customers and to provide services in the NYISO markets.

*Certain Purchased Power and Energy Customers.* The Authority also sells power and energy purchased in the capacity and energy markets to industrial customers, the United States Department of Energy (“DOE”), New York investor-owned electric utilities, customers purchasing power pursuant to the Recharge New York Power Program (the “RNYPP”), businesses, municipal electric systems, rural electric cooperatives, and various municipal utility service agencies.

*Transmission Facilities.* The Authority owns approximately 1,400 circuit miles of high voltage transmission lines, more than any other utility in the State, with the major lines being the 765-kV Massena-Marcy line, the 345-kV Marcy-South line, the 345-kV Niagara-to-Edic transmission line, and the 345-kV Long Island Sound Cable (the “Cable”). With the implementation of the NYISO arrangement in November 1999, all transmission service over the Authority’s facilities is either pursuant to the NYISO tariffs or pre-existing Authority contracts (see “PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR”).

*Customer Energy Solutions.* The Authority also provides and finances energy solutions for certain of its customers and other entities in the State (see “PART 2—CUSTOMER ENERGY SOLUTIONS”).

*Indebtedness.* As of June 30, 2015, \$940,900,000 of senior lien Obligations (the “Revenue Bonds”), issued under the General Resolution, were outstanding.

As of June 30, 2015, \$86,115,000 of Adjustable Rate Tender Notes of the Authority (the “ART Notes”), were outstanding (see “PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Outstanding Indebtedness”). The ART Notes are on a parity with the Revenue Bonds and other Obligations to be issued by the Authority under the General Resolution, including the 2015 A Bonds.

As of June 30, 2015, Commercial Paper Notes of the Authority (the “CP Notes”) were outstanding in the aggregate principal amount of \$476,033,000. The CP Notes are Subordinated Indebtedness of the Authority as provided in the General Resolution.

As of June 30, 2015, Extendible Municipal Commercial Paper Notes of the Authority (the “EMCP Notes”) were outstanding in the aggregate principal amount of \$49,200,000. The EMCP Notes are Subordinated Indebtedness of the Authority as provided in the General Resolution.

As of June 30, 2015, the Authority’s Subordinated Notes, Series 2012 (the “2012 Subordinated Notes”) were outstanding in the aggregate principal amount of \$23,560,000. The 2012 Subordinated Notes are Subordinated Indebtedness of the Authority as provided in the General Resolution.

*Information Included in this Official Statement.* Part 1 of this Official Statement contains a description of the 2015 A Bonds and the security for the 2015 A Bonds, and a discussion of other matters relating to the 2015 A Bonds. In Part 2 of this Official Statement, there is a description of the Authority, its operations and financial condition and a discussion of certain relevant developments. The financial statements of the Authority for the years ended December 31, 2009 through December 31, 2014 were provided to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“EMMA”), currently located at <http://emma.msrb.org/>.

The Authority’s financial statements for the year ended December 31, 2014, are hereby incorporated by reference in this Official Statement. Informational copies of the Authority’s financial statements for the years ended December 31, 2009 through December 31, 2014 are available on the Authority’s website at <http://www.nypa.gov/financial/default.htm>. Except for the Authority’s financial statements for the year ended December 31, 2014, no information on the Authority’s website is deemed incorporated by reference in this Official Statement.

A discussion of certain litigation pending or threatened against the Authority, or involving or adversely affecting the property or assets of or under the control of the Authority, is set forth in Appendix D to Part 1 of this Official Statement. A summary of certain provisions of the General Resolution is set forth in Appendix 1 to Part 2 of this Official Statement. The proposed forms of the approving opinions of Co-Bond Counsel are set forth in Appendix A-1 and Appendix A-2 to Part 1 of this Official Statement. Extracts from the schedule of The Depository Trust Company (“DTC”) entitled “Sample Official Statement Language Describing Book-Entry-Only Issuance” are set forth in Appendix B to Part 1 of this Official Statement. Backgrounds of the Authority’s Trustees and certain senior management staff are set forth in Appendix 2 to Part 2 of this Official Statement. The form of the Continuing Disclosure Agreement that the Authority will execute in connection with the issuance of the 2015 A Bonds is set forth in Appendix C to Part 1 of this Official Statement.

## **SECURITY FOR THE 2015 A BONDS**

The General Resolution authorizes the issuance of the Obligations for any purpose authorized by the Act or other State statutory provision then applicable. All Obligations, including the 2015 A Bonds, are payable from Revenues and secured by a pledge of the Trust Estate, subject to no prior pledge or lien.

## **Revenues**

Revenues consist of all revenues, rates, fees, charges, rents, proceeds from the sale of Authority assets, insurance proceeds, and other income and receipts, as derived in cash by or for the account of the Authority directly or indirectly from any of the Authority's operations, including but not limited to the ownership or operation of any Project, but not including any such income or receipts attributable directly or indirectly to the ownership or operation of any project financed from other available funds (a "Separately Financed Project") (see "PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Conditions for Issuance of Obligations") and not including any federal or State grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose.

## **Trust Estate**

The Trust Estate consists of, collectively, (i) all Revenues; (ii) the proceeds of sale of the Obligations until expended for the purposes authorized by the Supplemental Resolution authorizing such Obligations; (iii) all funds, accounts and subaccounts established by the General Resolution, including investment earnings thereon; and (iv) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time conveyed, mortgaged, pledged, assigned or transferred as and for additional security for the Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee. Currently, the Trust Estate does not include any real property, structures, facilities, or equipment owned by the Authority. The Trust Estate also does not include the assets and income of the trusts established by the Authority to fund its Other Postemployment Benefits ("OPEB") obligations and certain decommissioning costs relating to the two nuclear plants it sold in 2000. See "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—State Pension Plan and Other Postemployment Benefits; Nuclear Plant Sale Matters."

## **Application of Revenues**

The General Resolution requires that all Revenues, and such portion of the proceeds of any Obligations issued to pay Operating Expenses, be deposited into the Operating Fund. Amounts in the Operating Fund are to be paid out, accumulated or withdrawn from time to time for the following purposes and, as of any time, in the following order of priority:

- (1) payment of reasonable and necessary Operating Expenses or accumulation in the Operating Fund as a reserve (i) for working capital, (ii) for such Operating Expenses the payment of which is not immediately required, including, but not limited to, amounts determined by the Authority to be required as an operating reserve, or (iii) deemed necessary or desirable by the Authority to comply with orders or other rulings of an agency or regulatory body having lawful jurisdiction;
- (2) payment of, or accumulation in the Operating Fund as a reserve for the payment of, interest on and the principal or Redemption Price of Obligations, which includes the 2015 A Bonds, and payments due under any Parity Debt, on a parity basis, on their respective due dates or redemption dates, as the case may be;
- (3) payment of principal of and interest on any Subordinated Indebtedness or payment of amounts due under any Subordinated Contract Obligation;
- (4) withdrawal and deposit in the Capital Fund; and

(5) withdrawal for any lawful corporate purpose as determined by the Authority, including but not limited to the purchase or redemption of Obligations or Subordinated Indebtedness, provided, that prior to any such withdrawal, the Authority shall have determined, taking into account anticipated future receipts of Revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for any of the purposes set forth in paragraphs (1), (2) or (3) above (see “PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION”).

Since 1998 the Authority has maintained an Operating Reserve, presently funded in the amount of \$175 million. While the Authority intends to maintain the \$175 million Operating Reserve, the maintenance and size of the Reserve is at the discretion of the Authority’s Board of Trustees and may at any time be modified or eliminated at the discretion of the Board.

### **Rate Covenant**

The Authority has covenanted in the General Resolution that it shall at all times maintain rates, fees or charges, and any contracts entered into by the Authority for the sale, transmission or distribution of power shall contain rates, fees or charges, sufficient, together with other moneys available therefore (including the anticipated receipt of proceeds of sale of Obligations or other bonds, notes or other obligations or evidence of indebtedness of the Authority that will be used to pay the principal of Obligations issued in anticipation of such receipt),

(i) to pay all Operating Expenses of the Authority,

(ii) to pay the debt service on all Obligations, including the 2015 A Bonds, then outstanding and the debt service on all Subordinated Indebtedness then outstanding, and all Parity Debt and Subordinated Contract Obligations, all as the same respectively become due and payable, and

(iii) to maintain any reserve established by the Authority pursuant to the General Resolution, in such amount as may be determined from time to time by the Authority in its judgment.

The Authority is a party to various power sales agreements which impose limitations on the Authority’s discretion to establish rate increases (see “PART 2—POWER SALES”).

The rates for firm power and associated energy from the St. Lawrence-FDR and Niagara hydroelectric facilities sold by the Authority have been established for certain customers in the context of an agreement settling litigation (see “PART 2—POWER SALES—St. Lawrence-FDR and Niagara”).

The rates for power generated and transmission service provided by the Authority are subject neither to the provisions of the New York Public Service Law (the “Public Service Law”) nor to regulation by or the jurisdiction of the New York Public Service Commission (the “PSC”). In connection with the establishment of rates or charges for the use of the Authority’s transmission system, see the discussion of the NYISO arrangement in “PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR.”

### **Covenant Regarding Projects**

The General Resolution also requires the Authority to operate or cause to be operated each Project in a sound and economical manner and to maintain, preserve and keep the same or cause the same to be maintained, preserved and kept, in good repair, working order and condition, and from time to time to make all necessary and proper repairs, replacements and renewals so that at all times the operations thereof may be properly and advantageously conducted. The General Resolution permits the Authority to cease operating or maintaining, and to lease or dispose of, any Projects (other than the Niagara and

St. Lawrence-FDR Projects) if, in the judgment of the Authority, it is advisable to lease, dispose of, or not to operate and maintain the same and the operation thereof is not essential to the maintenance and continued operation of the rest of the Authority's Projects. See "PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

### **Additional Debt Issuance**

The General Resolution permits the Authority to issue additional Obligations for any purpose authorized by the Act or other applicable State statutory provision, without restriction as to amount and without having to satisfy any debt service coverage or historical or projected earnings test. The Authority has covenanted in the General Resolution not to issue any bonds or evidences of indebtedness, other than the Obligations, secured by a pledge of the Trust Estate, and not to create or cause to be created any lien or charge on the Trust Estate, except to the extent provided in the General Resolution; provided that the Authority may, at any time, or from time to time, incur Subordinated Indebtedness or enter into Subordinated Contract Obligations payable from Revenues and secured by a pledge of the Trust Estate, and such pledge shall be subordinate in all respects to the pledge created by the General Resolution as security for payment of the Obligations, including the 2015 A Bonds. As of the date of this Official Statement, the Subordinated Indebtedness issued by the Authority and outstanding consists of the CP Notes, EMCP Notes and the 2012 Subordinated Notes (see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Outstanding Indebtedness"). For a discussion of debt the Authority expects to issue in the period 2015-2019, see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Projected Capital and Financing Requirements and Other Potential Initiatives."

The Authority may also incur Parity Debt payable and secured on a parity with Obligations, including the 2015 A Bonds. Parity Debt currently consists of the ART Notes. Parity Debt may also be incurred in connection with, among other things, Credit Facilities, Qualified Swaps and certain take-or-pay fuel or power contracts (see "PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt").

The Authority entered into a ten-year floating-to-fixed interest rate swap agreement which commenced in September 2006 relating to its ART Notes (the "ART Notes Swap Agreement"), having an initial notional amount of approximately \$156 million, of which \$86,115,000 is currently outstanding, and which declines over the term of the agreement to approximately \$75 million. The ART Notes Swap Agreement and the payments relating to any termination or other fees, expenses, indemnification or other obligations to the counterparty under such agreement are subordinate to the Obligations, including the 2015 A Bonds. See the Authority's financial statements for the year ended December 31, 2014, Note 8, for further discussion of this interest rate swap agreement.

In connection with future or outstanding debt, the Authority may enter into additional interest rate swap agreements, either of the fixed-to-floating rate or floating-to-fixed rate variety, which may also include forward swaps. The regularly scheduled payments under any such swap agreements could be either on a parity with the Obligations, including the 2015 A Bonds, or subordinate to the Obligations, including the 2015 A Bonds, as determined by the Authority. The payments relating to any termination or other fees, expenses, indemnification or other obligations to the counterparties under such swap agreements would be subordinate to the Obligations, including the 2015 A Bonds.

The General Resolution also permits the Authority to issue bonds, notes, or any other obligations under another and separate resolution to finance a Separately Financed Project.

For a discussion of energy swap agreements entered into by the Authority, see the Authority’s financial statements for the year ended December 31, 2014, Note 8.

**General**

The Authority has no taxing power and its obligations are not debts of the State or of any political subdivision of the State, other than the Authority. The 2015 A Bonds will not constitute a pledge of the faith and credit of the State or of any political subdivision thereof, other than the Authority. The issuance of the 2015 A Bonds will not obligate the State or any of its political subdivisions to levy or pledge the receipts from any form of taxation for the payment of the 2015 A Bonds.

For a description of other provisions of the General Resolution related to the security for the Obligations, including the 2015 A Bonds, see “PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.”

**USE OF PROCEEDS**

The proceeds of the 2015 A Bonds will be used to (a) refund \$74,590,000 of the Authority’s Series 2006 A Revenue Bonds and (b) pay the costs of issuance of the 2015 A Bonds.

Moneys will be derived from the sources and applied to the uses approximately as set forth below:

|  |           |
|--|-----------|
| Sources of Funds   |           |
| Principal Amount of the 2015 A Bonds.....                        | \$        |
| Net Original Issue Premium.....                                  |           |
| Available Authority Funds.....                                   |           |
| Total.....   | <u>\$</u> |
| Application of Funds   |           |
| Refunding of Series 2006 A Revenue Bonds.....                    | \$        |
| Deposit into Operating Fund to Redeem 2006 A Revenue Bonds ..... |           |
| Financing Costs <sup>(1)</sup> .....                             | <u></u>   |
| Total.....   | <u>\$</u> |

<sup>(1)</sup> Includes costs of issuance, underwriters’ discount, and State bond issuance fee.

**THE 2015 A BONDS**

**General Terms**

The 2015 A Bonds will be in the principal amount and will be dated, will mature at the times and in the principal amounts, will bear interest at the rates, and will be in the form of serial bonds, as set forth on the inside cover page of this Official Statement.

The 2015 A Bonds are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof, registered only in the name of Cede & Co., as nominee of DTC (see “PART 1—APPENDIX B—BOOK-ENTRY-ONLY SYSTEM PROCEDURES”). So long as the 2015 A Bonds are registered in the name of Cede & Co., principal and interest will be payable solely to Cede & Co., as nominee of DTC, as the sole registered owner of the 2015 A Bonds, and, except under the caption “PART

1—TAX MATTERS,” references herein to the registered owner or owner shall be to DTC and not the beneficial owners.

The 2015 A Bonds will bear interest payable on November 16, 2015 and semiannually on May 15 and November 15 thereafter, to the registered owners as of the close of business on the first day (whether or not a business day) of the month in which such interest payment date occurs by check or draft mailed to the address as it appears on the books of registry maintained by The Bank of New York Mellon, the Registrar pursuant to the General Resolution, at its principal corporate trust office.

### **Redemption**

The 2015 A Bonds are not subject to redemption prior to maturity.

## **TAX MATTERS**

### **Opinions of Co-Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP and Bryant Rabbino LLP, Co-Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2015 A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2015 A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering their opinions, Co-Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the 2015 A Bonds, and Co-Bond Counsel has assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2015 A Bonds from gross income under Section 103 of the Code.

In addition, in the opinions of Co-Bond Counsel to the Authority, under existing statutes, interest on the 2015 A Bonds is exempt from personal income taxes imposed by the State of or any political subdivision thereof (including the City), and the 2015 A Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers.

Co-Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the 2015 A Bonds. Co-Bond Counsel render their opinions under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Co-Bond Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2015 A Bonds, or under state and local tax law.

### **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2015 A Bonds in order that interest on the 2015 A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2015 A Bonds, yield and other

restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the 2015 A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority has covenanted under the General Resolution to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2015 A Bonds from gross income under Section 103 of the Code.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral Federal income tax matters with respect to the 2015 A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 2015 A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2015 A Bonds.

Prospective owners of the 2015 A Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the 2015 A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### **Original Issue Discount**

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a 2015 A Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the 2015 A Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of 2015 A Bonds is expected to be the initial public offering price set forth on the cover page of this Official Statement. Co-Bond Counsel further are of the opinion that, for any 2015 A Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the 2015 A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

## **Bond Premium**

In general, if an owner acquires a 2015 A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the 2015 A Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Amortized bond premium also reduces the owner’s cost basis, and under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

## **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2015 A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2015 A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2015 A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

## **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the 2015 A Bonds, or otherwise prevent beneficial owners of the 2015 A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2015 A Bonds. For example, the Fiscal Year 2016 Budget proposed by the Obama Administration recommends a 28% limitation on “all itemized deductions, as well as other tax benefits” including “tax-exempt interest.”

The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond, regardless of issue date. Prospective purchasers of the 2015 A Bonds should consult their own tax advisors regarding the foregoing matters.

## **UNDERWRITING**

The Underwriters listed on the front cover page of this Official Statement, Goldman, Sachs & Co. and Loop Capital Markets LLC (collectively, the “Underwriters”), have jointly and severally agreed, subject to certain conditions, to purchase from the Authority the 2015 A Bonds described on the cover of this Official Statement at a purchase price of \$\_\_\_\_\_, or approximately \_\_\_\_\_% of the aggregate principal amount of the 2015 A Bonds. The purchase price reflects a net original issue [discount] of \$\_\_\_\_\_ and an underwriters discount of \$\_\_\_\_\_. The Underwriters will be obligated to purchase all 2015 A Bonds if any are purchased.

The Underwriters have advised the Authority that the 2015 A Bonds being reoffered may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such initial public offering prices. After the initial public offering, the public offering prices may be changed from time to time by the Underwriters.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **CONTINUING DISCLOSURE UNDERTAKING FOR THE 2015 A BONDS**

Pursuant to a Continuing Disclosure Agreement dated the date of the closing of the 2015 A Bonds, to be entered into by and between the Authority and the Trustee, the Authority will covenant, for the benefit of the holders of the 2015 A Bonds, to provide certain financial information and operating data relating to the Authority by no later than nine months after the end of each of the Authority’s fiscal years (presently, by each September 30) (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events with respect to the 2015 A Bonds. Any filing under the Continuing Disclosure Agreement will be made solely by transmitting such filing to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system, currently located at <http://emma.msrb.org/>.

The specific nature of the information to be contained in the Annual Report and the notices of material events is set forth in the form of the Continuing Disclosure Agreement, which is included in its entirety in Appendix C to Part 1 of this Official Statement. The Authority’s agreement will be made in order to assist the Underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “SEC”).

## **CREDIT RATINGS**

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Public Finance, a Standard & Poor's Financial Services LLC Business ("S&P"), a division of the McGraw-Hill Companies, Inc., and Fitch Ratings ("Fitch") have assigned ratings of "[ ]", "[ ]", and "[ ]", respectively, to the 2015 A Bonds.

### **General**

The respective ratings by Moody's, S&P, and Fitch of the 2015 A Bonds reflect only the views of such organizations and any desired explanation of the significance of such ratings and any outlooks or other statements given by the rating agencies with respect thereto should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, Standard & Poor's Ratings Service, 55 Water Street, New York, New York 10041, and Fitch Ratings, 33 Whitehall Street, New York, New York 10004. Generally, a rating agency bases its ratings and outlook (if any) on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Authority has furnished to each rating agency rating the 2015 A Bonds information, including information not included in this Official Statement, about the Authority and the 2015 A Bonds. There is no assurance such ratings for the 2015 A Bonds will continue for any given period of time or that any of such ratings will not be revised downward or withdrawn entirely by any of the rating agencies, if, in the judgment of such rating agency or agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2015 A Bonds.

## **FINANCIAL ADVISOR**

Public Financial Management, Inc. ("PFM") serves as the independent financial advisor to the Authority, respectively, in connection with the structuring, marketing and sale of the 2015 A Bonds, including the timing and conditions of issuance, and other such financial guidance as requested by the PFM. Although PFM performed an active role in the drafting of this Official Statement and other related transaction documents, PFM has not independently verified any of the information set forth herein.

## **LITIGATION**

There is no litigation pending or threatened in any court (either State or Federal) to restrain or enjoin the issuance or delivery of the 2015 A Bonds or questioning the creation, organization or existence of the Authority, the title to office of the Trustees or officers of the Authority, the validity of the General Resolution, the pledge of the Trust Estate, the proceedings for the authorization, execution, authentication and delivery of the 2015 A Bonds or the validity of the 2015 A Bonds.

Litigation pending against the Authority (under the jurisdiction of either State or Federal courts or agencies) or threatened against the Authority, or involving or adversely affecting any of the property or assets of or under the control of the Authority, includes, among other matters, the matters described in Appendix D to Part 1 of this Official Statement.

The Authority is unable to predict the outcome of matters described in Appendix D, as well as the other actions or proceedings referred to in this Official Statement, but believes that the Authority has meritorious defenses or positions with respect thereto. Adverse decisions or determinations of certain types could, however, delay or impede the Authority's construction and operation of its existing or planned projects and could require the Authority to incur substantial additional costs, and such decisions or determinations could also adversely affect the Authority's revenues. See "PART 2—CERTAIN

FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY” for information with respect to certain other regulatory and administrative matters.

### **LEGALITY FOR INVESTMENT**

The Act provides that the 2015 A Bonds will be legal investments under present provisions of State law for public officers and bodies of the State and municipalities and municipal subdivisions, insurance companies and associations and other persons carrying on an insurance business, banks, bankers and trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies, and other persons carrying on a banking business, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds of the State; but the 2015 A Bonds will not be eligible for the investment of funds, including capital, of trusts, estates or guardianships under the control of individual administrators, guardians, executors, trustees and other individual fiduciaries, except when such individual fiduciary is acting with a corporate co-fiduciary. Under the Act, the 2015 A Bonds will be eligible for deposit with all public officers and bodies of the State for any purpose for which the deposit of the State’s obligations is or may be authorized.

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization and issuance of the 2015 A Bonds are subject to the approval of Hawkins Delafield & Wood LLP and Bryant Rabbino LLP, each Co-Bond Counsel to the Authority. The approving opinions of Co-Bond Counsel to be delivered with such Bonds will be in substantially the forms attached to Part 1 of this Official Statement as Appendix A-1 and Appendix A-2. Certain legal matters will be passed upon for the Underwriters by their counsel, Gonzalez, Saggio & Harlan LLP. Certain legal matters are subject to the approval of Nixon Peabody LLP and Love and Long, LLP, each Co-Special Counsel to the Authority.

### **MISCELLANEOUS**

The references in this Official Statement (which consists of Part 1 and Part 2) to the General Resolution, the Act, the Public Service Law, the Niagara Redevelopment Act, the Federal Power Act (the “FPA”), the Code, certain legislation and court and Federal Energy Regulatory Commission decisions, orders and other actions, the licenses, certifications and permits and certain contracts and leases are brief summaries and outlines of certain portions or provisions thereof. Such summaries and outlines do not purport to be complete, and reference is made to such documents, legislation, decisions, laws, licenses and contracts for full and complete statements of such portions or provisions. Copies of such documents are on file at the offices of the Authority. All estimates and opinions presented herein are intended only as such and not as representations of fact.

The agreements with the Owners of the 2015 A Bonds are fully set forth in the General Resolution. This Official Statement does not constitute and is not intended to constitute a contract between the Authority and any Owner of any 2015 A Bond.

All inquiries to the Authority relating to this Official Statement should be addressed to Brian C. McElroy, Treasurer, Power Authority of the State of New York, 123 Main Street, White Plains, New York 10601 (telephone number: 914-287-3956).

The delivery of this Official Statement has been duly authorized by the Authority.

**POWER AUTHORITY OF THE STATE OF NEW YORK**

By: \_\_\_\_\_  
President and Chief Executive Officer

October \_\_, 2015

**FORM OF APPROVING OPINION OF HAWKINS DELAFIELD & WOOD LLP  
WITH RESPECT TO THE 2015 A BONDS**

October \_\_, 2015

Power Authority of the State of New York  
123 Main Street  
White Plains, New York 10601

Ladies and Gentlemen:

We have examined a certified copy of a record of proceedings relating to the issuance of Revenue Bonds, Series 2015 A in the principal amount of \$\_\_\_\_\_ (“2015 A Bonds”) of the Power Authority of the State of New York (the “Authority”), a body corporate and politic constituting a corporate municipal instrumentality and political subdivision of the State of New York (the “State”).

The 2015 A Bonds are issued under and pursuant to the Constitution and statutes of the State, including the Power Authority Act, being Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended (herein called the “Act”), and under and pursuant to proceedings of the Authority duly taken, including a resolution of the Authority adopted on February 24, 1998, entitled “General Resolution Authorizing Revenue Obligations” (the “General Resolution”), as amended and supplemented, including by a Tenth Supplemental Resolution adopted on September 29, 2015 (the “Tenth Supplemental Resolution” and, together with the General Resolution, the “Resolution”).

The 2015 A Bonds are dated, mature, are payable, bear interest and are subject to redemption, all as provided in the Resolution.

The Authority reserves the right to issue additional bonds, notes and other obligations as parity obligations under the Resolution (collectively with the 2015 A Bonds and all other outstanding parity obligations under the Resolution, the “Revenue Bonds”) on the terms and conditions, and for the purposes, stated in the Resolution. Under the provisions of the Resolution, all such Revenue Bonds will rank equally as to security and payment with the 2015 A Bonds.

We are of the opinion that:

1. The Authority is duly created and validly existing under the provisions of the Act.
2. The Authority has the right and power under the Act to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Tenth Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the General Resolution, is authorized or permitted by the General Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms. The Resolution creates the valid pledge which it purports to create of the Trust Estate (as defined and to the extent provided in the Resolution), subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

3. The 2015 A Bonds have been duly and validly authorized and issued in accordance with law and in accordance with the Resolution, and are valid, binding, direct and general obligations of the Authority, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Act, payable solely from the Trust Estate as and to the extent provided in the Resolution. The Authority has good right and lawful authority under the Act to effectuate the purposes for which the proceeds of such Bonds will be utilized, subject to obtaining such licenses, orders or other authorizations, if any, as, at the date hereof, may be required to be obtained from any agency or regulatory body having lawful jurisdiction in order to effectuate such purposes. The Authority has no taxing power, the 2015 A Bonds are not debts of the State or of any political subdivision of the State, other than the Authority, and the 2015 A Bonds will not constitute a pledge of the faith and credit of the State or of any political subdivision thereof, other than the Authority.

4. Under existing statutes, interest on the 2015 A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York) and the 2015 A Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers.

5. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2015 A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2015 A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering the opinions in this paragraph 5, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the 2015 A Bonds, and we have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2015 A Bonds from gross income under Section 103 of the Code.

6. [The original issue discount on the 2015 A Bonds, if any, that has accrued and is properly allocable to the owners thereof under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the 2015 A Bonds.]

The opinions expressed in paragraphs 1, 2 and 3 above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights, and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforcement is considered in a proceeding in equity or at law.

Except as expressly stated herein, we express no opinion regarding any other Federal or state tax consequences with respect to the 2015 A Bonds. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2015 A Bonds, or under state and local tax law.

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the 2015 A Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the Authority, other than the record of proceedings referred to above, and we express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the 2015 A Bonds.

We render this opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise, or supplement this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise that may hereafter occur, or for any other reason whatsoever.

Very truly yours,

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**FORM OF APPROVING OPINION OF BRYANT RABBINO LLP  
WITH RESPECT TO THE 2015 A BONDS**

[FORM TO BE PROVIDED]

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**BOOK-ENTRY-ONLY SYSTEM PROCEDURES**

*The information contained in the following paragraphs (1)-(10) of this Appendix has been extracted from a schedule prepared by The Depository Trust Company (“DTC”), entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE.” The Authority makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2015 A Bonds. The 2015 A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the 2015 A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies, DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a long-term credit rating of AA+ by Standard & Poor’s and Aaa by Moody’s Investor Service. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of 2015 A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 A Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2015 A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2015 A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2015 A Bonds, except in the event that use of the book-entry system for the 2015 A Bonds is discontinued.

4. To facilitate subsequent transfers, all 2015 A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2015 A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015 A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015 A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2015 A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2015 Bonds, such as defaults, and proposed amendments to the 2015 A Bond documents. For example, Beneficial Owners of 2015 A Bonds may wish to ascertain that the nominee holding the 2015 A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2015 A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2015 A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

7. Distributions and interest payments on the 2015 A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and correspondingly detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

8. DTC may discontinue providing its services as depository with respect to the 2015 A Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor depository is not obtained, 2015 A Bond certificates are required to be printed and delivered.

9. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2015 A Bond certificates will be printed and delivered.

10. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY, THE TRUSTEE UNDER THE GENERAL RESOLUTION NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT OR TIMELINESS OF PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE 2015 A BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2015 A BONDS.

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**FORM OF CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (this “Agreement”) dated October \_\_, 2015 by and between the Power Authority of the State of New York (the “Issuer”) and The Bank of New York Mellon, as trustee (the “Trustee”), under a resolution adopted by the Issuer on February 24, 1998, as supplemented (the “Resolution”), is executed and delivered in connection with the issuance of the Issuer’s \$\_\_\_\_\_ principal amount of Series 2015 A Bonds. Capitalized terms used in this Agreement which are not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof. The parties agree as follows:

**ARTICLE I****The Undertaking**

Section 1.1. *Purpose.* This Agreement is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. *Annual Financial Information.* (a) The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with the fiscal year ending December 31, 2015, by no later than nine months after the end of the respective fiscal year, to the MSRB.

(b) The Issuer shall provide, in a timely manner, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 1.3. *Audited Financial Statements.* If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Issuer shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 1.4. *Notice Events.* (a) If a Notice Event occurs, the Issuer shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to (i) the MSRB and (ii) the Trustee.

(b) Any such notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) The Trustee shall promptly advise the Issuer whenever, in the course of performing its duties as Trustee under the Resolution, the Trustee has actual notice of an occurrence which, if material, would require the Issuer to provide notice of a Notice Event hereunder; provided, however, that the failure of the Trustee so to advise the Issuer shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Resolution.

(d) Each notice concerning a Notice Event relating to the Bonds shall include the CUSIP numbers of the Bonds to which such Notice Event relates or, if the Notice Event relates to all bond issues of the Issuer including the Bonds, such notice need only include the CUSIP number of the Issuer.

Section 1.5. *Additional Disclosure Obligations.* The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some

circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Issuer under such laws.

Section 1.6. *Additional Information.* Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the Issuer chooses to do so, the Issuer shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.7. *No Previous Non-Compliance.* The Issuer represents that it has previously entered into written contracts or agreements of the type referenced in paragraph (b)(5)(i) of the Rule and is in compliance with such agreements.

## ARTICLE II

### Operating Rules

Section 2.1. *Reference to Other Filed Documents.* It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, [www.emma.msrb.org](http://www.emma.msrb.org)) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. *Submission of Information.* Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. *Dissemination Agents.* The Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Issuer under this Agreement, and revoke or modify any such designation.

Section 2.4. *Transmission of Notices, Documents and Information.* (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is [www.emma.msrb.org](http://www.emma.msrb.org). (b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. *Fiscal Year.* (a) The Issuer's current fiscal year is January 1-December 31, and the Issuer shall promptly notify (i) the MSRB and (ii) the Trustee of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

## ARTICLE III

### Effective Date, Termination, Amendment and Enforcement

Section 3.1. *Effective Date; Termination.* (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The Issuer's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance of all of the Bonds, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (1) delivers to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. *Amendment.* (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have delivered to the Trustee an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer (such as bond counsel or the Trustee) and acceptable to the Issuer, addressed to the Issuer and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of Bonds pursuant to the Resolution as in effect at the time of the amendment, and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and Trustee, to the effect that performance by the Issuer and the Trustee under this Agreement as so amended will not result in a violation of the Rule and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, or the SEC, and (2) the Trustee shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Issuer in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or

information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. *Benefit; Third-Party Beneficiaries; Enforcement.* (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Trustee on behalf of the holders of Outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The holders' and the Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Issuer or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

## ARTICLE IV

### Definitions

Section 4.1. *Definitions.* The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (I)(a) the following financial information and operating data contained in the Official Statement for each fiscal year of the Issuer, as follows: (i) net revenue and expense data of the type set forth in Part 2 of the Official Statement under the heading "CERTAIN FINANCIAL AND OPERATING MATTERS—Historical Net Income", specifically under the table "Summary Statements of Net Income", and (ii) outstanding indebtedness of the Issuer set forth in Part 2 of the Official Statement under the heading "CERTAIN FINANCIAL AND OPERATING MATTERS—Outstanding Indebtedness"; (b) generation, energy purchases, and power and energy sales of the Authority set forth in Part 2 of the Official Statement under the heading "POWER

SALES”, specifically under the table “Generation, Energy Purchases, and Power and Energy Sales 2014”; and (c) capacity factors or availability factors information by unit; and (II) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in Section 4.1(1) of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the Issuer, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Section 3.2(a) hereof, the Issuer may, if permitted by GAAP, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific provision describing such accounting principles, or other description thereof.

(3) “Counsel” means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(4) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(6) “Notice Event” means any of the following events with respect to the Bonds, whether relating to the Issuer or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (vii) modifications to rights of Bondholders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes.
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional Trustee or the change of name of a Trustee, if material.

(7) “Official Statement” means the Official Statement dated October \_\_, 2015, of the Issuer relating to the Bonds.

(8) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, ss.240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(9) “SEC” means the United States Securities and Exchange Commission.

(10) “State” means the State of New York.

(11) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

(12) “Underwriters” means, collectively, Goldman, Sachs & Co. and Loop Capital Markets LLC.

**ARTICLE V**

**Miscellaneous**

Section 5.1. *Duties, Immunities and Liabilities of Trustee.* Article VII of the Resolution is hereby made applicable to this Agreement as if this Agreement were, solely for this purpose, contained in the Resolution.

Section 5.2. *Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives all as of the date first above written.

POWER AUTHORITY OF THE STATE OF NEW  
YORK

By: \_\_\_\_\_  
An Authorized Representative

THE BANK OF NEW YORK MELLON, as Trustee

By: \_\_\_\_\_

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## LITIGATION

(a) *St. Regis Litigation*

In 1982 and again in 1989, several groups of Mohawk Indians, including a Canadian Mohawk tribe, filed lawsuits against the State, the Governor of the State, St. Lawrence and Franklin counties, the St. Lawrence Seaway Development Corporation, the Authority and others, claiming ownership to certain lands in St. Lawrence and Franklin counties and to Barnhart, Long Sault and Croil islands (the “St. Regis Litigation”). These islands are within the boundary of the Authority’s St. Lawrence-FDR Project and Barnhart Island is the location of significant St. Lawrence-FDR Project facilities. Settlement discussions were held periodically between 1992 and 1998. In 1998, the Federal government intervened on behalf of all Mohawk plaintiffs.

The parties agreed to a land claim settlement, dated February 1, 2005, which if implemented would include, among other things, the payment by the Authority of \$2 million a year for 35 years to the tribal plaintiffs, the provision of up to 9 MW of low cost Authority power for use on the reservation, the transfer of two Authority-owned islands; Long Sault and Croil, and a 215 acre parcel on Massena Point to the tribal plaintiffs, and the tribal plaintiffs withdrawing any judicial challenges to the Authority’s new license, as well as any claims to annual fees from the St. Lawrence-FDR project.

The legislation required to effectuate the settlement was never enacted and the litigation was reactivated. In November 2006, all defendants moved to dismiss the three Mohawk complaints as well as the United States’ complaint based on the lengthy delay in asserting the land claims (i.e., the laches defense).

On September 28, 2012, the U.S. Magistrate recommended dismissal of all land claims brought against the Authority by the three St. Regis tribal factions as well as the Federal government. The U.S. Magistrate upheld the Authority’s laches defense and also recommended dismissal on the same grounds of all claims by the same plaintiffs against the other defendants relating to all but one of the other challenged mainland parcels.

In orders dated July 2013, the Judge assigned to the case accepted the Magistrate’s recommendation and granted the Authority judgment on the pleadings. The Judge accepted all but one of the Magistrate’s other recommendations, which resulted in dismissal of all land claims against the other defendants except those relating to two mainland parcels. Barring an appeal by the plaintiffs, all claims against the Authority have been dismissed and the lawsuit against the Authority is concluded.

The State and the St. Regis Mohawk Tribe (the “Tribe”) have been discussing a settlement of the land claims, as well as other issues between the State and the Tribe. On May 28, 2014, the State, the Tribe, St. Lawrence County and the Authority executed a Memorandum of Understanding (the “St. Regis MOU”) that outlined a framework for the possible settlement of all the St. Regis land claims. In the St. Regis MOU, the Authority endorses a negotiated settlement that, among other terms and conditions, would require the Authority to pay the Tribe \$2 million a year for 35 years and provide up to 9 MW of its hydropower at preference power rates to serve the needs of the Tribe’s Reservation. The St. Regis MOU would require an Act of Congress to forever extinguish all Mohawk land claims prior to such a settlement becoming effective.

Any settlement agreement, including the terms endorsed in the St. Regis MOU, would in the first instance need to be negotiated and agreed upon by all parties to the St. Regis Litigation. In addition, on

or before a final settlement of the litigation, all parties to the St. Regis Litigation would have to agree to a settlement of all outstanding claims, including parties that did not execute the St. Regis MOU, such as the two other Mohawk groups, the federal government and Franklin County. Before any settlement becomes effective and the Authority is obligated to make any payments contemplated by the St. Regis MOU, however, federal and state legislation must be enacted which approves the settlement and extinguishes all Mohawk land claims.

(b) *Tropical Storm Irene*

In August 2012, the County of Schoharie, eight towns and villages therein, and one school district (the “Municipalities”) initiated a lawsuit in Schoharie County Supreme Court against the Authority involving the heavy rains and widespread flooding resulting from Tropical Storm Irene’s passage through the Northeast in August 2011. The Municipalities essentially alleged that they sustained property damage and lost tax revenues resulting from lowered assessed valuation of taxable real property due to the Authority’s negligence in its operations at the Blenheim-Gilboa pumped-storage hydroelectric facility located on the Schoharie Creek in Schoharie County, New York. The Municipalities’ complaint seeks judgment “in an amount to be determined at trial with respect to each [of the ten plaintiffs] in the sum of at least \$5,000,000, plus punitive damages in the sum of at least \$5,000,000” as well as attorney fees. As of October 31, 2014, all of the Municipalities have discontinued their lawsuits against the Authority.

In February 2012, a private landowner filed a similar lawsuit in Schoharie County Supreme Court on behalf of a park campground and makes nearly the same allegations made by the Municipalities with the plaintiff seeking at least \$5 million in damages, at least \$5 million in punitive damages, as well as attorney’s fees. In December 2012, the Authority was served with a third lawsuit by five plaintiffs arising out of Tropical Storm Irene and the Authority’s operation of its Blenheim-Gilboa Pumped Storage Project. The five plaintiffs include three individual landowners owning properties located in Schoharie, NY and Central Bridge, NY and claiming damages in the aggregate amount of \$1.55 million, and two corporations also owning properties in Schoharie, NY and claiming damages in the aggregate amount of \$1.05 million. These plaintiffs previously filed timely notices of claim. On October 27, 2014, the Court granted the Authority’s motion to change the place of trial. The Court directed the Clerk of Court to transfer the proceedings to Albany County. Discovery, which is joined for these two remaining actions, is ongoing.

(c) *Long Island Sound Cable*

In January 2014, one of the Long Island Sound Cable Project underwater cables was severely impacted by an anchor and/or anchor chain dropped by one or more vessels, causing the entire electrical circuit to fail and the circuit breaker to trip. As a result of the impact to the cable, dielectric fluid was released into Long Island Sound. The Authority incurred approximately \$33 million in costs arising out of this incident and has recovered \$10 million from its property claim. The Authority believes that it will be able to recover the full amount of its damages through legal proceedings, other insurance coverage and contractual obligations.

(d) *Miscellaneous*

In addition to these matters, other actions or claims against the Authority are pending for the taking of property in connection with its projects, for negligence, for personal injury (including asbestos-related injuries), in contract, and for environmental, employment and other matters. All of such other actions or claims will in the opinion of the Authority be disposed of within the amounts of the Authority’s insurance coverage, where applicable, or the amounts which the Authority has available therefore and without any material adverse effect on the business of the Authority.

**PART 2**

**of the**

**OFFICIAL STATEMENT**

**of the**

**POWER AUTHORITY OF THE STATE OF NEW YORK**

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**PART 2**  
**of the**  
**OFFICIAL STATEMENT**  
**of the**  
**POWER AUTHORITY OF THE STATE OF NEW YORK**  
**\$\_\_\_\_,\_\_\_\_,\_\_\_\_\***  
**SERIES 2015 A REVENUE BONDS**

**THE AUTHORITY**

The Power Authority of the State of New York (the “Authority”) is a corporate municipal instrumentality and political subdivision of the State of New York (the “State”), created in 1931 and authorized by the Power Authority Act of the State of New York (the “Act”) to help provide a continuous and adequate supply of dependable electric power and energy to the people of the State. Pursuant to the Act, the Authority is authorized to undertake the construction of such hydroelectric or energy storage projects as it deems necessary or desirable to contribute to the adequacy, economy and reliability of the supply of electric power and energy available in its service area or to conserve fuel, and such baseload nuclear generating facilities or other facilities using new energy technologies as in its judgment are necessary to make optimum use of its St. Lawrence-FDR and Niagara facilities, to attract and retain industry and to supply the future needs of the Authority’s municipal and rural electric cooperative customers. The Authority is further authorized, among other things, to construct and/or acquire and complete such baseload generating, transmission and related facilities as it deems necessary or desirable to assist in maintaining an adequate and dependable supply of electricity to the Metropolitan Transportation Authority (the “MTA”), the New York City Transit Authority, the Port Authority of New York and New Jersey (the “Port Authority”), the City, the State, the Federal government, other public corporations and electric corporations within the metropolitan area of the City, and to provide power and energy for use by the Niagara Frontier Transportation Authority (the “NFTA”) or its subsidiary corporation in the operation of a light rail rapid transit system.

Capitalized terms not otherwise defined in this Part 2 of the Official Statement have the meanings set forth in Appendix 1 to this Part 2 of the Official Statement.

**Management**

The governing board of the Authority consists of seven Trustees (the “Board of Trustees”) appointed by the Governor of the State (the “Governor”), with the advice and consent of the State Senate. The current Trustees are:

| <u><b>Trustees</b></u>         | <u><b>Term Expires</b></u> |
|--------------------------------|----------------------------|
| John R. Koelmel, Chairman..... | May 6, 2016                |
| Jonathan F. Foster.....        | May 19, 2013 <sup>†</sup>  |
| Tracy B. McKibben.....         | January 11, 2017           |
| Terrance P. Flynn.....         | May 6, 2017                |
| Anne M. Kress.....             | May 6, 2019                |
| Hon. Eugene L. Nicandri.....   | May 6, 2018                |
| Anthony Picente, Jr.....       | May 6, 2020                |

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\* Preliminary, subject to change.

<sup>†</sup> Continues to serve as Trustee until his successor has been appointed by the Governor and confirmed by the State Senate.

The senior management staff of the Authority includes the following:

Gil C. Quiniones, President and Chief Executive Officer;

Edward A. Welz, Chief Operating Officer;

Robert F. Lurie, Executive Vice President and Chief Financial Officer;

Justin E. Driscoll, Executive Vice President and General Counsel;

Jill Anderson, Senior Vice President, Public Affairs and Business Development, Chief of Staff;

Jennifer Faulkner, Senior Vice President, Internal Audit;

Rocco Iannarelli, Acting Senior Vice President, Enterprise Shared Services;

Joseph Kessler, Senior Vice President, Power Generation;

Soubhagya Parja, Senior Vice President and Chief Risk Officer;

James F. Pasquale, Senior Vice President, Marketing and Economic Development;

Kristine Pizzo, Senior Vice President, Human Resources;

Paul Tartaglia, Senior Vice President, Energy Resource Management;

Bradford Van Auken, Senior Vice President, Operations Support Services and Chief Engineer;

Thomas J. Concadoro, Vice President and Controller; and

Brian C. McElroy, Treasurer.

See “PART 2—APPENDIX 2—BACKGROUNDS OF THE AUTHORITY’S TRUSTEES AND CERTAIN SENIOR MANAGEMENT STAFF.”

### **Executive Management Committee**

The Authority’s Executive Management Committee periodically reviews corporate strategies, policies and programs, and reports, with the Chairman’s concurrence, to the Board of Trustees. Currently, the Executive Management Committee includes the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and Chief Financial Officer, the General Counsel, and certain other members of the senior management staff of the Authority designated by the President and Chief Executive Officer.

### **CERTAIN FINANCIAL AND OPERATING MATTERS**

The Authority’s financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles. The financial statements for the years ended December 31, 2013 and December 31, 2014, were audited by KPMG LLP, independent auditors, whose reports dated March 25, 2014 and March 26, 2015, respectively, expressed unqualified opinions on those statements. Pursuant to continuing disclosure agreements entered into in connection with certain of the Authority’s outstanding debt, the financial statements for the years ended December 31, 2013 and December 31, 2014, respectively, were filed with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system.

## Historical Net Income

The net income of the Authority for the three years ended December 31, 2014 derived from the Statements of Revenues, Expenses and Changes in Net Assets in the financial statements of the Authority for the years ended December 31, 2014, December 31, 2013 and December 31, 2012, are summarized below:

### Summary Statements of Net Income (In millions)

|                            | <u>2014</u>   | <u>2013</u>   | <u>2012</u>   |
|----------------------------|---------------|---------------|---------------|
| Operating Revenues         | \$3,175       | \$3,030       | \$2,673       |
| Operating Expenses         |               |               |               |
| Purchased power            | 996           | 934           | 744           |
| Fuel                       | 361           | 324           | 228           |
| Operations and maintenance | 562           | 566           | 558           |
| Wheeling                   | 614           | 603           | 598           |
| Depreciation               | <u>232</u>    | <u>228</u>    | <u>226</u>    |
| Total Operating Expenses   | <u>2,765</u>  | <u>2,655</u>  | <u>2,354</u>  |
| Operating Income           | 410           | 375           | 319           |
| Non-operating Revenues     | 115           | 90            | 120           |
| Non-operating Expenses     | <u>253</u>    | <u>237</u>    | <u>264</u>    |
| Net Income                 | <u>\$ 272</u> | <u>\$ 228</u> | <u>\$ 175</u> |

## Management's Discussion of Financial Results and Operations

For a more complete statement of management's discussion and analysis, see pages 23-36 of the Authority's financial statements for the year ended December 31, 2014 filed with the EMMA system.

### Financial Results and Operations—2014 vs 2013

#### *Summary*

The Authority had net income of \$272 million for the year ended December 31, 2014, compared to \$228 million in 2013. The current year increase of \$44 million included higher operating income of \$35 million and higher non-operating revenues of \$25 million; which was partially offset by higher non-operating expenses of \$16 million. Operating income was higher primarily due to higher production at Niagara and higher prices on market-based sales of energy into the New York Independent System Operator ("NYISO") market. Severe winter weather conditions caused a significant spike in market energy prices in early 2014. Large increases in purchased power and fuel expenses from year to year were substantially offset by the recovery of such costs through operating revenues. Non-operating revenue was higher primarily due to insurance reimbursements received in the current year and a lower unrealized loss on fixed income securities in the Authority's investment portfolio. Non-operating expenses were higher in 2014 due to higher voluntary contributions to the State (\$25 million) partially offset by a lower interest expense.

During 2014, long-term debt decreased by \$93 million primarily due to scheduled maturities and cash funding of capital expenditures. Interest expense was \$[6] million lower than 2013 primarily due to decreases in interest rates on short-term debt. During the period from 2000 to 2014, the Authority

reduced its total debt/equity ratio from 1.48 in 2000 to 0.40 in 2014. [The current debt/equity ratio of the Authority is \_\_\_\_.]

#### *Operating Revenues*

Operating revenues of \$3,175 million in 2014 increased by \$145 million, or 5%, over operating revenues of \$3,030 million in 2013, primarily due to higher volume of market energy and capacity sales and higher prices on those sales.

#### *Purchased Power and Fuel*

Purchased power costs increased by 7% in 2014 to \$996 million from \$934 million in 2013, primarily due to higher prices (\$133 million) and volumes (\$10 million) of energy purchases and a full year of payment from Hudson Transmission Partners, LLC (“HTP”) (\$30 million). These additional costs were offset by lower costs (\$64 million) as a result of the expiration of the contract with Entergy Corporation (“Entergy”) in 2013 and lower capacity purchases in 2014 (\$42 million). Fuel costs were \$37 million (11%) higher during 2014, primarily due to higher prices (\$46 million) offset by a lower volume (\$9 million). The average price of fuel consumed was higher in 2014 compared to 2013 due to increased fuel prices during the winter months attributable to severe weather conditions.

#### *Operations and Maintenance*

Operations and Maintenance expenses decreased by \$4 million, or 1%, in 2014 to \$562 million, primarily due to a decline in the Recharge New York Power Program (the “RNYPP”) residential consumer discount program expense partially offset by the NYS-Upstate fuel reserve initiative payment.

#### *Non-operating Revenues*

For 2014, non-operating revenues increased by \$25 million, or 28%, primarily due to lower unrealized loss on fixed income securities in the Authority’s investment portfolio as a result of market interest rate fluctuations and an insurance reimbursement received in 2014 for claims on transformer failures. Non-operating revenues for 2014 and 2013 include income recognition of \$71 million and \$72 million, respectively, resulting from a value-sharing agreement relating to the nuclear power plants sold by the Authority to subsidiaries of Entergy in 2000.

#### *Non-operating Expenses*

For 2014, non-operating expenses increased by \$16 million, or 7%, primarily due to higher voluntary contributions (from \$65 million in 2013 to \$90 million in 2014) to the State which were partially offset by a lower interest expense resulting from lower interest rates.

### **June 30, 2015 Financial Results (Unaudited)**

Results for the six months ended June 30, 2015 (\$28 million) were \$112 million lower than the same period last year (\$140 million). Current year results included lower operating income \$88 million due to lower hydroelectric production and lower energy prices on market-based sales, lower non-operating income due to the expiration of the value sharing agreements with Entergy (\$53 million); partially offset by lower non-operating expenses (\$29 million). Lower hydroelectric production resulted from low precipitation and less than normal winter ice thaw early in the year. A significant drop in natural gas prices late in 2014 and the beginning of 2015 contributed to the decline in prices on market-based sales.

Non-operating expenses were lower primarily due to the timing of a \$25 million contribution to the State, which was made subsequent to the end of the period on July 30, 2015.

Net income for the year ended December 31, 2015, is estimated to be approximately \$[\_\_\_] million compared to the originally budgeted amount of \$206 million. Primary reasons for the estimated variance from the 2015 budget include lower generation at the Niagara and St. Lawrence-FDR hydroelectric facilities due to lower than expected precipitation at the beginning of the year, and lower energy prices for the Authority's sales into the NYISO market.

### **500-MW Plant and Cessation of Operation of Poletti Plant**

The Authority's 500-MW Plant entered into commercial operation on December 31, 2005. In connection with the licensing of that facility, the Authority executed an agreement that resulted in the cessation of operation of its Poletti generating plant (which had entered into service in 1977) on January 31, 2010 (see "PART 2—THE AUTHORITY'S FACILITIES—Generation—500-MW Combined-Cycle Electric-Generating Plant; Closure of Poletti Plant").

### **Astoria Energy II Plant**

The Authority entered into a long-term electricity supply agreement with Astoria Energy II LLC in 2008 for the purchase of the output of a natural-gas fueled generating plant proposed to be constructed in Astoria, Queens to serve the needs of the Authority's major governmental customers in the City ("NYC Governmental Customers"), including the MTA, the City, the Port Authority, the New York City Housing Authority (the "Housing Authority"), and the New York State Office of General Services (the "OGS"). The 550-MW plant (the "Astoria Energy II plant") entered into commercial operation on July 1, 2011. See "PART 2—POWER SALES—Marketing Issues and Developments—Item (8)" for a discussion of related financial matters.

### **Hudson Transmission Partners, LLC Project**

In 2011, the Authority executed a firm transmission capacity purchase agreement (the "FTCPA") with HTP with respect to a 345 kV underground/submarine transmission line extending from Bergen County, New Jersey to Consolidated Edison Company of New York, Inc.'s ("Con Edison") West 49th Street substation in midtown Manhattan. See "PART 2—POWER SALES—Marketing Issues and Developments—Item (7)" for a discussion of related financial matters.

### **Certain Governmental Customer Long-Term Agreements**

The Authority and the NYC Governmental Customers have entered into long-term agreements (the "2005 Agreements"). Under the 2005 Agreements, the NYC Governmental Customers have agreed to purchase their electricity from the Authority through December 31, 2017. The NYC Governmental Customers have the right to terminate service from the Authority at any time on three years' notice provided that they compensate the Authority for any above-market costs associated with certain of the resources used to supply the NYC Governmental Customers and, under certain limited conditions, on one year's notice. For a discussion of the 2005 Agreements, see "PART 2—POWER SALES—Marketing Issues and Developments—Item (1)."

### **Legislation Relating To Certain Authority Power Allocation Programs**

Legislation enacted into law in 2011 created the RNYPP, an economic development power program that commenced July 1, 2012. The program utilizes up to 455 MW of hydropower from the Authority's

Niagara and St. Lawrence-FDR projects combined with up to 455 MW of market-based power purchases (see “PART 2—POWER SALES—Marketing Issues and Developments—Item (4)”). Legislation enacted into law in 2012 created the Western New York Power Proceeds Act (the “WNYPPA”), which authorizes the Authority, as deemed feasible and advisable by its Trustees, to deposit net earnings from the sale of certain unallocated Expansion Power (“EP”) and Replacement Power (“RP”) from the Authority’s Niagara project into an account administered by the Authority known as the Western New York Economic Development Fund (the “Western NY Fund”). (see “PART 2—POWER SALES—Marketing Issues and Developments—Item (5)”). Legislation enacted into law in 2014 created the Northern New York Power Proceeds Act (the “NNYPPA”), which authorizes the Authority, as deemed feasible and advisable by its Trustees, to deposit net earnings from the sale of unallocated St. Lawrence County Economic Development Power (“SLCEDP”) by the Authority into an account administered by the Authority known as the Northern New York Economic Development Fund (the “Northern NY Fund”) (see “PART 2—POWER SALES—Marketing Issues and Developments—Item (6)”).

### **State Pension Plans and Other Postemployment Benefits**

The Authority and substantially all of its employees participate in the New York State and Local Employees’ Retirement System (the “ERS”) and the Public Employees’ Group Life Insurance Plan (the “Plan”). These are cost-sharing, multiple-employer defined benefit retirement plans. The ERS and the Plan provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (the “NYSRSSL”). As set forth in the NYSRSSL, the State Comptroller serves as sole trustee and administrative head of the ERS and the Plan. The ERS is contributory except for employees who joined the ERS on or prior to July 27, 1976. Employees who joined between July 28, 1976 and December 31, 2009 and have less than ten years of service contribute 3% of their annual salary. Employees who joined the ERS on or after January 1, 2010 contribute 3% of their salary during their entire length of service. Employees who joined the ERS on or after April 1, 2012 contribute 3% of their salary through March 31, 2013 and up to 6% thereafter, for the entire length of their service. Under the authority of the NYSRSSL, the State Comptroller certifies annually the rates expressed as proportions of payroll of members, which are used in computing the contributions required to be made by employers.

The Authority is required to contribute to the ERS and the Plan at an actuarially determined rate. The required contributions for 2014, 2013 and 2012 were \$28 million, \$29 million and \$27 million, respectively. The Authority’s contributions made to the ERS were equal to 100% of the required contributions for each year. A decline in financial markets could adversely impact state pension investment market values, including those of the ERS. If ERS’s investment market values are adversely impacted, increases in the annual contributions to ERS in subsequent years may occur. The average contribution rate relative to payroll for the fiscal year ended March 31, 2014 was 19%. The average contribution rates relative to payroll for the fiscal years ended March 31, 2015 and 2016 have been set at approximately 18% and 17%, respectively.

Regarding the Authority’s Other Postemployment Benefits (“OPEB”) obligations, the Authority provides certain health care and life insurance benefits for eligible retired employees and their dependents under a single employer noncontributory (except for certain optional life insurance coverage) health care plan. Employees and/or their dependents become eligible for these benefits when the employee has at least 10 years of service and retires or dies while working at the Authority. Approximately 4,400 participants, including 1,600 current employees and 2,800 retired employees and/or spouses and dependents of retired employees, were eligible to receive these benefits at December 31, 2014.

Through 2006, OPEB provisions were financed on a pay-as-you-go basis and the plan was unfunded. In December 2006, the Authority's Trustees authorized staff to establish a trust for OPEB obligations, with the trust fund to be held by an independent custodian. Prior to 2009, the Authority funded the trust with contributions totaling \$225 million. Plan members are not required to contribute to the trust. In 2011, the Authority's Trustees approved ongoing annual funding of the trust in order to strengthen the trust's financial position. Contributions of \$17 million and \$22 million were made to the trust in 2014 and 2013, respectively. The Authority expects to make a contribution of approximately \$13 million to the trust prior to December 31, 2015 based on its 2014 biennial valuation report. The Authority's actuarial valuations are performed biennially. The Authority's most recent valuation was performed as of January 1, 2014 and resulted in actuarial accrued liability of \$575 million which was funded with assets totaling \$422 million, indicating that the Authority's retiree health plan was 73% funded as of the valuation date. As of December 31, 2014, the balance in the trust was \$467 million and the actuarial accrued liability was approximately \$606 million. As of June 30, 2015, the balance in the trust totaled \$477 million and the actuarial accrued liability was \$642 million.

The OPEB trust assets and all income therefrom do not and will not form part of the Trust Estate, and the 2015 A Bonds are not and will not be payable from or secured by the OPEB trust.

For a further discussion of these matters, see the Authority's financial statements for the year ended December 31, 2014, Note 9 and Required Supplementary Information.

### **Hydroelectric Power Curtailment**

From time to time, below average water levels in the Great Lakes reduce the amount of water available to generate power at the Authority's Niagara and St. Lawrence-FDR Projects, thereby requiring the periodic curtailment of electricity supplied to the Authority's customers from these Projects (see "PART 2—POWER SALES—St. Lawrence-FDR and Niagara"). Below average water levels in the Great Lakes were experienced during the 1920s, the 1930s, the 1960s, and the early 2000s.

### **Outstanding Indebtedness**

As of June 30, 2015, the total outstanding indebtedness of the Authority consisting of Revenue Bonds issued under the General Resolution Authorizing Revenue Obligations, adopted February 28, 1998, as amended and supplemented (the "General Resolution"), the Adjustable Rate Tender Notes (the "ART Notes"), the Authority's Commercial Paper Notes (the "CP Notes"), and the Extendible Municipal Commercial Paper Notes (the "EMCP Notes") was \$1,575,808,000. After the issuance of the Series 2015 A Bonds and the application of the proceeds thereof to the refunding of \$74.590 million of the Series 20006A Revenue Bonds, the Authority will have outstanding (i) senior indebtedness of approximately \$1,027,015,000, consisting of \$[940,900,000] in Revenue Bonds and \$86,115,000 of ART Notes, and (ii) approximately \$548,793,000 of Subordinated Indebtedness, as defined in the General Resolution, consisting of the CP Notes, EMCP Notes and the Authority's Subordinated Notes, Series 2012.

Additionally, for a discussion of certain interest rate and energy swap agreements that the Authority has entered into and may enter into, see "PART 1—SECURITY FOR THE 2015 A Bonds—Additional Debt Issuance."

The Authority has entered into a revolving credit agreement with banks to provide liquidity support for the CP Notes. The agreement relating to the CP Notes provides for the Authority to borrow up to \$600 million; the agreement terminates on January 20, 2017. The Authority's obligation to reimburse the respective banks for any borrowing therefrom pursuant to the revolving credit agreement constitutes

Subordinated Indebtedness. Any other payments under the revolving credit agreement will constitute Subordinated Contract Obligations.

### Debt Service Requirements for Revenue Bonds

The following table shows the debt service for the Authority's outstanding Revenue Bonds, subsequent to the issuance of the Series 2015A Bonds.

| Calendar<br>Year <sup>(1)</sup> | Outstanding Bonds       |                         | 2015 A Bonds   |               | Total <sup>(2)</sup> |
|---------------------------------|-------------------------|-------------------------|----------------|---------------|----------------------|
|                                 | Principal (\$)          | Interest (\$)           | Principal (\$) | Interest (\$) |                      |
| 2015                            | \$ 40,453,111.11        | \$ 45,110,507.02        |                |               |                      |
| 2016                            | 42,467,361.11           | 43,079,921.10           |                |               |                      |
| 2017                            | 44,494,111.11           | 40,932,652.14           |                |               |                      |
| 2018                            | 46,866,444.44           | 38,695,577.27           |                |               |                      |
| 2019                            | 49,151,944.44           | 36,354,961.34           |                |               |                      |
| 2020                            | 51,254,333.33           | 33,877,407.52           |                |               |                      |
| 2021                            | 51,652,000.00           | 31,344,442.39           |                |               |                      |
| 2022                            | 36,569,638.89           | 28,761,683.52           |                |               |                      |
| 2023                            | 15,171,055.56           | 26,843,289.78           |                |               |                      |
| 2024                            | 16,008,083.33           | 26,005,443.58           |                |               |                      |
| 2025                            | 16,899,472.22           | 25,112,794.90           |                |               |                      |
| 2026                            | 17,841,500.00           | 24,169,526.51           |                |               |                      |
| 2027                            | 19,258,277.78           | 23,171,571.22           |                |               |                      |
| 2028                            | 23,199,833.33           | 22,092,448.93           |                |               |                      |
| 2029                            | 24,501,333.33           | 20,790,246.64           |                |               |                      |
| 2030                            | 25,923,500.00           | 19,404,369.76           |                |               |                      |
| 2031                            | 27,613,055.56           | 17,938,028.48           |                |               |                      |
| 2032                            | 29,173,916.67           | 16,377,516.33           |                |               |                      |
| 2033                            | 28,809,194.44           | 14,729,637.19           |                |               |                      |
| 2034                            | 16,703,194.44           | 13,104,031.30           |                |               |                      |
| 2035                            | 17,634,583.33           | 12,175,774.68           |                |               |                      |
| 2036                            | 18,615,972.22           | 11,195,436.00           |                |               |                      |
| 2037                            | 18,781,666.67           | 10,160,161.29           |                |               |                      |
| 2038                            | 13,812,555.56           | 9,108,956.85            |                |               |                      |
| 2039                            | 13,935,416.67           | 8,289,284.58            |                |               |                      |
| 2040                            | 14,767,444.44           | 7,455,249.89            |                |               |                      |
| 2041                            | 15,653,833.33           | 6,571,418.34            |                |               |                      |
| 2042                            | 16,590,861.11           | 5,634,536.41            |                |               |                      |
| 2043                            | 17,577,777.78           | 4,646,819.96            |                |               |                      |
| 2044                            | 18,563,083.33           | 3,659,063.89            |                |               |                      |
| 2045                            | 19,452,555.56           | 2,772,475.14            |                |               |                      |
| 2046                            | 20,378,305.56           | 1,845,860.14            |                |               |                      |
| 2047                            | 18,508,555.56           | 877,586.39              |                |               |                      |
| <b>TOTAL<sup>(2)</sup></b>      | <b>\$848,283,972.21</b> | <b>\$632,288,680.48</b> |                |               |                      |

(1) Debt service amounts are for the years in which they accrue, not for the years in which they are paid.

(2) Amounts may not add to total due to rounding.

Figures above do not reflect outstanding commercial paper, adjustable rate tender notes or 2012 Subordinate Notes.

## Projected Capital and Financing Requirements and Other Potential Initiatives

The Authority currently estimates that it will expend approximately \$1,861 million for various capital improvements over the five-year period 2015-2019, some of which have already been made as of the date of this Official Statement. The Authority anticipates that these expenditures will be funded by existing construction funds, customer receipts, internally generated funds, and additional borrowings of approximately [\$190] million during the period 2015-2019. It is anticipated that such borrowings will be used to fund costs associated with the modernization of a pump-generating plant with storage reservoir, and power transformation and transmission facilities (the “Lewiston Pump-Generating Plant”) at the Niagara Project, and a life extension and modernization program of the Authority’s transmission system including an upgrade of the Moses Adirondack Transmission Lines 1 and 2 (see “PART 2—THE AUTHORITY’S FACILITIES—Generation—*Niagara*; Transmission—*The Authority’s Transmission System*”).

The Authority’s projected capital requirements for the period 2015-2019 are set forth below:

| <b><u>Projects</u></b>  | <b>Estimated Total<br/>Expenditures<br/>Over 5-Year<br/>Period 2015-2019<br/>(in millions)</b> |
|---|--|
| Smart Grid G&T Implementation.....                                    | \$ 274   |
| Plant Modernization Program-LEM (Lewiston Pump Generating Plant)..... | 263  |
| Moses Adirondack 1 and 2 Transmission Line – 230kV.....               | 204  |
| Switchyard Modernization Programs .....                               | 90   |
| Information Technology Infrastructure/Initiatives .....               | 90   |
| Breaker and Relays Replacement Programs .....                         | 85   |
| Robert Moses Niagara Project Upgrade Program.....                     | 61   |
| High Voltage Initiative .....   | 50   |
| Substation Upgrades.....  | 45   |
| Relicensing and Compliance .....                                      | 28   |
| R-22 Inlet Chiller Systems.....                                       | 26   |
| Marcy-South Series Compensation .....                                 | 24   |
| St. Lawrence – New Security and Warehouse Facility.....               | 22   |
| St. Lawrence Headgate Automation .....                                | 20   |
| Install Advanced Hot Gas Path Components.....                         | 20   |
| Niagara Stator Rewind and Restack Project Phase III .....             | 19   |
| PV-20 Submarine Cable .....   | 18   |
| St. Lawrence Generator Step-Up Transformer Replacement .....          | 18   |
| Small Hydro Facilities-Units Upgrades.....                            | 16   |
| Robert Moses Niagara Project - Governor and Controls Upgrade .....    | 16   |
| 765/230 kV Multi-Unit Autotransformer Replacement.....                | 15   |
| Implementation of CIP Version 5 Standard Requirements.....            | 12   |
| Rotor Modification for Stress Redistribution .....                    | 12   |
| Flynn Major Outage – New Parts .....                                  | 10   |
| SCPP Black Start (Hellgate and Harlem River) .....                    | 9  |
| Other (projects less than \$9 million).....                           | <u>305</u>   |
| Total.....  | <u>\$1,861</u>   |

In addition, the Authority’s capital plan includes the provision of [\$1,016] million in financing for energy services and technology projects to be undertaken by the Authority’s governmental customers and other public entities in the State (see “PART 2—CUSTOMER ENERGY SOLUTIONS”). The Authority

anticipates that net debt issuance associated with the energy services program will be approximately [\$25] million over the five-year period due to principal recoveries from energy service program participants which are used to retired existing debt. It should also be noted that due to projects currently under review as well as energy initiatives announced by the Governor from time to time, there is a potential for significant increases in the capital expenditures indicated in the table above. Such additional capital expenditures would be subject to evaluation and Trustee approval.

In December 2012, the Authority's Trustees approved a \$726 million Transmission Life Extension and Modernization Program (the "Transmission LEM Program") on the Authority's Transmission system through 2025. The Transmission LEM Program encompasses transmission assets in the Central, Northern and Western regions of New York and will include work to be done such as upgrades, refurbishments and replacements associated with switchyards and substations, transmission line structures or towers and associated hardware and replacement of the submarine cable on the PV-20 line. Reinvestment in this strategic component of the Authority's overall mission supports the repair, upgrade and/or expansion of the transmission infrastructure. The Authority intends to finance the Transmission LEM Program with internal funds and proceeds from debt obligations to be issued by the Authority. The work on the Transmission LEM Program is underway and is expected to continue through 2025.

The Authority's Trustees approved a \$460 million Life Extension and Modernization Program at the Niagara project's Lewiston Pump-Generating Plant (the "Lewiston LEM Program"), of which \$300 million of expenditures have been authorized and \$131 million spent as of December 31, 2014. The work to be done includes a major overhaul of the plant's 12 pump turbine generator units. The Lewiston LEM Program will increase pump and turbine efficiency, operating efficiency, and the peaking capacity of the overall Niagara project. The Authority filed an application with the Federal Energy Regulatory Commission ("FERC") for a non-capacity license amendment in connection with the program. The amendment was approved with a FERC order issued in 2012. The Authority intends to finance the Lewiston LEM Program with internal funds and proceeds from debt obligations to be issued by the Authority. The unit work began in late 2012 and is on-going, with the final unit expected to be completed in 2020.

By order issued March 15, 2007, FERC issued the Authority a new 50-year license for the Niagara Project effective September 1, 2007. In doing so, FERC approved six relicensing settlement agreements entered into by the Authority with various public and private entities. In 2007, the Authority estimated that the capital cost associated with the relicensing of the Niagara project would be approximately \$495 million. This estimate does not include the value of the power allocations and operation and maintenance expenses associated with several habitat and recreational elements of the settlement agreements.

In 2014, the Authority adopted a strategic plan that focuses on modernization of the Authority's generation and transmission infrastructure to increase flexibility and resiliency in serving customers' needs in an increasingly dynamic energy marketplace (the "Strategic Plan"). The six strategic initiatives that comprise this plan are in varying stages of review, development and implementation. These strategic initiatives are: (1) Customer Solutions – to develop innovative, cost-effective and resilient energy solutions that enable customers to achieve their energy goals in new ways; (2) Asset Management – to strengthen investment planning through enhanced use of technology, data, people and processes; (3) Smart Generation and Transmission – to deploy advanced technologies that ensure that grid operations become increasingly intelligent; (4) Workforce Planning – to identify and acquire the skills that the Authority will need to succeed, through internal training, succession planning, employee retention and external recruiting; (5) Knowledge Management – to promote enhanced sharing of information and knowledge as part of day-to-day operations; and (6) Process Excellence – to enhance processes in order to optimize resources and costs, manage risk, and reduce environmental impact. The implementation of these initiatives extends up to 2025 with an estimated cost of \$1.2 billion, the majority of which will be

recoverable through rates and services revenue. The Strategic Plan was updated in 2015 and is expected to be updated annually.

In addition to the above, the Authority is embarking on several other initiatives, which are currently in varying stages of development. The Authority has several other potential initiatives in varying stages of review and/or development which if they come to fruition will involve significant additional capital and/or operating expenses.

The construction costs of any other future facilities or any other improvements to existing facilities may be financed with the proceeds of additional Obligations, as defined in the General Resolution (see “PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION”), or other debt issued by the Authority or through the use of existing construction funds or internal sources.

The Authority may issue additional Obligations under the General Resolution or additional Subordinated Indebtedness, as defined in the General Resolution, under subordinate resolutions for any purpose of the Authority authorized by the Act or other then-applicable State statutory provision. The principal amount of the Obligations or Subordinated Indebtedness which may be issued under the General Resolution or under subordinate resolutions, respectively, is not limited, and there is no debt service coverage or historical or projected earnings test that must be satisfied as a precondition to any such issuance. If Obligations are issued to finance a project (other than a Separately Financed Project as defined in the General Resolution), then the revenues from such project would be part of the Trust Estate, as defined in the General Resolution. The Authority may also determine to finance an additional project from internal funds, from bank borrowings, from bonds, notes or other obligations issued pursuant to a resolution other than the General Resolution, or from other sources; if such project qualifies as a Separately Financed Project, as defined in the General Resolution, the revenues from such additional project would not be Revenues under the General Resolution, and therefore not available to pay the 2015 A Bonds. The Authority currently does not have any Separately Financed Projects.

### **Voluntary Contributions to the State**

The Authority is requested, from time to time, to make financial contributions to the State. In May 2011, the Authority’s Trustees adopted a policy statement (the “Policy Statement”) which relates to, among other things, voluntary contributions, transfers, or other payments to the State by the Authority after that date. The Policy Statement provides, among other things, that in deciding whether to make such contributions, transfers, or payments, the Authority shall use as a reference point the maintenance of a debt service coverage ratio of at least 2.0, in addition to making the other determinations required by the General Resolution. The Policy Statement may at any time be modified or eliminated at the discretion of the Authority’s Trustees.

Legislation enacted into law, as part of the 2000-2001 State budget and subsequent State budgets, as amended up to the present time, has authorized the Authority as deemed feasible and advisable by the Authority’s Trustees, to make a series of voluntary contributions into the State treasury (a) in connection with the Power for Jobs (the “PFJ Program”) and (b) for other purposes as well. Cumulatively through December 31, 2012, the Authority made voluntary contributions to the State totaling \$475 million in connection with the PFJ Program. The PFJ Program ended on June 30, 2012 and was replaced by the RNYPP. See “(see “PART 2—POWER SALES—Marketing Issues and Developments—Item (4))”.

In 2014 and 2013, the Authority made \$90 million and \$65 million, respectively, in contributions to the State that were not related to the PFJ Program. These contributions were authorized by the Authority’s Trustees and were consistent with the related State fiscal year budgets. Cumulatively, between January

2008 and December 31, 2014, the Authority has made voluntary contributions to the State totaling \$582 million unrelated to the PFJ program.

Section 19 of Part I of Chapter 60 of the Laws of 2015, which is part of the State's Enacted Budget for State fiscal year 2015-16 ("Chapter 60"), authorizes the Authority as deemed "feasible and advisable by its trustees" to provide up to \$90 million in contributions to the State's general fund, or as otherwise directed in writing by the State's director of the budget, whereupon such funds "will be utilized to support energy-related initiatives of the state or for economic development purposes." In addition, Chapter 60 specifies that up to \$25 million is to be considered for payment by June 30, 2015 and the remainder of any such contribution considered for payment by March 31, 2016. Subsequent to enactment of Chapter 60, the Authority and the New York State Division of the Budget mutually agreed that the amount up to \$25 million payable by June 30, 2015 will not be considered for payment until July 30, 2015. From January through June 30, 2015, the Authority made contributions of \$65 million to the State, including to Empire State Development ("ESD"). In accordance with Chapter 60, the State's Director of the Budget formally requested that the Authority transfer on July 30, 2015 the sum of \$25 million to the credit of ESD in furtherance of ESD's Statewide economic development initiatives. The Authority made a \$25 million contribution for such purposes on July 30, 2015 to ESD.

In addition to the voluntary contributions described above, Section 3 of Subpart H of Part C of Chapter 20 of the Laws of 2015 ("Chapter 20"), which became effective upon enactment on June 26, 2015, authorizes the Authority as deemed "feasible and advisable by its trustees" to provide up to \$6 million in additional contributions to the State's general fund, or as otherwise directed in writing by the State's director of the budget for the state fiscal year commencing April 1, 2015.

For additional information relating to voluntary contributions, see the Authority's financial statements for the year ended December 31, 2014, management's discussion and analysis, "Economic Conditions", and "Note 11 - Commitments and Contingencies – (e) New York State Budget and Other Matters."

### **Temporary Transfer of Funds to State**

By budget legislation enacted in February 2009, the Authority was requested to provide temporary asset transfers to the State of funds held in reserves. Pursuant to the terms of a Memorandum of Understanding dated February 2009 (the "MOU") between the State, acting by and through the Director of the Budget of the State, and the Authority, the Authority agreed to transfer approximately \$215 million associated with its spent nuclear fuel reserves (Asset B) by March 27, 2009. The spent nuclear fuel reserves are funds that had been set aside for payment to the federal government sometime in the future when the federal government accepts the spent nuclear fuel for permanent storage. The MOU provides for the return of these funds to the Authority, subject to appropriation by the State Legislature and other conditions, at the earlier of the Authority's payment obligations related to such spent nuclear fuel or September 30, 2017. Further, the MOU provides for the Authority to transfer \$103 million of funds set aside for future construction projects (Asset A), which amounts would be returned to the Authority, subject to appropriation by the Legislature and other conditions, at the earlier of when required for operating, capital or debt service obligations of the Authority or September 30, 2014. Both transfers were approved by the Authority's Trustees and made in 2009.

The MOU provides that the obligation of the State to return all or a portion of an amount equal to the moneys transferred by the Authority to the State is subject to annual appropriation by the State Legislature and would not constitute a debt of the State within the meaning of any constitutional or statutory provision, would be deemed executory only to the extent of monies available to the State, and no liability would be incurred by the State beyond monies available for such purpose. Further, the MOU provides that as a condition to any such appropriation for the return of the monies earlier than September 30, 2017 for the spent nuclear fuel reserves and earlier than September 30, 2014 for the

construction projects, the Authority must certify that the monies available to the Authority are not sufficient to satisfy the purposes for which the reserves, which are the source of the funds for the transfer, were established. In lieu of interest payments, the State has waived certain future payments from the Authority to the State. In 2014, the Authority and the State executed an Amendment to the MOU which provides that the State shall, subject to appropriation by the State Legislature, return the \$103 million (Asset A) in five installments over five State fiscal years. The Authority received the first installment of \$18 million on October 1, 2014 and the second installment of \$21 million on September 17, 2015. For a further discussion of this matter and litigation challenging the asset transfers, see the Authority's financial statements for the year ended December 31, 2014, management's discussion and analysis, "Economic Conditions", and Note 11 - Commitments and Contingencies – (e) New York State Budget and Other Matters.

### **Nuclear Plant Sale Matters**

Pursuant to a purchase and sale agreement between the Authority and two subsidiaries of Entergy (the "Entergy Subsidiaries"), on November 21, 2000, the Authority sold the Indian Point 3 and FitzPatrick nuclear plants to the Entergy Subsidiaries for cash and non-interest bearing notes totaling \$967 million (subsequently reduced by closing adjustments to \$956 million) maturing over a 15-year period. For a further discussion of matters relating to this sale, see the Authority's financial statements for the year ended December 31, 2014, Note 10.

## **NEW YORK INDEPENDENT SYSTEM OPERATOR**

### **New York Independent System Operator Arrangement**

In 1999, two not-for-profit organizations, the NYISO and the New York State Reliability Council (the "Reliability Council"), were established. The mission of the NYISO is to assure the reliable, safe and efficient operation of the State's major transmission system, to provide open-access non-discriminatory transmission services and to administer an open, competitive and non-discriminatory wholesale market for electricity in the State. The mission of the Reliability Council is to promote and preserve the reliability of electric service on the NYISO's system by developing, maintaining, and, from time to time, updating the reliability rules relating to the transmission system (the "Reliability Rules"), to be complied with by the NYISO and all entities engaging in electric transmission, ancillary services, energy and capacity transactions. The Authority, each of the current investor-owned utilities (the "IOUs") and the Long Island Power Authority ("LIPA") are among the many "Market Participants" (which includes any person engaged in the wholesale sale, transmission or purchase of electric energy) in the NYISO and members of the Reliability Council.

In addition to the IOUs, LIPA and the Authority, any Market Participant, including organizations representing residential and/or small commercial consumers and environmental organizations, may be members of the NYISO. The NYISO is governed by a Board of Directors consisting of the President of the NYISO and nine individuals. No member of the NYISO Board of Directors is able to own shares in or have a continuing business relationship with any Market Participant. The President of the NYISO is chosen by the other nine directors and is responsible for the day-to-day operation of the NYISO. The Authority is adequately represented on each of the NYISO's several committees, which are subject to the oversight of the Board of Directors, and on the Executive Committee of the Reliability Council, which consists of thirteen members which govern the Reliability Council.

On December 1, 1999, the NYISO officially assumed control of the State's electric power grid pursuant to tariffs and market rules approved by FERC.

The NYISO dispatches power from generating facilities, including the Authority's units, based on the bid curves submitted by each of the generators. The NYISO coordinates the reliable dispatch of power and operates markets for the sale of electricity and ancillary services within the State. The NYISO collects charges associated with the use of the transmission facilities and the sale of energy, capacity, and services through the markets that it operates and remits those proceeds to the owners of the facilities in accordance with its tariff and to the sellers of the electricity and services in accordance with their respective bids and applicable NYISO market procedures. See "NYISO Market Procedures" and "Certain Authority Plant Outage Risks" below.

Under the NYISO Open Access Transmission Tariff, certain charges for ancillary services (which include NYISO operating costs), congestion, losses, and a portion of the Authority's transmission costs are assessed against the Authority and other entities responsible for serving ultimate customers. Because such costs are currently passed through to most Authority customers, the Authority remains active in its participation in the governance affairs of the NYISO markets.

### **NYISO Market Procedures**

Under NYISO procedures, Load Serving Entities ("LSEs") represent electricity end-users in dealings with the NYISO. The Authority is an LSE for large segments of its load in the State and must ensure it has sufficient installed capacity to meet its customers' needs and NYISO reliability rules, either through ownership of such capacity, bilateral installed capacity purchase contracts or auction purchases conducted by the NYISO (for a discussion of these installed capacity requirements relating to the City and Long Island, see "NYISO Capacity Requirements Matters," below, and "PART 2—CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—New York State Electric Utility Industry Restructuring Matters —New York City and Long Island Local Reliability Rule").

As an LSE, the Authority is also obligated to ensure that it has enough energy to meet its customers' load requirements. The energy needs can be met in the NYISO regime through the Authority's own generation, bilateral purchases from others, or purchases of energy in the NYISO "day-ahead" market (the "DAM") (wherein bids are submitted for energy to be delivered the next day) or in the NYISO "real time" market. A bilateral purchase is a transaction where a generator or a power marketer which has access to power and an LSE agree upon a specified amount of energy being supplied to the LSE by the generator or power marketer at specified prices.

Generators may bid their energy into the DAM and/or the real time market. However, generators whose installed capacity has been sold must then bid the energy from such claimed capacity into the DAM. To satisfy this requirement, the Authority bids into the DAM all of the Authority generation it claims to meet installed capacity requirements, which consists of virtually all of its generation. The Authority also bids the generation into the real time market in such amounts and at such bids as the Authority deems appropriate.

The NYISO evaluates the bids submitted in the DAM and the real time markets by generators and in the real time market dispatches the units on the basis of economic and reliability considerations to meet load needs at any point in time. Unless governed by a bilateral arrangement, the price a generator is paid and the price paid to the NYISO by an LSE purchasing energy is dependent upon the results of the bidding process and system conditions (for a discussion of certain NYISO rules having an impact on the bidding procedures, see "NYISO Mitigation Measures" below). A significant feature of the NYISO energy markets is that prices are determined on a location-specific basis taking into account local generating bids submitted and the effect of transmission congestion and electrical losses between regions of the State.

The Authority, being an LSE and a generator, may choose to meet its LSE load requirements by a combination of (1) bilateral arrangements, which, in the Authority's case, would mean specified Authority generation and purchased energy under contractual arrangements, linked to specified Authority loads, and (2) purchases in the DAM or the real time market. The Authority's ownership of certain transmission-related rights serves to reduce uncertainty concerning congestion costs to the Authority of such bilateral arrangements and energy market transactions.

### **Certain Authority Plant Outage Risks**

The NYISO administers the DAM and the real time market through which suppliers and purchasers of energy and ancillary services can sell and acquire such products. The Authority participates in these markets as both a buyer and a seller of electricity and ancillary services.

Because of NYISO installed capacity reserve requirements, the Authority is required to bid into the DAM virtually all of the installed capacity of its units. The NYISO then decides which Authority units will be dispatched, if any, and how much of each unit's generation will be dispatched. The dispatch of a particular unit's generation depends upon the bid prices for the unit submitted by the Authority, bids submitted by other generators, the amount of generation needed by the NYISO to meet expected demand and transmission limitations. If an Authority unit is dispatched by the NYISO, the Authority receives a fixed price for each hour (the "Market Clearing Price"), based on NYISO pricing methodology, for the energy dispatched above that designated by the Authority as bilateral arrangement generation (the "Excess Energy"). As to the energy provided under the bilateral arrangements (the "Contract Energy"), the Authority receives the price in its contracts with its customers (the "Contract Price").

This procedure has provided the Authority with economic benefits from its units' operation when selected by the NYISO and may do so in the future. However, such selections in the DAM also obligate the Authority to supply the energy in question during a specified time period (the "Short-Term Period") if the unit is selected. If a forced outage occurs at the Authority plant which is to supply such energy, then the Authority is obligated to pay during the Short Term Period (1) in regard to the Excess Energy amount, the difference between the price of energy in the NYISO real time market and the Market Clearing Price in the DAM, and (2) in regard to the Contract Energy amount, the price of energy in the NYISO real time market which is offset by the Contract Price. This real time market price may be subject to more volatility than the DAM price. The risk attendant with this outage situation is that, under certain circumstances, the Market Clearing Price in the DAM and the Contract Price may be well below the price in the NYISO real time market, with the Authority having to pay the difference. In times of maximum energy usage, this cost could be substantial. In addition to the risk associated with Authority generation bids into the DAM, the Authority could incur substantial costs in times of maximum energy usage in purchasing replacement energy for its customers in the DAM or through other supply arrangements to make up for lost energy due to an extended outage of its units and non-performance of counterparties to energy supply contracts.

As part of an ongoing risk mitigation program, the Authority implements financial hedging techniques to cover, among other things, future maximum energy usage periods and uses its various resources for outage risk mitigation purposes. In addition, the NYISO has implemented a FERC-approved bid cap on generator bids into the DAM and the real time market. The bid cap, which remains in effect until further FERC action, serves to limit the Authority's outage loss exposure.

Also, as noted above, economic benefits are derived by the Authority from this bidding mechanism when its units are operating. These benefits could serve to offset any losses which may be suffered by the Authority due to outage situations, the amount of such offset being dependent upon the amount of aggregate benefits derived by the Authority and the severity of the losses suffered as a result of such

outages. Consequently, any use of these economic benefits for this offset purpose would serve to reduce the amount of these economic benefits available to meet outage expenses.

There can be no guarantee, however, that even with any protective hedging techniques, offsetting economic benefits, and a bid cap, the Authority would not suffer substantial economic loss in the future if one or more of its units were to suffer a forced outage during a maximum energy usage period or an extended forced outage period or a counterparty failed to perform under its energy supply contract.

### **NYISO Energy and Capacity Market Mitigation Measures**

Pursuant to FERC approval, the NYISO implemented the Automated Mitigation Procedure (the “AMP”) to apply mitigation thresholds and measures in the energy market to detect and automatically mitigate Market Participant behavior that exceeds applicable conduct and market impact thresholds. Electric energy markets that are generally competitive may occasionally cease to be competitive if conditions arise that temporarily give Market Participants an ability to raise prices significantly by economically withholding capacity. High loads, facility outages, binding transmission constraints, or other factors can cause such instances, either singly or in combination. The NYISO developed the AMP for the automatic detection and mitigation of energy and other bids in the NYISO DAM and real time markets that exceed certain established criteria. The AMP could result in a Market Participant’s bid being mitigated if specified conduct and impact thresholds are exceeded.

In the capacity market, FERC ordered the NYISO to incorporate tariff language to establish mitigation rules intended to protect the City and Lower Hudson Valley capacity zones against unjustifiably high market prices and uneconomic entry of new resources. The rules to prevent unjustifiably high capacity market prices, commonly known as Supplier Side Mitigation, provide that the offers of “Pivotal Suppliers” are subject to bid caps under certain circumstances. Pivotal Suppliers are those that control more than a set amount of capacity, which is necessary to meet the applicable locational capacity requirement. The Authority has been and has the potential to be a Pivotal Supplier in the future depending on market conditions. As such, the Authority may potentially be subject to NYISO tariff provisions that require all its capacity be offered in each Installed Capacity Spot Market Auction and prohibit certain instances of capacity sales outside the NYISO.

The rules to prevent uneconomic entry of new resources, commonly referred to as Buyer Side Mitigation, require the NYISO to evaluate new entry and determine if the new entry is an economic decision. If the NYISO determines a new entrant into the City or Lower Hudson Valley capacity zone is not economic, an offer floor price is established and the new entrant is required to bid into the spot market at the mitigation offer floor. Such a floor can result in the new resource not receiving capacity revenues for certain months. Capacity from new entrants is removed from the offer floor requirement after clearing the spot market for 12 non-continuous monthly spot auctions.

### **NYISO Capacity Requirements Matters**

The installed capacity (“ICAP”) market in New York was created administratively to ensure the reliability of the electricity system. The Reliability Council annually sets the State’s minimum capacity requirement which is currently 117% of the State’s peak load, and the NYISO has set the current City, Lower Hudson Valley and Long Island locational ICAP requirements at 83.5%, 90.5% and 103.5% of their peak load levels, respectively. The City, Lower Hudson Valley and Long Island ICAP requirements must be met with resources located within those areas, while the ICAP quantities above these locational ICAP requirement levels up to the minimum 117% level can be procured from anywhere in the State and from external resources. The requirements are allocated among LSEs in proportion to the load they serve.

These capacity requirements must be met monthly for two capability periods: a summer period extending from May to October and a winter period ranging from November to April. The NYISO currently conducts auctions for each capability period (also known as “strip auctions”), as well as monthly auctions to account for load-shifting and to resolve deficiencies. LSEs may meet their capacity requirements by self-supplying the capacity from their own resources, or with capacity acquired through bilateral contracts, or by purchasing the capacity through the auctions conducted by the NYISO. A deficiency price is imposed on any LSE that does not meet its capacity requirement.

The NYISO employs an ICAP demand curve which provides payments to ICAP providers for ICAP above the minimum level required for reliability in order to encourage the construction of new generating facilities in the State. Generally, these provisions have increased the amount of ICAP an LSE will be obligated to obtain to meet NYISO requirements, including separate requirements applicable for City, Lower Hudson Valley and Long Island. The Authority has been able, as an LSE, to meet these revised requirements through its own units, contracts with other generators, and purchases in the capacity markets, and expects to be able to do so in the future.

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**POWER SALES**

A summary of the Authority’s generation, energy purchases, and power and energy sales for 2014 is set forth below:

**Generation, Energy Purchases, and Power and Energy Sales 2014  
(Megawatt Hours and Dollars in Thousands)  
(Accrual Basis)**

|  | <u>MWh</u>     |   |                                |
|--|----------------|---|--------------------------------|
| Authority Generation and Purchases:                                    |                |   |                                |
| Net Station Generation* .....  | 28,742         |   |                                |
| Purchases from the NYISO, utilities and others .....                   | 13,126         |   |                                |
| Losses and unaccounted for.....  | <u>(2,182)</u> |   |                                |
| Total Available.....   | <u>39,686</u>  |   |                                |
|  |                |   |                                |
|  | <u>MWh</u>     | <b>Revenues<br/>From Power and<br/>Energy Sales<sup>(1)</sup></b> | <b>% of Total<br/>Revenues</b> |
| Sold to:   |                |   |                                |
| Commercial and industrial customers .....                              | 9,062          | \$348,338   | 11%                            |
| Municipal, other public and cooperative customers <sup>(2)</sup> ..... | 16,488         | 1,630,068   | 51%                            |
| Sales to utilities and the NYISO for resale <sup>(3)</sup> .....       | <u>14,136</u>  | <u>1,196,594</u>  | <u>38%</u>                     |
| Total Sales .....  | <u>39,686</u>  | <u>\$3,175,000</u>  | <u>100%</u>                    |
|  |                |   |                                |
|  | <u>MWh</u>     |   | <b>% of Total</b>              |
| Authority Generation by Fuel Source:                                   |                |   |                                |
| Hydroelectric.....   | 20,696         |   | 72%                            |
| Oil/Gas .....  | 7,696          |   | 26%                            |
| Gas Turbines .....   | <u>350</u>     |   | <u>1%</u>                      |
|  | <u>28,742</u>  |   | <u>100%</u>                    |

(1) Includes wheeling and transmission charges.  
(2) Includes sales to 47 municipal systems, 4 rural cooperatives, and more than 100 public agencies in the State and to 7 neighboring states and 9 host communities.  
(3) Includes sales to the 6 investor-owned utilities in the State, LIPA, and the NYISO. Sales to the NYISO amounted to 13,126,087 MWh. Portions were designated for resale to residential and farm customers and not-for-profit customers in the state.  
\* The two components of Net Station Generation that are set forth in the Official Statements issued prior to January 1, 2012 (“Gross Generation” and “Station Service, DOT feeder and pumping energy”) are either no longer maintained by the Authority or no longer provide meaningful information and accordingly such components are included with Net Station Generation.

The electric power and energy of the Authority are sold principally pursuant to contracts and agreements described below. In addition to these sales, the Authority has executed short-term supply agreements that provide for sales by the Authority of power and energy for periods of short duration (less than one year) on terms and conditions mutually agreeable to the Authority and customers. Such sales are only transacted after all firm commitments are satisfied. The Authority also bids its generation and buys energy in the markets administered by the NYISO.

Pursuant to agreements with its Southeastern New York (“SENY”) governmental customers, the Authority has assumed the load growth responsibility for its governmental customers in the City and Westchester County (see “Marketing Issues and Developments,” below). In addition, the Authority serves the full requirements of certain municipal electric system and rural cooperative system customers.

Contracts for the sale, transmission and distribution of power and energy generated by the Niagara and St. Lawrence-FDR Projects and by other projects (i) to provide an adequate supply of energy for optimum utilization of its hydroelectric projects, (ii) to attract and expand high load factor industry, (iii) to provide for the additional needs of the Authority's municipal electric and rural electric cooperative customers, and (iv) to assist in maintaining an adequate, dependable electric power supply for the State, are subject to the approval process specified in Section 1009 of the Act. Such approval process requires, in addition to agreement between the Authority and the other contracting parties, (i) submission of the contract to the Governor and representatives of the State Senate and Assembly, (ii) public hearings and further review and, if deemed necessary, renegotiation of the contract by the Authority, and (iii) approval of the Governor.

## **Marketing Issues and Developments**

(1) The power market in the State has experienced significant changes over the last 15 years with the advent of a competitive marketplace and the creation of the NYISO. As a major participant in New York's power market, the Authority has been affected by these changes. With increased focus on customer needs, the Authority has initiated marketing programs and taken other actions to retain and provide value to its various customers. In this regard, in 2005, the Authority entered into the 2005 Agreements with all of its NYC Governmental Customers, including: the City, the MTA, the Port Authority, the Housing Authority, and the OGS, ESD, Battery Park City Authority, United Nations Development Corporation, Convention Center Operating Corporation, Hudson River Park Trust and the Roosevelt Island Operating Corporation. The 2005 Agreements replaced the earlier long-term agreements with those customers that were in place. Under the 2005 Agreements, the NYC Governmental Customers will purchase their electricity from the Authority through December 31, 2017, with these customers having the right to terminate service from the Authority at any time on three years' notice provided that they compensate the Authority for any above-market costs associated with certain of the resources used to supply them, and, under certain limited conditions, on one year's notice.

Under the 2005 Agreements, the Authority implemented a price-setting process commencing with the 2006 rates, under which the NYC Governmental Customers request the Authority to provide indicative electricity prices for the following year reflecting market-risk hedging options designated by them. The NYC Governmental Customers can elect to have a full cost energy charge adjustment (the "ECA") pass-through arrangement relating to fuel, purchased power, and NYISO-related costs, including such an arrangement with some cost hedging; a sharing plan pricing option; or a minimum price volatility pricing option. Except for any specific amounts borne by the Authority under a sharing plan and the minimum price volatility option; the NYC Governmental Customers pay all of the costs incurred to serve them, including hedging costs. If the customers choose a sharing plan pricing option, the customers and the Authority share equally in actual cost variations (up to \$60 million) above a projected amount for the year, and cost variations in excess of \$60 million are borne by the Authority. In addition, if actual costs are below the projected amount, the NYC Governmental Customers and the Authority share equally in such savings after the customers receive the first \$10 million in savings, in the aggregate, over the term of the 2005 Agreements.

Pursuant to the 2005 Agreements, the Authority will modify rates annually through a formal rate proceeding before the Authority if there is a change in fixed costs to serve the NYC Governmental Customers. Except for the minimum volatility price option, changes in variable costs, which include fuel and purchased power, will be captured through contractual pricing adjustment mechanisms. Under these mechanisms, actual and projected variable costs will be reconciled and either charged or credited to the NYC Governmental Customers. Pursuant to the 2005 Agreements, these customers are committed to pay for any supply secured for them by the Authority which results from the collaborative process provided for in the agreements, including the Astoria Energy II plant discussed in Item (8) below. Also, with the

NYC Governmental Customers' guidance and approval, the Authority will continue to offer to these customers at least an aggregate of \$100 million annually in financing for energy efficiency projects and initiatives at their facilities, with the costs of such projects to be recovered from them. Many of these projects fall within the scope of the Authority's Customer Energy Solutions group (see "PART 2—CUSTOMER ENERGY SOLUTIONS").

The revenues from the NYC Governmental Customers were approximately 43.6% and 45% of the Authority's 2014 and 2013 Operating Revenues (including wheeling charges), respectively.

The Authority's other SENY Governmental Customers are Westchester County and numerous municipalities, school districts, and other public agencies located in Westchester County (collectively, the "Westchester Governmental Customers"). By early 2008, the Authority had entered into a new supplemental electricity supply agreement with all of its Westchester Governmental Customers. Among other things, under the new agreement, an energy charge adjustment mechanism is applicable, the Authority may modify the rates charged the customer pursuant to a specified procedure, the customer is committed to pay for any supply resources secured for it by the Authority under a specified collaborative process, and the Authority will continue to make available financing for energy efficiency projects and initiatives, with the costs thereof to be recovered from the customer. Under the agreement, customers are allowed to partially terminate service on at least two months' notice prior to the start of the NYISO capability periods and fully terminate service on at least one year's notice effective no sooner than January 1 following the one year notice.

The revenues from the Westchester Governmental Customers were approximately 2.77% and 2.38% of the Authority's 2014 and 2013 Operating Revenues (including wheeling charges), respectively.

(2) The enactment of legislation beginning with Chapter 313 of the Laws of 2005 (the "2005 Act") amended the Act and in some cases the New York Economic Development Law ("EDL") to (i) revise or repeal the Authority's power-based economic development programs or (ii) to create additional economic development programs in regard to several of the Authority's economic development power programs and the creation of new Energy Cost Savings Benefits to be provided to certain Authority customers. A summary of such programs is set forth below (excluded from the discussion are some programs the Authority no longer implements).

(a) *Industrial Power Programs*

The 2005 Act amended the Act and the EDL to authorize the Authority to purchase power in the marketplace and to use certain other Authority resources to serve economic development power programs. Among the affected programs are the Economic Development Power program, which supplies electricity to businesses across the State (which the Authority no longer implements), the High Load Factor Power program, which provides electricity to energy-intensive manufacturers throughout the State, and the Municipal Distribution Agency Power program, which supplies electricity for certain municipal distribution agencies (also known as municipal utility service agencies) to serve businesses in their territories. Power supplied under these programs is hereinafter referred to as "Industrial Power."

(b) *Replacement Power*

The 2005 Act creates a state law basis for continuation of the "Replacement Power" program. These provisions ensure the continued availability of low-cost hydroelectric power from the Niagara Project to serve businesses in western the State. Replacement

Power was established by the federal Niagara Redevelopment Act (“NRA”) in 1957 and provided up to 445 MW of hydroelectric power to industries in the Niagara Mohawk Power Corporation (doing business as “National Grid”) service territory within a 30-mile radius of the Niagara Project switchyard. The federal mandate for the Replacement Power program expired at the end of 2005. The 2005 Act treats new applications for Replacement Power under the same criteria as apply to the Authority’s existing EP program, established under the Act. Allocations are awarded on a competitive basis to businesses that commit to create jobs, increase electric load, build new or expanded facilities, and have at least 100 kilowatts (“kW”) of demand. The EP program, which provides up to 250 MW of hydroelectric power to businesses within a 30-mile radius of the Niagara Project, was not addressed by the 2005 Act.

(c) *Preservation Power*

The 2005 Act also created the Preservation Power program, which allows businesses in northern the State to continue to be served with low-cost hydroelectric power from the St. Lawrence-FDR Project. The Preservation Power program governs the allocation of up to 490 MW of firm and interruptible power from the St. Lawrence-FDR Project to industry in Jefferson, St. Lawrence and Franklin Counties. It applies the same criteria for allocations as are applicable to RP and EP. Renewals of existing contracts for business use of power under the Preservation Power program are subject to the criteria in the Act, as amended by the 2005 Act.

(d) *World Trade Center Economic Recovery*

The 2005 Act authorized the Authority to approve renewals of contracts for periods of at least three years to business customers receiving allocations made under the World Trade Center Economic Recovery Power Program that are located in the Liberty and Resurgence Zones.

(3) Chapter 60 established RNYPP, to be administered by the Authority, and authorized the Authority to make available, as Recharge New York Power, up to 910 MW of low cost power comprised of up to 455 MW of hydropower from the Niagara and St. Lawrence-FDR Projects and up to 455 MW of other power procured by the Authority from other sources. The 910 MW of power is available for allocation as provided by Chapter 60 to eligible new and existing businesses and not-for-profit corporations under contracts of up to seven years. RNYPP was effective beginning July 1, 2012.

The RNYPP replaced the PFJ and Energy Cost Savings Benefit (“ECSB”) Programs, which had extended benefits of low-cost power to certain businesses, small businesses and not-for-profit organizations. Those PFJ and ECSB Program customers who were in substantial compliance with contractual commitments under the PFJ and ECSB Programs and who applied but did not receive RNYPP allocations are eligible to apply for transitional electricity discounts, as provided for in Chapter 60. This transitional electricity discounts program provides for declining levels of discounts through June 30, 2016 when the program terminates, if payment of such discounts is deemed feasible and advisable by the Authority’s Trustees. In June 2012, the Authority’s Trustees authorized transitional electricity discount payments of up to \$9 million for the period from July 1, 2012 to June 30, 2013. On February 26, 2015, the Authority’s Trustees approved an additional \$8 million to fund anticipated payments for the period from July 1, 2013 to June 30, 2015. As of June 30, 2015, approximately \$8.1 million of such discounts has been paid with approximately an additional \$3 million in payments remaining to be made pursuant to the authorization.

The hydropower used for the RNYPP was power formerly used to provide low-cost electricity to domestic and rural customers of the three private utilities that serve upstate New York. To mitigate the impacts from the redeployment of this hydropower for the RNYPP, Chapter 60 created a “Residential Consumer Discount Program” (the “RCDP”). The RCDP authorizes the Authority, as deemed feasible and advisable by its Trustees, to provide annual funding of \$100 million for the first three years following withdrawal of the hydropower from the residential and farm customers, \$70 million for the fourth year, \$50 million for the fifth year, and \$30 million each year thereafter, for the purpose of funding a residential consumer discount program for those customers that had formerly received the hydropower that is utilized in the RNYPP. Chapter 60 further authorizes the Authority, as deemed feasible and advisable by the Trustees, to use revenues from the sales of hydroelectric power, and such other funds of the Authority, as deemed feasible and advisable by the Trustees, to fund the RCDP. The Authority’s Trustees have authorized the release of a total \$337.5 million through January 2014 in support of the RCDP. The Authority supplemented the market revenues through the use of internal funds, from the August 2011 start of the program through June 30, 2015, totaling cumulatively \$104 million. On February 26, 2015, the Authority’s Trustees approved up to an additional \$63 million to fund the RCDP payments anticipated to be made in 2015.

(4) Effective March 30, 2012, Chapter 58 (Part GG) of the Laws of 2012 (Chapter 58) created the WNYPPA, which authorizes the Authority, as deemed feasible and advisable by the Trustees, to deposit net earnings from the sale of unallocated EP and RP from the Authority’s Niagara project into the Western NY Fund. Net earnings are defined as any excess revenues earned from such power sold into the wholesale market over the revenues that would have been received had the power been sold at the EP and RP rates. Proceeds from the Fund may be used to support eligible projects undertaken within a 30-mile radius of the Niagara power project that satisfy applicable criteria. Chapter 58 also establishes a five-member Western New York Power Allocations Board, which is appointed by the Governor. Chapter 58 also repealed Chapter 436 of the Laws of 2010 which had created a similar program that could not be effectively implemented.

The Authority’s Trustees approved the release of up to \$58 million in net earnings, calculated for the period August 30, 2010 through December 31, 2015, as provided for in Chapter 58, for deposit into the Fund. Actual net earnings deposited into the Fund for this period totaled \$38.5 million. As of June 30, 2015, \$41 million has been deposited into the Fund. As of June 30, 2015, the Authority has approved awards of Fund money totaling approximately \$21 million to businesses that have proposed eligible projects and has made payments totaling approximately \$7 million to such businesses. Payment of these awards is contingent upon the execution of acceptable contracts between the Authority and individual awardees.

(5) Chapter 545 of the Laws of 2014 enacted the NNYPPA, which authorizes the Authority, as deemed feasible and advisable by the Trustees, to deposit “net earnings” from the sale of unallocated SLCEDP by the Authority in the wholesale energy market into an account the Authority would administer the Northern NY Fund, and to make awards to eligible applicants that propose eligible projects that satisfy applicable criteria. The NNYPPA also establishes a five-member Northern New York Power Proceeds Allocations Board (the “NNYPPAB”) to be appointed by the Governor to review applications seeking Northern NY Fund benefits and to make recommendations to the Authority concerning benefits awards. The NNYPPAB has yet not started operating.

SLCEDP consists of up to 20 MW of hydropower from the Authority’s St. Lawrence-FDR Power Project which the Authority has made available for sale to the Town of Massena Electric Department (“MED”) for MED to sub-allocate for economic development purposes in accordance with a contract between the parties entered into in 2012 (the “Authority-MED Contract”). The NNYPPA defines “net earnings” as the aggregate excess of revenues received by the Authority from the sale of energy

associated with SLCEDP by the Authority in the wholesale energy market over what revenues would have been received had such energy been sold to MED on a firm basis under the terms of the Authority-MED contract. For the first 5 years after enactment, the amount of SLCEDP the Authority could use to generate net earnings may not exceed the lesser of 20 MW or the amount of SLCEDP that has not been allocated by the Authority pursuant to the Authority-MED contract. Thereafter, the amount of SLCEDP that the Authority could use for such purpose may not exceed the lesser of 10 MW or the amount of SLCEDP that has not been allocated.

On February 26, 2015, the Authority's Trustees approved the release of funds, of up to \$3 million, into the Northern NY Fund representing "net earnings" from the sale of unallocated SLCEDP into the wholesale energy market for the period December 29, 2014 through December 31, 2015. As of June 30, 2015, approximately \$1 million has been deposited into the Northern NY Fund.

(6) The Authority, in November 2007, issued a nonbinding request for proposals (the "RFP") for up to 500 MW of in-city unforced capacity and optional energy to serve the needs of its NYC Governmental Customers. In April 2008, the Authority's Trustees authorized negotiation of a long-term electricity supply contract with Astoria Energy II LLC for the purchase of the output of the Astoria Energy II plant to be constructed in Astoria, Queens adjacent to its existing plant. Following approval of the NYC Governmental Customers, the Authority and Astoria Energy II LLC entered into a long-term supply contract in July 2008. The costs associated with the contract will be borne by these customers for the life of the contract. Construction of the 550-MW Astoria Energy II plant has been completed and the plant entered into commercial operation on July 1, 2011. The Authority is accounting for and reporting this transaction as a capital asset and a capitalized lease liability in the amount of \$1.12 billion. Fuel for the Astoria Energy II plant is being procured by the Authority and the costs thereof are being recovered from the NYC Governmental Customers.

(7) As a result of a Request for Proposals for Long-Term Supply issued in 2005 and subsequent negotiations, in 2011 the Trustees authorized Authority staff to enter into an agreement with HTP for the purchase of capacity to meet the long-term requirements of the Authority's NYC Governmental Customers and to improve the transmission infrastructure serving the City through the transmission rights associated with HTP's planned transmission line (the "Line") extending from Bergen County, New Jersey, to Con Edison's West 49th Street substation. Specifically, the Authority executed the FTCPA with HTP which would provide the Authority with 75% of the Line's 660 MW of transmission capacity for 20 years. This would enable the Authority to import up to 495 MW of energy into the NYISO markets from the neighboring electricity market administered by PJM Interconnection, L.L.C. ("PJM"). Also under the FTCPA, the Authority procured the rights on the Line to import up to 320 MW of ICAP into the NYISO market. However, due to the NYISO's Buyer Side Mitigation rules, the ICAP procured in PJM has been deemed uneconomic and much of it has been mitigated. Over time, this ICAP is expected to become increasingly unmitigated as ICAP sales from the Line clear the NYISO market. The Authority's transmission capacity payment obligations under the FTCPA began upon the Line's commencement of commercial operation, which occurred on June 3, 2013. Also upon commercial operation, the FTCPA obligates the Authority to reimburse HTP for the cost of interconnection and transmission upgrades in New York and New Jersey associated with the Line and to pay for all remaining upgrade costs as they are incurred. Under the FTCPA, the Authority is obligated to pay the costs of certain interconnection and transmission upgrades associated with the Line, which are estimated to total up to approximately \$319 million. As of June 30, 2015, the Authority paid approximately \$285 million of such costs related to the interconnection and transmission upgrades.

The Authority is currently in discussions with certain of its NYC Governmental Customers regarding use of the Line. It is estimated that the revenues derived from the Authority's rights under the FTCPA will not be sufficient to fully cover the Authority's costs under the FTCPA during the initial 20-year term

of the FTCPA. Depending on a number of variables, it is estimated that the Authority's under-recovery of costs under the FTCPA could be in the range of approximately \$72 million to \$105 million per year over the next five years of commercial operation. In April 2013, the Authority entered into a three-year contract with Con Edison Energy, Inc. ("CEE"), an affiliate of Con Edison to manage the Authority's transmission capacity on the Line and make economical energy transactions.

(8) The Long-Island-New York City Offshore Wind Collaborative (the "Collaborative"), which consists of the Authority, Con Edison, and LIPA, is evaluating the potential development of between 350 MW and 700 MW of offshore wind. The Collaborative is currently planning the next steps in project evaluation. On September 15, 2011, the Authority, on behalf of the Collaborative, submitted an application to the federal Bureau of Ocean Energy Management (the "BOEM") for a commercial lease on the Outer Continental Shelf approximately 13 nautical miles off the south shore of Long Island. Pursuant to federal regulations, the BOEM issued a request in January 2013 to determine whether there is competitive interest in wind power development in federal waters off the coast of the Rockaway Peninsula and Long Island. Two potential competitors indicated interest in obtaining a commercial lease for possible offshore wind projects situated in the Collaborative's proposed lease site. At this time, BOEM is currently considering whether competitive interest for the lease site exists. If BOEM determines that competitive interest exists, it may result in an auction to determine an award of the commercial lease site.

(9) In March 2012, the Authority's Trustees authorized up to \$30 million in funding over five years for a solar market acceleration program involving solar research, training, and demonstration projects. As of June 30, 2015, the Authority has approved the award of contracts with cumulative value of up to approximately \$[19] million.

(10) Contracts with the Aluminum Company of America ("ALCOA") for an aggregate of 478 MW have been extended through December 31, 2045 under an agreement executed in 2009. In February 2009, ALCOA entered into a long term contract with the Authority for the sale of 478 MW, effective January 1, 2014, for an initial term of 30 years with an option to extend for an additional 10 years under certain circumstances. The contract provides for rate adjustments based upon a formula containing various indices, and has provisions for price adjustments based on the price of aluminum on the London Metal Exchange. The contract has job compliance provisions based on employment commitments. A supplemental agreement executed in 2011 provides for ALCOA to invest at least \$600 million in a new East Plant, and construction of that plant must be completed by 2018 in order for the new long term contract to take effect. In response to certain economic factors surrounding the aluminum smelting industry, the Authority's Trustees in April 2014 approved execution of a Supplemental Agreement with ALCOA to provide temporary relief from certain power sales contract provisions relating to the temporary shutdown of one of its two smelters served by the Authority in Massena, New York, including allowing ALCOA to release back to the Authority certain hydropower allocated to it and temporary waivers of certain minimum bill and employment thresholds. In addition, in March 2015, the Authority's Trustees authorized a temporary program whereby up to \$10 million per year would be utilized to provide electric bill discounts for up to three years to businesses and dairy farmers located in Jefferson, St. Lawrence, and Franklin counties. These counties constitute the geographic region served by the Authority's Preservation Power program. The source of the \$30 million was the net margins resulting from the sale of a portion of ALCOA's unused Preservation Power allocation into the NYISO markets.

### **St. Lawrence-FDR and Niagara**

Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities currently are sold to three investor-owned electric utility companies: National Grid, New York State Electric & Gas Corporation ("NYSEG"), and Rochester Gas and Electric Corporation ("RG&E"), 47 municipal electric

systems and four rural electric cooperatives in the State, three industrial plants at Massena, New York, the MTA, NFTA, including the Niagara Falls Air Base through the NFTA, seven neighboring state customers, seven Niagara host communities, Niagara University, the Tuscarora Nation and beginning in March 2011, the U.S. Department of Energy (the “DOE”) via a sale for resale arrangement through LIPA. Energy is also sold to the St. Lawrence Seaway Development Corporation and to the New York State Office of Parks, Recreation and Historic Preservation. Service is provided to the three investor-owned utilities under contracts providing for sale of 360 MW of peaking power through December 31, 2017, subject to withdrawal upon thirty days’ notice by the Authority as may be authorized by law or otherwise as may be determined by the Trustees. State statutes allow the Authority to sell up to 250 MW of Expansion Power (“EP”) and up to 445 MW of Replacement Power (“RP”) directly to businesses located within 30 miles of the Niagara Project. In December 2010, the Governor approved the extension of virtually all RP and EP contracts through June 30, 2020.

Contracts are in place through September 1, 2025 with entities that were part of the Niagara Project relicensing settlement agreements. Total power allocations for these entities amount to 32 MW, which is distributed among seven host communities, Niagara University and the Tuscarora Nation. The Authority also has an annual minimum obligation of \$5 million and \$1.5 million respectively to the Host Community Fund and the Erie/Buffalo Waterfront Development Funds which is met via the monetization of power sales made into the NYISO market.

Contracts for the sale of up to 764.8 MW of firm and 3.6 MW of peaking power through August 31, 2025 with the 47 municipal electric systems and four rural electric cooperatives which own their own electric distribution systems are in effect. A contract with the MTA for 10 MW expired in July 2000, but the Authority is continuing to provide service to the MTA on a month-to-month basis. Service to NFTA is contracted through December 31, 2019.

In May 2011, the Authority’s Trustees approved a Preservation Power allocation of 3 MW to Upstate Niagara Cooperative. That allocation has since been decreased to 2.25 MW per the customer’s request. In July 2014, the Authority’s Trustees approved a Preservation Power allocation of 2.1 MW to Corning’s Canton, NY facility. In December 2014, the Authority’s Trustees approved a Preservation Power allocation of 4 MW to St. Lawrence Zinc Company. A contract for the sale of 20 MW of power to MED to be used for economic development purposes within St. Lawrence County was approved by the Authority’s Trustees on June 26, 2012. Legislation enacted into law in 2014 created the Northern New York Power Proceeds Act, which authorizes the Authority, as deemed feasible and advisable by its Trustees, to deposit net earnings from the sale of unallocated power under the Authority-MED Contract (see “PART 2—POWER SALES—Marketing Issues and Developments—Item (6)”). A contract executed in 2010 provides for the Authority’s sale of 15 MW to LIPA for resale to the DOE at Upton, New York, for a term of ten years with an option for the Authority to extend the contract for an additional five years. Sales under the contract commenced in March 2011.

Contracts with the seven out-of-state customers are in effect through August 31, 2025 and provide for the sale of 191.2 MW of firm and the 40.9 MW of peaking power from the Niagara Project. The license issued to the Authority in 2003 for the St. Lawrence-FDR Project provides for the sale of approximately 4.25% of Project power, amounting to 34.5 MW of firm allocations to six neighboring state customers, along with a corresponding share of non-firm energy, at cost-based rates under contracts with terms through April 30, 2017.

The charges for firm and firm peaking power and associated energy sold by the Authority, as applicable, to the municipal electric systems and rural electric cooperatives in the State, the MTA, the NFTA, the seven neighboring state customers, and the three investor-owned utility companies for the benefit of their rural and domestic customers have been established in the context of an agreement settling

litigation respecting rates for hydroelectric power, judicial orders in that litigation, and contracts with certain of these customers. Essentially, the settlement agreement and relevant judicial orders define the rates charged to these customers as cost-based rates and specifically permit the inclusion of interest on indebtedness and continuing depreciation and inflation adjustment charges with respect to the capital costs of the Niagara and St. Lawrence-FDR Projects and preclude the inclusion of any expense associated with debt service for non-hydroelectric projects in the hydroelectric rates charged to wholesale customers for the benefit of rural and domestic customers. The basic rates for RP and EP have been set above costs and are subject to annual adjustment in May of each year, based on four economic indices. At their September 2010 meeting, the Trustees approved a new service tariff for all RP and EP customers that was effective on July 1, 2013 and which provides for a three year phase-in to the new rates based on Preservation Power rates. The new service tariff was incorporated into the extension of the RP and EP contracts through 2020, which were approved by the Governor in December 2010.

Contracts with National Grid, NYSEG and RG&E relating to hydroelectric power from the plants contain various limitations on the obligations of parties under particular circumstances, including, among other things, provisions allowing for withdrawal of power and energy to comply with the NRA, the Authority's Niagara and St. Lawrence-FDR licenses, and orders of FERC. The Authority may discontinue service upon 15-days' written notice for non-payment of bills and terminate any such contract upon 60-days' notice for violations of the terms thereof. The Authority may terminate an agreement upon 30 days' written notice to a utility. A utility company may elect to terminate its contract for any reason on 30 days' written notice to the Authority after one year and on 90-days' written notice in the event that the charge for service is increased or the terms, conditions or rules governing the service are materially modified without the agreement of the utility.

### **Blenheim-Gilboa**

The Authority sells from the Blenheim-Gilboa Pumped Storage Power Project ("Blenheim-Gilboa Project") 250 MW of capacity to its NYC Governmental Customers pursuant to the 2005 Agreements, each sale at a tariff rate established on the basis of cost. The remainder of the Project's capacity is used to meet the requirements of the Authority's business and governmental customers and to provide services in the NYISO market generally at the market-clearing price for capacity.

### **Sales of Purchased Power and Energy for Industrial Power**

A total of three contracts are in effect with two high-load factor industries and one direct service contract with the DOE at Upton, New York, which provide for the sale of approximately 95.5 MW of purchased power and energy. The three contracts with two high-load factor industries do not have specific termination dates and may be terminated by either party upon contractual notice. The DOE contract is currently subject to yearly Federal appropriations. A modification to the contract was executed in late 2010, extending the term through December 31, 2020, with a provision allowing for a renewal of an additional five years. The contract extension provides for market prices to be flowed through to the DOE. The 2005 Act (see "PART 2—POWER SALES—Marketing Issues and Developments—Item 2") also directs the Authority "to identify the net revenues produced by the sale of EP and further to identify an amount of the net revenues from the sale of EP which shall be used solely for industrial incentive awards." The statute provides that "[n]otwithstanding other lawful purposes for which such revenues may be used, it shall be the preferred purpose of the [A]uthority to make available all such net revenues for industrial incentive awards." Industrial incentive awards ("Awards") are to be made in accordance with an economic development plan proposed by the Authority and approved by the Economic Development Power Allocation Board.

The current process generally provides for the Authority to authorize Awards to individual manufacturing companies that provide explicit data demonstrating their risk of closure or relocation out of the State. The form of the Award generally will be a ¢/kWh price discount on an agreed-to level of electricity consumption for one year. Awards would normally be for one year, with the ability to renew for one or two additional years provided the company continues to meet an agreed-to job commitment for New York. Additionally, participating companies may opt out should any new long-term economic development program be approved by the State that offers similar or greater value. EP net revenues for 2013 and 2014 were \$7.1 million and \$13.5 million, respectively. As of June 2015, there are three customers receiving Awards, one of which is approved to receive such Awards for a longer term extending through December 31, 2029. Since inception, total Award payments to date are in excess of \$14.6 million.

The Authority also sells incremental purchased power and energy at full cost to 12 of its 51 municipal electric system and rural electric cooperative customers to meet their electric power requirements in excess of their hydroelectric power allocations, which incremental power amounts during the peak winter months, in the aggregate, to approximately 80 MW and during the off-peak summer period diminishes to about 33% of the winter amount.

### **SENY Governmental Customers**

The Authority supplies power and energy from acquisitions in the energy and capacity markets, as well as from Authority sources, to the NYC Governmental Customers and the Westchester Governmental Customers for use for education, public housing, street lighting, subways, airports, bridges and tunnels and other public purposes. The contracts with such governmental bodies provide for firm power service under the Authority's applicable service tariffs and its rules and regulations for power service, as supplemented by long term agreements with many of these customers (see "PART 2—POWER SALES—Marketing Issues and Developments—Item (1)"). The rates established vary from customer to customer in accordance with load characteristics, and, in most cases, include both demand and energy rates. Authority power is delivered to these customers over the transmission and distribution system of Con Edison. The Authority pays Con Edison a delivery service charge to cover the cost of delivering this power to the point of use by the customer, which cost is recovered by the Authority from the customer.

The Authority's Small Hydroelectric Facilities are used to support service to SENY Governmental Customers under the arrangements discussed above.

To serve the NYC Governmental Customers, the Authority has as resources its existing generation, including the 500-MW Plant (see "PART 2—THE AUTHORITY'S FACILITIES—Generation—500-MW Combined-Cycle Electric-Generating Plant; Closure of Poletti Plant"), the power and energy from the Astoria Energy II plant that entered into service on July 1, 2011 for which it has a power supply contract, as well as market-based purchases. See "PART 2—POWER SALES—Marketing Issues and Development—Item 8)." The Authority anticipates that through these various sources it will be able to meet the power and energy needs of such customers. See "PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR—Certain Authority Plant Outage Risks" for a discussion of risks relating to outages at Authority units or non-performance of counterparties to energy supply contracts.

### **500-MW Plant**

The installed capacity of the 500-MW Plant is being used by the Authority to meet a portion of its customer's installed capacity needs in the City. The Authority is bidding the generation of the plant into the DAM and the real time market of the NYISO for the benefit of its NYC Governmental Customers so

as to, among other things, recover the costs of the operation of the unit and to maximize the unit's availability to the NYISO to assure the economical and reliable supply of electricity.

### **Small Clean Power Plants**

The installed capacity of the Small Clean Power Plants (the "SCPPs") is being used by the Authority to meet its installed capacity needs or, if not needed by the Authority, is subject to sale to other users. The Authority is bidding the generation of the SCPPs into the DAM and the real time market in such a manner as the Authority deems advisable so as to maximize the SCPPs' availability to the NYISO to assure the economical and reliable supply of electricity in the SENY area. The Authority believes that the revenues derived from the sale of the SCPPs' generation into the NYISO energy markets, along with other available funds of the Authority, will be sufficient to meet the costs associated with the SCPPs.

### **Flynn**

The installed capacity of the Flynn plant is being used by the Authority to meet its installed capacity needs or, if not needed by the Authority, is subject to sale to other users. The Authority is bidding the generation of Flynn into the DAM and the real time market in such a manner as the Authority deems advisable so as to maximize Flynn's availability to the NYISO to assure the economical and reliable supply of electricity in the Long Island area. The Authority believes that the revenues derived from the sale of Flynn's generation into the NYISO energy markets, along with other available funds of the Authority, will be sufficient to meet the costs associated with Flynn.

## **TRANSMISSION SERVICE**

The NYISO is responsible for scheduling the use of the bulk transmission system in the State, which normally includes all of the Authority's transmission facilities, and for collecting for related transmission fees from customers. Each IOU, LIPA and the Authority retains ownership, and is responsible for maintenance, of its respective transmission lines. All wholesale customers served under the NYISO pay the local utility's transmission service charge, which are included in the NYISO tariff, plus the NYISO's fees for ancillary services, losses and congestion for use of the transmission system. Each such transmission customer also pays, as part of its NYISO charges, a separate fee to compensate the Authority for the use of its transmission system which is designed to ensure the Authority's recovery of its annual transmission revenue requirement ("ATRR"). If the NYISO does not maintain a FERC-accepted tariff which provides for full recovery by the Authority of its ATRR, the Authority is permitted to withdraw from the NYISO on 90-days' notice to the other parties. In addition, any of the IOUs, LIPA and the Authority may withdraw from the NYISO on 90-days' notice to the Board of Directors of the NYISO, but, in the case of an IOU, such withdrawal is conditioned upon the effectiveness of an "open access" transmission facilities tariff on file with FERC. In 1996 the Authority adopted an open access transmission tariff.

In an order dated July 28, 1999, FERC approved the NYISO Open Access Transmission Tariff, the NYISO Market Administration and Control Area Services Tariff, and each of the related agreements submitted to it for approval in connection with the formation of the NYISO. In an Order issued January 27, 1999, FERC approved the use of the Authority's then-existing ATRR in developing the rates for service under the NYISO tariff and declined to set the revenue requirement for hearing. The Authority's ATRR, however, is subject to FERC review in the event the Authority seeks to modify it. This order also approved the imposition of the NYPA Transmission Adjustment Charge ("NTAC") and the Authority Transmission Service Charges (two tariff elements for the recovery of the Authority's ATRR). The NTAC is an essential mechanism for the Authority's cost recovery as direct customer

payments to the Authority under “grandfathered” transmission agreements have diminished as many of those agreements have and eventually will expire or be terminated.

Transmission agreements between the IOUs, LIPA and the Authority and their customers in existence remained in effect unless modified pursuant to Sections 205 or 206 of the Federal Power Act (the “FPA”). These customers, including customers of the Authority, retained the right to convert their grandfathered transmission service agreements to NYISO service. Many of the Authority’s customers have chosen to make this conversion. For such customers, the Authority no longer collects those transmission charges but the NTAC mechanism, which anticipated the loss of this transmission service, makes the Authority whole with respect to its ATRR.

### **Long Island Sound Cable Agreement**

The Authority and LIPA are parties to the Sound Cable Facilities and Marketing Agreement (the “Cable Agreement”), relating to the Authority’s Long Island Sound Cable (the “Cable”) (see “PART 2—THE AUTHORITY’S FACILITIES—Transmission—Long Island Sound Cable”), which was executed for the purposes of providing lower cost energy from upstate New York and Canadian sources to consumers on Long Island and of increasing the reliability of their electric supply by strengthening interconnection capability between Long Island and the rest of the State. The Cable Agreement provides that LIPA will reimburse the Authority for the costs it incurs in connection with the Cable, including but not limited to debt service, reserves, and operation and maintenance expenses, in return for the use of the capacity of the project. LIPA was initially allocated the full capacity of the Cable and to the extent that the Authority has allocated capacity to other parties, LIPA’s payment obligations are proportionately reduced, with such other parties making payments pursuant to applicable rates. The Authority has allocated capacity of the Cable to certain loads served by the Authority in LIPA’s service territory when there has been insufficient capacity to serve such loads on another cable jointly owned by LIPA and Con Edison.

## **CUSTOMER ENERGY SOLUTIONS**

The Authority, through its Customer Energy Solutions (“CES”) group, provides customers with wide-ranging on-site energy solutions including energy data analytics, planning, operations and the development of capital projects such as energy efficiency, distributed generation, advanced technologies and renewables. The CES group also has responsibility for implementation of the Governor’s Executive Order No. 88, known as “Build Smart NY” (to improve energy efficiency at State owned and managed buildings), the Five Cities Energy Efficiency Implementation Plans (for the cities of Albany, Buffalo, Rochester, Syracuse and Yonkers to reduce overall energy costs and consumption, strength the reliability of energy infrastructure, create jobs in local clean energy industries and contribute to a cleaner environment), and the K-Solar program (to reduce schools’ energy costs through the use of solar power). For more on Build Smart NY, see “PART 2—EXECUTIVE ORDER NO. 88.”

The Authority currently implements energy services programs primarily aimed at two groups of entities, its SENY governmental customers and various other public entities throughout the State. Under these programs, the Authority finances the installation of energy saving measures and equipment which are owned by the customers and public entities upon their installation and which focus primarily on the reduction of the demand for electricity and the efficient use of energy. The Authority has authorized as of [September 29, 2015], the expenditure of an aggregate of \$[3.9] billion on these programs, the funds for which are provided from the sale of the Authority’s Commercial Paper Notes and from internally generated funds. Except for certain limited costs, the Authority expects to recover its expenditures on these programs, including its financing costs, over periods not exceeding twenty years. The Authority’s energy services programs generally provide funding for, among other things, high efficiency lighting

technology conversions, high efficiency heating, ventilating and air conditioning systems and controls, boiler conversions, replacement of inefficient refrigerators with energy efficient units in public housing projects, distributed generation technologies and clean energy technologies, and installation of non-electric energy saving measures. Participants in these programs include departments, agencies or other instrumentalities of the State, the Authority's SENY public customers, public school districts or boards and community colleges located throughout the State, county and municipal entities with facilities located throughout the State, certain not-for-profit entities, and the Authority's municipal and rural electric cooperative customers.

Chapter 477 of the Laws of 2009 ("Chapter 447") enhanced the Authority's authority to provide and finance energy services, including the issuance of bonds for that purpose, and also explicitly authorizes the Authority to provide energy services to virtually all of its commercial and industrial customers. That authority, which has been expanded since Chapter 477, is set forth in Section 1005(17) of the Act. Earlier enactments have authorized the Authority to provide energy services to public and non-public elementary and secondary schools and specified military establishments in New York and to finance and administer programs to replace inefficient refrigerators with energy efficient units in certain public and private multiple dwelling buildings.

As of June 30, 2015, the Authority had outstanding aggregate expenditures of \$411 million (excluding petroleum overcharge restitution ("POCR") funds, discussed below) for these programs and projects associated with POCR funding, discussed below, and expects to spend an additional \$[1.106 billion] for these programs and projects over the period [from 2015 to 2019].] (see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Projected Capital and Financing Requirements and Other Potential Initiatives"). As the range of energy solutions offered by the CES group to the Authority's customers grows, the specific programs may change and the expenditures authorized for the programs may increase.

The Authority has also established a variety of programs funded by available POCR funds and, to a lesser extent, other State funds (see "PART 2—LEGISLATION AFFECTING THE AUTHORITY"), with authorized funding of \$60.9 million for programs. These programs primarily include grants for energy services projects throughout the State. The Authority is statutorily authorized to utilize its internally generated funds and the proceeds of Authority debt to finance energy service projects receiving POCR financing. POCR funds received by the Authority are not available to pay debt service on the Authority's debt obligations.

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## THE AUTHORITY'S FACILITIES

### Generation

#### *General Information*

The Authority's generating facilities and certain related capacity and generation information are listed in the following table:

**Authority Generating Facilities (2014)**

|  | Type           | First Year<br>of<br>Operation | Total<br>Installed<br>Capability<br>(MW) | Net<br>Dependable<br>Capability-<br>(MW) <sup>(1)</sup> | 2014 Net<br>Generation <sup>(2)</sup> |
|--|----------------|-------------------------------|--|---|---------------------------------------|
| St. Lawrence-FDR .....                   | Hydro          | 1958                          | 912                                      | 828   | 7.05 billion kWh                      |
| Niagara .....                            | Hydro          | 1961                          | 2,755                                    | 2,681   | 13.68 billion kWh                     |
| Blenheim-Gilboa .....                    | Pumped Storage | 1973                          | 1,160                                    | 1,167   | (0.18 billion kWh) <sup>(3)</sup>     |
| Flynn .....                              | Gas/Oil        | 1994                          | 170                                      | 142   | 1.21 billion kWh                      |
| SCPPs <sup>(4)</sup> .....               | Gas            | 2001                          | 517                                      | 455   | 0.35 billion kWh                      |
| Small hydroelectric <sup>(5)</sup> ..... | Hydro          | See note(5)                   | 37                                       | 37  | 0.14 billion kWh                      |
| 500-MW Plant .....                       | Gas/Oil        | 2005                          | <u>500</u>                               | <u>480</u>  | <u>3.31 billion kWh</u>               |
| Totals .....                             |                |                               | 6,051                                    | 5,790   | 25.56 billion kWh                     |

(1) Summer capability period rating.

(2) Subject to NYISO adjustments.

(3) Net of pumping energy.

(4) Consists of 10 generating units located in the City and one located in the service territory of LIPA.

(5) Consists of Ashokan and Kensico facilities, which were placed in service in 1982 and 1983, respectively, and facilities at the Hinckley (Jarvis plant), Crescent and Vischer Ferry sites, which are part of Small Hydroelectric Development Project No. 1 and which went into commercial operation on July 1, 1991. Decommissioning of Kensico, which had an installed capacity of 3 MW, began in 2015.

#### *St. Lawrence-FDR*

The St. Lawrence-FDR Project consists primarily of the Robert Moses Power Dam located at Massena, New York, and two additional dams. The construction and operation of the St. Lawrence-FDR Project were authorized by a 50-year license issued to the Authority by the Federal Power Commission (the "FPC") effective as of November 1, 1953. By order issued October 23, 2003, a new 50-year license was issued to the Authority by FERC (see "St. Lawrence-FDR Relicensing" below). Commercial production of power started in July 1958. All power is generated at the Robert Moses Power Dam, which contains sixteen 57-MW hydro-turbine generators having an aggregate nameplate capacity of 912 MW. Under the new license, a specified amount of the plant's output must be made available to neighboring states (see "St. Lawrence-FDR Relicensing" below). A program for the life extension and modernization of the generation equipment at the St. Lawrence-FDR project was completed in 2013. For a discussion of litigation commenced by Native American tribes claiming ownership of various lands within the boundary of the boundary of the St. Lawrence-FDR Project, see "PART 1—APPENDIX D—Litigation—Item (a)."

#### *St. Lawrence-FDR Relicensing*

On October 23, 2003, FERC approved the Comprehensive Relicensing Settlement Agreement (the "CRSA") reached by the Authority and numerous parties and issued the Authority a new 50-year license

(the “New License”) for the St. Lawrence-FDR Project. Among other things, the New License provides for the following:

- (1) establishment of a \$24 million fund for fish enhancement and mitigation to be used for research, construction and operation of projects benefiting fisheries in the Lake Ontario/St. Lawrence River basin;
- (2) construction of a fish ladder to assist the upstream passage of American eel;
- (3) allocation of 34.5 MW of power from the Project to the states of Vermont, Rhode Island, Connecticut, New Jersey, Pennsylvania and Ohio;
- (4) development of various habitat improvement projects within the Project boundary;
- (5) construction of new recreational facilities and rehabilitation and expansion of existing recreational facilities, including additional trails, camping facilities and boat launches; and
- (6) a shoreline management plan to effectively maintain eroding shorelines in the Project’s boundary.

The Authority estimates that the total costs associated with the relicensing of the St. Lawrence-FDR Project for a period of 50 years will be approximately \$210 million, of which approximately \$170 million has already been spent. These total costs could increase in the future as a result of authorities reserved by FERC in the New License. A portion of these costs is reflected in the Authority’s estimate of its capital requirements for the period 2015-2019 (see “PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Projected Capital and Financing Requirements and Other Potential Initiatives”). The Authority is collecting in its rates for the sale of St. Lawrence-FDR power amounts necessary to fund such relicensing costs.

The CRSA incorporated several agreements with particular groups of stakeholders or targeting specific resource areas. Among these is the St. Lawrence-FDR Power Project, No. 2000 Relicensing Agreement (the “LGTFSA”) between the Authority and the Local Government Task Force (the “LGTF”). The LGTFSA provides for a review of the LGTFSA every ten years, commencing in 2013, to discuss issues not contemplated at the time of relicensing in 2003. Following the 2013 review, the Authority and the LGTF entered into an agreement, effective May 4, 2015, in which the Authority agreed to commit up to \$45.1 million over 10 years for certain actions, including to: (1) fund an economic development strategic marketing study; (2) temporarily reduce electricity costs for certain farms and businesses; (3) initiate an energy efficiency and renewable energy program for the LGTF communities; and (4) enhance certain recreational facilities in the LGTF communities.

### *Niagara*

The Niagara Project consists of a water intake, waterways, a generating plant (the “Robert Moses Niagara Power Plant”), and the Lewiston Pump-Generating Plant. It is located at Lewiston, New York, and was constructed to implement a 1950 treaty between the United States and Canada. Power was first generated in January 1961, and the final generator went into commercial operation in October 1962.

The Robert Moses Niagara Power Plant contains thirteen hydro-turbine generators, with a nameplate capacity totaling 2,429 MW, and the Lewiston Pump-Generating Plant contains twelve hydro-turbine motor-generators, with a nameplate capacity totaling 240 MW. The nameplate capacity of Niagara is 2,669 MW.

Pursuant to a FERC-approved license amendment, the Authority, in December 2006, completed a \$298 million upgrade (including licensing and preliminary engineering costs) of the 13 generating units at the Robert Moses Niagara Plant. As a result of this work, the Niagara Project is able to produce approximately 32 additional MW of power that is available on a firm basis.

In June 2010, the Authority's Trustees approved the \$460 million Lewiston LEM Program. The work to be done includes a major overhaul of the plant's 12 pump turbine generator units. The Lewiston LEM Program will increase pump and turbine efficiency, operating efficiency, and the peaking capacity of the overall Niagara Project. The Authority filed an application with FERC and was approved for a non-capacity license amendment in connection with the program. The unit work began in late 2012 and the final unit is expected to be completed in 2020.

### *Niagara Relicensing*

By order issued March 15, 2007, FERC issued the Authority a new 50-year license for the Niagara project effective September 1, 2007. In doing so, FERC approved six relicensing settlement agreements entered into by the Authority with various public and private entities. By decision dated March 13, 2009, the U.S. Court of Appeals for the District of Columbia Circuit (the "D.C. Circuit") denied a petition for review of FERC's order filed by certain entities, thereby concluding all litigation involving FERC's issuance of the new license. In 2007, the Authority estimated that the capital cost associated with the relicensing of the Niagara project would be approximately \$495 million. This estimate does not include the value of the power allocations and operation and maintenance expenses associated with several habitat and recreational elements of the settlement agreements. As of December 31, 2014, the balance in the recorded liability associated with the relicensing on the statement of net position is \$301 million (\$22 million in current and \$279 million in other noncurrent liabilities).

In addition to internally generated funds, the Authority issued additional debt obligations in October 2007 to fund, among other things, Niagara relicensing costs. The costs associated with the relicensing of the Niagara project, including the debt issued therefore, were incorporated into the cost-based rates of the project beginning in 2007.

### *Blenheim-Gilboa*

The Blenheim-Gilboa Project is located on the Schoharie Creek in the towns of Blenheim and Gilboa, Schoharie County, New York, and was built pursuant to a 50-year license issued by the FPC effective May 1, 1969. The Blenheim-Gilboa Project was first operated in 1973, and consists primarily of lower and upper reservoirs and pump-generating power plant containing four reversible hydraulic pump-turbines. A life extension and modernization program was completed in 2010 that increased plant capacity by 120 MW, bringing the installed capacity of the Project to 1,160 MW.

### *500-MW Combined-Cycle Electric-Generating Plant; Closure of Poletti Plant*

To serve its NYC Governmental Customer load and to comply with the NYISO in-City capacity requirement in the City area (see "PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR—NYISO Capacity Requirements Matters"), the Authority constructed a 500-MW combined-cycle natural-gas-and-distillate-fueled power plant in Queens, New York, as the most cost-effective means of effectuating such compliance. The 500-MW Plant entered into commercial operation in December 2005. In connection with the licensing of the 500-MW Plant, the Authority entered into a stipulation agreement that required, and resulted in, the cessation of operation of the Poletti generating plant (which had entered into service in 1977) on January 31, 2010. At the time of cessation, the Poletti Plant was fully depreciated and no debt remained outstanding; however, the Authority is expecting to incur as much as

\$90 million in costs associated with the decommissioning of the Plant. Decommissioning of the retired Poletti generation plant began in 201[\_] and the plant deconstruction and removal and site remediation efforts are expected to finish in 201[\_]. The decommissioning costs are being recovered through an amortization charge to the NYC Governmental Customers that began in 2005 and which continues to be assessed annually through rates. Current estimated decommission costs are approximately \$60 million.

In June 2007, the Authority awarded a long-term service agreement (the “LTSA”) for the 500-MW Plant with a term of up to 15 years and at a cost of up to \$105 million. The LTSA covers scheduled major maintenance, including parts and labor; contingencies for escalation of materials and labor; and potential extra work.

### *SCPPs*

To meet capacity deficiencies and ongoing load requirements in the City metropolitan area that could also adversely affect the statewide electric pool, the Authority has in operation the SCPPs, which consist of eleven natural-gas-fueled combustion-turbine electric units, each having a nameplate rating of 47 MW at six sites in the City and one site in the service region of LIPA. As a result of the settlement of litigation relating to certain of the SCPPs, the Authority has agreed under the settlement agreement to cease operations at one of the SCPP sites, which houses two units, under certain conditions and if the Mayor of the City directs such cessation. No such cessation has occurred.

### *Flynn*

The Flynn Project consists of a combined-cycle, natural-gas-and-distillate-fueled electric-generating plant and associated facilities, including a 102-MW combustion turbine-generator, a 56-MW steam turbine-generator, and a heat-recovery steam generator. The plant was built on a site at Holtsville in Suffolk County, New York. The Project began commercial operation in May 1994. The Flynn plant has a nameplate rating of 164 MW. Currently, Flynn is operating as a merchant facility (see “PART 2—POWER SALES—Flynn”).

### *Small Hydroelectric Facilities*

(1) *Ashokan and Kensico.* Ashokan is a small hydroelectric facility with a nameplate rating of 4.75 MW, consisting of the addition of hydroelectric generating equipment to the headworks of the Catskill Aqueduct at Ashokan Reservoir, in the Township of Olive, near Kingston, in Ulster County, New York. Kensico is a small hydroelectric facility with a nameplate rating of 3 MW, consisting of the addition of hydroelectric generating equipment to the headworks of the lower Catskill Aqueduct at Kensico Reservoir in the Town of Mount Pleasant, near White Plains, in Westchester County, New York. The plants are exempt from Federal licensing requirements. The Authority started decommissioning of the Kensico facility in 2015 and the work is in progress.

(2) *Small Hydroelectric Development Project No. 1.* The Project facilities have a combined nameplate capacity of 32.2 MW and are located at the following sites in the State: Crescent Dam on the Mohawk River in Albany and Saratoga Counties; Vischer Ferry Dam on the Mohawk River in Saratoga and Schenectady Counties; and Hinckley Dam on West Canada Creek, near the Hamlet of Hinckley in Oneida and Herkimer Counties. The 40-year FERC licenses for these facilities expire on May 31, 2024, May 31, 2024 and July 31, 2022, respectively.

## **Transmission**

### *The Authority's Transmission System*

The Authority owns, operates and maintains more than 1,400 circuit miles of high voltage (115-kV-765-kV) transmission lines in the State. These lines include a 765-kV line south from the Canadian border to Marcy, New York; two 345-kV lines from the Niagara Project east to Niagara Mohawk's Edic Substation in central New York; two 345-kV lines from Marcy, New York, connecting to other utility substations in southeastern New York; three 345-kV lines from the Blenheim-Gilboa Project extending to substations near Athens, New Scotland, and Delhi, respectively; two 230-kV lines extending east from the St. Lawrence Project to Plattsburgh, New York, and to the Vermont border; a 345kV transmission line from the Fitzpatrick Nuclear Power Plant near Oswego, New York to the National Grid substation in Edic, New York; two 230-kV lines extending south from the St. Lawrence Project to Belfort, New York; a single circuit underground and underwater line extending across Long Island Sound between Con Edison's substation in Westchester County and LIPA's substation in Nassau County, New York; several 115-kV lines connected directly to large industrial customers and other shorter lines connecting the Authority's generating facilities to the transmission grid.

In 2003, the Authority completed construction of a transmission control device known as the Convertible Static Compensator at its Marcy substation. This technology provides voltage control and helps reduce congestion on heavily used transmission lines between Utica and Albany, New York. In 2012, the Authority's Trustees approved a \$726 million Transmission Life Extension and Modernization Program. Work under the Transmission LEM Program is expected to continue through 2025. For more information on the Transmission LEM Program, see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Projected Capital and Financing Requirements and Other Potential Initiatives."

### *Long Island Sound Cable*

The Cable consists of a 345-kV underground and underwater transmission cable, extending for approximately 26.6 miles from the Sprain Brook substation owned by Con Edison in Westchester County, New York, to the East Garden City substation owned by LIPA in Nassau County, New York, and includes an underwater crossing of approximately 7.9 miles of Long Island Sound. Installation of the Cable was completed in 1991.

### *Hudson Transmission Partners, LLC Project*

In 2011, the Authority executed the FTCPA with HTP with respect to a 345 kV underground/submarine transmission line extending from Bergen County, New Jersey to Con Edison's West 49th Street substation in midtown Manhattan. See "PART 2—POWER SALES—Marketing Issues and Developments—Item (7)" for a discussion of related financial matters.

## **Certain Operating Information**

Effective in 1965, the Authority and Ontario Hydro entered into a Memorandum of Understanding containing provisions for coordinated operation of the two systems, for interchange of power and energy at the Niagara and St. Lawrence-FDR Project interconnections and for the use of generating equipment of either system by the other in order to make optimum use of all available water at all times. The agreement provides for the sale by either party to the other of various classes of power and energy, and continues in force from year to year, subject to termination by either party on not less than five years' prior notice in writing.

The operation of Authority projects is subject to various federal and State licensing and permit requirements which have constrained facility operations and have caused and are expected to continue to cause the Authority to incur additional costs or to experience a reduction of revenues. Further plant improvements and modifications may be required by regulatory action or be deemed desirable by the Authority as the result of problems identified from its operating experience or that of operators of similar facilities.

## **Fuel Supply**

### *Flynn, 500-MW Plant, SCPPs, and Astoria Energy II plant*

The Authority endeavors to purchase sufficient amounts of fuel for Flynn, the 500-MW Plant, the SCPPs, and the Astoria Energy II plant to meet the fuel requirements of these plants. Natural gas is secured for these plants as required while the Authority maintains adequate oil inventory at the 500-MW Plant, Flynn, and the Astoria Energy II plant to supplement natural gas consumption. Fuel purchases are effectuated in the spot market and, at times, through longer term supply contracts for natural gas.

### *Gas Transportation and Supplies*

The Authority has entered into service agreements with Texas Gas Transmission, LLC, Dominion Transmission, Inc., and Transcontinental Gas Pipe Line Corporation terminating in October 2016 under which these pipelines provide firm natural gas transportation service at an estimated average annual cost to the Authority of \$7.5 million per year, based on current rates applied to the Authority's full allocation of capacity. The transportation primarily serves the Flynn plant, and also serves the SCPPs, the 500-MW Plant, and the Astoria Energy II plant.

The Authority entered into an agreement with Con Edison ending April 30, 2016 which provides gas transportation and balancing services to the Authority to serve its expected fuel needs for the 500-MW Plant, the Astoria Energy II plant, and the SCPPs located in Con Edison's service territory, at an estimated annual cost of \$2.7 million, exclusive of applicable taxes and balancing charges, if any. The Authority also has agreements with National Grid ending March 31, 2017 which provide gas transportation, balancing and gas peaking services to the Flynn Plant and the SCPPs which are located in the National Grid gas service territory, at an estimated annual cost of \$3.5 million, exclusive of applicable taxes and balancing charges, if any.

## **LEGISLATION AFFECTING THE AUTHORITY**

Section 1011 of the Act constitutes a pledge of the State to holders of Authority obligations not to limit or alter the rights vested in the Authority by the Act until such obligations together with the interest thereon are fully met and discharged or unless adequate provision is made by law for the protection of the holders thereof. Bills are periodically introduced into the State Legislature which propose to limit or restrict the powers, rights and exemption from regulation which the Authority currently possesses under the Act and other applicable law or otherwise would affect the Authority's financial condition or its ability to conduct its business, activities, or operations, in the manner presently conducted or contemplated hereby. It is not possible to predict whether any such bills or other bills of a similar type which may be introduced in the future will be enacted.

In addition, from time to time, legislation is enacted into New York law which purports to impose financial and other obligations on the Authority, either individually or along with other public authorities or governmental entities. The applicability of such provisions to the Authority would depend upon, among other things, the nature of the obligations imposed and the applicability of the pledge of the State

set forth in Section 1011 of the Act to such provisions. There can be no assurance that in the case of each such provision, the Authority will be immune from the financial obligations imposed by such provision. Examples of such legislation affecting the Authority include legislation, discussed above, relating to the Authority's voluntary contributions to the State, the Authority's temporary transfer of funds to the State, the RNYPP, and the Western NY Fund and the Northern NY Fund programs (see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Voluntary Contributions to the State General Fund, Temporary Transfer of Funds to State; POWER SALES—Marketing Issues and Developments—Items (3), (5), (6)"). Set forth below are descriptions of certain other legislative provisions that are relevant to the Authority.

(1) Section 2975 of the New York Public Authorities Law establishes a Governmental Cost Recovery System, pursuant to which certain public benefit corporations, defined as having three or more members appointed by the Governor, are subjected to assessment for the costs of central governmental services attributable to such public benefit corporations, pursuant to a statutory assessment methodology. Such a public benefit corporation may, however, pursuant to Section 2975, opt to enter into an agreement with the State Director of the Budget providing for alternative cost recovery to the State. Consistent with such alternative agreement mechanism, the Authority in the past has voluntarily entered into agreements with the Division of the Budget pursuant to which the Authority has made payments to the State relating to such cost recovery assessments. In connection with the Authority's temporary transfer of funds to the State in 2009 (see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Temporary Transfer of Funds to State"), the Authority executed an alternative cost recovery agreement with the Director of the Budget whereby the Authority was relieved of any obligation to make payments under Section 2975 from 2009 to 2017, up to a maximum of \$45 million.

(2) In 1995 and thereafter, legislation was enacted into New York law which authorizes the Authority to utilize an aggregate of \$60.3 million in POOCR funds and \$600,000 of other State funds, to be made available to the Authority by the State pursuant to the legislation, for a variety of energy-related purposes with certain funding limitations. The legislation also states that the Authority "shall transfer" equivalent amounts of money to the State prior to dates specified in the legislation. The use of POOCR funds is subject to comprehensive Federal regulations and judicial orders, including restrictions on the type of projects which can be financed with POOCR funds, the use of funds recovered from such projects, and the use of interest and income generated by such funds and projects. Pursuant to the legislation, the Authority is implementing various energy services programs utilizing such appropriated funds, which programs have received all necessary approvals (see "PART 2—CUSTOMER ENERGY SOLUTIONS"). The Authority entered into agreements with the State Division of the Budget obligating it to transfer \$60.9 million to the State upon the transfer of the \$60.9 million in POOCR and other State funds to the Authority. The disbursement of the appropriated funds to the Authority, and the Authority's transfer of \$60.9 million to the State, has occurred. The appropriated funds are being held in an escrow account for the approved purposes.

(3) New York Executive Law, Section 713, entitled "Protection of Critical Infrastructure including Energy Generating and Transmission Facilities" provides, in relevant part, that the New York State Commissioner of the Division of Homeland Security and Emergency Services (the "Commissioner") shall conduct a review and analysis of measures being taken by the New York Public Service Commission (the "PSC") and any other agency or authority of the State or any political subdivision thereof and, to the extent practicable, of any federal entity, to protect the security of critical infrastructure related to energy generation and transmission located within the State. The Commissioner is granted the authority to review any audits or reports related to the security of such critical infrastructure, including audits or reports conducted at the request of the PSC or any other agency or authority of the State or any political subdivision thereof or, to the extent practicable, of any federal entity. The statute provides for periodic reporting by the Commissioner to the Governor, the Temporary President of the New York

Senate, the Speaker of the New York Assembly, the Chairperson of the PSC and the chief executive of any affected generating or transmission company or his or her designee. Such reports are to review the security measures being taken regarding critical infrastructure related to energy generating and transmission facilities, assess the effectiveness thereof, and include recommendations to the State Legislature or the PSC if the Commissioner determines that additional measures are required to be implemented, considering, among other factors, the unique characteristics of each energy generating or transmission facility.

The statute provides that “[e]xcept in the case of federally licensed electric generating facilities, the public service commission shall have the discretion to require that the recommendations of the [commissioner]... be implemented by any owner or operator of an energy generating or transmission facility.” For the purposes of the statute, “critical infrastructure” means “systems, assets, or things, whether physical or virtual, so vital to the State that the disruption, incapacitation or destruction of such systems, assets, places or things could jeopardize the health, safety, welfare or security of the State, its residents or its economy.”

Information on legislation affecting the Authority is also available from many sources in the public domain, and potential purchasers of the 2015 A Bonds should obtain and review such information.

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## **EXECUTIVE ORDER NO. 88**

On December 28, 2012, Governor Andrew M. Cuomo issued Executive Order No. 88 (“EO 88”) directing state agencies collectively to reduce energy consumption in state-owned and managed buildings by 20 percent within seven years – an initiative designed to produce significant savings for New York taxpayers, generate jobs, and significantly reduce greenhouse gas emissions. To meet this initiative, the Governor launched Build Smart NY, a plan to strategically implement EO 88 by accelerating priority improvements in energy performance. The Authority has offered to provide \$450 million in low-cost financing for this initiative for state owned buildings and an additional \$350 million for towns and municipalities. Such low-cost financing would be funded by proceeds of the Authority’s commercial paper or another form of debt. The Authority’s costs of financing would be recovered from the energy efficiency customers in this program. In addition, as provided for in EO 88, the Authority has established a central management and implementation team to carry out the Build Smart NY plan. As of June 30, 2015, the Authority has in aggregate provided approximately \$169 million in financing for energy efficiency projects at State agencies and authorities covered by EO 88.

### **CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY**

#### **The Electric Utility Industry Generally**

##### *Energy Policy Act of 1992*

The Energy Policy Act of 1992 made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. The purpose of these changes, in part, was to bring about increased competition in the wholesale electric power supply market. These changes have increased competition in the electric utility industry.

### *Federal Initiatives under the Energy Policy Act of 1992*

On April 24, 1996, FERC issued a Final Rule (“Order No. 888”) significantly changing the regulation of transmission service performed by electric utilities subject to FERC’s jurisdiction under sections 205 and 206 of the FPA. Among other things, FERC ordered pro forma, open-access, non-discriminatory transmission tariffs be placed into effect for all jurisdictional utilities on or before July 9, 1996. The goal of Order No. 888, according to FERC, was to remove impediments to competition in the wholesale bulk power marketplace and to bring more efficient lower cost power to the nation’s electricity consumers by denying to a generator of electric energy any unfair advantage over its competitors that exists by virtue of its ownership of its transmission system.

Although the Authority was not subject to FERC’s jurisdiction under sections 205 and 206 of the FPA at the time Order No. 888 was issued, Order No. 888 nevertheless has had a significant effect on the Authority and was the impetus to the Authority participating in the formation of the NYISO (see “PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR”). In Order No. 888, FERC stated that it intended to apply the principles set forth in Order No. 888 to the maximum extent to consumer-owned and other non-jurisdictional utilities, both in deciding cases brought under sections 211 and 212 of the FPA and by requiring such utilities to agree to provide open access transmission service as a condition to securing transmission service from jurisdictional investor-owned utilities under open access tariffs (see “Energy Policy Act of 2005” below).

### *Energy Policy Act of 2005*

The “Energy Policy Act of 2005” (the “Energy Policy Act”), among other things: (a) authorizes FERC to require “unregulated transmitting utilities” that formerly were exempt from regulation under sections 205 and 206 of the FPA (including the Authority) to provide open access to their transmission systems and to comply with certain rate change provisions of section 205 of the FPA; authorizes FERC to order refunds for certain short-term wholesale sales made by state and municipal power entities (including the Authority) if such sales violate FERC-approved tariffs or FERC rules; (c) allows load serving entities holding certain firm transmission rights to continue to use those rights to serve their customers; (d) provides that an “electric reliability organization” (the “ERO”) shall develop reliability standards for operation of the transmission grid subject to FERC approval, that compliance with such standards will be mandatory and enforceable by the ERO and FERC, and that the ERO may delegate its authority to regional entities subject to FERC approval (see North American Electric Reliability Corporation (“NERC”) Reliability Standards, below); (e) adds to the FPA a prohibition on market manipulation and submission of false information, and expands civil and criminal penalties for violation of the FPA; (f) authorizes FERC to issue construction permits for transmission projects located in “national interest electric transmission corridors” (to be designated by DOE) in circumstances where the applicable state or regional siting agency does not timely authorize a project or imposes unreasonable conditions; (g) eliminates certain ownership restrictions on electric utilities regarding “qualifying facilities” under section 210 of the Public Utility Regulatory Policies Act (“PURPA”), and authorizes FERC to eliminate prospectively the obligation of electric utilities to purchase and sell electricity to such qualifying facilities if certain market condition findings are made by FERC; (h) requires state utility regulatory commissions and “non-regulated electric utilities” (including the Authority) to consider adopting certain standards on net metering, fuel diversity, fossil fuel plant diversity, certain metering and time-based rate schedules and demand response, and interconnection with distributed generation facilities; (i) repeals the Public Utility Holding Company Act (“PUHCA”), effective six months after enactment of the Energy Policy Act; (j) increases FERC’s authority to review mergers of public utility companies; and (k) directs FERC to establish transmission investment incentives in transmission rate structures for public utilities. The foregoing discussion of certain provisions of the Energy Policy Act does not purport to be a comprehensive discussion of the Energy Policy Act. Information on the Energy Policy Act is available

from many sources in the public domain, and potential purchasers of the 2015 A Bonds should obtain and review such information.

#### *FERC Order 1000*

In 2011, FERC issued Order 1000, which mandates regional transmission planning and imposes a regional cost allocation methodology for transmission additions. Order 1000 allows FERC to allocate costs to beneficiaries of transmission projects on both intra and inter-regional bases, even in the absence of a contractual relationship between the owner of the transmission facility and the beneficiary. Order 1000 also includes the requirements for a competitive process for construction of transmission facilities and potentially, for certain transmission facility upgrades.

#### *NERC Reliability Standards*

Pursuant to the Energy Policy Act, FERC in 2006 certified NERC as the nation's ERO and as of June 2007 granted it legal authority to enforce comprehensive Reliability Standards for all users, owners, and operators of the bulk power system in the United States, including the Authority. NERC has authority to levy penalties for non-compliance with the Reliability Standards, with fines of up to \$1 million per day per violation for the most serious violations. FERC has approved a set of agreements between NERC and Regional Entities (in the Northeast United States, the Northeast Power Coordinating Council) delegating to them certain authority to monitor and enforce compliance with the Reliability Standards.

The Reliability Standards became effective in June 2007, with additional standards under development and existing standards undergoing revision. The Reliability Standards are applicable to the Authority based on its functional registrations under the Functional Model approved by FERC, which links responsible entities with associated reliability-related functions and respective tasks.

#### *Dodd Frank Act*

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") which addresses, among other things, interest rate and energy related commodity swap transactions of the type in which the Authority engages. The requirements and processes are set forth in regulations promulgated by the Commodities Futures Trading Commission (the "CFTC"). Pursuant to CFTC rules thus far, the Authority, as a public entity and electric utility which uses swaps solely to manage its risk, will be exempted from posting collateral beyond that of any existing credit support annexes in support of its open over-the-counter hedge positions. These CFTC rules are not anticipated to have significant impact on the Authority's liquidity and/or future risk mitigation activities. CFTC and Dodd-Frank Act rules are still being promulgated, and the Authority will continue to monitor their potential impact on the Authority's liquidity and/or future risk mitigation activities. Extensive information on the Dodd-Frank Act is available from many sources in the public domain and potential purchasers of the 2015 A Bonds should obtain and review such information. Information on any such website is not incorporated by reference herein.

## **Environmental**

Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the Authority's facilities will remain subject to the regulations currently in effect, will always be in compliance with future regulations, or will always be

able to obtain all required operating permits. An inability to comply with environmental standards could result in substantial additional capital expenditures to comply, reduced operating levels or the complete shutdown of individual electric generating units not in compliance, and an adverse impact on Authority revenues.

*Regional Greenhouse Gas Initiative, Clean Power Plan Rule and Air Pollution Rule*

The Regional Greenhouse Gas Initiative (the “RGGI”) is a cooperative effort by Northeastern and Mid-Atlantic states, including New York, to hold carbon dioxide emission levels steady from 2009 to 2014 and then reduce such levels by 2.5% annually in the years 2015 to 2018 for a total 10% reduction. Central to this initiative is the implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The program requires electricity generators to hold carbon dioxide allowances in a compliance account in a quantity that matches their total emissions of carbon dioxide for the compliance period. The Authority’s Flynn plant, the SCPPs, and 500-MW Plant are subject to the RGGI requirements as is the Astoria Energy II plant. The Authority has participated in program auctions commencing in September 2008 and expects to recover RGGI costs through its power sales revenues. Beginning 2014, the number of allowances offered in the auction by RGGI cap and trade program was reduced (from allowances covering 165 million tons of carbon dioxide emissions in 2013 to 91 million tons in 2014), and will decline by 2.5% each year from 2015 through 2020. This reduction has increased the price for carbon dioxide allowances, which the Authority acquires to cover operation of its fossil-fueled power plants and the Astoria Energy II plant. The Authority is monitoring federal legislation and proposed programs that would impact RGGI.

In 2013, President Obama sent a memorandum to the Environmental Protection Agency (the “EPA”) on “Power Sector Carbon Pollution Standards” (the “Presidential Memorandum”) as part of the President’s Climate Action Plan. The Presidential Memorandum requires the EPA to propose carbon pollution standards for power plants. On August 3, 2015, the EPA met a milestone by releasing its final Clean Power Plan Rule for existing power plants [Clean Air Act 111(d)]. The objective is to reduce by 2030 carbon pollution (carbon dioxide emissions) nationwide from the power sector (plants in operation before December 31, 2012) by 32% from 2005 levels. Under the EPA’s regulations for existing sources, the State will have 1 year to submit its implementation plan to the EPA. The State will need to be compliant with carbon dioxide reduction starting in 2022, with the state’s final goal to be met in 2030. The Authority continues to monitor developments in this area.

During 2011, the EPA issued a series of rulings to establish the Cross-State Air Pollution Rule (“CSAPR”). The CSAPR establishes emission allowance budgets for sulfur dioxide and nitrogen oxides for eastern states, including New York, and requires power plants in those states to hold allowances to cover their emissions. Certain trading of allowances is authorized under the CSAPR. Following decisions by the D.C. Circuit and the U.S. Supreme Court, the EPA issued an interim final rule on November 21, 2014 to amend the compliance deadline from 2012 and 2013 to 2015 and 2016 for CSAPR’s Phase 1 emissions budgets, and from 2014 to 2017 for Phase 2 emissions budgets and assurance provisions. On July 28, 2015, the D.C. Circuit remanded part of CSAPR to the EPA for reconsideration, finding that the EPA erred in 2014 sulfur dioxide and ozone budgets for 13 states by imposing uniform emission reductions instead of assessing each upwind state’s contribution (the D.C. Circuit found the result is over-control of emissions in those states based on emissions budgets). While the emissions budgets were not vacated, the DC Circuit remanded the matter for EPA to develop compliant regulations. The Authority continues to operate its fossil-fueled plants within the allocated allowances and anticipates that operation of its fossil fueled power plants will not be impacted by CSAPR.

## **New York Energy Highway**

In January 2012, the Governor of New York announced the New York Energy Highway initiative, which is envisioned as a public-private partnership to upgrade and modernize the State's electric power system. The Governor formed a task force comprised of various State officials to oversee implementation of the initiative (the "Task Force") which is co-chaired by the Authority's President and Chief Executive Officer. In April 2012, the Task Force issued a request for information seeking ideas and proposals in furtherance of the initiative. Approximately 85 organizations responded to the Task Force's request for information and the responses included a large number of different generation and transmission project proposals. Based on the response of all these organizations, the Task Force issued an action plan in October 2012. The resulting Energy Highway Blueprint (the "Blueprint"), calling for public and private investments in the State's energy system of about \$5.7 billion over the next five to 10 years, proposed 13 specific actions divided among four major categories: Expand and Strengthen the System, Accelerate Construction and Repair, Support Clean Energy and Technology Innovation.

In November 2012, the PSC announced new proceedings addressing various actions described in the Blueprint including (i) the initiation of electric transmission upgrades to move excess power from upstate to downstate ("AC Transmission"), (ii) the creation of a contingency plan to prepare for a large generator retirement (the "Generation Retirement Contingency Plan") and (iii) the expansion of natural gas delivery to homeowners and businesses in the State.

In response to the request for information and the Generation Retirement Contingency Plan and AC Transmission proceedings, the New York Transmission Owners (the "NYTOs"), comprised of the State's largest private utilities, LIPA, and the Authority, indicated that they were exploring the creation of a new Statewide transmission entity ("NY Transco") to pursue development, construction, operation, and ownership of new transmission projects. The NYTOs proposed to the Task Force and to the NYPSC several transmission projects that could be undertaken by NY Transco. The Authority's participation in NY Transco is contingent on the enactment of legislation by the State enabling the Authority to participate. As of the 2015 legislative session, which ended in June 2014, such enabling legislation has not been passed. On November 24, 2014, affiliates of the NYTOs formed a transmission entity (the "Four-Party Transco") that does not include LIPA or the Authority, but permits their participation should the necessary enabling legislation be passed.

In its November 4, 2013 Generation Retirement Contingency Plan Order, the NYPSC selected three transmission projects (the "TOTS projects") to be built by Con Edison, NYSEG and the Authority and requested that the NYTOs seek FERC approval for the three TOTS projects. On December 4, 2014, the NYTOs, on behalf of themselves and the Four-Party Transco, filed applications at FERC to permit the transfer of certain transmission assets to the Four-Party Transco. The Four-Party Transco also filed an application for cost allocation and recovery for five projects, including the three TOTS projects. On January 16, 2015, the Authority filed at FERC in opposition of the cost allocation methodology proposed by the Four-Party Transco. The Authority is co-developing one of the TOTS projects, the Marcy-South Series Compensation, with NYSEG and has filed at FERC to recover the costs of its portion of that project (see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Transmission Service").

## **Other Factors**

The electric utility industry in general has been, and in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities, including the Authority, and the level of utilization of their generating and transmission facilities.

Electric and magnetic fields (“EMF”) exist wherever electricity flows, around high voltage transmission and distribution equipment (“power frequency EMF”), as well as near electrical appliances, computers, and other electrical devices. Epidemiological studies, clinical studies and laboratory experiments have shown that EMF can cause changes in living cells, but there is little evidence that these changes suggest any risk to human health. Claims for damages against electric utilities for injuries alleged to have been caused by power frequency EMF have increased electric utilities’ attention to this issue. At this time, it is not possible to predict the extent of the costs and other impacts, if any, which power frequency EMF may have on the Authority and other electric utilities.

In addition to the factors affecting the electric utility industry discussed above, such factors also include, among others: (a) effects of compliance with rapidly changing environmental (including climate change), safety, licensing, regulatory and legislative requirements other than those described above, (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (c) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and “strategic alliances” of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity, (d) the role of independent power producers and marketers, brokers and federal power marketing agencies in power markets, (e) “self-generation” or “distributed generation” (such as microturbines and fuel cells) by industrial and commercial customers and others, (f) effects of inflation on the operating and maintenance costs of an electric utility and its facilities, (g) changes from projected future load requirements, (h) increases in costs and uncertain availability of capital, (i) shifts in the availability and relative costs of different fuels (including the cost of natural gas), (j) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, (k) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity, and (l) legislative changes, voter initiatives, referenda and statewide propositions. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility, including the Authority, and likely will affect individual utilities in different ways.

### **Effects on the Authority**

Currently, the Authority is a provider of low cost power and energy in the State. However, the Authority cannot predict what effect any of the foregoing factors will have on the business operations and financial condition of the Authority, but the effect could be significant. The Authority can give no assurance that it will not lose customers in the future as a result of the restructuring of the State electric utility industry and the emergence of new competitors or increased competition from existing competitors. In addition, the Authority’s ability to market power and energy on a competitive basis is limited by provisions of the Act, restrictions under State and federal law as to the sale and pricing of a large portion of the output from the Niagara and St. Lawrence-FDR Projects, and restrictions on marketing arising from Federal tax laws and regulations.

The foregoing is a brief discussion of certain factors affecting the electric utility industry. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is, and will be, available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the 2015 A Bonds should obtain and review such information.

## REGULATION

The operations of the Authority are subject to regulation or review by various State and federal agencies, discussions of which appear in various segments throughout this Official Statement. The principal agencies having a regulatory impact on, or a monitoring function over, the Authority and the conduct of its activities, are as follows:

### **New York State**

#### *Public Service Commission and Siting Board*

The PSC is the principal agency in the State regulating the generation, transmission and sale of electric power and energy. It has no jurisdiction over rates for power generated or transmitted by the Authority but does regulate the rates of the State's investor-owned utilities and certain municipal systems to which the Authority sells power. The PSC is empowered by the Public Service Law to issue Certificates of Environmental Compatibility and Public Need prior to the construction of power transmission lines of certain capacities and lengths.

On August 4, 2011, the Governor signed into law a new Article X of the Public Service Law governing the siting and construction of virtually all new electric generating plants of 25 MW or more in the State including any such facilities of the Authority. An earlier version of Article X expired on January 1, 2003. Under the new Article X, a Siting Board, chaired by the chair of the PSC and comprised of four other state agency officials and two ad hoc members, is empowered to issue Certificates of Environmental Compatibility and Public Need authorizing construction of such plants. The Siting Board is not authorized to accept applications under the new Article X until the DEC has issued certain regulations involving environmental justice and air quality issues.

#### *[Reforming the Energy Vision]*

In April 2014, the PSC commenced a proceeding to reform the State's energy industry and regulatory practices. According to the PSC, this initiative, called Reforming the Energy Vision (the "REV"), will lead to regulatory changes that promote more efficient use of energy; deeper penetration of renewable energy resources such as wind and solar; and wider deployment of smaller power sources located closer to the customer load, including microgrids capable of aggregating power resources to meet the regular demands of a community of consumers, on-site power supplies, and energy storage. The REV will also promote greater use of advanced energy management products to enhance demand elasticity and efficiencies. These changes, in turn, will empower customers by allowing them more choice in how they manage and consume electric energy. The PSC order instituting the proceeding designated two tracks for the REV with track one focused on developing distributed resource markets and track two focused on reforming utility ratemaking practices.

The PSC has identified six core policy objectives relating to enhanced customer knowledge and tools to support effective management of total energy bills, market animation and leverage of customer contributions, system-wide efficiency, fuels and resource diversity, system reliability and resiliency, and reduction of carbon emissions to support the REV initiative. A PSC "Staff Report and Proposal" released in April 2014 set forth a vision for how to accomplish the PSC's objectives. This report and additional information on the REV, including the Order Adopting Regulatory Policy Framework and Implementation Plan issued and effective February 26, 2015, is available at <http://www.dps.ny.gov/>. Information on that website is not incorporated by reference herein.

While the PSC does not have jurisdiction over rates for power generated or transmitted by the Authority, the reforms and innovations contemplated in the REV initiative are expected by the PSC to be done in conjunction with certain independent but related actions of the Authority. As a result, the Authority monitors the REV initiative closely and expects to evaluate any regulatory reforms that are ultimately implemented and their suitability for adoption by the Authority and its customers.]

*[Department of Environmental Conservation*

The DEC administers and manages the State program for oil and chemical containment and spill prevention and provides for abatement of water, land and air pollution. Pursuant to State and federal laws, the DEC regulates the transport, treatment and disposal of hazardous and toxic wastes. In addition, the DEC regulates the use of tidal and freshwater wetlands and flood plains. Before any State or Federal license or permit can be issued for any activity involving a discharge into navigable waters, the DEC must certify that the discharge will comply with the State water quality standards, or otherwise waive certification. Certain aspects of the DEC's regulatory authority over pollutant discharge permits, air quality and hazardous waste regulation arise from delegation of such authority to the State by federal legislation.]

*New York State Comptroller*

Pursuant to legislation enacted in 1989, the Office of the State Comptroller (the "OSC") is required to undertake a "program, financial and operations" audit of the Authority at least once every five years, and the OSC periodically conducts other audits as well. Recent audit reports are available on the OSC's website. In March 2006, the OSC issued regulations that are applicable in whole or in part to many public authorities in the State, including the Authority. Among other things, the regulations require public authorities, including the Authority, to adhere to prescribed budgeting and financial plan procedures, certain financial reporting and certification requirements, and detailed investment guidelines and procedures, including obtaining the approval of the OSC before adoption of certain changes in accounting principles. In addition, legislation that took effect on March 1, 2010 provides the OSC with discretionary authority to review and approve certain contracts to be entered into by public authorities, including the Authority. In October 2010, the OSC issued regulations to implement this legislation.

*State Inspector General*

The Office of the Inspector General (the "OIG") has jurisdiction over the Authority pursuant to New York State Executive Law Article 4-A. From time to time, the Authority may be involved in investigations initiated by and engaged in by the OIG and related proceedings. The Authority fully cooperates with the OIG and other federal and state agencies in any applicable proceedings.

*Authorities Budget Office*

Chapter 506 of the Laws of 2009 created the Authorities Budget Office (the "ABO"). The ABO's responsibilities include conducting reviews of public authorities, assisting public authorities in improving management practices and procedures, developing oaths of office for public authority board members, and making recommendations to the Governor and Legislature concerning public authorities. In addition, the ABO is authorized to, among other things, receive and act upon complaints regarding public authorities, initiate investigations of public authorities, warn and censure public authorities for non-compliance with the Public Authorities Law, recommend discipline against public authority officials, and compel public authorities to produce records necessary to enable the ABO to perform its duties.

## **Federal**

### *Federal Energy Regulatory Commission*

FERC exercises regulatory authority over the NYISO's operations and the Authority participates extensively in the NYISO-administered markets (see "PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR"). The Authority retains its non-jurisdictional status under Part II of the FPA, which means that FERC does not regulate the Authority with respect to its generation sales, though the Authority participates fully in the NYISO-administered markets. Through operation of the NYISO tariff, changes to the Authority's ATRR are subject to FERC jurisdiction. FERC is also authorized by the FPA to license the Authority's hydroelectric power plants, to approve interconnection agreements for large and small generators (which utilize approved NYISO form contracts), and to prescribe rules for the sale of electrical energy to and the purchase of energy from qualifying cogeneration and small power production facilities. See "PART 2—CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—The Electric Utility Industry Generally—*Energy Policy Act of 2005*" for a discussion of FERC's increased regulatory authority over certain entities, including the Authority.

### *Environmental Protection Agency*

The EPA is the principal agency of the Federal government regulating air and water quality and the use, storage and disposal of hazardous substances. While most of its air, water and waste programs have been delegated to the State, the EPA retains approval authority over the individual state programs, in many instances disapproval authority over individual permit issuance and enforcement authority over all the delegated programs. It is also empowered to initiate administrative and legal action to compel responsible parties to clean up hazardous waste sites. The Authority is subject to EPA rules requiring the securing of routine discharge permits for emissions and effluents from all Authority facilities.

### *[Department of Energy*

The Economic Regulatory Administration of DOE is authorized to issue Presidential permits for international transmission interconnections.]

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## SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The following is a summary of certain provisions of the General Resolution. The following summary is not to be considered a full statement of the terms of the General Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not otherwise previously defined in this Official Statement or defined below have the meaning set forth in the General Resolution.

### Definitions

The following are definitions in summary form of certain terms contained in the General Resolution and used hereinafter:

**Authorized Investments** means and includes any of the following securities, if and to the extent the same are at the time legal for investment of the Authority's funds pursuant to any law, to the extent permitted under any applicable regulation, guideline and policy of the Authority as each is in effect from time to time: (i) any security which is (a) a direct obligation of, or is unconditionally guaranteed by, the United States of America or the State for the payment of which the full faith and credit of the United States of America or the State is pledged or (b) an obligation of an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America; (ii) any obligation of any state or political subdivision of a state or of any agency or instrumentality of any state or political subdivision ("Municipal Bond") which Municipal Bond is fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holder of the Municipal Bond, and which Municipal Bond is rated in the highest Rating Category by at least two Rating Agencies and provided, however, that such Municipal Bond is accompanied by (1) a Counsel's Opinion to the effect that such Municipal Bond is not subject to redemption prior to the date the proceeds of such Municipal Bond will be required for the purposes of the investment being made therein and (2) a report of a nationally recognized independent certified accountant verifying that the moneys and obligations so segregated are sufficient to pay the principal of, premium, if any, and interest on the Municipal Bond; (iii) bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association (including Participation Certificates), Government National Mortgage Association, Federal Financing Bank, Federal Home Loan Mortgage Corporation and Federal Home Loan Banks, the Federal Housing Administration, the Federal Farm Credit Banks Funding Corporation, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, or any other agency controlled by or supervised by and acting as an instrumentality of the United States government; (iv) obligations of any state of the United States of America or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which shall be rated at the time of the investment in any of the three highest long-term Rating Categories or the highest short-term Rating Category by a Rating Agency; (v) certificates or other instruments that evidence ownership of the right to payments of principal of or interest on Municipal Bonds provided that such obligations shall be held in trust by a Bank meeting the requirements for a successor Trustee pursuant to the General Resolution, and provided further that the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which at the date of investment shall have an outstanding, unsecured, uninsured and unguaranteed debt issue rated in the highest Rating Category by a Rating Agency or, in the case of an insurer providing municipal bond

insurance policies insuring the payment, when due, of the principal of and interest on Municipal Bonds, such insurance policy shall result in such Municipal Bonds being rated in the highest Rating Category by a Rating Agency; (vi) certificates that evidence ownership of the right to payments of principal of or interest on obligations described in clause (i) or (ii) above, provided that such obligations shall be held in trust by a Bank meeting the requirements for a successor Trustee pursuant to the General Resolution; (vii) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of the 25 largest Banks (measured by aggregate capital and surplus) in the United States or commercial paper issued by the parent holding company of any such Bank which at the time of investment has an outstanding unsecured, uninsured and unguaranteed debt issue rated in the highest short-term Rating Category by a Rating Agency (including the Trustee and its parent holding company, if any, if it otherwise qualifies); (viii) any repurchase agreement or other investment agreement with any Bank as defined in clause (i) or (ii) of the definition thereof or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clause (i), (iii) or (vii) above, which securities shall at all times have a market value of not less than the full amount of the repurchase agreement and be delivered to another such Bank, as custodian; (ix) any agreement or other investment agreement with any insurance company or reinsurance company or investment affiliates thereof the obligations of which are rated by a Rating Agency in one of the two highest Rating Categories, which agreement is continuously secured by any one or more of the securities described in clause (i), (iii) or (vii) above, which securities shall at all times have a market value of not less than the full amount held or invested pursuant to the agreement and be delivered to a Bank as defined in clause (i) or (ii) of the definition thereof, as custodian; (x) obligations of any domestic corporation which shall be rated at the time of the investment in either of the two highest long-term Rating Categories or the highest short-term Rating Category by a Rating Agency; and (xi) any other investment in which the Authority is permitted to invest under applicable law, notwithstanding any limitations set forth in clauses (i) through (x) above.

**Authorized Officer** means any trustee of the Authority or officer of the Authority and any other person authorized by by-laws or resolution of the Authority to perform the act or sign the document in question.

**Bank** means any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

**Capital Costs** means the Authority's costs of (i) physical construction of or acquisition of real or personal property or interests therein for any Project, together with incidental costs, working capital and reserves deemed necessary or desirable by the Authority and other costs properly attributable thereto; (ii) all capital improvements or additions, including but not limited to, renewals or replacements of or repairs, additions, improvements, modifications or betterments to or for any Project; (iii) the acquisition of any other real property, capital improvements or additions, or interests therein, deemed necessary or desirable by the Authority for the conduct of its business; (iv) any other purpose for which bonds, notes or other obligations of the Authority may be issued under the Act or under other applicable State statutory provisions (whether or not also classifiable as an Operating Expense); and (v) the payment of principal, interest, and redemption, tender or purchase price of any (a) Obligations issued by the Authority for the payment of any of the costs specified above, (b) any Obligations issued to refund such Obligations, or (c) Obligations issued to pay capitalized interest; provided, however, that the term Capital Costs shall not include any costs of the Authority relating to a Separately Financed Project.

**Capital Fund** means the fund by that name established pursuant to the General Resolution.

**Commercial Paper Notes** means any notes issued and outstanding at any time under the Commercial Paper Resolution.

**Commercial Paper Resolution** means the Amended and Restated Resolution Authorizing Commercial Paper Notes adopted by the Authority on November 25, 1997, as the same may be amended and supplemented in accordance with its terms.

**Counsel's Opinion** means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the Authority.

**Credit Facility** means any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement thereof, which is obtained by the Authority and is issued by a financial, insurance or other institution and which provides security or liquidity in respect of any Outstanding Obligations, Parity Debt or Subordinated Indebtedness.

**Defeasance Security** means (a) an Authorized Investment as specified in clause (i) of the definition thereof, which is not callable or redeemable at the option of the issuer thereof; (b) any depositary receipt issued by a Bank as custodian with respect to any Defeasance Security which is specified in clause (a) above and held by such Bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any such Defeasance Security which is so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Defeasance Security or the specific payment of principal or interest evidenced by such depositary receipt; (c) any certificate of deposit specified in clause (vii) of the definition of Authorized Investments, including certificates of deposit issued by the Trustee or by a Paying Agent; (d) an Authorized Investment as specified in clause (ii) of the definition thereof and (e) any other security designated in a Supplemental Resolution as a Defeasance Security for purposes of defeasing the Obligations authorized by such Supplemental Resolution.

**Event of Default** has the meaning provided in the discussion of **Event of Default** below.

**Fiduciary or Fiduciaries** means the Trustee, any Registrar, any Paying Agent, or any or all of them, as may be appropriate.

**General Resolution** means the Power Authority of the State of New York General Resolution authorizing Revenue Obligations adopted on February 24, 1998, as from time to time amended or supplemented by any Supplemental Resolutions.

**1985 Note Resolution** means the resolution adopted by the Authority on April 30, 1985 entitled "Resolution Authorizing the Issuance of \$200,000,000 Adjustable Rate Tender Notes," as amended and supplemented in accordance with the terms thereof.

**1985 Notes** means any notes issued and outstanding under the 1985 Note Resolution.

**1974 Bonds** means any bond or bonds issued in one or more series under the 1974 Resolution.

**1974 Resolution** means the General Purpose Bond Resolution adopted by the Authority on November 26, 1974, as amended and supplemented in accordance with the terms thereof.

**Obligations** means any obligations, issued in any form of debt, authorized by a Supplemental Resolution, including, but not limited to, bonds, notes, bond anticipation notes, and commercial paper, which are delivered under the General Resolution, but such term shall not include any Subordinated Contract Obligation or Subordinated Indebtedness.

**Operating Expenses** means the Authority's expenses for operation, maintenance, ordinary repairs and ordinary replacements of any Project, including, without limiting the generality of the foregoing, the costs of supplies, fuel, fuel assemblies and components required by the Authority for the operation of any Project (including any payments made pursuant to a "take-or-pay" fuel supply or energy contract that obligates the Authority to pay for fuel, energy or power regardless of whether fuel or energy is delivered or made available for delivery, other than any such contract or portion thereof that is designated by the Authority as either a Subordinate Contract Obligation or a Parity Contract Obligation), administrative expenses, insurance premiums, legal and engineering expenses, consulting and technical services, payments for energy conservation and load management programs, payments relating to fuel or electricity hedging instruments, payments for employee benefits, including payments to savings, pension, retirement, health and hospitalization funds, charges payable by the Authority pursuant to any licenses, orders or mandates from any agency or regulatory body having lawful jurisdiction, any payments in lieu of taxes or other payments to municipal governments agreed to be paid by the Authority and any taxes, governmental charges, and any other expenses required to be paid by the Authority, all to the extent properly and directly attributable to any Project; financing costs of any Series of Obligations; the expenses, liabilities and compensation of the fiduciaries required to be paid under the General Resolution or pursuant to any agreement executed by the Authority; all costs and expenses associated with or arising out of the research, development (including feasibility and other studies) and/or implementation of any project, facility, system, task or measure deemed desirable or necessary by the Authority; and all other costs and expenses arising out of or in connection with the conduct of Authority business (other than costs and expenses attributable to a Separately Financed Project), including those expenses the payment of which is not immediately required, such as those expenses referenced in the second paragraph of the discussion of **Operating Fund**. Operating Expenses shall not include any costs or expenses for new construction or for reconstruction other than restoration of any part of a Project to the condition of serviceability thereof when new.

**Operating Fund** means the fund by that name established pursuant to the General Resolution.

**Outstanding**, when used with reference to Obligations or Obligations of a Series, means, as of any date, Obligations or Obligations of such Series theretofore or thereupon being delivered under the General Resolution except: (i) Any Obligations cancelled at or prior to such date; (ii) Obligations the principal and Redemption Price, if any, of and interest on which have been paid in accordance with the terms thereof; (iii) Obligations in lieu of or in substitution for which other Obligations shall have been delivered pursuant to the General Resolution; (iv) Obligations deemed to have been paid as provided in the General Resolution; and (v) Put Obligations tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Obligations on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Obligations thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

**Owner** or any similar terms, means the registered owner of any Obligation as shown on the books for the registration and transfer of Obligations maintained in accordance with the General Resolution.

**Parity Contract Obligation** has the meaning provided in the discussion of **Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt** herein.

**Parity Debt** means the 1985 Notes, any note issued pursuant to the 1995 Revolving Credit Agreement, and any Parity Contract Obligation, Parity Reimbursement Obligation or Parity Swap Obligation.

**Parity Reimbursement Obligation** has the meaning provided in the discussion of **Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt** herein.

**Parity Swap Obligation** has the meaning provided in the discussion of **Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt** herein.

**Paying Agent** means any paying agent for the Obligations of any Series and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the General Resolution.

**Person** means any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company, or other legal entity or group of entities, including a governmental entity or any agency or subdivision thereof.

**Project** means any project, facility, system, equipment, or material related to or necessary or desirable in connection with the generation, production, transportation, distribution, transmission, delivery, storage, conservation, purchase or use of energy or fuel, whether owned jointly or singly by the Authority, including any output in which the Authority has an interest, heretofore or hereafter authorized by the Act or by other applicable State statutory provisions; provided, however, that the term “Project” shall not include any Separately Financed Project.

**Purchase Price** means, with respect to any Obligation, 100% of the principal amount thereof plus accrued interest, if any, plus in the case of an Obligation subject to mandatory tender for purchase on a date when such Obligation is also subject to optional redemption at a premium, an amount equal to the premium that would be payable on such Obligation if redeemed on such date.

**Put Obligations** means Obligations which by their terms may be tendered by and at the option of the owner thereof, or are subject to a mandatory tender, for payment or purchase prior to the stated maturity or redemption date thereof.

**Qualified Swap** means, to the extent from time to time permitted by law, with respect to Obligations, any financial arrangement (i) which is entered into by the Authority with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Obligations of the Authority as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Obligations); asset, index, price or market linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, executed by the Authority for the purpose of moderating interest rate fluctuations or otherwise, and (iii) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Swap with respect to such Obligations.

**Qualified Swap Provider** means an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, financial program rating, counterparty rating, other senior unsecured long term obligations or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior

unsecured long term obligations or claims paying ability, are rated either (i) at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider, but in no event lower than any Rating Category designated by each such Rating Agency for the Obligations subject to such Qualified Swap, or (ii) any such lower Rating Categories which each such Rating Agency indicates in writing to the Authority and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Obligations subject to such Qualified Swap that is in effect prior to entering into such Qualified Swap.

**Rating Agency** means each nationally recognized securities rating agency then maintaining a rating on the Obligations at the request of the Authority.

**Rating Category** means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

**Redemption Price** means, with respect to any Obligation, 100% of the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof pursuant to the General Resolution.

**Registrar** means any registrar for the Obligations of any Series and its successor or successors and any other person which may at any time be substituted in its place pursuant to the General Resolution.

**Revenues** means all revenues, rates, fees, charges, rents, proceeds from the sale of Authority assets, proceeds of insurance, and other income and receipts, as derived in cash by or for the account of the Authority directly or indirectly from any of the Authority's operations, including but not limited to the ownership or operation of any Project, but not including any such income or receipts attributable directly or indirectly to the ownership or operation of any Separately Financed Project and not including any federal or state grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose.

**Separately Financed Project** means any project described as such pursuant to the General Resolution.

**Series** means all of the Obligations delivered upon original issuance pursuant to a single Supplemental Resolution and denominated therein a single series, and any Obligations thereafter delivered in lieu of or in substitution therefor pursuant to the General Resolution, regardless of variations in maturity, interest rate, or other provisions.

**Subordinated Contract Obligation** means any payment obligation (other than a payment obligation constituting Parity Debt or Subordinated Indebtedness) arising under (a) any Credit Facility which has been designated as constituting a "Subordinated Contract Obligation" in a certificate of an Authorized Officer delivered to the Trustee, (b) any Qualified Swap which has been designated as constituting a "Subordinated Contract Obligation" in a certificate of an Authorized Officer delivered to the Trustee, (c) the 1995 Revolving Credit Agreement, and (d) any other contract, agreement or other obligation authorized by resolution of the Authority and designated as constituting a "Subordinated Contract Obligation" in a certificate of an Authorized Officer delivered to the Trustee. Each Subordinated Contract Obligation shall be payable from the Trust Estate subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, as provided for in the General Resolution and which shall be secured by a lien on and pledge of the Trust Estate junior and inferior to the lien on and pledge of the Trust Estate created pursuant to the Resolution for the payment of the Obligations and Parity Debt.

**Subordinated Indebtedness** means any Commercial Paper Notes, and any bond, note or other indebtedness authorized by resolution of the Authority and designated as constituting “Subordinated Indebtedness” in a certificate of an Authorized Officer delivered to the Trustee, and which shall be secured by a lien on and pledge of the Trust Estate junior and inferior to the lien on and pledge of the Trust Estate created for the payment of the Obligations and Parity Debt.

**Supplemental Resolution** means any resolution supplemental to or amendatory of the General Resolution, adopted by, or adopted pursuant to authorization granted by, the Authority in accordance with the General Resolution.

**Tax-Exempt Obligations** means any Obligations the interest on which is intended by the Authority to be excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Obligations in the Supplemental Resolution authorizing such obligations.

**Trust Estate** means, collectively: (i) all Revenues; (ii) the proceeds of the sale of Obligations until expended for the purposes authorized by the Supplemental Resolution authorizing such Obligations; (iii) all funds, accounts and subaccounts established by the General Resolution, including investment earnings thereon; and (iv) all funds, moneys, and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security pursuant to the General Resolution for the Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized to receive any and all such property at any and all times, and to hold and apply the same subject to the terms of the General Resolution.

**Trustee** means the trustee appointed in accordance with the General Resolution, and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the General Resolution.

*(General Resolution, Sec. 101)*

### **Book-Entry-Only System**

Notwithstanding any other provision of the General Resolution, the Authority may employ a book-entry-only system of registration with respect to any Obligations, all as more fully set forth in the General Resolution and the Supplemental Resolution authorizing such Obligations. Any provisions of the General Resolution inconsistent with book-entry-only Obligations shall not be applicable to such book-entry-only Obligations.

*(General Resolution, Sec. 309)*

### **Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt**

The Authority may include such provisions in a Supplemental Resolution authorizing the issuance of a Series of Obligations secured by a Credit Facility as the Authority deems appropriate, and no such provisions shall be deemed to constitute an amendment to the General Resolution.

The Authority may secure such Credit Facility by an agreement providing for the purchase of the Obligations secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Authority in the applicable Supplemental Resolution. The Authority may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility (together with

interest thereon, the “**Reimbursement Obligation**”); provided, however, that no Reimbursement Obligation shall be created, for purposes of the General Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation which may include interest calculated at a rate higher than the interest rate on the related Obligation, may be secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created by the General Resolution to secure the Obligations (a “**Parity Reimbursement Obligation**”), but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Obligations, without acceleration, or may constitute a Subordinated Contract Obligation, as determined by the Authority. In addition, the Authority may enter into a Reimbursement Obligation with respect to a Credit Facility securing Parity Debt, and any such Reimbursement Obligation may be a Parity Reimbursement Obligation (but only to the extent principal amortization requirements with respect to such reimbursement are substantially equal to the amortization requirements [including principal payments in connection with any optional or mandatory tender for purchase] for such related Parity Debt, without acceleration) or may constitute a Subordinated Contract Obligation, as determined by the Authority. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Obligations or Parity Debt, which payments shall be Subordinated Contract Obligations.

In connection with the issuance of any Obligations or at any time thereafter so long as Obligations remain Outstanding, the Authority also may, to the extent from time to time permitted pursuant to law, enter into Qualified Swaps. The Authority’s obligation to pay any amount under any Qualified Swap may be secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created pursuant to the General Resolution to secure the Obligations (a “**Parity Swap Obligation**”), or may constitute a Subordinated Contract Obligation, as determined by the Authority. Parity Swap Obligations shall not include any payments of any termination or other fees, expenses, indemnification or other obligations to a counterparty to a Qualified Swap, which payments shall be Subordinated Contract Obligations.

The Authority’s obligation to pay that portion of any rates, fees, charges or payments which the Authority is contractually obligated to pay to another entity for fuel, energy or power, for the specific purpose of meeting principal or interest or both on that entity’s obligations directly associated with such contract and payable to such entity regardless of whether fuel or energy is delivered or made available for delivery, may be secured by a pledge of, and lien on, the Trust Estate on a parity with the lien created by the General Resolution to secure the Obligations (a “**Parity Contract Obligation**”), or may constitute a Subordinated Contract Obligation or an Operating Expense, as determined by the Authority.

*(General Resolution, Sec. 310)*

### **Pledge of Revenues and Funds**

The Trust Estate is pledged for the payment of the principal and Redemption Price of, and interest on, the Obligations and, on a parity basis, the Parity Debt, in accordance with their terms and the provisions of the General Resolution.

*(General Resolution, Sec. 501)*

The General Resolution establishes the following funds:

- (1) Operating Fund, to be held by the Authority, and
- (2) Capital Fund, to be held by the Authority.

The Authority may establish one or more additional funds, accounts or subaccounts by delivering to the Trustee a certificate of an Authorized Officer.

*(General Resolution, Sec. 502)*

## **Operating Fund**

The General Resolution provides that the Authority shall pay into the Operating Fund all Revenues as and when received. The Authority shall also pay into the Operating Fund such portion of the proceeds of any Series of Obligations which may have been issued to pay Operating Expenses as shall be specified pursuant to the Supplemental Resolution authorizing such Series. Amounts in the Operating Fund shall be paid out or accumulated or withdrawn from time to time for the following purposes and, as of any time, in the following order of priority: (a) payment of reasonable and necessary Operating Expenses or accumulation in the Operating Fund as a reserve (i) for working capital, (ii) for such Operating Expenses the payment of which is not immediately required, or (iii) deemed necessary or desirable by the Authority to comply with orders or other rulings of an agency or regulatory body having lawful jurisdiction; (b) payment of, or accumulation in the Operating Fund as a reserve for the payment of, interest on and the principal or Redemption Price of the Obligations and Payment of Parity Debt, on a parity basis, on their respective due dates or redemption date, as the case may be; (c) payment of principal of and interest on any Subordinated Indebtedness or payment of amounts due under any Subordinated Contract Obligation; (d) withdrawal and deposit in the Capital Fund; and (e) withdrawal for any lawful corporate purpose as determined by the Authority, including but not limited to the purchase or redemption of Obligations or Subordinated Indebtedness, provided, that prior to any withdrawal pursuant to this clause (e), the Authority shall have determined, taking into account among other considerations, anticipated future receipts of Revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for any of the purposes set forth in clauses (a), (b) or (c) herein. Amounts paid out, or withdrawn pursuant to clause (e) shall be free and clear of the lien and pledge created by the General Resolution.

The Authority shall from time to time, and in all events prior to any withdrawal of moneys from the Operating Fund pursuant to clause (e) of the preceding paragraph, determine (i) the amount, to be held as a reserve in the Operating Fund, which in the judgment of the Authority is adequate for the purpose of providing for the costs of emergency repairs or replacements essential to restore or prevent physical damage to, and prevent loss of Revenues from, any Project and (ii) the amount, to be held as a reserve in the Operating Fund, which in the judgment of the Authority is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to any Project necessary to keep the same in operating condition or required by any governmental agency having jurisdiction over such Project and to provide a reserve for the retirement from service, decommissioning or disposal of facilities comprising either a Project or a part of a Project.

Amounts in the Operating Fund may in the discretion of the Authority be invested in Authorized Investments. Earnings on moneys and investments in the Operating Fund shall be deposited in the Operating Fund. The Authority may sell any such Authorized Investments at any time and the proceeds of such sale shall be deposited in the Operating Fund.

The General Resolution provides that purchases of Obligations, 1985 Notes or Subordinated Indebtedness from amounts in the Operating Fund shall be made at the direction of the Authority, with or without advertisement and with or without notice to other holders of Obligations, 1985 Notes, or Subordinated Indebtedness. In addition, any amounts set aside by the Authority in one or more reserve accounts in the Operating Fund may be used by the Authority as determined by the Authority for the

purpose of paying all or a portion of the interest, principal or Redemption Price of Obligations and payment of Parity Debt, on a parity basis.

*(General Resolution, Sec. 503)*

### **Capital Fund**

The General Resolution provides that the Authority shall pay into the Capital Fund the amounts required to be so paid pursuant to the General Resolution and any Supplemental Resolution authorizing the issuance of any Series of Obligations, for the purpose of financing Capital Costs, including, without limitation, the portion of the proceeds of any such Obligations specified in such Supplemental Resolution, except as may be otherwise provided in a Supplemental Resolution with respect to those Capital Costs referenced in clauses (iv) or (v) of the definition thereof. Amounts in the Capital Fund shall be applied solely to the Capital Costs of the Authority. Any amounts in the Capital Fund which are in excess of the amounts required to pay for such costs may at the direction of the Authority be transferred to the Operating Fund. Amounts in the Capital Fund may in the discretion of the Authority be invested in an Authorized Investments. Earnings on moneys and investments in the Capital Fund shall be deposited in the Capital Fund. The Authority may, and to the extent required for payments from the Capital Fund shall, sell any such obligations at any time, and the proceeds of such sale and of all payment of principal or interest received at maturity or upon redemption or otherwise of such obligations shall be deposited in the Capital Fund. In addition, the General Resolution requires that amounts in the Capital Fund must be applied to the payment of principal and Redemption Price of and interest on the Obligations and the payment of Parity Debt, on a parity basis, when due at any time that other moneys are not available therefor.

*(General Resolution, Sec. 504)*

### **Conditions for Issuance of Obligations**

*General Provisions for Issuance of Obligations.* Obligations may be issued pursuant to a Supplemental Resolution in such principal amount or amounts for each such Series as may be specified in such Supplemental Resolution. A Supplemental Resolution shall specify, among other things, the purpose or purposes for which such Obligations are being issued, the authorized principal amount and Series of such Obligations, the maturity date or dates and interest rate or rates of the Obligations and the forms of the Obligations which shall specify terms with respect to tender or redemption, if any. Such Obligations shall be delivered by the Authority under the General Resolution upon the delivery of, among other things, a Supplemental Resolution authorizing such Obligations, a Counsel's Opinion with respect to the validity of the Obligations and a certificate of an Authorized Officer to the effect that, upon delivery of the Obligations, the Authority will not be in default in the performance of the terms and provisions of the General Resolution or of any of the Obligations.

*(General Resolution, Sec. 202)*

**Separately Financed Project.** Nothing in the General Resolution shall prevent the Authority from authorizing and issuing bonds, notes, or other obligations or evidences of indebtedness, other than Obligations, for any purpose of the Authority authorized by the Act or by other applicable State statutory provisions (such purpose being referred to herein as a "Separately Financed Project"), which bonds, notes, or other obligations, or evidences of indebtedness and the Authority's share of any operating expenses related to such Separately Financed Project, shall be payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project or from other funds withdrawn by the Authority pursuant to the General Resolution.

*(General Resolution, Sec. 203)*

### **Rate Covenant**

The Authority shall at all times maintain rates, fees or charges and any contracts entered into by the Authority for the sale, transmission or distribution of power shall contain rates, fees or charges, sufficient, together with other moneys available therefor (including the anticipated receipt of proceeds of sale of Obligations or other bonds, notes, or other obligations or evidences of indebtedness of the Authority that will be used to pay the principal of Obligations issued in anticipation of such receipt but not including any anticipated or actual proceeds from the sale of any Project), (i) to pay all Operating Expenses of the Authority, (ii) to pay the debt service on all Obligations then Outstanding and the debt service on all Subordinated Indebtedness then outstanding, and all Parity Debt and Subordinated Contract Obligations, all as the same respectively become due and payable, and (iii) to maintain any reserve established by the Authority pursuant to the General Resolution, in such amount as may be determined from time to time by the Authority in its judgment.

*(General Resolution, Sec. 606)*

### **Supplemental Resolutions; Amendments**

Any of the provisions of the General Resolution may be amended by the Authority, upon the written consent of the Owners of a majority in principal amount of the Obligations so affected and Outstanding at the time such consent is given, and in case less than all of the Obligations then Outstanding are affected by the modification or amendment, of the Owners of a majority in principal amount of the Obligations so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as particular Obligations remain Outstanding, the consent of the Owners of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Obligations under the General Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Obligation or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Obligation, or shall reduce the percentages or otherwise affect the classes of Obligations the consent of the Owners of which is required to waive an Event of Default or otherwise effect any such modification or amendment, create a preference or priority of any Obligation or Obligations over any other Obligation or Obligations (without the consent of the Owners of all such Obligations), create a lien prior to or on a parity with the lien of the General Resolution, without the consent of the Owners of all of the Obligations then Outstanding, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For purposes of this paragraph, an Obligation shall be deemed to be affected by a modification or amendment of the General Resolution if the same materially and adversely affects the rights of the Owner of such Obligation.

The Authority may adopt (without the consent of any Owner) supplemental resolutions to authorize additional Obligations; to add to the restrictions contained in the General Resolution upon the issuance of additional indebtedness; to add to the covenants of the Authority contained in, or surrender any rights reserved to or conferred upon it by, the General Resolution; to confirm any pledge under the General Resolution of Revenues or other moneys; to amend the General Resolution in such manner as to permit qualification of the General Resolution under the Trust Indenture Act of 1939 or any similar Federal statute and permit the qualification of the Obligations for sale under the securities laws of any state in the United States; to comply with such regulations and procedures as are from time to time in effect relating to establishing and maintaining a book-entry-only system; or otherwise to modify any of the provisions of the General Resolution (but no such other modification may be effective while any of the Obligations of

any Series theretofore issued are Outstanding); or to cure any ambiguity, supply any omission or to correct any defect or inconsistent provision in the General Resolution or to insert such provisions or make such other amendments to the General Resolution as are necessary or desirable which will not be materially adverse to the rights of the Owners of Obligations (provided that the Trustee shall consent thereto).

*(General Resolution, Secs. 801, 802, and 902)*

### **Event of Default; Remedies Upon Default**

Pursuant to the General Resolution, any of the following events set forth in clauses (i) through (v) constitutes an “Event of Default” if the Authority defaults (i) in the payment of principal or Redemption Price of any Obligation, or (ii) in the payment of interest thereon and such default continues for 30 days, or (iii) in the performance or observance of any other covenant, agreement or condition in the General Resolution or the Obligations, and such default continues for 60 days after written notice thereof, provided, however, that if such default shall be such that it cannot be corrected within such 60 day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected, or (iv) if the Authority (1) files a petition seeking a composition of indebtedness under the Federal bankruptcy laws, or any other applicable law or statute of the United States of America or of the State; (2) consents to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or any substantial portion of its property; (3) makes any assignment for the benefit of creditors; (4) admits in writing its inability generally to pay its debts generally as they become due; or (5) takes action in furtherance of any of the foregoing or (v) if (1) a decree or order for relief is entered by a court having jurisdiction of the Authority adjudging the Authority a bankrupt or insolvent or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of the Authority in an involuntary case under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; (2) a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or of any substantial portion of its property is appointed; or (3) the winding up or liquidation of its affairs is ordered and the continuance of any such decree or order remains unstayed and in effect for a period of sixty (60) consecutive days. Upon an Event of Default, the Trustee or the Owners of 25% in principal amount of the Obligations then Outstanding may declare the principal and accrued interest on the Obligations then Outstanding due and payable immediately, subject, however, to rescission of such declaration and annulment of the default upon the remedying thereof.

Under the General Resolution, the Authority covenants that upon a default the books of record of the Authority and all other records relating to all projects and facilities of the Authority will be subject to the inspection and use by the Trustee, and that the Authority will, upon demand by the Trustee, account for the Trust Estate under the General Resolution as if the Authority were the trustee of an express trust. Upon a default, the Trustee may protect and enforce its and the Owners’ rights under the General Resolution by a suit in equity or at law, whether for the specific performance of any covenant contained in the General Resolution, or in aid of execution of any power granted therein or for an accounting against the Authority as if it were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee deems most effectual to enforce its rights or perform its duties under the General Resolution. No Owner has any right to institute suit to enforce any provision of the General Resolution or the execution of any trust thereunder or for any remedy thereunder, unless the Trustee has been requested by at least 25% of the Owners, and such Owners shall have offered the Trustee adequate security against expenses and liabilities to be incurred therein, and the Trustee has failed to commence such suit in the manner provided in the General Resolution.

*(General Resolution, Art. X)*

### **Defeasance**

Outstanding Obligations or any portion thereof shall, prior to the maturity or redemption date thereof, be deemed to have been paid pursuant to the General Resolution and shall cease to be entitled to any lien, benefit or security under the General Resolution if the following conditions are met: (i) in the case of Obligations to be redeemed, the Authority shall have given to the Trustee irrevocable instructions to mail the notice of redemption therefor, (ii) there shall have been irrevocably deposited with the Trustee in trust either moneys in an amount which shall be sufficient, or Defeasance Security, the principal of and the interest on which, when due, will provide moneys which, together with any moneys also deposited, shall be sufficient, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, to pay when due, the principal or Redemption Price, if applicable, and interest due and to become due on such Obligations on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event such Obligations are not maturing or subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Obligations that the above deposit has been made with the Trustee and that such Obligations are deemed to be paid and stating the maturity or redemption date upon which moneys are to be available to pay the principal or Redemption Price, if applicable, of such Obligations.

*(General Resolution, Sec. 1101)*

### **Unclaimed Moneys**

Any moneys held by a Fiduciary in trust for the payment and discharge of the principal or Redemption Price of or interest on any of the Obligations which remain unclaimed for 2 years after the date when such principal, Redemption Price or interest, respectively, have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary after such date, or for 2 years after the date of deposit of such moneys if deposited with the Fiduciary after the date when such principal, Redemption Price or interest, respectively, became due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the principal, Redemption Price or interest, respectively. Any moneys held by a Fiduciary in trust for the payment and discharge of any Obligations which remain unclaimed after such moneys were to be applied to the payment of such Obligations in accordance with the General Resolution may be applied in accordance with the provisions of the Abandoned Property Law of the State, being Chapter 1 of the Consolidated Laws of the State or any successor provision thereto, and upon such application, the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of Obligations shall look only to the Authority or the Comptroller of the State for the payment of such Obligations. Before being required to make any such payment to the Authority or to apply such moneys in accordance with the Abandoned Property Law of the State, the Fiduciary shall, at the expense of the Authority, cause to be mailed to the Owners entitled to receive such moneys a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing, the balance of such moneys then unclaimed will be returned to the Authority or applied in accordance with the Abandoned Property Law of the State, as the case may be.

*(General Resolution, Sec. 1101)*

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**BACKGROUNDS OF THE AUTHORITY'S TRUSTEES AND  
CERTAIN SENIOR MANAGEMENT STAFF****Trustees****John R. Koelmel, Chairman**

Mr. Koelmel serves as Chairman of the Authority, having been nominated as a Trustee by Governor Andrew M. Cuomo in June 2012. He is also Chairman of the Board of Kaleida Health, Western New York's largest health care system, and is a member of the board of Great Lakes Health. He also is Board Chair of the Buffalo Center for Arts and Technology and a member of the Western New York Regional Economic Development Council. Mr. Koelmel previously served as president of HARBORcenter Development, LLC, overseeing the hockey and entertainment complex being developed by Buffalo Sabres owners Terry and Kim Pegula on the Webster Block adjacent to the team's First Niagara Center. Mr. Koelmel is the former president and chief executive officer of First Niagara Financial Group, Inc. and its principal subsidiary First Niagara Bank N.A. He joined First Niagara as its Chief Financial Officer in January 2004 and was appointed CEO in December 2006. He served on the Buffalo company's board of directors from 2007-2013. Mr. Koelmel began his professional career with KPMG LLP in 1974. During his 26-year career as a Certified Public Accountant, he served a wide-range of businesses and clients and was managing partner of KPMG's Buffalo office and Upstate New York Business Unit, which included its Rochester, Syracuse and Albany offices. Throughout his career, Koelmel has been actively involved with, and had leadership roles in, numerous other community organizations in Buffalo and Western New York. Mr. Koelmel earned a B.A. degree in economics and accounting from the College of the Holy Cross in 1974.

**Eugene L. Nicandri, Trustee**

Judge Eugene L. Nicandri of Massena, N.Y., was confirmed by the New York State Senate in June 2013 to a second five-year term on the Board of Trustees following his reappointment by Gov. Andrew M. Cuomo. He became a trustee in August 2008 after being nominated by Governor David Paterson. As a trustee, Judge Nicandri has been at the center of key the Authority decision making. This has included major endeavors under Governor Cuomo to modernize and upgrade the state's electricity infrastructure, protect and create jobs through allocations of lower cost electricity to businesses and other enterprises, and bring about investments in energy efficiency and clean energy technologies. Judge Nicandri, whose legal work contributed to the establishment of MED in 1981, served as president of the New York State County Judges Association from 1999 to 2000, when he retired. Before becoming a county judge, he was a partner in the Massena law firm of Lavigne & Nicandri from 1966 to 1985 and served at various times as the attorney for the Towns of Massena, Brasher, Louisville and Lawrence and the Village of Massena. He also served as the attorney for Massena Memorial Hospital. Judge Nicandri represented the Town of Massena in landmark litigation involving the establishment of MED, a municipal electric system that benefits from low-cost hydropower from the Authority as a preference customer under federal law. He served as the Electric Department's attorney from 1981 to 1985. Judge Nicandri holds a Bachelor of Arts degree from the University of Rochester and has a J.D. from Albany Law School. Prior to law school, he served on active duty with the U.S. Navy as a commissioned officer.

**Jonathan F. Foster, Trustee**

Mr. Foster became a trustee in September 2008 after being nominated by Governor David Paterson and confirmed by the New York State Senate to a five-year term. He served as vice chairman of the board

from 2009 to 2012. Mr. Foster is an experienced investment banker and private equity investor who also has significant board of directors and operating experience. The Founder and Managing Director of Current Capital, he leads the firm's private equity investing and management services efforts focused primarily on middle market and smaller industrial and services companies. The firm's management services include sitting on Boards of Directors and providing related consulting services for other investors and financial institutions, providing Chief Restructuring Officer services and offering advice and expert witness services in complex corporate litigation. He is a member of the Boards of Directors of companies traded on the New York Stock Exchange including: Masonite Inc., a designer and manufacturer of interior and exterior doors; Lear Corporation, a supplier of automotive seating and electrical distribution systems; Chemtura Corporation, a specialty chemicals company; and Berry Plastics Group, Inc., a manufacturer and marketer of plastic consumer packaging and engineered materials. Mr. Foster was executive vice president – Finance & Business Development for Revolution Living, one of three business groups in the Revolution family of companies founded by AOL co-founder Steve Case, and a managing director and member of the Investment and Management Committees at The Cypress Group, a \$3.5 billion private equity investment firm where he led the General Industrial & Services effort. He also has management experience having been executive vice president – chief operating officer & chief financial officer of toysrus.com. Mr. Foster has extensive investment banking expertise with a particular focus on mergers and acquisitions advisory work. He was a managing director and co-head of Diversified Industrials & Services at Wachovia Securities, a senior managing director at Bear Stearns & Co. where he ran the Industrial Products & Services Mergers & Acquisitions effort, and spent more than 10 years at Lazard, ultimately as a managing director. Mr. Foster has a BBA in accounting from Emory University and a Masters of Science in accounting and finance from the London School of Economics.

#### **Terrance P. Flynn, Trustee**

Mr. Flynn became a trustee in June 2012, after being nominated by Governor Andrew Cuomo and confirmed by the State Senate. Mr. Flynn, the former Presidentially appointed United States Attorney for the Western District of New York, is a member of the firm of Harris Beach. He is the co-leader of its 14-office Government Compliance and Investigation Team, and a member of practice groups specializing in Business and Commercial Litigation, Insurance Litigation and Product Liability. For Harris Beach, Mr. Flynn advises Fortune 500 and other large privately held companies, on such matters as corporate compliance, commercial litigation, product liability and personal injury litigation. Prior to joining Harris Beach, Mr. Flynn served as the United States Attorney from 2006 to 2009. He became the chief civil lawyer and criminal prosecutor for the United States and all of its agencies in the 17-county region of the Western District of New York, responsible for the overall civil affirmative enforcement, civil defense and criminal prosecution of approximately 4,200 cases. Prior to his confirmation as the United States Attorney, Mr. Flynn was a trial partner who litigated and tried cases throughout the State including the New York City metropolitan area. Mr. Flynn is a director of the National Association of former United States Attorneys, a member of the Board of Directors of the Boys & Girls Clubs of Buffalo and the Federal Bar Council Foundation. Mr. Flynn received degrees in accounting and law from the University of Notre Dame and the University of Buffalo Law School, and has served as President of the University of Buffalo National Law School Alumni Association.

#### **Anne M. Kress, Trustee**

Ms. Kress was confirmed by the New York State Senate in June of 2014. Her background encompasses a broad range of knowledge, with specialties in workforce development, technology, global education and student access and success. Since 2009, she has served as the President of Monroe Community College in Rochester, New York. Ms. Kress currently serves on Governor Andrew M. Cuomo's Regional Economic Development Council and has been involved in higher education policy in both New York and Florida. She has been honored several times, including being named a Woman of

Distinction by the New York Senate, as well as receiving the Athena award from the Women’s Council of the Rochester Business Alliance and the Empowering Women award from the Rochester YWCA. She presents frequently at national conferences and events. Ms. Kress received her doctorate in higher education administration, master’s and bachelor’s degrees in English, and a bachelor’s degree with honors in finance – all from University of Florida.

**Anthony J. Picente, Jr., Trustee**

Mr. Picente is the 10th Oneida County Executive and the longest serving in the county’s history. He was appointed to the position in 2006, followed by his election to full four-year terms in 2007 and 2011. Mr. Picente was named Regional Director of ESD in 2001 and, two years later, was promoted to ESD vice president, a position he held until 2006. He is the current president of the New York State Association of Counties. During his tenure as Oneida County Executive, Mr. Picente has improved the county’s financial outlook and credit rating. He has focused on advancing economic development in the county in such high-tech areas as nanotechnology, cyber security and unmanned aerial systems. He also created The Vision 2020 Initiative, bringing together stakeholders from across Oneida County for promoting job opportunities, as well as education, training and housing alternatives. Mr. Picente was instrumental in the state and county’s reaching of an historic settlement in 2013 with the Oneida Indian Nation. Mr. Picente, who attended Utica public schools, holds an associate degree from Mohawk Valley Community College and a bachelor’s degree from Utica College.

**Tracy B. McKibben, Trustee**

Ms. McKibben is an international energy and clean technology expert with more than 15 years of diverse experience in the energy sector. She is the founder and president of MAC Energy Advisors LLC, a consulting company that assists clients on alternative energy, renewable energy, water and clean technology investments. Previously, she was managing director and head of Environmental Banking Strategy for Citigroup Global Markets, and served on the National Security Council at the White House as director of European Economic Affairs and European Union Relations, as well as in various senior advisory roles within the U.S. Department of Commerce. Prior to her work in the public sector, Ms. McKibben practiced law at Akin, Gump, Strauss, Hauer & Feld LLP, representing and advising clients on commercial and complex litigation matters, as well as corporate and multinational energy clients on global strategic investments. She is a member of the board of directors of Ecolab Inc., ROI Acquisition Corp. II, and Geosteller. She is also a member of the Council on Foreign Relations, a nonpartisan organization exploring public policy and corporate interactions. Ms. McKibben holds a B.A. from West Virginia State University and a J.D. from Harvard Law School.

**Senior Management Staff**

The senior management staff of the Authority includes the following:

**Gil C. Quiniones, President and Chief Executive Officer**

Mr. Quiniones has served as president and chief executive officer of the Authority since November 2011, following Governor Cuomo’s nomination of him to that position. In July 2014, Mr. Quiniones was appointed to the board of the New York State Energy Research and Development Authority, which advances innovative energy solutions for all New Yorkers. In April 2015, he was elected chairman of the Electric Power Research Institute (“EPRI”), the electric power industry’s international research and development organization, after serving as EPRI’s vice chair. He also serves on the steering committee of the board of the Large Public Power Council and as the Power Authority’s principal representative to the American Public Power Association. Before joining the Authority in 2007 as executive vice president

of Energy Marketing and Corporate Affairs, Mr. Quiniones served for more than four years as senior vice president of Energy and Telecommunications for the New York City Economic Development Corporation. Prior to that, he worked for Con Edison for 16 years and was one of four co-founders of Con Edison Solutions, the utility's unregulated energy services company. Mr. Quiniones received a Bachelor of Science degree in mechanical engineering from De La Salle University in Manila and has completed graduate courses in engineering management and technology management at the Stevens Institute of Technology in Hoboken, New Jersey. He has also participated in executive education programs at the Columbia University Business School.

#### **Edward A. Welz, Chief Operating Officer**

Mr. Welz was designated Chief Operating Officer in March 2012 with responsibility for all of Operations, including Energy Resource Management and Power Supply. He was appointed Executive Vice President and Chief Engineer-Power Supply in 2008. From 2004 to 2008, he was Senior Vice President and Chief Engineer-Power Generation. Mr. Welz joined the Authority in 1982 and throughout his tenure has assumed increasing responsibility in the power engineering, operation and maintenance, and project and construction management areas. In his capacity as Executive Vice President and Chief Engineer-Power Supply, Mr. Welz is responsible for the operation and maintenance, engineering, project management, and asset management of the Authority's generation and transmission facilities, together with the environmental, health, and safety aspects of the Authority's facilities and operations. He is a member of the EPRI Research Council for Power Generation. Mr. Welz is a licensed professional engineer and holds an Associate degree from Queensborough Community College and a Bachelor of Science degree in electric engineering from Pratt Institute in Brooklyn, New York.

#### **Robert F. Lurie, Executive Vice President and Chief Financial Officer**

Mr. Lurie is the Authority's executive vice president and chief financial officer. He joined the Power Authority in 2012 as head of the newly formed strategic planning department, where he led the management team in creating the Strategic Plan. He also was responsible for managing project development, project finance, R&D and evaluating new business opportunities and technologies. He has over 30 years of experience in finance and strategy in the utility industry, government and investment banking. Prior to joining the Authority, Mr. Lurie was vice president of North America business development for Ocean Power Technologies in New Jersey. Prior to that role, he directed the mergers and acquisitions function for Air Products and Chemicals, Inc. in Pennsylvania. Mr. Lurie served as the Chief of Strategic Planning at the Port Authority from 2003-2007, leading the development of a 10-year, \$20 billion strategic capital plan. He has extensive experience in utility finance and strategy, having served as treasurer and vice president of corporate development and planning for a natural gas distribution company in New Jersey. Mr. Lurie began his career in public finance. He served as the director of public finance for the State of New Jersey, managing over \$8 billion in infrastructure funding and overseeing the financial activities of 15 state authorities. Mr. Lurie's career started at Lehman Brothers, where he was vice president of investment banking in the public finance department. Mr. Lurie holds a Masters in Business Administration with a concentration in finance from the State University of New York at Albany, and a Bachelors of Arts degree in Economics from Union College in Schenectady, New York.

#### **Justin E. Driscoll, Executive Vice President and General Counsel**

Mr. Driscoll serves as the Authority's executive vice president and general counsel. As EVP and general counsel, he serves as the chief legal officer of the Authority and is responsible for advising and representing the Authority in all legal matters. His duties include providing legal and policy advice to the Chairman, Trustees, President and Senior Management. He also supervises the activities of the

Corporate Secretary and the Chief Ethics and Compliance Officer. Before joining the Authority, Mr. Driscoll was engaged in private practice for over 30 years, most recently at Brown & Weinraub PLLC. While in private practice, he represented state agencies and authorities in all types of litigated matters. Agencies he has represented include the State Dormitory Authority and the State Insurance Fund. Mr. Driscoll also has a successful record of defending clients before various investigative bodies, including the New York State Attorney General, the Medicaid Inspector General, the Manhattan District Attorney's Office, the New York State Joint Commission on Public Ethics, and the U.S. Department of the Treasury. His government service consists of three years as law secretary in Civil and Supreme Court, New York County, and he is the former senior vice president, general counsel and secretary to the Board for the New York State Housing Finance Agency, and the State of New York Mortgage Agency. A 1977 graduate of American University in Washington D.C. with a bachelor's degree from the School of Public Affairs, he received his law degree in 1981 from the New York Law School and attended the New York University School of Law L.L.M. Program in trade regulation.

### **James F. Pasquale, Senior Vice President, Marketing and Economic Development**

Mr. Pasquale assumed his current position in July 2009. He is responsible for Authority customer account management for government, business, municipal, cooperative and utility customers, customer load forecasting, management of the Authority's power programs for economic development, load research, demand response programs, and customer pricing. Mr. Pasquale joined the Authority in 1986 as a senior accountant in the Controller's group and moved to the Marketing and Economic Development group in 1995. In 1997, he became manager of Business Power Allocations and Compliance, coordinating the Authority's then newly enacted Power for Jobs program. Later, customer billing and municipal and cooperative marketing also became his responsibilities. Before joining the Power Authority, Mr. Pasquale worked for five years with the Eisner and Lubin accounting firm in the City. He earned a Bachelor of Business Administration degree from Pace University.

### **Joseph Kessler, Senior Vice President - Power Generation**

Mr. Kessler has been senior vice president of Power Generation since March 2012. In this role, he is responsible for the oversight of the Authority's fleet of generating facilities across the State, representing 6000 MW of Hydro and Fossil Generation. He is Executive Sponsor of the Authority's Safety Administrators Working Committee, Responsible Executive for the Authority's Strategic Initiative on Asset Management and a member of the Authority's Strategic Management Committee. He is also on EPRI's Research Advisory Committee, Senior Member of the IEEE, Director of the Erie-Niagara Chapter of the NYSSPE and a member of the IAEE, IESNA, and NETA. Mr. Kessler started at the Authority in January 2001, as an Engineer in the electrical maintenance department. He held several positions within that department until his promotion to Regional Manager – Western NY in July 2009. He is a lifelong Western New Yorker who has worked in the electrical industry for over 25 years. He has a B.S. in Electrical engineering (1993), M. Eng. (2000) in Electrical Engineering (Energy Systems), and an MBA (2010) from SUNY at Buffalo and is a licensed Professional Engineer in the State.

### **Bradford Van Auken, Senior Vice President – Operations Support Services, Chief Engineer**

Mr. Van Auken assumed his current position in 2012, and is responsible for directing the Engineering, Project Management, Strategic Operations, Operational Performance, Asset Maintenance Management, and Asset Investment Planning of the Authority's Operation's Business Unit. Mr. Van Auken began his career at the Authority's former Indian Point 3 Nuclear Power Generating Station. He since has assumed increasing responsibilities in technical management, operations, power generation, and transmission in various positions within the Authority's Headquarters in White Plains and Hydroelectric Plants in upstate New York. Throughout his career at the Authority, Mr. Van Auken worked as a staff

engineer in the Authority's Electrical Engineering, Operations Technology, Control Room Operations, and Quality Assurance Engineering departments. Mr. Van Auken has also spent time during his career in technical, project management, and customer capacities at Central Hudson Gas & Electric, as well as Metromedia Fiber Networks Inc. Mr. Van Auken was promoted to Central Region Operations Superintendent in 2007, Vice President of Engineering in 2008, and his current position of SVP Operations Support Services & Chief Engineer in 2012. Mr. Van Auken graduated from the State University of New York's Institute of Technology, is a licensed Professional Engineer in the State of New York, and has completed Executive Education Programs at Columbia University's Business School. Mr. Van Auken serves on the Board of Director's for Northeast Power Coordinating Council, and is also member of EPRI's Power Delivery Utilization Sector Council and Transmission Executive Committee.

### **Paul Tartaglia, Senior Vice President - Energy Resource Management**

Mr. Tartaglia assumed the position of Senior Vice President of the Energy Resource Management group at the Authority in July 2012. Mr. Tartaglia is responsible for energy market analysis, generation resource management, fuel planning and operation. He also works with the New York Independent System Operator on market policy and commercial transactions. Mr. Tartaglia held the position of Regional Manager, Southeast New York from 2005 through 2006. In this role managed the Power Authority's generating facilities in New York City, Westchester, Nassau and Suffolk counties. Mr. Tartaglia spent two years as a staff engineer in White Plains and almost 12 years as an Operations Supervisor and Operations Superintendent at the Authority's Charles Poletti Power Project in Astoria, before being named Regional Manager. He held leadership positions for the start-up and commissioning of the Authorities fleet of Small Clean Power Plants, and the 500 MW Combined Cycle Power Plant. Prior to joining the Power Authority in April 1991, Mr. Tartaglia worked as an engineer for a private firm in Manhattan. He attended Polytechnic University and received a Bachelor of Science degree in Mechanical Engineering and a Master of Science degree in Operations Management, and completed graduate studies in mechanical engineering with a specialization in thermo dynamics and heat transfer. He is a licensed Professional Engineer and holds a New York City Stationary Engineers License. Mr. Tartaglia also represents the Authority in a number of strategic initiatives, including the Electric Power Research Institute's Generation Council Executive Leadership Team.

### **Thomas J. Concadoro, Vice President and Controller**

Mr. Concadoro was appointed to his current position in August 2010. He is responsible for the accounting and financial reporting activities of the Authority and oversees the accounts payable, payroll and customer billing functions. Mr. Concadoro joined the Authority's Accounting Department in 1985 and served as the Director of Accounting from 1998 to 2009. Before joining the Authority, he worked for seven years with Coopers & Lybrand L.L.P. primarily performing independent audits of public utilities. Mr. Concadoro is a licensed certified public accountant and holds a Bachelor of Business Administration degree from Pace University.

### **Soubhagya Parija, Senior Vice President and Chief Risk Officer**

Mr. Parija joined the Authority as its Senior Vice President and Chief Risk Officer in July 2015. He is a member of the Executive Management Committee and is responsible for the Authority's Enterprise Risk Management, Commodities Risk Management and Insurance. Prior to joining the Authority, Mr. Parija had a long career in risk management at Cinergy, Duke Energy, Signet Jewelers and Walmart's International Division. Mr. Parija implemented a compliance risk management program at Walmart at a global level. He also successfully established Enterprise Risk Management programs ground up at Cinergy and at Signet Jewelers. In addition to having a well-rounded risk management experience, Mr. Parija has experience in Strategic Planning, Financial Planning & Analysis and M&A Analysis. Mr.

Parija started his career in India with the National Thermal Power Corporation, country's largest electric power generator where he had increasing levels of responsibility in financial and project management functions. Mr. Parija received Masters in Business Administration with a concentration in Finance from Indiana University, Bloomington in 2000. He also has received Master's degree in Economics from Jawaharlal Nehru University, New Delhi, India.

#### **Kristine Pizzo – Senior Vice President – Human Resources**

Ms. Pizzo joined the Authority in December 2014 as the Senior Vice President of Human Resources. Prior to joining the Authority, she was the Chief of Administration at Columbia University, where she led several key departments, including Human Resources, Finance, Marketing, Communications and Information Technology. She had previously been the Executive Vice President of Human Resources and Chief Administrative Officer at the New York City Economic Development Corporation. Ms. Pizzo has also worked in managerial roles in human resources at the Mount Sinai School of Medicine and the United States Olympic Committee, and was a judicial fellow at the Equal Employment Opportunity Commission. She has a bachelor's degree from St. John's University and a law degree from the Jacob D. Fuchsberg Law School at Touro College.

#### **Jill Anderson – Senior Vice President – Public Affairs and Business Development, Chief of Staff**

Ms. Anderson is Senior Vice President Public Affairs & Business Development at the Authority. She is a member of the Executive Management Committee and also serves as Chief of Staff. She leads new power generation and electric transmission project development initiatives and new business development. Ms. Anderson is responsible for energy policy, external relationship management, communications, regulatory strategy, and sustainability. Previously Ms. Anderson led supply acquisition and renewable energy for the Authority, responsible for energy procurement projects including wind, biomass, and solar. Prior to joining the Authority, Ms. Anderson was the Project Office Manager for Hess Corporation, leading projects in the areas of refining, offshore oil and gas production, corporate risk, electricity expense reduction, biofuel strategy, solar power generation, and greenhouse gas emissions reduction. Ms. Anderson worked for Con Edison prior to joining Hess. At Con Edison, she held positions of increasing responsibility in field operations and supervision in electric, gas, and steam distribution. Ms. Anderson's work in international benchmarking for Con Edison helped to launch the company's Smart Grid program. She established relationships with electric utilities in major urban centers around the world. Additionally, Ms. Anderson has experience in power generation design and construction, working as a field engineer for Parsons Brinckerhoff in Boston, Massachusetts. Ms. Anderson serves on the Board of Directors of Building Energy Exchange, a non-profit energy and lighting efficiency resource organization. Ms. Anderson also serves on the Board of the New York State Women in Communications and Energy and formerly served as President. Ms. Anderson received a Master of Business Administration from New York University and a Bachelor of Science in Mechanical Engineering from Boston University.

#### **Jennifer Faulkner – Senior Vice President – Internal Audit**

Ms. Faulkner directs the Internal Audits program for the Authority and in that role she oversees the preparation of the annual Internal Audit plan and directs the execution of internal audits that regularly evaluate the adequacy and effectiveness of financial, information technology and operating controls. In addition, she plans and directs all fraud prevention and detection of internal audit activities at the Authority, including the execution of special investigations involving cases and instances of fraud, waste, abuse and ethical and regulatory complaints. Ms. Faulkner previously held multiple positions at Pfizer, culminating with her role as Director of the Global Risk, Compliance and Control Group, where she worked with colleagues from more than 100 countries to ensure that the monitoring activities and special projects under the global Foreign Corrupt Practice Act were executed. She had previously been

an Internal Audit Regulatory Compliance Manager at KPMG. Ms. Faulkner has a bachelor's degree from Fordham University and is a certified public accountant in New York.

**Rocco Iannarelli – Senior Vice President – Enterprise Shared Services (Acting)**

Mr. Iannarelli serves as Vice President and Senior Advisor to the President and Chief Executive Officer for the Authority. He continues to assume, on an interim basis, the role of Senior Vice President of Enterprise Shared Services, where he is responsible for Corporate Support Services including facilities, travel and fleet operations. Mr. Iannarelli joined the Authority in 2009 as Vice President of Human Resources. Prior to joining the Authority, Mr. Iannarelli had a distinguished 17 year career in public service, including holding elected office in the Town of North Hempstead, the Village of Williston Park and appointed office in Nassau County. He also enjoyed a successful 18 year career in the sales and marketing of food products to national food chains at an executive level as well as having founded at the time the largest metro-NY kosher perishable food products distribution company. Mr. Iannarelli dedicates much of his free time volunteering to community based organizations like Rotary International, Wings of Winthrop University Hospital and the Colette Coyne Melanoma Awareness Campaign where he previously served for many years as a board member.

**Brian C. McElroy, Treasurer**

Mr. McElroy was appointed Treasurer in January 2007. He is responsible for the Authority's cash and investment management, debt management and its interest rate swap program. Mr. McElroy began his career with the Authority in 1989. He has held positions of increasing responsibility, including Treasury Analyst, Senior Investment Analyst, and Deputy Treasurer. He holds a Bachelor of Science degree in Management Information Systems and Managerial Sciences from Manhattan College, and holds an MBA in Professional Accounting from Fordham University. Mr. McElroy is a member of the Authority's Executive Risk Management Committee and Employee Savings Committee.