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

December 16, 2014

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December 16, 2014

Minutes of the Regular Meeting of the Power Authority of the State of New York held via videoconference at the following participating locations at approximately 8:40 a.m.

1) New York Power Authority, 123 Main Street, White Plains, NY
2) New York Power Authority, 95 Perry Street, Buffalo, NY

Members of the Board present were:

John R. Koelmel, Chairman
Joanne M. Mahoney, Vice Chair
Eugene L. Nicandri, Trustee
Terry Flynn, Trustee – via videoconference

Trustee Jonathan Foster – Excused
Trustee Anne Kress – Excused

Gil Quiniones	President and Chief Executive Officer
Edward Welz	Chief Operating Officer
Robert Lurie	Executive Vice President and Chief Financial Officer
Justin Driscoll	Executive Vice President and General Counsel
Jill Anderson	Senior Vice President – Public and Regulatory Affairs
Joseph Kessler	Senior Vice President – Power Generation
James Pasquale	Senior Vice President – Economic Development & Energy Efficiency
Kristine Pizzo	Senior Vice President – Human Resources
Bradford Van Auken	Senior Vice President – Operations Support Services & Chief Engineer
Rocco Iannarelli	Acting Senior Vice President – Enterprise Shared Services
Kristen Barbato	Vice President – Customer Energy Solutions
Thomas Concadoro	Vice President and Controller
Thomas Davis	Vice President – Financial Planning
Joseph Gryzlo	Vice President and Chief Ethics and Compliance Officer
Michael Huvane	Vice President – Marketing
Joseph Leary	Vice President – Community and Government Relations
Ethan Riegelhaupt	Vice President – Corporate Communications
John Suloway	Vice President – Project Development and Licensing
Gerard Vincitore	Vice President – Finance
Karen Delince	Corporate Secretary
Robert Hopkins	Director – Budgets
Karina Saslow	Director – Compensation and Facility HR Compensation
Richard Smith	Business and Project Development Director – Niagara
Gregory Jablonsky	Manager – Network Services – Infrastructure
John Giumarra	Senior Account Executive
Silvia Louie	Senior Project Manager – Executive Office/Public and Regulatory Affairs
Glenn Martinez	Senior Network Analyst – Infrastructure
Lorna Johnson	Associate Corporate Secretary
Sheila Baughman	Assistant Corporate Secretary
Paul Pasquarello	Photography Services Supervisor
Anna Devine	Executive Director, Advisory Services – Ernst & Young
Lynne Coviello	Senior Manager, Advisory Services – Ernst & Young

Chairman Koelmel presided over the meeting. Corporate Secretary Delince kept the Minutes.

Introduction

Chairman Koelmel welcomed the Trustees and staff members who were present at the meeting. He said that the meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to the Authority's Bylaws, Article III, Section 3.

1. <u>Adoption of the December 16, 2014 Proposed Meeting Agenda</u>

Upon motion made and seconded, the meeting Agenda was adopted.

<u>Conflicts of Interest</u>

Trustee Flynn declared conflicts of interest as indicated below and said he would not participate in the discussions or votes as it relate to those matters:

- ***Corning Incorporated (Item #2b i);***
- ***LaBella Associates, DPC (Item #2c i) and***
- ***Century Mold Company, Inc.; Diamond Packaging Holdings, LLC; Nicholas H. Noyes Memorial Hospital Inc.; HSBC USA, Inc.; Wendt Corporation (Item #5A)***

The items above were not adopted because the conflicts resulted in a failure to attain the required number of votes necessary for their approval.

Chairman Koelmel and Trustees Nicandri and Mahoney declared no conflicts.

2. CONSENT AGENDA:

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

Chairman Koelmel said since Trustee Flynn filed conflicts of interest with respect to Corning Incorporated and LaBella Associates, the Consent Agenda was approved with the exclusion of those firms because the conflicts resulted in a failure to attain the required number of votes necessary for their approval.

a. GOVERNANCE MATTERS:

i. Approval of the Minutes

The Minutes of the Regular Meeting held on October 15, 2014 were unanimously adopted.

ii. <u>Proposed Schedule of Trustees' Meetings in 2015</u>

The Corporate Secretary submitted the following report:

The following schedule of meetings for the year 2015 is recommended:

MONTH OF TRUSTEES' MEETING	TRUSTEES' MEETING DATE *(All meetings on Tuesday except where noted)*
JANUARY	**January 27, 2015 – WPO**
FEBRUARY	**February 26, 2015 – WPO-Thursday**
MARCH	**March 26, 2015 – ANNUAL -WPO -Thursday**
APRIL	**No Meeting Scheduled**
MAY	**May 19, 2015 – WPO**
JUNE	**No Meeting Scheduled**
JULY	**July 30, 2015 – WPO- Thursday**
AUGUST	**No Meeting Scheduled**
SEPTEMBER	**September 29, 2015 – WPO**
OCTOBER	**No Meeting Scheduled**
NOVEMBER	**No Meeting Scheduled**
DECEMBER	**December 17, 2015 – WPO- Thursday**

<u>RECOMMENDATION</u>

The President and Chief Executive Officer and I support the proposed schedule for the Authority's Trustees' Meetings for the year 2015, as set forth in the foregoing report.

I recommend the approval of the proposed schedule by adoption of the resolution below."

The following resolution, as submitted by the Corporate Secretary, was unanimously adopted.

RESOLVED, That the schedule of Trustees' Meetings for the year 2015, as set forth in the foregoing report of the Corporate Secretary, be, and hereby is, approved.

b. POWER ALLOCATIONS:

i. Contracts for the Sale of Western New York Hydropower and Preservation Power – Transmittal to the Governor

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Trustees are requested to: (1) approve proposed final contracts for the sale of Replacement Power ('RP') to Innomotive Solutions Group, LLC and Royal Plastix USA, LLC, (2) approve the proposed final contract for the sale of Expansion Power ('EP') to Blackrock, Inc., and (3) approve the proposed final contract for the sale of Preservation Power to Corning, Inc.; the business of each described in Exhibit '2b i-A' and (4) authorize transmittal of the proposed final contracts to the Governor for his review and request authorization for the Authority to execute the contracts pursuant to Public Authorities Law ('PAL') §1009. The proposed final contracts are attached as Exhibits '2b i-B-1' – '2b i-B-4.'

BACKGROUND

Under PAL §1005(13), the Authority may allocate and sell directly or by sale for resale, 250 megawatts ('MW') of EP and 445 MW of RP to businesses located within 30 miles of the Niagara Power Project, provided that the amount of EP allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

Under PAL §1005(13), the Authority may allocate and sell directly or by sale for resale, 490 megawatts ('MW') of Preservation Power ('PP') to businesses located in Jefferson, Franklin and St. Lawrence Counties.

At their meeting on July 29, 2014, the Trustees awarded allocations of 100 kilowatts ('kW') of RP to Innomotive Solutions Group, LLC, 600 kW of RP to Royal Plastix USA, LLC, and 2,100 kW of PP to Corning, Inc., as described in Exhibit '2b i-A.'

At their meeting on July 31, 2012, the Trustees awarded an allocation of 2,000 kW of EP to Blackrock, Inc. as described in Exhibit '2b i-A.'

The Trustees also authorized public hearings, pursuant to §1009 of the PAL, on the proposed Agreements to effectuate the sale of power and energy for the allocations to these companies.

The contracts before the Board would provide for the sale of these allocations to Innomotive Solutions Group LLC, Royal Plastix USA LLC, Blackrock, Inc. and Corning, Inc. The sale of these allocations would be made under a direct sale arrangement. Transmission and delivery service would be provided by the companies' local utility in accordance with the utility's Public Service Commission-filed delivery service tariff. The following is a summary of some pertinent provisions of the contract:

- The contracts would provide for the direct billing of all production charges (*i.e.* demand and energy) as well as all New York Independent System Operator, Inc. ('NYISO') charges, plus taxes or any other required assessments, as set forth in the Trustee approved Service Tariff WNY-1 ('ST WNY-1') and the Service Tariff-10 ('ST-10').

- The contract includes the company's agreed-upon commitments with respect to employment, power utilization and capital investment. The Authority would retain the right to reduce or terminate the allocation if employment, power utilization, or capital investment commitments are not met.

- The contract provides for the sale of additional allocations of EP and/or RP to the customer in appropriate circumstances under the contract by incorporating new allocations into Schedule A of the contract. The Trustees approved this convention in the 2010 long-term extension contract, which simplifies contract administration.

- To accommodate non-payment risk that could result from the direct billing arrangement with the Authority, the contract form includes commercially reasonable provisions concerning, among other things, the ability to require deposits in the event of a customer's failure to make payment for any two monthly bills. This is consistent with recent Authority contracts that incorporate direct billing, including the Authority's Recharge New York sales contracts.

- The contract requires that the company perform an energy efficiency audit at least once within five years at the facility receiving the low-cost power to help ensure the hydropower is utilized as effectively as possible.

The Authority has discussed the Contracts with each company and has received each company's consent to its respective Contract. Each company has also acknowledged application of the appropriate tariff discussed above to its allocation.

As required by PAL §1009, when the Authority has reached agreement with its co-party on such a contract, it is required to transmit the proposed contract to the Governor and other elected officials and hold a public hearing on the proposed contract. At least 30-days' notice of the hearing must be given by publication once in each week during such period in each of six selected newspapers. Following the public hearing, the contract may be modified, if advisable.

Upon approval of the final proposed contract by the Authority, the Authority must 'report' the proposed contract, along with its recommendations and the public hearing record, to the Governor and other elected officials. Upon approval by the Governor, the Authority may execute the contract.

DISCUSSION

As noted above, the Trustees, at their July 29, 2014 and July 31, 2012 meetings, awarded the aforementioned allocations to these companies, and also authorized the Corporate Secretary to schedule a public hearing on the contracts.

A public hearing for the three WNY contracts was held on October 28, 2014 at the Niagara Power Project's Power Vista Visitors' Center in Lewiston, New York. There were no oral statements made at the public hearing and no written statements were submitted. The official transcript of the public hearing is attached as Exhibit '2b i-C.'

A public hearing on the Corning contract was held on October 23, 2014 at the Frank S. McCullough, Jr. Hawkins Point Visitors' Center at the St. Lawrence/FDR Power Project in Massena. No oral statements were given at the public hearing. Two written statement were submitted. The official transcript of the public hearing and the written submittals are attached as Exhibit '2b i-C-1.'

RECOMMENDATION

The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the proposed final contracts for the sale of Replacement Power to Innomotive Solutions Group, LLC and Royal Plastix USA, LLC, the proposed final contracts for the sale of Expansion Power to Blackrock, Inc. and the sale of Preservation Power to Corning, Inc., that are attached as Exhibits '2b i-B-1' – '2b i-B-4' and authorize the transmittal of these contracts to the Governor for his review pursuant to PAL §1009.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

The following resolution, as submitted by the President and Chief Executive Officer, was adopted with the exception of **Corning, Inc.** which failed to pass due to the conflict of interest filed by Trustee Flynn.

RESOLVED, That the contracts for the sale of Replacement Power to Innomotive Solutions Group, LLC and Royal Plastix USA, LLC; the contract for the sale of Expansion Power to Blackrock, Inc.; and the contract for the sale of Preservation Power to Corning, Inc. ("Contracts") are in the public interest and in accordance with Public Authorities Law §1009 and should be submitted to the Governor for his review and that copies of the Contracts, along with the record of the public hearings thereon, be forwarded to the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee; and be it further

RESOLVED, That the Chairman and the Corporate Secretary be authorized and directed to execute such Contracts in the name of and on behalf of the Authority if the Contracts are approved by the Governor; and be it further

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be, and hereby is, authorized, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to negotiate and execute any and all documents necessary or desirable to implement the Contracts with the business as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

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

ii. Firm Market Power Service Tariff Amendment – Notice of Adoption

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Trustees are requested to take final action to approve the amendment of the Authority's Schedule of Rates for Sale of Firm Market Power, Service Tariff No. 1C ('ST 1C'), applicable to three market power customers. The proposed ST 1C is attached as Exhibit '2b ii-A.' The revised tariff would become effective with the January 2015 billing period.

BACKGROUND

At their July 29, 2014 meeting, the Trustees directed the publication of a Notice of Proposed Rulemaking ('NOPR') in the *New York State Register* (*'State Register'*), indicating that the Authority proposed to amend its Schedule of Rates for Sale of Firm Market Power, Service Tariff No. 1C ('ST 1C'). The *State Register* notice was published on August 13, 2014 in accordance with the State Administrative Procedure Act ('SAPA'). Through the formal SAPA notice, members of the public were afforded the opportunity to submit written comments during the 45-day comment period in response to the Authority's proposed amendments. The public comment period closed on September 29, 2014.

As explained in the July 29th memorandum to the Trustees, the Authority proposed these tariff changes in order to modify the Market Energy Charge methodology to reflect a pass through of actual charges incurred by the Authority in its New York Independent System Operator, Inc. ('NYISO') hourly market energy purchases on the customers' behalf, thereby ensuring there is neither an Authority over or under collection. As staff explained, this proposal would remove the application of the monthly average of the NYISO Day-Ahead Market and Real-Time Market energy rates, which is not the most accurate representation of the costs incurred by NYPA in making market energy purchases on behalf of customers.

DISCUSSION

Timely written comments submitted by Air Products and Chemicals, Inc. ('Air Products'), one of the Authority's customers served under ST 1C, are attached as Exhibit '2b ii-B.' No other party filed comments. A summary of these comments, plus Authority staff's analysis and recommendations, are set forth below. Revisions consistent with such recommendations are incorporated in ST 1C for which approval is requested today.

Issue 1: NYPA Price Hedging

Air Products (at p. 2) raised a number of concerns regarding NYPA's potential use of price hedging (or financial hedging) under ST 1C. Air Products first commented that the tariff should explicitly state that NYPA would engage in price hedging only if requested by customers. Air Products further requested that NYPA include a definition of price hedging, and that NYPA incorporate additional processes, including the ability for customers to comment on, and veto, any NYPA-proposed price hedges.

Staff Analysis:

Staff notes that its tariff proposal did not purport to change the manner in which price hedging, if any, would be performed. NYPA currently has full discretion to engage in price hedges under ST 1C, and the language on recovering the costs of price hedges was left unchanged. NYPA would apply its reasonable business judgment when pursuing price hedges, which is the same scrutiny NYPA applies when engaging in price hedges for other customer segments. To date, however, NYPA has not entered into any price hedges for the ST 1C customer group and has no plans to do so. Staff also notes that the total contract demand for the ST 1C load is 95 megawatts ('MW'), of which only about 18 MW is allocated to customers whose load is settled

on the upstate NYISO load bus affecting Air Products.[*] This size load is relatively small from NYPA's perspective, and staff's decision so far not to enter into a price hedging program reflects the reasonable assumption that the customer base served under ST 1C is not expected to grow.

Because NYPA does not plan on performing price hedges for these customers and due to Air Products' concerns about any hedging costs being imposed, price hedging is an unnecessary component under ST 1C. Therefore, staff recommends removing all references to price or financial hedging from ST 1C.[†] Removing these provisions, which will assuage Air Products' concerns, also inflicts no prejudice on any tariff customer. Similarly, staff recommends the deletion of (1) references to 'long-term' transactions or power purchase agreement transactions to serve the load of the ST 1C customers in proposed Section III.A.C of the tariff and (2) the reference to 'financial products' in Section III.B.3 which covers charges related to NYPA's market transactions. Such references are unnecessary as the Market Energy Charge will be based exclusively on procurements made in the NYISO energy markets.

Issue 2: Market Charge

Air Products commented (at p. 2) that ST 1C needs to clearly state that the Market Energy Charge will be based on the actual costs incurred by NYPA for the Billing Period 'based on each customer's hourly load schedule and that customer's actual hourly load (as reported by the NYISO).' Further, Air Products requested a specific formula for the Market Energy Charge be included, 'similar to the one in the current ST 1C tariff (but modified for the hourly concept).'

Staff Analysis:

The proposed amendments to ST 1C state that the Market Energy Charge will be based on the actual costs incurred by the Authority in each Billing Period based on the Authority's purchases made in the NYISO Day-Ahead Market or Real Time Market which, for reasons previously explained, staff believes is an improvement over the existing formula employing monthly average energy prices. The pass-through of such NYISO energy charges does not lend itself to establishing a 'specific formula' as requested by the commenter. In addition, NYPA declines to adopt the suggestion that it base its charges on hourly load schedules of the customers. NYPA does not provide hourly billing for any customer segment. Instead, actual metered monthly usage will be used to determine each customer's portion of the Market Energy Charges for the month, which is how NYPA's staff currently assesses Market Energy Charges to tariff customers.

Issue 3: Customer Hourly Load Scheduling

Air Products commented (at p. 2) that the tariff is silent on the need for customers to provide hourly load schedules to NYPA. Further, Air Products requested that staff revise the tariff to include language regarding schedules – specifically, 'customers are encouraged to submit day-ahead hourly load schedules, the forecast period for the hourly load schedules, that NYPA can accept daily schedules, and how the customer's hourly loads are scheduled if they fail to provide NYPA with their own forecasted hourly load schedule.'

Staff Analysis:

Air Products correctly observes that the tariff does not require customers to provide hourly load schedules, although ST 1C already instructs NYPA and its customers to 'reasonably cooperate and coordinate' on the scheduling for firm power and firm energy in Section IV.A.

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[*] 77 MW of market power sold under ST 1C are allocated to Brookhaven National Laboratory, a customer whose load settles on a bus located in the Long Island Power Authority service territory.

[†] By removing references to price or financial hedging from ST 1C, Air Products' request to include a definition for this term is rendered moot.

After duly considering the concerns raised by Air Products to improve the accuracy of the scheduling process, staff concludes that it is not advisable to require the submission of daily load schedules for each hour. Such schedules may not always prove accurate, and as Air Products itself notes (at pp. 1 and 3), there is a possibility of cross-subsidization of NYISO energy charges between customers in such circumstances. Because requiring the submission of monthly schedules by the hour may unreasonably raise customers' expectations, staff does not recommend this as a requirement.

However, as reinforced by the current provisions in ST 1C, customers are encouraged to voluntarily provide an hourly load schedule each month to the Authority as this will potentially reduce the level of balancing energy that needs to be purchased in the Real-Time Market, and have the effect of lowering the total NYISO charges that need to be allocated to customers in their Market Energy Charge. As this is only an informal Authority request for hourly schedules, staff does not recommend including this as a ST 1C requirement.

Issue 4: Customer Billing Information

Air Products commented (at p. 3) that NYPA's proposal be modified so that the kilowatt-hours associated with the Market Energy Charge be reported on each bill, rather than have this information made available to customers upon request.

Staff Analysis:

Authority staff agrees with Air Products that it is appropriate for NYPA to report the customers' kilowatt-hours associated with the Market Energy Charge on their monthly energy bill and has modified the language in the tariff to reflect this change. Customers should note that these kilowatt-hours are used for the apportionment of the charges between customers that are charged to NYPA at the NYISO bus level. These kilowatt-hours are not the billing determinants for the NYISO energy charges themselves.

Issue 5: Definition of Selected Terms

Air Products requested that the Authority should provide a definition for the term 'Locational Based Marginal Pricing,' if it will be used in the final version of ST 1C.

Staff Analysis:

Staff recommends that ST 1C refer to the NYISO tariff definition to meet Air Products' request to define the term 'Locational Based Marginal Price.' Staff notes that this term is used only in the narrow circumstances set forth in Section IV.B. in which an additional charge applies for tariff customers whose usage falls below any concurrent entitlement to NYPA firm hydro power.

Issue 6: Splitting Energy Charges for a Common Bus

Air Products expressed its concerns (at pp. 3-4) on how the NYISO ancillary services and energy charges will be split between customers that share a common load bus, which happens to be the case for Air Products and another ST 1C customer. Air Products requested that the Authority adopt a manual billing process for the market power customers served under ST 1C in order to 'minimize any potential cross-subsidization' for the NYISO energy charges. Additionally, Air Products suggested that the Authority allocate the NYISO ancillary service charges and any residual between NYISO's energy charges for the common bus, using the Authority's current load share ratio approach and the utility's metered hourly usage.

Finally, Air Products commented that it would be willing to consider paying a small, 'reasonable' monthly fee associated with the aforementioned manual billing process used to separate the energy portion of the NYISO charges shared by those customers behind a common NYISO load bus. Air Products notes that it would find this solution attractive only if it could agree that NYPA's monthly fee is, in fact, 'reasonable.'

Staff Analysis:

As was stated in the Staff Analysis in response to Issue 2 concerning the derivation of the Market Energy Charge, the NYISO energy costs incurred by the Authority on the customers' behalf will be allocated based on each customer's actual metered monthly usage. If customers share a common NYISO bus, each customer's portion of the Market Energy Charge will be based on their portion of the actual metered monthly energy usage for the entire NYISO bus. As previously indicated, the Authority does not perform a manual hourly billing process for any set of its customers, and it is unreasonable to adopt the customer's requested process. NYPA staff also rejects as unreasonable, the suggestion that it develop a monthly fee subject to Air Products' approval designed to cover NYPA's costs of performing the manual billing process proposed by Air Products. Staff believes this would be a time-consuming and impractical endeavor that would unreasonably delay this matter, when a viable billing solution is ready to be implemented.

Staff notes that it arrived at its proposed solution for recovering NYISO energy costs in response to customer concerns to achieve greater billing accuracy, and believes this reform will be accomplished through the elimination of the flawed monthly averaging of energy prices instead of passing through to customers the actual NYISO energy costs incurred by the Authority. Accordingly, staff does not recommend the adoption of Air Products' request to perform manual monthly billing.

With respect to NYISO ancillary service charges incurred by the Authority, these will be allocated to the Firm Market Power customers in the same manner as the Market Energy Charge, *i.e.* based on each customer's actual metered monthly usage. This is in accordance with the load-ratio share approach advocated by Air Products and is already in effect.

Miscellaneous Changes

In addition to the tariff changes discussed above, certain miscellaneous and clerical changes were also included to improve the clarity and the readability of the tariff which do not concern the substantive tariff matters addressed in this proceeding.

FISCAL INFORMATION

Adoption of the proposed amendments to ST 1C will avoid any under or over collection of charges from the customer. Thus, the tariff amendments are net neutral in their fiscal impact to the Authority.

RECOMMENDATION

The Manager – Pricing and Energy Market Analysis recommends that the attached amended Firm Market Power tariff, applicable to the three Firm Market Power customers, be approved and that the Trustees authorize the Corporate Secretary to file a Notice of Adoption for publication in the *State Register*, in accordance with the State Administrative Procedure Act. It is requested that this tariff become effective with the January 2015 billing period.

It is also recommended that the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be authorized to issue written notice of adoption and the revised tariff leaves, as necessary, to the customers.

For the reasons stated above, I recommend the approval of the above-requested action by adoption of the resolution below."

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

> **RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency or his designee be, and hereby is, authorized to issue written notice of this final action by the Trustees to the affected Customers as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Corporate Secretary of the Authority be, and herby is, directed to file such other notice as may be required with the New York Department of State for publication in the *New York State Register*, and be it further**
>
> **RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all certificates, agreements and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

iii. Amendment to Standby Rate Provisions of NYPA's Governmental Customer Service Tariffs – Notice of Adoption

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Trustees are requested to take final action to approve proposed changes to the current standby production rate provisions of the Authority's Service Tariff No. 100 applicable to New York City ('NYC') Governmental Customers[‡] and Service Tariff No. 200 applicable to Westchester Governmental Customers[§] (collectively, 'Service Tariffs'). The proposed changes are contained within 'Rider A – Standby Rate' of each Service Tariff and are attached as Exhibit '2b iii-A.'

This update to the standby provisions of the Service Tariffs represents an improvement over the existing standby production services currently offered because it provides clarity to the billing structure for customers with on-site generation supplying multiple accounts, and further encourages the adoption of on-site generation (also known as Distributed Generation or 'DG') by customers.

BACKGROUND

At their July 29, 2014 meeting, the Trustees directed the Corporate Secretary to file a notice of proposed rulemaking ('NOPR') in the *New York State Register ('State Register')* to amend the currently effective standby rate provisions applicable to customers serviced under the Service Tariffs. The *State Register* notice was published on August 13, 2014 in accordance with the State Administrative Procedure Act ('SAPA'). The 45-day public comment period closed on September 27, 2014.

As explained in the July 29th memorandum to the Trustees, the Authority proposed these tariff amendments in order to:

- Reduce overall standby service costs due to a three-part demand charge contained in the original rate design by the means of elimination of the Supplemental Demand charge and adoption of a lower, 3% forced outage rate in development of Production Contract Standby Demand charge;
- Accommodate customers with multiple accounts connected to one Distributed Generation facility.

DISCUSSION

No public comments were filed in response to the NOPR. Based on the lack of any negative responses, and due to NYPA staff's previous, informal outreach with customers leading up to this NOPR, staff recommends the adoption of the proposed amendments to the Service Tariffs.

In addition to changes initially proposed at the July 29th meeting, the Authority recommends some minor ministerial changes to the Rider A – Standby Rate provisions of the Service Tariffs to improve their organization. Such changes are non-substantive in nature and do not constitute any changes to the original proposal in this SAPA proceeding.

[‡] The NYC Governmental Customers consist of the City of New York ('NYC' or 'City'), the Metropolitan Transportation Authority ('MTA'), the New York City Housing Authority, the Port Authority of New York and New Jersey, the State of New York Office of General Services and six smaller governmental entities located in New York City.

[§] The Westchester Governmental Customers consist of the County of Westchester plus 103 cities, towns, villages, school districts, fire districts and other local government agencies located in the County of Westchester.

The Trustees' approval being sought today would make these revised standby production rate provisions effective for the December 2014 billing period, which coincides with the commencement of operations of the Rikers Island Cogeneration Plant, a 15 MW DG facility constructed and financed by NYPA for the NYC Department of Corrections.[**] Additional DG facilities are expected to be developed in the future by the City and the other NYC Governmental Customers, each of which would be able to avail themselves of NYPA's modified standby production service.

Implementation of billing consistent with the revised standby tariff provisions for the December 2014 billing period is contingent upon NYPA receiving appropriate metering data from Consolidated Edison Company of New York, Inc. ('Con Edison'), the local transmission provider for NYPA's governmental customers. To the extent this transfer of data is delayed, NYPA will work expeditiously with Con Edison on the data issues so that the standby production charges incurred in the December 2014 billing period can be included in the first practicable billing period thereafter.

FISCAL INFORMATION

The adoption of the proposed Standby tariff rider amendments is revenue neutral to the Authority. Any reduction in standby service revenues occasioned by these revisions will be recovered through standard production rates and established rate adjustment mechanisms applicable to all of NYPA's Governmental Customers in New York City and Westchester County.

RECOMMENDATION

The Vice President – Marketing Analysis and Administration and the Manager – Pricing and Energy Market Analysis recommend that the Trustees authorize the Corporate Secretary to file a Notice of Adoption for publication in the *State Register* for the purpose of amending the Authority's Service Tariff No. 100 and Service Tariff No. 200, as provided for herein and in Exhibit '2b iii-A.'

It is also recommended that the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be authorized to issue written notice of the Authority's proposed action to affected customers.

For the reasons stated above, I recommend the approval of the above-requested action by adoption of the resolution below."

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

> **RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file a Notice of Adoption for publication in the *New York State Register* in accordance with the State Administrative Procedure Act to amend the Authority's Standby Rate provisions of NYPA's Governmental Customer Service Tariffs, as set forth in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Corporate Secretary of the Authority be, and herby is, directed to file such other notice(s) as may be required by statute or regulation concerning the proposed tariff amendments; and be it further**

[**] As noted in the July 29th Memorandum to the Trustees, the Rikers Island facility was expected to commence operations in October 2014. At the time of this writing, staff understands that commercial operations will commence December 2014.

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency or his designee be, and hereby is, authorized to take such other and further actions as may be necessary to effectuate the foregoing; and be it further

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

iv. Village of Tupper Lake – Increase in Retail Rates – Notice of Adoption

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Board of the Village of Tupper Lake ('Village Board') has requested that the Trustees approve revisions to the Village of Tupper Lake's ('Village') retail rates for each customer service classification during three consecutive years. These revisions will result in additional total annual revenues of about $225,000, or 5.6%.

BACKGROUND

The Village Board has requested the proposed rate increase primarily to provide additional revenues to allow for sufficient working funds and to meet forecasted increases in operation and maintenance expenses and additional debt payment requirements. The current rates have been in effect since April 2010. Because the Village is a full requirements customer of the Authority, its retail rates are subject to Authority oversight in accordance with sections 1005(5)(g) and 1005(6)(d) of the New York Public Authorities Law.

The Village Board has developed a capital program for its electric system amounting to $1,084,000 in order to provide reliable service to its customers. Upgrades will be directed primarily to substation distribution equipment and consumer meters, as well as purchasing a Bucket Truck, a meter reader vehicle and a SCADA system. The Village is planning to debt-finance its capital program by issuing a new bond.

Under the new rates, a residential customer that currently pays about 5.4 cents per kWh will pay about 5.7 cents per kWh after the increase. A small commercial class customer that currently pays on average 6.2 cents per kWh will pay 6.5 cents per kWh; a large commercial customer in service class number 3A rate will increase from an average of 5.4 cents per kWh to 5.7 cents per kWh; customers under the large commercial service class number 3B that currently pays on average 6.1 cents per kWh will pay 6.5 cents per kWh and the large commercial 'Sunmount' service class number 4 rate will increase from an average 5.2 cents per kWh to 5.5 cents per kWh.

DISCUSSION

The proposed rate revisions are based on a cost-of-service study requested by the Village and prepared by Authority staff. A public hearing was held by the Village of Tupper Lake on August 27, 2014. Several ratepayer comments were received at the public hearing. The Village Board addressed the inquiries and has requested that the proposed rates be approved.

Pursuant to the approved procedures, the Senior Vice President – Economic Development and Energy Efficiency requested that the Corporate Secretary file a notice for publication in the New York *State Register* of the Village's proposed revision in its retail rates. Such notice was published on October 1, 2014. No comments concerning the proposed action have been received by the Authority's Corporate Secretary.

An expense and revenue summary, comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits '2b iv-A,' '2b iv-B' and '2b iv-C,' respectively.

RECOMMENDATION

The Vice President – Market Analysis and Administration recommends that the attached schedule of rates for the Village of Tupper Lake be approved as requested by the Board of the Village of Tupper Lake to take effect beginning with the first full billing period following the date this resolution is adopted.

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

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

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

> **RESOLVED, That the proposed rates for electric service for the Village of Tupper Lake, as requested by the Village Board, be approved, to take effect with the first full billing period following this date, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, authorized to file a notice of adoption with the Secretary of State for publication in the New York *State Register* and to file any other notice required by statute or regulation; and be it further**
>
> **RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Chief Operating Officer, and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

v. City of Sherrill – Increase in Retail Rates – Notice of Adoption

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Board of the City of Sherrill ('City Board') has requested that Trustees approve revisions to the City of Sherrill's ('City') retail rates for each customer service classification. These revisions will result in additional total annual revenues of about $402,029, or 16.3 percent.

BACKGROUND

The City Board has requested the proposed rate increase primarily to provide additional revenues to allow for sufficient working funds, to meet forecasted increases in operation and maintenance expenses and additional debt payment requirements, and to address revenue loss resulting from a decline in sales. The current rates have been in effect since February 2008. Because the City is a full requirements customer of the Authority, its retail rates are subject to Authority oversight in accordance with sections 1005(5)(g) and 1005(6)(d) of the New York Public Authorities Law.

The City Board has planned upgrades to the electric system amounting to $242,000 in order to provide reliable service to its customers. The upgrades will be directed primarily to substation distribution equipment, distribution line and purchase of a bucket truck. The City is planning to debt-finance its capital program by issuing a new bond.

Under the new rates, a residential customer who currently pays about 4.6 cents per kWh on average will pay about 5.3 cents after the increase. A small commercial class customer that currently pays an average of 4.6 cents per kWh will pay 5.3 cents, a large commercial customer that currently pays an average of 4.3 cents per kWh will pay 5.3 cents per kWh and an industrial customer that currently pays an average of 4.1 cents per kWh will pay 4.6 cents after the increase.

DISCUSSION

The proposed rate revisions are based on a cost-of-service study requested by the City and prepared by Authority staff. A public hearing was held by the City on August 18, 2014. No ratepayer comments were received at the public hearing. The City Board has requested that the proposed rates be approved.

Pursuant to the approved procedures, the Senior Vice President – Economic Development and Energy Efficiency requested that the Corporate Secretary file a notice for publication in the New York *State Register* of the City's proposed revision in retail rates. Such notice was published on October 1, 2014. No comments concerning the proposed action have been received by the Authority's Corporate Secretary.

An expense and revenue summary, comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits '2b v-A,' '2b v-B' and '2b v-C,' respectively. Rates were designed to encourage conservation by the largest users of power.

RECOMMENDATION

The Vice President – Market Analysis and Administration recommends that the attached schedule of rates for the City of Sherrill be approved as requested by the Board of the City of Sherrill to take effect beginning with the first full billing period following the date this resolution is adopted.

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

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

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

> **RESOLVED, That the proposed rates for electric service for the City of Sherrill, as requested by the City Board, be approved, to take effect with the first full billing period following this date, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, authorized to file a notice of adoption with the Secretary of State for publication in the New York *State Register* and to file any other notice required by statute or regulation; and be it further**
>
> **RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

vi. Increase in New York City Governmental Customer Fixed Costs – Notice of Proposed Rulemaking

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Trustees are requested to authorize a Notice of Proposed Rulemaking ('NOPR') to increase the Fixed Costs component of the production rates by $2.6 million or 1.9%, not including Astoria Energy II ('AE II') plant expenses to be charged in 2015 to the New York City Governmental Customers ('Customers'). AE II plant expenses, although part of the Fixed Costs component, are not subject to this NOPR proceeding as recovery of such costs has been agreed to by contract. The proposal is based on Authority staff's Preliminary 2015 Cost-of-Service ('COS').

In addition, the Trustees are requested to direct the Corporate Secretary to file the NOPR with the New York State Department of State for publication in the New York *State Register* in accordance with the requirements of the State Administrative Procedure Act ('SAPA'). This year, the Customers have requested a modification in the 2015 COS process for the Authority to issue updated Fixed Costs component values once they are firmed up. As a result, the Authority delayed the reporting of the proposed fixed costs to the Customers until they were firmed up and is initiating the SAPA process with this Trustee approval. Upon closure of the 45-day statutory comment period concerning this proposed rate action, Authority staff will take into consideration concerns that have been raised and return to the Trustees at their March 2015 meeting, to seek final adoption of this proposal.

BACKGROUND

In 2005, the Authority and the Customers entered into supplemental agreements for the purchase of electric service through December 31, 2017. These agreements (the 2005 'Long-Term Agreements,' or 'LTAs') replaced prior agreements entered into during the mid-1990s with these Customers. The LTAs established a new relationship between the Authority and the Customers that reflects the costs of procuring electricity in the marketplace managed by the New York Independent System Operator ('NYISO'). The LTAs define specific cost categories with respect to providing electric service and prescribe a collaborative process for acquiring resources, managing risk and selecting a cost-recovery mechanism.

The LTAs separate all costs into two distinct categories: Fixed Costs and Variable Costs. Fixed Costs include Operation and Maintenance ('O&M'), Shared Services, Capital Cost, Other Expenses (*i.e.*, certain directly assignable costs) and a credit for investment and other income. Under the LTAs, the Authority must establish Fixed Costs based on cost-of-service principles and make changes based on a filing in accordance with SAPA requirements. In addition, the LTAs contemplate that year-to-year changes in Fixed Costs will be reviewed by the Customers in advance of the filing made under SAPA. This year, the Customers requested to receive an update to the Fixed Costs proposal closer to the time of NYPA's development of its 2015 budget. As a result, Authority staff provided updated proposed Fixed Costs to the Customers in two steps. Modifications to all the non-O&M costs were issued by October 23, 2014; and modifications to the O&M fixed costs were issued by November 21, 2014. The Customers will review the proposed fixed costs and may submit comments on the Fixed Costs, if warranted.

The Authority's policies and procedures call for a public forum if the Fixed Costs component of the proposed rate increase exceeds 2.0%. Since the proposed 2015 Fixed Costs component is increasing by 1.9% as compared to the Fixed Costs included in the Final 2014 COS, in accordance with the Authority's policies and procedures, no public forum will be held.

Also, pursuant to the LTAs, the Authority develops the Variable Costs on an annual basis. These are costs the Authority expects to incur to serve the Customers in the upcoming Rate Year, specifically for fuel and purchased power, risk management, NYISO ancillary services and O&M reserve, less a credit for NYISO revenues from NYPA generation dedicated to these Customers. The Variable Costs are subject to the Customers' review and comment. The cost-recovery mechanisms for the upcoming year's Variable Costs are selected by the Customers

from among the choices set forth in the LTAs. These cost-recovery mechanisms were previously approved by the Trustees and therefore do not require further approval.

In the rate-setting process for the 2015 Rate Year, the Customers selected an 'Energy Charge Adjustment ('ECA') with Hedging' option as the cost-recovery mechanism. Under this mechanism, all Variable Costs are passed on to the Customers. In other words, the charges for electric service during the Rate Year are subject to adjustment based on the difference between the Variable Costs actually incurred to serve the Customers and the Variable Costs recovered by the Authority under its tariffs in the Rate Year; costs associated with hedging activities for the purpose of reducing potential volatility are assigned to the Variable Costs.

On July 10, 2008, the Authority and the Customers entered into an agreement ('Agreement') that implemented Article XI of the LTAs concerning the acquisition of long-term resources under a request for proposal ('RFP') process. The RFP resulted in NYPA contracting with Astoria Energy II LLC for the full product toll of a 500 MW combined-cycle unit over a twenty-year period. The full product toll allows NYPA to capture all energy, capacity and ancillary services output of the generating unit for the benefit of the Customers. Under the Agreement, the costs incurred by NYPA are to be included as part of the COS based rate, and in order to ensure full recovery of all costs related to the full product toll, NYPA may use a true-up mechanism to assess charges for under-recovery and apply credits for over-recovery of costs. The 2015 costs related to the AE II service are $139.3 million and have been included in the Fixed Costs component of the Preliminary 2015 COS but are not subject to this NOPR proceeding and not part of the proposed 1.9% increase.

DISCUSSION

Based on the Preliminary 2015 COS, the increases in Fixed Costs are $2.6 million, or 1.9% higher than the Fixed Costs included in the Final 2014 COS. Per Customer request, the SENY direct charges were moved from Shared Services to O&M. As such, the 2014 COS numbers were adjusted with the same modification to provide an appropriate year-over-year comparison. With this modification, contributors to the Fixed Costs increase are $2.6 million in additional direct site O&M and headquarters O&M ('Shared Services') as well as $0.6 million increase in Capital Costs due to higher working capital carrying charges for inventory and oil. The increase in O&M largely stems from projected costs in non-recurring work needed at the 500 MW Combined-Cycle Unit ('CCU') and Small Hydro Facilities.

Variable Costs are projected to decrease by a total of $64.8 million, or 12.6% compared to the Final 2014 COS. Based on preliminary analyses, Authority staff projects that the 2015 production rate, combining the Fixed and Variable Costs, will decrease by about 5.9% compared to the Final 2014 COS.

Under the LTAs, any change in the Fixed Costs component of the Customers' production rates must be done in accordance with a SAPA proceeding. Following the closure of the 45-day statutory comment period concerning the proposal, Authority staff will take into consideration the concerns raised and will return to the Trustees at their meeting in March 2015 to seek final adoption of an appropriate Fixed Costs rate. Subsequent to such final adoption, staff will incorporate the approved Fixed Costs and the final Variable Costs that are determined in the rate-setting process with the Customers into new production rates to become effective with the March 2015 billing period.

FISCAL INFORMATION

The adoption of this proposal concerning the increase in Fixed Costs applicable to the Customers under the LTAs would result in the Authority continuing to recover the appropriate Fixed Costs incurred associated with serving these Customers.

RECOMMENDATION

The Manager – Pricing and Energy Market Analysis and the Vice President – Financial Planning recommend that the Trustees authorize the Corporate Secretary to file a Notice of Proposed Rulemaking in the New

York *State Register* for the adoption of an increase in the Fixed Costs component of the production rates (comprising non-AE II costs) by $2.6 million to be charged in 2015 to the New York City Governmental Customers.

It is also recommended that the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be authorized to issue written notice of the proposed action to the affected Customers under the provisions of the Authority's tariffs.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

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

> **RESOLVED, That the Authority projects an increase in the Fixed Costs of serving the New York City Governmental Customers when comparing those costs contained in current rates to 2015 projected costs; and be it further**
>
> **RESOLVED, That the Authority has entered into supplemental Long-Term Agreements with the New York City Governmental Customers and those agreements provide for the recovery of additional Fixed Costs through a rate filing under the State Administrative Procedure Act; and be it further**
>
> **RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be, and hereby is, authorized to issue written notice of this proposed action by the Trustees to the affected customers; and be it further**
>
> **RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file such notices as may be required with the Secretary of State for publication in the New York *State Register*; and be it further**
>
> **RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all certificates, agreements and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

vii. Increase in Westchester County Governmental Customer Rates – Notice of Proposed Rulemaking

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Trustees are requested to approve a Notice of Proposed Rulemaking ('NOPR') to increase the production rates by 8.00% as compared to 2014 rates for the Westchester County Governmental Customers ('Customers').

In addition, the Trustees are requested to direct the Corporate Secretary to file the NOPR with the New York State Department of State for publication in the New York *State Register* in accordance with the requirements of the State Administrative Procedure Act ('SAPA').

BACKGROUND

The Authority provides electricity to 103 governmental customers in Westchester County, which includes the County of Westchester, school districts, housing authorities, cities, towns and villages. The County of Westchester is the largest single customer, accounting for about one-third of sales.

The basis of providing this service is contained in the Supplemental Electricity Agreements ('Agreements') with the Customers. The Agreements were approved by the Trustees at their December 19, 2006 meeting, and were signed by each of the 103 Customers. Among other things, the Agreements permit the Authority to modify the Customers' rates (for Rate Years subsequent to 2007) at any time based on a fully supported *pro forma* cost-of-service ('COS') subject to customer review and comment and compliance with the SAPA process; permit the Customers to fully terminate service on one year's written notice, which, if given, could be effective no earlier than January 1, 2016; and allow the Authority to apply an Energy Charge Adjustment ('ECA') mechanism to the Customers' bills each month.

The current 2014 base production rates were adopted by the Trustees at their January 28, 2014 meeting, when they approved a 12.67% increase over 2013 rates. Although the final 2014 COS projected a 16.38% rate increase, staff requested to keep the initial 12.67% increase in production rates in order to not exceed NYPA's initial SAPA notice. Staff is now proposing a 2015 rate increase, which is largely due to expected increases in energy prices for electricity purchased from the NYISO market to serve these customers over 2014 rates. While total production costs are expected to increase, the Fixed Costs component is decreasing. Since this proposal calls for no increase to the Fixed Costs component, in accordance with the Authority's policies and procedures, no public forum will be held.

DISCUSSION

Consistent with the Authority's past rate-making practices and with the rate-setting process set forth in the Agreements, the proposed production rate increase is based on a *pro forma* COS for next year. The Preliminary 2015 COS for the Westchester Customers is $41.08 million.

The Variable Costs component is increasing as compared to the Variable Costs embedded in the Final 2014 COS. The primary cost element, energy purchases, is $32.48 million and accounts for 79% of the total production costs. Even though these Customers receive a pro-rated share of energy from the small hydro generation facilities, most of their energy requirements are purchased from the market (in New York Independent System Operator Zones 'G' (Hudson Valley) and 'A' (Western New York)). The projected 2015 prices for these zones are expected to be higher than those that were projected for 2014 and incorporated into the rates that are currently in effect.

The second largest component, capacity purchases, is $6.36 million and accounts for 15% of total production costs. The projected 2015 capacity costs are expected to decrease by approximately 11.6% as compared to the capacity costs that were incorporated into the rates that are currently in effect.

Based on the Preliminary 2015 COS, Fixed Costs are decreasing by $0.51 million as compared to the Fixed Costs included in the Final 2014 COS. The main driver of the Fixed Costs decrease is the reduction in Capital Costs ($0.69 million) due to lower debt service requirements associated with the small hydroelectric facilities. Slightly offsetting this decrease is a combined $0.19 increase in Site O&M and in Headquarters Shared Services.

Based on preliminary analyses, the current 2014 rates, in combination with the 2015 Customer sales forecast, show that the projected revenues would be $38.04 million, resulting in an under-collection of $3.04 million from the Customers. Therefore, staff is proposing an 8.00% increase in base production rates to cover the $3.04 million shortfall, which reflects the rise in the purchased energy costs as contained in the currently effective 2014 rates.

Under the Agreements, the Authority must provide at least 30 days' notice to the Customers of any proposed modification of rates and the proposed modification is subject to their review and comment. Notification of the rate action was transmitted to the Customers on November 14, 2014. Subsequent to the approval of this proposed action by the Trustees, the Customers will be mailed the Staff Report containing the Preliminary 2015 COS.

Under SAPA, there is a 45-day comment period. After written comments are filed, Authority staff will review them and address any concerns raised. Staff will make any necessary changes to the proposed rates and return to the Trustees at their March 2015 meeting to request final approval of the rate modification, to become effective with the March 2015 billing period.

FISCAL INFORMATION

The proposed production rates are cost-based, and with the application of the Energy Charge Adjustment mechanism, staff anticipates that the Authority will recover all costs incurred in serving the Customers.

RECOMMENDATION

The Manager – Pricing and Energy Market Analysis and the Vice President – Financial Planning recommend that the Trustees authorize the Corporate Secretary to file a Notice of Proposed Rulemaking in the New York *State Register* for the adoption of a production rate increase applicable to the Westchester County Governmental Customers.

It is also recommended that the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be authorized to issue written notice of the proposed action to the affected Customers under the provisions of the Authority's tariffs.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

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

RESOLVED, That the Authority proposes an increase in the production rates applicable to the Westchester County Governmental Customers as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be, and hereby is, authorized to issue written notice of this proposed action to the affected Customers; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file such notice as may be required with the New York State Department of State for publication in the New York *State Register* and to submit such other notice as may be required by statute or regulation concerning the proposed rate increase and proposed tariff modification; and be it further

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

viii. Extension of Niagara Frontier Transportation Authority Allocations and Sales Contract

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Trustees are requested to: (1) extend a 1,000 kilowatt ('kW') allocation of hydropower to the Niagara Frontier Transportation Authority ('NFTA') for its light rail system, and a 2,300 kW allocation to provide power to the Niagara Falls Air Base ('NFAB') (collectively, the 'NFTA Allocations'), each through December 31, 2019; and (2) authorize execution of an agreement to effectuate the sale of the extended NFTA Allocations. A copy of the current proposed form of the agreement is attached as Exhibit '2b viii-A.'

BACKGROUND

New York Public Authorities Law §1005, relating to the power and duties of the Authority, states: 'The authority is . . . authorized, to the extent it deems it necessary or desirable, to provide power and energy, as it may determine it to be available, for the use by the Niagara Frontier Transportation Authority or its subsidiary corporation.'

The Authority and NFTA are parties to a February 2, 1990 agreement ('1990 Agreement') under which the Authority sells 1,000 kW of hydropower and energy to NFTA under Service Tariff No. 37 (ST-37) for use by NFTA's regional light rail system. Under the terms of the 1990 Agreement, sales of additional amounts of power and energy may be made on terms and conditions mutually acceptable to NYPA and NFTA. The Parties agreed on January 29, 2004 and again on December 15, 2009 that NYPA would sell 2,300 kW of firm power and energy for use at NFTA's Niagara Falls International Airport to support continued operation of the NFAB located at the airport. The NFTA Allocations are each scheduled to expire after midnight, December 31, 2014.

DISCUSSION

The NFTA's light rail system in the Buffalo-Niagara region, known as 'Metro Rail,' provides the most environmentally-friendly, safe and affordable mode of public transportation in the area. Such affordable, reliable public transportation continues to play a key role in the economic development and growth of the area. The NFTA's light-rail corridor is home to Western New York's largest concentration of employment, population and university enrollment. Development along the corridor has been rapid in recent years, from the inception of the Harbor redevelopment to the University of Buffalo's new Medical School building.

The NFAB plays a critical role in the defense of the nation while also making important contributions as one of the largest employers in Niagara County. The base is home to the 914th Airlift Wing of the USAF and the 107th Air Refueling Wing of the New York Air National Guard. By helping to maintain low energy costs, the Authority can support vital military missions and help protect jobs in New York State from potential cutbacks or base closures. Due, in part, to NYPA's hydroelectric power sales, the NFAB was removed from the Department of Defense 2005 round of targeted base closures.

The extension of the NFTA Allocations would provide for the continued support of economic growth in the region and the U.S. military.

FISCAL INFORMATION

The NFTA and NFAB would continue to pay for hydropower at the same rate currently charged, i.e., the cost-based rates that are currently charged to the Authority's preference customers and determined in accordance with the Authority's rate-setting methodologies and principles under Service Tariff No. 37. The Trustees approved a preference power rate increase at their November 2011 meeting, which became effective in the December 2011 billing period. The proposed extension of the allocations discussed above would reflect the new preference power rates. Accordingly, there will be no fiscal impact to the Authority associated with this extension.

RECOMMENDATION

The Manager – Power Contracts recommends that the Niagara Frontier Transportation Authority ('NFTA') Allocations be extended through December 31, 2019, and that the sale of the extended NFTA Allocations be effectuated through the letter agreement attached as Exhibit '2b viii-A.'

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

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

> **RESOLVED, That the New York Public Authorities Law § 1005 relating to the powers and duties of the New York Power Authority states: "The authority is . . . authorized, to the extent it deems it necessary or desirable, to provide power and energy, as it may determine it to be available, for the use by the Niagara Frontier Transportation Authority or its subsidiary corporation"; and be it further**
>
> **RESOLVED, That the 1,000 kilowatt ("kW") allocation of hydropower to the Niagara Frontier Transportation Authority ("NFTA") for its light rail system, and 2,300 kW allocation to provide power to the Niagara Falls Air Base ("NFAB") (collectively, the "NFTA Allocations") is each extended through December 31, 2019; and be it further**
>
> **RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency or his designee be, and hereby is, authorized, subject to approval of the final form thereof by the Executive Vice President and General Counsel, to execute on behalf of the Authority, an agreement to effectuate the sale of the extended NFTA Allocations the current form of which agreement is attached to the report of the President and Chief Executive Officer as Exhibit "2b viii-A"; and be it further**
>
> **RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

c. PROCUREMENT (SERVICES) CONTRACTS

i. Procurement (Services) and Other Contracts – Business Units and Facilities – Awards, Extensions and/or Additional Funding

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Trustees are requested to approve the award and funding of the multiyear procurement (services) and other contracts listed in Exhibit '2c i-A,' as well as the continuation and/or funding of the procurement (services) contracts listed in Exhibit '2c i-B,' in support of projects and programs for the Authority's Business Units/Departments and Facilities. Detailed explanations of the recommended awards and extensions, including the nature of such services, the bases for the new awards if other than to the lowest-priced bidders and the intended duration of such contracts, or the reasons for extension and the projected expiration dates, are set forth in the discussion below.

BACKGROUND

Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year.

The Authority's Expenditure Authorization Procedures ('EAPs') require the Trustees' approval for the award of non-personal services, construction, equipment purchase or non-procurement contracts in excess of $3 million, as well as personal services contracts in excess of $1 million if low bidder, or $500,000 if sole-source, single-source or non-low bidder.

The Authority's EAPs also require the Trustees' approval when the cumulative change- order value of a personal services contract exceeds $500,000, or when the cumulative change-order value of a non-personal services, construction, equipment purchase, or non-procurement contract exceeds the greater of $1 million or 25% of the originally approved contract amount not to exceed $3 million.

DISCUSSION

Awards

The terms of these contracts will be more than one year; therefore, the Trustees' approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, which range in estimated value from $135,500 to $10 million. Except as noted, these contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

The issuance of multiyear contracts is recommended from both cost and efficiency standpoints. In many cases, reduced prices can be negotiated for these long-term contracts. Since these services are typically required on a continuous basis, it is more efficient to award long-term contracts than to rebid these services annually.

Extensions

Although the firms identified in Exhibit '2c i-B' have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing these contracts. The Trustees' approval is required because the terms of these contracts will exceed one year including the extension, the term of extension of these contracts will exceed one year and/or because the cumulative change-order limits will

exceed the levels authorized by the EAPs in forthcoming change orders. The subject contracts contain provisions allowing the Authority to terminate the services at the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

Extension of the contracts identified in Exhibit '2c i-B' is requested for one or more of the following reasons: (1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; (2) to accommodate an Authority or external regulatory agency schedule change that has delayed, reprioritized or otherwise suspended required services; (3) the original consultant is uniquely qualified to perform services and/or continue its presence and rebidding would not be practical or (4) the contractor provides a proprietary technology or specialized equipment, at reasonable negotiated rates, that the Authority needs to continue until a permanent system is put in place.

The following is a detailed summary of each recommended contract award and extension.

Contract Awards in Support of Business Units/Departments and Facilities:

Business Services

Controller's Office – Payroll

The contract with **Ceridian HCM, Inc. ('Ceridian') (Q14-5618)** would provide for payroll processing services, related tax filings and interface with the SAP Human Resources software application for all Authority employees, as well as meeting various reporting requirements, such as those of third-party service providers, including savings plans, benefits administrators, etc. Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 22 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. One proposal was received from Ceridian, the current service provider, and was evaluated by staff, as further set forth in the Award Recommendation documents. The Ceridian proposal offered two distinct solutions, DayForce (a cloud-based product) and Source 500 (the current 'on-premise' solution). Ceridian's DayForce solution was reviewed by the Authority's Finance and IT staff. Based on management's current concerns regarding cloud-based solutions, the low percentage (12%) of Ceridian's clients that currently use the DayForce product and the Authority's satisfaction with the current product (Source 500), the Authority has decided to remain with Ceridian Source 500, with an option to implement the DayForce product during the contract term if it is deemed to be economical, suits the Authority's business requirements and cloud-related security and technology concerns are assuaged. Due to the complexity of the Authority payroll, the qualified vendor pool is limited. Reasons submitted by several of the other firms that downloaded the bid documents, but did not submit a proposal, included time constraints, it was not their scope of work, a corporate business decision was made not to bid or they downloaded the bid documents for information purposes only. Ceridian has demonstrated its unique qualifications by developing and implementing customized enhancements and upgrades to accommodate the Authority's complex processing requirements. Furthermore, Ceridian has demonstrated its commitment to continue its favorable pricing and has quoted no increase to the current costs for the first three years of the new contract, and a maximum increase of 3% for the fourth and fifth years if the Authority remains with the current solution (or not-to-exceed 10% if the DayForce product is implemented). Based on the foregoing, staff recommends the award of a contract to Ceridian, which is qualified to provide such services, meets the bid requirements and has provided satisfactory service under the existing contract for such work. The new contract would become effective on or about April 1, 2015, for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $1,040,000.

Economic Development & Energy Efficiency

Energy Efficiency

At the Trustees' meeting of October 15, 2014, staff recommended the award of competitively bid contracts to twelve firms (**Q14-5668)** to provide for various services in connection with the Statewide Energy Efficiency Program. The Trustees approved the award of contracts to ten of these firms (**Cannon Design Architecture and Engineering, P.C., The Daylight Savings Company, Ecosystem/LiRo Energy Group II, EME Consulting Engineering Group, LLC, ENERActive Solutions, Energy & Resource Solutions, Inc. dba ERS, Fulcrum Facilities Services, LLC dba The Fulcrum Group, Guth DeConzo Consulting Engineers, P.C., PRES Services, LLC dba PRES Energy and RCM Technologies, Inc.)** and an aggregate total amount of $300 million. (The proposed awards to **LaBella Associates, DPC ('LaBella') and Wendel Energy Services, LLC ('Wendel')**, originally included in the aforementioned October Discussion Agenda (Item 5), were not adopted by the Trustees because they were unable to attain the required number of votes based on conflicts of interest filed by some of the Board members.) The Wendel award will be resubmitted for the Board's consideration at a later date. The proposed award to **LaBella** is now resubmitted for the Board's consideration with the intent of achieving the required number of votes for adoption. Approval of this request to award a contract to LaBella would enable the Authority to utilize the firm's specialty skills, experience and expertise, as needed. The contract would become effective on or about January 1, 2015 for an intended term of approximately five years (through October 14, 2019, coterminous with the other ten previously-approved contract awards), subject to the Trustees' approval, which is hereby requested. LaBella would share in the previously-approved aggregate total. Such contract will also be closely monitored for utilization levels, available approved funding and combined total expenditures.

Enterprise Shared Services

Corporate Support Services

The contract with **Ensign Engineering, PC ('Ensign') (Q14-5693)** would provide for professional engineering services for the Authority's Centroplex (aka 'Clarence D. Rappleyea') Building. Services include, but are not limited to, providing as-built mechanical, electrical and structural record drawings for all projects assigned to the engineering consultant, such as designs for emerging projects and future improvements to the building relating to renovation, updating or leasing of space, as well as surveying spaces throughout the building, in order to assess the existing mechanical, fire protection and electrical conditions. Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 122 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Nine proposals were received and evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of a contract to Ensign, the lowest-priced evaluated bidder, which meets the bid requirements and has provided satisfactory service under the existing contract for such work. The new contract would become effective on or about February 2, 2015, for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $325,000. It should be noted that Ensign is a New York State-certified Woman-owned Business Enterprise ('WBE').

Human Resources

The contracts with **Career Concepts, Inc. dba CCI Consulting ('CCI') and Eileen K. Ward & Associates dba E.K. Ward & Associates ('EK Ward') (Q14-5734)** would provide for executive coaching services to enhance the performance or accelerate the development of certain Authority employees who take on broader roles and work initiatives. Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 76 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Eight proposals were received and evaluated, based on criteria that included, but were not limited to, the coaching process, initial assessment methodology, coaching success measures, coach profiles,

statewide coach presence, fees and charges, hourly follow-up rates, and relevant industry experience, as further set forth in the Award Recommendation documents. Based on the foregoing, staff recommends the award of contracts to two firms, CCI and EK Ward, the most technically qualified bidders, which fully meet the Authority's bid requirements and whose proposals clearly demonstrate their strong expertise and experience, with reasonable pricing. It should be noted that EK Ward has provided very satisfactory quality service under an existing contract for such work. The award of contracts to two firms would benefit the Authority by providing more flexibility, increasing its options to access the coaching networks of both firms, and thereby enabling the Authority to successfully match executive coaching requests and candidates with the most suitable and qualified business coaches for all Authority locations throughout the state. The new contracts would become effective on or about January 1, 2015, for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, $1 million. Such contracts will be monitored for utilization levels, available approved funding and combined total expenditures. It should be noted that EK Ward is both a NYS-certified Minority Business Enterprise ('MBE') and WBE.

Information Technology

The contracts with **SuccessFactors, an SAP Company, and Symphony Management Consulting ('Symphony') (Q14-5587)** would provide for the Human Capital Management ('HCM') Cloud Based Solution and related services (modules + hosting and implementation, respectively). Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 85 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Five proposals were received and evaluated; of this number, three were from HCM cloud solution module and hosting providers and two were from implementation partners for one of the three hosting providers. Based on a detailed review, evaluation and thorough assessment of the bidders' proposals and additional information requested during the evaluation process, three firms were invited for product demonstrations and interviews. Based on the foregoing, and as further set forth in the Award Recommendation documents, staff recommends the award of contracts to two firms: **SuccessFactors,** the lowest-priced qualified bidder that meets or exceeds the bid requirements, to provide the HCM cloud solution modules as well as hosting services, **and Symphony,** the lower-priced bidder for implementation services. The SuccessFactors solution includes modules for Performance Management, Succession Planning, Compensation, Recruitment, Onboarding and Workforce Analytics / Planning. The contract with SuccessFactors would become effective on or about December 17, 2014 for an intended term of up to five years and the contract with Symphony would become effective on or about February 2, 2015 for an intended term of up to two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amounts expected to be expended for the terms of the contracts, $1,100,980 for SuccessFactors and $800,000 for Symphony, respectively. It should be noted that implementation of this project would also support the Authority's Workforce Planning strategic initiative, for which additional consulting services have been included. It should also be noted that Symphony is a NYS-certified WBE.

Law

Due to the urgent need to commence services, the contract with **Proskauer Rose LLP (4500251856)** became effective on October 15, 2014, for an interim award amount of $52,500, subject to the Trustees' ratification and approval as soon as practicable, in accordance with the Authority's Guidelines for Procurement Contracts and EAPs. Such contract provides for legal representation, advice and counsel to the Authority, and other related services, pertaining to collective bargaining and related labor and employment matters, as well as such other services, as may be requested by the Authority. On September 29, 2014, the International Brotherhood of Electrical Workers ('IBEW') filed a Petition for Impasse with the New York State Public Employment Relations Board, resulting in an imminent need to retain the services of experienced labor counsel to assist the Authority in developing a strategy to represent its interests through these and subsequent proceedings, and to successfully resolve the outstanding labor disputes with the IBEW. Due to the time constraints involved, it was not feasible to solicit formal proposals and there is no guarantee that the bidding process would result in the identification of another firm or individual that is as qualified as the recommended firm. Proskauer Rose is a well-respected internationally

known law firm with a reputation for excellence, especially in the area of labor law. The strength and depth of its labor and collective bargaining resources is unprecedented. The firm is uniquely qualified to act as a labor consultant to the Authority and to assist in developing a strategy for the Impasse Proceedings, collective bargaining and labor relations. Based on the foregoing, and as further set forth in the Award Recommendation documents, staff determined that an award to Proskauer Rose on a single-source basis was in the best interests of the Authority. The firm possesses the requisite experience, specialized skill, and resources to represent the Authority's interests in these proceedings, as well as to provide assistance in arriving at a subsequent collective bargaining agreement. The intended term of this contract is up to three years (two-year award with an option to extend for one additional year), subject to the Trustees' ratification and approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $175,000.

Operations / Operations Support Services

Power Generation / Support Services

The contracts with **AEIS, LLC dba Atlas Evaluation & Inspection Services ('AEIS') and Lucius Pitkin, Inc. (Q14-5688; PO#s TBA)** would provide for on-call failure analysis and metallurgical examination and testing services in support of the Authority's plants, projects, facilities and transmission lines statewide. Technical services include providing all equipment, materials and labor (including engineering services, as needed) required to sample, test and analyze metallic and other elements used in power plant equipment and components, in order to support failure analysis, material composition analysis, integrity of equipment element analysis and evaluation, chemical analysis of toxic materials and testing and verification of the Authority's suppliers' products to confirm that they meet their respective technical specifications. Types of testing include, but are not limited to, metallographic examinations, heat treatments, fracture and fatigue testing, tube to tubesheet pull testing, energy dispersive analytical X-ray, destructive / non-destructive testing of all types, corrosion testing, and cavitation / erosion testing. The work will be performed at the Authority's facilities, construction sites, manufacturer's plants or in the consultant's laboratory, as needed. Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 24 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Four proposals were received and evaluated, based on their in-house qualifications, equipment, personnel, past experience, proximity to the sites and White Plains Office, quality assurance and itemized pricing, as further set forth in the Award Recommendation documents. Based on the foregoing, staff recommends the award of contracts to two firms, **AEIS and Lucius Pitkin**, the two most technically qualified bidders, which meet the bid requirements. The award of contracts to two firms would afford the Authority more flexibility and cost-effective options, depending on the nature of the situation and specific testing requirements. Lucius Pitkin has provided satisfactory service under an existing contract for such work. The new contracts would become effective on or about January 1, 2015, for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, $3 million. Such contracts will be monitored for utilization levels, available approved funding and combined total expenditures. It should be noted that AEIS is both a NYS-certified MBE and WBE.

The contract with **Atlantic Testing Laboratories, Limited ('ATL') (Q14-5740; PO# TBA)** would provide for on-call testing and inspection services of various materials including, but not limited to, concrete samples, metal, paint coating, welds and soil, for the St. Lawrence/ FDR Power Project and nearby substations and switchyards, on an 'as needed' basis. The independent testing laboratory, as directed by the Authority's construction representative, would perform such verification testing or inspection services in connection with some site construction projects, to ensure that a material conforms to all requisite standards and contract requirements. Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 29 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Two proposals were received and evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of a contract to ATL, the lower-priced qualified bidder, which fully meets the bid requirements and has provided satisfactory service under an existing contract for such work. The new contract would become effective on or about January 1, 2015, for an intended term of up to five years, subject to the

Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $500,000. It should be noted that ATL is a NYS-certified WBE.

The contract with **Evoqua Water Technologies LLC ('Evoqua'; formerly Siemens Water Technologies) (Q14-5625; PO# TBA)** would provide for demineralized water systems comprising rental of trailers and services in support of the Authority's Power Plants in the Southeastern New York ('SENY') region (viz., the 500 MW Plant, the Small Clean Power Plants and the Richard M. Flynn Plant, located in the New York City boroughs and on Long Island). Each division will have separate requirements to meet the respective plant's specifications. In addition to leasing specialized trailers (including the exchange of trailers, as necessary), services include, but are not limited to, developing and implementing a monthly and annual service/maintenance schedule to ensure system efficiency and minimize downtime, i.e., all necessary inspections, testing, and routine/scheduled preventative maintenance, as well as emergency service and repairs of all equipment, as needed. Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 21 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Two proposals were received and evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of a contract to Evoqua, the lower-priced evaluated bidder, which meets the bid requirements, is qualified to perform the services and has provided satisfactory service under the existing contract for such work, successfully meeting the demineralized water needs of the SENY sites. The new contract would become effective on or about January 1, 2015, for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $10 million.

The contract with **H.O. Penn Machinery Company, Inc. ('H.O. Penn') (PO# TBA)** would provide for maintenance services, repairs and annual trailer road safety inspections for four Caterpillar standby emergency diesel generators stationed in the Southeastern New York area. The equipment was purchased by the Authority from H.O. Penn in 2005, as the result of a competitive bid, to provide for emergency restart of the Small Clean Power Plant LM6000 gas turbine generators following catastrophic events, as well as for use in other emergency events as may be needed throughout the state. H.O. Penn is the original equipment manufacturer's premier authorized dealer for this equipment, components, parts and service; their technicians are factory-trained and certified for all service conditions, including preventive maintenance and repairs; the main dispatch centers for these services are located in the Bronx and Holtsville, with 24-hour availability; their inventory of genuine Caterpillar parts is extensive; and H.O. Penn is the only authorized dealer to perform electronic diagnoses and software programming/updates in the system control panels. Furthermore, the contractor has offered a discounted hourly labor rate using 2012 pricing and has agreed not to increase this rate more than 3% per year. Based on the foregoing, and as further set forth in the Award Recommendation documents, staff recommends the award of a contract to H.O. Penn on a single-source basis. H.O. Penn is uniquely qualified to perform such work, meets or exceeds the Authority's requirements, and has consistently provided satisfactory service as the subcontractor for such work. The contract would become effective on or about January 1, 2015, for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $250,000.

In 1998, a competitively bid contract was awarded to **Software Sense Enterprises, Inc. ('SSEI')** to provide for a safety and clearance tagging system ('lockout/tagout') with an outage coordination feature for the Authority's generation and transmission facilities. The contract provided for specialized application software ('PTR-Plus!') to develop, issue and control safety clearances, as well as associated maintenance, training and related consulting services, including customized software interfaces to the Authority's Maintenance Resource Management ('MRM') work management software system (MAXIMO) and the Energy Control Center. The PTR-Plus! software has been successfully tailored to reflect the Authority's work practices, enabling employees to work safely on de-energized equipment. The software and its interfaces to other components of the MRM program have become essential to the work management and safety processes that have been established at the Authority. In order to provide for the continuation of such specialized services and support for this program, staff recommends the award of a new sole-source contract to SSEI, based on the firm's unique qualifications, expertise and knowledge of its proprietary lockout/tagout safety system. SSEI has successfully integrated the Authority's requirements into this software application in order to establish a safe electrical working environment and coordinate multiple concurrent outages. Services would include providing the operations and maintenance departments at each operating facility with continued 24/7 maintenance for this proprietary software product, as well as consulting services for ongoing

software upgrades, custom revisions and specialized modifications to the PTR-Plus! application software and training, as the lockout/tagout work process is improved or otherwise revised, as needed, and as the forthcoming MAXIMO upgrade is also implemented. The new contract would become effective on or about March 1, 2015, for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contract, $135,500.

Public, Governmental and Regulatory Affairs

Project Development & Licensing

At the Trustees' meeting of October 15, 2014, staff recommended the award of competitively bid contracts to twelve firms **(Q14-5680)** to provide for consulting services to support Authority goals and initiatives in connection with generation and transmission project evaluation and analysis and Public Service Commission ('PSC') proceedings. The Trustees approved the award of contracts to nine of these firms (**Ecology and Environment Engineering, PC, ESS Group, Inc., Gomez and Sullivan Engineers, DPC, Henningson, Durham & Richardson Architecture and Engineering, PC, Louis Berger & Associates, PC, POWER Engineers Consulting, PC, Tetra Tech, Inc. The Chazen Companies and TRC Environmental Corporation)** and an aggregate total amount of $5 million. (The proposed awards to **ARCADIS of New York, Inc. and CH2M HILL Engineering, PA,** originally included in the aforementioned October Consent Agenda (Item 2c-i), were not adopted by the Trustees because they were unable to attain the required number of votes based on conflicts of interest filed by some of the Board members; such awards will be resubmitted for the Board's consideration at a later date.) The proposed award to the third remaining firm, **Burns & McDonnell Consultants, PC**, was withdrawn from consideration and therefore was also not adopted in October. The Burns & McDonnell award is now resubmitted for the Board's consideration with the intent of achieving the required number of votes for adoption. Approval of this request to award a contract to Burns & McDonnell would enable the Authority to utilize the firm's specialty skills, experience and expertise, as needed. The contract would become effective on or about January 1, 2015 for an intended term of approximately five years (through November 14, 2019, coterminous with the other nine previously-approved contract awards), subject to the Trustees' approval, which is hereby requested. Burns & McDonnell would share in the previously-approved aggregate total. Funds will be allocated as specific projects or tasks are identified. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures.

Contract Extensions and/or Additional Funding:

Economic Development & Energy Efficiency

Energy Efficiency

At their meeting of March 27, 2012, the Trustees approved the award of contracts to two firms, **Solar Electric Systems, Inc. (4600002527) and Solar Liberty Energy Systems, Inc. (4600002509)**, to provide for the furnishing, delivery and installation (including design, construction and start-up services) of roof-mounted solar photovoltaic ('PV') systems at various Customer-designated sites within six geographic regions of New York State, as part of the Authority's Energy Efficiency Program (formerly Energy Services Program) and Renewable Energy Plan. The Trustees also authorized funding in the aggregate amount of $5 million to fund these projects. The contracts, which were competitively bid, became effective on April 1, 2012, for a term of up to five years. To date, $5 million has been allocated to these contracts for such PV projects throughout the state. The City of New York ('City') has requested the Authority's assistance in the implementation of a $28 million rooftop solar PV systems initiative, receiving partial funding from the New York State Research and Development Authority ('NYSERDA'). Solar Liberty was named as the proposed contractor by the City in the original application approved by NYSERDA. The aggressive schedule associated with the NYSERDA funding calls for systems to be installed by April of 2016 at approximately 24 New York City Schools located throughout the five boroughs, as pre-selected by the City. The Authority is in the process of preparing a new Request for Proposals to competitively bid and select firms for 17 of

these project sites. Once proposals have been received and evaluated, the Trustees' approval will be sought for the new contract awards. The initial group of seven sites (Phase 1) must be completed by June of 2015 in order to meet the City's internal goals. To that end, the Trustees are requested to approve additional funding in the amount of $5 million, thereby increasing the approved aggregate total to $10 million, in order to proceed with these seven sites and meet the June 2015 deadline for Phase 1. Total commitments and expenditures for these contracts will continue to be tracked against the approved aggregate total and such contracts will be monitored for utilization levels, available approved funding and combined total expenditures. It should be noted that all costs will be recovered by the Authority.

Enterprise Shared Services

Human Resources

At their meeting of March 21, 2013, the Trustees approved the award of a competitively bid contract to **Pace University (4600002676)** to provide for the design and implementation of an on-site Masters of Business Administration ('MBA') program for the Authority, for a term of up to three years, in the amount of $1.4 million. In an effort to attract and retain high performing employees, as well as to optimize employee potential and organizational success, the Authority's Talent Development group sought proposals for an accredited college or university to develop and deliver an MBA curriculum, on-site, in-person, and within a compressed period of 18-30 months, for approximately 20 high-performing Authority employees. With the successful completion of all required elements, program participants will be awarded an MBA degree that will not differentiate from any other MBA program the institution offers. The University provides a streamlined admission process, with the ability to customize curriculum, administrative support, and on-site class instruction at the Authority's White Plains office, including aggregated reporting upon completion of course work. The contract became effective on July 1, 2013. The curriculum comprises ten modules, of which Pace has customized two, to reflect business needs/opportunities for the students to research and make specific recommendations to the Authority's senior management. Authority staff and management are satisfied with the program and would like to offer a second session of the MBA program to another group of high-performing employees. A two-year extension is therefore requested to enable the Authority to offer the additional session, as well as to customize additional modules for actual Authority-related issues, as needed, thereby optimizing employee potential and organizational success. The current contract amount is $1.4 million; staff anticipates that additional funding in the amount of $1.5 million will be required for the second session and for other services that may be provided during the extended term. The Trustees are requested to approve extension of the subject contract through June 30, 2018, as well as the additional funding requested, thereby increasing the total approved compensation limit to $2.9 million.

Information Technology

At their meeting of July 23, 2013, the Trustees approved the award of a competitively bid contract to **Starboard Consulting, LLC ('Starboard') (4500234693)** to provide for consulting services to support the MAXIMO application upgrade project, for a term of 18 months, in the amount of $3 million. Such services include tasks associated with application configurations, interfaces, data migration, report development, testing and training. (By way of background, the Authority's Operations Business Unit utilizes the MAXIMO Enterprise Asset Management system as its primary tool for managing generation and transmission asset maintenance activities associated with the Authority's Maintenance Resource Management ('MRM') program, which, in turn, is integral to the reliability and availability of the Authority's generation and transmission assets.) As the project progressed, additional functionality and interfaces were identified as necessary to best leverage the Authority's investment in the upgrade, and to ensure optimal use of MAXIMO 7.5. These additional items will include: additional functionality and interfaces to incorporate CIMS NERC/CIP, OpsNet, and Fleet data and functionality into MAXIMO; additional interfaces with IntelaTrac, and a Learning Management System; as well as additional post go-live consulting services in 2016. An additional $266,600 was subsequently authorized in accordance with the Authority's EAPs. A 16-month extension is therefore requested in order to complete the project. The current contract amount is $3,266,600; staff anticipates that additional funding in the amount of $500,000 will be required for the aforementioned additional services to be performed during the extended term. The Trustees are requested to approve extension of the subject contract through June 30, 2016, as well as the additional funding requested, thereby increasing the total approved compensation limit to $3,766,600.

Operations / Operations Support Services

Power Generation / Support Services

At their meeting of September 28, 2010, the Trustees approved the award of a competitively bid contract to **Day & Zimmermann NPS, Inc. ('DZNPS') (4600002330)** to provide for general maintenance support services for the Authority's power plants in the Southeastern New York ('SENY') region (including the 500 MW and Flynn Plants, as well as the Small Clean Power Plants, 'SCPPs'), for a term of up to five years, in the amount of $15 million. Such services generally consist of providing skilled craft labor to supplement and assist the Authority's plant employees during periods of routine maintenance, scheduled outages, emergency shutdown or technical inspections, as directed by Authority management at the respective SENY facilities, and involve the following categories of work: general plant maintenance, plant modifications and corrections, and retrofit work. Additional funding in the amount of $3 million was subsequently authorized in accordance with the Authority's EAPs. Funding approved for this contract has been expended at an accelerated rate due to the need for DZNPS support for major unplanned work throughout the SENY region (e.g., 500MW Plant: three gas compressor failures, ACC upgrades following failure, severe winter upgrades, instrument air line upgrades, valve and chiller upgrades; SCPPs: ammonia line upgrades, SCR Catalyst frame repairs and upgrades, CO Catalyst change-outs, Harlem River SCPP cooling tower piping repairs, various gas compressor welding requirements; and Flynn/Brentwood: outage support, welders for HRSG repairs, maintenance support due to manpower shortages). The current Target Value is $18 million; staff projects that additional funding in the amount of $3 million will be required to cover costs associated with the day-to-day maintenance and SENY plant outages scheduled for the remainder of 2014, as well as any additional scheduled and unscheduled projects during the First Quarter of 2015, thereby increasing the approved compensation limit to $21 million. Current funding will be insufficient for the remaining approved contract term, therefore these services are currently being rebid and the Trustees' approval for the proposed new award is expected to be sought at the March 2015 meeting.

At their meeting of December 18, 2012, the Trustees approved the award of a competitively bid contract to **Innovative Automation, Inc. ('IAI') (4600002618)** to provide for technical services to develop new and/or update existing Operating Procedures and System Descriptions for all systems and components essential to power operations at all substations and facilities in the Northern Region associated with the St. Lawrence/FDR Power Project (except the Robert Moses Power Dam, which was covered under a separate contract). As part of the Life Extension and Modernization ('LEM') program for the St. Lawrence/FRD Project, the Authority updated the Operating Procedures and System Descriptions for equipment that was replaced and/or upgraded in order to ensure consistency and proper operation. As a follow-up to the LEM program, services provided under the subject contract would continue the process for the Northern Region and ensure region-wide consistency. The original award became effective on March 18, 2013, for a term of up to two years and in the amount of $1,149,408. Additional funding in the amount of $164,450 was subsequently authorized in accordance with the Authority's Guidelines for Procurement Contracts and EAPs. Approximately one third of the work has been completed to date. Due to the re-prioritization of resources, work was suspended in 2014 and deferred to 2015. A two-year extension is now requested in order to allow sufficient time to complete the original scope of work. The current contract amount is $1,313,858; if required, additional funding will be authorized in accordance with the EAPs. The Trustees are requested to approve extension of the subject contract through March 17, 2017.

Public, Governmental and Regulatory Affairs

Project Development & Licensing

At their meeting of December 15, 2011, the Trustees approved the award of a competitively bid time-and-materials contract to **Gomez and Sullivan Engineers, PC ('GSE') (4600002481)** to provide for compliance and implementation services required to fulfill the Authority's commitments made in connection with the relicensing of the Niagara Power Project, for a term of up to five years, and in the amount of $5 million. The support of a compliance and implementation services consultant continues to be necessary in order to assist Authority staff with the ongoing implementation of such commitments by providing design development, permitting and contracting support and construction oversight, as well as maintenance planning and records turnover for all such projects. The

contract became effective on February 29, 2012; although a number of implementation projects required by the new license, Comprehensive Settlement Offer and New York State Department of Environmental Conservation's Section 401 Water Quality Certification have been completed, other such projects and activities have yet to be implemented. Much of this work is related to environmental Habitat Improvement Projects and Recreational Enhancement Projects in the vicinity of the Project and the Niagara River Basin. An additional $500,000 was subsequently authorized in accordance with the Authority's EAPs. The funding associated with the original award approval was less than the Authority's initial estimates for implementation of the tasks associated with the relicensing, but was considered reasonable given the knowledge of the work scope at that time. The expenditure of previously authorized contract funds before the end of the contract term is primarily due to emergent work projects or tasks that were not identified or foreseen in the original scope of work, as well as the unanticipated engineering complexity for several major relicensing implementation projects. The current contract amount is $5.5 million; staff estimates that an additional $2.5 million will be required to provide for continued compliance and implementation services during the remaining approved contract term. The additional funding will provide for the execution of contract services using the favorable pricing terms already established under the contract and through previously established specialty subcontractor relationships. The GSE contract services have been instrumental in the Authority's very successful implementation to date of Niagara Project relicensing commitments. GSE and their contracted partners and subcontractors are intimately involved in the design, planning, coordination and execution of ongoing work in progress, as well as in the effectiveness monitoring of constructed facilities for which they provided both design and construction oversight services. Their personnel are also integral to the Authority's effective relationships that have been established with regulators and stakeholders who monitor and approve the Authority's compliance and implementation efforts. Therefore, it would not be feasible or practical to rebid these services. The Trustees are therefore requested to approve the additional funding requested, thereby increasing the total approved compensation limit to $8 million.

FISCAL INFORMATION

Funds required to support contract services for various Business Units/Departments and Facilities have been included in the 2015 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the project's Capital Expenditure Authorization Request.

RECOMMENDATION

The Senior Vice President – Operations Support Services and Chief Engineer, the Senior Vice President – Power Generation, the Vice President – Environment, Health & Safety, the Vice President – Project Development & Licensing, the Acting Vice President – Project Management, the Acting Vice President – Procurement, the Vice President and Controller, the Vice President – Engineering, the Vice President – Energy Efficiency, the Vice President – Operational Performance, the Vice President – Human Resources, the Vice President – Information Technology and Chief Information Officer, the Assistant General Counsel – HR, Labor Relations and Litigation, the Director – Corporate Support Services, the Regional Manager – Western New York, the Regional Manager – Northern New York, the Regional Manager – Central New York and the Regional Manager – Southeastern New York recommend that the Trustees approve the award of multiyear procurement (services) contracts to the companies listed in Exhibit '2c i-A' and the extension and/or funding of the procurement (services) contracts listed in Exhibit '2c i-B,' for the purposes and in the amounts discussed within the item and/or listed in the respective exhibits.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted with the exception of LaBella Associates which failed to pass to to the conflict of interest filed by Trustee Flynn.

> **RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement services and other contracts set forth in Exhibit "2c i-A," attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the contracts listed in Exhibit "2c i-B," attached hereto, are hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

NIAGARA

ii. Procurement (Services) Contract – Niagara Power Project – Lewiston Pump Generating Plant – Life Extension and Modernization Program – High Performance Coatings Project – Contract Award

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Trustees are requested to approve the award of a multiyear contract to Niagara Coatings Services, Inc. ('NCS') of Niagara Falls, NY, in the amount of $1,110,765, to perform surface preparation and application of high performance coatings on miscellaneous components and infrastructure associated with the Life Extension and Modernization ('LEM') Program at the Lewiston Pump Generating Plant ('LPGP').

In accordance with the Authority's Guidelines for Procurement Contracts, interim approval for this contract in the amount of $100,000 was approved in November 2014 by the Chief Operating Officer to permit the contractor to commence painting activities immediately, in an effort to meet the LPGP Unit 7 Overhaul outage schedule which is currently underway.

BACKGROUND

Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval for construction contracts involving services to be rendered for a period in excess of one year.

At their June 29, 2010 meeting, the Trustees approved the LPGP LEM Program at the estimated cost of $460 million. To date, the Trustees have approved capital expenditures in the amount of $300 million. This requested contract award is a part of this previous capital expenditure authorization.

The objective of the LPGP LEM Program is to replace and/or rehabilitate aging generation equipment, most of which dates to 1961. A secondary objective is to increase pump and turbine efficiency, increase pump flows, increase turbine output, and increase the smooth operating range of the pump turbines. Together, these improvements to the pump turbine design would allow for improved operating efficiency, increases in the amount of production re-timed to peak demand periods, and an increase in the peaking capacity of the overall Niagara Power Project.

The scope-of-work under this contract includes the surface preparation and application of high performance coatings on miscellaneous components and infrastructure associated with the LPGP Units, including but not limited to: upper bracket deck plates, draft tube and scroll case doors, miscellaneous handrails and equipment protective cages, access hallways, exposed walls, floors, and ceilings in the Oil Cooler Rooms, etc. It also includes the waste characterization and disposal of both non-hazardous and potentially hazardous materials.

The painting activities will be scheduled and coordinated with the planned LPGP LEM outages spanning from November 2014 through December 2020.

DISCUSSION

The Authority issued a Request for Proposal (Q14-5723MR) in the New York State *Contract Reporter* on August 28, 2014. The bid documents were downloaded by forty-six (46) potential bidders. The Authority's Fair Cost Estimate for this project is $866,169.

On October 7, 2014, the following two proposals were received:

Firms	Location	Lump Sum
Niagara Coatings Services, Inc.	Niagara Falls, NY	$1,110,765
Tri-State Painting, Inc.	Tilton, NH	$10,666,452

The proposals were reviewed by the evaluation committee comprising staff from the Niagara Power Project, Engineering, Procurement, and Project Management.

NCS was the lowest-priced, technically qualified bidder. Its proposal was consistent with the Authority's Fair Cost Estimate, and, as such, Tri-State was not further evaluated. NCS has extensive experience in coating projects, has demonstrated knowledge of the scope-of-work, and is capable of completing this project in accordance with the required schedule. In addition, NCS has performed to the Authority's satisfaction on previous projects.

FISCAL INFORMATION

Payment associated with this project will be made from the Authority's Capital Fund. Future year funding will be included in the Capital Budget requests for those years.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Acting Vice President – Project Management, the Vice President – Engineering, the Acting Vice President – Procurement, the Project Manager and the Regional Manager of Western New York recommend that the Trustees approve the award of a multiyear contract to Niagara Coatings Services, Inc. of Niagara Falls, NY in the amount of $1,110,765, for the High Performance Coatings Project associated with the Life Extension and Modernization Program at the Lewiston Pump Generating Plant.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a multiyear contract to Niagara Coatings Services, Inc. of Niagara Falls, NY, in the amount of $1,110,765, for the Lewiston Pump Generating Plant Life Extension and Modernization Program – High Performance Coatings Project, as recommended in the foregoing report of the President and Chief Executive Officer;

Contractor	**Contract Approval**
Niagara Coatings Services, Inc. Niagara Falls, NY (Q14-5723MR)	**$1,110,765**

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

BLENHEIM-GILBOA

iii. Procurement (Services) Contract –
Blenheim-Gilboa Power Project –
Support Facilities Improvement Project – Phase II
Capital Expenditure Authorization and Contract Award

The President and Chief Executive Officer presented the following report:

"SUMMARY

The Trustees are requested to authorize capital expenditures in the total amount of $12.925 million and approve the award of a contract to LeChase Construction Services, LLC ('LeChase') headquartered in Rochester, NY, in the amount of $7.595 million, for Phase II – New Office and Warehouse Building Complex of the Support Facilities Improvement Project at Blenheim-Gilboa Power Project ('B-G').

BACKGROUND

Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year. Also, in accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services or equipment purchase contracts exceeding $3 million require the Trustees' approval.

This funding request includes engineering/design, procurement and construction of a new Office and Warehouse Building Complex just outside B-G's north security gate.

Most of B-G's support buildings, such as those occupied by Real Estate, Transmission, and Warehouse operations date back to its initial construction in 1969. Accordingly, these buildings are outdated, energy inefficient, not ideally located, and require significant investment in order for them to be suitable for continued long-term service. In an era of much tighter generating plant security requirements driven by regulatory mandates, relocating these support groups outside the plant's security perimeter will significantly enhance plant security; increase safety for staff and site visitors and improve overall plant efficiency.

DISCUSSION

Phase II of the Support Facilities Improvement Project includes the following tasks: Engineering and architectural design of the new Office and Warehouse Building Complex, Construction of the new Office and Warehouse Building Complex, Procurement of office furniture and warehouse equipment, and relocation of warehouse inventory to the new facility.

The Authority advertised a Request for Quotation ('RFQ') (**Q14-5622DK)** in the New York State *Contract Reporter* and bid packages for the Office and Warehouse Building Complex were made available on May 30, 2014. Seven (7) proposals were received on July 15, 2014. The proposals were reviewed by an evaluation committee comprised of staff from C&S Engineers (Engineer of Record), BG Operations, Engineering, Procurement, and Project Management.

The Evaluation Committee reviewed in detail the two lowest bids received. Based on that review, the committee decided to disqualify the lowest original bidder because: 1) they did not include in their bid a full-time onsite QA/QC representative or a full-time onsite construction manager to handle construction activities as required by the RFQ specifications; 2) they failed to submit all required information requested by the RFQ documents, such as their organization chart, plan to achieve the 20% M/WBE goals, and construction experience on similar projects; and 3) there was a reluctance to share relevant information regarding details of their bid during the bid clarification phone conference call.

The Evaluation Committee concluded that LeChase submitted the lowest priced, technically acceptable bid. LeChase has extensive experience in construction of this magnitude, has demonstrated knowledge of the scope-of-work and is capable of completing this project in a timely manner. The contract work will begin in January 2015 and is expected to be completed by July 2016.

Phase I – Construction of the new security building, site development and installation of the new power supply to the spillway, in the amount of $11.446 million, was approved by the Trustees at their September 2013 meeting. Additional funding of $980,000 was approved by the President and Chief Executive Officer on November 7, 2014 to address the unanticipated environmental requirements (DEC and Army Corps of Engineers) and regulatory approvals (FERC). Phase I of the project will be completed in December 2014.

This additional capital expenditure authorization for Phase II is comprised of the following:

Task	**Capital Expenditures**
Engineering/Design	$630,000
Procurement	$1,150,000
Construction/Installation	$9,600,000
Authority Direct & Indirect	$1,545,000
Total:	$12,925,000

FISCAL INFORMATION

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

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Acting Vice President – Project Management, the Vice President – Engineering and the Regional Manager – Central New York recommend that the Trustee authorize capital expenditures in the amount of $12.925 million and approve the award of a contract in the amount of $7.595 million to LeChase Construction Services for Phase II of the Facilities Improvement Project at the Blenheim-Gilboa Power Project.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to authorize capital expenditures in the amount of $12.925 million for Phase II of the Support Facilities Improvement Project at the Blenheim-Gilboa Power Project as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to LeChase Construction Services, LLC in the amount of $7.595 million to furnish all labor, materials, and equipment to construct a new Office and Warehouse Building Complex at the Blenheim-Gilboa Power Project.

CONTRACTOR	**CONTRTACT APPROVAL**
LeChase Construction Services, LLC. Rochester, NY (Q14-5622DK)	**$7.595 million**

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

d. REAL ESTATE

i. Disposal of 16.4 Acres of Surplus Land – Town of Henrietta, County of Monroe

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Trustees are requested to approve the sale of a parcel of approximately 16.4 acres of surplus land located near Lehigh Station Road in the Town of Henrietta, Monroe County, shown on the map attached hereto as Exhibit '2d i-A,' to Rochester Gas and Electric Corporation ('RG&E'), or its related entities, for the sum of $60,000.

DISCUSSION

The subject property is located just north of the Niagara Adirondack Tie Line. NYPA purchased the property in August 1960 for use as a microwave communications site. A microwave tower was erected on the property, but was later removed from service. A portion of the property acquired in 1960 was subsequently transferred to RG&E for its Station 80 substation, leaving approximately 16.4 acres. No active NYPA facilities remain on the property, nor are any planned. Transmission staff has determined that the remaining property is no longer required for NYPA operations and is therefore considered surplus.

Title 5-A of Article 9 of the Public Authorities Law (the 'Act') and the Authority's Guidelines for the Disposal of Real Property (the 'Guidelines') authorize the Authority, subject to Trustee approval, to dispose of Authority real property deemed surplus for not less than its fair market value. No such disposition may be made unless an appraisal of the value of the property has been carried out by an independent appraiser and the property publicly advertised for sale.

An independent appraisal obtained by the Authority valued the property at $45,000. The property was publicly advertised for bids. A single bid of $40,000 was received from RG&E. This initial bid was deemed inadequate and the bidder was so advised. Subsequently, RG&E resubmitted an offer for $60,000 and this bid was deemed acceptable to the Authority.

FISCAL INFORMATION

Proceeds of such disposition will be deposited into the Authority's Operating Fund.

RECOMMENDATION

The Vice President – Transmission, the Acting Vice President – Procurement and the Director – Site Purchasing, Materials Management and Real Estate recommend that the Trustees approve the sale of 16.4 acres of real property located near Lehigh Station Road in the Town of Henrietta, Monroe County, shown on the map attached hereto as Exhibit '2d i-A,' to Rochester Gas and Electric Corporation, or its related entities, for the sum of $60,000.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

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

RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds and determines that the sale of 16.4 acres of surplus real property located near Lehigh Station Road in the Town of Henrietta, Monroe County, shown on the map

attached hereto as Exhibit "2d i-A," to Rochester Gas and Electric Corporation, or its related entities, for the sum of $60,000, is reasonable and appropriate as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, that the Acting Vice President – Procurement and the Director – Site Purchasing, Materials Management and Real Estate, or designee, be, and hereby is, authorized and directed to take such actions and execute on behalf of the Authority such deeds and supporting documents as are necessary or desirable to dispose of such real property; and be it further

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

e. FINANCE MATTERS

i. 2015 Revolving Credit Agreement

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Trustees are requested to approve a $600 million Revolving Credit Agreement ('RCA') with a syndicate of four banks led by JPMorgan Chase Bank, N.A. ('JPMorgan') for an initial term extending to no later than February 1, 2017, to replace an expiring agreement that provides liquidity support for the Authority's Series 1, 2 and 3 Commercial Paper Notes, and to authorize two, one-year extensions of such RCA not to exceed February 1, 2019.

BACKGROUND

The Authority currently has $475 million of Series 1, 2 and 3 Commercial Paper Notes outstanding, supporting numerous projects and programs including the Energy Efficiency program. In accordance with the 'Resolution Authorizing Commercial Paper Notes' adopted by the Authority on June 28, 1994, as amended, supplemented, and restated, the Authority is required to maintain in full force and effect a Credit Agreement while the Notes are outstanding. The current RCA will expire on January 20, 2015.

DISCUSSION

On October 27, 2014, the Authority issued a Request for Quotations in the New York State *Contract Reporter* inviting banks to submit proposals to provide a $600 million liquidity facility. On November 18, 2014, the Authority received six proposals from banks, or syndicates of banks, meeting the minimum required long-term credit rating of 'A+' or comparable from Moody's Investors Service ('Moody's'), Standard & Poor's ('S&P'), and Fitch Ratings ('Fitch'). The six proposals received were from: JPMorgan on behalf of a syndicate of four banks for the entire $600 million commitment; and separate proposals for less than the full $600 million commitment from TD Bank N.A., Mizuho Bank LTD, Helaba, Bank of Montreal, and JPMorgan on behalf of a syndicate of two banks.

The review of the six proposals considered: 1) pricing to provide commitments and borrowings; 2) credit quality of the banks; 3) trading differential on the Commercial Paper Notes based on the bank(s) providing the liquidity; 4) whether the proposed terms and conditions under the agreement would be acceptable to the Authority; and 5) investors' capacity for holding additional commercial paper notes supported by the bank(s). Based on this review, staff is recommending the award of the liquidity facility to the JPMorgan led syndicate proposing the entire $600 million commitment. On an overall basis, the JPMorgan led syndicate proposal provided competitive all-in price terms and conditions, strong credit ratings, and is expected to give the Authority broad and liquid access to the short-term credit markets.

Bank commitments and current ratings from Moody's, S&P, and Fitch are as follows:

	Commitment	Current Rating
JPMorgan Chase Bank, N.A	$200,000,000	Aa3 / A+ / A+
TD Bank	$175,000,000	Aa3 / AA- / AA-
State Street Bank and Trust Company	$125,000,000	Aa3 / AA- / AA-
Wells Fargo Bank, N.A.	$100,000,000	Aa3 / AA- / AA-
Total	$600,000,000	

The syndicate would provide the credit facility for an annual commitment fee payable on the unused amount of the facility and annual administrative fees totaling approximately $2.78 million. In the event the Authority has to draw on the line, the interest rate (the 'Base Rate') would be the highest of the JPMorgan Prime

Rate plus 1.5%, the Federal Funds rate plus 2.0%, or 7.5% for the first 180 days. After 180 days, the loan would convert to a two-year term loan at the Base Rate plus 1.0%.

JPMorgan's legal fees for execution of the Revolving Credit Agreement are not expected to exceed $42,500 with a one-time arranging fee of $75,000.

FISCAL INFORMATION

The annual cost of the proposed line, along with the Administrative Agent and legal fees, will be paid from the Operating Fund. A portion of fees commensurate with the percentage of Commercial Paper Notes issued in support of the Energy Efficiency program will be fully recoverable from Energy Efficiency program participants.

RECOMMENDATION

The Treasurer recommends that the Trustees (1) approve the execution of the 2015 Revolving Credit Agreement with the bank syndicate led by JPMorgan Chase Bank, N.A. with a borrowing capacity not to exceed $600 million and for an initial term not to exceed February 1, 2017 and (2) authorize two, one-year extensions of such agreement not to exceed February 1, 2019.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

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

> **RESOLVED, That the Trustees authorize the execution by the Executive Vice President and Chief Financial Officer or the Treasurer, subject to the approval of the form thereof by the Executive Vice President and General Counsel, on behalf of the Authority, of the 2015 Revolving Credit Agreement between the Authority and JPMorgan Chase Bank, N.A., as Administrative Agent and the banks listed in the foregoing report of the President and Chief Executive Officer, with such Agreement having such terms and conditions as the executing officer deems necessary or advisable, such execution to be conclusive evidence of such determinations, provided that such Agreement shall have an initial term not exceeding February 1, 2017 and shall not exceed $600 million in borrowing capacity; and be it further**
>
> **RESOLVED, That the Executive Vice President and Chief Financial Officer or the Treasurer are, and each hereby is, authorized to execute two, one-year extensions of the 2015 Revolving Credit Agreement, provided that such extensions shall not in the aggregate extend the Agreement beyond February 1, 2019; and be it further**
>
> **RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Corporate Secretary, the Treasurer and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to**

do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolutions, subject to approval as to the form thereof by the Executive Vice President and General Counsel.

DISCUSSION AGENDA:

3. Staff Reports:

a. Report of the President and Chief Executive Officer

Performance Scorecard:

President Quiniones reported that, based on the Performance Scorecard (Exhibit "3a-A"), NYPA's performance remains strong. The Energy Efficiency measure which was indicated on the Scorecard as "Below Target" and the Environmental measure, "Significantly Below Target" in the last report, are now trending more positively. The "DART Rate" was also measured "Significantly Below Target;" Mr. Phil Toia will report on this measure when he presents the report on behalf of the Chief Operating Officer. He said the Authority has, however, been trending positively on the Environmental metric and will continue to work on sustaining that positive metric next year.

Strategic Initiatives

President Quiniones said that staff has presented the Business Plans for the majority of the Authority's strategic initiatives to the Board. In July the team presented the Business Plans for Knowledge Management and Process Excellence and in October for Asset Management and Smart Generation and Transmission; at this meeting staff will be presenting the Business Plan for Workforce Planning and in the first quarter of next year, the Business Plan for Customer Energy Solutions.

President Quiniones said one of the challenges the Authority is trying to address is how the Authority can more effectively communicate its strategic initiatives and what it is trying to achieve over the next five to ten years. He then asked the Trustees to view a short video which addresses the efforts being undertaken in order that the Authority can be more effective in communicating its Strategic Plan to the employees and the public. He said the video will show the Authority's efforts in the area of infrastructure modernization, and covers both asset management and smart generation and transmission. The video will be shown both inside and outside the Authority in order to educate its employees, customers, and the public as it rolls out and implements its Strategic Plan.

In response to a question from Chairman Koelmel, President Quiniones said the Authority was having a good year and it is his opinion that it will finish strong both financially and operationally. Although it experienced some challenges at the beginning of the year due to the polar vortex, he was pleased to report that

the Operations staff did a tremendous job in having all of the Authority's assets available during those stressful months. He reiterated that the Authority has also launched its Strategic initiatives which will culminate with the Customer Energy Solutions in the first quarter of next year. He continued that, financially, the Authority was doing well, and reminded the Board of the Authority's upgrades from the Rating Agencies, specifically, Standard &Poor's and Moody's. Operationally, the Authority is also doing really well, despite an emergent issue in one of the four units at the Blenheim-Gilboa Plant which Mr. Phil Toia will speak on when he provides the Chief Operating Officer's report on behalf of Ed Welz. Overall, he could not be more pleased with the performance of the staff of the Power Authority. It is doing really well -- it has a lot of capacity going into next year and the goal is to finish strong. He said that, with all of the achievements the Authority is having this year, it will underrun its O&M budget, which speaks to its fiscal prudence and discipline in running the Power Authority. President Quiniones said the goal is to finish strong this year and to carry it forward next year. He ended by saying that he will provide a more detailed list of 2014 accomplishments at the next meeting in January 2015.

Responding to further questioning from Chairman Koelmel, President Quiniones said he was of the opinion that the Authority's challenge will be to make sure that it does not try to do too much too soon. Referring to the six strategic initiatives, he said the Authority will need to calibrate all the activities surrounding each of the initiatives, bearing in mind they are 5-10 year strategic plans. He continued that there are emerging issues in the industry such as cyber and physical security of the electric power system that are not unique to the Authority, and the Authority has to respond to those issues, not only as they relate to regulations, and it has to be proactive in managing the risks in those two areas. He added that he felt good about the Authority's succession planning process. He had previously reported that 30-40 percent of the employees are eligible for retirement over the next five years and this includes key executives. That is another area he continues to be concerned about – people/talent issues – and emerging risks like cyber security and physical security of the Authority's assets.

Responding to a question from Trustee Nicandri, President Quiniones said the Authority has been tracking employee retirement and can report on that at either the Governance Committee or Board of Trustees meeting so members can understand the dynamic changes in each of the groupings in the demographics related to this issue. He said the Authority watches this very closely because, as a generation and transmission company, it is critical that the Authority attract and retain the right talent to run its assets, going forward.

b. Report of the Chief Operating Officer

Mr. Philip Toia, Vice President of Transmission, provided highlights of the Chief Operating Officer's report to the Trustees. (Exhibit "3b-A")

Performance Summary

- ***Operations have continued its strong generation and transmission performance in 2014.***
- ***Y-T-D the Generation Market Readiness metrics is at 99.55% vs. the target of 99.4%. However, as President Quiniones indicated, and as reported at the last meeting, staff discovered a problem during a maintenance outage on one of the Blenheim-Gilboa generating units, resulting in a forced outage starting December 6. This forced outage will result in a projected year-end generation market readiness metrics of 98.81% below the target of 99.4%. The contract for repairs is in place and the work is expected to be completed by June 2015. The other units have been inspected and those tests have indicated that the problem is isolated to just that one unit.***
- ***The Transmission reliability is 96.91%, also exceeding the Y-T-D target of 96.26%. It is expected that the Authority will exceed the year-end transmission reliability target of 96.42%***
- ***The Authority experienced one environmental incident in November, resulting in 26 events Y-T-D vs. the target of 30. It expects to meet the annual target of 32.***
- ***The Y-T-D DART rate is 1.23, which is over the target of 0.78. The trend has been improving over the last eight months after the rough start at the beginning of the year. The Authority's current DART rate is below the Bureau of Labor Statistics ("BLS") rate of 1.40 for utilities. As discussed at previous meetings, NYPA's goal of 0.78 is a stretch goal set at one-half the BLS rate. Operations staff has taken many steps this year to address safety, including ergonomics training, company-wide safety presentations and a greater emphasis on preventing slips, trips and falls, which have been a large portion of the Authority's safety events, and those activities have contributed to the improving trend the Authority has seen over the year.***

Responding to a question from Trustee Nicandri, Mr. Toia said that during the B-G LEM Program a potential problem was identified on one of the Units. During the maintenance outage and inspection the actual problem was identified; however, steps were already in place to address the problem. Mr. Welz added that at their meeting in October, the Board had approved the award of a contract to GE for the repairs to that Unit.

In response to a question from Chairman Koelmel, Mr. Welz said the problem with the Unit will not affect the Authority operationally since B-G usually does not run four Units at the same time, so it would not be a significant issue for the Authority with regard to energy production.

Responding to further questioning from Trustee Nicandri, President Quiniones said the Authority rarely ran all four units at the B-G Plant at the same time.

In response to a question from Trustee Mahoney, Mr. Toia said the safety metrics used previously was a recordable rate; but the DART (Days Away Restricted or Transferred) Rate better reflects the severity of an injury rather than just a recordable incidents.

c. Report of the Chief Financial Officer

Mr. Robert Lurie presented highlights of the Chief Financial Officer's report to the Trustees. (Exhibit "3c-A")

Financial Summary

- ***Net income through November 30, 2014, was $259.2 million, which was $95.5 million higher than the budget:***
  - ***Higher margins on market-based sales ($33.8 million) primarily due to higher market energy prices during the winter months were partially offset by the impact of lower energy prices due to the mild summer weather.***
    - ***Lower O&M ($16.8 million) and other operating expenses ($40.4 million) including underruns in non-recurring projects, industrial incentive awards, and the energy efficiency and solar market acceleration programs.***
    - ***Non-operating income was higher by $9.8 million including insurance reimbursements related to prior year transformer equipment failures, and the positive impact of a mark-to-market gain on the Authority's investment portfolio due to lower market interest rates.***
  - ***Net income for November was $28.2 million, which was $14.7 million higher than budgeted including higher margins or sales (higher hydro production) and lower operating expenses.***
  - ***Projected net income for 2014 is expected to significantly exceed the budget primarily due to the positive variances described above and continued higher hydro generation in December.***

Mr. Lurie said cost control and very positive hydro flows are major factors for these results.

Mr. Lurie continued that, as President Quiniones mentioned earlier, the Authority's credit rating for the year was upgraded by both Moody's and Standard & Poor's and the Authority is hopeful for the same from rating from Fitch. The Authority has very strong debt service coverage and a low debt capital ratio. Its power generation has been above budget, a strong contributor to the positive results. The Authority received its first installment of $18 million in repayment of its state loan this year and it is scheduled to receive $21 million next year.

In response to a question from Chairman Koelmel, Mr. Lurie said the difference between the ratings (AA and AA1) may be approximately 5 basis point; if the Authority had a bad year, it would not lose a lot. He said the upgrade also puts the Authority in a high credit category.

4. FINANCE MATTERS

2015 Operating Budget and Filing of the 2015-2018 Four-Year Financial Plan Pursuant to Regulations of the Office of the State Comptroller

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Trustees are requested to approve the 2015 Operating Budget, Operations and Maintenance ('O&M') Budget, Capital Budget and Energy Services Budget for the Power Authority. The Operating Budget sets forth the expected revenues and expenses of the Authority and includes the recommended 2015 O&M Budget, the Capital Budget and the Energy Services Budget (see attached Exhibits '4-A,' '4-B,' '4-C' and '4-D,' respectively) in the following amounts:

2015 Budget	($ million)
O&M	$ 446.6
Capital	$ 263.4
Energy Services	$ 239.3

Also, in accordance with regulations of the Office of the State Comptroller ('OSC'), the Trustees are requested to approve the 2015-2018 Four-Year Financial Plan ('Four-Year Financial Plan' – see attached Exhibit '4-E') and authorize: (i) submitting the approved Four-Year Financial Plan to OSC, (ii) posting the approved Four-Year Financial Plan on the Authority's website and (iii) making the approved Four-Year Financial Plan available for public inspection at not less than five convenient public places throughout New York State.

BACKGROUND

The Authority is committed to providing clean, low-cost and reliable energy consistent with its commitment to the environment and safety, while promoting economic development and job development, energy efficiency, renewables and innovation, for the benefit of our customers and all New Yorkers. The 2015 Budgets are intended to provide the Authority's operating facilities and support organizations with the resources needed to meet this overall mission and the Authority's strategic objectives.

The OSC implemented regulations in March 2006 addressing the preparation of annual budgets and four-year financial plans by 'covered' public authorities, including the Authority. (See 2 NYCRR Part 203 ('Part 203')). These regulations establish various procedural and substantive requirements, discussed below, relating to the budgets and financial plans of public authorities. The Budget and Four-Year Financial Plan have been prepared in accordance with these regulations.

In approving the 2015 O&M, Capital and Energy Services Budgets, the Trustees will be authorizing spending for 2015 operations, spending for capital projects and general plant purchases of $750,000 or less. The 2015 Budget includes requests for 15 new positions. In accordance with the Authority's Expenditure Authorization Procedures, the President and Chief Executive Officer may, during the course of the year, authorize an additional 1.0% in the O&M Budget, up to 15 new positions, capital projects of $3 million or less, or an increase in spending of no more than $1 million to a capital project previously approved by the Trustees. All other spending authorizations must be approved by the Trustees.

DISCUSSION

O&M Budget

The base O&M Budget of $399.2 million (Exhibit '4-B') reflects a continued concentration on the effective operation and maintenance of the Authority's critical investments in New York State's electric infrastructure. In addition, there is a new focus on strategic investments, which total $47.4 million.

The 2015 O&M Budget for Operations provides $217 million for baseline, or recurring, work. In addition to the baseline work, scheduled maintenance outages at the Flynn plant, the 500 MW plant and the Small Clean Power Plants (totaling $21 million) and planned enhancements in non-recurring maintenance work at the operating facilities (totaling $59 million) are designed to support high reliability goals. Some of the major non-recurring projects include: Marcy Auto Transformer 1&2 Assessment and Refurbishment ($4.2 million); Massena Autobreakers 1&2 Reactor Banks Refurbishment ($3.3 million); Joint Works with Ontario-Hydro ($2.7 million); St. Lawrence Region Tower Painting ($2.3 million); Blenheim-Gilboa Rotor Repair Program ($2.1 million); RMNPP Headgate Refurbishment ($2.0 million) and the LPGP Pier/Face Concrete Inspection and Replacement ($1.7 million).

Most of the increase in the budget for the support functions ($5.5 million) consists of implementation of IT cloud based software solutions for Risk Management, Procurement and Human Resources and Ernst & Young's full year support for NYPA's Internal Audit Department.

There is $47.4 million of Strategic Investments in the 2015 Budget that will enhance current NYPA operations and expand its energy services business. The major Strategic Investments are Customer Energy Solutions ($25.5 million), Smart Generation & Transmission ($17.7 million) and Asset Management ($3.4 million).

The Astoria Energy II Budget totals $27.4 million and represents the contractual O&M costs for the plant, which was placed in commercial operations in New York City in July 2011. These costs are being recovered from the Authority's New York City Governmental customers, who are beneficiaries of the outputs of these projects, via a long-term contract.

Capital Budget

The 2015 Capital Budget (Exhibit '4-C') totals $263.4 million, a decrease of $15.8 million from the 2014 Budget. Of this amount, $151.2 million – or 57% of the total – represents planned investments in the Authority's Upstate New York facilities at Niagara and St. Lawrence, as well as in its statewide Transmission network. Significant capital projects for 2015 include the Lewiston Pump Generation Plant Life Extension and Modernization ('LEM'), ($36.3 million), the Niagara Switchyard Life Extension and Modernization ('LEM'), ($18.4 million), the Massena 765/230 kV Autotransformer Replacement, ($14.8 million), Marcy South Series Compensation, ($12.7 million), the Flynn Outage Work, ($11.1 million), the St. Lawrence Breaker and Relay Replacement, ($9.7 million), the SCPP Black Start at Hellgate and Harlem River, ($8.7 million), the Blenheim-Gilboa Facility Improvement, ($7.3 million) and implementation of Critical Infrastructure Protocol ('CIP') Version 5 Standard Requirements as required by the North American Electric Reliability Corporation, ('NERC'), ($12.4 million).

The Capital Budget includes $13.8 million of minor additions, general plant and fleet purchases that will be authorized by approval of this budget.

Energy Services Budget

The 2015 Budget for Energy Services and Technologies (Exhibit '4-D') totals $239.3 million, an increase of $17.0 million over the 2014 Budget. These expenditures will be subsequently recovered over time from the benefiting customers. The Budget includes increased funding for energy efficiency projects for Authority customers and other eligible entities as the Authority strives to support Governor Cuomo's improved energy efficiency and clean, renewable energy goals.

Operating Budget

The 2015 Operating Budget (Exhibit '4-A') sets forth the expected revenues and expenses of the Authority on a Project/Market Area basis and serves as the basis for the Authority's financial reporting during the year. Expected revenues received from customers are based on contracts and tariffs that are approved by the Trustees. Market-based sales of any surplus energy from the Authority's generating facilities or purchases made on behalf of customers (except for those made through previously approved purchased power agreements) are assumed to be transacted at the market clearing price in the wholesale market. Projected expenses for O&M are detailed above. The Other Expenses category largely reflects various accruals (e.g., Other Post-Employment Benefit prior service obligations) and other miscellaneous expenses for which Trustee approval is sought on a case-by-case basis. Also reflected in the 2015 Operating Budget is an assumed level of contributions to New York State totaling $90 million. Any such contribution may only be made if authorized by the Legislature and upon a determination (not requested at this time) by the Trustees that the payment would be feasible and advisable at the time of such disbursement.

Four-Year Financial Plan

Under Part 203 of the OSC Regulations, the Trustees are required to adopt a 2015 Budget and Four-Year Financial Plan (Exhibit '4-E'). The 2015 Budget, which is the first year of the Four-Year Financial Plan, is being brought to the Board for approval at this time. The remaining three years are indicative forecasts. The approved Four-Year Financial Plan must be available for public inspection not less than seven days before the commencement of the next fiscal year for a period of not less than 45 days and in not less than five convenient public places throughout the State. The approved Four-Year Financial Plan must also be submitted to OSC, via electronic filing through the Public Authorities Reporting Information System maintained by OSC and the Authority Budget Office, within seven days of approval by the Trustees. The regulations also require the Authority to post the Four-Year Financial Plan on its Web site.

Under Part 203, each approved Four-Year Financial Plan must be shown on both an accrual and cash basis and be prepared in accordance with generally accepted accounting principles; be based on reasonable assumptions and methods of estimation; be organized in a manner consistent with the public authority's programmatic and functional activities; include detailed estimates of projected operating revenues and sources of funding; contain detailed estimates of personal service expenses related to employees and outside contractors; list detailed estimates of non-personal service operating expenses and include estimates of projected debt service and capital project expenditures.

Other key elements that must be incorporated in each approved Budget and Four-Year Financial Plan are a description of the budget process and the principal assumptions, as well as a self-assessment of risks to the budget and financial plan. Additionally, the approved Four-Year Financial Plan must include a certification by the Chief Operating Officer.

FISCAL INFORMATION

Payment of O&M expenses will be made from the Operating Fund. Payment for Capital and Energy Services expenditures will be made from the Capital Fund and the Energy Conservation Construction and Effectuation Fund, respectively. Monies of up to $313.4 million from the Operating Fund will be transferred to the Capital Fund for capital expenditures, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Sections 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. The 2015 Operating Budget shows adequate earnings levels so that the Authority may maintain its financial goals for cash flow and reserve requirements.

The Four-Year Financial Plan net income estimates for each of the years 2016 through 2018 are indicative forecasts and the Trustees are not being asked to approve any revenue and expenditure amounts for those years at this time.

RECOMMENDATION

The Vice President – Budgets and Business Controls and the Vice President – Financial Planning recommend the Trustees approve the 2015 Operation and Maintenance, Capital and Energy Services Budgets and the Operating Budget as discussed herein and authorize (i) submitting the approved Four-Year Financial Plan to the Office of the State Comptroller in the prescribed format, (ii) posting the approved Four-Year Financial Plan on the Authority's Web site and (iii) making the approved Four-Year Financial Plan available for public inspection at not less than five convenient public locations throughout New York State.

For the reasons stated, I recommend the approval of the above-requested actions by adoption of the resolution below."

Mr. Robert Lurie presented highlights of the report to the Trustees.

In response to a question from Vice Chairman Mahoney, Mr. Lurie said that the guidance from the state that the O&M budget stays under 2% growth applies to state agencies rather than an operating Authority such as the Power Authority.

Responding to further questioning from Vice Chair Mahoney, President Quiniones said state agencies and Authorities does distinguish between recurring and non-recurring expenditures; however, following the spirit of the goal set by the Governor for state agencies and Authorities, NYPA always look at it from the perspective of its recurring O&M budget, not on the cycle of non-recurring expenditures.

Responding to further questioning from Vice Chair Mahoney, Mr. Lurie said scheduled overhauls are included in the NYPA's budget as part of the O&M budget as non-recurring O&M expenses. Other types of major repairs, e.g., LEM, are part of the capital budget.

In response to still further questioning from Vice Chair Mahoney, Mr. Lurie said the strategic initiatives, although one-time start-up costs, are part of the O&M budget because of the general accounting standards, and, as such, have to be accounted for as operating expenses as opposed to capital expenses even if they are one-time expenses. This is in keeping with amortization and accounting rules.

In response to another question from Vice Chair Mahoney, President Quiniones said the price of oil does not have a direct impact on the Authority. On the power side, the cost of electricity is tied more to natural gas prices.

In response to a question from Chairman Koelmel, Mr. Lurie said the Authority currently has approximately 1700 employees and expects that number to increase by about 15 positions due to the start-up expenses for the strategic initiatives. As far as the Authority's core business, the positions remain the same. President Quiniones added that in its other strategic initiatives, such as Process

Excellence and Knowledge Management, the Authority is also looking to achieve productivity savings as it continues to manage the "people" and "talent" side of its business.

In response to a question from Trustee Nicandri, President Quiniones said the Authority continues to work with its SENY governmental customers and other strategic partners to assume some of the costs of HPT as a rate-base to lessen the Authority's burden. This is an on-going process that the Authority will continue to pursue, going forward.

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

> **RESOLVED, That the 2015 Operating Budget, specifically including the 2015 Budgets for Operation and Maintenance, Capital and Energy Services expenditures, as discussed in the foregoing report of the President and Chief Executive Officer, are hereby approved; and be it further**
>
> **RESOLVED, That up to $313.4 million of monies in the Operating Fund are hereby authorized to be withdrawn from such Fund and deposited in the Capital Fund, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Sections 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations as amended and supplemented, with the satisfaction of such condition being evidenced by a certificate of the Treasurer or the Deputy Treasurer; and be it further**
>
> **RESOLVED, That pursuant to 2 NYCRR Part 203, the attached 2015-2018 Four-Year Financial Plan, including its certification by the Chief Operating Officer, is approved in accordance with the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That pursuant to 2 NYCRR Part 203, the Corporate Secretary be, and hereby is, authorized to submit the approved Four-Year Financial Plan to the Office of the State Comptroller in the prescribed format, post the approved Four-Year Financial Plan on the Authority's website and make the approved Four-Year Financial Plan available for public inspection at not less than five convenient public places throughout New York State; and be it further**
>
> **RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the**

approval of the form thereof by the Executive Vice President and General Counsel.

5. POWER ALLOCATIONS:

a. Recharge New York Power Allocations

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Trustees are requested to:

1. Approve allocations of Recharge New York ('RNY') Power available for 'retention' purposes to the businesses listed in Exhibit '5-A;'

2. Approve allocations of RNY Power available for 'expansion' purposes to the businesses listed in Exhibit '5-B;' and

3. Approve the transfers of RNY Power identified in Exhibit '5-E.'

These actions have been recommended and/or approved by the Economic Development Power Allocation Board ('EDPAB') at its December 15, 2014 meeting.

BACKGROUND

On April 14, 2011, Governor Andrew M. Cuomo signed into law the RNY Power Program as part of Chapter 60 (Part CC) of the Laws of 2011 ('Chapter 60'). The program makes available 910 megawatts ('MW') of 'RNY Power,' 50% of which will be provided by the Authority's hydropower resources and 50% of which will be procured by the Authority from other sources. RNY Power contracts can be for a term of up to seven years in exchange for job and capital investment commitments.

RNY Power is available to businesses and not-for-profit corporations for job retention and business expansion and attraction purposes. Specifically, Chapter 60 provides that at least 350 MW of RNY Power shall be dedicated to facilities in the service territories served by the New York State Electric and Gas, National Grid and Rochester Gas and Electric utility companies; at least 200 MW of RNY Power shall be dedicated to the purpose of attracting new businesses and encouraging expansion of existing businesses statewide; and up to 100 MW shall be dedicated for eligible not-for-profit corporations and eligible small businesses statewide.

Under the statute, 'eligible applicant' is defined to mean an eligible business, eligible small business, or eligible not-for-profit corporation; however, an eligible applicant shall not include retail businesses as defined by EDPAB, including, without limitation, sports venues, gaming or entertainment-related establishments or places of overnight accommodations. At its meeting on April 24, 2012, EDPAB defined a retail business as a business that is primarily used in making retail sales of goods or services to customers who personally visit such facilities to obtain goods or services, consistent with the rules previously promulgated by EDPAB for implementation of the Authority's Economic Development Power program.

Prior to entering into a contract with an eligible applicant for the sale of RNY Power, and prior to the provision of electric service relating to a RNY Power allocation, the Authority must offer each eligible applicant that has received an award of RNY Power the option to decline to purchase the RNY Market Power component of such award. If the applicant declines to purchase the RNY Market Power component from the Authority, the Authority has no responsibility for supplying RNY Market Power component of the award.

RNY, as the new economic development power program unrelated to the previous Power for Jobs ('PFJ') and Energy Cost Savings Benefit ('ECSB') programs, required customers participating in such programs on its sunset date on June 30, 2012, to apply for RNY in order to be considered for a RNY Power allocation. All RNY applications are considered solely on their merits under the criteria established by the RNY legislation.

PFJ and ECSB customers who submitted applications prior to June 30, 2012 and who did not receive a RNY Power allocation were considered for the transitional electricity discount ('TED'). Pursuant to section 188-a of the economic development law, the Authority is authorized, as deemed feasible and advisable by the Trustees, to provide such TED as recommended by EDPAB. The amount of the TED for the period of July 1, 2012 through June 30, 2014 shall be equivalent to 66% of the unit (per kilowatt-hour) value of the savings received by the applicant under the PFJ or ECSB during the 12 months ending on December 31, 2010. The amount of the TED for the period July 1, 2014 through June 30, 2016 shall be equivalent to 33% of the unit (per kilowatt-hour) value of the savings received by the applicant under the PFJ or ECSB during the 12 months ending on December 31, 2010.

As part of Governor Andrew M. Cuomo's initiative to foster business activity and streamline economic development, applications for all statewide economic development programs, including the RNY Power Program, have been incorporated into a single on-line Consolidated Funding Application ('CFA') marking a fundamental shift in how State economic development resources are marketed and allocated. Beginning in September 2011, the CFA was available to applicants. The CFA continues to serve as an efficient and effective tool to streamline and expedite the State's efforts to generate sustainable economic growth and employment opportunities. All applications that are considered for an RNY Power allocation are submitted through the CFA process.

Applications for RNY Power are subject to a competitive evaluation process and are evaluated based on the following criteria set forth in the statutes providing for the RNY Power Program (the 'RNY Statutes'):

'(i) the significance of the cost of electricity to the applicant's overall cost of doing business, and the impact that a recharge New York power allocation will have on the applicant's operating costs;

(ii) the extent to which a recharge New York power allocation will result in new capital investment in the state by the applicant;

(iii) the extent to which a recharge New York power allocation is consistent with any regional economic development council strategies and priorities;

(iv) the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed if the applicant were to receive an allocation;

(v) the applicant's payroll, salaries, benefits and number of jobs at the facility for which a recharge New York power allocation is requested;

(vi) the number of jobs that will be created or retained within the state in relation to the requested recharge New York power allocation, and the extent to which the applicant will agree to commit to creating or retaining such jobs as a condition to receiving a recharge New York power allocation;

(vii) whether the applicant, due to the cost of electricity, is at risk of closing or curtailing facilities or operations in the state, relocating facilities or operations out of the state, or losing a significant number of jobs in the state, in the absence of a recharge New York power allocation;

(viii) the significance of the applicant's facility that would receive the recharge New York power allocation to the economy of the area in which such facility is located;

(ix) the extent to which the applicant has invested in energy efficiency measures, will agree to participate in or perform energy audits of its facilities, will agree to participate in energy efficiency programs of the authority, or will commit to implement or otherwise make tangible investments in energy efficiency measures as a condition to receiving a recharge New York power allocation;

(x) whether the applicant receives a hydroelectric power allocation or benefits supported by the sale of hydroelectric power under another program administered in whole or in part by the authority;

(xi) the extent to which a recharge New York power allocation will result in an advantage for an applicant in relation to the applicant's competitors within the state; and

(xii) in addition to the foregoing criteria, in the case of a not-for-profit corporation, whether the applicant provides critical services or substantial benefits to the local community in which the facility for which the allocation is requested is located.'

Based on the evaluation of these criteria, the applications were scored and ranked. Evaluations also considered scores provided by the relevant Regional Economic Development Council under the third and eighth criteria.

In arriving at recommendations for RNY Power for EDPAB's consideration, staff, among other things, attempted to maximize the economic benefits of low-cost NYPA hydropower, the critical state asset at the core of the RNY Power Program, while attempting to ensure that each recipient receives a meaningful RNY Power allocation.

Business applicants with relatively high scores were recommended for allocations of retention RNY Power of 50% of the requested amount or average historic demand, whichever was lower. These allocations were capped at 10 MW for any recommended allocation. Not-for-profit corporation applicants that scored relatively high were recommended for allocations of 33% of the requested amount or average historic demand, whichever was lower. These allocations were capped at 5 MW. Applicants currently receiving hydropower allocations under other Authority power programs were recommended for allocations of RNY Power of 25% of the requested amount, subject to the caps as stated above.

RNY Power allocations have been awarded by the Trustees on nine prior occasions spanning from April 2012 through July 2014. There is currently 54.9 MW of unallocated RNY Power of the 710 MW block made available for business 'retention' purposes. Of that 710 MW retention block, 100 MW was set aside for not-for-profit corporations and small businesses, of which 5.7 MW is available to allocate to such entities. Lastly, there is 118.7 MW of unallocated RNY Power of the 200 MW block made available for business 'expansion' purposes. These figures reflect Trustee actions on RNY Power applications taken prior to any actions the Trustees take today.

DISCUSSION

1. Retention-Based RNY Power Allocations – Action Item

The Trustees are asked to address applications submitted via the CFA process for RNY Power retention-based allocations. Consistent with the evaluation process as described above, EDPAB recommended at its December 15, 2014 meeting that RNY Power retention allocations be awarded to the businesses listed in Exhibit '5-A.' Each business has committed to create or retain jobs in New York State and to make capital investments in exchange for the recommended RNY Power allocations.

The RNY Power 'retention' allocations identified in Exhibit '5-A' are each recommended for a term of seven years except where otherwise indicated. An allocation recommended by EDPAB qualifies the subject applicant to enter into a contract with the Authority for the purchase of the RNY Power. The Authority's standard RNY Power contract template, approved by the Trustees at their March 27, 2012 meeting, contains provisions addressing such things as effective periodic audits of the recipient of an allocation for the purpose of determining contract and program compliance, and for the partial or complete withdrawal of an allocation if the recipient fails to maintain mutually agreed upon commitments, relating to among other things, employment levels, power utilization, and capital investments. In addition, there is a requirement that a recipient of an allocation perform an energy efficiency audit at its facility not less than once during the first five years of the term of the allocation.

As noted in Exhibit '5-A,' some of these applicants are also being recommended for expansion-based allocations, having satisfied the criteria for both components of the RNY Power Program.

2. Expansion-Based RNY Power Allocations – Action Item

The Trustees are also asked to address applications submitted for RNY Power expansion-based allocations via the CFA process which request allocations from the 200 MW block of RNY Power dedicated by statute for 'for-profit' businesses that propose to expand existing businesses or create new business in the State. These applications sought a RNY Power allocation for either (i) expansion only, in the case of a new business or facility, or (ii) expansion *and* retention, in the case of an existing business. EDPAB recommended at its December 15, 2014 meeting that RNY Power expansion-based allocations be made to the businesses listed in Exhibit '5-B.' Each such allocation would be for a term of seven years.

As with the evaluation process used for the retention recommendations described above, applications for the expansion-based RNY Power were scored based on the statutory criteria, albeit with a focus on information regarding each applicants' specific project to expand or create their new facility or business (*e.g.*, the expansion project's cost, associated job creation, and new electric load due to the expansion).

The respective amounts of the expansion-related allocations listed in Exhibit '5-B' are largely intended to provide approximately 70% of the individual expansion projects' estimated new electric load. Because these projects have estimated new electric load amounts, and to ensure that an applicant's overestimation of the amount needed would not cause that applicant to receive a higher proportion of RNY Power to new load, the allocations in Exhibit '5-B' are recommended based on an 'up to' amount basis. Each of these applicants would be required to, among other commitments, add the new electric load as stated in its application, and would be allowed to use up to the amount of their RNY Power allocation in the same proportion of the RNY Power allocation to requested load as stated in Exhibit '5-B.' The contracts for these allocations would also contain the standard provisions previously summarized in the last paragraph of Section 1 above.

3. Ineligibility Determination – Informational Item

In the process of reviewing the current round of applications for RNY Power, EDPAB determined that the applicants listed on Exhibit 5-'C' seek RNY Power for a business that constitutes a retail business as defined by EDPAB, and therefore are not eligible to receive RNY Power. No action is required by the Trustees on these applications.

4. Applications Not Considered or Not Recommended – Informational Item

As indicated on Exhibit '5-D,' EDPAB determined as of the date of its meeting not to consider the eighteen pending applications for RNY Power allocations. The applications were not considered for one or more of the following reasons: (i) the application was withdrawn; (ii) the applicant does not have a demand meter; (iii) the applicant was not responsive to outreach, leaving the application currently incomplete; and/or (iv) the applicant was a Transitional Electricity Discount ('TED') beneficiary. One applicant was not recommended for an award because its demand usage did not meet the level necessary to warrant an allocation. No action is required by the Trustees on these applications.

5. Transfer of RNY Power – Action Item

At its December 15, 2014 meeting, EDPAB approved and recommended that the Trustees approve the transfer of three RNY Power allocations for the reasons set forth on Exhibit '5-E.' The customer's total facility job and capital investment commitments would not change. Staff recommends that the Trustees also approve the transfers. The Trustees have previously authorized transfers of RNY Power and other Authority power products in similar circumstances.

RECOMMENDATION

The Manager – Business Power Allocations and Compliance recommends that the Trustees: (1) approve the allocations of RNY Power for retention purposes to the businesses listed in '5-A' as indicated therein; (2)

approve the allocations of RNY Power for expansion purposes to the businesses listed in Exhibit '5-B' as indicated therein; and (3) authorize the transfer of the RNY Power allocations identified in Exhibit '5-E' as indicated therein.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

The following resolution, as submitted by the President and Chief Executive Officer was adopted with the exclusion of ***Century Mold Company, Inc., Diamond Packaging Holdings, LLC, Nicholas H. Noyes Memorial Hospital Inc., HSBC USA, Inc., and Wendt Corporation (Exhibit 5-A),*** because the conflicts of interest filed by Trustee Flynn resulted in a failure to attain the required number of votes necessary for their approval.

> **WHEREAS, the Economic Development Power Allocation Board ("EDPAB") has recommended that the Authority award Recharge New York ("RNY") Power allocations for retention purposes to the applicants listed in Exhibit "5-A" in the amounts indicated; and**
>
> **WHEREAS, EDPAB has recommended that the Authority award RNY Power allocations for expansion purposes to the applicants listed in Exhibit "5-B" in the amounts indicated; and**
>
> **WHEREAS, EDPAB has approved and/or recommended the transfer of the RNY Power allocations identified in Exhibit "5-E" as indicated therein;**
>
> **NOW THEREFORE BE IT RESOLVED, That the Authority hereby authorizes the allocations of RNY Power for retention purposes to the applicants listed in Exhibit "5-A" in accordance with the terms described in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Authority hereby authorizes the allocations of RNY Power for expansion purposes to the applicants listed in Exhibit "5-B" in accordance with the terms described in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Authority hereby authorizes the transfer of the RNY Power allocations identified in Exhibit "5-E" in accordance with the terms described in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

b. Preservation Power Allocation and Notice of Public Hearing

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Trustees are requested to approve a 4,000 kilowatt ('kW') allocation of available Preservation Power ('PP') to St. Lawrence Zinc Company, LLC ('SLZC') for use at a project located in Gouverneur, St. Lawrence County, NY, as further described herein and in Exhibits '5b-A' and '5b-A-1.' This allocation would support capital expansion of $33.8 million and the creation of 100 jobs in Northern New York ('NNY'). The Trustees are also requested to authorize a public hearing pursuant to Public Authorities Law ('PAL') §1009 on the proposed direct sale contract, the current form of which is attached as Exhibit '5b-B.'

BACKGROUND

In 2005, the New York State Legislature enacted, and the Governor signed, Chapter 313 of the Laws of 2005, which established the PP program set forth in §1005(13) of Public Authorities Law. The program allows businesses in NNY to be served with low-cost hydroelectric power from the Authority's St. Lawrence/ FDR Power Project. This program governs the allocation of any power relinquished from the block of 490 megawatts ('MW') of St. Lawrence/FDR Project firm and interruptible power sold to Alcoa and the former GM-Massena facility. The law authorizes the allocation of Preservation Power to businesses in Franklin, Jefferson and St. Lawrence counties and applies the same allocation criteria that pertain to the allocations of Replacement Power and Expansion Power.

Each application for an allocation of PP must be evaluated under criteria that include, but need not be limited to, those contained in PAL § 1005(13)(a), which sets forth general eligibility requirements. There is currently 6.350 MW of PP available to allocate to qualified businesses.

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

The Authority works closely with business associations, local distribution companies and economic development entities to garner support for the projects to be recommended for allocations of Authority hydropower. For PP, NYPA confers with Franklin, Jefferson and St. Lawrence counties along with the NNY representative of the Empire State Development Corporation ('ESD') to coordinate other economic development incentives that may help bring projects to New York State. Staff discusses potential recommendations with these entities to help maximize the value of hydropower to improve the economy of NNY and New York State. Each organization has expressed support for the following recommended allocation.

DISCUSSION

Background

Northern Zinc LLC ('NZ') has submitted an application on behalf of SLZC for hydropower requesting 8,100 kW in connection with plans to purchase, open, refurbish and operate a 2,700-acre mine and mill complex operation located in Gouverneur, St. Lawrence County. The mine has been closed since 2008. NZ would purchase SLZC, which would in turn purchase, refurbish, open and operate the mine, assuming favorable economics.

The request of 8,100 kW is based on historical usage from the time the mine was last in production. According to the applicant, the cost of electricity as a percentage of production cost is 10-15%.

If mining operations resume, the applicant has determined that the mine and mill will produce approximately 70,000 tons of zinc concentrate per year grading at 57% zinc (the only saleable material). The mine has a projected life of 8-9 years.

The plan is for SLZC to invest $33.8 million in the mine, retain 8 employees who currently work on care and maintenance of the facility, and hire 100 new employees during the first two years of the reopening of the mine and mill.

The investment breakout would be: $17.5 million purchase price; $12.8 million refurbishment and a $3.5 million exploration program to identify and expand current resource base at the mine. If the exploration program shows positive results, it could mean more jobs, investment and an extension beyond the mine's life. There is also an anticipated $31 million for sustaining capital expenses and major equipment rebuilds.

Current plans call for full production and operations to begin in November 2015, at 7 days per week, 24-hours per day.

The job creation ratio for a recommended amount of 4,000 kW is 25 new jobs per MW. The ratio is below the historic four-year average of 27 new jobs per MW for all hydropower allocation awards and equal to the 25 new jobs per MW when compared with PP awards during the past 10 years. The total project investment of $33.8 million results in a capital investment ratio of $8.45 million per MW. This ratio is below the four-year historic average of $24.9 million per MW for all hydropower allocation awards, but above the $5 million per MW when compared with PP awards.

Staff recommends that an allocation of 4,000 kW of PP be awarded to SLZC for a term of seven years in return for an investment of $33.8 million, retention of eight jobs and the creation of 100 new jobs as detailed in Exhibits '5b-A' and '5b-A-1.'

Contract Information

The Authority is in the process of discussing a proposed hydropower sales contract with SLZC and anticipates receiving customer approval of a contract substantially similar to the form attached as Exhibit '5b-B.' Accordingly, the Trustees are requested to authorize a public hearing pursuant to PAL §1009 on the contract form attached as Exhibit '5b-B.'

As required by PAL §1009, when the Authority believes it has reached agreement with its prospective co-party on a contract for the sale of PP, it will transmit the proposed form of contract to the Governor and other elected officials, and hold a public hearing on the contract. At least 30-days' notice of the hearing must be given by publication once in each week during such period in each of six selected newspapers. Following the public hearing, the form of contract may be modified, if advisable. Upon approval of the final proposed contract by the Authority, the Authority must 'report' the proposed contract, along with its recommendations and the public hearing records, to the Governor and other elected officials. Upon approval by the Governor, the Authority may execute the contract.

The general form of the proposed contract is consistent with recently approved contracts for the sale of Preservation Power. The proposed form of contract includes provisions for direct billing of all production charges (i.e., demand and energy) as well as all New York Independent System Operator, Inc. ('NYISO') charges, plus taxes or any other required assessments, all as set forth in the Authority's Service Tariff No. 10. The proposed form of contract would also include (i) commercially reasonable provisions relating to financial security to reflect a direct billing arrangement between the Authority and its hydropower business customers, and (ii) provisions authorizing data transfers and addressing other utility-driven requirements which are necessary for efficient program implementation. Such provisions have been used in other Authority contracts forms, including the Authority's RNY Power program contracts.

As is typical, the provision of electric service for this hydropower allocation is subject to enforceable employment and usage commitments. The standard contract form includes annual job reporting requirements and a

job compliance threshold of 90%. Should SLZC's reported jobs, or its energy usage, fall below a specified compliance threshold, the Authority has the right to reduce the allocation as provided for in the contract.

The recommended allocation would be sold to SLZC pursuant to the Authority's Service Tariff No. 10, also included in Exhibit '5b-B.' Transmission and delivery service would be provided by National Grid in accordance with its Public Service Commission-filed service tariffs.

RECOMMENDATION

The Vice President – Marketing recommends that the Trustees approve the allocation of 4,000 kW of Preservation Power to St. Lawrence Zinc Company for the reasons discussed above and in attached Exhibits '5b-A' and '5b-A-1.'

The Trustees are also requested to authorize the Corporate Secretary to convene a public hearing on the form of the proposed contract finally negotiated with St. Lawrence Zinc Company, the current form of which is attached as Exhibit '5b-B,' and transmit copies of the proposed form of contract to the Governor and legislative leaders pursuant to PAL §1009.

Staff will report to the Board of Trustees on the public hearing and the proposed final contract at a later time and make additional recommendations regarding the proposed contract.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

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

> **RESOLVED, That an allocation of 4,000 kilowatts of Preservation Power to St. Lawrence Zinc Company, LLC ("SLZC") be, and hereby is approved for the reasons detailed in the attached report of the President and Chief Executive Officer and Exhibits "5b-A" and "5b-A-1" thereto; and be it further**
>
> **RESOLVED, That the Trustees hereby authorize a public hearing pursuant to Public Authorities Law ("PAL") §1009 on the terms of the proposed form of direct sale contract for the sale of hydropower and energy finally negotiated with SLZC (the "Contract"), the current form of which is attached as Exhibit "5b-B," subject to rates previously approved by the Trustees; and be it further**
>
> **RESOLVED, That the Corporate Secretary be, and hereby is, authorized to transmit copies of the proposed Contract to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee pursuant to PAL §1009; and be it further**
>
> **RESOLVED, That the Corporate Secretary be, and hereby is, authorized to arrange for the publication of a notice of public hearing in six newspapers throughout the State, in accordance with the provisions of PAL §1009; and be it further**

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

c. Western New York Hydropower Allocations and Notice of Public Hearing

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Trustees are requested to approve an allocation of 2,450 kilowatts ('kW') of Replacement Power ('RP') to WhiteRock Pigments, Inc. ('WhiteRock') for use at a facility located at 4000 River Road, Tonawanda (Erie County), as further described herein and in Exhibits '5c-A' and '5c-A-1.' This allocation would support capital expansion totaling approximately $130 million and the creation of 101 jobs in Western New York ('WNY').

The Trustees are also requested to authorize a public hearing pursuant to Public Authorities Law ('PAL') §1009 on the proposed direct sale contract for WhiteRock, the current form of which is attached as Exhibit '5c-B.'

BACKGROUND

Under PAL §1005(13), the Authority may contract to allocate 250 megawatts ('MW') of firm hydroelectric power as Expansion Power ('EP') and up to 445 MW of RP to businesses in the State located within 30 miles of the Niagara Power Project, provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

Each application for an allocation of EP and RP must be evaluated under criteria that include but need not be limited to, those set forth in PAL §1005(13)(a), which details general eligibility requirements. Among the factors to be considered when evaluating a request for an allocation of hydropower are the number of jobs created as a result of the allocation; the business' long-term commitment to the region as evidenced by the current and/or planned capital investment in the business' facilities in the region; the ratio of the number of jobs to be created to the amount of power requested; the types of jobs to be created, as measured by wage and benefit levels, security and stability of employment, and the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed.

The Authority works closely with business associations, local distribution companies and economic development entities to garner support for the projects to be recommended for allocations of Authority hydropower. Discussions routinely occur with National Grid, Empire State Development ('ESD'), the Buffalo Niagara Enterprise and Niagara County Center for Economic Development ('NCCED') and Erie County Industrial Development Agency ('ECIDA') to coordinate other economic development incentives that may help bring economic development to New York State. Staff confers with these entities to help maximize the value of hydropower to improve the economy of WNY and the State of New York. Each organization has expressed support for today's recommended allocations.

DISCUSSION

Background

At this time, 9,795 kW of unallocated EP and 30,963 kW of unallocated RP is available to be awarded to businesses under the criteria set forth in PAL §1005(13)(a).

WhiteRock has submitted an application for hydropower requesting 3,472 kW in connection with a proposed $130 million expansion project for the production of Titanium Dioxide (TiO2) pigment.

WhiteRock is based in Cleveland and owns the exclusive proprietary process rights to manufacture TiO2 pigment, which is employed to provide whiteness and opacity to products such as paints, plastics, papers, ink, foods, medicines and toothpaste.

WhiteRock is looking to construct a 140,000-square-foot new plant on 50 acres of a former brownfield property at 4000 River Road in Tonawanda in Erie County. The company plans to invest $130 million ($85 million for equipment, machinery and its installation) and create 101 new jobs within the first year of operation. Additional state support includes $2 million under the Excelsior Tax Credit Program from ESD. Construction would begin January 1, 2015 with operations projected to start in August 2016. The company plans to operate the facility with three shifts.

WhiteRock is still considering Ohio, Kentucky and Tennessee as potential locations for this facility. WhiteRock has had discussions with economic development interests in other states including the Tennessee Valley Authority and American Municipal Power, which is proposing sites along the Ohio River with extended electrical contracts. The company is attempting to secure low-cost hydropower and other incentives to garner the financial support needed to move forward with the property acquisition and ultimate construction of the new manufacturing plant in WNY.

Under the name Alsher Pigments, WhiteRock was awarded a 2,100 kW Recharge New York ('RNY') expansion allocation in December 2013 to support a smaller project. The company would agree to relinquish the RNY allocation if it receives an RP allocation for this larger project.

The job creation ratio for the proposed allocation of 2,450 kW is 41 new jobs per MW. This ratio is well above the historic average of 27 new jobs per MW based on allocations made over the past four years. The total project investment of $130 million would result in a capital investment ratio of $53 million per MW. This ratio is above the four-year historic average of $24.9 million per MW.

Staff recommends that an allocation of 2,450 kW of RP be awarded to WhiteRock in support of an investment of $130 million and the creation of 101 new jobs at its facility in Western New York, as detailed in Exhibits '5c-A' and '5c-A-1.'

Contract Information

The Authority is in the process of discussing a proposed hydropower sales contract with WhiteRock and anticipates receiving approval of a contract substantially similar to the form attached as Exhibit '5c-B. Accordingly, the Trustees are requested to authorize a public hearing pursuant to PAL §1009 on the contract form attached as Exhibit '5c-B.'

As required by PAL §1009, when the Authority believes it has reached agreement with its prospective co-party on a contract for the sale of EP or RP, it will transmit the proposed form of contract to the Governor and other elected officials, and hold a public hearing on the contract. At least 30-days' notice of the hearing must be given by publication once in each week during such period in each of six selected newspapers. Following the public hearing, the form of contract may be modified, if advisable. Staff will report to the Board of Trustees on the public hearing and the proposed contract at a later time and make additional recommendations regarding the proposed contract.

Upon approval of the final proposed contract by the Authority, the Authority must 'report' the proposed contract, along with its recommendations and the public hearing records, to the Governor and other elected officials. Upon approval by the Governor, the Authority may execute the contract.

The general form of the proposed contract is consistent with recently-approved contracts for the sale of EP and RP. Some pertinent provisions of the proposed form of the contract include the provision for direct billing of all production charges (i.e., demand and energy) as well as all New York Independent System Operator, Inc. ('NYISO') charges, plus taxes or any other required assessments, as set forth in the Authority's Service Tariff No. WNY-1. The proposed form of the contract would also include (i) commercially reasonable provisions relating to financial security to reflect a direct billing arrangement between the Authority and its EP/RP customers, and (ii) provisions authorizing data transfers and addressing other utility-driven requirements which are necessary for efficient program implementation. Such provisions have been used in other Authority contracts forms, including the Authority's Recharge New York Power Program contracts.

The provision of electric service for all hydropower allocations are subject to enforceable employment and usage commitments. The standard contract form includes annual job reporting requirements and a job compliance threshold of 90%. Should actual jobs reported by any company receiving a hydropower allocation fall below the compliance threshold, the Authority has the right to reduce the allocation on a pro-rata basis as provided for in the contract.

The recommended allocations would be sold pursuant to the Authority's Service Tariff No. WNY-1, which applies to all allocations of EP and RP. Transmission and delivery service would be provided by National Grid or New York State Electric & Gas in accordance with its Public Service Commission-filed service tariffs.

RECOMMENDATION

The Vice President, Marketing recommends that the Trustees approve a 2,450 kW allocation of Replacement Power to WhiteRock Pigments, Inc. as further described herein and in Exhibits '5c-A' and '5c-A-1.'

The Trustees are also requested to authorize the Corporate Secretary to convene a public hearing on the form of the proposed contract finally negotiated with WhiteRock, the current form of which is attached as Exhibit '5c-B' and transmit copies of the proposed form of contract to the Governor and legislative leaders pursuant to PAL §1009.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

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

> **RESOLVED, That a 2,450 kW allocation of Replacement Power ("RP") to WhiteRock Pigments, Inc. ('WhiteRock'), as detailed in the foregoing report of the President and Chief Executive Officer and Exhibits "5c-A" and "5c-A-1" be, and hereby is, approved on the terms set forth in the report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Trustees hereby authorize a public hearing pursuant to Public Authorities Law ("PAL") §1009 on the terms of the proposed form of the direct sale contract for the sale of Replacement Power finally negotiated with WhiteRock (the "Contract"), the current form of which is attached as Exhibit "5c-B," subject to rates previously approved by the Trustees; and be it further**
>
> **RESOLVED, That the Corporate Secretary be, and hereby is, authorized to transmit a copy of the proposed Contract to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee pursuant to PAL §1009; and be it further**
>
> **RESOLVED, That the Corporate Secretary be, and hereby is, authorized to arrange for the publication of a notice**

of public hearing in six newspapers throughout the State, in accordance with the provisions of PAL §1009; and be it further

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

6. POWER PROCEEDS:

Award of Fund Benefits from the Western New York Economic Development Fund Recommended by the Western New York Power Proceeds Allocation Board

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Trustees are requested to accept the recommendation of the Western New York Power Proceeds Allocation Board ('WNYPPAB') and make an award of Fund Benefits from the Western New York Economic Development Fund to 43North, LLC, the eligible applicant listed in Exhibit '6-A,' in the amount indicated, and authorize the other actions described herein with respect to such applicant and recommended award.

BACKGROUND

1. Western New York Power Proceeds Allocation Act

On March 30, 2012, Governor Cuomo signed into law the Western New York Power Proceeds Allocation Act (the 'Act'). The Act provides for the creation, by the Authority, of the Western New York Economic Development Fund. The Fund consists of the aggregate excess of revenues received by the Authority from the sale of Expansion Power ('EP') and Replacement Power ('RP') produced at the Niagara Power Project that was sold in the wholesale energy market over what revenues would have been received had such energy been sold on a firm basis to an eligible EP or RP customer under the applicable tariff or contract.

Under the Act, an 'eligible applicant' is a private business, including a not-for-profit corporation. 'Eligible projects' is defined to mean 'economic development projects by eligible applicants that are physically located within the State of New York within a thirty-mile radius of the Niagara power project located in Lewiston, New York that will support the growth of business in the state and thereby lead to the creation or maintenance of jobs and tax revenues for the state and local governments.' Eligible projects include, for example, capital investments in buildings, equipment, and associated infrastructure owned by an eligible applicant for fund benefits; transportation projects under state or federally approved plans; the acquisition of land needed for infrastructure; research and development where the results of such research and development will directly benefit New York state; support for tourism and marketing and advertising efforts for western New York state tourism and business; and energy-related projects.

Eligible projects do not include public interest advertising or advocacy; lobbying; the support or opposition of any candidate for public office; the support or opposition to any public issue; legal fees related to litigation of any kind; expenses related to administrative proceedings before state or local agencies; or retail businesses as defined by the board, including without limitation, sports venues, gaming and gambling or entertainment-related establishments, residential properties, or places of overnight accommodation.

Fund Benefits have been provided to successful eligible applicants in the form of grants. It is anticipated that Fund Benefits will be disbursed as reimbursement for expenses incurred by an Eligible Applicant for an Eligible Project.

At least 15% percent of Fund Benefits must be dedicated to eligible projects which are 'energy-related projects, programs and services,' which is 'energy efficiency projects and services, clean energy technology projects and services, and high performance and sustainable building programs and services, and the construction, installation and/or operation of facilities or equipment done in connection with any such projects, programs or services.'

Allocations of Fund Benefits may only be made on the basis of moneys that have been deposited in the Fund. No award may encumber future funds that have been received but not deposited in the Fund.

2. Western New York Power Proceeds Allocation Board

Under the Act, the WNYPPAB is charged with soliciting applications for Fund Benefits, reviewing applications, making eligibility determinations, and evaluating the merits of applications for Fund Benefits. WNYPPAB uses the criteria applicable to EP, RP and PP, and for revitalization of industry as provided in Public Authorities Law §1005. Additionally, WNYPPAB is authorized to consider the extent to which an award of Fund Benefits is consistent with the strategies and priorities of the Regional Economic Development Council having responsibility for the region in which an eligible project is proposed. A copy of these criteria (collectively, 'Program Criteria'), adapted from WNYPPAB's 'Procedures for the Review of Applications for Fund Benefits,' is attached as Exhibit '6-B.'

The WNYPPAB met on March 4, 2013 and, in accordance with the Act, adopted by-laws, operating procedures, guidelines related to the application, and a form of application. At that time, WNYPPAB defined 'retail business' to mean a business that is primarily used in making retail sales of goods or services to customers who personally visit such facilities to obtain goods or services.

WNYPPAB also designated the Western New York Regional Director of Empire State Development Corporation ('ESD') to be its designee ('Designee') to act on its behalf on all administrative matters. Among other things, the Designee was authorized to preform analyses of the applications for Fund Benefits and make recommendations to WNYPPAB on the applications.

Under the Act, a recommendation for Fund Benefits by WNYPPAB is a prerequisite to an award of Fund Benefits by the Authority, and the Act authorizes the Authority to award Fund Benefits to an applicant upon a recommendation of the WNYPPAB. Upon a showing of good cause, the Authority has discretion as to whether to adopt the WNYPPAB's recommendation, or to award benefits in a different amount or on different terms and conditions than proposed by the WNYPPAB. In addition, the Authority is authorized to include within the contract covering an award ('Award Contract') such other terms and conditions the Authority deems appropriate.

3. Application Process

In an effort to provide for the efficient review of applications and disbursement of Fund Benefits, the WNYPPAB established a schedule of dates through the end of 2015 on which the WNYPPAB would meet to consider applications. At this time, applications are being accepted on a rolling basis. In addition, the application process was promoted through a media release and with assistance from state and local entities, including the Western New York and Finger Lakes Regional Economic Development Councils, the Empire State Development Corporation and other local and regional economic development organizations within the State. A webpage was created that is hosted on WWW.NYPA.GOV/WNYPPAB with application instructions, a link to the approved application form and other program details including a contact phone number and email address staffed by the Western New York Empire State Development regional office.

DISCUSSION

For this ninth round of WNYPPAB action, the WNYPPAB considered one application from 43North, LLC seeking $6 million in Fund Benefits. WNYPPAB's staff analyzed the application and made a recommendation to WNYPPAB concerning the application based on eligibility requirements and Program Criteria. A copy of the recommendation from staff to the WNYPPAB regarding the proposed award of Fund Benefits is attached as Exhibit '6-C.' The application itself has also been made available to the Board for review.

At its December 3, 2014 meeting, the WNYPPAB took the following actions on applications for Fund Benefits:

1. Recommendation for Award of Fund Benefits

The WNYPPAB is recommending to the Trustees that the application listed on Exhibit '6-A' receive an award of Fund Benefits in the amount indicated (up to $6,000,000). The applicant has indicated that the proposed project would directly create or retain approximately five jobs in Western New York. The creation of additional jobs would depend on the outcome of the project, which is a business idea competition. The total to be expended on the proposed project is expected to be approximately $7 million. This recommendation is presently before the Trustees for consideration.

Given the nascent stage of the proposed project, it was not possible at this time to identify all of the terms and conditions that would be applicable to each award and memorialized in an Award Contract. With the Trustees' authorization, it is anticipated that the Authority, in consultation with ESD, will negotiate final terms and conditions with successful applicants after receipt of more detailed information concerning the projects and proposed schedules. In addition to appropriate business terms, staff anticipates that Award Contract will contain provisions for periodic audits of the successful applicant for the purpose of determining contract and program compliance and, where appropriate, terms providing for the partial or complete recapture of Fund Benefits disbursements if the applicant fails to maintain agreed-upon commitments, relating to, among other things, employment levels and/or project element due dates.

RECOMMENDATION

The Vice President, Marketing recommends that:

(1) the Trustees accept the recommendation of the Western New York Power Proceeds Allocation Board ('WNYPPAB') and make an award of Fund Benefits to the applicant, 43North, LLC, in the amount identified in Exhibit '6-A,' conditioned upon an agreement to be negotiated with the applicant on the final terms and conditions that would be applicable to the award to be contained in an Award Contract approved by the President and Chief Executive Officer and approved by the Executive Vice President and General Counsel as to form;

(2) the Senior Vice President – Economic Development and Energy Efficiency, or his designee(s), in consultation with Empire State Development Corporation ('ESD'), be authorized to negotiate with the applicant concerning such final terms and conditions that will be applicable to the award;

(3) the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be authorized to execute on behalf of the Authority an Award Contract for the award listed in Exhibit '6-A' subject to the forgoing conditions; and

For the reasons stated, I recommend the approval of the above-requested actions by adoption of the resolution below."

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

WHEREAS, the Western New York Power Proceeds Allocation Board ("WNYPPAB") has recommended that the Authority make an award of Fund Benefits from the Western New York Economic Development Fund ("Fund") to the eligible applicant listed in Exhibit "6-A";

NOW THEREFORE BE IT RESOLVED, That the Authority hereby accepts the recommendation of the WNYPPAB and authorizes the award of Fund Benefits to the applicant and in the amount listed in Exhibit "6-A" (i.e., up to $6,000,000), conditioned upon an agreement between the Authority and the applicant on the final terms and conditions that would be applicable to the award and set forth in a written award contract ("Award Contract") between the Authority and the applicant approved by the President and Chief Executive Officer and approved by the Executive Vice President and General Counsel as to form; and be it further

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency, or his designee, in consultation with the Empire State Development Corporation, is authorized to negotiate with the applicant concerning such final terms and conditions that will be applicable to the award; and be it further

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency, or his designee, is authorized to execute on behalf of the Authority an Award Contract for the award listed on Exhibit "6-A" subject to the foregoing conditions; and be it further

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

7. INFORMATIONAL ITEM:

Strategic Initiative Business Plan: Workforce Planning

Ms. Karina Saslow presented highlights of the Authority's Workforce Planning Strategic Initiative to the Trustees. Ms. Saslow said the Workforce Planning initiative was designed to support the successful implementation of the other initiatives and secure the ongoing operation of the Authority in a rapidly changing marketplace. She said the term "Workforce" includes union and non-union staff as well as consultants, contractors and outsourcing. She discussed the Key Drivers of Workforce Planning; Workforce Planning Maturity; Workforce Planning Governance; and the Benefit-Cost Ratio of Workforce Planning. (Exhibit "7-A")

Responding to a question from Chairman Koelmel, Mr. Lurie said the Workforce Planning initiative is critical to the implementation of the other initiatives. From a business standpoint, the Authority has a high level of employee engagement centered on its current and historical mission; going forward, the Authority will expand its mission and it will require not only new skills but new ways of doing business to make sure that the Authority continues to be engaged as its mission changes over time. For example, with the Smart G&T initiative there is greater emphasis on new technology and understanding how data center and controls will need to be integrated and invented in order to make the Authority's transmission and generation system more efficient given future challenges. Based on this, the Authority will need new technology skills and be able to work with other organizations to fulfill its mission. Another example is, with regard to Customer Energy Solutions the Authority will need to expand its current business model from mainly project managers and engineers to more business development and partnership creation with other energy services and technology providers. Recruiting those kinds of skills is going to be challenging; training and maintaining those employee engagements over time will also be challenging. Mr. Lurie ended by reiterating that the Workforce Planning Strategic Initiative is a foundational initiative to ensure the success of the other initiatives.

8. RETIREMENT RESOLUTIONS:

Upon motion made and seconded the following resolutions were unanimously adopted by the Trustees:

a. Lynn Hait

Mr. Joseph Kessler made a presentation of the Retirement Resolution to Mr. Lynn Hait. (Exhibit "8-A"). He highlighted Mr. Hait's career at the Power Authority saying that Mr. Hait started as a Janitor at the Blenheim-Gilboa Power Project, and he is now retiring as the Regional Manager for the Central Region, 30 years later. Among other things, Mr. Hait played an integral part in the Project's Succession Planning effort; guided project staff through tropical storms Irene and Lee; started the relicensing of the Project and guided the organization on the right path. He continued that, on a personal level, Mr. Hair provided mentorship to him, as well as other staff members. He ended by saying that it is a bittersweet moment, congratulated Mr. Hait on his retirement, and expressed best wishes to his wife, Terry, children and grandchildren for health and happiness in the future.

b. Michael Huvane

Mr. James Pasquale made a presentation of the Retirement Resolution to Mr. Michael Huvane. (Exhibit "8-B"). He then provided highlights of Mr. Huvane's career at the Power Authority. He said Mr. Huvane held various positions in his more than 33 years of service. He started as a clerk in the Billing Department and moved to what would become the Marketing Department. He was one of the founding members, helped put the Department together, is the last of the original staff, and is retiring as the Department's Vice President. He said that the Authority is losing someone who has worked tirelessly on economic development projects and who was instrumental in the success of the Power for Jobs and Recharge New York Programs. He said further, the Board has seen first-hand what Michael has meant to the Authority through his leadership and presentation of items on Economic Development allocations and Power Proceeds awards. Over his career, he has formed strong relationships with the Authority's customers and other economic development agencies. He continued that Michael has worked very hard in parting his knowledge to staff so that the Marketing Department can continue to have a first-class Economic Development team. He ended by wishing Mr. Huvane all the best during his retirement.

Mr. Huvane said he enjoyed his career at the Authority and also nurturing the next generation of leaders.

c. <u>John Suloway</u>

Ms. Jill Anderson made a presentation of the Retirement Resolution to Mr. John Suloway, (Exhibit "8-B"), and made the following remarks:

"John Suloway, our Vice President Project Development and Licensing, will retire later this month after an extraordinary career of 32 years at the Authority.

Thanks to John's legendary work ethic, his superior organizational and interpersonal skills, his unfailing optimism and his solid grasp of the licensing process, he's left an enduring stamp on the New York State electric system. And, he's been a major force for progress in the hydroelectric power industry nationwide through his work as a President and Board member of the National Hydropower Association and in other capacities.

John's had many successes at NYPA--but none greater than his vital role in securing our new 50-year federal license for the St. Lawrence-FDR hydro project. He was at the forefront in developing and carrying out a landmark process providing for early and extensive participation by various parties. And then--amid considerable acrimony and discord-- he exhibited the patience, understanding and respect for opposing views that proved critical in producing a Comprehensive Settlement Agreement that led to the new license.

These qualities were again on full display in his work on licensing and construction of the urgently needed Tri-Lakes transmission line in the Adirondacks.

More recently, John has taken the lead in the difficult negotiations related to a 10-year review of our St. Lawrence relicensing commitments. And he's been directing our efforts to win regulatory approval for future transmission projects and to obtain a new federal license at Blenheim-Gilboa. His already substantial legacy only promises to keep growing.

Mr. Chairman and Trustees, you have before you a proposed resolution summarizing John's many accomplishments; conveying your thanks to him; and wishing him, his wife, Monica, and their family many years of health, happiness and continuing fulfillment." On behalf of John's many colleagues and friends I would like to congratulate him on his incredible career."

Chairman Koelmel said on behalf of the Board and the organization he thanked Lynn, Michael and John for their many contributions to the Authority and wished them much success in the future.

9. <u>Video Presentation: 2014 Year In Review</u>

Ms. Jill Anderson introduced the Year in Review video presentation. She said in 2014 the Authority started a major effort to improve its internal communications at all levels throughout the Authority, with the view that its employees should be aware of Authority's activities at its facilities around the state. The video presentation summarizes some of those events such as the: "All-Hands" meetings and employee breakfast with President Quiniones; World Heritage event; Veterans Day Celebration; launch of the "Women in Power" initiative; social media and safety events. She continued that the video also conveys what the Authority is doing for communities around the state, not just in providing low-cost power, but also in the events that it hosts and which has become highlights throughout the seasons. She ended by saying that the video will highlight all the successes the Authority had during the year and the enjoyment that the employees and communities had during that time.

10. <u>Motion to Conduct an Executive Session</u>

Mr. Chairman, I move that the Authority conduct an executive session pursuant to the Public Officers Law of the State of New York section §105 to discuss an ongoing investigation, contract negotiations, labor negotiations, and matters leading to the promotion or demotion of a particular person. Upon motion made and seconded an Executive Session was held.

11. <u>Motion to Resume Meeting in Open Session</u>

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

12. <u>Next Meeting</u>

The Regular Meeting of the Trustees will be held on **January 27, 2015 at the Clarence D. Rappleyea Building, White Plains, New York,** unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

Upon motion made and seconded, the meeting was adjourned by the Chairman at approximately 1:00 p.m.

Karen Delince
Corporate Secretary

EXHIBITS

For

December 16, 2014

Regular Meeting

Minutes

New York Power Authority **Exhibit "A"**

Contracts for the Sale of Western New York Hydropower and Preservation Power - Transmittal to the Governor **December 16, 2014**

Line	Company Name	Program	City	County	Trustee Public Hearing Authorization Date	Allocation (kW)	New Jobs	Total Job Commitment	Capital Investment	Proposed Direct Sale Contract Term
1	Blackrock, Inc.	EP	Amherst	Erie	7/31/2012	2,000	25	25	$37,500,000	7 Years
2	Royal Plastix USA, LLC	RP	Buffalo	Erie	7/29/2014	600	55	55	$3,725,000	7 Years
3	Innomotive Solutions Group, LLC	RP	Lancaster	Erie	7/29/2014	100	21	21	$5,500,000	7 Years
4	Corning, Inc.	PP	Canton	St. Lawrence	7/29/2014	2,100	40	274	$21,750,000	7 Years

Exhibit B-1

POWER AUTHORITY

OF THE

STATE OF NEW YORK

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

AGREEMENT FOR THE SALE
OF EXPANSION POWER AND/OR REPLACEMENT POWER
to
INNOMOTIVE SOLUTIONS GROUP, LLC

The POWER AUTHORITY OF THE STATE OF NEW YORK ("Authority"), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title I of Article V of the New York Public Authorities Law ("PAL"), having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Expansion Power and/or Replacement Power ("Agreement") with Innomotive Solutions Group, LLC ("Customer"), with offices at 4304 Walden Avenue, Lancaster, NY 14086. The Authority and the Customer are from time to time referred to in this Agreement as "Party" or collectively as "Parties" and agree follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, Federal Energy Regulatory Commission ("FERC") Project No. 2216, known as "Expansion Power" (or "EP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, FERC Project No. 2216, known as "Replacement Power" (or "RP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, EP consists of 250 megawatts ("MW") of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, RP consists of 445 MW of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, the Authority is authorized pursuant to PAL § 1005(13)(a) to award EP and/or RP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant's long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient's facilities are located;

WHEREAS, the Customer applied to the Authority for an allocation of hydropower to support operations at a new and/or expanded facility to be constructed and operated by the Customer (defined in Section I of this Agreement as the "Facility");

WHEREAS, on July 29, 2014, the Authority's Board of Trustees ("Trustees") approved a 100 kilowatt ("kW") allocation of RP to the Customer for a seven (7) year term (defined in Section I of this Agreement as the "Allocation") in connection with the construction and operation of the Facility as further described in this Agreement;

WHEREAS, on July 29, 2014, the Trustees authorized the Authority to, among other things, take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate its approval of the Allocation;

WHEREAS, the provision of Electric Service associated with the Allocation is an

unbundled service separate from the transmission and delivery of power and energy to the Customer, and delivery service will be performed by the Customer's local electric utility in accordance with the Utility Tariff;

WHEREAS, the Parties have reached an agreement on the sale of the Allocation to the Customer on the terms and conditions provided for in this Agreement;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for certain contracts negotiated by the Authority; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3).

NOW THEREFORE, in consideration of the mutual covenants herein, the Authority and the Customer agree as follows:

NOW THEREFORE, the Parties hereto agree as follows:

I. Definitions

A. **Agreement** means this Agreement.

B. **Allocation** refers to the allocation of EP and/or RP awarded to the Customer as specified in Schedule A.

C. **Contract Demand** is as defined in Service Tariff No. WNY-1.

D. **Electric Service** is the Firm Power and Firm Energy associated with the Allocation and sold by the Authority to the Customer in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules.

E. **Expansion Power** (or **EP**) is 250 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

F. **Facility** means the Customer's facilities as described in Schedule A to this Agreement.

G. **Firm Power** is as defined in Service Tariff No. WNY-1.

H. **Firm Energy** is as defined in Service Tariff No. WNY-1.

I. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).

J. **FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which became effective September 1, 2007 after expiration of the Project's original license which became effective in 1957.

K. **Hydro Projects** is a collective reference to the Project and the Authority's St. Lawrence-FDR Project, FERC Project No. 2000.

L. **Load Serving Entity** (or **LSE**) means an entity designated by a retail electricity customer (including the Customer) to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.

M. **NYISO** means the New York Independent System Operator or any successor organization.

N. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.

O. **Project** means the Niagara Power Project, FERC Project No. 2216.

P. **Replacement Power** (or **RP**) is445 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

Q. **Rules** are the applicable provisions of Authority's rules and regulations (Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by the Authority.

R. **Service Tariff No. WNY-1** means the Authority's Service Tariff No. WNY-1, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement.

S. **Schedule A** refers to the Schedule A entitled "Expansion Power and/or Replacement Power Allocations" which is attached to and made part of this Agreement.

T. **Schedule B** refers to the Schedule B entitled "Expansion Power and/or Replacement Power Commitments" which is attached to and made part of this Agreement.

U. **Schedule C** refers to the Schedule C entitled "Takedown Schedule" which is attached to and made part of this Agreement.

V. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectricity that would otherwise have been supplied to the Customer under this Agreement. Unless otherwise agreed upon by the Parties, Substitute Energy refers to energy purchased by the Authority for the Customer from markets administered by the NYISO.

W. **Taxes** is as defined in Service Tariff No. WNY-1

X. **Unforced Capacity (or "UCAP")** means the electric capacity required to be provided by LSEs to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

Y. **Utility Tariff** means the retail tariff(s) of the Customer's local electric utility filed and approved by the PSC applicable to the delivery of EP and/or RP.

II. Electric Service

A. The Authority shall make available Electric Service to enable the Customer to receive the Allocation in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules. The Customer shall not be entitled to receive Electric Service under this Agreement for any EP and/or RP allocation unless such EP and/or RP allocation is identified on Schedule A.

B. The Authority will provide, and the Customer shall pay for, Electric Service with respect to the Allocation specified on Schedule A. If Schedule C specifies a Takedown Schedule for the Allocation, the Authority will provide, and the Customer shall take and pay for, Electric Service with respect to the Allocation in accordance with such Takedown Schedule.

C. The Authority shall provide UCAP in amounts necessary to meet the Customer's NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs. The Customer shall be responsible to pay the Authority for such UCAP in accordance with Service Tariff No. WNY-1.

D. The Customer acknowledges and agrees that Customer's local electric utility shall be responsible for delivering the Allocation to the Facility specified in Schedule A, and that the Authority has no responsibility for delivering the Allocation to the Customer.

E. The Contract Demand for the Customer's Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as EP or RP from the Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. Any such modification will be made on a pro rata basis to all EP and RP customers, as applicable, based on the terms of such ruling, order, or decision.

F. The Contract Demand may not exceed the Allocation.

III. Rates, Terms and Conditions

A. Electric Service shall be sold to the Customer based on the rates, terms and conditions provided for in this Agreement, Service Tariff No. WNY-1 and the Rules.

B. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates for Electric Service shall be subject to increase by Authority at any time upon 30 days prior written notice to Customer if, after consideration by Authority of its legal obligations, the marketability of the output or use of the Project and Authority's

competitive position with respect to other suppliers, Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in Authority's bond and note resolutions and covenants with the holders of its financial obligations. Authority shall use its best efforts to inform Customer at the earliest practicable date of its intent to increase the power and energy rates pursuant to this provision. Any rate increase to Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers after giving consideration to the factors set forth in the first sentence of this subsection. With respect to any such increase, Authority shall forward to Customer with the notice of increase, an explanation of all reasons for the increase, and shall also identify the sources from which Authority will obtain the total of increased revenues and the bases upon which Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

IV. Expansion Power and/or Replacement Power Commitments

A. Schedule B sets forth the Customer's specific "Expansion Power and/or Replacement Power Commitments." The commitments agreed to in Schedule B are in addition to any other rights and obligations of the Parties provided for in the Agreement.

B. The Authority's obligation to provide Electric Service under this Agreement, and the Customer's obligation to take and pay for such Electric Service, are expressly conditioned upon the Customer's timely completion of the commitments described in Schedule B.

C. In the event of partial completion of the Facility which has resulted in such Facility being partly operational and the partial attainment of the Base Employment Level, the Authority may, upon the Customer's request, provide Electric Service to the Customer in an amount determined by the Authority to fairly correspond to the completed portion of the Facility, provided that the Customer demonstrates that the amount of requested Electric Service is needed to support the operations of the partially completed Facility.

D. The Customer shall give the Authority not less than ninety (90) days' advance notice in writing of the anticipated date of partial or full completion of the Facility. The Authority will inspect the Facility for the purpose of verifying the completion status of the Facility and notify Customer of the results of the inspection. The Authority will thereafter commence Electric Service within a reasonable time after verification based on applicable operating procedures of the Authority, the Customer's local electric utility and the NYISO.

E. In the event the Customer fails to complete the Facility by July 29, 2017 (*i.e.*, within three (3) years of the Authority's award of the Allocation), the Allocation, at the option and discretion of the Authority, may be canceled or reduced by the total amount of kilowatts determined by the Authority to fairly correspond to the uncompleted portion of the Facility, provided that in such event, and upon request of the Customer, such date may be extended by the Authority in its sole discretion.

V. Rules and Service Tariff

Service Tariff No. WNY-1, as may be modified or superseded from time to time by the Authority, is hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts, or differences between the provisions of Service Tariff No.WNY-1 and the Rules, the provisions of Service Tariff No. WNY-1 shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and Service Tariff No. WNY-1, the provisions of this Agreement shall govern.

VI. Transmission and Delivery of Firm Power and Firm Energy; Responsibility for Charges

A. The Customer shall be responsible complying with all requirements of its local electric utility that are necessary to enable the Customer to receive delivery service for the Allocation. Delivery of the Allocation shall be subject to the Utility Tariff.

B. The Customer shall be solely responsible for paying its local electric utility for delivery service associated with the Allocation in accordance with the Utility Tariff. Should the Authority incur any charges associated with such delivery service, the Customer shall reimburse the Authority for all such charges.

C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the LSE with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf. The Customer agrees and understands that it shall be responsible to the Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO Tariff, or other applicable tariff ("NYISO Charges"), as set forth in Service Tariff No. WNY-1 or any successor service tariff, regardless of whether such NYISO Charges are transmission-related. Such NYISO Charges shall be in addition to the charges for power and energy.

D. By entering into this Agreement, the Customer consents to the exchange of information between the Authority and the Customer's local electric utility pertaining to the Customer that the Authority and the local electric utility determine is necessary to provide for the Allocation, sale and delivery of EP and/or RP to the Customer, the proper and efficient implementation of the EP and/or RP programs, billing related to EP and/or RP, and/or the performance of such parties' obligations under any contracts or other arrangements between them relating to such matters.

E. The provision of Electric Service by the Authority shall be dependent upon the existence of a written agreement or other form of understanding between the Authority and the Customer's local electric utility on terms and conditions that are acceptable to the Authority.

F. The Customer understands and acknowledges that the Authority may from time to time require the Customer to complete forms, provide documentation, execute consents and provide other information (collectively, "Information") which the Authority determines is necessary for the provision of Electric Service, the delivery of EP and/or RP, billing

related to the EP and/or RP program, the effective and proper administration of the EP and/or RP program, and/or the performance of contracts or other arrangements between the Authority and the Customer's local electric utility. The Customer's failure to provide such Information shall be grounds for the Authority in its sole discretion to withhold or suspend Electric Service to the Customer.

VII. Billing and Billing Methodology

A. The billing methodology for the Allocation shall be determined on a "load factor sharing" basis in a manner consistent with the Utility Tariff and any agreement between the Authority and the Customer's local electric utility. An alternative basis for billing may be used provided the Parties agree in writing and the local electric utility provides its consent if such consent is deemed necessary.

B. The Authority will render bills by the 10th business day of the month for charges due for the previous month. Such bills shall include charges for Electric Service, NYISO Charges associated with the Allocation (subject to adjustment consistent with any later NYISO re-billings to the Authority), and other applicable charges.

C. The Authority may render bills to the Customer electronically.

D. The Authority and the Customer may agree in writing to an alternative method for the rendering of bills and for the payment of bills, including but not limited to the use of an Authority-established customer self-service web portal.

E. The Authority will charge and collect from the Customer all Taxes (including local, state and federal taxes) the Authority determines are applicable, unless the Customer furnishes the Authority with proof satisfactory to the Authority that (i) the Customer is exempt from the payment of any such Taxes, and/or (ii) the Authority is not obligated to collect such Taxes from the Customer. If the Authority is not collecting Taxes from the Customer based on the circumstances described in (i) or (ii) above, the Customer shall immediately inform the Authority of any change in circumstances relating to its tax status that would require the Authority to charge and collect such Taxes from the Customer.

F. Unless otherwise agreed to by the Authority and the Customer in writing, if the Customer fails to pay any bill when due, an interest charge of two percent (2%) of the amount unpaid shall be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent (1 1/2%) of the sum unpaid shall be added on the first day of each succeeding billing period until the amount due, including interest, is paid in full.

G. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of any bill rendered by Authority, the Customer shall pay such bill in full within the time provided for by this Agreement, and adjustments, if appropriate, will be made thereafter.

H. If at any time after commencement of Electric Service the Customer fails to make complete and timely payment of any two (2) bills for Electric Service, the Authority shall

have the right to require the Customer to deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit shall be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. If the Customer fails or refuses to provide the deposit within thirty (30) days of a request for such deposit, the Authority may, in its sole discretion, suspend Electric Service to the Customer or terminate this Agreement.

I. All other provisions with respect to billing are set forth in Service Tariff No. WNY-1 and the Rules.

J. The rights and remedies provided to the Authority in this Article are in addition to any and all other rights and remedies available to Authority at law or in equity.

VIII. Hydropower Curtailments and Substitute Energy

A. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served by the Authority from the Hydro Projects, curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy associated with the Allocation to which the Customer is entitled shall be applied on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with Service Tariff No. WNY-1 as applicable.

B. The Authority shall provide reasonable notice to Customer of any curtailments referenced in Section VIII.A of this Agreement that could impact Customer's Electric Service under this Agreement. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the Firm Power and Firm Energy that would otherwise have been supplied pursuant to this Agreement.

C. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO charges and taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

D. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

IX. Effectiveness, Term and Termination

A. This Agreement shall become effective and legally binding on the Parties upon execution of this Agreement by the Authority and the Customer.

B. Once commenced, Electric Service under the Agreement shall continue until the earliest of: (1) termination by the Customer with respect to its Allocation upon ninety (90) days prior written notice to the Authority; (2) termination by the Authority pursuant to this Agreement, Service Tariff No. WNY-1, or the Rules; or (3) expiration of the Allocation by its own term as specified in Schedule A.

C. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days' notice prior written notice to the Authority. The termination shall be effective commencing with the first billing period as defined in Service Tariff No. WNY-1.

D. The Authority may cancel service under this Agreement or modify the quantities of Firm Power and Firm Energy associated with the Allocation:(1) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency); or (2) as otherwise provided in this Agreement, Service Tariff No. WNY-1, or the Rules.

X. Additional Allocations

A. Upon proper application by the Customer, the Authority may in its discretion award additional allocations of EP or RP to the Customer at such rates and on such terms and conditions as the Authority establishes. If the Customer agrees to purchase Electric Service associated with any such additional allocation, the Authority will (i) incorporate any such additional allocations into Schedule A, or in its discretion will produce a supplemental schedule, to reflect any such additional allocations, and (ii) produce a modified Appendix to Schedule B, as the Authority determines to be appropriate. The Authority will furnish the Customer with any such modified Schedule A, supplemental schedule, and/or a modified Appendix to Schedule B, within a reasonable time after commencement of Electric Service for any such additional allocation.

B. In addition to any requirements imposed by law, the Customer hereby agrees to furnish such documentation and other information as the Authority requests to enable the Authority to evaluate any requests for additional allocations and consider the terms and conditions that should be applicable of any additional allocations.

XI. Notification

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

To: The Authority

New York Power Authority

123 Main Street
White Plains, New York 10601
Email:
Facsimile: _____
Attention: Manager – Business Power Allocations and Compliance

To: The Customer

Innomotive Solutions Group, LLC
4304 Walden Avenue
Lancaster, NY 14086
Email:
Facsimile:
Attention:

The foregoing notice/notification information pertaining to either Party may be changed by such Party upon notification to the other Party pursuant to Section XI.B of this Agreement.

B. Except where otherwise herein specifically provided, any notice, communication or request required or authorized by this Agreement by either Party to the other shall be deemed properly given: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (2) if sent by a nationally recognized overnight delivery service, two (2) calendar days after being deposited for delivery to the appropriate address set forth above; (3) if delivered by hand, with written confirmation of receipt; (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (5) if sent by electronic mail to the appropriate address as set forth above, with written confirmation of receipt. Either Party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing.

XII. Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License and the Niagara Redevelopment Act (16 USC §§836, 836a).

XIII. Venue

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction for adjudication of any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement.

XIV. Successors and Assigns; Resale of Hydropower

A. The Customer may not assign or otherwise transfer an interest in this Agreement.

B. The Customer may not resell or allow any other person to use any quantity of EP and/or RP it has purchased from the Authority under this Agreement.

C. Electric Service sold to the Customer pursuant to this Agreement may only be used by the Customer at the Facility specified in Schedule A.

XV. Previous Agreements and Communications

A. This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the subject matter hereof, and supersedes all prior negotiations, representations, warranties, commitments, offers, contracts and writings, written or oral, with respect to the subject matter hereof.

B. Except as otherwise provided in this Agreement, no modification of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

XVI. Severability and Voidability

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

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

XVII. Waiver

A. Any waiver at any time by either the Authority or the Customer of their rights with respect to a default or of any other matter arising out of this Agreement shall not be deemed to be a waiver with respect to any other default or matter.

B. No waiver by either Party of any rights with respect to any matter arising in connection with this Agreement shall be effective unless made in writing and signed by the Party making the waiver.

XVIII. Execution

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall

not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

INNOMOTIVE SOLUTIONS GROUP, LLC

By: _____

Title: _____

Date: _____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____
John R. Koelmel, Chairman

Date: _____

SCHEDULE A TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER TO CUSTOMER

EXPANSION POWER AND/OR REPLACEMENT POWER ALLOCATIONS

Customer: Innomotive Solutions Group, LLC

Type of Allocation	Allocation Amount (kW)	Facility	Trustee Approval Date	Expiration Date
Replacement Power	100 kW	4304 Walden Avenue Lancaster, NY 14086	July 29, 2014	Seven (7) years from commencement of Electric Service of any portion of this Allocation.

SCHEDULE B TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER TO CUSTOMER

EXPANSION POWER AND/OR REPLACEMENT POWER COMMITMENTS

I. Employment Commitments

A. Employment Levels

The provision of EP and/or RP to the Customer hereunder is in consideration of, among other things, the Customer's creation and/or maintenance of the employment level set forth in the Appendix of this Schedule (the "Base Employment Level"). Such Base Employment Level shall be the total number of full-time positions held by: (1) individuals who are employed by the Customer at Customer's Facility identified in the Appendix to this Schedule, and (2) individuals who are contractors or who are employed by contractors of the Customer and assigned to the Facility identified in such Appendix (collectively, "Base Level Employees"). The number of Base Level Employees shall not include individuals employed on a part-time basis (less than 35 hours per week); provided, however, that two individuals each working 20 hours per week or more at such Facility shall be counted as one Base Level Employee.

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

The Authority may consider a request to change the Base Employment Level based on a claim of increased productivity, increased efficiency or adoption of new technologies or for other appropriate reasons as determined by the Authority. Any such change shall be within Authority's sole discretion.

B. Employment Records and Reports

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Base Level Employees who are employed at or assigned to the Customer's Facility identified in the Appendix to this Schedule, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify the individuals who are employed by the Customer, and the individuals who are contractors or who are employed by contractors of the Customer, and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice

all non-confidential written and electronic records and data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

II. Reductions of Contract Demand

A. Employment Levels

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

B. Power Utilization Levels

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the Facility receiving the power covered by the Agreement. If the average of the Customer's six (6) highest Billing Demands (as such term is described in Service Tariff No. WNY-1) for Expansion Power and/or Replacement Power is less than 90% of the Customer's Contract Demand in such calendar year the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest Billing Demands for in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

C. Capital Investment

The Customer agrees to undertake the capital investment set forth in the Appendix to this Schedule.

Notwithstanding any other provision of the Agreement, the Customer shall provide the Authority with such access to the Facility, and such documentation, as the Authority deems necessary to determine the Customer's compliance with the Customer's obligations provided for in this Schedule B.

D. Notice of Intent to Reduce Contract Demand

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced pursuant to this Schedule , the Authority shall provide the Customer with at least thirty (30) days prior written notice of such reduction, specifying the amount of the reduction of Contract Demand and the reason for the reduction, provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or Facility upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

III. Energy Efficiency Audits; Information Requests

Unless otherwise agreed to by the Authority in writing, the Customer shall undergo an energy efficiency audit of its Facility and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement but in any event not less than once every five years. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the Facility.

The Customer agrees to cooperate to make its Facility available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.

APPENDIX TO SCHEDULE B

BASE EMPLOYMENT LEVEL

Within three (3) years of commencement of Electric Service, the Customer shall employ at least twenty-one (21) full-time employees ("Base Employment Level") at the Customer's Facility. The Base Employment Level shall be maintained thereafter for the term of the Allocation in accordance with Article I of Schedule B.

CAPITAL INVESTMENT

The Customer shall make a total capital investment of at least $5,500,000 to renovate and furnish the Facility (the "Capital Investment"). The Capital Investment for the Facility is expected to consist of the following specific expenditures:

Building Acquisition, Renovation & Expansion:	$2,000,000
Manufacturing Equipment:	$500,000
Paint System:	$3,000,000
Total Capital Investment:	**$5,500,000**

The Capital Investment shall be made, and the Facility shall be completed and fully operational, no later than July 29, 2017 (*i.e.*, within three (3) years of the date of the Authority's award of the Allocation). Upon request of the Customer, such date may be extended in the sole discretion of the Authority.

SCHEDULE C TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER TO CUSTOMER

TAKEDOWN SCHEDULE

N/A

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

Schedule of Rates for Sale of Firm Power to Expansion and Replacement Customers located In Western New York

Service Tariff No. WNY-1

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Schedule of Rates for Firm Power Service

I. Applicability

To sales of Expansion Power and/or Replacement Power (as defined below) directly to a qualified business Customer (as defined below) for firm power service.

II. Abbreviations and Terms

- kW — kilowatt(s)
- kW-mo. — kilowatt-month
- kWh — kilowatt-hour(s)
- MWh — megawatt-hour(s)
- NYISO — New York Independent System Operator, Inc. or any successor organization
- PAL — New York Public Authorities Law
- OATT — Open Access Transmission Tariff

Agreement: An executed "Agreement for the Sale of Expansion and/or Replacement Power and Energy" between the Authority and the Customer (each as defined below).

Annual Adjustment Factor or **AAF**: This term shall have the meaning set forth in Section V herein.

Authority: The Power Authority of the State of New York, a corporate municipal instrumentality and a political subdivision of the State of New York created pursuant to Chapter 772 of the New York Laws of 1931 and existing and operating under Title 1 of Article 5 of the PAL, also known as the "New York Power Authority."

Customer: A business customer who has received an allocation for Expansion Power and/or Replacement Power from the Authority and who purchases Expansion Power and/or Replacement Power directly from the Authority.

Electric Service: The power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

Expansion Power and/or **Replacement Power**: Firm Power and Firm Energy made available under this Service Tariff by the Authority from the Project for sale to the Customer for business purposes pursuant to PAL § 1005(5) and (13).

Firm Power: Capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the Agreement between the Authority and the Customer and this Service Tariff. Firm Power shall not include peaking power.

Firm Energy: Energy (kWh) associated with Firm Power.

Load Serving Entity or **LSE**: This term shall have the meaning set forth in the Agreement.

Load Split Methodology or **LSM**: A load split methodology applicable to a Customer's allocation. It is usually provided for in an agreement between the Authority and the Customer's local electric utility, an agreement between the Authority and the Customer, or an agreement between the Authority, the Customer and the Customer's local electric utility, or such local utility's tariff, regarding the delivery of WNY Firm Power. The load split methodology is often designated as "Load Factor Sharing" or "LFS" , "First through the Meter" or "FTM", "First through the Meter Modified" or "FTM Modified", or "Replacement Power 2" or "RP 2".

Project: The Authority's Niagara Power Project, FERC Project No. 2216.

Rate Year or **RY**: The period from July 1 through June 30 starting July 1, 2013, and for any year thereafter.

Rules: The Authority's rules and regulations set forth in 21 NYCRR § 450 *et seq*., as they may be amended from time to time.

Service Tariff: This Service Tariff No. WNY-1.

Target Rate: This term shall have the meaning set forth in Section III herein.

All other capitalized terms and abbreviations used but not defined herein shall have the same meaning as set forth in the Agreement.

III. Monthly Rates and Charges

A. Expansion Power (EP) and Replacement Power (RP) Base Rates

Beginning on July 1, 2013, there will be a 3-year phase-in to new base rates. The phase-in will be determined by the rate differential between the 2012 EP/RP rates and a "Target Rate." The Target Rate, specified in Section III.A.1. below, is based on the rates determined by the Authority to be applicable in RY 2013 for sales of "preservation power" as that term is defined in PAL § 1005(13). The following Sections III.A.1-4 describe the calculation and implementation of the phase-in.

1. The initial rate point will be established by the EP/RP rates ($/kW and $/MWh), determined by mid-April 2012 and made effective on May 1, 2012 in accordance with the Authority's then-applicable EP and RP tariffs. The Target Rate (*i.e.* demand and energy rates) for RY 2013 shall be $7.99/kW and $13.66/MWh.

2. The difference between the two rate points is calculated and divided by 3 to correspond with the number of Rate Years over which the phase-in will occur. The resulting quotients (in $/kW and $/MWh) are referred to as the "annual increment."

3. The annual increment will be applied to the base rates for the 3-year period of the 2013, 2014 and 2015 Rate Years, which shall be as follows:

   RY 2013: July 1, 2013 to June 30, 2014
   RY 2014: July 1, 2014 to June 30, 2015
   RY 2015: July 1, 2015 to June 30, 2016

   The annual rate adjustments normally made effective on May 1, 2013 under then-applicable EP and RP tariffs will be suspended, such that demand and energy rates established in 2012 shall be extended through June 30, 2013.

4. Effective commencing in RY 2013, the Annual Adjustment Factor ("AAF") described in Section V herein, shall be applied as follows:

   A. For the RY 2013 only, the AAF will be suspended, and the RY 2013 rate increase will be subject only to the annual increment.

   B. For the RYs 2014 and 2015, the AAF will be applied to the demand and energy rates after the addition of the annual increment to the rates of the previous RY rates. Such AAF will be subject to the terms and limits stated in Section V herein.

   C. Beginning in RY 2016, the AAF will be applied to the previous RY rates, and the annual increment is no longer applicable.

B. EP and RP Rates no Lower than Rural/Domestic Rate

At all times the applicable base rates for demand and energy determined in accordance with Sections III.A and V of this Service Tariff shall be no lower than the rates charged by the

Authority for the sale of hydroelectricity for the benefit of rural and domestic customers receiving service in accordance with the Niagara Redevelopment Act, 16 U.S.C. § 836(b)(1) and PAL § 1005(5) (the "Rural/Domestic Rate"). This provision shall be implemented as follows: if the base rates, as determined in accordance with Sections III.A and V of this Service Tariff, are lower than the Rural/Domestic Rate on an average $/MWh basis, each set of rates measured at 80% load factor which is generally regarded as representative for EP and RP Customers, then the base rates determined under Sections III.A and V of this Service Tariff will be revised to make them equal to the Rural/Domestic Rate on an average $/MWh basis. However, the base rates as so revised will have no effect until such time as these base rates are lower than the Rural/Domestic Rate.

C. Monthly Base Rates Exclude Delivery Service Charges

The monthly base rates set forth in this Section III exclude any applicable costs for delivery services provided by the local electric utility.

D. Minimum Monthly Charge

The minimum monthly charge shall equal the product of the demand charge and the contract demand (as defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges or Taxes (each as defined herein) incurred by the Authority with respect to the Customer's Allocation.

E. Estimated Billing

If the Authority, in its sole discretion, determines that it lacks reliable data on the Customer's actual demand and/or energy usage for a Billing Period during which the Customer receives Electric Service from the Authority, the Authority shall have the right to render a bill to the Customer for such Billing Period based on estimated demand and estimated usage ("Estimated Bill").

For the purpose of calculating a Billing Demand charge for an Estimated Bill, the demand charge will be calculated based on the Customer's Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated demand (kW) will be calculated based on an average of the Customer's Billing Demand (kW) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated demand (kW) value for the Estimated Bill will equal the Customer's Takedown (kW) amount.

- For Customers whose allocation is subject to a First through the Meter/ FTM, FTM Modified, or RP 2 LSM, the estimated demand (kW) value will equal the Customer's Takedown (kW) amount.

For the purpose of calculating a Billing Energy charge for an Estimated Bill, the energy charge will be calculated based on the Customer's Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated energy (kWh) will be based on the average of the Customer's Billing Energy (kWh) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated energy value (kWh) will be equal to the Takedown (kW) amount at 70 percent load factor for that Billing Period.

- For Customers whose allocation is subject to a First through the Meter/FTM, FTM Modified, or RP 2 LSM, the estimated energy (kWh) will be equal to the Takedown (kW) amount at 100 percent load factor for that Billing Period.

If data indicating the Customer's actual demand and usage for any Billing Period in which an Estimated Bill was rendered is subsequently provided to the Authority, the Authority will make necessary adjustments to the corresponding Estimated Bill and, as appropriate, render a revised bill (or provide a credit) to the Customer.

The Minimum Monthly Charge provisions of Section III B.D. shall apply to Estimated Bills.

The Authority's discretion to render Estimated Bills is not intended to limit the Authority's rights under the Agreement.

F. <u>Adjustments to Charges</u>

In addition to any other adjustments provided for in this Service Tariff, in any Billing Period, the Authority may make appropriate adjustments to billings and charges to address such matters as billing and payment errors, the receipt of actual, additional, or corrected data concerning Customer energy or demand usage.

G. <u>Billing Period</u>

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

H. <u>Billing Demand</u>

The billing demand shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

I. <u>Billing Energy</u>

The billing energy shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

J. <u>Contract Demand</u>

The contract demand of each Customer will be the amount of Expansion Power and/or Replacement Power, not to exceed their Allocation, provided to such Customer by the Authority in accordance with the Agreement.

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

1. Subject to Section IV.B.2, the Authority shall provide to the Customer in any billing period Firm Energy associated with Firm Power. The offer of Firm Energy for delivery shall fulfill the Authority's obligations for purposes of this provision whether or not the Firm Energy is taken by the Customer.

2. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of NYPA's Firm Power customers served from the Hydro Projects, hydropower curtailments (*i.e.* reductions) in the amount of Firm Power and Energy to which the Customer is entitled shall be applied on a *pro rata* basis to all Firm Power and Energy customers served from the Hydro Projects. Reductions as a percentage of the otherwise required Firm Power and Energy sales will be the same for all Firm Power and Energy customers served from the Hydro Projects. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Customer in later billing periods. The Customer will receive appropriate bill credits as provided under the Rules.

C. Delivery

For the purpose of this Service Tariff, Firm Power and Firm Energy shall be deemed to be offered when the Authority is able to supply Firm Power and Firm Energy to the Authority's designated NYISO load bus. If, despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Adjustment of Rates

To the extent not inconsistent with the Agreement, the rates contained in this Service Tariff may be revised from time to time on not less than thirty (30) days written notice to the Customer.

E. Billing Methodology and Billing

Unless otherwise specified in the Agreement, the following provisions shall apply:

1. The billing methodology to be used to render bills to the Customer related to its Allocation shall be determined in accordance with the Agreement and delivery agreement between the Authority and, as applicable, the Customer or local electric utility or both.

2. Billing Demand –The Billing Demand charged by the Authority to each Customer will be the highest 15 or 30-minute integrated demand, as determined by the local utility, during each Billing Period recorded on the Customer's meter multiplied by a percentage based on the Load Split Methodology provided for in any contract between the Authority and the Customer's local electric utility, any contract between the Authority and the Customer, or any contract between the Authority, the Customer and the Customer's local electric utility for delivery of WNY Power. Billing Demand may not exceed the amount of the Contract Demand.

3. Billing Energy –The kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer's meter for the Billing Period multiplied by a percentage based on the methodology provided for in any contract between the Authority and the Customer's local electric utility for delivery of WNY Power.

F. <u>Payment by Customer to Authority</u>

1. <u>Demand and Energy Charges, Taxes</u>

   The Customer shall pay the Authority for Firm Power and Energy during any billing period the higher of either (i) the sum of (a), (b) and (c) below or (ii) the monthly minimum charge as defined herein:

   a. The demand charge per kilowatt for Firm Power specified in this Service Tariff or any modification thereof applied to the Customer's billing demand (as defined in Section IV.E, above) for the billing period; and

   b. The energy charge per MWh for Firm Energy specified in this Service Tariff or any modification thereof applied to the Customer's billing energy (as defined in Section IV.E, above) for the billing period; and

   c. A charge representing reimbursement to the Authority for all applicable Taxes incurred by the Authority as a result of providing Expansion Power and/or Replacement Power allocated to the Customer.

2. <u>Transmission Charge</u>

   The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the Allocation, including such costs that are charged pursuant to the OATT.

3. <u>NYISO Transmission and Related Charges ("NYISO Charges")</u>

   The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority for services provided by the NYISO pursuant to its OATT or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with providing Electric Service to the Customer:

   A. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;

   B. Marginal losses;

C. The New York Power Authority Transmission Adjustment Charge ("NTAC");

D. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;

E. Any and all other charges, assessments, or other amounts associated with deliveries to Customers or otherwise associated with the Authority's responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and

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

The NYISO Charges, if any, incurred by the Authority on behalf of the Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.
The method of billing NYISO charges to the Customer will be based on Authority's discretion.

4. Taxes Defined

Taxes shall be any adjustment as the Authority deems necessary to recover from the Customer any taxes, assessments or any other charges mandated by federal, state or local agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer if and to the extent such taxes, assessments or charges are not recovered by the Authority pursuant to another provision of this Service Tariff.

5. Substitute Energy

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

6. Payment Information

Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by the Authority. In the event that there is a dispute on any items of a bill rendered by the Authority, the Customer shall pay such bill in full. If necessary, any adjustments will be made thereafter.

G. Rendition and Payment of Bills

1. The Authority will render bills to the Customer for Electric Service on or before the tenth (10th) business day of the month for charges due for the previous Billing Period. Bills will reflect the amounts due and owing, and are subject to adjustment as provided for in the Agreement, Service Tariff No. WNY-1 and the Rules. Unless otherwise agreed to by the Authority and the Customer in writing, the Authority shall render bills to the Customer electronically.

2. Payment of bills by the Customer shall be due and payable by the Customer within twenty (20) days of the date the Authority renders the bill.

3. Except as otherwise agreed by the Authority in writing, if the Customer fails to pay any bill when due an interest charge of two percent of the amount unpaid will be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent of the sum unpaid shall be added on the first day of each succeeding Billing Period until the amount due, including interest, is paid in full.

4. If at any time after commencement of Electric Service the Customer fails to make complete payment of any two (2) bills for Electric Service when such bills become due pursuant to Agreement, the Authority shall have the right to require that the Customer deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit will be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. The failure or refusal of the Customer to provide the deposit within thirty (30) days of a request for such deposit will be grounds for the Authority in its sole discretion to suspend Electric Service to the Customer or terminate this Agreement.

H. Adjustment of Charges

1. Distribution Losses

   The Authority will make appropriate adjustments to compensate for distribution losses of the local electric utility.

I. Conflicts

The Authority's Rules shall apply to the Electric Service provided under this Service Tariff. In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern.

J. Customer Resales Prohibited

The Customer may not resell any quantity of Expansion Power and/or Replacement Power.

V. Annual Adjustment Factor

A. Adjustment of Rates

1. The AAF will be based upon a weighted average of three indices described below. For each new Rate Year, the index value for the latest available calendar year ("Index Value for the Measuring Year") will be compared to the index value for the calendar year immediately preceding the latest available calendar year (the Index Value for the Measuring Year -1"). The change for each index will then be multiplied by the indicated weights. As described in detail below, these products are then summed, producing the AAF. The AAF will be multiplied by the base rate for the current Rate Year to produce the base rates for the new Rate Year, subject to a maximum adjustment of ±5.0% ("±5% Collar"). Amounts outside the ±5% Collar shall be referred to as the "Excess."

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

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

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

2. Annual Adjustment Factor Computation Guide

   Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.

   Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the AAF.

   Step 3: Commencing RY 2014, modifications to the AAF will be subject to ±5% Collar, as described below.

   a) When the AAF falls outside the ±5% Collar, the Excess will be carried over to the subsequent RY. If the AAF in the subsequent RY is within the ±5% Collar, the current RY Excess will be added to/subtracted from the subsequent Rate Year's AAF, up to the ±5% Collar.

b) Excesses will continue to accrue without limit and carry over such that they will be added to/subtracted from the AAF in any year where the AAF is within the ±5% Collar.

Step 4: Multiply the current Rate Year base rate by the AAF calculated in Step 2 to determine the new Rate Year base rate.

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

3. The Authority shall provide the Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15th of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.

4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

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

STEP 1

Determine the Index Value for the Measuring Year (MY) and Measuring Year - 1 (MY-1) for Each Index

- Index 1 - Producer Price Index, Industrial Power

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

- Index 2 – EIA Industrial Rate

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

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

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

STEP 2

Determine AAF by Summing the Weighted Indices

Index	Ratio of MY to MY-1	Weight	Weighted Factors
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	0.255
AAF			**1.016**

STEP 3

Apply Collar of ±5.0% to Determine the Maximum/Minimum AAF.

-5.0% < 1.6% < 5.0%; collar does not apply, assuming no cumulative excess.

STEP 4

Apply AAF to Calculate the New Rate Year Base Rate

	Demand $/kW-mo.	Energy $/MWh
Current Rate Year Base Rate	7.56	12.91
New Rate Year Base Rate	7.68	13.12

Exhibit B-2

POWER AUTHORITY

OF THE

STATE OF NEW YORK

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

AGREEMENT FOR THE SALE
OF EXPANSION POWER AND/OR REPLACEMENT POWER
to
ROYAL PLASTICS USA LLC

The POWER AUTHORITY OF THE STATE OF NEW YORK ("Authority"), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title I of Article V of the New York Public Authorities Law ("PAL"), having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Expansion Power and/or Replacement Power ("Agreement") with Royal Plastics USA, LLC ("Customer"), with offices at 930 Bailey Avenue, Buffalo, NY, 14206. The Authority and the Customer are from time to time referred to in this Agreement as "Party" or collectively as "Parties" and agree follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, Federal Energy Regulatory Commission ("FERC") Project No. 2216, known as "Expansion Power" (or "EP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, FERC Project No. 2216, known as "Replacement Power" (or "RP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, EP consists of 250 megawatts ("MW") of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, RP consists of 445 MW of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, the Authority is authorized pursuant to PAL § 1005(13)(a) to award EP and/or RP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant's long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient's facilities are located;

WHEREAS, the Customer applied to the Authority for an allocation of hydropower to support operations at a new and/or expanded facility to be constructed and operated by the Customer (defined in Section I of this Agreement as the "Facility");

WHEREAS, on July 29, 2014, the Authority's Board of Trustees ("Trustees") approved a 600 kilowatt ("kW") allocation of RP to the Customer for a seven (7) year term (defined in Section I of this Agreement as the "Allocation") in connection with the construction and operation of the Facility as further described in this Agreement;

WHEREAS, on July 29, 2014, the Trustees authorized the Authority to, among other things, take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate its approval of the Allocation;

WHEREAS, the provision of Electric Service associated with the Allocation is an

unbundled service separate from the transmission and delivery of power and energy to the Customer, and delivery service will be performed by the Customer's local electric utility in accordance with the Utility Tariff;

WHEREAS, the Parties have reached an agreement on the sale of the Allocation to the Customer on the terms and conditions provided for in this Agreement;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for certain contracts negotiated by the Authority; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3).

NOW THEREFORE, in consideration of the mutual covenants herein, the Authority and the Customer agree as follows:

NOW THEREFORE, the Parties hereto agree as follows:

I. Definitions

A. **Agreement** means this Agreement.

B. **Allocation** refers to the allocation of EP and/or RP awarded to the Customer as specified in Schedule A.

C. **Contract Demand** is as defined in Service Tariff No. WNY-1.

D. **Electric Service** is the Firm Power and Firm Energy associated with the Allocation and sold by the Authority to the Customer in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules.

E. **Expansion Power** (or **EP**) is 250 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

F. **Facility** means the Customer's facilities as described in Schedule A to this Agreement.

G. **Firm Power** is as defined in Service Tariff No. WNY-1.

H. **Firm Energy** is as defined in Service Tariff No. WNY-1.

I. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).

J. **FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which became effective September 1, 2007 after expiration of the Project's original license which became effective in 1957.

K. **Hydro Projects** is a collective reference to the Project and the Authority's St. Lawrence-FDR Project, FERC Project No. 2000.

L. **Load Serving Entity** (or **LSE**) means an entity designated by a retail electricity customer (including the Customer) to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.

M. **NYISO** means the New York Independent System Operator or any successor organization.

N. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.

O. **Project** means the Niagara Power Project, FERC Project No. 2216.

P. **Replacement Power** (or **RP**) is445 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

Q. **Rules** are the applicable provisions of Authority's rules and regulations (Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by the Authority.

R. **Service Tariff No. WNY-1** means the Authority's Service Tariff No. WNY-1, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement.

S. **Schedule A** refers to the Schedule A entitled "Expansion Power and/or Replacement Power Allocations" which is attached to and made part of this Agreement.

T. **Schedule B** refers to the Schedule B entitled "Expansion Power and/or Replacement Power Commitments" which is attached to and made part of this Agreement.

U. **Schedule C** refers to the Schedule C entitled "Takedown Schedule" which is attached to and made part of this Agreement.

V. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectricity that would otherwise have been supplied to the Customer under this Agreement. Unless otherwise agreed upon by the Parties, Substitute Energy refers to energy purchased by the Authority for the Customer from markets administered by the NYISO.

W. **Taxes** is as defined in Service Tariff No. WNY-1

X. **Unforced Capacity (or "UCAP")** means the electric capacity required to be provided by LSEs to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

Y. **Utility Tariff** means the retail tariff(s) of the Customer's local electric utility filed and approved by the PSC applicable to the delivery of EP and/or RP.

II. Electric Service

A. The Authority shall make available Electric Service to enable the Customer to receive the Allocation in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules. The Customer shall not be entitled to receive Electric Service under this Agreement for any EP and/or RP allocation unless such EP and/or RP allocation is identified on Schedule A.

B. The Authority will provide, and the Customer shall pay for, Electric Service with respect to the Allocation specified on Schedule A. If Schedule C specifies a Takedown Schedule for the Allocation, the Authority will provide, and the Customer shall take and pay for, Electric Service with respect to the Allocation in accordance with such Takedown Schedule.

C. The Authority shall provide UCAP in amounts necessary to meet the Customer's NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs. The Customer shall be responsible to pay the Authority for such UCAP in accordance with Service Tariff No. WNY-1.

D. The Customer acknowledges and agrees that Customer's local electric utility shall be responsible for delivering the Allocation to the Facility specified in Schedule A, and that the Authority has no responsibility for delivering the Allocation to the Customer.

E. The Contract Demand for the Customer's Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as EP or RP from the Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. Any such modification will be made on a pro rata basis to all EP and RP customers, as applicable, based on the terms of such ruling, order, or decision.

F. The Contract Demand may not exceed the Allocation.

III. Rates, Terms and Conditions

A. Electric Service shall be sold to the Customer based on the rates, terms and conditions provided for in this Agreement, Service Tariff No. WNY-1 and the Rules.

B. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates for Electric Service shall be subject to increase by Authority at any time upon 30 days prior written notice to Customer if, after consideration by Authority of its legal obligations, the marketability of the output or use of the Project and Authority's

competitive position with respect to other suppliers, Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in Authority's bond and note resolutions and covenants with the holders of its financial obligations. Authority shall use its best efforts to inform Customer at the earliest practicable date of its intent to increase the power and energy rates pursuant to this provision. Any rate increase to Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers after giving consideration to the factors set forth in the first sentence of this subsection. With respect to any such increase, Authority shall forward to Customer with the notice of increase, an explanation of all reasons for the increase, and shall also identify the sources from which Authority will obtain the total of increased revenues and the bases upon which Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

IV. Expansion Power and/or Replacement Power Commitments

A. Schedule B sets forth the Customer's specific "Expansion Power and/or Replacement Power Commitments." The commitments agreed to in Schedule B are in addition to any other rights and obligations of the Parties provided for in the Agreement.

B. The Authority's obligation to provide Electric Service under this Agreement, and the Customer's obligation to take and pay for such Electric Service, are expressly conditioned upon the Customer's timely completion of the commitments described in Schedule B.

C. In the event of partial completion of the Facility which has resulted in such Facility being partly operational and the partial attainment of the Base Employment Level, the Authority may, upon the Customer's request, provide Electric Service to the Customer in an amount determined by the Authority to fairly correspond to the completed portion of the Facility, provided that the Customer demonstrates that the amount of requested Electric Service is needed to support the operations of the partially completed Facility.

D. The Customer shall give the Authority not less than ninety (90) days' advance notice in writing of the anticipated date of partial or full completion of the Facility. The Authority will inspect the Facility for the purpose of verifying the completion status of the Facility and notify Customer of the results of the inspection. The Authority will thereafter commence Electric Service within a reasonable time after verification based on applicable operating procedures of the Authority, the Customer's local electric utility and the NYISO.

E. In the event the Customer fails to complete the Facility by July 29, 2017 (*i.e.*, within three (3) years of the Authority's award of the Allocation), the Allocation, at the option and discretion of the Authority, may be canceled or reduced by the total amount of kilowatts determined by the Authority to fairly correspond to the uncompleted portion of the Facility, provided that in such event, and upon request of the Customer, such date may be extended by the Authority in its sole discretion.

V. Rules and Service Tariff

Service Tariff No. WNY-1, as may be modified or superseded from time to time by the Authority, is hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts, or differences between the provisions of Service Tariff No.WNY-1 and the Rules, the provisions of Service Tariff No. WNY-1 shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and Service Tariff No. WNY-1, the provisions of this Agreement shall govern.

VI. Transmission and Delivery of Firm Power and Firm Energy; Responsibility for Charges

A. The Customer shall be responsible complying with all requirements of its local electric utility that are necessary to enable the Customer to receive delivery service for the Allocation. Delivery of the Allocation shall be subject to the Utility Tariff.

B. The Customer shall be solely responsible for paying its local electric utility for delivery service associated with the Allocation in accordance with the Utility Tariff. Should the Authority incur any charges associated with such delivery service, the Customer shall reimburse the Authority for all such charges.

C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the LSE with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf. The Customer agrees and understands that it shall be responsible to the Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO Tariff, or other applicable tariff ("NYISO Charges"), as set forth in Service Tariff No. WNY-1 or any successor service tariff, regardless of whether such NYISO Charges are transmission-related. Such NYISO Charges shall be in addition to the charges for power and energy.

D. By entering into this Agreement, the Customer consents to the exchange of information between the Authority and the Customer's local electric utility pertaining to the Customer that the Authority and the local electric utility determine is necessary to provide for the Allocation, sale and delivery of EP and/or RP to the Customer, the proper and efficient implementation of the EP and/or RP programs, billing related to EP and/or RP, and/or the performance of such parties' obligations under any contracts or other arrangements between them relating to such matters.

E. The provision of Electric Service by the Authority shall be dependent upon the existence of a written agreement or other form of understanding between the Authority and the Customer's local electric utility on terms and conditions that are acceptable to the Authority.

F. The Customer understands and acknowledges that the Authority may from time to time require the Customer to complete forms, provide documentation, execute consents and provide other information (collectively, "Information") which the Authority determines is necessary for the provision of Electric Service, the delivery of EP and/or RP, billing

related to the EP and/or RP program, the effective and proper administration of the EP and/or RP program, and/or the performance of contracts or other arrangements between the Authority and the Customer's local electric utility. The Customer's failure to provide such Information shall be grounds for the Authority in its sole discretion to withhold or suspend Electric Service to the Customer.

VII. Billing and Billing Methodology

A. The billing methodology for the Allocation shall be determined on a "load factor sharing" basis in a manner consistent with the Utility Tariff and any agreement between the Authority and the Customer's local electric utility. An alternative basis for billing may be used provided the Parties agree in writing and the local electric utility provides its consent if such consent is deemed necessary.

B. The Authority will render bills by the 10th business day of the month for charges due for the previous month. Such bills shall include charges for Electric Service, NYISO Charges associated with the Allocation (subject to adjustment consistent with any later NYISO re-billings to the Authority), and other applicable charges.

C. The Authority may render bills to the Customer electronically.

D. The Authority and the Customer may agree in writing to an alternative method for the rendering of bills and for the payment of bills, including but not limited to the use of an Authority-established customer self-service web portal.

E. The Authority will charge and collect from the Customer all Taxes (including local, state and federal taxes) the Authority determines are applicable, unless the Customer furnishes the Authority with proof satisfactory to the Authority that (i) the Customer is exempt from the payment of any such Taxes, and/or (ii) the Authority is not obligated to collect such Taxes from the Customer. If the Authority is not collecting Taxes from the Customer based on the circumstances described in (i) or (ii) above, the Customer shall immediately inform the Authority of any change in circumstances relating to its tax status that would require the Authority to charge and collect such Taxes from the Customer.

F. Unless otherwise agreed to by the Authority and the Customer in writing, if the Customer fails to pay any bill when due, an interest charge of two percent (2%) of the amount unpaid shall be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent (1 1/2%) of the sum unpaid shall be added on the first day of each succeeding billing period until the amount due, including interest, is paid in full.

G. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of any bill rendered by Authority, the Customer shall pay such bill in full within the time provided for by this Agreement, and adjustments, if appropriate, will be made thereafter.

H. If at any time after commencement of Electric Service the Customer fails to make complete and timely payment of any two (2) bills for Electric Service, the Authority shall

have the right to require the Customer to deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit shall be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. If the Customer fails or refuses to provide the deposit within thirty (30) days of a request for such deposit, the Authority may, in its sole discretion, suspend Electric Service to the Customer or terminate this Agreement.

I. All other provisions with respect to billing are set forth in Service Tariff No. WNY-1 and the Rules.

J. The rights and remedies provided to the Authority in this Article are in addition to any and all other rights and remedies available to Authority at law or in equity.

VIII. Hydropower Curtailments and Substitute Energy

A. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served by the Authority from the Hydro Projects, curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy associated with the Allocation to which the Customer is entitled shall be applied on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with Service Tariff No. WNY-1 as applicable.

B. The Authority shall provide reasonable notice to Customer of any curtailments referenced in Section VIII.A of this Agreement that could impact Customer's Electric Service under this Agreement. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the Firm Power and Firm Energy that would otherwise have been supplied pursuant to this Agreement.

C. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO charges and taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

D. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

IX. Effectiveness, Term and Termination

A. This Agreement shall become effective and legally binding on the Parties upon execution of this Agreement by the Authority and the Customer.

B. Once commenced, Electric Service under the Agreement shall continue until the earliest of: (1) termination by the Customer with respect to its Allocation upon ninety (90) days prior written notice to the Authority; (2) termination by the Authority pursuant to this Agreement, Service Tariff No. WNY-1, or the Rules; or (3) expiration of the Allocation by its own term as specified in Schedule A.

C. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days' notice prior written notice to the Authority. The termination shall be effective commencing with the first billing period as defined in Service Tariff No. WNY-1.

D. The Authority may cancel service under this Agreement or modify the quantities of Firm Power and Firm Energy associated with the Allocation:(1) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency); or (2) as otherwise provided in this Agreement, Service Tariff No. WNY-1, or the Rules.

X. Additional Allocations

A. Upon proper application by the Customer, the Authority may in its discretion award additional allocations of EP or RP to the Customer at such rates and on such terms and conditions as the Authority establishes. If the Customer agrees to purchase Electric Service associated with any such additional allocation, the Authority will (i) incorporate any such additional allocations into Schedule A, or in its discretion will produce a supplemental schedule, to reflect any such additional allocations, and (ii) produce a modified Appendix to Schedule B, as the Authority determines to be appropriate. The Authority will furnish the Customer with any such modified Schedule A, supplemental schedule, and/or a modified Appendix to Schedule B, within a reasonable time after commencement of Electric Service for any such additional allocation.

B. In addition to any requirements imposed by law, the Customer hereby agrees to furnish such documentation and other information as the Authority requests to enable the Authority to evaluate any requests for additional allocations and consider the terms and conditions that should be applicable of any additional allocations.

XI. Notification

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

To: The Authority

New York Power Authority

123 Main Street
White Plains, New York 10601
Email:
Facsimile: _____
Attention: Manager – Business Power Allocations and Compliance

To: The Customer

Royal Plastic USA, LLC
930 Bailey Avenue
Buffalo, NY 14206
Email:
Facsimile:
Attention:

The foregoing notice/notification information pertaining to either Party may be changed by such Party upon notification to the other Party pursuant to Section XI.B of this Agreement.

B. Except where otherwise herein specifically provided, any notice, communication or request required or authorized by this Agreement by either Party to the other shall be deemed properly given: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (2) if sent by a nationally recognized overnight delivery service, two (2) calendar days after being deposited for delivery to the appropriate address set forth above; (3) if delivered by hand, with written confirmation of receipt; (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (5) if sent by electronic mail to the appropriate address as set forth above, with written confirmation of receipt. Either Party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing.

XII. Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License and the Niagara Redevelopment Act (16 USC §§836, 836a).

XIII. Venue

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction for adjudication of any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement.

XIV. Successors and Assigns; Resale of Hydropower

A. The Customer may not assign or otherwise transfer an interest in this Agreement.

B. The Customer may not resell or allow any other person to use any quantity of EP and/or RP it has purchased from the Authority under this Agreement.

C. Electric Service sold to the Customer pursuant to this Agreement may only be used by the Customer at the Facility specified in Schedule A.

XV. Previous Agreements and Communications

A. This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the subject matter hereof, and supersedes all prior negotiations, representations, warranties, commitments, offers, contracts and writings, written or oral, with respect to the subject matter hereof.

B. Except as otherwise provided in this Agreement, no modification of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

XVI. Severability and Voidability

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

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

XVII. Waiver

A. Any waiver at any time by either the Authority or the Customer of their rights with respect to a default or of any other matter arising out of this Agreement shall not be deemed to be a waiver with respect to any other default or matter.

B. No waiver by either Party of any rights with respect to any matter arising in connection with this Agreement shall be effective unless made in writing and signed by the Party making the waiver.

XVIII. Execution

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall

not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

ROYAL PLASTICS USA, LLC

By: _____

Title: _____

Date: _____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____
John R. Koelmel, Chairman

Date: _____

SCHEDULE A TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER TO CUSTOMER

EXPANSION POWER AND/OR REPLACEMENT POWER ALLOCATIONS

Customer: Royal Plastics USA, LLC

Type of Allocation	Allocation Amount (kW)	Facility	Trustee Approval Date	Expiration Date
Replacement Power	600 kW	930 Bailey Avenue Buffalo, NY 14206	July 29, 2014	Seven (7) years from commencement of Electric Service of any portion of this Allocation.

SCHEDULE B TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/ OR REPLACEMENT POWER TO CUSTOMER

EXPANSION POWER AND/OR REPLACEMENT POWER COMMITMENTS

I. Employment Commitments

A. Employment Levels

The provision of EP and/or RP to the Customer hereunder is in consideration of, among other things, the Customer's creation and/or maintenance of the employment level set forth in the Appendix of this Schedule (the "Base Employment Level"). Such Base Employment Level shall be the total number of full-time positions held by: (1) individuals who are employed by the Customer at Customer's Facility identified in the Appendix to this Schedule, and (2) individuals who are contractors or who are employed by contractors of the Customer and assigned to the Facility identified in such Appendix (collectively, "Base Level Employees"). The number of Base Level Employees shall not include individuals employed on a part-time basis (less than 35 hours per week); provided, however, that two individuals each working 20 hours per week or more at such Facility shall be counted as one Base Level Employee.

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

The Authority may consider a request to change the Base Employment Level based on a claim of increased productivity, increased efficiency or adoption of new technologies or for other appropriate reasons as determined by the Authority. Any such change shall be within Authority's sole discretion.

B. Employment Records and Reports

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Base Level Employees who are employed at or assigned to the Customer's Facility identified in the Appendix to this Schedule, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify the individuals who are employed by the Customer, and the individuals who are contractors or who are employed by contractors of the Customer, and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice

all non-confidential written and electronic records and data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

II. Reductions of Contract Demand

A. Employment Levels

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

B. Power Utilization Levels

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the Facility receiving the power covered by the Agreement. If the average of the Customer's six (6) highest Billing Demands (as such term is described in Service Tariff No. WNY-1) for Expansion Power and/or Replacement Power is less than 90% of the Customer's Contract Demand in such calendar year the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest Billing Demands for in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

C. Capital Investment

The Customer agrees to undertake the capital investment set forth in the Appendix to this Schedule.

Notwithstanding any other provision of the Agreement, the Customer shall provide the Authority with such access to the Facility, and such documentation, as the Authority deems necessary to determine the Customer's compliance with the Customer's obligations provided for in this Schedule B.

D. Notice of Intent to Reduce Contract Demand

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced pursuant to this Schedule , the Authority shall provide the Customer with at least thirty (30) days prior written notice of such reduction, specifying the amount of the reduction of Contract Demand and the reason for the reduction, provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or Facility upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

III. Energy Efficiency Audits; Information Requests

Unless otherwise agreed to by the Authority in writing, the Customer shall undergo an energy efficiency audit of its Facility and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement but in any event not less than once every five years. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the Facility.

The Customer agrees to cooperate to make its Facility available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.

APPENDIX TO SCHEDULE B

BASE EMPLOYMENT LEVEL

Within three (3) years of commencement of Electric Service, the Customer shall employ at least fifty-five (55) full-time employees ("Base Employment Level") at the Customer's Facility. The Base Employment Level shall be maintained thereafter for the term of the Allocation in accordance with Article I of Schedule B.

CAPITAL INVESTMENT

The Customer shall make a total capital investment of at least $3,725,000 to renovate and furnish the Facility (the "Capital Investment"). The Capital Investment for the Facility is expected to consist of the following specific expenditures:

Building Renovations:	$1,225,000
Machinery:	$2,500,000
Total Capital Investment:	**$3,725,000**

The Capital Investment shall be made, and the Facility shall be completed and fully operational, no later than July 29, 2017 (*i.e.*, within three (3) years of the date of the Authority's award of the Allocation). Upon request of the Customer, such date may be extended in the sole discretion of the Authority.

SCHEDULE C TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER TO CUSTOMER

TAKEDOWN SCHEDULE

N/A

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

Schedule of Rates for Sale of Firm Power to Expansion and Replacement Customers located In Western New York

Service Tariff No. WNY-1

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Schedule of Rates for Firm Power Service

I. Applicability

To sales of Expansion Power and/or Replacement Power (as defined below) directly to a qualified business Customer (as defined below) for firm power service.

II. Abbreviations and Terms

- kW — kilowatt(s)
- kW-mo. — kilowatt-month
- kWh — kilowatt-hour(s)
- MWh — megawatt-hour(s)
- NYISO — New York Independent System Operator, Inc. or any successor organization
- PAL — New York Public Authorities Law
- OATT — Open Access Transmission Tariff

Agreement: An executed "Agreement for the Sale of Expansion and/or Replacement Power and Energy" between the Authority and the Customer (each as defined below).

Annual Adjustment Factor or **AAF**: This term shall have the meaning set forth in Section V herein.

Authority: The Power Authority of the State of New York, a corporate municipal instrumentality and a political subdivision of the State of New York created pursuant to Chapter 772 of the New York Laws of 1931 and existing and operating under Title 1 of Article 5 of the PAL, also known as the "New York Power Authority."

Customer: A business customer who has received an allocation for Expansion Power and/or Replacement Power from the Authority and who purchases Expansion Power and/or Replacement Power directly from the Authority.

Electric Service: The power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

Expansion Power and/or **Replacement Power**: Firm Power and Firm Energy made available under this Service Tariff by the Authority from the Project for sale to the Customer for business purposes pursuant to PAL § 1005(5) and (13).

Firm Power: Capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the Agreement between the Authority and the Customer and this Service Tariff. Firm Power shall not include peaking power.

Firm Energy: Energy (kWh) associated with Firm Power.

Load Serving Entity or **LSE**: This term shall have the meaning set forth in the Agreement.

Load Split Methodology or **LSM**: A load split methodology applicable to a Customer's allocation. It is usually provided for in an agreement between the Authority and the Customer's local electric utility, an agreement between the Authority and the Customer, or an agreement between the Authority, the Customer and the Customer's local electric utility, or such local utility's tariff, regarding the delivery of WNY Firm Power. The load split methodology is often designated as "Load Factor Sharing" or "LFS" , "First through the Meter" or "FTM", "First through the Meter Modified" or "FTM Modified", or "Replacement Power 2" or "RP 2".

Project: The Authority's Niagara Power Project, FERC Project No. 2216.

Rate Year or **RY**: The period from July 1 through June 30 starting July 1, 2013, and for any year thereafter.

Rules: The Authority's rules and regulations set forth in 21 NYCRR § 450 *et seq*., as they may be amended from time to time.

Service Tariff: This Service Tariff No. WNY-1.

Target Rate: This term shall have the meaning set forth in Section III herein.

All other capitalized terms and abbreviations used but not defined herein shall have the same meaning as set forth in the Agreement.

III. Monthly Rates and Charges

A. Expansion Power (EP) and Replacement Power (RP) Base Rates

Beginning on July 1, 2013, there will be a 3-year phase-in to new base rates. The phase-in will be determined by the rate differential between the 2012 EP/RP rates and a "Target Rate." The Target Rate, specified in Section III.A.1. below, is based on the rates determined by the Authority to be applicable in RY 2013 for sales of "preservation power" as that term is defined in PAL § 1005(13). The following Sections III.A.1-4 describe the calculation and implementation of the phase-in.

1. The initial rate point will be established by the EP/RP rates ($/kW and $/MWh), determined by mid-April 2012 and made effective on May 1, 2012 in accordance with the Authority's then-applicable EP and RP tariffs. The Target Rate (*i.e.* demand and energy rates) for RY 2013 shall be $7.99/kW and $13.66/MWh.

2. The difference between the two rate points is calculated and divided by 3 to correspond with the number of Rate Years over which the phase-in will occur. The resulting quotients (in $/kW and $/MWh) are referred to as the "annual increment."

3. The annual increment will be applied to the base rates for the 3-year period of the 2013, 2014 and 2015 Rate Years, which shall be as follows:

   RY 2013: July 1, 2013 to June 30, 2014
   RY 2014: July 1, 2014 to June 30, 2015
   RY 2015: July 1, 2015 to June 30, 2016

   The annual rate adjustments normally made effective on May 1, 2013 under then-applicable EP and RP tariffs will be suspended, such that demand and energy rates established in 2012 shall be extended through June 30, 2013.

4. Effective commencing in RY 2013, the Annual Adjustment Factor ("AAF") described in Section V herein, shall be applied as follows:

   A. For the RY 2013 only, the AAF will be suspended, and the RY 2013 rate increase will be subject only to the annual increment.

   B. For the RYs 2014 and 2015, the AAF will be applied to the demand and energy rates after the addition of the annual increment to the rates of the previous RY rates. Such AAF will be subject to the terms and limits stated in Section V herein.

   C. Beginning in RY 2016, the AAF will be applied to the previous RY rates, and the annual increment is no longer applicable.

B. EP and RP Rates no Lower than Rural/Domestic Rate

At all times the applicable base rates for demand and energy determined in accordance with Sections III.A and V of this Service Tariff shall be no lower than the rates charged by the

Authority for the sale of hydroelectricity for the benefit of rural and domestic customers receiving service in accordance with the Niagara Redevelopment Act, 16 U.S.C. § 836(b)(1) and PAL § 1005(5) (the "Rural/Domestic Rate"). This provision shall be implemented as follows: if the base rates, as determined in accordance with Sections III.A and V of this Service Tariff, are lower than the Rural/Domestic Rate on an average $/MWh basis, each set of rates measured at 80% load factor which is generally regarded as representative for EP and RP Customers, then the base rates determined under Sections III.A and V of this Service Tariff will be revised to make them equal to the Rural/Domestic Rate on an average $/MWh basis. However, the base rates as so revised will have no effect until such time as these base rates are lower than the Rural/Domestic Rate.

C. Monthly Base Rates Exclude Delivery Service Charges

The monthly base rates set forth in this Section III exclude any applicable costs for delivery services provided by the local electric utility.

D. Minimum Monthly Charge

The minimum monthly charge shall equal the product of the demand charge and the contract demand (as defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges or Taxes (each as defined herein) incurred by the Authority with respect to the Customer's Allocation.

E. Estimated Billing

If the Authority, in its sole discretion, determines that it lacks reliable data on the Customer's actual demand and/or energy usage for a Billing Period during which the Customer receives Electric Service from the Authority, the Authority shall have the right to render a bill to the Customer for such Billing Period based on estimated demand and estimated usage ("Estimated Bill").

For the purpose of calculating a Billing Demand charge for an Estimated Bill, the demand charge will be calculated based on the Customer's Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated demand (kW) will be calculated based on an average of the Customer's Billing Demand (kW) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated demand (kW) value for the Estimated Bill will equal the Customer's Takedown (kW) amount.

- For Customers whose allocation is subject to a First through the Meter/ FTM, FTM Modified, or RP 2 LSM, the estimated demand (kW) value will equal the Customer's Takedown (kW) amount.

For the purpose of calculating a Billing Energy charge for an Estimated Bill, the energy charge will be calculated based on the Customer's Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated energy (kWh) will be based on the average of the Customer's Billing Energy (kWh) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated energy value (kWh) will be equal to the Takedown (kW) amount at 70 percent load factor for that Billing Period.

- For Customers whose allocation is subject to a First through the Meter/FTM, FTM Modified, or RP 2 LSM, the estimated energy (kWh) will be equal to the Takedown (kW) amount at 100 percent load factor for that Billing Period.

If data indicating the Customer's actual demand and usage for any Billing Period in which an Estimated Bill was rendered is subsequently provided to the Authority, the Authority will make necessary adjustments to the corresponding Estimated Bill and, as appropriate, render a revised bill (or provide a credit) to the Customer.

The Minimum Monthly Charge provisions of Section III B.D. shall apply to Estimated Bills.

The Authority's discretion to render Estimated Bills is not intended to limit the Authority's rights under the Agreement.

F. <u>Adjustments to Charges</u>

In addition to any other adjustments provided for in this Service Tariff, in any Billing Period, the Authority may make appropriate adjustments to billings and charges to address such matters as billing and payment errors, the receipt of actual, additional, or corrected data concerning Customer energy or demand usage.

G. <u>Billing Period</u>

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

H. <u>Billing Demand</u>

The billing demand shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

I. <u>Billing Energy</u>

The billing energy shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

J. <u>Contract Demand</u>

The contract demand of each Customer will be the amount of Expansion Power and/or Replacement Power, not to exceed their Allocation, provided to such Customer by the Authority in accordance with the Agreement.

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

1. Subject to Section IV.B.2, the Authority shall provide to the Customer in any billing period Firm Energy associated with Firm Power. The offer of Firm Energy for delivery shall fulfill the Authority's obligations for purposes of this provision whether or not the Firm Energy is taken by the Customer.

2. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of NYPA's Firm Power customers served from the Hydro Projects, hydropower curtailments (*i.e.* reductions) in the amount of Firm Power and Energy to which the Customer is entitled shall be applied on a *pro rata* basis to all Firm Power and Energy customers served from the Hydro Projects. Reductions as a percentage of the otherwise required Firm Power and Energy sales will be the same for all Firm Power and Energy customers served from the Hydro Projects. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Customer in later billing periods. The Customer will receive appropriate bill credits as provided under the Rules.

C. Delivery

For the purpose of this Service Tariff, Firm Power and Firm Energy shall be deemed to be offered when the Authority is able to supply Firm Power and Firm Energy to the Authority's designated NYISO load bus. If, despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Adjustment of Rates

To the extent not inconsistent with the Agreement, the rates contained in this Service Tariff may be revised from time to time on not less than thirty (30) days written notice to the Customer.

E. Billing Methodology and Billing

Unless otherwise specified in the Agreement, the following provisions shall apply:

1. The billing methodology to be used to render bills to the Customer related to its Allocation shall be determined in accordance with the Agreement and delivery agreement between the Authority and, as applicable, the Customer or local electric utility or both.

2. Billing Demand –The Billing Demand charged by the Authority to each Customer will be the highest 15 or 30-minute integrated demand, as determined by the local utility, during each Billing Period recorded on the Customer's meter multiplied by a percentage based on the Load Split Methodology provided for in any contract between the Authority and the Customer's local electric utility, any contract between the Authority and the Customer, or any contract between the Authority, the Customer and the Customer's local electric utility for delivery of WNY Power. Billing Demand may not exceed the amount of the Contract Demand.

3. Billing Energy –The kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer's meter for the Billing Period multiplied by a percentage based on the methodology provided for in any contract between the Authority and the Customer's local electric utility for delivery of WNY Power.

F. <u>Payment by Customer to Authority</u>

1. <u>Demand and Energy Charges, Taxes</u>

   The Customer shall pay the Authority for Firm Power and Energy during any billing period the higher of either (i) the sum of (a), (b) and (c) below or (ii) the monthly minimum charge as defined herein:

   a. The demand charge per kilowatt for Firm Power specified in this Service Tariff or any modification thereof applied to the Customer's billing demand (as defined in Section IV.E, above) for the billing period; and

   b. The energy charge per MWh for Firm Energy specified in this Service Tariff or any modification thereof applied to the Customer's billing energy (as defined in Section IV.E, above) for the billing period; and

   c. A charge representing reimbursement to the Authority for all applicable Taxes incurred by the Authority as a result of providing Expansion Power and/or Replacement Power allocated to the Customer.

2. <u>Transmission Charge</u>

   The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the Allocation, including such costs that are charged pursuant to the OATT.

3. <u>NYISO Transmission and Related Charges ("NYISO Charges")</u>

   The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority for services provided by the NYISO pursuant to its OATT or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with providing Electric Service to the Customer:

   A. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;

   B. Marginal losses;

C. The New York Power Authority Transmission Adjustment Charge ("NTAC");

D. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;

E. Any and all other charges, assessments, or other amounts associated with deliveries to Customers or otherwise associated with the Authority's responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and

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

The NYISO Charges, if any, incurred by the Authority on behalf of the Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.
The method of billing NYISO charges to the Customer will be based on Authority's discretion.

4. Taxes Defined

Taxes shall be any adjustment as the Authority deems necessary to recover from the Customer any taxes, assessments or any other charges mandated by federal, state or local agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer if and to the extent such taxes, assessments or charges are not recovered by the Authority pursuant to another provision of this Service Tariff.

5. Substitute Energy

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

6. Payment Information

Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by the Authority. In the event that there is a dispute on any items of a bill rendered by the Authority, the Customer shall pay such bill in full. If necessary, any adjustments will be made thereafter.

G. Rendition and Payment of Bills

1. The Authority will render bills to the Customer for Electric Service on or before the tenth (10th) business day of the month for charges due for the previous Billing Period. Bills will reflect the amounts due and owing, and are subject to adjustment as provided for in the Agreement, Service Tariff No. WNY-1 and the Rules. Unless otherwise agreed to by the Authority and the Customer in writing, the Authority shall render bills to the Customer electronically.

2. Payment of bills by the Customer shall be due and payable by the Customer within twenty (20) days of the date the Authority renders the bill.

3. Except as otherwise agreed by the Authority in writing, if the Customer fails to pay any bill when due an interest charge of two percent of the amount unpaid will be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent of the sum unpaid shall be added on the first day of each succeeding Billing Period until the amount due, including interest, is paid in full.

4. If at any time after commencement of Electric Service the Customer fails to make complete payment of any two (2) bills for Electric Service when such bills become due pursuant to Agreement, the Authority shall have the right to require that the Customer deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit will be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. The failure or refusal of the Customer to provide the deposit within thirty (30) days of a request for such deposit will be grounds for the Authority in its sole discretion to suspend Electric Service to the Customer or terminate this Agreement.

H. Adjustment of Charges

1. Distribution Losses

   The Authority will make appropriate adjustments to compensate for distribution losses of the local electric utility.

I. Conflicts

The Authority's Rules shall apply to the Electric Service provided under this Service Tariff. In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern.

J. Customer Resales Prohibited

The Customer may not resell any quantity of Expansion Power and/or Replacement Power.

V. Annual Adjustment Factor

A. Adjustment of Rates

1. The AAF will be based upon a weighted average of three indices described below. For each new Rate Year, the index value for the latest available calendar year ("Index Value for the Measuring Year") will be compared to the index value for the calendar year immediately preceding the latest available calendar year (the Index Value for the Measuring Year -1"). The change for each index will then be multiplied by the indicated weights. As described in detail below, these products are then summed, producing the AAF. The AAF will be multiplied by the base rate for the current Rate Year to produce the base rates for the new Rate Year, subject to a maximum adjustment of ±5.0% ("±5% Collar"). Amounts outside the ±5% Collar shall be referred to as the "Excess."

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

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

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

2. Annual Adjustment Factor Computation Guide

   Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.

   Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the AAF.

   Step 3: Commencing RY 2014, modifications to the AAF will be subject to ±5% Collar, as described below.

   a) When the AAF falls outside the ±5% Collar, the Excess will be carried over to the subsequent RY. If the AAF in the subsequent RY is within the ±5% Collar, the current RY Excess will be added to/subtracted from the subsequent Rate Year's AAF, up to the ±5% Collar.

b) Excesses will continue to accrue without limit and carry over such that they will be added to/subtracted from the AAF in any year where the AAF is within the ±5% Collar.

Step 4: Multiply the current Rate Year base rate by the AAF calculated in Step 2 to determine the new Rate Year base rate.

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

3. The Authority shall provide the Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15th of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.

4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

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

STEP 1

Determine the Index Value for the Measuring Year (MY) and Measuring Year - 1 (MY-1) for Each Index

- Index 1 - Producer Price Index, Industrial Power

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

- Index 2 – EIA Industrial Rate

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

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

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

STEP 2

Determine AAF by Summing the Weighted Indices

Index	Ratio of MY to MY-1	Weight	Weighted Factors
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	0.255
AAF			**1.016**

STEP 3

Apply Collar of ±5.0% to Determine the Maximum/Minimum AAF.

-5.0% < 1.6% < 5.0%; collar does not apply, assuming no cumulative excess.

STEP 4

Apply AAF to Calculate the New Rate Year Base Rate

	Demand $/kW-mo.	Energy $/MWh
Current Rate Year Base Rate	7.56	12.91
New Rate Year Base Rate	7.68	13.12

EXHIBIT B-3

POWER AUTHORITY

OF THE

STATE OF NEW YORK

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

AGREEMENT FOR THE SALE
OF EXPANSION POWER AND/OR REPLACEMENT POWER

TO

BLACKROCK, INC.

The POWER AUTHORITY OF THE STATE OF NEW YORK ("Authority"), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title I of Article V of the New York Public Authorities Law ("PAL"), having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Expansion Power and/or Replacement Power ("Agreement") with Blackrock, Inc. ("Customer"), with offices at 40 East 52nd Street, New York, New York 10022. The Authority and the Customer are from time referred to in this Agreement as "Party" or collectively as "Parties" and agree follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, Federal Energy Regulatory Commission ("FERC") Project No. 2216, known as "Expansion Power" (or "EP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, FERC Project No. 2216, known as "Replacement Power" (or "RP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, EP consists of 250 megawatts ("MW") of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, RP consists of 445 MW of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, the Authority is authorized pursuant to PAL § 1005(13)(a) to award EP and/or RP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant's long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient's facilities are located;

WHEREAS, PAL § 1005(11) provides that the Authority is authorized to "[t]o exercise all the powers necessary or convenient to carry out and effectuate the purposes and provisions of … title [1 of article 5 of the PAL] … and as incidental thereto to . . . sell … electric power, and generally to do any and every thing necessary or convenient to carry out the purposes of … title [1 of article 5 of the PAL] …";

WHEREAS, the Customer applied to the Authority for an allocation of EP and/or RP to support operations at the Facility;

WHEREAS, on July 31, 2012, the Authority's Board of Trustees ("Trustees") approved a 2,000 kilowatt ("kW") allocation of EP to the Customer for a seven(7) year term in connection with the construction and operation of the Facility (defined in Section I of this Agreement as the "Allocation") as further described in this Agreement;

WHEREAS, on July 31, 2012, the Trustees authorized the Authority to, among other things, take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate its approval of the Allocation;

WHEREAS, the provision of Electric Service associated with the Allocation is an unbundled service separate from the transmission and delivery of power and energy to the Customer, and delivery service will be performed by the Customer's local electric utility in accordance with the Utility Tariff;

WHEREAS, the Parties have reached an agreement on the sale of the Allocation to the Customer on the terms and conditions provided for in this Agreement;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for contracts negotiated by the Authority; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3).

NOW THEREFORE, in consideration of the mutual covenants herein, the Authority and the Customer agree as follows:

NOW THEREFORE, the Parties hereto agree as follows:

I. Definitions

A. **Agreement** means this Agreement.

B. **Allocation** refers to the allocation of EP and/or RP awarded to the Customer as specified in Schedule A.

C. **Contract Demand** is as defined in Service Tariff No. WNY-1.

D. **Electric Service** is the Firm Power and Firm Energy associated with the Allocation and sold by the Authority to the Customer in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules.

E. **Expansion Power** (or **EP**) is 250 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

F. **Facility** means the Customer's facilities as further described in this Agreement.

G. **Firm Power** is as defined in Service Tariff No. WNY-1.

H. **Firm Energy** is as defined in Service Tariff No. WNY-1.

I. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).

J. **FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which became effective September 1, 2007 after expiration of the Project's original license which became effective in 1957.

K. **Hydro Projects** is a collective reference to the Project and the Authority's St. Lawrence-FDR Project, FERC Project No. 2000.

L. **Load Serving Entity (or LSE)** means an entity designated by a retail electricity customer (including the Customer) to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.

M. **NYISO** means the New York Independent System Operator or any successor organization.

N. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.

O. **Project** means the Niagara Power Project, FERC Project No. 2216.

P. **Replacement Power (or RP)** is 445 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

Q. **Rules** are the applicable provisions of Authority's rules and regulations (Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by the Authority.

R. **Service Tariff No. WNY-1** means the Authority's Service Tariff No. WNY-1, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement.

S. **Schedule A** refers to the Schedule A entitled "Expansion Power and/or Replacement Power Allocations" which is attached to and made part of this Agreement.

T. **Schedule B** refers to the Schedule B entitled "Expansion Power and/or Replacement Commitments" which is attached to and made part of this Agreement.

U. **Schedule C** refers to the Schedule C entitled "Takedown Schedule" which is attached to and made part of this Agreement.

V. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectricity that would otherwise have been supplied to the Customer under this Agreement. Unless otherwise agreed upon by the Parties, Substitute

Energy refers to energy purchased by the Authority for the Customer from markets administered by the NYISO.

W. **Taxes** is as defined in Service Tariff No. WNY-1

X. **Unforced Capacity (or "UCAP")** means the electric capacity required to be provided by LSEs to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

Y. **Utility Tariff** means the retail tariff(s) of the Customer's local electric utility filed and approved by the PSC applicable to the delivery of EP and/or RP.

II. Electric Service

A. The Authority shall make available Electric Service to enable the Customer to receive the Allocation in accordance with this Agreement, Service Tariff No. WNY-1and the Rules. The Customer shall not be entitled to receive Electric Service under this Agreement for any EP and/or RP allocation unless such EP and/or RP allocation is identified on Schedule A.

B. The Authority will provide, and the Customer shall pay for, Electric Service with respect to the Allocation specified on Schedule A. If Schedule C specifies a Takedown Schedule for the Allocation, the Authority will provide, and the Customer shall take and pay for, Electric Service with respect to the Allocation in accordance with such Takedown Schedule.

C. The Authority shall provide UCAP in amounts necessary to meet the Customer's NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs. The Customer shall be responsible to pay the Authority for such UCAP in accordance with Service Tariff No. WNY-1.

D. The Customer acknowledges and agrees that Customer's local electric utility shall be responsible for delivering the Allocation to the Facility specified in Schedule A, and that the Authority has no responsibility for delivering the Allocation to the Customer.

E. The Contract Demand for the Customer's Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as EP or RP from the Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. Any such modification will be made on a pro rata basis to all EP and RP customers, as applicable, based on the terms of such ruling, order, or decision.

F. The Contract Demand may not exceed the Allocation.

III. Rates, Terms and Conditions

A. Electric Service shall be sold to the Customer based on the rates, terms and conditions provided for in this Agreement, Service Tariff No. WNY-1 and the Rules.

B. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates for Electric Service shall be subject to increase by Authority at any time upon 30 days prior written notice to Customer if, after consideration by Authority of its legal obligations, the marketability of the output or use of the Project and Authority's competitive position with respect to other suppliers, Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in Authority's bond and note resolutions and covenants with the holders of its financial obligations. Authority shall use its best efforts to inform Customer at the earliest practicable date of its intent to increase the power and energy rates pursuant to this provision. Any rate increase to Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers after giving consideration to the factors set forth in the first sentence of this subsection. With respect to any such increase, Authority shall forward to Customer with the notice of increase, an explanation of all reasons for the increase, and shall also identify the sources from which Authority will obtain the total of increased revenues and the bases upon which Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

IV. Expansion Power and/or Replacement Power Commitments

A. Schedule B sets forth the Customer's specific "Expansion Power and/or Replacement Power Commitments." The commitments agreed to in Schedule B are in addition to any other rights and obligations of the Parties provided for in the Agreement.

B. The Authority's obligation to provide Electric Service under this Agreement, and the Customer's obligation to take and pay for such Electric Service, are expressly conditioned upon the Customer's timely completion of the commitments described in Schedule B.

C. In the event of partial completion of the Facility and/or the committed improvements thereto which has resulted in such Facility and/or such improvements being partly operational and the partial attainment of the Base Employment Level, the Authority may, upon the Customer's request, provide Electric Service to the Customer in an amount determined by the Authority to fairly correspond to the completed portion of the Facility and/or the committed improvements thereto, provided that the Customer demonstrates that the amount of requested Electric Service is needed to support the operations of the partially completed Facility and/or such improvements.

D. The Customer shall give the Authority not less than ninety (90) days' advance notice in writing of the anticipated date of partial or full completion of the Facility and/or the committed improvements thereto. The Authority will inspect the Facility for the purpose of verifying the completion status of the Facility and/or such improvements and notify Customer of the results of the inspection. The Authority will thereafter commence Electric

Service within a reasonable time after verification based on applicable operating procedures of the Authority, the Customer's local electric utility and the NYISO.

E. In the event the Customer fails to complete the Facility and/or the committed improvements thereto by July 31, 2015, the Allocation, at the option and discretion of the Authority, may be canceled or reduced by the total amount of kilowatts determined by the Authority to fairly correspond to the uncompleted portion of the Facility and/or such improvements, provided that in such event, and upon request of the Customer, such date may be extended by the Authority in its sole discretion.

V. Rules and Service Tariff

Service Tariff No. WNY-1, as may be modified or superseded from time to time by the Authority, is hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts, or differences between the provisions of Service Tariff No. WNY-1 and the Rules, the provisions of Service Tariff No. WNY-1 shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and Service Tariff No. WNY-1, the provisions of this Agreement shall govern.

VI. Transmission and Delivery of Firm Power and Firm Energy; Responsibility for Charges

A. The Customer shall be responsible complying with all requirements of its local electric utility that are necessary to enable the Customer to receive delivery service for the Allocation. Delivery of the Allocation shall be subject to the Utility Tariff.

B. The Customer shall be solely responsible for paying its local electric utility for delivery service associated with the Allocation in accordance with the Utility Tariff. Should the Authority incur any charges associated with such delivery service, the Customer shall reimburse the Authority for all such charges.

C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the LSE with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf. The Customer agrees and understands that it shall be responsible to the Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO Tariff, or other applicable tariff ("NYISO Charges"), as set forth in Service Tariff No. WNY-1 or any successor service tariff, regardless of whether such NYISO Charges are transmission-related. Such NYISO Charges shall be in addition to the charges for power and energy.

D. By entering into this Agreement, the Customer consents to the exchange of information between the Authority and the Customer's local electric utility pertaining to the Customer that the Authority and the local electric utility determine is necessary to provide for the Allocation, sale and delivery of EP and/or RP to the Customer, the proper and efficient implementation of the EP and/or RP programs, billing related to EP and/or RP, and/or the performance of such parties' obligations under any contracts or other arrangements

between them relating to such matters.

E. The provision of Electric Service by the Authority shall be dependent upon the existence of a written agreement or other form of understanding between the Authority and the Customer's local electric utility on terms and conditions that are acceptable to the Authority.

F. The Customer understands and acknowledges that the Authority may from time to time require the Customer to complete forms, provide documentation, execute consents and provide other information (collectively, "Information") which the Authority determines is necessary for the provision of Electric Service, the delivery of EP and/or RP, billing related to the EP and/or RP program, the effective and proper administration of the EP and/or RP program, and/or the performance of contracts or other arrangements between the Authority and the Customer's local electric utility. The Customer's failure to provide such Information shall be grounds for the Authority in its sole discretion to withhold or suspend Electric Service to the Customer.

VII. Billing and Billing Methodology

A. The billing methodology for the Allocation shall be determined on a "load factor sharing" basis in a manner consistent with the Utility Tariff and any agreement between the Authority and the Customer's local electric utility. An alternative basis for billing may be used provided the Parties agree in writing and the local electric utility provides its consent if such consent is deemed necessary.

B. The Authority will render bills by the 10th business day of the month for charges due for the previous month. Such bills shall include charges for Electric Service, NYISO Charges associated with the Allocation (subject to adjustment consistent with any later NYISO re-billings to the Authority), and other applicable charges.

C. The Authority may render bills to the Customer electronically.

D. The Authority and the Customer may agree in writing to an alternative method for the rendering of bills and for the payment of bills, including but not limited to the use of an Authority-established customer self-service web portal.

E. The Authority will charge and collect from the Customer all Taxes (including local, state and federal taxes) the Authority determines are applicable, unless the Customer furnishes the Authority with proof satisfactory to the Authority that (i) the Customer is exempt from the payment of any such Taxes, and/or (ii) the Authority is not obligated to collect such Taxes from the Customer. If the Authority is not collecting Taxes from the Customer based on the circumstances described in (i) or (ii) above, the Customer shall immediately inform the Authority of any change in circumstances relating to its tax status that would require the Authority to charge and collect such Taxes from the Customer.

F. Unless otherwise agreed to by the Authority and the Customer in writing, if the Customer fails to pay any bill when due, an interest charge of two percent (2%) of the amount unpaid shall be added thereto as liquidated damages, and thereafter, as further liquidated

damages, an additional interest charge of one and one-half percent (1 1/2%) of the sum unpaid shall be added on the first day of each succeeding billing period until the amount due, including interest, is paid in full.

G. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of any bill rendered by Authority, the Customer shall pay such bill in full within the time provided for by this Agreement, and adjustments, if appropriate, will be made thereafter.

H. If at any time after commencement of Electric Service the Customer fails to make complete and timely payment of any two (2) bills for Electric Service, the Authority shall have the right to require the Customer to deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit shall be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. If the Customer fails or refuses to provide the deposit within thirty (30) days of a request for such deposit, the Authority may, in its sole discretion, suspend Electric Service to the Customer or terminate this Agreement.

I. All other provisions with respect to billing are set forth in Service Tariff No. WNY-1 and the Rules.

J. The rights and remedies provided to the Authority in this Article are in addition to any and all other rights and remedies available to Authority at law or in equity.

VIII. Hydropower Curtailments and Substitute Energy

A. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served by the Authority from the Hydro Projects, curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy associated with the Allocation to which the Customer is entitled shall be applied on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with Service Tariff No. WNY-1 as applicable.

B. The Authority shall provide reasonable notice to Customer of any curtailments referenced in Section VIII.A of this Agreement that could impact Customer's Electric Service under this Agreement. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the Firm Power and Firm Energy that would otherwise have been supplied pursuant to this Agreement.

C. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO charges and taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's Rules

(Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

D. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

IX. Effectiveness, Term and Termination

A. This Agreement shall become effective and legally binding on the Parties upon execution of this Agreement by the Authority and the Customer.

B. Once commenced, Electric Service under the Agreement shall continue until the earliest of: (1) termination by the Customer with respect to its Allocation upon ninety (90) days prior written notice to the Authority; (2) termination by the Authority pursuant to this Agreement, Service Tariff No. WNY-1, or the Rules; or (3) expiration of the Allocation by its own term as specified in Schedule A.

C. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days' notice prior written notice to the Authority. The termination shall be effective commencing with the first billing period as defined in Service Tariff No. WNY-1.

D. The Authority may cancel service under this Agreement or modify the quantities of Firm Power and Firm Energy associated with the Allocation: (1) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency); or (2) as otherwise provided in this Agreement, Service Tariff No. WNY-1, or the Rules.

X. Additional Allocations

A. Upon proper application by the Customer, the Authority may in its discretion award additional allocations of EP or RP to the Customer at such rates and on such terms and conditions as the Authority establishes. If the Customer agrees to purchase Electric Service associated with any such additional allocation, the Authority will (i) incorporate any such additional allocations into Schedule A, or in its discretion will produce a supplemental schedule, to reflect any such additional allocations, and (ii) produce a modified Appendix to Schedule B, as the Authority determines to be appropriate. The Authority will furnish the Customer with any such modified Schedule A, supplemental schedule, and/or a modified Appendix to Schedule B, within a reasonable time after commencement of Electric Service for any such additional allocation.

B. In addition to any requirements imposed by law, the Customer hereby agrees to furnish such documentation and other information as the Authority requests to enable the Authority to evaluate any requests for additional allocations and consider the terms and conditions that should be applicable of any additional allocations.

XI. Notification

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

To: The Authority

New York Power Authority
123 Main Street
White Plains, New York 10601
Email: _____
Facsimile:
Attention: Manager – Business Power Allocations and Compliance

To: The Customer

BlackRock, Inc.
40 East 52nd Street
New York, New York 10022
Email: _____
Facsimile:
Attention: _____

The foregoing notice/notification information pertaining to either Party may be changed by such Party upon notification to the other Party pursuant to Section XI.B of this Agreement.

B. Except where otherwise herein specifically provided, any notice, communication or request required or authorized by this Agreement by either Party to the other shall be deemed properly given: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (2) if sent by a nationally recognized overnight delivery service, two (2) calendar days after being deposited for delivery to the appropriate address set forth above; (3) if delivered by hand, with written confirmation of receipt; (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (5) if sent by electronic mail to the appropriate address as set forth above, with written confirmation of receipt. Either Party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing.

XII. Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License and the Niagara Redevelopment Act (16 USC §§836, 836a).

XIII. Venue

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction for adjudication of any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement.

XIV. Successors and Assigns; Resale of Hydropower

A. The Customer may not assign or otherwise transfer an interest in this Agreement.

B. The Customer may not resell or allow any other person to use any quantity of EP and/or RP it has purchased from the Authority under this Agreement.

C. Electric Service sold to the Customer pursuant to this Agreement may only be used by the Customer at the Facility specified in Schedule A.

XV. Previous Agreements and Communications

A. This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the subject matter hereof, and supersedes all prior negotiations, representations, warranties, commitments, offers, contracts and writings, written or oral, with respect to the subject matter hereof.

B. Except as otherwise provided in this Agreement, no modification of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

XVI. Severability and Voidability

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

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

XVII. Waiver

A. Any waiver at any time by either the Authority or the Customer of their rights with respect to a default or of any other matter arising out of this Agreement shall not be deemed to be a waiver with respect to any other default or matter.

B. No waiver by either Party of any rights with respect to any matter arising in connection with this Agreement shall be effective unless made in writing and signed by the Party making the waiver.

XVIII. Execution

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

BLACKROCK, INC.

By: _____

Title: _____

Date: _____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____
John R. Koelmel, Chairman

Date: _____

SCHEDULE A TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER TO CUSTOMER

EXPANSION POWER AND/OR REPLACEMENT POWER ALLOCATIONS

Customer: BlackRock, Inc.

Type of Allocation	Allocation Amount (kW)	Facility	Trustee Approval Date	Expiration Date
EP	2,000	350 Crosspoint Parkway, Getzville, New York 14086	July 31, 2012	Seven (7) years from commencement of Electric Service of any portion of this Allocation.

SCHEDULE B TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER TO CUSTOMER

EXPANSION POWER AND/OR REPLACEMENT POWER COMMITMENTS

I. Employment Commitments

A. Employment Levels

The provision of EP and/or RP to the Customer hereunder is in consideration of, among other things, the Customer's creation and/or maintenance of the employment level set forth in the Appendix of this Schedule (the "Base Employment Level"). Such Base Employment Level shall be the total number of full-time positions held by: (1) individuals who are employed by the Customer at Customer's Facility identified in the Appendix to this Schedule, and (2) individuals who are contractors or who are employed by contractors of the Customer and assigned to the Facility identified in such Appendix (collectively, "Base Level Employees"). The number of Base Level Employees shall not include individuals employed on a part-time basis (less than 35 hours per week); provided, however, that two individuals each working 20 hours per week or more at such Facility shall be counted as one Base Level Employee.

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

The Authority may consider a request to change the Base Employment Level based on a claim of increased productivity, increased efficiency or adoption of new technologies or for other appropriate reasons as determined by the Authority. Any such change shall be within Authority's sole discretion.

B. Employment Records and Reports

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Base Level Employees who are employed at or assigned to the Customer's Facility identified in the Appendix to this Schedule, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify the individuals who are employed by the Customer, and the individuals who are contractors or who are employed by contractors of the Customer, and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice

all non-confidential written and electronic records and data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

II. Reductions of Contract Demand

A. Employment Levels

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

B. Power Utilization Levels

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the Facility receiving the power covered by the Agreement. If the average of the Customer's six (6) highest Billing Demands (as such term is described in Service Tariff No. WNY-1) for Expansion Power is less than 90% of the Customer's Contract Demand in such calendar year the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest Billing Demands for in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

C. Capital Investment

The Customer agrees to undertake the capital investment set forth in the Appendix to this Schedule.

Notwithstanding any other provision of the Agreement, the Customer shall provide the Authority with such access to the Facility, and such documentation, as the Authority deems necessary to determine the Customer's compliance with the Customer's obligations provided for in this Schedule B.

D. Notice of Intent to Reduce Contract Demand

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced pursuant to this Schedule , the Authority shall provide the Customer with at least thirty (30) days prior written notice of such reduction, specifying the amount of the reduction of Contract Demand and the reason for the reduction, provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or facilities upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

III. Energy Efficiency Audits; Information Requests

Unless otherwise agreed to by the Authority in writing, the Customer shall undergo an energy efficiency audit of its Facility and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement but in any event not less than once every five years. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the Facility.

The Customer agrees to cooperate to make its Facility available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.

APPENDIX TO SCHEDULE B

BASE EMPLOYMENT LEVEL

Within three (3) years of commencement of Electric Service and continuing through the term of the Allocation, the Customer shall employ at least twenty five (25) full-time employees ("Base Employment Level") at the Customer's Facility. The Base Employment Level shall be maintained for the term of the Allocation.

A "full-time employee" shall mean an individual who works at least thirty-five (35) hours per week at the Facility. For the purpose of calculating the Base Employment Level, an individual working less than thirty-five (35) hours per week shall not be counted as a full-time employee; provided, however, that two individuals each working at least twenty (20) hours per week but less than thirty-five (35) hours per week at the Facility shall be counted as one full-time employee.

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

CAPITAL INVESTMENT

The Customer shall build the Facility and/or make the committed improvements at the Facility as described in this Appendix, and make a capital investment of at least $37.5 million (the "Capital Investment"). The Capital Investment for the Facility and/or such improvements is expected to consist of the following specific expenditures:

Phase 1 - Switchgear, Generators, Transformer, UPS:	$2,500,000
Phase 1 – (5) 140 Ton Evaporative Cooling Units:	$2,000,000
Phase 1 – IT Equipment:	$20,000,000
Phase 2 - Switchgear, UPS:	$2,000,000
Phase 2 – (2) 140 Ton Evaporative Cooling Units:	$1,000,000
Phase 2 – IT Equipment:	$10,000,000
Total Capital Investment:	**$37,500,000**

The Capital Investment shall be made, and the Facility and/or the improvements thereto shall be completed and fully operational, no later than July 31, 2015 (*i.e.*, within three (3) years of the Authority's award of the Allocation). Upon request of the Customer, such date may be extended by the Authority in its sole discretion.

SCHEDULE C TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMNET POWER TO CUSTOMER

TAKEDOWN SCHEDULE

N/A

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

Schedule of Rates for Sale of Firm Power to Expansion and Replacement Customers located In Western New York

Service Tariff No. WNY-1

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Schedule of Rates for Firm Power Service

I. Applicability

To sales of Expansion Power and/or Replacement Power (as defined below) directly to a qualified business Customer (as defined below) for firm power service.

II. Abbreviations and Terms

- kW — kilowatt(s)
- kW-mo. — kilowatt-month
- kWh — kilowatt-hour(s)
- MWh — megawatt-hour(s)
- NYISO — New York Independent System Operator, Inc. or any successor organization
- PAL — New York Public Authorities Law
- OATT — Open Access Transmission Tariff

Agreement: An executed "Agreement for the Sale of Expansion and/or Replacement Power and Energy" between the Authority and the Customer (each as defined below).

Annual Adjustment Factor or **AAF**: This term shall have the meaning set forth in Section V herein.

Authority: The Power Authority of the State of New York, a corporate municipal instrumentality and a political subdivision of the State of New York created pursuant to Chapter 772 of the New York Laws of 1931 and existing and operating under Title 1 of Article 5 of the PAL, also known as the "New York Power Authority."

Customer: A business customer who has received an allocation for Expansion Power and/or Replacement Power from the Authority and who purchases Expansion Power and/or Replacement Power directly from the Authority.

Electric Service: The power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

Expansion Power and/or **Replacement Power**: Firm Power and Firm Energy made available under this Service Tariff by the Authority from the Project for sale to the Customer for business purposes pursuant to PAL § 1005(5) and (13).

Firm Power: Capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the Agreement between the Authority and the Customer and this Service Tariff. Firm Power shall not include peaking power.

Firm Energy: Energy (kWh) associated with Firm Power.

Load Serving Entity or **LSE**: This term shall have the meaning set forth in the Agreement.

Load Split Methodology or **LSM**: A load split methodology applicable to a Customer's allocation. It is usually provided for in an agreement between the Authority and the Customer's local electric utility, an agreement between the Authority and the Customer, or an agreement between the Authority, the Customer and the Customer's local electric utility, or such local utility's tariff, regarding the delivery of WNY Firm Power. The load split methodology is often designated as "Load Factor Sharing" or "LFS" , "First through the Meter" or "FTM", "First through the Meter Modified" or "FTM Modified", or "Replacement Power 2" or "RP 2".

Project: The Authority's Niagara Power Project, FERC Project No. 2216.

Rate Year or **RY**: The period from July 1 through June 30 starting July 1, 2013, and for any year thereafter.

Rules: The Authority's rules and regulations set forth in 21 NYCRR § 450 *et seq*., as they may be amended from time to time.

Service Tariff: This Service Tariff No. WNY-1.

Target Rate: This term shall have the meaning set forth in Section III herein.

All other capitalized terms and abbreviations used but not defined herein shall have the same meaning as set forth in the Agreement.

III. Monthly Rates and Charges

A. Expansion Power (EP) and Replacement Power (RP) Base Rates

Beginning on July 1, 2013, there will be a 3-year phase-in to new base rates. The phase-in will be determined by the rate differential between the 2012 EP/RP rates and a "Target Rate." The Target Rate, specified in Section III.A.1. below, is based on the rates determined by the Authority to be applicable in RY 2013 for sales of "preservation power" as that term is defined in PAL § 1005(13). The following Sections III.A.1-4 describe the calculation and implementation of the phase-in.

1. The initial rate point will be established by the EP/RP rates ($/kW and $/MWh), determined by mid-April 2012 and made effective on May 1, 2012 in accordance with the Authority's then-applicable EP and RP tariffs. The Target Rate (*i.e.* demand and energy rates) for RY 2013 shall be $7.99/kW and $13.66/MWh.

2. The difference between the two rate points is calculated and divided by 3 to correspond with the number of Rate Years over which the phase-in will occur. The resulting quotients (in $/kW and $/MWh) are referred to as the "annual increment."

3. The annual increment will be applied to the base rates for the 3-year period of the 2013, 2014 and 2015 Rate Years, which shall be as follows:

   RY 2013: July 1, 2013 to June 30, 2014
   RY 2014: July 1, 2014 to June 30, 2015
   RY 2015: July 1, 2015 to June 30, 2016

   The annual rate adjustments normally made effective on May 1, 2013 under then-applicable EP and RP tariffs will be suspended, such that demand and energy rates established in 2012 shall be extended through June 30, 2013.

4. Effective commencing in RY 2013, the Annual Adjustment Factor ("AAF") described in Section V herein, shall be applied as follows:

   A. For the RY 2013 only, the AAF will be suspended, and the RY 2013 rate increase will be subject only to the annual increment.

   B. For the RYs 2014 and 2015, the AAF will be applied to the demand and energy rates after the addition of the annual increment to the rates of the previous RY rates. Such AAF will be subject to the terms and limits stated in Section V herein.

   C. Beginning in RY 2016, the AAF will be applied to the previous RY rates, and the annual increment is no longer applicable.

B. EP and RP Rates no Lower than Rural/Domestic Rate

At all times the applicable base rates for demand and energy determined in accordance with Sections III.A and V of this Service Tariff shall be no lower than the rates charged by the

Authority for the sale of hydroelectricity for the benefit of rural and domestic customers receiving service in accordance with the Niagara Redevelopment Act, 16 U.S.C. § 836(b)(1) and PAL § 1005(5) (the "Rural/Domestic Rate"). This provision shall be implemented as follows: if the base rates, as determined in accordance with Sections III.A and V of this Service Tariff, are lower than the Rural/Domestic Rate on an average $/MWh basis, each set of rates measured at 80% load factor which is generally regarded as representative for EP and RP Customers, then the base rates determined under Sections III.A and V of this Service Tariff will be revised to make them equal to the Rural/Domestic Rate on an average $/MWh basis. However, the base rates as so revised will have no effect until such time as these base rates are lower than the Rural/Domestic Rate.

C. Monthly Base Rates Exclude Delivery Service Charges

The monthly base rates set forth in this Section III exclude any applicable costs for delivery services provided by the local electric utility.

D. Minimum Monthly Charge

The minimum monthly charge shall equal the product of the demand charge and the contract demand (as defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges or Taxes (each as defined herein) incurred by the Authority with respect to the Customer's Allocation.

E. Estimated Billing

If the Authority, in its sole discretion, determines that it lacks reliable data on the Customer's actual demand and/or energy usage for a Billing Period during which the Customer receives Electric Service from the Authority, the Authority shall have the right to render a bill to the Customer for such Billing Period based on estimated demand and estimated usage ("Estimated Bill").

For the purpose of calculating a Billing Demand charge for an Estimated Bill, the demand charge will be calculated based on the Customer's Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated demand (kW) will be calculated based on an average of the Customer's Billing Demand (kW) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated demand (kW) value for the Estimated Bill will equal the Customer's Takedown (kW) amount.

- For Customers whose allocation is subject to a First through the Meter/ FTM, FTM Modified, or RP 2 LSM, the estimated demand (kW) value will equal the Customer's Takedown (kW) amount.

For the purpose of calculating a Billing Energy charge for an Estimated Bill, the energy charge will be calculated based on the Customer's Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated energy (kWh) will be based on the average of the Customer's Billing Energy (kWh) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated energy value (kWh) will be equal to the Takedown (kW) amount at 70 percent load factor for that Billing Period.

- For Customers whose allocation is subject to a First through the Meter/FTM, FTM Modified, or RP 2 LSM, the estimated energy (kWh) will be equal to the Takedown (kW) amount at 100 percent load factor for that Billing Period.

If data indicating the Customer's actual demand and usage for any Billing Period in which an Estimated Bill was rendered is subsequently provided to the Authority, the Authority will make necessary adjustments to the corresponding Estimated Bill and, as appropriate, render a revised bill (or provide a credit) to the Customer.

The Minimum Monthly Charge provisions of Section III B.D. shall apply to Estimated Bills.

The Authority's discretion to render Estimated Bills is not intended to limit the Authority's rights under the Agreement.

F. <u>Adjustments to Charges</u>

In addition to any other adjustments provided for in this Service Tariff, in any Billing Period, the Authority may make appropriate adjustments to billings and charges to address such matters as billing and payment errors, the receipt of actual, additional, or corrected data concerning Customer energy or demand usage.

G. <u>Billing Period</u>

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

H. <u>Billing Demand</u>

The billing demand shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

I. <u>Billing Energy</u>

The billing energy shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

J. <u>Contract Demand</u>

The contract demand of each Customer will be the amount of Expansion Power and/or Replacement Power, not to exceed their Allocation, provided to such Customer by the Authority in accordance with the Agreement.

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

1. Subject to Section IV.B.2, the Authority shall provide to the Customer in any billing period Firm Energy associated with Firm Power. The offer of Firm Energy for delivery shall fulfill the Authority's obligations for purposes of this provision whether or not the Firm Energy is taken by the Customer.

2. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of NYPA's Firm Power customers served from the Hydro Projects, hydropower curtailments (*i.e.* reductions) in the amount of Firm Power and Energy to which the Customer is entitled shall be applied on a *pro rata* basis to all Firm Power and Energy customers served from the Hydro Projects. Reductions as a percentage of the otherwise required Firm Power and Energy sales will be the same for all Firm Power and Energy customers served from the Hydro Projects. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Customer in later billing periods. The Customer will receive appropriate bill credits as provided under the Rules.

C. Delivery

For the purpose of this Service Tariff, Firm Power and Firm Energy shall be deemed to be offered when the Authority is able to supply Firm Power and Firm Energy to the Authority's designated NYISO load bus. If, despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Adjustment of Rates

To the extent not inconsistent with the Agreement, the rates contained in this Service Tariff may be revised from time to time on not less than thirty (30) days written notice to the Customer.

E. Billing Methodology and Billing

Unless otherwise specified in the Agreement, the following provisions shall apply:

1. The billing methodology to be used to render bills to the Customer related to its Allocation shall be determined in accordance with the Agreement and delivery agreement between the Authority and, as applicable, the Customer or local electric utility or both.

2. Billing Demand –The Billing Demand charged by the Authority to each Customer will be the highest 15 or 30-minute integrated demand, as determined by the local utility, during each Billing Period recorded on the Customer's meter multiplied by a percentage based on the Load Split Methodology provided for in any contract between the Authority and the Customer's local electric utility, any contract between the Authority and the Customer, or any contract between the Authority, the Customer and the Customer's local electric utility for delivery of WNY Power. Billing Demand may not exceed the amount of the Contract Demand.

3. Billing Energy –The kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer's meter for the Billing Period multiplied by a percentage based on the methodology provided for in any contract between the Authority and the Customer's local electric utility for delivery of WNY Power.

F. <u>Payment by Customer to Authority</u>

1. <u>Demand and Energy Charges, Taxes</u>

   The Customer shall pay the Authority for Firm Power and Energy during any billing period the higher of either (i) the sum of (a), (b) and (c) below or (ii) the monthly minimum charge as defined herein:

   a. The demand charge per kilowatt for Firm Power specified in this Service Tariff or any modification thereof applied to the Customer's billing demand (as defined in Section IV.E, above) for the billing period; and

   b. The energy charge per MWh for Firm Energy specified in this Service Tariff or any modification thereof applied to the Customer's billing energy (as defined in Section IV.E, above) for the billing period; and

   c. A charge representing reimbursement to the Authority for all applicable Taxes incurred by the Authority as a result of providing Expansion Power and/or Replacement Power allocated to the Customer.

2. <u>Transmission Charge</u>

   The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the Allocation, including such costs that are charged pursuant to the OATT.

3. <u>NYISO Transmission and Related Charges ("NYISO Charges")</u>

   The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority for services provided by the NYISO pursuant to its OATT or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with providing Electric Service to the Customer:

   A. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;

   B. Marginal losses;

C. The New York Power Authority Transmission Adjustment Charge ("NTAC");

D. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;

E. Any and all other charges, assessments, or other amounts associated with deliveries to Customers or otherwise associated with the Authority's responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and

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

The NYISO Charges, if any, incurred by the Authority on behalf of the Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.
The method of billing NYISO charges to the Customer will be based on Authority's discretion.

4. Taxes Defined

Taxes shall be any adjustment as the Authority deems necessary to recover from the Customer any taxes, assessments or any other charges mandated by federal, state or local agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer if and to the extent such taxes, assessments or charges are not recovered by the Authority pursuant to another provision of this Service Tariff.

5. Substitute Energy

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

6. Payment Information

Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by the Authority. In the event that there is a dispute on any items of a bill rendered by the Authority, the Customer shall pay such bill in full. If necessary, any adjustments will be made thereafter.

G. Rendition and Payment of Bills

1. The Authority will render bills to the Customer for Electric Service on or before the tenth (10th) business day of the month for charges due for the previous Billing Period. Bills will reflect the amounts due and owing, and are subject to adjustment as provided for in the Agreement, Service Tariff No. WNY-1 and the Rules. Unless otherwise agreed to by the Authority and the Customer in writing, the Authority shall render bills to the Customer electronically.

2. Payment of bills by the Customer shall be due and payable by the Customer within twenty (20) days of the date the Authority renders the bill.

3. Except as otherwise agreed by the Authority in writing, if the Customer fails to pay any bill when due an interest charge of two percent of the amount unpaid will be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent of the sum unpaid shall be added on the first day of each succeeding Billing Period until the amount due, including interest, is paid in full.

4. If at any time after commencement of Electric Service the Customer fails to make complete payment of any two (2) bills for Electric Service when such bills become due pursuant to Agreement, the Authority shall have the right to require that the Customer deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit will be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. The failure or refusal of the Customer to provide the deposit within thirty (30) days of a request for such deposit will be grounds for the Authority in its sole discretion to suspend Electric Service to the Customer or terminate this Agreement.

H. Adjustment of Charges

1. Distribution Losses

   The Authority will make appropriate adjustments to compensate for distribution losses of the local electric utility.

I. Conflicts

The Authority's Rules shall apply to the Electric Service provided under this Service Tariff. In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern.

J. Customer Resales Prohibited

The Customer may not resell any quantity of Expansion Power and/or Replacement Power.

V. Annual Adjustment Factor

A. Adjustment of Rates

1. The AAF will be based upon a weighted average of three indices described below. For each new Rate Year, the index value for the latest available calendar year ("Index Value for the Measuring Year") will be compared to the index value for the calendar year immediately preceding the latest available calendar year (the Index Value for the Measuring Year -1"). The change for each index will then be multiplied by the indicated weights. As described in detail below, these products are then summed, producing the AAF. The AAF will be multiplied by the base rate for the current Rate Year to produce the base rates for the new Rate Year, subject to a maximum adjustment of ±5.0% ("±5% Collar"). Amounts outside the ±5% Collar shall be referred to as the "Excess."

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

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

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

2. Annual Adjustment Factor Computation Guide

   Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.

   Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the AAF.

   Step 3: Commencing RY 2014, modifications to the AAF will be subject to ±5% Collar, as described below.

   a) When the AAF falls outside the ±5% Collar, the Excess will be carried over to the subsequent RY. If the AAF in the subsequent RY is within the ±5% Collar, the current RY Excess will be added to/subtracted from the subsequent Rate Year's AAF, up to the ±5% Collar.

b) Excesses will continue to accrue without limit and carry over such that they will be added to/subtracted from the AAF in any year where the AAF is within the ±5% Collar.

Step 4: Multiply the current Rate Year base rate by the AAF calculated in Step 2 to determine the new Rate Year base rate.

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

3. The Authority shall provide the Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15th of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.

4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

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

STEP 1

Determine the Index Value for the Measuring Year (MY) and Measuring Year - 1 (MY-1) for Each Index

- Index 1 - Producer Price Index, Industrial Power

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

- Index 2 – EIA Industrial Rate

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

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

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

STEP 2

Determine AAF by Summing the Weighted Indices

Index	Ratio of MY to MY-1	Weight	Weighted Factors
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	0.255
AAF			**1.016**

STEP 3

Apply Collar of ±5.0% to Determine the Maximum/Minimum AAF.

-5.0% < 1.6% < 5.0%; collar does not apply, assuming no cumulative excess.

STEP 4

Apply AAF to Calculate the New Rate Year Base Rate

	Demand $/kW-mo.	Energy $/MWh
Current Rate Year Base Rate	7.56	12.91
New Rate Year Base Rate	7.68	13.12

EXHIBIT B-4

POWER AUTHORITY

OF THE

STATE OF NEW YORK

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

AGREEMENT FOR THE SALE OF
PRESERVATION POWER AND ENERGY
to
CORNING INCORPORATED

The Power Authority of the State of New York ("Authority"), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title 1 of Article 5 of the New York Public Authorities Law ("PAL"), having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Preservation Power and Energy ("Agreement") to Corning Incorporated, having facilities at 334 County Road 16, Canton, NY 13617 ("Customer"). The Authority and the Customer are from time to time referred to in this Agreement individually as a "Party" or collectively as the "Parties" and agree as follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the St. Lawrence-FDR Power Project known as Preservation Power (or "PP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, PP consists of 490 megawatts ("MW") of firm hydroelectric power and associated energy produced by the St. Lawrence-FDR Power Project;

WHEREAS, St. Lawrence-FDR Power Project hydroelectric power plays an important role in providing competitively priced power for sale to attract and retain business investment and to promote economic development in New York State;

WHEREAS, the Authority has the authority under PAL § 1005(13)(a) to award allocations of PP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant's long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient's facilities are located;

WHEREAS, the Customer has applied for an allocation of PP for use at facilities located at 334 County Road 16, Canton, NY 13617 (defined in Article I of this Agreement as the "Facility") to be received upon completion of an expansion of the Facility as provided for in the Capital Expansion Program described in this Agreement;

WHEREAS, on July 29, 2014, the Authority's Board of Trustees ("Trustees") approved a 2,100 kilowatt allocation of PP (defined in Article I of this Agreement as the "Allocation") to the Customer for a seven year term, as further described in this Agreement;

WHEREAS, the provision of Electric Service (defined in Article I of this Agreement) associated with the Allocation is an unbundled service separate from the transmission and delivery service necessary for the Customer to receive the Allocation which will be performed by the Customer's local utility company;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for contracts negotiated by the Authority; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3).

NOW THEREFORE, in consideration of the mutual covenants herein, the Authority and the Customer agree as follows:

Article I. Definitions

A. **Agreement** means this Agreement as further described in the preamble, including all documents and other matters attached to and incorporated into the Agreement.

B. **Allocation** refers to the total amount of PP and associated energy set forth in Schedule A to this Agreement awarded to the Customer.

C. **Contract Demand** has the meaning set forth in the Service Tariff.

D. **Electric Service** is Firm Power and Firm Energy associated with the Allocation and sold to the Customer in accordance with the provisions of this Agreement, the Service Tariff, and the Rules.

E. **Energy Efficiency Audit** means a physical inspection of a building in a manner approved by the Authority that should include the following elements: (1) an assessment of a building's energy use, cost and efficiency which produces an energy utilization index for the building (such as an Energy Use Intensity or Energy Performance Indicator); (2) a comparison of the building's index to indices for similar buildings; (3) an analysis of low-cost/no-cost measures for improving energy efficiency; (4) a listing of potential capital improvements for improving energy consumption; and (5) an initial assessment of potential costs and savings from such measures and improvements.

F. **Facility** means the Customer's facility identified in Schedule A.

G. **Firm Energy** has the meaning set forth in the Service Tariff.

H. **Firm Power** has the meaning set forth in the Service Tariff.

I. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).

J. **FERC License** means the license issued by FERC to the Authority for the continued operation and maintenance of the St. Lawrence Project, pursuant to Section 15 of the Federal Power Act, which became effective October 22, 2003 after expiration of the Project's original license issued in 1953.

K. **Hydro Projects** is a collective reference to the Authority's Niagara Project and St. Lawrence-FDR Project.

L. **International Joint Commission** (or **IJC**) refers to the entity with responsibility to prevent and resolve disputes between the United States of America and Canada under the *1909 Boundary Waters Treaty* and pursues the common good of both countries as an independent and objective advisor to the two governments. The IJC rules upon applications for approval of projects affecting boundary or transboundary waters and may regulate the operation of these projects.

M. **Load Serving Entity** (or **LSE**) means an entity designated by a retail electricity customer to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.

N. **NYISO** means the New York Independent System Operator, Inc. or any successor organization.

O. **NYISO Charges** has the meaning set forth in the Service Tariff.

P. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.

Q. **PAL** means the New York Public Authorities Law.

R. **Preservation Power** (or **PP**) has the meaning set forth in the Service Tariff.

S. **Niagara Project** means the Authority's Niagara Power Project, FERC Project No. 2216.

T. **Rules** refers to the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by Authority.

U. **Service Tariff** means the Authority's Service Tariff No. 10, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement.

V. **St. Lawrence Project** means the Authority's St. Lawrence-FDR Power Project, FERC Project No. 2000.

W. **Schedule A** refers to the Schedule A to this Agreement entitled "Preservation Power Allocations" which is attached to and made part of this Agreement.

X. **Schedule B** refers to the Schedule B to this Agreement entitled "Preservation Power Commitments" which is attached to and made part of this Agreement.

Y. **Schedule C** refers to Schedule C to this Agreement entitled "Takedown Schedule" which is attached to and made part of this Agreement.

Z. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectric power that would otherwise have been supplied to the Customer under this Agreement.

AA. **Taxes** have the meaning set forth in the Service Tariff.

BB. **Unforced Capacity** (or **UCAP**) is the electric capacity required to be provided by Load Serving Entities to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

Article II. Electric Service

A. The Authority shall provide Electric Service to the Customer to enable the Customer to receive the Allocation in accordance with this Agreement, the Service Tariff and the Rules. The Customer shall not be entitled to receive Electric Service for any PP Allocation that is not specified in Schedule A.

B. The Authority will provide, and the Customer shall pay for, Electric Service with respect to the Allocation specified on Schedule A. If Schedule C specifies a Takedown Schedule for the Allocation, the Authority will provide, and the Customer shall take and pay for, Electric Service with respect to the Allocation in accordance with such Takedown Schedule.

C. The Authority shall provide UCAP in amounts necessary to meet the Customer's NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs. The Customer shall be responsible to pay the Authority for such UCAP in accordance with the Service Tariff.

D. The Customer acknowledges and agrees that Customer's local electric utility shall be responsible for delivering the Allocation to the Facility specified in Schedule A, and that the Authority has no responsibility for delivering the Allocation to the Customer.

E. The Contract Demand and the Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as PP from the St. Lawrence Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. Any such modification will be made on a pro rata basis to all PP customers, as applicable, based on the terms of such ruling, order, or decision. The Authority will use reasonable efforts to provide at least thirty (30) days prior written notice to the Customer of any such modification unless such notice is inconsistent with such ruling, order or decision.

F. The Contract Demand may not exceed the Allocation.

G. By entering into this Agreement, the Customer consents to the exchange of information between the Authority and the Customer's local electric utility pertaining to the Customer that such parties determine is necessary to provide for the allocation, sale and delivery of PP to the

Customer, the proper and efficient implementation of the PP power program, billing related to PP Power, and/or the performance of such parties' obligations under any contracts or other arrangements between them relating to such matters. In addition, the Customer agrees to complete such forms and consents the Authority determines are necessary to effectuate such exchanges of information.

H. The provision of Electric Service by the Authority shall be dependent upon the existence of a written agreement between the Authority and the Customer's local electric utility providing for the delivery of PP on terms and conditions that are acceptable to the Authority.

I. The Customer understands and acknowledges that the Authority may from time to time require the Customer to complete forms, provide documentation, execute consents and provide other information (collectively, "Information") the Authority determines is necessary for the provision of Electric Service, the delivery of PP, billing related to the PP program, the effective and proper administration of the PP program, and/or the performance of contracts or other arrangements between the Authority and the Customer's local electric utility. The Customer's failure to provide such Information shall be grounds for the Authority in its sole discretion to withhold or suspend Electric Service to the Customer.

Article III. Rates, Terms and Conditions

A. The Authority will provide Electric Service to the Customer based on the rates, terms and conditions established in accordance with this Agreement, the Service Tariff and the Rules.

B. The Service Tariff and the Rules may be amended from time to time by the Authority. The Authority shall provide at least thirty (30) days prior written notice to the Customer of any proposed change in the Service Tariff or the Rules. No subsequent amendment to the Service Tariff or the Rules shall affect the determination of rates for PP to the Customer during the term of the Agreement except insofar as otherwise authorized by this Agreement. This provision shall not limit the Authority's discretion to determine rates applicable to allocations of power and energy awarded to the Customer beyond or in addition to the Allocation.

C. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates shall be subject to increase by the Authority at any time upon 30 days prior written notice to Customer if, after consideration by the Authority of its legal obligations, the marketability of the output or use of the St. Lawrence Project and the Authority's competitive position with respect to other suppliers, the Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in the Authority's bond and note resolutions and covenants with the holders of its financial obligations. The Authority shall use its best efforts to inform the Customer at the earliest practicable date of its intent to increase the power and energy rates pursuant to this provision. Any rate increase to the Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers that are subject to the Service Tariff after giving consideration to the

factors set forth in the first sentence of this subsection. With respect to any such increase, the Authority shall forward to the Customer with the notice of the increase, an explanation of all reasons for the increase, and shall also identify the sources from which the Authority will obtain the total of increased revenues and the bases upon which the Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as the Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

Article IV. Billing and Billing Methodology

A. The billing methodology for the Allocation shall be determined on a "load factor sharing" basis in a manner consistent with the local electric utility's applicable tariffs and any agreement between the Authority and the Customer's local electric utility. An alternative basis for billing may be used provided the Parties agree in writing and the local electric utility provides its consent if such consent is deemed necessary.

B. The Authority shall render bills for power and energy by the tenth (10th) business day of the month for charges due for the previous month. Such bills shall include the NYISO Charges and Taxes (as such terms are defined in the Service Tariff) associated with the Allocation. NYISO Charges and Taxes billed to the Customer are subject to adjustments consistent with any subsequent NYISO re-billings to Authority.

C. The Authority may render bills to the Customer electronically.

D. The Authority and the Customer may agree in writing to an alternative method for the rendering of bills and for the payment of bills, including but not limited to the use of an Authority-established customer self-service web portal.

E. The Authority will charge and collect from the Customer all Taxes (including local, state and federal taxes) the Authority determines are applicable, unless the Customer furnishes the Authority with proof satisfactory to the Authority that (i) the Customer is exempt from the payment of any such Taxes, and/or (ii) the Authority is not obligated to collect such Taxes from the Customer. If the Authority is not collecting Taxes from the Customer based on the circumstances described in (i) or (ii) above, the Customer shall immediately inform the Authority of any change in circumstances relating to its tax status that would require the Authority to charge and collect such Taxes from the Customer.

F. Unless otherwise agreed to by the Authority and the Customer in writing, if the Customer fails to pay any bill when due, an interest charge of two percent (2%) of the amount unpaid shall be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent (1 1/2%) of the sum unpaid shall be added on the first day of each succeeding billing period until the amount due, including interest, is paid in full.

G. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of any bill rendered by Authority, the Customer shall pay such

bill in full within the time provided for by this Agreement, and adjustments, if appropriate, will be made thereafter.

H. If at any time after commencement of Electric Service the Customer fails to make complete and timely payment of any two (2) bills for Electric Service, the Authority shall have the right to require the Customer to deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit shall be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. If the Customer fails or refuses to provide the deposit within thirty (30) days of a request for such deposit, the Authority may, in its sole discretion, suspend Electric Service to the Customer or terminate this Agreement.

I. All other provisions with respect to billing are set forth in the Service Tariff.

J. The rights and remedies provided to the Authority in this Article are in addition to any and all other rights and remedies available to Authority at law or in equity.

Article V. Transmission and Delivery of Power and Energy

A. The Customer shall responsible for securing arrangements with its local utility for transmission and delivery service associated with the Allocation unless otherwise agreed to by the Parties.

B. The Customer will pay its local utility for transmission and delivery service associated with the Allocation in accordance applicable contracts and all applicable tariffs, rulemakings, and orders, in order to deliver to the Customer the Firm Power and Firm Energy supplied by the Authority under this Agreement. To the extent the Authority incurs transmission and delivery service charges or other costs associated with the Allocation during the term of this Agreement, the Customer agrees to compensate the Authority for all such charges and costs incurred.

C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the LSE with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf as may be required under the applicable local utility company tariffs. In no event shall the Authority act as the LSE for the power and energy consumed by Customer other than Electric Service (inclusive of Substitute Energy, if any) sold by the Authority under this Agreement. The Customer understands and acknowledges that it will be responsible to the Authority for all charges and other costs incurred by the Authority associated with the provision of Electric Service to enable the Customer to receive the Allocation, including charges and costs contained in the NYISO Tariffs or other applicable tariffs (including local utility company tariffs), regardless of whether such charges and costs are transmission-related. Such charges and costs are in addition to the charges for power and energy.

Article VI. Preservation Power Commitments

A. Schedule B sets forth the Customer's specific "Preservation Power Commitments." Such commitments are in addition to any other rights and obligations of the Parties provided for in the Agreement.

B. The Authority's obligation to provide Electric Service to the Customer under this Agreement is expressly conditioned upon the Customer's timely completion of the Capital Expansion Program regarding the Facility as described in Schedule B.

C. In the event of partial completion of the Capital Expansion Program which results in the Facility expansion being partially completed, the Authority may, upon the Customer's request, provide Electric Service to the Customer in an amount determined by the Authority to fairly correspond to the completed portion of the Facility expansion, provided that the Customer demonstrates that the amount of requested Electric Service is needed to support operations thereat.

D. The Customer shall give the Authority not less than ninety (90) days' advance notice in writing of the anticipated date of partial or full completion of the Facility expansion. The Authority will inspect the Facility expansion for the purpose of verifying the completion status of the Facility expansion and notify Customer of the results of the inspection. The Authority will thereafter commence Electric Service in accordance with this provision within a reasonable time after verification based on applicable operating procedures of the Authority, the Customer's local electric utility and the NYISO.

E. In the event the Customer fails to complete the Facility expansion by July 29, 2017 (*i.e.*, within three (3) years of the Authority's award of the Allocation), (i) the Authority may, at its option and discretion, cancel the Allocation, or reduce it by the total amount of kilowatts determined by the Authority to fairly correspond to the uncompleted portion of the Facility expansion, or (ii) upon request of the Customer, such date may be extended by the Authority in its sole discretion.

Article VII. Rules and Service Tariff; Conflicts

The Service Tariff is hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariff and the Rules, the provisions of the Service Tariff shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and the Service Tariff, the provisions of this Agreement shall govern.

Article VIII. Hydropower Curtailments and Substitute Energy

A. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served by the Authority from the Hydro Projects,

curtailments (*i.e.*, reductions) in the amount of Firm Power and Firm Energy associated with the Allocation to which the Customer is entitled shall be applied on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with the Service Tariff as applicable.

B. The Authority shall provide reasonable notice to the Customer of any curtailments referenced in Article VIII.A of this Agreement that could impact Customer's Electric Service under this Agreement.

C. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the hydroelectricity that would otherwise have been supplied under this Agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

D. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO charges and taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

E. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

Article IX. Additional Allocations

A. Upon application by the Customer, the Authority may award additional allocations of PP to the Customer at such rates and on such terms and conditions as set forth in the Service Tariff. Once the Customer agrees to purchase Electric Service associated with such additional allocations, the Authority will produce modified or supplemental Schedules A and B which will reflect any such additional allocations and other pertinent terms as appropriate. The Authority will furnish the Customer with any such modified or supplemental Schedules within thirty (30) days of the commencement of Electric Service for any such additional allocation.

B. The Customer shall furnish such documentation and other information as the Authority requests to enable the Authority to evaluate (i) whether any additional allocations should be made to the Customer, and (ii) the terms relating to any additional allocation.

Article X. Notification

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

To: The Authority

New York Power Authority
123 Main Street
White Plains, New York 10601
Telephone:
Facsimile: (914) 390-8156
Electronic mail:
Attention: Manager – Business Power Allocations and Compliance

To: Customer

Corning Incorporated
334 County Road 16
Canton, New York 13617
Telephone:
Facsimile:
Electronic mail:
Attention:

B. Except where otherwise herein specifically provided, any notice, communication or request required or authorized by this Agreement by either Party to the other shall be deemed properly given: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (2) if sent by a nationally recognized overnight delivery service, two (2) calendar days after being deposited for delivery to the appropriate address set forth above; (3) if delivered by hand, with written confirmation of receipt; (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (5) if sent by electronic mail to the appropriate address as set forth above, with written confirmation of receipt. Either Party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing. Any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License and rulings by the IJC and without regard to conflicts of law provisions.

Article XI. Venue

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction for adjudication of any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement.

Article XII. Successors and Assigns; Transfers; Resale of PP

A. This Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the legal successors and assigns of either Party hereto; provided, however, that no assignment by either Party or any successor or assignee of such Party of its rights and obligations hereunder shall be made or become effective without the prior written consent of the other Party in each case obtained.

B. The transfer of any portion of the Allocation, or any benefits relating the Allocation, by the Customer to any person, to a different owner or operator of the Facility, or to a different facility, is prohibited unless (i) specifically approved by the Authority, and, (ii) all other legal requirements applicable to such a transfer are complied with. Any transfer that occurs without such approval and compliance shall be invalid and transfer may in the Authority's sole discretion subject the transferor to revocation or modification of the Allocation and/or this Agreement.

C. The Customer may not resell any portion of the Allocation to any person. If such a sale occurs, the Authority may, in its sole discretion, terminate the Allocation and/or this Agreement.

Article XIII. Previous Agreements and Communications

This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the sale of PP, and supersedes all previous communications between the Parties hereto, either oral or written, with respect to the sale of PP. No modifications of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

Article XIV. Waiver

A. Any waiver at any time by either the Authority or the Customer of their rights with respect to a default or of any other matter arising out of this Agreement shall not be deemed to be a waiver with respect to any other default or matter.

B. No waiver by either Party of any rights with respect to any matter arising in connection with this Agreement shall be effective unless made in writing and signed by the Party making the waiver.

Article XV. Severability and Voidability

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

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

Article XVI. Term, Modification, Termination and Effect

A. Electric Service under this Agreement shall continue with respect to an Allocation until the earliest of: (1) termination by the Customer with respect to all of the Allocation upon at least ninety (90) days prior written notice to the Authority; (2) termination by Authority pursuant to the Rules upon required notice; or (3) expiration of the Allocation by its own term as specified in Schedule A.

B. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days prior written notice to the Authority. The termination shall be effective commencing with the first "Billing Period" as defined in the Service Tariff following the required notice.

C. The Authority may modify or terminate Electric Service hereunder or modify the quantities of power and energy associated with an Allocation: (1) if such termination or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency); or (2) as otherwise provided in this Agreement or in the Rules.

D. This Agreement shall become legally binding and effective only upon satisfaction of the following conditions precedent: (1) receipt of approval of this Agreement by the Authority Board of Trustees; (2) receipt of approval of this Agreement by the Governor of the State of New York pursuant to PAL § 1009; and (3) execution of this Agreement by the Authority and the Customer.

Article XVII. Execution

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery

of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

CORNING INCORPORATED

BY: _____

Title: _____

Date: _____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____
John R. Koelmel, Chairman

Date: _____

SCHEDULE A

PRESERVATION POWER ALLOCATIONS

Customer: CORNING INCORPORATED

Type of Allocation	Allocation (kW)	Trustee Approval Date	Expiration Date	Facility
PP	2,100	July 29, 2014	Seven (7) years from commencement of Electric Service of any portion of this Allocation	334 County Road 16, Canton, NY 13617

SCHEDULE B

PRESERVATION POWER COMMITMENTS

ARTICLE I. EMPLOYMENT COMMITMENTS

A. Base Employment Level

The Customer shall establish and maintain the employment level as provided for in the Appendix to this Schedule B (the "Base Employment Level"). Unless otherwise provided for in Schedule B, such Base Employment Level shall be the total number of full-time positions held by: (1) individuals employed by the Customer at the Facility identified in the Appendix to this Schedule B; and (2) individuals who are contractors or are employed by contractors of the Customer and who are assigned to such Facility (collectively, "Base Level Employees"). The number of Base Level Employees shall not include individuals employed on a part-time basis (less than 35 hours per week); provided, however, that two individuals each working at least 20 hours but not more than 35 hours per week shall be counted as one Base Level Employee.

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

The Authority may consider a request to change the Base Employment Level based on a claim of increased productivity, increased efficiency, or adoption of new technologies or for other appropriate reasons as determined by the Authority. The Authority shall have the sole discretion to make any such change.

B. Employment Records and Reports

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Customer employees and contractor employees at the Facility, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify Customer employees and contractor employees and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice all non-confidential written and electronic records and

data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

ARTICLE II. REDUCTIONS OF CONTRACT DEMAND

A. Employment Levels

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

B. Power Utilization Levels

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

C. Notice of Intent to Reduce Contract Demand

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced pursuant to this Schedule, the Authority shall provide the Customer with at least thirty (30) days prior written notice of such reduction, specifying the amount of the reduction of Contract Demand and the reason for the reduction, provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or facilities upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

ARTICLE III. CAPITAL INVESTMENT

The Customer agrees to undertake the Capital Expansion Program set forth in the Appendix to this Schedule B.

ARTICLE IV. ENERGY EFFICIENCY AUDITS AND INFORMATION REQUESTS

The Customer shall undergo an Energy Efficiency Audit of its facilities and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement but in any event not less than once every five years. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the facilities.

The Customer agrees to cooperate to make its facilities available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.

APPENDIX TO SCHEDULE B

I. Base Employment Level

In accordance with Article I of Schedule B, the Customer agrees to a Base Employment Level at the Customer's Facility as indicated below.

Base Employment Level	Facility	Miscellaneous/Notes
Not less than two hundred seventy four (274) persons in full-time positions at the Facility within three (3) years of the commencement of Electric Service of any portion of the Allocation to the Facility.	334 County Road 16, Canton, NY 13617	

II. Capital Expansion Program

The Customer shall make a total capital investment of at least $21,750,000 in connection with an expansion of the Facility (the "Capital Investment"). The Capital Investment is expected to consist of the following specific expenditures:

Building Expansion (~30,700 sq. ft):	$6,950,000
Machinery & Equipment (furnaces, ultrasonic tank, crane, and associated equipment):	$14,800,000
Total Capital Investment:	$21,750,000

The Capital Investment shall be made, and the expansion of the Facility shall be completed and fully operational, not later than July 29, 2017 (*i.e.*, within three (3) years of the date of the Authority's award of the Allocation). Upon request of the Customer, such date may be extended in the sole discretion of the Authority.

SCHEDULE C

TAKEDOWN SCHEDULE

N/A

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

Schedule of Rates for Sale of Firm Power to Preservation Power Customers

Service Tariff No. 10

Date of Issue: December 20, 2010

Date Effective: July 1, 2010

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

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Schedule of Rates for Firm Power Service

I. Applicability

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

II. Abbreviations and Terms

A. The following abbreviations are used:

kW	kilowatt(s)
kW-mo.	kilowatt-month
kWh	kilowatt-hour(s)
MWh	megawatt-hour(s)
NYISO	New York Independent System Operator, Inc. or any successor organization
PAL	New York Public Authorities Law
OATT	Open Access Transmission Tariff

B. The term “Agreement” means an executed Agreement for the Sale of Preservation Power and Energy between the Authority and the Customer (each as defined below).

C. The term “Annual Adjustment Factor” or “AAF” shall have the meaning set forth in Section V herein.

D. The term “Authority” means the Power Authority of the State of New York, a corporate municipal instrumentality and a political subdivision of the State of New York created pursuant to Chapter 772 of the New York Laws of 1931 and existing and operating under Title 1 of Article 5 of the PAL, also known as the “New York Power Authority.”

E. The term “Customer” means a business customer who has received an allocation for Preservation Power from the Authority and who purchases Preservation Power directly from the Authority.

F. The term “Electric Service” means the power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

G. The term “Preservation Power” means Firm Power and Firm Energy made available under this Service Tariff by the Authority from the Project for sale to the Customer for business purposes pursuant to PAL § 1005(5) and (13).

H. The term “Firm Power” means capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the Agreement between the Authority and the Customer and this Service Tariff. Firm Power shall not include peaking power.

I. The term “Firm Energy” means energy (kWh) associated with Firm Power.

J. The term “Load Serving Entity” or “LSE” shall have the meaning set forth in the Agreement.

K. The term “Project” means the Authority’s St. Lawrence-FDR Power Project, FERC Project No. 2000.

L. The term “Rate Year” or “RY” means the period from July 1 through June 30 of the following year.

M. The term “Rules” means the applicable provisions of Authority’s rules and regulations (Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by the Authority.

N. The term “Service Tariff” means this Service Tariff No. 10.

All other capitalized terms and abbreviations used but not defined herein shall have the same meaning as set forth in the Agreement.

III. Monthly Rates and Charges

A. Preservation Power Base Rates

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

Rate Year	Demand Charge $/kW-mo.	Energy Charge $/MWh
2010	6.15	10.52
2011	6.71	11.48
2012	7.32	12.52
2013	7.99	13.66

Beginning with the 2014 Rate Year (July 1, 2014), and for each Rate Year thereafter, such rates shall be subject to an Annual Adjustment Factor set forth in Section V herein.

B. Preservation Power Rates No Lower Than Rural/Domestic Rate

At all times the applicable base rates for demand and energy determined in accordance with Sections III.A and V of this Service Tariff shall be no lower than the rates charged by the Authority for the sale of hydroelectricity for the benefit of rural and domestic customers receiving service in accordance with the Niagara Redevelopment Act, 16 U.S.C. § 836(b)(1) and PAL § 1005(5) (the "Rural/Domestic Rate"). This provision shall be implemented as follows: if the base rates, as determined in accordance with Sections III.A and V of this Service Tariff, are lower than the Rural/Domestic Rate on an average $/MWh basis, each set of rates measured at 80% load factor which is generally regarded as representative for Preservation Power Customers, then the base rates determined under Sections III.A and V of this Service Tariff will be revised to make them equal to the Rural/Domestic Rate on an average $/MWh basis. However, the base rates as so revised will have no effect until such time as these base rates are lower than the Rural/Domestic Rate.

C. Monthly Base Rates Exclude Delivery Service Charges

The monthly base rates set forth in this Section III exclude any applicable costs for delivery services provided by the local electric utility.

D. Minimum Monthly Charge

The minimum monthly charge shall equal the product of the demand charge and the contract demand (as defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges or Taxes (each as defined herein) incurred by the Authority with respect to the Customer's Allocation.

E. Billing Period

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

F. Billing Demand

The billing demand shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

G. Billing Energy

The billing energy shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

H. Contract Demand

The contract demand of each Customer will be the amount of Preservation Power, not to exceed the Customer's Allocation, provided to such Customer by the Authority in accordance with the Agreement. The minimum Contract Demand for any Preservation Power Allocation is 100 kW.

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

1. Subject to Section IV.B.2, the Authority shall provide to the Customer in any billing period Firm Energy associated with Firm Power. The offer of Firm Energy for delivery shall fulfill the Authority's obligations for purposes of this provision whether or not the Firm Energy is taken by the Customer.

2. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of NYPA's Firm Power customers served from the Hydro Projects, hydropower curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy to which the Customer is entitled shall be applied on a *pro rata* basis to all Firm Power and Firm Energy customers served from the Hydro Projects. Reductions as a percentage of the otherwise required Firm Power and Firm Energy sales will be the same for all Firm Power and Firm Energy customers served from the Hydro Projects. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Customer in later billing periods. The Customer will receive appropriate bill credits as provided under the Rules.

C. Delivery

For the purpose of this Service Tariff, Firm Power and Firm Energy shall be deemed to be offered when the Authority is able to supply Firm Power and Firm Energy to the Authority's designated NYISO load bus. If, despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Adjustment of Rates

To the extent not inconsistent with the Agreement, the rates contained in this Service Tariff may be revised from time to time on not less than thirty (30) days written notice to the Customer.

E. Billing Methodology and Billing

Unless otherwise specified in the Agreement, the following provisions shall apply:

1. The billing methodology to be used to render bills to the Customer related to its Allocation shall be determined in accordance with the Agreement and delivery agreement between the Authority and, as applicable, the Customer or local electric utility or both.

2. Billing Demand – Unless separately metered, the billing demand charged by the Authority to each Customer will be the highest 15-minute integrated demand during each billing period recorded on the Customer's meter multiplied by a percentage based on load factor sharing, as applicable.

3. Billing Energy – Unless separately metered, the kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer's meter for the billing period multiplied by a percentage based on load factor sharing, as applicable.

F. Payment by Customer to Authority

1. Demand and Energy Charges, Taxes

The Customer shall pay the Authority for Firm Power and Firm Energy during any billing period the higher of either (i) the sum of (a), (b) and (c) below or (ii) the monthly minimum charge as defined herein:

a. The demand charge per kilowatt for Firm Power specified in this Service Tariff or any modification thereof applied to the Customer's billing demand (as defined in Section IV.E, above) for the billing period; and

b. The energy charge per MWh for Firm Energy specified in this Service Tariff or any modification thereof applied to the Customer's billing energy (as defined in Section IV.E, above) for the billing period; and

c. A charge representing reimbursement to the Authority for all applicable Taxes incurred by the Authority as a result of providing Preservation Power allocated to the Customer.

2. Transmission Charge

The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the Allocation, including such costs that are charged pursuant to the OATT.

3. NYISO Transmission and Related Charges (“NYISO Charges”)

The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority for services provided by the NYISO pursuant to its OATT or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with providing Electric Service to the Customer:

A. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;

B. Marginal losses;

C. The New York Power Authority Transmission Adjustment Charge ("NTAC");

D. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;

E. Any and all other charges, assessments, or other amounts associated with deliveries to Customers or otherwise associated with the Authority’s responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and

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

The NYISO Charges, if any, incurred by the Authority on behalf of the Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

4. Taxes Defined

Taxes shall be any adjustment as the Authority deems necessary to recover from the Customer any taxes, assessments or any other charges mandated by federal, state or local agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer if and to the extent such taxes, assessments or charges are not recovered by the Authority pursuant to another provision of this Service Tariff.

5. Substitute Energy

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

6. Payment Information

Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by the Authority. In the event that there is a dispute on any items of a bill rendered by the Authority, the Customer shall pay such bill in full. If necessary, any adjustments will be made thereafter.

G. Adjustment of Charges

1. Distribution Losses

The Authority will make appropriate adjustments to compensate for distribution losses of the local electric utility.

2. Transformer Losses

If delivery is made at transmission voltage but metered on the low-voltage side of the Customer's substation, the meter readings will be increased two percent to compensate for transformer losses.

3. Power Factor

Power factor is the ratio of real power (kW) to apparent power (kVa) for any given load and time. The Authority may require the Customer to maintain a power factor of not less than 90%, lagging or leading, at the point of delivery, or as may otherwise be imposed upon the Authority by the local electric utility providing delivery and/or NYISO.

H. Conflicts

In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of the Agreement and this Service Tariff, the provisions of the Agreement shall govern.

I. Customer Resales Prohibited

The Customer may not resell any quantity of Preservation Power.

V. Annual Adjustment Factor

A. Adjustment of Rates

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

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

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

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

2. Annual Adjustment Factor Computation Guide

   Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.

   Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the AAF.

   Step 3: Multiply the current Rate Year base rate by the AAF calculated in Step 2 to determine the new Rate Year base rate.

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

3. The Authority shall provide the Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15th of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.

4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

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

STEP 1

Determine the Index Value for the Measuring Year (MY) and Measuring Year - 1 (MY-1) for Each Index

- Index 1 - Producer Price Index, Industrial Power

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

- Index 2 – EIA Industrial Rate

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

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

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

STEP 2

Determine AAF by Summing the Weighted Indices

Index	Ratio of MY to MY-1	Weight	Weighted Factors
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	0.255
AAF			**1.016**

STEP 3

Apply AAF to Calculate the New Rate Year Base Rate

	Demand $/kW-mo.	Energy $/MWh
Current Rate Year Base Rate	7.99	13.66
New Rate Year Base Rate	8.12	13.88

NEW YORK STATE POWER AUTHORITY
PUBLIC HEARING

Innomotive Solutions Group, LLC, et al
October 28, 2014

METSCHL
AND ASSOCIATES
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New York State Power Authority

Tuesday, October 28, 2014

2:30 p.m. - 6:30 p.m.

Niagara Power Project Visitors' Center

5777 Lewiston Road

Lewiston, New York 14092

Patricia A. Schreier

SPEAKERS:

MS. DELINCE 3,9
MR. PASQUALE 5

MS. DELINCE: Good afternoon. This is a public hearing required by law and authorized by the New York Power Authority's Board of Trustees on the proposed direct sale contracts for the sale of hydropower to Innomotive Solutions Group, LLC, Royal Plastix USA, LLC and BlackRock, Inc.

My name is Karen Delince and I'm the Authority's Corporate Secretary.

New York State Public Authority's Law, Section 1009, sets forth procedures for executing certain contracts negotiated by the Authority.

First, prior to the hearing, it requires that notice of the hearing be provided. Therefore, a notice was sent to the Governor, the Senate's President Pro Temp, the Senate Minority Leader and the Senate Finance Committee Chair. The Assembly Speaker, the Assembly Minority Leader, the Assembly Ways and Means Committee Chair.

In addition, notices appeared in the following newspapers once a week for the four weeks leading up to this hearing: Niagara Gazette, Buffalo News, Buffalo Business First, Lewiston Porter Sentinel, Albany Times Union, Dunkirk Observer.

The public was also given access to the proposed contracts on the Authority's website and at the Authority's White Plains office during the 30 day period prior to today's hearing.

After the hearing, the public will be given access to the hearing transcript at www.nypa.gov and at the White Plains office once it is completed.

The next step in the process set forth in Section 1009 will be for the NYPA Trustees to reconsider the proposed contracts, in light of public comments.

Once the Trustees have completed their final review, the contracts will be forwarded to the Governor for his consideration and approval.

If you plan to make an oral statement at this hearing, I ask that you so indicate on the sign-in sheet. Also, if you have a written statement, please give a copy to Lorna Johnson at the sign-in table and one to the reporter.

Written statements may be of any length and will appear in the record of the hearing in addition to oral statements. The record of the hearing will remain open for additional comments through close of business, Wednesday, October 29th.

Additional comments should be mailed, faxed or e-mailed to the Corporate Secretary at 123 Main Street, 11-P, White Plains, New York 10601 or (914) 390-8040 or secretaries.office@nypa.gov.

At this point, I would like to introduce Mr. James Pasquale, the Authority's Senior Vice President of Economic Development and Energy Efficiency, who will provide additional details on the proposed direct sale contracts.

Thank you. Mr. Pasquale.

MR. PASQUALE: Thank you, Ms. Delince. Good afternoon. My name is James F. Pasquale and I'm the Senior Vice President of Economic Development and Energy Efficiency at the New York Power Authority.

I'm here today to present a summary of the proposed contracts to three companies for the direct sale of Expansion Power or Replacement Power - hydropower that is generated here at the Authority's Niagara Power Project.

Under Public Authorities Law Section 1005 Subsection 13, the Authority may allocate and sell directly or by sale for resale, 250 MW of Expansion Power, known as EP, and 445 MW of Replacement Power,

known as RP, to businesses located within 30 miles of the Niagara Power Project, provided that the amount of EP allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in Chautauqua County.

Three companies have been awarded hydropower allocations by the Authority's Trustees in return for commitments made to create or expand their businesses in Western New York.

Specifically, Royal Plastix USA, LLC was awarded 600 kilowatts to locate its injection molding manufacturing business in a 67,000-square-foot building in Buffalo; committing to $3.725 million in capital investment and the creation of 55 new jobs.

Innomotive Solutions Group, Inc., was awarded 100 kilowatts in support of the purchase, renovation and expansion of an existing facility in the Town of Lancaster for the manufacturing of roll-up shutter style doors for specialty emergency vehicles. The $5.5 million expansion will create 21 new jobs.

BlackRock, Inc., was awarded two megawatts in support of a $37.5 million investment to construct a data center and technical support facility for the

firm's global investment operations. The company commits to create 25 new jobs at its newly selected Amherst site.

In aggregate, the three companies have committed to capital spending of over $46.7 million in their Western New York facilities while creating 101 jobs.

To summarize, some of the pertinent provisions of the proposed contracts, first, the contracts provide for the direct billing of all hydropower supply charges, all New York Independent System Operator, Inc., (NYISO) charges and taxes.

Each contract includes the customer's agreed-upon commitments with respect to employment and capital investment. The contracts retain the Authority's right to reduce or terminate a customer's allocation if employment, power utilization or capital investment commitments are not met.

For example, the contracts include an annual job reporting requirement and a job compliance threshold of 90 percent. Should a company's average annual employment fall below the compliance threshold of 90 percent of the employment commitment, the Authority has the right to reduce the allocation on a pro rata

basis.

The contract compels the company to perform an energy audit at the facility at least once within five years, helping to ensure the customer uses the hydropower efficiently. Additionally, to accommodate non-payment risk that could result from the direct billing arrangement, the contract includes commercially reasonable provisions concerning the Authority's ability to charge late payment fees and to require deposits in the event of customer failure to make payment for any two monthly bills. These contract provisions are consistent with other Authority direct sale contracts, including the Recharge New York sales contracts.

The contracts will serve the allocation in accordance with the Authority's Service Tariff WNY-1 which specifies the rates and other terms applicable to all EP and RP allocations. The Service Tariff specifies a three-year rate phase-in to a target rate based on the rate of the Authority's other hydropower program - Preservation Power - to ultimately ensure consistency among the Authority's three hydropower programs.

Transmission and delivery service for these allocations will be provided by National Grid or NYSEG,

in accordance with the utilities' Public Service Commission approved delivery service tariffs.

As Ms. Delince stated earlier, the Authority will accept your comments on the proposed contracts until the close of business on Wednesday, October 29.

I will now turn the forum back to Ms. Delince.

MS. DELINCE: Thank you, Mr. Pasquale. We will recess now and reconvene when speakers arrive.

(Recess)

MS. DELINCE: The public hearing on the proposed direct sale contracts for the sale of hydropower to Innomotive Solutions Group, LLC, Royal Plastix USA, LLC and BlackRock, Inc. is now officially closed.

As I previously stated, the record of the hearing will remain open for additional comments through close of business, Wednesday, October 29th. Thank you and good night.

(Hearing concluded at 6:30 p.m.)

STATE OF NEW YORK
COUNTY OF ERIE

I, Patricia A. Schreier, a Notary Public in and for the State of New York, do hereby certify:

That the witness, whose testimony appears herein before, was, before the commencement of his testimony, duly sworn to testify the truth, the whole truth and nothing but the truth; that such testimony was taken pursuant to notice at the time and place herein set forth; that said testimony was taken down in shorthand by me and thereafter under my supervision transcribed into the English language, and hereby certify the foregoing testimony is a full, true and correct transcription of the shorthand notes so taken.

I further certify that I am neither counsel for nor related to any parties to said action, nor in anywise interested in the outcome thereof.

IN WITNESS WHEREOF, I have here unto subscribed my name this 7th day of November, 2014.

Patricia A. Schreier

Notary Public
State of New York

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2 PUBLIC HEARING 10-23-14

3 Contract for Sale of Preservation Power to

4 Corning, Inc. (Canton Facility)

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7

8 October 23, 2014

9 2:00 p.m to 6:00 p.m.

10 Frank S. McCullough, Jr. Hawkins Point Visitors Center

11 St. Lawrence/FDR Power Project

12 830 Barnhart Island

13 Massena, New York 13662

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1 APPEARANCES

2

3 James F. Pasquale,
Senior Vice President
4 Economic Development and Energy Efficiency
New York Power Authority
5 White Plains, New York 10601

6

Karen Delince,
7 Corporate Secretary
New York Power Authority
8 White Plains, New York 10601

9

Lorna Johnson,
10 Assistant Corporate Secretary
New York Power Authority
11 White Plains, New York 10601

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1 October 23, 2014, 2:00 p.m.

2

3 MS. DELINCE: Good afternoon. This is a public
4 hearing required by law and authorized by the New York
5 Power Authority's Board of Trustees on the proposed direct
6 sale contract for the sale of hydropower to Corning,
7 Incorporated. My name is Karen Delince and I'm the
8 Authority's Corporate Secretary.
9 The New York State Public Authorities Law,
10 Section 1009, sets forth procedures for executing certain
11 contracts negotiated by the Authority. First, prior to the
12 hearing, it requires that notice of the hearing be
13 provided. Therefore, a notice was sent to the Governor,
14 the Senate's President Pro Temp, the Senate's Minority
15 Leader and Senate Finance Committee Chair, the Assembly
16 Speaker, the Assembly Minority Leader and the Assembly Ways
17 and Means Committee Chair.
18 In addition, notices appeared in the following
19 newspapers once a week for the four weeks leading up to
20 this hearing, The Albany Times Union, Massena Daily
21 Courier-Observer, Ogdensburg Journal, Plattsburgh
22 Press-Republican, Syracuse Post-Standard, Watertown Daily
23 Times. The public was also given access to the proposed

1 contract on the Authority's website and at the Authority's
2 White Plains office during the 30-day period prior to
3 today's hearing.
4 After the hearing, the public will be given
5 access to the hearing transcript at www.nypa.gov and at the
6 White plains office, once it is completed. The next step
7 in the process set forth in Section 1009 will be for the
8 NYPA Trustees to reconsider the proposed contract, in light
9 of public comments. Once the Trustees have completed their
10 final review, the contract will be forwarded to the
11 Governor for his consideration and approval.
12 If you plan to make an oral statement at this
13 hearing, I ask that you so indicate on the sign-in sheet.
14 Also, if you have a written statement, please give a copy
15 to Lorna Johnson at the sign-in desk and one to the
16 reporter. Written statements may be of any length and will
17 appear in the record of the hearing, in addition to oral
18 statements.
19 The record of the hearing will remain open for
20 additional comments through close of business Friday,
21 October 24th. Additional comments should be mailed, Faxed
22 or e-mailed to the Corporate Secretary at 123 Main Street,
23 11-P, White Plains, New York 10601 or 914-390-8040 or

1 secretarys.office@nypa.gov.

2 At this point I would like to introduce Mr. James
3 Pasquale, the Authority's Senior Vice President of Economic
4 Development and Energy Efficiency, who will provide
5 additional details on the proposed direct sale contract.
6 Thank you. Mr. Pasquale?

7 MR. PASQUALE: Thank you, Ms. Delince. Good
8 afternoon. As Ms. Delince said, my name is James F.
9 Pasquale and I'm the Senior Vice President of Economic
10 Development and Energy Efficiency at the New York Power
11 Authority. I'm here today to present an overview of a
12 proposed contract with Corning, Inc. for the direct sale of
13 2.1 megawatts of Preservation Power, hydropower that is
14 generated here at the Authority's St. Lawrence/FDR Power
15 Project.

16 Preservation Power, established under Public
17 Authorities Law Section 1005, Subsection 13, authorizes the
18 Authority to allocate low-cost hydropower that is
19 relinquished from the block of 490 megawatts of St.
20 Lawrence/FDR Power Project firm and interruptible power
21 currently sold to Alcoa and formerly sold to General
22 Motors. The law authorizes the allocation of power to
23 businesses in Northern New York, specifically businesses

1 located in Franklin, Jefferson and St. Lawrence Counties,
2 applying the same allocation criteria as pertains the
3 Authority's other hydropower programs, Replacement Power
4 and Expansion Power.
5 Each application for an allocation of
6 Preservation Power must be evaluated in consideration of
7 the legislative criteria that includes, but need not be
8 limited to, a consideration of the number of jobs created
9 as a result of the allocation; the business' long-term
10 commitment to the region as evidenced by the current and/or
11 planned capital investment in the business' facilities in
12 the region; the ratio of the number of jobs to be created
13 to the amount of power requested; the types of jobs
14 created, as measured by wage and benefit levels, and the
15 type and cost of buildings, equipment and facilities to be
16 constructed, enlarged or installed.
17 At its meeting of July 29, 2014, the Power
18 Authority Board of Trustees approved an allocation of 2.1
19 megawatts of Preservation Power to Corning, Inc. in Canton
20 for a term of seven years. Approval of the allocation was
21 based on an evaluation of Corning's application for
22 hydropower, in which it proposed to invest $21.75 million
23 to expand its existing facility by construction of a 23,500

1 square foot addition and a new warehouse; and installing
2 machinery and equipment to increase its production of glass
3 and mirror products. Corning committed to create a total
4 of 40 new jobs as a result of this expansion.
5 To summarize some of the pertinent provisions of
6 the proposed contract, first, it provides for the direct
7 billing of all hydropower supply charges, all New York
8 Independent System Operator charges and taxes. To
9 accommodate non-payment risk that could result from the
10 direct billing arrangement, the contract includes
11 commercially reasonable provisions covering the Authority's
12 ability to charge late payment fees and to require deposits
13 in the event of customer failure to make payment for any
14 two monthly bills.
15 The contract includes Corning's agreed-upon
16 commitments with respect to employment and capital
17 investment and retains the Authority's right to reduce or
18 terminate the allocation if employment, power utilization
19 or capital investment commitments are not met. For
20 example, the contract includes an annual job reporting
21 requirement and a job compliance threshold of 90 percent.
22 Should Corning's average annual employment fall below the
23 compliance threshold of 90 percent of the employment

1 commitment, the Authority has the right to reduce the
2 allocation on a pro rata basis.
3 The contract requires the company to perform an
4 energy audit at the facility at least once within five
5 years, helping to ensure the customer uses the hydropower
6 efficiently. These contract provisions are consistent with
7 other Authority direct sale contracts, including the
8 Western New York and Recharge New York sales contracts.
9 The Authority will provide firm electric service
10 from the St. Lawrence/FDR Plant, which is subject to a pro
11 rata curtailment when there is insufficient generation at
12 the Niagara and St. Lawrence/FDR facilities to meet all its
13 firm load requirements. The rates, terms and conditions
14 for the sale of Preservation Power are contained in the
15 Authority's "Schedule of Rates for Sale of Firm Power to
16 Preservation Power Customers, Service Tariff No. 10."
17 Delivery service will be provided and billed by the local
18 utility, National Grid, in accordance with its Public
19 Service Commission approved delivery service tariff.
20 As Ms. Delince stated earlier, the Authority will
21 accept your comments on the proposed contract until the
22 close of business tomorrow, October 24th, 2014. I will now
23 turn the forum back to Ms. Delince.

MS. DELINCE: Thank you, Mr. Pasquale. We will now recess and reconvene when speakers arrive.

(Break taken until 5:55 p.m.)

MS. DELINCE: The public hearing on the proposed direct sale contract for the sale of hydropower to Corning, Incorporated is now officially closed.

As I previously stated, the record of the hearing will remain open for additional comments until close of business Friday, October 24th. Thank you and good night.

(End of Public Hearing at 6:00 p.m.)

1 STATE OF NEW YORK)

2 COUNTY OF ST. LAWRENCE)

3

4

5 I, Heidi C. Simmons, a Notary Public in the state of
6 New York, do hereby certify that the foregoing public
7 hearing was taken before me at the place as stated in the
8 caption hereto, at Page 1 hereof; that the foregoing
9 typewritten transcription, consisting of pages numbered 2
10 to 9, inclusive, was produced to the best of my ability of
11 said hearing.

12 IN WITNESS WHEREOF, I have hereunto subscribed my
13 name, this the 27th day of October, 2014.

14

15

16

17 Heidi C. Simmons

18 Heidi C. Simmons, Notary Public
State of New York
County of St. Lawrence
19 My commission expires: 08/27/17

20

21

22

23

Exhibit "A"

Firm Market Power Service Tariff Amendment – Notice of Adoption

Proposed Service Tariff No. 1C

POWER AUTHORITY OF THE STATE OF NEW YORK

30 SOUTH PEARL STREET

ALBANY, NY 12207

Schedule of Rates for Sale of Firm Market Power

Service Tariff No. 1C

(Supersedes Service Tariff Nos. 1 & 1B)

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Schedule of Rates for Sale of Firm Market Power

I. Applicability

To direct sales of Firm Market Power in total or in part to a Customer for firm Electric Service.

II. Frequently Used Abbreviations and Terms

- kW — kilowatt(s)
- kWh — kilowatt-hour(s)
- NYISO — New York Independent System Operator, Inc. or any successor organization
- OATT — Open Access Transmission Tariff
- PAL — New York Public Authorities Law
- RY — Rate Year
- UCAP — Unforced Capacity

Adjusted Energy Usage: This term has the meaning provided for in Section IV.B of this Service Tariff.

Allocation: The amount of Firm Market Power allocated to the Customer by the Authority.

Agreement: An executed agreement between the Authority and a Customer setting forth the terms and conditions applicable to the allocation and sale of Firm Market Power to the Customer, including any amendments made to the agreement.

Authority: The Power Authority of the State of New York, a corporate municipal instrumentality and a political subdivision of the State of New York created pursuant to Chapter 772 of the New York Laws of 1931 and existing and operating under Title 1 of Article 5 of the PAL, also known as the "New York Power Authority" and "NYPA."

Billing Period: Any period of approximately thirty (30) days, generally ending with the last day of each calendar month but subject to the billing cycle requirements of the local electric utility in whose service territory the Customer's Facility receiving the Firm Market Power allocation is located.

Contract Demand: The amount of Firm Market Power allocated to the Customer which the Customer agrees to take and pay for in accordance with the Agreement. The Contract Demand shall equal the Allocation.

Customer: A customer that has received an Allocation and who purchases such Allocation from the Authority.

Electric Service: The power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

Facility: The Customer's place of business specified in the Agreement that will receive or is receiving the Allocation.

Firm Market Energy: Firm energy (kWh) associated with Firm Market Power supplied by Authority to the Customer.

Firm Market Power: Firm capacity (kW) supplied by Authority to the Customer from market sources and/or the Authority's non-Hydro Project-based resources as determined to be available for such use by the Authority.

Locational Based Marginal Price: This term has the meaning provided for in the NYISO Tariffs.

Market Capacity Charge: This term has the meaning provided for in Section III.A.1 of this Service Tariff.

Market Energy Charge: This term has the meaning provided for in Section III.A.2 of this Service Tariff.

NYISO Day-Ahead Market: This term has the meaning provided for in the NYISO Tariffs.

NYISO Real-Time Market: This term has the meaning provided for in the NYISO Tariffs.

NYISO Tariffs: The tariffs of the NYISO, including the NYISO OATT, as such tariffs are amended and in effect from time to time.

NYPA Administrative Charge: This term has the meaning provided for in Section III.A.3 of this Service Tariff.

Rate Year: Rate Year or **RY:** The July Billing Period through the June Billing Period of the following year, beginning July 2012, subject to change based on the Authority's sole discretion.

Rules: The Authority's rules and regulations set forth in Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York as may be modified from time to time by the Authority.

Service Tariff: This service tariff, denominated as "Schedule of Rates for Sale of Firm Market Power," as amended from time to time by the Authority.

Takedown: The portion of an Allocation the Customer requests to be scheduled for a specific period as provided for in the Agreement.

Taxes: This term has the meaning provided for in Section III.C.2 of this Service Tariff.

Zone: Geographical regions within New York State (sometimes referred to as "load zones" or "energy regions") designated by the NYISO and identified by letter (A-K) that are used to facilitate energy transactions and administration of the State's power grid.

Additional terms are defined in the text of this Service Tariff.

Unless otherwise indicated, all other capitalized terms and abbreviations used but not defined in this Service Tariff shall have the meaning as set forth in the Agreement.

III. Monthly Rates and Related Charges

A. Monthly Rates and Charges

Subject to the other provisions of this Service Tariff, the monthly rates and charges to be charged to the Customer by the Authority will be set as follows:

1. Market Capacity Charge

The Market Capacity Charge will be based on the following:

a) The amount of capacity (kW) the Authority needs to secure on the Customer's behalf as required by the NYISO's rules. This is currently expressed by the NYISO as the Unforced Capacity or "UCAP" obligation. The UCAP obligation is inclusive of any locational requirements and adjustments for reserves needed to meet the installed reserve margin.

Capacity can be secured through a combination of sources consisting of the bilateral contracts, NYISO auctions, or any other means as determined to be most appropriate by the Authority in its sole discretion.

b) The market capacity rate based on the actual monthly capacity price paid by the Authority in securing the NYISO UCAP obligation for the capacity (kW) or any other market capacity rate determined to be the most applicable by the Authority in its sole discretion.

c) The market capacity rate multiplied by the monthly capacity (kW) quantity will yield the applicable Market Capacity Charge.

2. Market Energy Charge

The Market Energy Charge will be based on the actual costs incurred by the Authority in each Billing Period, as described below:

a) The Authority may procure Firm Market Energy from the NYISO Day-Ahead Market or NYISO Real-Time Market, as the Authority deems appropriate.

b) The Customer shall be responsible for payment of any and all Market Energy Charges incurred by the Authority for procuring Firm Market Energy on the Customer's behalf. Such charges may include, but are not limited to, forward energy purchases (i.e. NYISO Day-Ahead Market purchases), balancing energy transactions (i.e. NYISO Real-Time Market transactions), and any third party costs.

c) The total number of kilowatt-hours recorded on the Customer's meter for the Billing Period allocated by the Customer's local electric utility for delivery of Firm Market Power and reported to the Authority will be used to determine each Customer's portion of the monthly Market Energy Charges. The Authority will report these kilowatt-hours on the Customer's bill.

d) If there is firm energy other than Firm Market Power being billed to the Customer, the Authority will determine the apportionment of the kilowatt-hours on a case by

case basis. Generally, the total number of kilowatt-hours recorded on the meter shall be multiplied by a percentage based on

1. The methodology provided for in any agreement between the Authority and the Customer's local electric utility for delivery of Firm Market Energy and/or
2. The methodology provided for in Section IV.B of this Service Tariff.

3. NYPA Administrative Charge

The NYPA Administrative Charge will be based on the following:

a) The amount of the highest interval integrated demand (kW) during each Billing Period recorded on the Customer's meter multiplied by a percentage based on the value reported to the Authority by the Customer's local electric utility for delivery of Firm Market Power. Demand (kW) may not exceed the amount of the Contract Demand.

b) Monthly NYPA Administrative rate set by the Authority each Rate Year based on any associated overhead and other assigned costs as determined appropriate by the Authority.

c) The NYPA Administrative rate multiplied by the demand (kW) allocated to the Customer will yield the applicable NYPA Administrative Charge.

B. Other Charges

The Customer shall be responsible for payment of such other charges (collectively, "Other Charges") as a separate charge from the monthly rates and charges to the extent they apply to such Customer.

1. NYISO Transmission Related Charges ("NYISO Charges")

NYISO Charges for services associated with the Authority's responsibilities as load serving entity for the Customer, provided by the NYISO pursuant to NYISO Tariffs, NYISO-related agreements and NYISO procedures associated with the Authority's provision of Electric Service to the Customer. NYISO Charges to be charged to the Customer by the Authority include:

a. Charges for Ancillary Services 1 through 6 and any new ancillary services as may be provided in accordance with NYISO Tariffs;

b. Transmission Usage Charges ("TUC") which are Marginal Losses and Congestion costs;

c. The New York Power Authority "Transmission Adjustment Charge" or "NTAC";

d. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT.

e. NYISO wide uplift as provided for in the NYISO Tariffs;

f. Any and all other charges, assessments, or other amounts associated with delivery of Firm Market Power sold to Customers by the Authority, or otherwise associated with the Authority's responsibilities as a load serving entity for Customers, that the NYISO

assesses on the Authority under the provisions of the OATT or under other applicable NYISO Tariffs;

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

h. For avoidance of doubt, if any NYISO Charges described above are incurred by the Authority for any reason with respect to Electric Service to the Customer when the Authority is not serving as the load serving entity for any of the power or energy that is sold to the Customer under this Service Tariff and the Agreement, the Customer shall reimburse the Authority for all such NYISO Charges.

2. Taxes

The Authority will charge and collect from the Customer all local, state and federal taxes, assessments or other charges mandated by local, state or federal agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer ("Taxes") if and to the extent such Taxes are not recovered by the Authority pursuant to another provision of this Service Tariff.

3. Market Transaction Charges

The Authority will pass through to the Customer any costs incurred from procuring any capacity or energy described in Sections III.A.1 and III.A.2 of this Service Tariff.

4. Transmission, Wheeling and Delivery Charges

Generally, transmission, wheeling and delivery charges are billed directly to the Customer by the local electric utility.

If there are any charges for transmission, wheeling and delivery made applicable to the Customer under other Authority's tariffs and contracts, they will be charged to the Customer by the Authority as provided for in those documents.

5. Local Electric Utility Charges

The Customer shall reimburse the Authority for all charges, assessments, fees and other amounts, if any, the local electric utility imposes on the Authority in any way related to the provision of data and other information the Authority requires from the local electric utility in connection with providing Electric Service to the Customer. In the event that the local electric utility seeks to impose any such charges, assessments, fees and other amounts on the Authority for the provision of data and other information required by the Authority in order to provide Electric Service to the Customer, the Authority shall provide prior notice thereof to the Customer, and the Customer and the Authority will discuss (i) the nature and amount of such charges, assessments, fees and other amounts, and (ii) whether there are alternative means for obtaining and providing such required data and information which are acceptable to the parties, provided that no party shall be required to agree to any alternative means for obtaining and providing such required data and information.

6. New Charges

The Customer shall be responsible for payment of any and all new costs or charges incurred by the Authority in connection with its provision of Electric Service to the Customer, including but not limited to, charges and costs incurred for supplying Firm Market Power, and any new NYISO Charges as may be defined and applied in any NYISO Tariffs, NYISO-related agreements and NYISO procedures from time to time (collectively, "New Charges"). The Authority, in its sole discretion, may include any such New Charges in the monthly rates or the NYPA Administrative rate, or bill the Customer separately for such New Charges.

7. Minimum Demand Charge

In the Authority's sole discretion, the Customer shall be subject to a monthly minimum billing demand charge calculated as follows. If in any given month Customer's monthly demand usage is less than 75 percent of its Contract Demand, a minimum demand charge equal to 75 percent of the Customer's Contract Demand, times the applicable NYPA Administrative Charge rate shall apply for that month. Such minimum monthly charge shall be in addition to all other charges provided for in this Service Tariff, including but not limited to the Market Energy Charge, Market Capacity Charge and Other Charges as provided for in this Service Tariff.

8. Estimated Billing

If the Authority, in its sole discretion, determines that it lacks reliable data on the Customer's actual demand and/or energy usage for a Billing Period during which the Customer receives Electric Service from the Authority, the Authority shall have the right to render a bill to the Customer for such Billing Period based on estimated demand and estimated usage ("Estimated Bill").

For the purpose of calculating demand (kW) for an Estimated Bill, the demand (kW) will be calculated based on an average of the Customer's used and reported demand (kW) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated demand (kW) value for the Estimated Bill will equal the Customer's Contract Demand (kW) amount, based on the Authority's sole discretion.

For the purpose of calculating energy (kWh) for an Estimated Bill, the energy (kWh) will be calculated based on an average of the Customer's used and reported energy (kWh) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated energy value (kWh) will be equal to the Contract Demand (kW) amount at 75 percent load factor for that Billing Period, based on the Authority's sole discretion.

If data indicating the Customer's actual demand and usage for any Billing Period in which an Estimated Bill was rendered is subsequently provided to the Authority, the Authority will make necessary adjustments to the corresponding Estimated Bill in accordance with Section III.B.9 of this Service Tariff and, as appropriate, render a revised bill (or provide a credit) to the Customer.

The provisions of Section IV.D of this Service Tariff shall apply to Estimated Bills.

The Authority's discretion to render Estimated Bills is not intended to limit the Authority's rights under the Agreement.

9. Adjustments to Charges

In addition to any other adjustments provided for in this Service Tariff, in any Billing Period, the Authority may make appropriate adjustments to billings and charges to address such matters as billing and payment errors, the receipt of actual, additional, or corrected data concerning Customer meter data and NYISO rebills, including adjustments to the Market Capacity Charge and the Market Energy Charge.

IV. General Provisions

A. Scheduling of Firm Market Energy and Firm Market Power

In each Billing Period the Authority shall, in accordance with the NYISO Tariffs, NYISO manuals and NYISO procedures, schedule and provide to the Customer Firm Market Energy associated with Firm Market Power in an amount equal to the product of: (i) Contract Demand; (ii) the number of hours in the Billing Period; and (iii) Estimated Load Factor. Such Firm Market Energy shall be scheduled to the load bus established by the NYISO for the Facility or any successor load bus thereto established by the NYISO.

With respect to each month in which Electric Service is provided to the Customer by the Authority, the Authority shall, in accordance with the NYISO Tariffs, NYISO manuals and NYISO procedures, ensure that it does not schedule to the Customer in any hour more energy than the lesser of Customer's load in such hour, or Customer's Contract Demand.

With respect to each month in which Electric Service is provided to the Customer by the Authority, the Authority shall, in accordance with the NYISO Tariffs, NYISO manuals and NYISO procedures, schedule and provide UCAP in an amount equal to the applicable value calculated in accordance with NYISO rules, as stated in Section III.A.1 of this Service Tariff.

The Customer and Authority shall reasonably cooperate and coordinate, as necessary, to effectuate the required scheduling and provision of Firm Market Energy and Firm Market Power as required by this Service Tariff and the Agreement. The Authority acknowledges and agrees that the Customer may, from time to time, utilize the services of a third party agent, authorized by the NYISO, to assist the Customer with respect to such scheduling activities. In the event that the Customer appoints such a third party agent, the Authority shall reasonably cooperate and coordinate with such agent, and the Customer shall ensure that its agent reasonably cooperates and coordinates with the Authority, in the same manner as the Parties are required to cooperate in connection with such scheduling activities.

B. Reconciliation of Adjusted Energy Usage and Billing Energy

Where Firm Market Energy is delivered under this Service Tariff in conjunction with other firm energy, including but not limited to firm hydro energy, the amounts supplied by the Authority hereunder shall be reconciled as follows.

In any Billing Period in which the Customer's Adjusted Energy Usage is less than the amount of Firm Energy scheduled in accordance with firm hydro power service tariff and/or Agreement applicable to the Customer (hereinafter referred to as an "Under Consumption"), the Authority will bill the Customer and the Customer shall pay an additional charge (*i.e.* in addition to any other amounts due under this Service Tariff and/or the Agreement) in an amount equal to the amount of the Under Consumption (measured in kWh) multiplied by the positive difference, if any, between (i) the average of the applicable NYISO Day-Ahead Market Locational Based Marginal Price for the Zone for the Billing Period and (ii) the monthly base rate for billing energy applicable to the Customer under the firm hydro power service tariff.

For purposes of this provision, "Adjusted Energy Usage" means the product of (i) the Contract Demand (or, if applicable and less than the Contract Demand, the Takedown), (ii) the Load Factor for the Billing Period, and (iii) the number of hours in the Billing Period (i.e., Adjusted Energy Usage (kWh) = Contract Demand [or, if applicable and less than the Contract Demand, the Takedown] (kW) x Load Factor for the Billing Period (a percentage) x hours in the Billing Period).

The Authority will perform reconciliations for each Billing Period in accordance with this Section after the Authority obtains actual metered demand and energy data recorded on the Facility's meter from the local electric utility or as otherwise provided for in any Agreement.

C. Delivery of Firm Market Power

The Customer's local electric utility shall be responsible for delivering Firm Market Power to the Customer. The Authority shall have no responsibility for delivering any Firm Market Power to the Customer.

For the purpose of this Service Tariff, Firm Market Power and Firm Market Energy will be deemed to be offered when the Authority is able to supply Firm Market Power and Firm Market Energy to the Authority's designated NYISO load bus. If despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure will not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Rendition and Payment of Bills

1. Specific Customer billed dates will be determined by the Authority on a case by case basis. Generally the Authority will render bills to the Customer for Electric Service no later than the 20th calendar day of the month for charges due for the previous Billing Period. Bills will reflect the amounts due and owing, and are subject to adjustment as provided for in this Service Tariff and the Rules. Unless otherwise agreed to by the Authority and the Customer in writing, the Authority shall render bills to the Customer electronically.

2. Specific Customer payment dates will be determined by the Authority on a case by case basis. Generally the payment of bills by the Customer shall be due and payable by the Customer no later than the 1st business day of the following month.

3. Except as otherwise agreed by the Authority in writing, if the Customer fails to pay any bill when due, an interest charge of two percent of the amount unpaid will be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent of the sum unpaid shall be added on the first day of each succeeding Billing Period until the amount due, including interest, is paid in full.

4. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of a bill rendered by Authority, the Customer shall pay such bill in the time provided for by this Service Tariff, and adjustments, if necessary, will be made thereafter.

5. If at any time after commencement of Electric Service the Customer fails to make complete payment of any two (2) bills for Electric Service when such bills become due pursuant to this

Service Tariff, the Authority shall have the right to require that the Customer deposit with the Authority a sum of money in an amount equal to all charges that would be due under this

Service Tariff for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit will be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. The failure or refusal of the Customer to provide the deposit within thirty (30) days of a request for such deposit will be grounds for the Authority in its sole discretion to suspend Electric Service to the Customer or terminate this Service Tariff.

E. Conflicts

In the event of any inconsistencies, conflicts, or differences between the provisions of this Service Tariff and the Rules, the provisions of the Service Tariff will govern. In the event of any inconsistencies, conflicts or differences between the Service Tariff and any provisions of the Customer Agreement, the provisions of the Agreement will govern.

F. Resale

No customer shall resell any of the power supplied by Authority under this Service Tariff.

Exhibit "B"

Firm Market Power Service Tariff Amendment – Notice of Adoption

Customer Comments

Air Products and Chemicals, Inc.
7201 Hamilton Boulevard, Allentown, PA 18195-1501
T 610-481-4911 F 610-481-5900
www.airproducts.com

23 September 2014

Ms. Karen Delince, Corporate Secretary
Power Authority of the State of New York
123 Main Street, 11-P
White Plains, NY 10601
secretarys.office@nypa.gov

Dear Ms. Delince:

Air Products offers the following comments on NYPA's proposed amendment of the Schedule of Rates (Service Tariff No. 1C or "ST1C") for the Sale of Firm Market Power Applicable to its Market Power Customers. It is our understanding that NYPA is proposing to modify its market energy charge methodology to reflect actual charges incurred by NYPA based on its New York Independent System Operator ("NYISO") hourly market energy purchases on behalf of these customers.

Interpretation of Proposed Tariff Changes

Currently NYPA charges ST1C customers the average monthly Day-Ahead (DA) LBMP energy price for the calendar month times the total kWh consumed in the month regardless of when this energy was actually consumed during the month. While customers have the opportunity to provide monthly hourly load schedules, there is no requirement for them to actually provide these schedules.

The proposed tariff changes seek to more clearly define how NYPA will act as a Load Serving Entity (LSE) for the ST1C customers. Although the proposed tariff language still contains no customer hourly load scheduling requirement, under the proposed tariff changes NYPA would begin bidding the customer's projected hourly loads into the NYISO day-ahead market to procure DA LBMP-priced hourly energy for the customer's scheduled hourly loads. To the extent that the customer takes more or less energy during an hour (as reported by National Grid to NYISO) than they scheduled, the differences from the hourly DA scheduled energy for that hour are net-settled at the Real-Time (RT) LBMP for that hour. NYPA also appears to have included the concept of having the ability to put price hedges in place, but it is not clear how this process might work.

Finally, NYPA seems to assume that each of the three customers supplied under this tariff is connected to separate NYISO buses. However, two of the ST1C customers are behind the same NYISO bus in National Grid's service area. The tariff is silent on what happens if customers supplied under this tariff happen to share a common bus. NYPA staff has informally indicated that they currently plan to simply take the NYISO charges for the common bus and allocate them between the customers on that bus based on their load share ratio of the bus' total load for the month (as determined by the monthly National Grid metered kWh for each customer). We are very concerned that if this is the case the two customers could end up subsidizing each other at various times throughout the month based on them having different usage patterns.

Position on Proposed Tariff Changes

Air Products is one of three customers supplied under this tariff and we happen to share a bus with another ST1C customer. While Air Products supports the basic intent of the proposed ST1C change, we would oppose the change if NYPA cannot come up with a better way to separate the charges for each customer behind a common bus based on their actual hourly load schedule and consumption. If this common bus issue can be addressed (perhaps by a separate manual monthly energy charge allocation procedure) then Air Products would generally support the proposed ST1C changes. However, as currently drafted the proposed ST1C language changes lack

sufficient clarity on concepts like hourly load scheduling, NYPA's process for utilizing hedges for energy purchases under this tariff, and what happens if two customer's share a common bus. To enable customers to minimize their energy costs under ST1C it is important for the ST1C language to address (at least in general terms) the above issues.

Specific Comments

From our perspective there is a gap between how NYPA staff contemplates the monthly energy market charge will be determined and how the proposed ST1C language describes this charge will be determined that needs to be closed. To help NYPA close this gap, Air Products offers the following comments:

NYPA Price Hedging

- Explicitly state that NYPA will put price hedges in place for ST1C only if requested to by ST1C customers. The tariff needs to be clear as whether NYPA would put a hedge in place for an individual ST1C customer or if all ST1C customers supplied under the tariff would need to agree to a NYPA hedge.
- Include a definition of a hedge in Section II. The definition should describe in very general terms the tools NYPA can use for a hedge. The language applicable to defining a hedge is currently inappropriately placed in Section III.A.2.a. Also, the customer(s) needs the ability to at least generally specify the type of hedge that they are comfortable with NYPA using and perhaps the maximum amount they were willing to pay for a hedge. If NYPA could not put a hedge in place for this maximum price then they would not do it.
- If a hedge is put in place then NYPA should provide the customer(s) requesting the hedge with a high-level summary of the type of hedge they put in place and the expected cost. Ideally the customer(s) should have the opportunity to approve/comment on the proposed type of hedge and cost of the hedge before NYPA locks it in.
- Generally explain how the costs of the hedge are passed back to those customers requesting it.
- Specify what customers are responsible for if they want an early termination of a hedge.

Market Charge

- Section III.A.2 needs to explicitly state that the Market Energy Charge will be based on the actual costs incurred by NYPA for the Billing Period based on each customer's hourly load schedule and that customer's actual hourly load (as reported by NYISO) and include a specific formula for the Market Energy Charge similar to the one in the current SC1C tariff (but modified for the hourly concept).

  Currently the Market Energy Charge is defined as:

  the Market Energy rate (i.e. avg. of the monthly NYISO DA market and the RT energy price based on Customer's location as determined by NYPA) x kWh recorded on the Customer's meter for the Billing Period (adjusted by NYPA if there is more than Firm Market Power being supplied by NYPA to the Customer).

Customer Hourly Load Scheduling

- The tariff is silent on the need for ST1C customers to provide hourly load schedules to NYPA. For the proposed tariff change to work customers need to be able to submit daily hourly load schedules. and the need for the customer to provide hourly load forecasts to NYPA. According to NYPA staff, NYPA can accept daily hourly load schedules from customers. The revised tariff should at least state that customers are encouraged to submit day-ahead hourly load schedules, the forecast period for the hourly load schedules (e.g., on Friday need to submit schedules for Saturday through Monday), that NYPA can accept daily schedules, and how the customer's hourly loads are scheduled if they fail to provide NYPA with their own forecasted hourly load schedules.

Customer Billing Information

- The customer under proposed Section III.A.2.c should not have to request NYPA to provide the kilowatt hours associated with the Market Energy Charge, NYPA needs to supply this information as part of the monthly energy bill.

Definition of Selected Terms

- NYPA needs to review the terms used in the proposed ST1C language change to determine which ones also need to be defined in Section II. For example, hedging (discussed above) needs to be defined in Section II. Additionally, if the term hourly Locational Based Marginal Pricing (LBMP) were to be used then it should be defined in Section II.

How NYPA Splits Energy Charges For a Common Bus

- NYPA staff has informally indicated that it apparently receives monthly NYISO charges for each NYISO bus and not each customer if they happen to share a common bus. There is a difference between the customer's hourly metered kWh that National Grid currently provides to NYPA and the customer's hourly kWh that they report to NYISO (which NYISO uses to determine the hourly NYISO ancillary and energy charges for the market priced power). The NYISO charges for each applicable NYISO bus are the ones that NYPA is now apparently proposing (although the proposed tariff changes are silent on this issue) to pass directly back to each ST1C customer.

- NYPA staff has also informally indicated that for ST1C customers behind a common bus they currently intend to allocate the monthly NYISO energy and ancillary service charges among the customers behind that bus based on the monthly National Grid metered kWh for each customer regardless of how either customer scheduled (or didn't schedule) their hourly loads with NYPA and how that customer actually consumed energy for that hour. Thus, it is likely that there will be some amount of inadvertent cross subsidization taking place between these two customers.

- NYPA staff has informally indicated that one of the reasons they are planning to allocate NYISO charges for customers behind a common bus using National Grid monthly metered kWh is that they are unsure how the National Grid hourly interval data is converted to the NYISO hourly interval data. National Grid Schedule 220 in Section 39.18 details how they adjust hourly interval meter data that they send to NYISO (https://www2.dps.ny.gov/ETS/jobs/display/download/5526908.pdf). This document indicates that National Grid uses the following formula:

  Retail load kWh x the Local Transmission Efficiency Factor (which is 1.021 for 115 KV transmission) x (1 + average UFE Factor which is updated each month)

  National Grid has indicated to Air Products that they would be willing to provide NYPA with the applicable hourly UFE factors for its customers receiving Fitzpatrick power.

- NYPA can minimize any potential cross-subsidization at least for the NYISO energy charges between ST1C customers that happen to be behind the same NYISO bus by utilizing a manual billing process for these customers. NYPA has the customer's DA hourly load schedules and they can access the applicable DA LBMP energy rates from NYISO. Based on the National Grid hourly metered kWh for each customer and the methodology National Grid uses determine the customer's hourly kWh reported to NYISO NYPA should have a good estimation of the customer's RT hourly loads. Thus, NYPA essentially has the customer's RT hourly loads and they can access the applicable RT LBMP energy rates from NYISO to be able to calculated net settlement costs. Air Products believes that this approach would minimize the amount of hourly energy charge subsidization that could be taking place between the two customers and better assign NYPA's true cost to serve to each customer behind the same NYISO bus.

- With respect to NYISO ancillary service charges and any residual between NYISO's energy charges for the common bus and NYPA's estimate of these charges, NYPA should be able to allocate those to customers behind a common NYISO bus using NYPA's current load share ratio approach using National Grid hourly metered kWh.

- Air Products would be willing to consider paying a small, "reasonable" monthly fee for the manual billing that would be required to separate out the energy portion of the NYISO charges for ST1C customers behind a common NYISO bus. However, Air Products would like to know what any monthly manual billing charge might be before agreeing to accept it.

Conclusion

Air Products respectively requests the that the NYPA Board of Trustees consider ways to close the gaps discussed above in approving any changes to the ST1C tariff to insure that there is not inadvertent energy charge rate cross-subsidization taking place between ST1C customers behind a common NYISO bus. Ideally, the NYPA Board of Trustees should ask NYPA staff to meet with the ST1C customers to work out mutually acceptable changes to ST1C that better insure NYPA's ability to recover all costs associated with providing ST1C energy to ST1C customers and then bring back a revised set of proposed ST1C changes for the NYPA Board of Trustees to consider.

Sincerely,

Roger Yott
Senior Energy Manager
Email: yottra@airproducts.com

Amendment to Standby Rate Provisions of NYPA's Governmental Customer Service Tariffs Amendment – Notice of Adoption

Exhibit "A"

Revised "Rider A – Standby Rate"
Service Tariff No. 100

Revised "Rider A – Standby Rate"
Service Tariff No. 200

Rider A – Standby Rate

A. Applicability

Applicable to Customers who would otherwise receive service under Service Classifications No. 65, 68, 69, 80, 82, 85, 91, 93 and 98 rates having generating facilities on their premises that are not in excess of eighty (80) megawatts, and which are interconnected with Authority through the Utility electric system. The nameplate rating of a Customer's on-site generation facilities must meet or exceed 15 percent of the Customer's maximum potential demand, consistent with the Utility tariff requirements.

Service under this Rider is limited to Customers who meet the requirements set forth in Rule 20 of Con Edison's Electric Tariff, P.S.C No. 10. Customers must also meet the requirements set forth in Service Class 11 of Con Edison's Electric Tariff, P.S.C No. 10 if they wish to receive compensation for Excess Energy from the Utility.

Customers receiving service under this Rider A may be required to pay for the installation and/or upgrade of equipment necessary to protect the safety or adequacy of electric service provided to other Customers, as set forth in Rule 20 and Service Class 11, if applicable, of the Utility tariff.

Customer shall provide upon request of the Authority all documentation necessary to bill the Customer under this Rider A, including but not limited to data necessary to determine Production Contract Standby Demand for each applicable Account, including load, generator, and interconnection data.

The Customer must also submit NYPA's application for production standby service to be considered. The application is available upon request. The Authority reserves the right to limit service under this Rider.

B. Type of Service

NYPA will furnish power for standby service hereunder. The type of service supplied will depend upon the voltage available from Utility.

C. Definitions:

Total Load: The total amount of metered demand in kilowatts consumed by a Customer and recorded on each Account's meter during each 30 minute interval in a Billing Period (as defined in section G of General Provisions), inclusive of kilowatts of power provided by the Authority and kilowatts of power generated by Customer's qualifying generating facility. For Customers with multiple Standby Accounts, Customer generation will be apportioned to each Account in accordance with the Utility tariff.

Production Contract Standby Demand: The Account's maximum Total Load in kilowatts from the preceding 12 months, or the months for which data is available if the Account has not been in service for 12 months. If insufficient history is available, or Account's Total Load is expected to change due to installation or removal of equipment, or Customer implementation of energy efficiency measures, the Authority will determine the Production Contract Standby Demand after consulting with Customer regarding project specifications and/or Account's past capacity needs. Customer may request in writing an adjustment to Production Contract Standby Demand once per calendar year.

As-Used Daily Standby Demand: The demand in kilowatts that is metered or calculated for each day as the maximum positive difference between the Account's Total Load less the generation kilowatts allocated to the Account in any 30-minute interval of each day during the Billing Period. In no instance will the As-Used Daily Standby Demand be less than zero.

Excess Energy: Energy generated by the Customer that exceeds Customer's total energy usage in an interval and is exported to the Utility's system.

D. Rules of Service

All Accounts at the Customer's premises taking standby service shall have interval metering and shall be billed under applicable Service Class rates.

The Production minimum demand charge as discussed in Section VI. B of the Service Tariff will not apply under this Rider A.

Authority power delivered under this schedule shall not be used for resale or as a substitute for power contracted for or which may be contracted for under any other schedule of Authority tariff.

Rate adjustments for NYC Governmental Customers under this Rider A will occur in accordance with the Annual Planning and Pricing Process (described in their 2005 Long Term Agreements with Authority) to establish new rates effective January 1 of the following year.

Customer shall provide Authority with 30 days advance written notice of planned maintenance outages, specifying the starting date and duration of the planned outage

E. Determination of Production Standby Demand Charges

The Production Standby Demand Charges in any Billing Period shall be the sum of the "Billed Production Contract Standby Demand Charge" and the "Billed As-Used Daily Standby Demand Charge" for the Billing Period, each as set forth below:

Billed Production Contract Standby Demand Charge: this shall be equal to the Production Contract Standby Demand determined for each Account multiplied by the applicable Production Contract Standby Demand Charge (see below). Where there are multiple Accounts, these values will then be summed.

Billed As-Used Daily Standby Demand Charge: this shall be the sum of the Account-level daily charges, calculated as the maximum As-Used Daily Standby Demand in each day during the Billing Period multiplied by the applicable As-Used Daily Standby Demand Charge (see below).

Service Classification 65 Conventional

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.260	0.250
As-Used Daily Standby Demand Charge ($/kW-day)	0.276	0.265

Service Classification 68 Conventional

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.470	0.443
As-Used Daily Standby Demand Charge ($/kW-day)	0.500	0.471

Service Classification 68 Time of Day

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.427	0.402
As-Used Daily Standby Demand Charge ($/kW-day)	0.453	0.427

Service Classification 69 Conventional

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.356	0.336
As-Used Daily Standby Demand Charge ($/kW-day)	0.378	0.357

Service Classification 69 Time of Day

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.388	0.372
As-Used Daily Standby Demand Charge ($/kW-day)	0.412	0.395

Service Classification 80 Conventional

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.053	0.050
As-Used Daily Standby Demand Charge ($/kW-day)	0.056	0.053

Service Classification 82 Conventional

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.317	0.298
As-Used Daily Standby Demand Charge ($/kW-day)	0.337	0.317

Service Classification 85 Conventional

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.401	0.389
As-Used Daily Standby Demand Charge ($/kW-day)	0.426	0.413

Service Classification 91 Conventional

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.303	0.286
As-Used Daily Standby Demand Charge ($/kW-day)	0.322	0.304

Service Classification 91 Time of Day

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.409	0.386
As-Used Daily Standby Demand Charge ($/kW-day)	0.435	0.410

Service Classification 93 Conventional

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.241	0.229
As-Used Daily Standby Demand Charge ($/kW-day)	0.256	0.244

Service Classification 98 Conventional

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.145	0.136
As-Used Daily Standby Demand Charge ($/kW-day)	0.154	0.145

Service Classification 98 Time of Day

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.304	0.291
As-Used Daily Standby Demand Charge ($/kW-day)	0.323	0.310

F. Production Energy Service

Authority will provide energy service to the Customer under the production service class energy rates applicable to the Customer's Account(s).

G. Excess Energy Compensation

The Authority will assist the Customer in applying to the Utility to receive compensation for Excess Energy exported into the Utility system.

H. Delivery Service Charges

Such charges for Delivery Service will reflect a direct pass through of the currently effective Utility tariff rates, including all Special Provisions, applicable to the Customer, as amended from time to time by Utility.

I. Metering

The Customer's metering, for each Account, will conform to the Utility's metering provisions.

In the event the Customer requests an additional meter for standby service, the Customer shall pay the cost of the meter and installation.

J. Power Factor Correction

The Power Factor will be handled by the Utility in accordance with the Utility tariff or any applicable agreements between the Customer and Utility.

Rider A – Standby Rate

A. Applicability

Applicable to Customers who would otherwise receive service under Service Classifications No. 68, 69, 82 rates having generating facilities on their premises that are not in excess of eighty (80) megawatts, and which are interconnected with Authority through the Utility electric system. The nameplate rating of a Customer's on-site generation facilities must meet or exceed 15 percent of the Customer's maximum potential demand, consistent with the Utility tariff requirements.

Service under this Rider is limited to Customers who meet the requirements set forth in Rule 20 of Con Edison's Electric Tariff, P.S.C No. 10. Customers must also meet the requirements set forth in Service Class 11 of Con Edison's Electric Tariff, P.S.C No. 10 if they wish to receive compensation for Excess Energy from the Utility.

Customers receiving service under this Rider A may be required to pay for the installation and/or upgrade of equipment necessary to protect the safety or adequacy of electric service provided to other Customers, as set forth in Rule 20 and Service Class 11, if applicable, of the Utility tariff.

Customer shall provide upon request of the Authority all documentation Necessary to bill the Customer under this Rider A, including but not limited to data necessary to determine Production Contract Standby Demand for each applicable Account, including load, generator, and interconnection data.

The Customer must also submit NYPA's application for production standby service to be considered. The application is available upon request. The Authority reserves the right to limit service under this Rider.

B. Type of Service

NYPA will furnish power for standby service hereunder. The type of service supplied will depend upon the voltage available from Utility.

C. Definitions:

Total Load: The total amount of metered demand in kilowatts consumed by a Customer and recorded on each Account's meter during each 30 minute interval in a Billing Period (as defined in section G of General Provisions), inclusive of kilowatts of power provided by the Authority and kilowatts of power generated by the Customer's qualifying generating facility. For Customer's with multiple Standby Accounts, Customer generation will be apportioned to each Account in accordance with the Utility tariff.

Production Contract Standby Demand: The Account's maximum Total Load in kilowatts from the preceding 12 months, or the months for which data is available if the Account has not been in service for 12 months. If insufficient history is available, or Account's Total Load is expected to change due to installation or removal of equipment, or Customer implementation of energy efficiency measures, the Authority will determine the Production Contract Standby Demand after consulting with Customer regarding project specifications and/or Account's past capacity needs. Customer may request in writing an adjustment to Production Contract Standby Demand once per calendar year.

As-Used Standby Demand: The demand in kilowatts that is metered or calculated for each day as the positive difference between the Account's Total Load less the generation kilowatts allocated to the Account in any 30-minute interval of each day during the Billing Period. In no instance will As-Used Daily Standby Demand be less than zero.

Excess Energy: Energy generated by the Customer that exceeds Customer's total energy usage in an interval and is exported to the Utility's system.

D. Rules of Service

All Accounts at the Customer's premises taking standby service shall have interval metering and shall be billed under applicable Service Class.

The Production minimum demand charge as discussed in Section VI. B of the Service Tariff will not apply under this Rider A.

Authority power delivered under this schedule shall not be used for resale or as a substitute for power contracted for or which may be contracted for under any other schedule of Authority tariff.

Rate adjustments for WES Governmental Customers under this Rider A will occur in accordance with the provisions of the 2007 Supplemental Agreement with Authority to establish new rates effective January 1 of the following year.

Customer shall provide Authority with 30 days advance written notice of planned maintenance outages, specifying the starting date and duration of the planned outage

E. Determination of Production Demand Charges

The Production Standby Demand Charges in any Billing Period shall be the sum of the "Billed Production Contract Standby Demand Charge" and the "Billed As-Used Daily Standby Demand Charge" for the Billing Period, each as set forth below:

Billed Production Contract Standby Demand Charge: this shall be equal to the Production Contract Standby Demand determined for each Account multiplied by the applicable Production Contract Standby Demand Charge (see below). Where there are multiple Accounts, these values will then be summed.

Billed As-Used Daily Standby Demand Charge: this shall be the sum of the Account-level daily charges, calculated as the maximum As-Used Daily Standby Demand in each day during the Billing Period multiplied by the applicable As-Used Daily Standby Demand Charge (see below).

Service Classification 68 Conventional

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.068	0.064
As-Used Standby Demand Charge ($/kW-day)	0.072	0.068

Service Classification 69 Conventional

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.054	0.051
As-Used Standby Demand Charge ($/kW-day)	0.057	0.054

Service Classification 69 TOD

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.077	0.074
As-Used Standby Demand Charge ($/kW-day)	0.082	0.079

Service Classification 82 Conventional

	Low Tension	High Tension
Production Contract Standby Demand Charge ($/kW)	0.068	0.064
As-Used Standby Demand Charge ($/kW-day)	0.072	0.068

F. Production Energy Service

Authority will provide energy service to the Customer under the production service class energy rates applicable to the Customer's Account(s).

G. Excess Energy Compensation

The Authority will assist the Customer in applying to the Utility to receive compensation for Excess Energy exported into the Utility system.

H. Delivery Service Charges

Such charges for Delivery Service will reflect a direct pass through of the currently effective Utility tariff rates, including all Special Provisions, applicable to the Customer, as amended from time to time by Utility.

I. Metering

The Customer's metering, for each Account, will conform to the Utility's metering provisions.

In the event the Customer requests an additional meter for standby service, the Customer shall pay the cost of the meter and installation.

J. Power Factor Correction

The Power Factor will be handled by the Utility in accordance with the Utility tariff or any applicable agreements between the Customer and Utility.

Exhibit A
December 16, 2014

Village of Tupper Lake
Expense and Revenue Summary

	Five-Year Average	Proposed[1]
Purchase Power Expense (NYPA hydro and incremental)	$ 2,302,650	$ 2,660,512
Distribution Expense (City-owned facilities)	735,404	754,010
Depreciation Expense (On all capital facilities and equipment)	181,591	181,400
General and Administrative Expenses (Salaries, insurance, management services and Administrative expenses)	329,045	396,046
Total Operating Expenses	3,548,690	3,997,968
Net Rate of Return – (average five years – 0.4%, proposed – 8.5%) (includes debt service on current and planned debt, cash reserves and contingencies)	8,917	237,149
Total Cost of Service	$ 3,557,608	$ 4,235,118
Rate Revenue at Present Rates		4,011,988
Deficiency at Current Rates		223,129
Revenue at Proposed Rates		$ 4,235,118
Increase % at Proposed Rates		5.6%

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

Exhibit B
December 16, 2014

Village of Tupper Lake

Comparison of Present and Proposed Annual Total Revenues

SERVICE CLASSIFICATION	PRESENT REVENUE	PROPOSED REVENUE	% INCREASE
Residential – SC1	$ 2,661,063	$ 2,809,060	5.6%
Small Commercial – SC2	364,981	385,280	5.6%
Large Commercial - SC3A	664,754	701,725	5.6%
Large Commercial – SC3B	108,054	114,064	5.6%
LC Sunmount Development Center – SC4	143,295	151,264	5.6%
Security Lighting –SC5	8,451	8,921	5.6%
Street Lighting – SC6	61,390	64,804	5.6%
Total	$4,011,988	$4,235,118	5.6%

Exhibit C
December 16, 2014

Village of Tupper Lake

Comparison of Present and Proposed Net Monthly Rates

Present Rate		Proposed[1] Rates
	Residential S.C.1	
$3.26	Customer Charge	$3.28
$.03576	Energy Charge Non-Winter (May-October), per kWh	$.04386
	Energy Charge Winter (November-April), per kWh	
$.03576	First 1,500 kWh	$.04386
$.07675	1,501 – 4,500 kWh	$.07712
$.11224	Over 4,500 kWh only	$.11278
	Small Commercial S.C.2	
$3.25	Customer Charge	$3.62
$.04488	Energy Charge Non-Winter (May-October), per kWh	$.04993
$.06411	Energy Charge Winter (November-April), per kWh	$.07132
	Large Industrial S.C.3A	
$4.50	Demand Charge, per kW	$5.02
$.03646	Energy Charge, per kW	$.04071

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

Exhibit C
December 16, 2014

Village of Tupper Lake

Comparison of Present and Proposed Net Monthly Rates

Present Rate		Proposed[1] Rates
	Large Industrial S.C.3B	
$4.75	Demand Charge, per kW	$5.23
$.03953	Energy Charge, per kWh	$.04353
	Large Industrial S.C.4 Sunmount	
$5.50	Demand Charge, per kW	$6.16
$.03899	Energy Charge, per kWh	$.04368
	Security Lighting S.C.5 (Charge per Lamp, per month)	
$9.26	150 High Pressure Sodium	$9.99
$9.26	175 Mercury Vapor	$9.99
$16.58	250 High Pressure Sodium	$17.89
$16.58	400 Mercury Vapor	$17.89
	Street Lighting S.C.6	
$6.79	Facility Charge, per lamp	$7.37
$.01635	Energy Charge, per kWh	$.01774

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

Exhibit "A"
December 16, 2014

City of Sherrill

Expense and Revenue Summary

	Five-Year Average	Proposed[1]
Purchase Power Expense (NYPA hydro and incremental)	$ 1,734,896	$ 1,815,547
Distribution Expense (City-owned facilities)	348,532	337,153
Depreciation Expense (On all capital facilities and equipment)	140,102	166,136
General and Administrative Expenses (Salaries, insurance, management services and Administrative expenses)	513,394	470,006
Total Operating Expenses	2,736,924	2,789,021
Net Rate of Return – (average five years - 0%, proposed – 6.8%) (includes debt service on current and planned debt, cash reserves and contingencies)	-0-	107,433
Total Cost of Service	$ 2,736,924	$ 2,896,454
Rate Revenue at Present Rates		2,472,250
Rents from Electric Property		22,175
Deficiency at Current Rates		402,029
Revenue at Proposed Rates		$ 2,874,279
Increase % at Proposed Rates		16.3%

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

Exhibit "B"
December 16, 2014

City of Sherrill

Comparison of Present and Proposed Annual Total Revenues

SERVICE CLASSIFICATION	PRESENT REVENUE	PROPOSED REVENUE	% INCREASE
Residential – SC1	$ 1,109,991	$ 1,280,896	15.4%
Small Commercial – SC2	140,580	162,225	15.4%
Large Commercial - SC3	252,420	313,774	24.3%
Security Lights – SC4	23,526	48,526	106.3%
Industrial – SC5	945,733	1,068,858	13.0%
Total	$2,472,250	$2,874,279	16.3%

Exhibit "C"
December 16, 2014

City of Sherrill

Comparison of Present and Proposed Net Monthly Rates

Present [1] Rates		Proposed [1] Rates
	Residential SC 1	
$ 5.05	Customer Charge	$ 10.10
	Energy Charge, per kWh.	
$ .0408	First 1,750 kWh.	$ .0473
$ .0501	Over 1,750 kWh.	$ .0580
	Small Commercial SC 2	
$ 6.50	Customer Charge	$ 13.00
$ .0425	Energy Charge, per kWh.	$ .0489
	Large Commercial SC 3	
$ 3.75	Demand Charge, per KW	$ 4.82
$ .0301	Energy Charge, per kWh.	$ .0377

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

Exhibit "C"
December 16, 2014

City of Sherrill

Comparison of Present and Proposed Net Monthly Rates

Present [1] Rates		Proposed [1] Rates
	Security Lights SC 4	
	Per month, per unit of:	
$ 4.95	70 Watts - High Pressure Sodium	$ 4.80
$ 4.95	100 Watts - High Pressure Sodium	$ 6.87
$ 7.09	150 Watts - High Pressure Sodium	$ 10.26
$ 10.23	250 Watts - High Pressure Sodium	$ 17.12
$ 9.37	400 Watts - High Pressure Sodium	$ 27.38
$ 21.15	1000 Watts - High Pressure Sodium	$ 68.59
$ 4.95	100 Watts – Mercury Vapor	$ 6.87
$ 3.82	175 Watts – Mercury Vapor	$ 12.04
$ 16.19	200 Watts – Mercury Vapor	$ 13.74
$ 13.51	1000 Watts – Mercury Vapor	$ 68.59
N/A	70 Watts – Metal Halide	$ 4.80
N/A	100 Watts – Metal Halide	$ 6.87
N/A	175 Watts – Metal Halide	$ 12.04
N/A	250 Watts – Metal Halide	$ 17.12
$ 12.41	400 Watts – Metal Halide	$ 27.38
$ 13.51	1000 Watts – Metal Halide	$ 68.59

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

Exhibit "C"
December 16, 2014

City of Sherrill

Comparison of Present and Proposed Net Monthly Rates

Present [1] Rates		Proposed [1] Rates
	Industrial SC 5	
$ 3.75	Demand Charge, per KW	$ 4.82
$ .0271	Energy Charge, per kWh.	$ .0339

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

Exhibit A

December 16, 2014

The New York Power Authority ("NYPA") and the Niagara Frontier Transportation Authority ("NFTA") (collectively, “Parties”) are parties to a February 2, 1990 agreement ("1990 Agreement") under which NYPA sells 1,000 kW of hydropower and energy to NFTA under Service Tariff No. 37 (ST-37) for use by NFTA's regional light rail system.

Under the terms of the 1990 Agreement, sales of additional amounts of power and energy may be made on terms and conditions mutually acceptable to NYPA and NFTA. The Parties agreed on January 29, 2004 and again on December 15, 2009 that NYPA would sell 2,300 kW of firm power and energy for use at NFTA's Niagara Falls International Airport to support continued operation of the Niagara Falls Air Base ("NFAB") located at the airport. The term of these sales is scheduled to extend until midnight, December 31, 2014.

The Parties desire to extend this service, and NYPA has agreed to extend the allocations, through December 31, 2019. The rates, terms and conditions for such extended service will be those applicable under ST-37 as it may change from time to time.

Delivery service to the NFAB will continue to be provided by Niagara Mohawk Power Corporation through its applicable tariffs. NFTA agrees to reimburse NYPA for all costs incurred by NYPA on NFTA's behalf in connection with the provision of electricity by NYPA to NFTA, including any charges imposed on NYPA by the New York Independent System Operator through its Open Access Transmission Tariff (or the tariff of any successor entity).

As noted, the extended term for the sale of the 1,000 kW and 2,300 kW allocations shall extend until midnight, December 31, 2019, renewable for successive five-year terms upon mutual agreement of NYPA and NFTA. Pending such mutual

agreement, service shall continue on a month-to-month basis until terminated by either party on 90 days' notice. If the NFAB permanently reduces or terminates operations at the Niagara Falls International Airport, NFTA may reduce or terminate service with respect to the allocation used at the NFAB, upon 90 days advance written notice, provided that NFTA shall be responsible for all costs associated with such service through and including the date of termination, which costs shall be billed by NYPA to NFTA when known.

If this is acceptable to your organization, please sign in the space provided below.

AGREED:

Power Authority of the State of New York

Accepted _____ Date _____

James Pasquale
Senior Vice President - Economic Development & Energy Efficiency

Niagara Frontier Transportation Authority

Accepted _____ Date _____

Kimberley Minkel
Executive Director

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

EXHIBIT "A"
December 16, 2014

Bus Unit/ Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
BUSINESS SERVICES - CONTROLLER'S OFFICE	**CERIDIAN HCM, INC.** Bloomington, MN (**Q14-5618**; PO# TBA)	04/01/15 (on or about)	Provide for payroll processing and related services for the Authority	03/31/20	B/S	*Note: represents total for up to 5-year term		**$1,040,000***
ECONOMIC DEVELOPMENT & ENERGY EFFICIENCY - ENERGY EFFICIENCY	**LABELLA ASSOCIATES, DPC** Rochester, NY (HQ) **(Q14-5668;** PO# TBA)	01/01/15 (on or about)	Provide for Statewide Energy Efficiency Program services with ten other B/A contracts for such services, approved by the Trustees 10/15/14	10/14/19 (coterminous		*Note: included in the previously-approved aggregate total of $300 million for ten other contracts for such services, over a 5-year term		**$ ***
ENTERPRISE SHARED SERVICES - CORP SUPP SERVICES	**ENSIGN ENGINEERING, PC ♦** Bronx, NY **(Q14-5693**; PO# TBA)	02/02/15 (on or about)	Provide for engineering services (mechanical, electrical, structural design; etc) for the Centroplex Building	02/01/20	B/A	*Note: represents total for up to 5-year term		**$325,000***
ENTERPRISE SHARED SERVICES - HR	**Q14-5734; 2 awards:** **1. CAREER CONCEPTS, INC. dba CCI CONSULTING** Blue Bell, PA **2. EILEEN K. WARD & ASSOC. ♦ dba E.K. WARD & ASSOC.** Williamsville, NY (PO#s TBA)	01/01/15 (on or about)	Provide for executive coaching services	12/31/19	B/P	*Note: represents aggregate total for up to 5-year term		**$1,000,000***

♦	**M / WBE:**	**New York State-certified Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)**
1	**Award Basis:**	**B= Competitive Bid; S= Sole Source; Si= Single Source; C= Competitive Search**
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Procurement (Services) and Other Contracts – Awards
(For Description of Contracts See "Discussion")

EXHIBIT "A"
December 16, 2014

Bus Unit/ Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
ENTERPRISE SHARED SERVICES - IT	**Q14-5587; 2 awards:**		Provide for Human Capital Management Cloud-Based Solution:					
	1. SUCCESS FACTORS, an SAP Company South San Francisco, CA	12/17/14 (on or about)	- HCM Cloud Solution modules + hosting services	12/16/19	B/S	*Note: represents total for up to 5-year term		**$1,100,980***
	2. SYMPHONY MANAGEMENT CONSULTING ♦ Charlotte, NC (PO#s TBA)	02/02/15 (on or about)	- implementation services	02/01/17	B/P	*Note: represents total for up to 2-year term		**$800,000***
LAW	**PROSKAUER ROSE LLP** New York, NY **(4500251856)**	10/15/14	Provide for legal representation, advice and counsel to the Authority In connection with collective bargaining and related labor and employment matters	10/14/17 (2-year award with 1-year option to extend)	Si/L	$52,500 *Note: represents total for up to 3-year term		**$175,000***
OPERATIONS SUPPORT SERVICES - ENGINEERING	**Q14-5688; 2 awards:**	01/01/15 (on or about)	Provide for on-call failure analysis and metallurgical examination and testing services	12/31/19	B/P	*Note: represents total for up to 5-year term		**$3,000,000***
	1. AEIS, LLC dba ATLAS EVALUATION & INSPECTION SERVICES ♦ Rahway, NJ							
	2. LUCIUS PITKIN, INC. New York, NY (PO#s TBA)							

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

EXHIBIT "A"
December 16, 2014

Bus Unit/ Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
OPERATIONS SUPPORT SERVICES - PROJ MGMT & STL	**ATLANTIC TESTING LABORATORIES, LTD** ♦ Canton, NY (**Q14-5740;** PO# TBA)	01/01/15 (on or about)	Provide for on-call testing and inspection services for concrete samples, metal, paint coating, welds, soil, etc. for the STL Project	12/31/19	B/S	*Note: represents total for up to 5-year term		**$500,000***
OPERATIONS - POWER GEN - SENY PLANTS	**EVOQUA WATER TECHNOLOGIES LLC** Fallsington, PA (**Q14-5625;** PO# TBA)	01/01/15 (on or about)	Provide for demineralized water systems (lease of trailers and services) for the SENY Plants	12/31/19	B/E	*Note: represents total for up to 5-year term		**$10,000,000***
OPERATIONS - POWER GEN - SENY REGION	**H.O. PENN MACHINERY CO., INC.** Bronx, NY (HQ) Holtsville, NY (Branch Office) (PO# TBA)	01/01/15 (on or about)	Provide for maintenance and repair of Caterpillar standby emergency diesel generators in SENY Region	12/31/19	Si/S	*Note: represents total for up to 5-year term		**$250,000***
OPERATIONS SUPPORT SERVICES - OPERATIONAL PERFORMANCE	**SOFTWARE SENSE ENTERPRISES, INC.** Saratoga Springs, NY (PO# TBA)	03/01/15 (on or about)	Provide for continuation of maintenance and consulting/programming services, as needed, to support proprietary software for safety & clearance system	02/28/20	S/S	*Note: represents total for up to 5-year term		**$135,500***
PUBLIC, GOV & REGULATORY AFFAIRS - PROJECT DEV. & LICENSING	**BURNS & MCDONNELL CONSULTANTS, PC** Kansas City, MO (HQ) Wallingford, CT (Branch Office) **(Q14-5680**; PO# TBA)	01/01/15 (on or about)	Provide for consulting services for licensing and environmental permitting tasks	11/14/19 (coterminous with nine other contracts for such services, approved by Trustees 10/15/14)	B/P	*Note: included in the previously-approved aggregate total of $5 million for nine other contracts for such services, over a 5-year term		**$ ***

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

EXHIBIT "B"
December 16, 2014

Plant Site/ Bus. Unit	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
ECONOMIC DEVELOPMENT & ENERGY EFFICIENCY-ENERGY EFFICIENCY	**2 related contracts:** **1. SOLAR ELECTRIC SYSTEMS, INC.** White Plains, NY **4600002527** **2. SOLAR LIBERTY ENERGY SYSTEMS, INC.** Buffalo, NY **4600002509**	04/01/12	Provide for F/D/I of solar photovoltaic ("PV") systems statewide	03/31/17	B/C	$5,000,000 (Aggregate Target Value")	$524,993 (Released Amt)	**$10,000,000***
						*Note: includes originally approved aggregate amount of $5 million + **CURRENT REQUEST for $5 million**		
ENTERPRISE SHARED SERVICES - HR	**PACE UNIVERSITY** White Plains, NY **4600002676**	07/01/13	Provide for the design and delivery of an on-site MBA program for the Authority	06/30/18	B/P	$1,400,000	$1,398,790	**$2,900,000**
						*Note: includes originally approved amount of $1.4 million + **CURRENT REQUEST for $1.5 million**		
ENTERPRISE SHARED SERVICES - IT	**STARBOARD CONSULTING, LLC** Longwood, FL **4500234693**	09/01/13	Provide for consulting services to support the MAXIMO Application Upgrade Project	06/30/16	B/P	$3,266,600	$1,499,069	**$3,766,600***
						*Note: includes originally approved amount of $3 million + an additional $266,600 authorized per the EAPs + **CURRENT REQUEST for $500,000**		
OPERATIONS - POWER GEN - SENY PLANTS	**DAY & ZIMMERMANN NPS, INC.** Philadelphia, PA **4600002330**	11/01/10	Provide for general maintenance support services for the 500 MW and Flynn Plants and the SCPPs	10/31/15	B/S	$18,000,000 ("Target Value")	$15,065,549 (Released Amt)	**$21,000,000***
						*Note: includes originally approved amount of $15 million + an additional $3 million authorized per the EAPs **+ CURRENT REQUEST for $3 million**		

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

EXHIBIT "B"
December 16, 2014

Plant Site/ Bus. Unit	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
OPERATIONS SUPPORT SERVICES - PROJ. MGMT + STL	**INNOVATIVE AUTOMATION, INC.** York, PA **4600002618**	03/18/13	Provide for updating of the Operating Procedures and System Descriptions for substations in the STL/ Northern Region	03/17/17	B/P	$1,313,858	$574,704	**$1,313,858***
						*Note: includes originally approved amount of $1,149,408 + an additional $164,450 authorized per the EAPs. **If required, additional funding will be authorized in accordance with the EAPs.**		
PUBLIC, GOV & REGULATORY AFFAIRS - PROJ DEV & LICENSING + NIA	**GOMEZ & SULLIVAN ENGINEERS, PC** Utica, NY **4600002481**	02/29/12	Provide for compliance and implementation services in connection with relicensing commitments for the Niagara Project	02/28/17	B/P	$5,500,000 (Target Value)	$5,500,000 (Released Amount)	**$8,000,000***
						*Note: includes originally approved amount of $5 million **+ an additional $500,000 authorized per the EAPs + CURRENT REQUEST for $2.5 million**		

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New York Power Authority
Niagara-Adirondack Tie Line
RGE Station 80
aka Rochester Substation
Property Ownership & Transmission ROW
Town of Henrietta
County of Monroe

Legend

- NYPA Owned Lands
- NYPA Easements
- Tax Maps
- NYPA Transmission Structures
- Center Lines
- Tx. ROW Access Road
- Primary Highways
- Other Roads

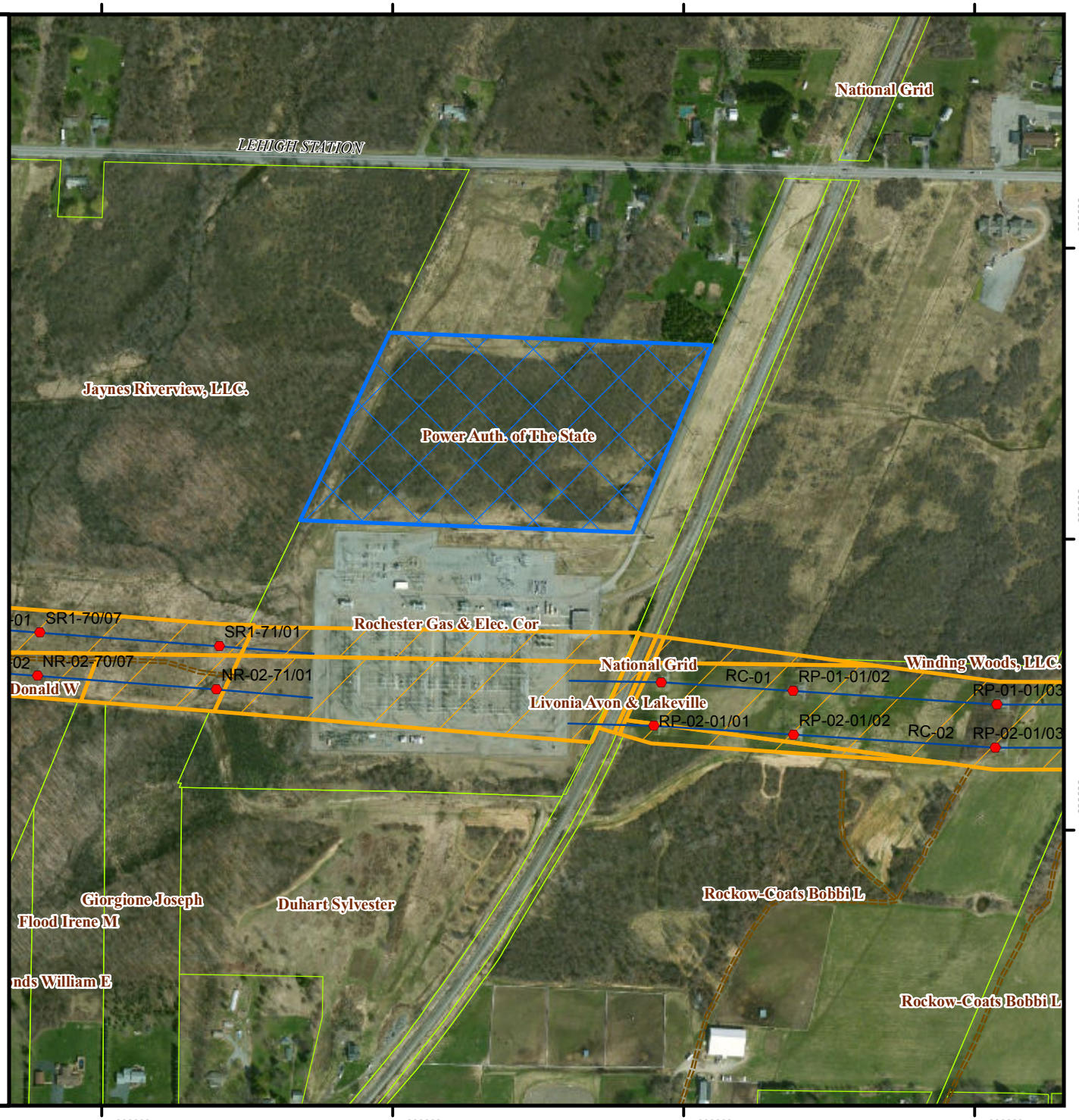
Grid Ticks are NY State Plane Coordinate System, East Zone, NAD'83, US Survey Ft.

N

1 inch = 500 feet

0 125 250 500 750 1,000 Feet

NATL RGE Station 80 Vicinity.PDF JGW 01/02/14



NYPA Overall Performance

November 2014

Goal	Measure	Year-to-Date 2014 Status	Year-to-Date 2014 Target	Year-to-Date 2014 Actual	Year 2015 Risk Range
Maintain Infrastructure	Generation Market Readiness *(%)*	▲	99.40	**99.55**	Early Warning Threshold; Risk Range; 96% 97% 98% 99%
	Transmission System Reliability *(%)*	▲	96.26	**96.91**	Early Warning Threshold; Risk Range; 80% 85% 90% 95% 100%
Financial Management	Debt Coverage *(Ratio)*	▲	3.10	**3.50***	Early Warning Threshold; Risk Range; 1.50 2.00 2.50 3.00 3.50 4.00 4.50
	O&M Budget Performance *($ Millions)*	▲	345.8	**328.9**	
Energy Services	MMBTU's Saved	▲	305.2	**323.1**	
	Energy Efficiency Investment in State Facilities *($ Millions)*	▲	50.7	**64.0**	
Workforce Management	Retention *(# of Touchpoints)*	▲	487	**778***	
Safety Leadership	DART Rate *(Index)*	●	0.78	**1.23**	
Environmental Responsibility	Environmental Incidents *(Units)*	▲	30	**26**	

Risk Range

◆	Year-to-Date Actual
▼	Risk Threshold

Projected risk ranges to be reported quarterly

Corporate Performance

Status	
▲	Meeting or Exceeding Target
▭	Below Target
●	Significantly Below Target

*Results updated for Q3

New York Power Authority

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Edward Welz
Chief Operating Officer

TO: NYPA BOARD OF TRUSTEES

FROM: EDWARD WELZ, CHIEF OPERATING OFFICER

DATE: DECEMBER 10, 2014

SUBJECT: MONTHLY REPORT FOR THE BOARD OF TRUSTEES

****

This report covers performance of the Operations group in November 2014.

Operations

Plant Performance

Systemwide net generation[1] was 2,274,678 MWh (megawatt-hours[2]) for November which is above the projected net generation of 2,160,351 MWh. For the year, net generation was 23,424,046 MWh which is above the projected target of 22,878,868 MWh.

The fleet availability factor[3] was 85.99 percent in November, and was 88.84 percent for the year. Generation Market Readiness factor[4] was 99.89 percent in November, which is higher than the monthly target of 99.40 percent. Year-to-date Generation Market Readiness factor was at 99.55 percent, which is above the annual target of 99.40 percent.

There were no significant forced outages[5] in November.

Generation Net Revenue in November was $31.5 million with no loss of revenue for the month. Year-to-date net revenue was $369.0 million while revenue loss remains at $0.9 million.

Niagara River flows in November were above the historical average and are expected to be above normal levels for the year. St. Lawrence River flows for November were above forecast levels and are expected to be above historical levels for the year.

Transmission Performance

Transmission reliability[6] in November was 97.58 percent, which was above the target of 94.48 percent. Year-to-date transmission reliability is 96.91 percent, above the target of 96.26 percent.

There were no significant unplanned transmission events in November to report.

Safety

The NYPA DART (Days Away, Restricted or Transferred) Rate for November is 1.53. For the year, the DART Rate is 1.30 compared to the target of 0.78.

The Operations DART Rate for November is 2.12. For the year, the DART Rate is 1.19 compared to the target of 1.08.

There were two lost time incidents in November that met the DART criteria.

For the year, there have been 19 injuries that resulted in lost time and met the DART criteria.

Environmental

There was one reportable incident in November:

1. At Clark, a hydraulic line failure occurred on a mobile crane resulting in a release of less than 5 gallons of fluid.

For the year, there have been 26 incidents. The annual target is 32 incidents.

Life Extension and Modernization Programs

<u>Transmission LEM</u>

T-LEM is a multiyear program that will upgrade the Authority's existing transmission system to maintain availability, increase reliability, and ensure regulatory compliance. The Program encompasses Authority transmission assets in the Central, Northern, and Western Regions. The Program is estimated to cost $726 million and is comprised of several projects:

- **St. Lawrence Breaker & Relay Replacement:** Trustees authorized funding for Phase 1 in the amount of $67.8 million (total $110 million) at the December 2012 meeting.
  - PCB 1708 and PCB 1714 installed.
  - Walk down of synchronous condenser building took place 11/19/14 to develop demo plans.

- **STL Remote Substations and Switchyard LEM (CPR 558, 1162, and 1163)**
  - 2017 Construction Start – Plattsburgh.
  - Engineering for replacement of Adirondack breakers OCB 102 and 202 is in progress.
  - Engineering for Station Service Upgrade at Plattsburgh is in progress.
  - Conceptual design for Saranac station service in progress.
  - Plattsburgh Preliminary Engineering draft report issued 11/3/14 - in review.
- **NIA Protective Relay Replacement:** Trustees authorized funding for Phase 1 in the amount of $25.9 million (total $52 million) at the December 2012 meeting.
  - **PA 27, 301 & 302:** Upgrade completed.
  - **NIA Packard 195, Gardenville 180, and Panel 9NR:** The replacement of the Packard 194 relay with a 311L is planned for the 3rd quarter 2015. Contract award in progress.
  - **NIA NR2:** PM and RG&E conducted a Niagara Switchyard walk down 11/15/13 to confirm the design & installation concepts. RGE reported that current planned location for RGE's Station 255 will need to be revisited because of property owner issues and is now likely scheduled for construction 3rd quarter 2015.
- **NIA Switchyard LEM:** Trustees authorized funding for Phase 1 in the amount of $154 million (total $266.9 million) at the December 2012 meeting.
  - NIA DC Distribution Upgrade: Preliminary design in progress by RCM to address recommendations of NYPA Engineering DC Load Study. Site meeting held on 10/23/14 to discuss the preliminary design. RCMT is currently working on a worst case loading scenario and issued for review 11/25/14.
  - Packard 195 re-conductor NGRID began 10/12/14. NGRID set temporary pole, dead end both 195 and 192 line and dropped conductor; completed 10/15/14. Tower .5 outside of the Niagara Switchyard was demolished and removed. New tower foundation for tower .5 completed. NYPA terminated conductor in switchyard; OPGW cable to be terminated in JB in NIA Switchyard by NYPA. Project completion scheduled for 12/30/14.
  - 800MVA auto-transformer preliminary design review is in process. A QA meeting held 10/5/14. ABB issued transformer civil outline, schematic & control cabinet drawings.
  - 115kV circuit breaker award in progress; 230kV circuit breakers RFQ is in progress.
  - A construction kick off meeting was held with Scurfari Construction 11/20/14 for 115kV trenching and conduit installation.
  - RFQ for CT, PT's and Surge Arrestor proposals received 10/2/14; award recommendation is in progress.
  - Engineering for Tubular Bus, Disconnect Switches, and MODS by RCMT in progress.
- **CEC Switchyard LEM:**
  - CEAR and award for 765 kV Breakers approved by Trustees.
  - Contract award for 345 kV breakers and 765 kV potential transformers is in progress.

    - Preliminary engineering report received from CH2M Hill and comments have been provided by NYPA. Final report submitted by CH2M Hill and is under review. Pending Engineering request.
- **CEC Auto-Transformer/Reactor Refurbishment:**
    - Based on options provided by ABB, NYPA has selected an option to repair/refurbish transformer using existing LTC and core pending outcome of inspection of damage.
    - LTC shipped to Germany for refurbishment, scheduled to arrive weekend of 11/8.
    - Transformer main tank and compartment arrived in ABB Varennes week on 10/20. Inspection of core revealed possible cause of core overheating. Inspection of windings the week of 11/24/14.
    - Reactor 1X & 1C refurbishment complete.
- **Massena Substation Reactor Refurbishment:**
    - Deferred to 2015.
    - Spare HV bushing delivered on 10/24/14 to site.
- **PV-20 Submarine Cable Replacement:**
    - Cable specification reviewed and accepted; proceeding with RFP.
    - Cumberland Head space issue being worked with multiple options being considered.
- **BG & CEC Relay Replacements:**
    - The project team continues to design, procure equipment, and install relays.
- **Massena Substation Autotransformer Replacement:**
    - All 6 auto Transformers in Erie PA; delivery to Massena Substation in December.
    - Op-Tech completed removing squelching stone for 2B and 2C.
    - Installation of cable tray and trench box to marshalling cabinets mostly completed.
    - Removed transformer 2B and 2C from existing foundation to temporary containment for demolition.
    - Formed for concrete infills for 2B and 2C.
- **Tower Painting:**
    - Contract awarded to Tower Maintenance 10/31/14.
    - Estimated start is April 2015 running through November 2015.
    - Kick Off meeting to be scheduled in November at STL. Need to invite GPI.

<u>LPGP LEM</u>

The third unit outage (Unit 7) commenced on August 4th and the refurbishment work by Mitsubishi Hitachi Power Systems America (MHPSA) is well underway however a four day delay was encountered in late November due to the excessive snow accumulation (over six feet) and the local workers could not get to the facility. We anticipate that this time will be recaptured by working additional multiple shifts in order to maintain the unit's return to service date of March 20, 2015.

The first additional new spare set of shafts was delivered and will be installed in PG7 as previously reported. The cost to repair the original turbine shaft from PG7 is being

prepared to determine if it is feasible as compared to a new shaft. The fabrication of the second additional set of shafts was completed and is scheduled to be delivered by mid-December.

The initial analysis of the crack found on the shaft from PG5 indicates that it was not due to material defects when it was originally forged over 50 years ago; the crack developed from corrosion during operation (water and air exposure) and then it migrated (grew) as a result of fatigue. Based on these findings and the increased probability of finding shafts in similar condition, additional spare shafts will be ordered in order to maintain the completion of the LEM Program in 2020. There is an 18 month lead time for these shafts and the cost is presently being negotiated with MHPSA.

The third runner was delivered in October and will be installed in PG7 as planned. The assembly of the fourth and fifth runners are well underway at MHPSA's facility located in Japan and are scheduled to be delivered in accordance with the unit outage work. The fabrication of the sixth runner components are occurring at two facilities: Japan Steel Works (JSW) located in Japan and Voestalpine located in Austria. The fabrication and inspections of the seven blades were completed at Voestalpine and the final inspections of the crown and band at JSW are scheduled for late December. These components will be shipped to MHPSA's facility located in Japan and assembled accordingly as planned.

PMHPSA was released for the fabrication of the remaining six turbines who then issued purchase orders to their subcontractor, the Litostroj foundry located in Slovenia for the individual turbine component fabrication. This same foundry successfully fabricated the components for the first five runners for LPGP and as previously reported, they went through insolvency proceedings that did not materialized and since such time resumed business as "normal". The pouring of the crown, band and three blades for the seventh unit runner components was recently completed and are on schedule.

The fabrications of the fourth and fifth sets of wicket gates are well underway and the final inspection is scheduled for early December. The release for the fabrication of the sixth set of wicket gates was issued.

The contract for the motor-generator (MG) refurbishment with Andritz Hydro was issued a "stop work order" as previously reported is still in effect as a result of faulty stator coils and the overheating of rotor pole damper bars as designed, furnished and installed by Andritz. Earlier this year, an independent third party generator consultant, Power Engineering Inc. (PE), was engaged to review the original MG as fabricated by Allis Chalmers and the Andritz design as it relates to the overheating issue. A meeting is scheduled for December 4th with PE and Andritz to discuss the design parameters and differences.

Technical Compliance – NERC Reliability Standards

<u>Enforcement Actions – Northeast Power Coordinating Council (NPCC)</u>

NYPA has three (3) minimal risk violations being processed pursuant to NYPA's participation in a NERC-sponsored Reliability Assurance Initiative (RAI) pilot

program for self-logging. There will not be any penalties associated with these violations.

Internal Investigation of Possible Violations

Since the last report, no new internal investigations were initiated. There are currently four (4) open internal investigations.

NPCC Spot Check Audit

On July 29, 2014, NPCC initiated an off-site Spot Check Audit of the operations and planning standard PRC-002-NPCC-001 – Disturbance Monitoring for NYPA's Transmission Owner function registration. NYPA submitted the required compliance documentation on October 17, 2014. The NPCC audit staff completed its review of NYPA's compliance documentation and provided a preliminary indication that NYPA is fully compliant with PRC-002-NPCC-001. The final NPCC Spot Check Audit report is expected to be issued by the end of 2014.

New Bulk Electric System (BES) Definition

As stated in earlier reports, the Federal Energy Regulatory Commission (FERC) approved the new Bulk Electric System (BES) definition and that NYPA has nearly 50 newly identified BES elements that will be subject to the NERC reliability standards in July 2016. In addition, under this new definition, NYPA may be required to register as a Transmission Operator (TOP) and/or a Transmission Planner (TP). NYPA continued its participation in meetings with the NYISO and the other NY Transmission Owners to assess new state-wide functional registration and compliance management impacts and actions pursuant to the new BES definition.

In November, the Technical Compliance staff, with support from the Law Department, developed a position paper regarding NYPA's registration as a TOP and TP. NYPA is taking a position that since it does not operate most of its newly identified BES assets, in a NERC functional model sense, that it will not be a TOP. The position paper includes a request of the NYISO to add some of NYPA's newly identified BES elements to its list of controlled assets for TOP compliance purposes. The position paper has been discussed with NYISO staff several times in the last few months; the NYISO is receptive to the request but it still has to be confirmed in writing. The position paper recommends that NYPA become a registered TP under a Coordinated Functional Registration (CFR) agreement with the NYISO, in which the NYISO will accept compliance accountability for all but a few requirements of the standards applicable to the TP function for NYPA's newly identified BES elements. These positions have also been discussed with NPCC staff.

In November, NYPA continued to work with NPCC on its review of NYPA's newly identified BES elements submitted via NERC's BESnet software application; the tool NERC developed to identify and monitor new BES assets. NPCC and NERC have reviewed and accepted NYPA's submittals. Related to this requirement, NYPA continues to work closely with Alcoa in the development of a joint exception request to exclude the Moses-Alcoa 115 kV transmission lines from the BES.

NYPA staff continued discussions with NY Transmission Owners to reach agreements that clarify the roles and responsibilities for compliance management for the Transmission Owner (TO) standards related to NYPA assets operated and

maintained by others. NYPA's discussions with these organizations also focused on reaching agreements, before April 2016, for managing compliance with the Version 5 Critical Infrastructure Protection (CIP) cyber security standards for assets owned by NYPA but that reside in facilities owned by others.

Critical Infrastructure Protection (CIP) Standards - Version 5

In November, NYPA continued to monitor regulatory developments associated with NERC's Critical Infrastructure Protection (CIP) Version 5 reliability standards for cyber security. These new reliability standards will have substantive impacts on NYPA's operations-related cyber security compliance program. In response, a comprehensive CIP Version 5+ Compliance Transition Project Plan (Plan) has been developed to leverage NYPA's existing CIP Version 3 compliance program and includes tasks to expand the program to include the newly identified Cyber Systems, the identification of critical milestones, and key internal resources. The plan includes ongoing and some new activities and will be ramped up during the remainder of 2014.

The CIP Version 5+ Capital Expenditure Request will be presented to the Board of Trustees in January 2015. Expenditure estimates for implementation of the revised standards have been included in the Operations budget plan for 2014-2016.

When completed, these efforts will enable NYPA to demonstrate compliance with the new standards by the April 1, 2016 enforcement date.

Physical Security Standard

Recently, FERC directed NERC to develop a new physical security standard (CIP-014-1 – Physical Security). It is anticipated that FERC will approve this standard by the end of 2014 and that it will become effective six months after approval.

In November, NYPA continued to work with the NYISO and NY Transmission Owners to develop a modeling methodology to ensure consistency across New York State in the assessment and identification of transmission facilities that will be subject to this standard. Those facilities that are identified from the modeling studies will be subject to other requirements including a vulnerability assessment and a documented security plan that must be reviewed and updated every 30 months.

NERC Reliability Assurance Initiative

The VP Technical Compliance, R. Crissman, is serving on a RAI Industry Advisory Group, established by NERC, which will provide implementation guidance to industry for this NERC initiative. The objective of the initiative is to establish more risk-based compliance monitoring and enforcement processes for NERC's reliability standards; the implementation is planned to be completed by the end of 2015. Mr. Crissman served as a panelist in two NERC-sponsored RAI workshops in November and delivered a presentation regarding NYPA's participation in a RAI enforcement pilot program to the NERC Board of Trustees Compliance Committee at its meeting in Atlanta, GA on November 12. The presentation was well received by NPCC and NERC.

Energy Resource Management

NYISO Markets

In November, Energy Resource Management (ERM) bid 2.57 million MWh of NYPA generation into the NYISO markets, netting $53.6 million in power supplier payments to the Authority. Year-to-date net power supplier payments are $723.5 million.

Fuel Planning & Operations

In November, NYPA's Fuels Group transacted $22.9 million in natural gas and oil purchases, compared with $21.7 million in November 2013. Year-to-date natural gas and oil purchases are $331.7 million, compared with $292.6 million at this point in 2013. The total $39.1 million increase is mainly due to the higher cost of winter fuel and/or fuel consumption at the Astoria Energy II Plant ($16.3 million), 500-MW Combined Cycle Plant ($23.9 million), and Richard M. Flynn Power Plant ($10.3 million), which was offset by a decrease at the Small Clean Power Plants (-$11.4 million).

GLOSSARY

[1] **Net Generation –** The energy generated in a given time period by a power plant or group of plants, less the amount used at the plants themselves (station service) or for pumping in a pumped storage facility. Preliminary data in the COO report is provided by Accounting and subject to revision.

[2] **Megawatt-hour (MWh) –** The amount of electricity needed to light ten thousand l00-watt light bulbs for one hour. A megawatt is equal to 1,000 kilowatts and can power about 800 homes, based on national averages.

[3] **Availability Factor –** The Available Hours of a generating unit over the Period Hours (hours in a reporting period when the unit was in an active state). Available Hours are the sum of Service Hours (hours of generation), Reserve Shutdown Hours (hours a unit was not running but was available) and Pump Hours (hours a pumped storage unit was pumping water instead of generating power).

[4] **Generation Market Readiness Factor –** The availability of generating facilities for bidding into the New York Independent System Operator (NYISO) market. It factors in available hours and forced outage hours that drive the results.

[5] **Significant Unplanned Generation Events –** Those events (forced or emergency outages of individual generator units) of duration greater than 72 hours, or have a total repair cost of greater than $75,000, or result in greater than $50,000 of lost revenues.

[6] **Transmission Reliability -** A measurement of the impact of forced and scheduled outages on the statewide system's ability to transmit power.

[7] **Significant Unplanned Transmission Events –** Those events (forced or emergency outages of individual transmission lines) which directly affect the reliability of the state's transmission network, or affect the availability of any component of the state's transmission network for greater than 8 hours, or that have a repair cost greater than $75,000.

Chief Financial Officer- Summary Report

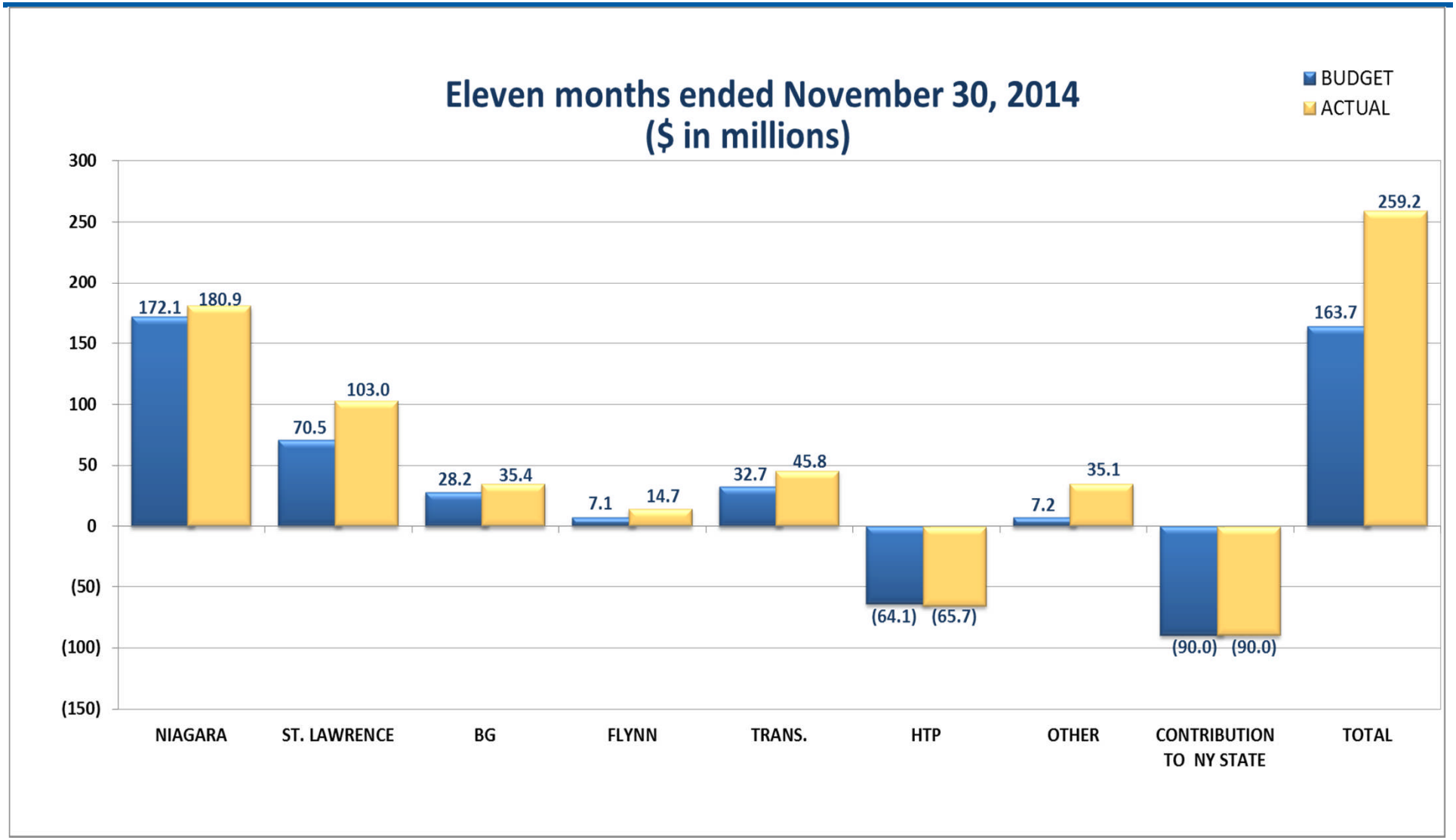
For the Eleven months ended November 30, 2014

New York Power Authority

Financial Summary

- Net income through November 30, 2014, was $259.2 million, which was $95.5 million higher than the budget:
  - Higher margins on market-based sales ($33.8 million) primarily due to higher market energy prices during the winter months were partially offset by the impact of lower energy prices due to the mild summer weather.
  - Lower O&M ($16.8 million) and other operating expenses ($40.4 million) including underruns in non-recurring projects, industrial incentive awards, and the energy efficiency and solar market acceleration programs.
  - Non-operating income was higher by $9.8 million including insurance reimbursements related to prior year transformer equipment failures, and the positive impact of a mark-to-market gain on the Authority's investment portfolio due to lower market interest rates.
- Net income for November was $28.2 million, which was $14.7 million higher than budgeted including higher margins or sales (higher hydro production) and lower operating expenses.
- Projected net income for 2014 is expected to significantly exceed the budget primarily due to the positive variances described above and continued higher hydro generation in December.

Net Income


Eleven months ended November 30, 2014
($ in millions)
BUDGET
ACTUAL
300
250
200
150
100
50
0
(50)
(100)
(150)
172.1
180.9
70.5
103.0
28.2
35.4
7.1
14.7
32.7
45.8
(64.1)
(65.7)
7.2
35.1
(90.0)
(90.0)
163.7
259.2
NIAGARA
ST. LAWRENCE
BG
FLYNN
TRANS.
HTP
OTHER
CONTRIBUTION TO NY STATE
TOTAL

2015 Operating Budget

($ Millions)

	Operating Budget 2015
Operating Revenues:	
Customer Revenues	$1,984.7
NYISO Market Revenues	1,109.0
Total Operating Revenues	3,093.7
Operating Expenses:	
Purchased Power	865.5
Fuel	291.7
Wheeling Expenses	618.1
O&M Expenses	456.5
Other Expenses	213.2
Depreciation and Amortization	230.6
Total Operating Expenses	2,675.6
NET OPERATING REVENUES	**418.2**
Other Income:	
Investment Income	39.5
Other Income	3.7
Total Other Income	43.3
Non-Operating Expenses:	
Interest & Other Expenses	165.9
Contributions to State	90.0
Total Non-Operating Expenses	255.9
NET INCOME	**$205.5**

NYPA's 2014 vs. 2015 Budget Variance

($ millions)

	Current Forecast 2014	Budget 2015	2014 Forecast vs. 2015 Budget Variance
Operating Revenues:			
Customer Revenues	$2,100.3	$1,984.7	($115.6)
NYISO Market Revenues	$1,134.2	$1,109.0	($25.2)
Total Operating Revenues	$3,234.5	$3,093.7	($140.8)
Operating Expenses:			
Purchased Power	$1,025.2	$865.5	$159.8
Fuel	$375.4	$291.7	$83.7
Wheeling Expenses	$599.9	$618.1	($18.2)
O&M Expenses	$392.9	$456.5	($63.6)
Other Expenses	$189.2	$213.2	($24.0)
Depreciation and Amortization	$231.7	$230.6	$1.1
Total Operating Expenses	$2,814.4	$2,675.6	$138.8
NET OPERATING REVENUES	**$420.2**	**$418.2**	**($2.0)**
Other Income:			
Investment Income	$34.0	$39.5	$5.5
Other Income	$74.6	$3.7	($70.8)
Total Other Income	$108.5	$43.3	($65.3)
Non-Operating Expenses			
Interest & Other Expenses	$172.8	$165.9	$6.9
Contributions to State	$90.0	$90.0	$0.0
Total Non-Operating Expense	$262.8	$255.9	$6.9
NET INCOME	**$265.9**	**$205.5**	**($60.4)**

2015 Net Income by Project

New York Power Authority *2015* *Dollars in thousands*

	Niagara	St. Lawrence	Blenheim Gilboa	SENY	SCPP	Mkt Sup Power	Flynn	Trans-mission	Hudson Transm.	Misc.	Year End
Operating Revenues											
Customer Revenue	296,113	92,867	7,909	1,438,724		179,432		57,488		(87,814)	1,984,719
ISO Revenues	253,347	135,962	62,466	392,440	124,674	(78)	75,494	131,604	8,255	(102,533)	1,081,632
Ancillary Services	15,064	1,584	3,264	6,881	601						27,394
Operating Revenues	564,524	230,413	73,639	1,838,045	125,275	179,354	75,494	189,092	8,255	(190,347)	3,093,745
Operating Expenses											
Purchase Power	(48,704)	(1,457)	(16,925)	(607,533)	(2,720)	(144,441)			(65,165)	196,108	(690,836)
Ancillary Services	(23,370)	(6,367)	(91)	(32,360)	(202)	(6,924)					(69,313)
Transmission Congestion	(31,071)	(5,914)		(46,469)		(21,887)					(105,341)
Fuel				(215,771)	(34,018)		(41,912)				(291,700)
Wheeling	(8,440)	(1,221)		(605,287)		(2,828)	(360)				(618,135)
O&M	(96,099)	(53,593)	(35,830)	(94,784)	(24,976)	(2,655)	(23,287)	(108,891)		(33,861)	(473,976)
Other	(33,023)	(8,039)	(2,864)	(12,769)	(684)	(68,029)	(1,028)	(8,973)	(16,050)	(61,702)	(213,161)
Depreciation & Amortizati	(37,368)	(20,742)	(9,283)	(96,184)	(18,731)	(102)	(5,437)	(42,762)			(230,609)
Allocation to Capital	4,545	2,583	1,789	2,660	427	122	642	4,720			17,488
Operating Expenses	(273,531)	(94,750)	(63,204)	(1,708,495)	(80,903)	(246,742)	(71,382)	(155,906)	(81,215)	100,545	(2,675,584)
Nonoperating Revenues											
Investment Income										33,265	33,265
Mark-to-Mark Adjustment										6,263	6,263
Other Income										3,742	3,742
Nonoperating Revenues										43,270	43,270
Nonoperating Expenses											
Contributions to State										(90,000)	(90,000)
Interest & Other Expense	(23,399)	(15,326)	1,756	(108,330)	(12)	(3)	(17)	(5,114)		(15,467)	(165,912)
Nonoperating Expenses	(23,399)	(15,326)	1,756	(108,330)	(12)	(3)	(17)	(5,114)		(105,467)	(255,912)
Net Income	267,594	120,336	12,190	21,221	44,361	(67,392)	4,095	28,073	(72,960)	(151,999)	205,519

2015 O & M Budget by Organization

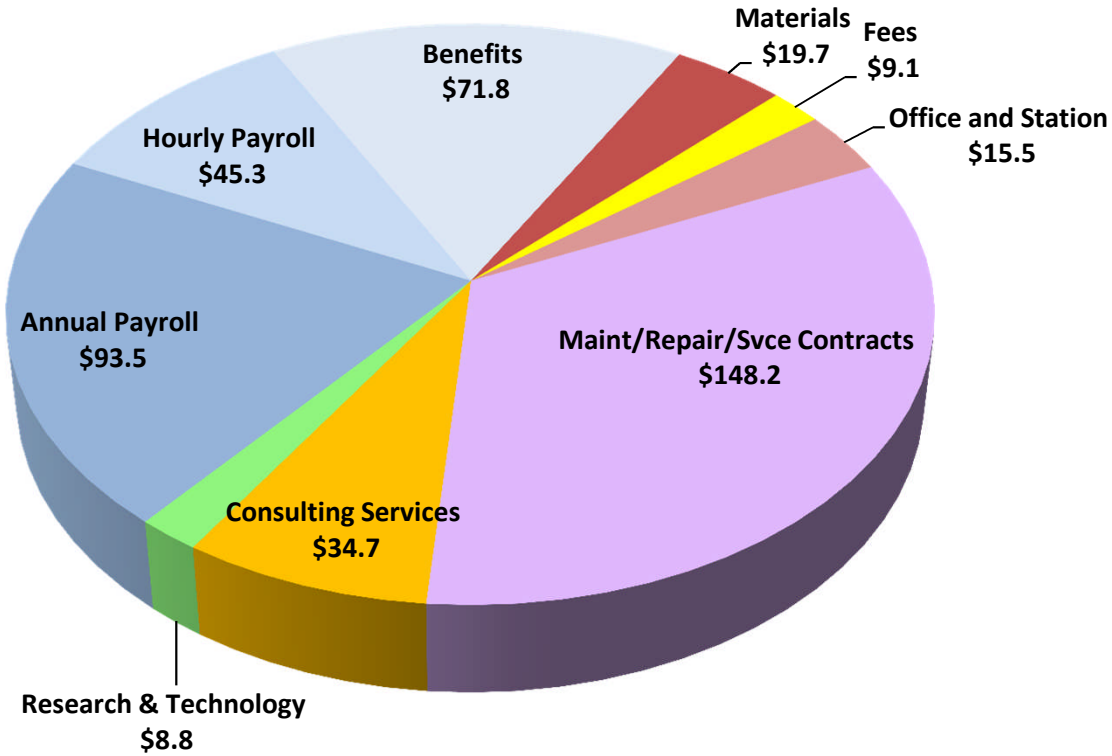
($,000)

	2015 Budget
EXECUTIVE OFFICE	
Executive	1,417.6
Law	8,068.2
Internal Audit	4,750.1
Public & Regulatory Affairs	10,513.4
Office Total	**24,749.2**
BUSINESS SERVICES	
EVP Business Services	719.8
Budgets & Business Controls	2,005.0
Controller	5,590.5
Finance	1,091.2
Financial Planning	1,497.1
Treasury	1,189.1
Risk Management	3,079.6
Procurement	4,887.1
Strategic Management	1,054.0
Research & Development	1,268.9
Office Total	**22,382.4**
ENTERPRISE SHARED SERVICES	
SVP Enterprise Shared Services	267.6
Corporate Support Services	8,591.5
Fleet Management	1,317.6
Information Technology	27,831.4
Human Resources	5,970.5
Office Total	**43,978.7**
ENERGY MARKETING & BUSINESS DEVELOPMENT	
Energy Efficiency	0.0
Economic Development	598.0
Market Analysis & Administration	230.0
Customer Energy Solutions	0.0
Office Total	**828.0**

	2015 Budget
OPERATIONS	
Operations Headquarters	24,729.9
Blenheim-Gilboa	22,014.2
500MW	33,990.7
Flynn	18,456.5
SENY	5,194.8
SCPP	21,762.0
Niagara	61,891.3
St. Lawrence	34,152.2
Small Hydros	6,978.0
Transmission	66,365.5
Astoria Energy II O&M	1,179.7
Office Total	**296,714.9**
Recharge New York	**1,733.9**
Research & Development	***8,775.2***
TOTAL before Lease/Invest.	***399,162.3***
Strategic Investments	**47,393.7**
Astoria Energy II Lease	**27,420.0**
Grand Total	**473,976.0**

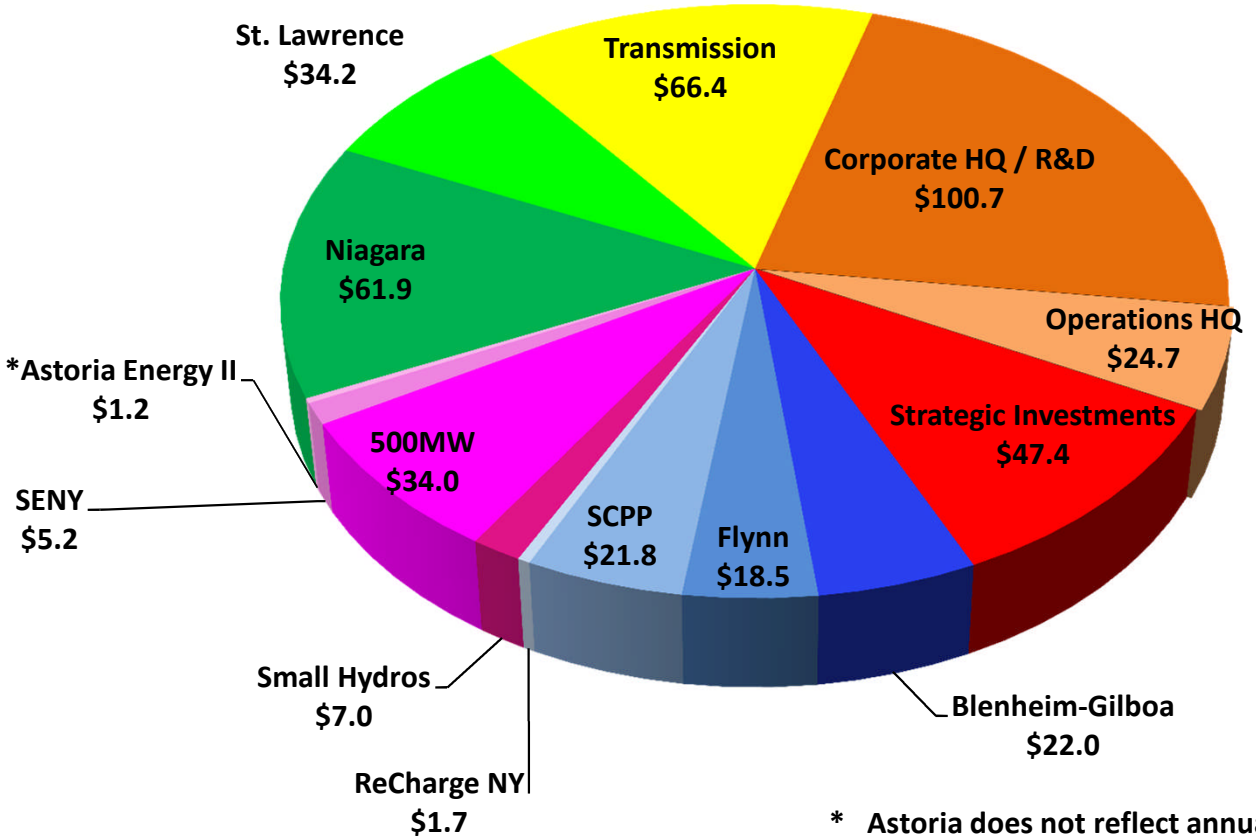
O & M: 2015 Budget by Cost Element ($ millions)

$446.6M
(excludes $27.4 M AEII Lease, includes $47.4 M Strategic Investments)



O & M: 2015 Budget by Facility ($ millions)

$446.6M
(excludes $27.4 M AEII Lease, includes $47.4 M Strategic Investments)



* Astoria does not reflect annual lease payments

O & M: 2015 Headcount

	2015 Request
Headquarters	
Executive Offices	130
Business Services	200
Enterprise Shared Services	178
Economic Development & Energy Efficiency	185
Headquarters Total	**693**
Operations	
Operations HQ	308
Transmission/Clark	131
Blenheim-Gilboa	112
500MW	63
R.M. Flynn	22
Niagara	250
St. Lawrence	189
Operations Total	**1,075**
NYPA Total	**1,768**

Reflects 15 new position requests.

2015 Capital Request

$ Thousands

OPERATIONS	
TRANSMISSION	*79,459*
*NIAGARA**	*57,019*
*ST. LAWRENCE**	*14,731*
*BLENHEIM- GILBOA**	*14,050*
500 MW	*8,239*
SCPP	*12,203*
FLYNN	*12,124*
SMALL HYDRO PLANTS	*7,207*
SUB-TOTAL	*$205,032*
HEADQUARTERS	*58,407*
TOTAL CAPITAL	*$263,439*

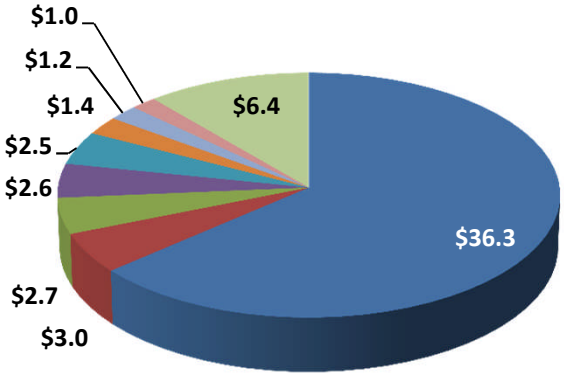
** Includes Relicensing and Compliance Implementation Expense*

Capital Plan: 2015 Major Initiatives

Niagara 2015

($ millions)

Total: $57.0 million

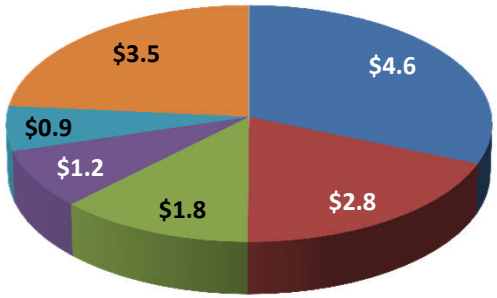


- Lewiston Pump Generating Plant (LPGP) LEM
- Niagara Relicensing and Implementation
- Niagara - RM Spare 115/230kV Dual Voltage GSU
- Niagara Visitors Center Upgrade
- Niagara - First Buffalo Marina
- RMNPP Intake Cofferdam
- RMNPP Trash Rack Replacement
- JW Niagara Replace Ice Boom Vessels Joncaire & Breaker-1
- All Other Niagara Projects

St. Lawrence 2015

($ millions)

Total: $14.7 million

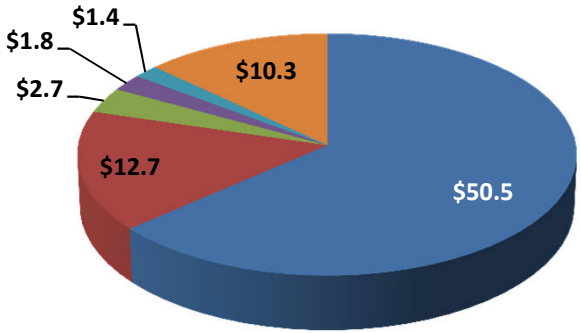


- STL Generator Step-Up (GSU) Transformer Replacement
- STL Nature Center
- Saint Lawrence Relicensing and Implementation
- STL Safety Systems
- STL - New Security and Warehouse Facility
- All Other St. Lawrence Projects

Transmission 2015

($ millions)

Total: $79.5 million



- Transmission LEM
- Marcy South Series Compensation
- Coopers Corners Shunt Reactor
- 765KV (Massena/CEC) MOD Replacement
- Emergency Back-Up Generator for Massena Substation
- All Other Transmission Projects

ENERGY SERVICES
2015 BUDGET ($ Thousands)

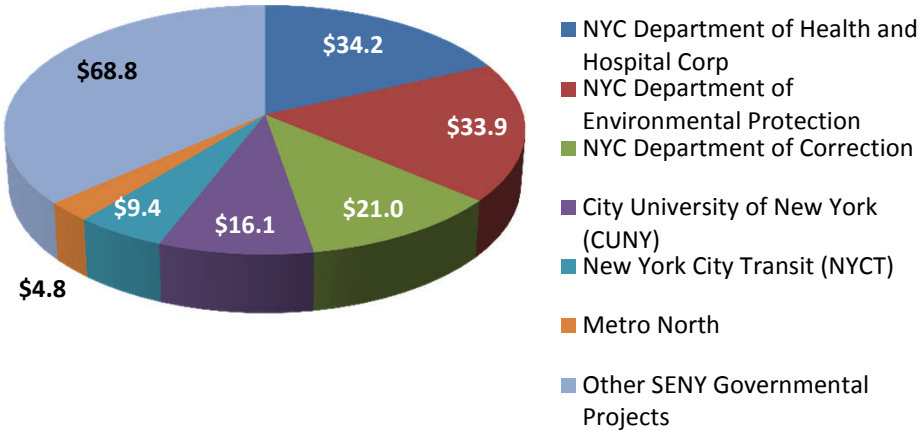
	2015 Budget
SENY GOVERNMENTAL SERVICES PROGRAM	$ 188,200
OTHER NYPA FUNDED PROGRAMS	50,000
POCR FUNDED PROGRAMS	1,113
TOTAL	**$ 239,313**

2015 Energy Services Programs

There are currently two major energy services programs authorized by the Trustees. The Long Term Agreement Program (LTAP) is associated with energy services work for our SENY customers and the Other Energy Services Program mostly supports energy service projects for NYS and other government entities.

Long Term Agreement Program
($ millions)

$188.2 million



Other Energy Services Programs
($ millions)

$51.1 million

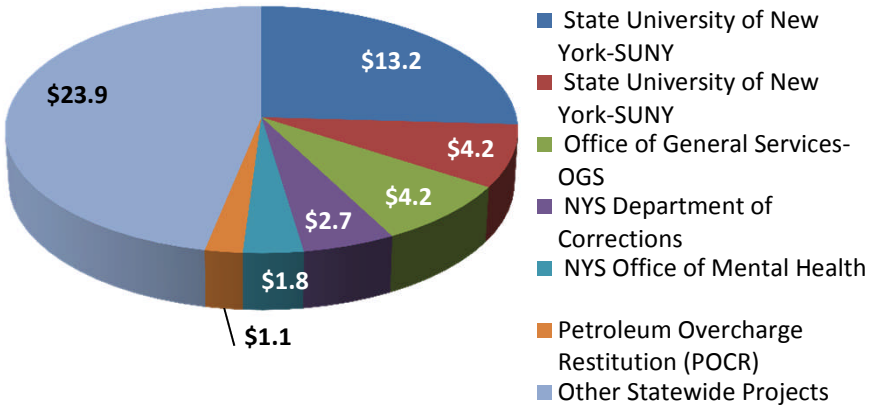


Exhibit "E"
December 16, 2014

New York Power Authority

2015-2018 Approved Budget and Financial Plan

Background and Mission Statement	1
NYPA's Relationship with the New York State Government	1
Budget Process	2
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In compliance with 2 NYCRR Part 203

Background and Mission of the Power Authority of the State of New York

The mission of the Power Authority of the State of New York ("NYPA" or the "Authority") is to power the economic growth and competitiveness of New York State by providing customers with low-cost, clean, reliable power and the innovative energy infrastructure and services they value. The Authority's financial performance goals are to have the resources necessary to achieve its mission, to maximize opportunities to serve its customers better and to preserve its strong credit rating.

The Authority generates, transmits and sells electric power and energy; principally at wholesale. The Authority's primary customers are municipal and investor-owned utilities, rural electric cooperatives, high load factor industries and other businesses located throughout New York State, various public corporations located in Southeastern New York within the metropolitan area of New York City ("SENY governmental customers") and certain out-of-state customers.

To provide electric service, the Authority owns and operates five major generating facilities, eleven small gas-fired electric generating facilities, and four small hydroelectric facilities in addition to a number of transmission lines, including major 765-kV and 345-kV transmission facilities. The Authority's five major generating facilities consist of two large hydroelectric facilities ("Niagara" and "St. Lawrence-FDR"), a large pumped-storage hydroelectric facility ("Blenheim-Gilboa"), the combined cycle electric generating plant located in Queens, New York (the "500-MW plant") and the Richard M. Flynn combined cycle plant located on Long Island ("Flynn").

To maintain its position as a low cost provider of power in a changing environment, the Authority has undertaken and continues to carry out a multifaceted program, including: (a) the upgrade and relicensing of the Niagara and St. Lawrence-FDR projects; (b) long-term supplemental electricity supply agreements with the SENY governmental customers; (c) construction and operation of the 500-MW plant combined-cycle electric generating plant located at the Authority's Poletti plant site; (d) a long-term electricity supply contract with Astoria Generating LLC for the purchase of the output of a 550-MW power plant in Astoria, Queens ("Astoria Energy II"), which entered into service on July 1, 2011; (e) contracting a new 660 MW, seven mile, underground and underwater transmission line connecting into the PJM ISO, which became operational in June 2013; (f) a significant reduction of outstanding debt; and (g) implementation of an enterprise-wide and energy/fuel risk management program. As a component of NYPA's strategic plan, efforts to modernize NYPA's generation and transmission infrastructure are being developed to increase flexibility and resiliency, and to serve customers' needs in an increasingly dynamic energy marketplace.

To achieve its goal of promoting energy efficiency, NYPA implements its energy services programs primarily for the benefit of 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. These programs 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. NYPA has established a central management and implementation team to carry out Build Smart NY, a plan to strategically implement Executive Order No. 88 ("EO 88") which directs state agencies collectively to reduce energy consumption in state-owned and managed buildings by 20 percent by 2020. 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. From inception through October 31, 2014, NYPA has provided approximately $132 million in financing for energy efficiency projects at State agencies and authorities covered by EO 88.

(a) NYPA's Relationship with the New York State Government

The Authority is a corporate municipal instrumentality and political subdivision of the State of New York (the "State") created in 1931 by Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, as amended from time to time (the "Act"), to help provide a continuous and adequate supply of dependable electric power and energy to the people of the State.

The Authority's operations are overseen by a Board of Trustees. NYPA's Trustees are appointed by the Governor of the State, with the advice and consent of the State Senate. The Authority is a fiscally

independent public corporation that does not receive State funds, tax revenues or credits. NYPA generally finances construction of new projects through a combination of internally generated funds and the sale of bonds and notes to investors, and pays related debt service with revenues from the generation and transmission of electricity. Income of the Authority and properties acquired by it for its projects are exempt from taxation.

(b) Budget Process

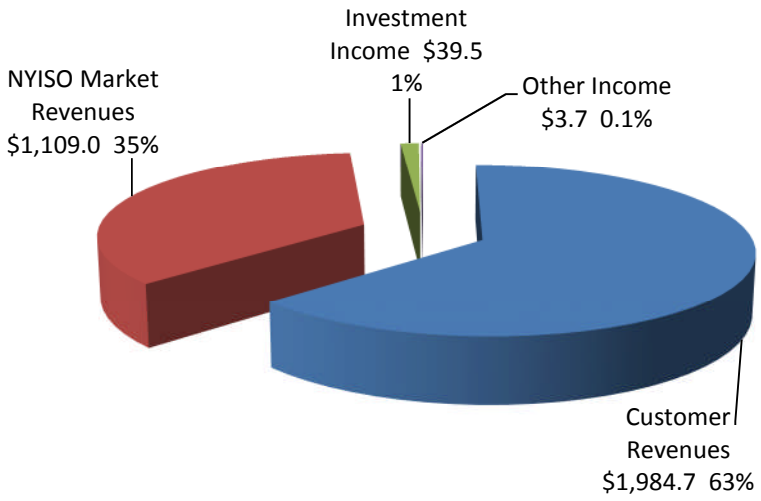
As an electric utility, NYPA operates in a capital intensive industry where operating revenues and expenses are significant and highly variable due to the volatility of electricity prices and fuel costs. NYPA's operations are not only subject to electric and fuel cost volatility, but changing water flows have a direct effect on hydroelectric generation levels. This 2015-2018 Budget and Financial Plan ("Four-Year Plan") relies on data and projections developed through the October 2014 timeframe.

NYPA's Four-Year Projected Income Statements

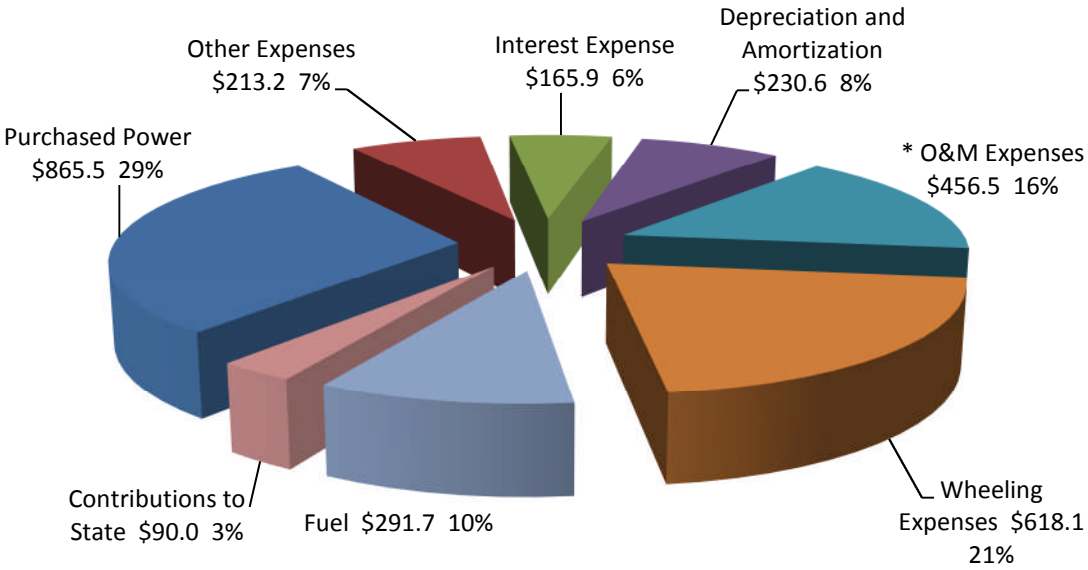
(in Millions)

	2015	2016	2017	2018
Operating Income:				
Customer Revenues	$1,984.7	$1,986.1	$2,016.9	$2,057.9
NYISO Market Revenues	$1,109.0	$1,057.7	$981.7	$997.5
Total Operating Income	$3,093.7	$3,043.8	$2,998.7	$3,055.4
Operating Expenses:				
Purchased Power	$865.5	$831.4	$796.1	$913.5
Fuel	$291.7	$278.7	$271.8	$273.6
Wheeling Expenses	$618.1	$629.9	$644.6	$644.4
O&M Expenses	$474.0	$457.6	$472.0	$468.4
Other Expenses	$213.2	$164.2	$156.5	$159.6
Depreciation and Amortization	$230.6	$226.3	$221.7	$226.3
Allocation to Capital	($17.5)	($21.5)	($23.9)	($25.7)
Total Operating Expenses	$2,675.6	$2,566.8	$2,538.8	$2,660.2
NET OPERATING INCOME	**$418.2**	**$477.0**	**$459.9**	**$395.2**
Other Income:				
Investment Income	$39.5	$36.6	$41.7	$50.9
Other Income	$3.7	$5.0	$5.0	$5.0
Total Other Income	$43.3	$41.6	$46.7	$55.9
Non-Operating Expenses:				
Interest Expense	$165.9	$163.1	$159.6	$159.8
Contributions to State	$90.0	$65.0	$65.0	$65.0
Total Non-Operating Expenses	$255.9	$228.1	$224.6	$224.8
NET INCOME	**$205.5**	**$290.5**	**$282.0**	**$226.3**

2015 Budget – Sources
(in Millions)



2015 Budget – Uses
(in Millions)



* Reflects NYPA's Base O&M Expenses plus Administrative Expenses less the Allocation to Capital.

NYPA's Statement of Cash Flows

2801 Report Format

(in Millions)

	2013	2014	2015	2016	2017	2018
Revenue Receipts :						
Sale of Power, Use of Transmission Lines Wheeling Charges and other receipts	$2,972.4	$3,296.7	$3,039.1	$2,992.5	$2,949.8	$3,010.5
Earnings on Investments and Time Deposits	$22.7	$24.8	$25.0	$26.6	$36.8	$50.4
Total Revenues	**$2,995.1**	**$3,321.5**	**$3,064.1**	**$3,019.1**	**$2,986.6**	**$3,060.9**
Expenses:						
Operation and Maintenance, including Transmission of Electricity by others, Purchased Power and Fuel Purchases	**($2,546.4)**	**($2,795.1)**	**($2,627.9)**	**($2,491.2)**	**($2,469.0)**	**($2,590.9)**
Debt Service :						
Interest on Bonds and Notes	($65.0)	($63.7)	($59.4)	($60.3)	($65.0)	($71.8)
Bonds and Notes Retired	($58.3)	($90.5)	($91.0)	($77.3)	($85.7)	($85.4)
Total Debt Service	**($123.3)**	**($154.1)**	**($150.4)**	**($137.6)**	**($150.7)**	**($157.2)**
Total Requirements	**($2,669.7)**	**($2,949.2)**	**($2,778.3)**	**($2,628.8)**	**($2,619.7)**	**($2,748.1)**
Net Operations	**$325.4**	**$372.3**	**$285.8**	**$390.3**	**$366.9**	**$312.8**
Capital Receipts :						
Sale of Bonds, Promissory Notes & Commercial Paper	$142.7	$169.2	$189.3	$246.8	$321.5	$945.6
Less : Repayments	($157.0)	($110.7)	($104.5)	($84.3)	($45.3)	($592.7)
Earnings on Construction Funds	$0.7	$0.3	$0.2	$0.3	$0.4	$0.3
DSM Recovery Receipts	$119.3	$222.1	$125.0	$147.2	$179.5	$168.8
Temporary Asset Transfer Return from NYS	$0.0	$18.0	$21.0	$21.0	$64.0	$65.0
Other	$91.7	$92.0	$94.5	$5.0	$5.0	$5.0
Total Capital Receipts	**$197.4**	**$390.9**	**$325.5**	**$336.0**	**$525.1**	**$592.0**
Capital Additions & Refunds :						
Additions to Electric Plant in Service and Construction Work in Progress, and Other costs	($547.2)	($637.0)	($574.2)	($657.1)	($730.2)	($785.0)
Construction Funds - Net Transfer	$0.0	($0.3)	($0.2)	($0.3)	($0.4)	($0.3)
Total Capital Additions & Refunds	**($547.2)**	**($637.3)**	**($574.4)**	**($657.4)**	**($730.6)**	**($785.3)**
Net Capital	**($349.8)**	**($246.4)**	**($248.9)**	**($321.4)**	**($205.5)**	**($193.3)**
Net Increase/(Decrease)	**($24.4)**	**$125.9**	**$36.9**	**$68.9**	**$161.4**	**$119.5**

(c) Budget Assumptions

NYISO Revenue and Expenses
Based upon scheduled customer power needs and available electricity generated by NYPA's operating assets, the Authority buys and sells capacity and energy through markets operated by the NYISO. The majority of NYPA's operating expenses are due to various NYISO purchased power charges in combination with generation related fuel expenses. A significant amount of the Authority's revenues result from sales of the Authority's generation into the NYISO market for which the energy revenues are projected based on available forward price curves while the capacity revenues are estimated using the NYISO demand curve methodology.

Customer and Project Revenue
The customers served by the Authority and the rates paid by such customers vary with the NYPA facilities designated to serve such loads. These customers are served under contracts and tariffs approved by the Trustees.

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

The charges for firm and/or firm peaking power and associated energy sold by the Authority, as applicable, to the fifty-one municipal electric systems and rural electric cooperatives in New York State; two public transportation agencies; three investor-owned utilities for the benefit of rural and domestic customers; and seven out-of-state public customers have been established on the basis of the cost to serve these loads. This Four-Year Plan models Trustee-approved rate increases for customers as well as prospective rate increases.

Niagara's expansion and replacement power industrial customers and St. Lawrence-FDR's industrial customers are allocated over 40% of the firm contract demand of the plants. Sale of expansion and replacement power historically had been handled on a sale-for-resale basis through National Grid and New York State Electric and Gas. However, the direct sale of low cost hydro power to these customers commenced July 1, 2013. As a result, NYPA is now the load-serving entity for these transactions.

The Western New York Power Proceeds Act ("WNYPPA"), which was enacted on March 30, 2012, authorizes the Authority to deposit net earnings from the sale of unused Expansion Power and Replacement Power from the Authority's Niagara project into the Western New York Economic Development Fund ("WNY Fund") as deemed feasible and advisable by the Authority's Trustees. "Net earnings" are defined as any excess revenue earned from such power sold into the wholesale market over the revenue that would have been received had the power been sold at the Expansion Power and Replacement Power rates. Starting in May 2013, proceeds from the WNY Fund have been used to support eligible projects undertaken within a 30-mile radius of the Niagara project that qualify under the applicable criteria. The WNYPPA established a five member allocation board appointed by the Governor. Payments from the Authority to the WNY Fund have been incorporated into this Four-Year Plan.

In its 2014 legislative session, the New York State Legislature passed a bill that would, if enacted, create the "Northern New York Power Proceeds Act" ("NNYPPA"). The NNYPPA would authorize the Authority, as deemed feasible and advisable by the Trustees, to deposit net earnings from the sale of unallocated St. Lawrence County Economic Development Power ("SLCEDP") sold by the Authority in the wholesale energy market into an account the Authority would administer known as the Northern New York Economic Development Fund ("NNY Fund"), and to make awards to eligible applicants that propose eligible projects that satisfy applicable criteria. The NNYPPA would also establish a five-member Northern New York Power Allocations Board appointed by the Governor.

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 Contact"). The NNYPPA would define "net earnings" as the aggregate excess of revenues received by the Authority from the sale of energy associated with SLCEDP sold 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. The Authority's estimates of payments that would be made to the NNY Fund if the NNYPPA is enacted have been incorporated into this Four-Year Plan.

Legislation enacted in March 2011, effective July 2012, created a new economic development power program, the ReCharge New York Power Program ("RNYPP"), to replace two other economic development programs: the Power for Jobs ("PFJ") and Energy Cost Savings Benefits ("ECSB") programs. RNYPP is a permanent power program administered by the Authority and the Economic Development Power Allocation Board ("EDPAB"). The RNYPP utilizes 455 MW of hydropower from the Authority's Niagara and St. Lawrence-FDR projects combined with up to 455 MW of other power procured by the Authority from other sources. The 455 MW of hydropower was, until August 1, 2011, provided to residential and domestic customers of three upstate utilities. The 910 MW of power is available for allocations to eligible new and existing businesses and not-for-profit corporations under contracts of up to seven years. PFJ and ECSB program customers that applied for, but were not awarded RNYPP allocations, were eligible for certain transitional electricity discounts. These discounts, payable if deemed feasible and advisable by the Authority's Trustees, will gradually decline to zero by June 30, 2016. The RNYPP legislation also authorizes the Authority, as deemed feasible and advisable by the Trustees, to provide annual funding of $100 million for the first three years following withdrawal of the hydropower from the rural and domestic customers, then $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 previously received this hydropower. Revenues earned from the sale of unused RNYPP power into the wholesale market may be used to offset the cost of these residential discounts.

SENY Governmental Customers

Various municipalities, school districts and public agencies in New York City and Westchester County are served by the Authority's combined cycle 500-MW plant, the four small hydroelectric plants, the contracted output of the Astoria Energy II plant, and capacity and energy purchased by the Authority in the NYISO markets. Sales into the NYISO of energy generated by these resources and grandfathered transmission rights offset the cost of the energy purchased. A set amount of capacity from the Blenheim-Gilboa project is also dedicated to serving a segment of this customer class.

In 2005, the Authority and its major New York City governmental customers entered into long-term supplemental electricity supply agreements ("2005 LTA"). Under the 2005 LTA, the NYC governmental customers agreed to purchase their electricity from the Authority through December 31, 2017, with the NYC governmental customers having the right to terminate service from the Authority at any time on three years' notice and, under certain limited conditions, on one year's notice, provided that they compensate the Authority for any above-market costs associated with certain resources used to supply these customers.

Under the 2005 LTA, the Authority modifies rates annually through a formal rate proceeding if there is a change in fixed costs to serve the New York City governmental customers. Generally, changes in variable costs, which include fuel and purchased power, are captured through annual contractual pricing adjustment mechanisms.

In 2007, the Authority entered into new supplemental electricity supply agreements ("2007 Supplemental Agreements") with more than one-hundred governmental customers in Westchester County, resulting in the Westchester governmental customers remaining full requirements customers of NYPA. The Westchester County customers can terminate the contract upon one year's notice, effective no sooner than the January 1st following such notice. The Authority may modify the rates charged the customer pursuant to a specified procedure; an energy charge adjustment mechanism is applicable to all variable costs; the customer is committed to pay for any supply resources secured for it by the Authority under a collaborative process; and NYPA will continue to make available financing for energy efficiency projects and initiatives, with costs thereof to be recovered from the customer.

For purposes of the Four-Year Plan, it is assumed that both the 2005 LTA and the 2007 Supplemental Agreements will be extended through the Four-Year Plan forecast period, the SENY governmental customers will continue to be served and rates for these customers will be set on the basis of the cost to serve these loads.

Blenheim-Gilboa Customers

The Authority has a contract for the sale of 50 MW of firm capacity from the Blenheim-Gilboa plant to the Long Island Power Authority ("LIPA") which expires in April of 2015, and provides another 250 MW to the Authority's New York City governmental customers, the rates for which are reset periodically on the basis of cost. The remainder of the plant's capacity is used to meet the requirements of some of the Authority's other business and governmental customers and/or sold in the NYISO market. For purposes of the Four-Year Plan, it has been assumed that these allocations continue.

Small Clean Power Plants ("SCPPs")

In the summer of 2001, the Authority placed in operation ten 44-MW natural-gas-fueled SCPPs in New York City and one on Long Island, to address a potential local reliability deficiency in the New York City metropolitan area and its potential impact on statewide reliability. The plant at the Vernon location may be retired during the forecast period pursuant to the terms of an agreement entered into at the time of construction.

For the Four-Year Plan, it is assumed the capacity of the SCPPs may be used by the Authority to meet its customers' capacity requirements, sold to other users via bilateral arrangements or sold into the NYISO capacity auction. NYPA sells the energy produced by the SCPPs into the NYISO energy market.

Flynn

The Flynn project is a combined-cycle facility with a nameplate rating of 164 MW. The Authority had been supplying the full output of the Flynn project to LIPA pursuant to a capacity supply agreement between the Authority and LIPA, which commenced in 1994 and had an initial term of 20 years. In April 2012, LIPA executed the termination provision contained in its contract with NYPA, which became effective April 30, 2014, such that the full output of the Flynn project is now sold on a merchant basis by NYPA. For purposes of the Four-Year Plan, it has been assumed that the full output of Flynn remains for sale as a merchant facility.

Transmission Projects

The Authority owns approximately 1,400 circuit miles of high voltage transmission lines, the major lines being the 765-kV Massena-Marcy line, the 345-kV Marcy-South line, the 345-kV Niagara-to-Edic line, and the 345-kV Long Island Sound Cable.

Since the formation of the NYISO in November 1999, cost recovery for the Authority's provision of transmission service over its facilities has been governed by the NYISO tariff which included an annual transmission revenue requirement ("TRR") for NYPA of $165.4 million. NYPA receives cost recovery through the NYISO tariff mechanism known as the NYPA Transmission Adjustment Charge ("NTAC"), which recovers transmission costs on a statewide basis after accounting for NYPA's revenues received from pre-existing customer transmission service contracts, a Transmission Service Charge assessed on customers in NYPA's upstate load zone, and other sources.

In July 2012, the Authority filed for its first TRR increase with FERC. The Authority's filing resulted in an uncontested settlement approved by FERC for a new, $175.5 million TRR applicable to the Authority, effective August 1, 2012. The increased TRR is necessary to cover increased operating and maintenance expenses of NYPA's bulk transmission system, as well as to make necessary capital improvements.

Hudson Transmission Project

Following a request for proposals issued by the Authority in March 2005, the Authority executed a firm transmission capacity purchase agreement with Hudson Transmission Partners, LLC ("HTP") in April 2011. HTP constructed a 345-kV underground/submarine transmission line extending from Bergen County, New Jersey to Con Edison's West 49th Street substation in midtown Manhattan. The transmission line commenced operation in June 2013, and is operating as a merchant facility.

Strategic Initiatives

The Authority is considering several initiatives, which are in varying stages of review and/or development. These initiatives include, but are not limited to:

- Customer Solutions – to develop innovative, cost-effective and resilient energy systems and provide our customers with choices that enable them to achieve their energy goals in new ways;
- Asset Management – to strengthen investment planning through enhanced use of technology, data, people and processes;
- Smart Generation and Transmission – deployment of advanced technologies that ensure that grid operations become increasingly intelligent;

- Workforce Planning – to identify and acquire the skills that NYPA will need to succeed, through internal training, succession planning, employee retention and external recruiting;
- Knowledge Management – to promote enhanced sharing of information and knowledge as part of day-to-day operations;
- Process Excellence – enhancement of existing processes to optimize costs and reduce environmental impacts while ensuring associated risks remain neutral or are reduced.

The Four-Year Plan reflects preliminary costs and revenues with respect to these initiatives.

Purchased Power Expenses
Capacity, energy and ancillary service purchases made on behalf of customers (except for those made through previously approved purchased power agreements) are assumed to be transacted at the market clearing price in the wholesale market. For purposes of developing the Four-Year Plan, projected energy rates are based on available forward price curves while the capacity rates are estimated using the NYISO demand curve methodology.

Fuel Expenses
Fossil-fuel purchases in the Four-Year Plan are based on expected net generation levels determined through the use of an economic dispatch model for the Authority's plants and on available forward fuel price curves. Fuel expenses also include the costs associated with emission credit requirements under the Regional Greenhouse Gas Initiative ("RGGI"). RGGI requires the Authority to buy emission credits for its fossil-fuel plants, and the Authority also purchases such credits for the contracted Astoria Energy II plant. The projections for RGGI costs are based on projected emission rates and forecasted consumption of natural gas and oil, with such costs recovered either through specific customer contract pass-through provisions or from the wholesale market.

Wheeling Expenses
Wheeling (i.e., the transmission and/or delivery of power and energy to customers over the lines of a third party) expenses are based on contractual and/or tariff rates of the service provider, and are recovered through pass-through provisions in customer contracts.

Investment and Other Income

Investment Income
Investment of the Authority's funds is administered in accordance with the applicable provisions of the Bond Resolution and with the Authority's investment guidelines. These guidelines comply with the New York State Comptroller's investment guidelines for public authorities and were adopted pursuant to Section 2925 of the New York Public Authorities Law

The Authority's investments are restricted to (a) collateralized certificates of deposit, (b) direct obligations of or obligations guaranteed by the United States of America or the State of New York, (c) obligations issued or guaranteed by certain specified federal agencies and any agency controlled by or supervised by and acting as an instrumentality of the United States government, and (d) obligations of any state or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which is rated in any of the three highest long-term rating categories, or the highest short-term rating category, by nationally recognized rating agencies. The Authority's investments in the debt securities of Federal National Mortgage Association and Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corp. were rated Aaa by Moody's Investors Services, AAA by Fitch Ratings, and AA+ by Standard & Poor's. All of the Authority's investments in U.S. debt instruments are issued or explicitly guaranteed by the U.S. Government.

Other Income
On November 21, 2000 ("Closing Date"), the Authority sold its nuclear plants, the Indian Point 3 ("IP3") and James A. FitzPatrick ("JAF") Projects, to two subsidiaries of the Entergy Corporation for cash and non-interest bearing notes totaling $967 million, maturing over a 15-year period. The present value of these payments recorded on the Closing Date, utilizing a discount rate of 7.5%, was $680 million. On an accrual basis the Authority expects to recognize interest and other income of $2.6 million in 2014 and $1.2 million in 2015. On a cash basis the Authority projects to receive $20 million annually during the period 2014-2015. In addition, the Authority entered into two "value sharing agreements" ("VSAs") with the Entergy subsidiaries

whereby the Authority is entitled to receive annual payments up to a maximum of $72 million, with the last VSA cash payment being made in early 2015 while being recorded as revenue on the 2014 income statement. Also, if the licenses of JAF and/or IP3 are extended, the Decommissioning Agreements provide for annual payments of $2.5 million per plant each year beyond the expiration dates. JAF's license has been extended past the original date of October 17, 2014 by twenty years, and beginning in 2015 the forecast includes the receipt of $2.5 million in additional revenue, increasing to $5 million starting in 2016 and every year thereafter.

Operations and Maintenance Expenses

NYPA's preliminary O&M plan by cost element for 2015-2018 is as follows:

Operations and Maintenance Forecast by Cost Element

(in Millions)

	2015	2016	2017	2018
Payroll				
Regular Pay	$ 157.4	$ 162.9	$ 168.6	$ 174.5
Overtime	$ 8.5	$ 8.8	$ 9.1	$ 9.4
Other Payroll	$ 2.6	$ 2.7	$ 2.8	$ 2.9
Total Payroll	**$ 168.5**	**$ 174.3**	**$ 180.4**	**$ 186.8**
Benefits				
Employee Benefits	$ 32.9	$ 34.1	$ 35.3	$ 36.5
Pension	$ 30.0	$ 29.0	$ 28.0	$ 27.0
OPEB	$ 12.3	$ 14.0	$ 15.0	$ 16.0
FICA	$ 12.3	$ 12.7	$ 13.2	$ 13.6
Total Benefits	**$ 87.5**	**$ 89.8**	**$ 91.4**	**$ 93.1**
Materials/Supplies	**$ 19.7**	**$ 20.4**	**$ 21.1**	**$ 21.9**
Fees	**$ 9.1**	**$ 9.4**	**$ 9.7**	**$ 10.0**
Office & Station	**$ 16.2**	**$ 16.8**	**$ 17.4**	**$ 18.0**
Maintenance Repair & Service Contracts	**$ 148.3**	**$ 121.7**	**$ 126.2**	**$ 112.4**
Consultants	**$ 39.5**	**$ 40.9**	**$ 42.4**	**$ 43.8**
Charges to:				
Outside Agencies	$ (4.7)	$ (4.8)	$ (4.9)	$ (5.0)
Capital Programs	$ (46.3)	$ (47.9)	$ (49.6)	$ (51.4)
Total Charges	**$ (51.0)**	**$ (52.7)**	**$ (54.5)**	**$ (56.3)**
Research & Development	**$ 8.8**	**$ 9.1**	**$ 9.4**	**$ 9.7**
Subtotal	**$ 446.6**	**$ 429.7**	**$ 443.5**	**$ 439.5**
Astoria Energy II	**$ 27.4**	**$ 27.9**	**$ 28.4**	**$ 28.9**
TOTAL NYPA O&M	**$ 474.0**	**$ 457.6**	**$ 472.0**	**$ 468.4**

Depreciation and Amortization Expenses
Depreciation of capital assets is generally provided on a straight-line basis over the estimated lives of the various classes of capital assets. The related depreciation provisions at December 31, 2013 expressed as a percentage of average depreciable capital assets was 2.85%.

Other Expenses
The Other Expenses category largely reflects various accruals (e.g., Other Post-Employment Benefit prior service obligations) and other miscellaneous expenses for which Trustee authorization is sought on a case-by-case basis.

(d) Self – Assessment of Budgetary Risks

Set forth below is a summary of certain of the risks associated with the Authority's assets and operations. The following discussion of risks is intended only as a summary and does not purport to identify all of the risk factors that may affect the Authority's assets and operations. Any one or more of the factors discussed and others could adversely affect the Authority's operations, assets, revenues and expenses to an extent that cannot be determined at this time.

Regulatory Risks
In 2005, the U.S. Fish and Wildlife Service (''FWS'') initiated a status review under the Endangered Species Act (16 U.S.C. 1531 et seq.) to determine if listing the American eel as threatened or endangered is warranted. American eels are a fish species that migrate between freshwater and the ocean, and their wide range includes the Atlantic seaboard of the United States and Canada and the Great Lakes' drainages. In findings issued February 2, 2007, the FWS determined that such a listing is not warranted. In 2010, the FWS was again petitioned to list the American eel and in September 2011 the FWS decided to undertake a status review to determine whether such a listing is warranted. In the event the FWS were to determine in the future to list the American eel as threatened or endangered, such a determination could potentially result in significant additional costs and operational restrictions on hydroelectric generating facilities located within the range of the species, including the Authority's St. Lawrence-FDR Project.

The Regional Greenhouse Gas Initiative ("RGGI") is a cooperative effort by Northeastern and Mid-Atlantic states (including New York) to reduce carbon dioxide emissions by 10% by 2020. 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, SCPPs, 500-MW Plant, and the contracted Astoria Energy II plant are subject to the RGGI requirements. The Authority has participated in program auctions commencing in September 2008 and expects to recover its RGGI costs through its power sales revenues. For 2014, the number of allowances offered in the auction by RGGI cap and trade program has been reduced (from allowances covering 165 million tons of carbon dioxide emissions in 2013 to 91 million tons in 2014), and will continue to decline by 2.5% each year from 2015 through 2020. This reduction may well likely increase the price for carbon dioxide allowances, which the Authority acquires to cover operation of its fossil- fuelled power plants and the Astoria Energy II plant. On September 20, 2013, the EPA proposed stringent new carbon pollution standards, affecting new large and small gas fired and coal fired generating facilities. On June 18, 2014 EPA proposed Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units. The final rule is scheduled to be released by June 2015 and states have to submit implementation plans by June 2016. NYPA is monitoring potential federal programs that are under discussion and debate for their potential impact on RGGI in the future.

During 2011, the Environmental Protection Agency ("EPA") issued a series of rulings to establish the Cross-State Air Pollution Rule ("CSAPR") to replace the Clean Air Interstate rule ("CAIR"). 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. In December 2011, the U.S. Court of Appeals (D.C. Circuit) granted a stay of CSAPR pending the court's resolution of numerous petitions for review and in the interim, the court indicated that the EPA should continue to enforce CAIR. By decision issued August 21, 2012, the court vacated CSAPR; directed the EPA to develop a replacement rule; and directed that CAIR continue to be enforced pending the development of the replacement rule. On October 5, 2012, the EPA filed a petition with the D.C. Circuit seeking rehearing of the court's decision regarding CSAPR which was denied by the D.C Circuit. On June 24, 2013, the U.S. Supreme Court granted the EPA's request to review the D.C. Circuit's decision to invalidate EPA's CSAPR. The U.S. Supreme Court reversed the D.C. Circuit opinion vacating CSAPR and directed the D.C. Circuit to resolve all the issues. On June 26, 2014, the U.S. Government filed a motion with the U.S. Court of Appeals

for the D.C Circuit to lift the stay of the CSAPR. On October 23, 2014, the U.S. Court of Appeals (D.C. Circuit) lifted its stay on CSAPR. The EPA is now planning to implement CSAPR regulations starting in January 2015. The Authority has been able to operate its fossil plants and the Astoria Energy II plant within the allocated allowances under the CAIR and in the event the CSAPR as promulgated by the EPA ultimately is implemented, the Authority anticipates that operation of its fossil plants and the Astoria Energy II plant would not be impacted.

In 2013, President Obama sent a memorandum to 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. In 2013, the EPA met the first milestone in the Presidential Memorandum by proposing stringent new carbon pollution standards affecting new large and small gas-fired and coal-fired generating units. On June 2, 2014, the EPA met another milestone by releasing its Clean Power Plant Proposed Rule for existing power plants. The objective of the proposed rule is to cut by 2030 carbon pollution (carbon dioxide emissions) from the power sector by 30% from 2005 levels. Also on June 2, 2014, the EPA proposed related carbon pollution standards for modified and reconstructed power plants. The Authority continues to monitor developments in this area.

Congressional and regulatory action for the increased regulation of air, water and contaminants is periodically considered, and there are potential legislative and regulatory proposals which may affect the electric utility industry, including the Authority, in the future. The impact on the Authority's operations of any such proposals is not presently predictable or quantifiable.

The Authority has flexible rate-setting authority for many of its power sales agreements with customers; however, due to FERC's jurisdiction over the Authority's transmission revenue requirement ("TRR"), the Authority's transmission cost recovery must adhere to FERC standards. In 2012, the Authority filed for an increased TRR consistent with those principles, which resulted in the current $175.5 million TRR. The current TRR is incorporated into the NYISO Open Access Transmission Tariff ("OATT"). This Four-Year Plan assumes full recovery of future costs under the provisions of the NYISO OATT.

Legislative and Political Risks

A series of legislative enactments have called for the Authority to subsidize business customers and the State's general fund. Legislation enacted into law, as part of the 2000-2001 State budget, as amended in subsequent years, has authorized the Authority, "as deemed feasible and advisable by the trustees", to make a series of "voluntary contributions" into the State treasury in connection with the PFJ program and for other purposes. Since December 2002, the Authority has made voluntary contributions to the State of $475 million in connection with the PFJ program and an additional $582 million unrelated to the PFJ program. The PFJ program was replaced by the RNYPP beginning July 1, 2012 with the enacting legislation authorizing transitional electricity discounts through June 30, 2016 for those PFJ and ECSB customers applying for but not receiving RNYPP allocations. For the forecast period, the Authority estimates these transitional payments at $6.75 million.

For planning purposes, the Four-Year Plan assumes that the Authority makes a voluntary contribution to the State of $90 million in 2015 and $65 million annually thereafter for the duration of the Four-Year Plan. Approval of any such payments to the State's general fund and/or to subsidize customers requires legislation authorizing such payments and is conditional upon the Trustees' determination that such payments are "feasible and advisable". The Trustees' decision as to whether and to what extent such payments are feasible and advisable will be made based on the exercise of their fiduciary responsibilities and in light of the requirements of the Authority's Bond Resolution, other legal requirements, and all the facts and circumstances known to them at the time of the decision. On May 24, 2011, the Authority's Trustees adopted a 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 that in deciding whether to make contributions, transfers, or payments, the Authority shall use as a reference the maintenance of a debt service coverage ratio of at least 2.0, in addition to making other determinations required by the General Resolution.

In addition to the authorization for the voluntary contributions, the Authority was authorized by February 2009 budget legislation to make certain temporary asset transfers to the State of funds in reserves. Pursuant to the terms of a Memorandum of Understanding dated February 2009 ("MOU") between the State, acting by and through the Director of the Budget of the State, and the Authority, the Authority agreed to transfer $215 million associated with its Spent Nuclear Fuel Reserves by the end of State Fiscal Year 2008-2009. The Spent Nuclear Fuel Reserves are funds that have 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 obligation related to the transfer and disposal of the spent nuclear fuel or September 30, 2017. Further, the MOU provided for the Authority to transfer during State Fiscal Year 2009-2010 approximately $103 million of funds set aside for future construction projects, which amounts would be returned to the Authority, subject to appropriation by the State 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 temporary transfers were authorized by the Authority's Trustees and made in 2009. On April 24, 2014, the Authority and the State executed an Amendment to the MOU that became effective on July 29, 2014 and provides that the State shall, subject to appropriation by the State Legislature, return the $103 million over 5 years based upon the following schedule: $18 million payable September 30, 2014; $21 million payable September 30, 2015; $21 million payable September 30, 2016; $21 million payable September 30, 2017; and $22 million payable September 30, 2018.

Section 1011 of the Power Authority Act ("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. Several bills have been introduced into the State Legislature, some of 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 by the Authority. It is not possible to predict whether any of 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 the Authority will be immune from the financial obligations imposed by any such provision.

Actions taken by the State Legislature or the Executive Branch to cause greater voluntary contributions and which attempt to constrain the discretion of or bypass the Authority's Trustees could negatively affect net income and possibly harm the Authority's bond rating.

Hydroelectric Generation Risk

The Authority's net income is highly dependent upon generation levels at its Niagara and St. Lawrence-FDR Projects. The generation levels themselves are a function of the hydrological conditions prevailing on the Great Lakes, primarily, Lake Erie (Niagara Project) and Lake Ontario (St. Lawrence-FDR Project). Long-term generation levels at the two hydroelectric projects are about 20.2 terawatt-hours ("TWH") annually. The Authority's hydroelectric generation forecast is 22.6 TWH in 2015, 23.2 TWH in 2016, 22.7 TWH in 2017 and 21.8 TWH in 2018. However, these generation amounts are forecasted values, and hydrological conditions can vary considerably from year to year.

The Authority conducted high and low hydroelectric generation sensitivities for 2015-2018 that estimated the potential net income that could result over a reasonable range of hydroelectric generation occurrences. The effects on estimated net income, assuming all other factors remain unchanged, were as follows:

	Low Generation		**High Generation**	
	Net Hydroelectric Generation	NYPA Net Income Change *(in Millions)*	Net Hydroelectric Generation	NYPA Net Income Change *(in Millions)*
2015	20.2 TWH	($102.2)	23.8 TWH	$46.4
2016	20.7 TWH	($94.8)	24.3 TWH	$43.0
2017	20.2 TWH	($88.4)	23.8 TWH	$40.1
2018	19.3 TWH	($93.2)	22.9 TWH	$42.5

Electric Price and Fuel Risk

Through its participation in the NYISO and other commodity markets, NYPA is subject to electric energy price, fuel price and electric capacity price risks that impact the revenue and purchased power streams of its facilities and customer market areas. Such volatility can potentially have detrimental effects on NYPA's financial condition. To mitigate downside effects, many of NYPA's customer contracts provide for the complete or partial pass-through of these costs. To moderate cost impacts to its customers, NYPA, at times, hedges market risks via the use of financial instruments and physical contracts. Hedges are transacted by NYPA to mitigate the cost of energy or related products needed to meet customer needs; to mitigate risk related to the price of energy and related products sold by NYPA; to mitigate risk related to electric margins (electric sales versus fuel use) where NYPA owns generation or other capacity; and mitigation of geographic cost differentials of energy procured or sold for transmission or transportation to an ultimate location. Commodities to be hedged include, but are not limited to, natural gas, natural gas basis, electric energy, electric capacity and congestion costs associated with the transmission of electricity.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act ("DF Act") which addresses, among other things, interest rate and energy related commodity swap transactions of the type in which the Authority engages ("Swaps"). The requirements and processes are set forth in regulations promulgated by the Commodities Futures Trading Commission ("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 ("OTC") hedge positions. These CFTC rules are not anticipated to have significant impact on the Authority's liquidity and/or future risk mitigation activities. CFTC DF Act rules are still being promulgated, and Authority will continue to monitor their potential impact on the Authority's liquidity and/or future risk mitigation activities.

Other Business Risks

Industry Transformation

Transformative technologies and customer empowerment are creating uncertainty for the Authority and the electric utility industry that can produce new business opportunities or reduced demand for electric energy. Through its Strategic Planning process, the Authority regularly evaluates its mission, objectives, and customer needs and seeks to appropriately position the Authority to effectively meet the challenges of the transforming electric industry through implementation of initiatives such as a long-term asset management strategy and a suite of customer solutions including new/modified product offerings. The impact on the Authority's operations of any such industry transformation is not presently predictable or quantifiable.

Workforce

Like many other industries, the power and utility sector is realizing increased competition for and a general shortage of talent in high skilled areas. This trend is expected to continue and be further impacted by transformations in the industry where new technologies are being developed and deployed. The Authority recognizes the uncertainty with being able to attract and retain the skills and competencies needed to meet stated objectives and regularly evaluates and positions its recruiting, talent development and benefits programs accordingly, through its workforce planning strategic initiative and other ongoing efforts. The impact on the Authority's operations of any such shortages in talent is not presently predictable or quantifiable.

Physical and Cyber Security Risk

The Federal Government recognizes the electric utility industry as critical infrastructure for the United States and works closely with the industry to ensure awareness of ongoing threats and appropriate protections are in place against both physical and cyber-attacks. With over 1,400 circuit-miles of high voltage transmission lines and 16 power generation facilities across New York State, the Authority recognizes the critical nature of its assets. Investments to harden both physical and cyber assets and their related infrastructure are continually needed to minimize potential adverse impacts to the bulk electric system, detect and deter sabotage attempts, and protect the Authority and customer information. The impact on the Authority's operations of a successful physical or cyber-attack is not presently predictable or quantifiable.

Catastrophic Natural Events

A catastrophic natural event such as severe weather, flooding or earthquake can negatively affect the operability of Authority assets and the bulk electric system. The Authority regularly evaluates the resiliency of its assets including in the wake of major events such as Super Storm Sandy in 2012. In addition, the Authority has implemented disaster planning programs based on the specific, unique natural threats at each of its generation facilities. Although the impact of a catastrophic natural event is not predictable or

quantifiable, the Authority maintains close working relationships with local first responders and government agencies to ensure its ongoing preparedness.

Litigation Risk

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 (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 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 three St. Regis tribal factions as well as the Federal government. The 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 results 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 ("Tribe") have been discussing a settlement of the land claims, as well as other issues between the State and the Tribe. These discussions are ongoing. On May 28, 2014, the State of New York, the Tribe, St. Lawrence County and the Authority executed a Memorandum of Understanding ("St. Regis MOU") that recognized that a negotiated settlement to this litigation has the potential to resolve certain disputes among the parties to the litigation and endorsed certain terms for such a negotiated settlement. In the St. Regis MOU, the Authority endorses a negotiated settlement that, among other things, would require (a) an Act of Congress to forever extinguish all Mohawk land claims prior to such settlement becoming effective and (b) 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.

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 MOU. 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 under the St. Regis MOU, however, federal and state legislation must be enacted which approves the settlement and extinguishes all Mohawk land claims.

Tropical Storm Irene

In August 2012, the County of Schoharie, eight towns and villages therein, and one school district ("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 April 15, 2014, all of the Municipalities, with the exception of the Town of Blenheim, have discontinued their lawsuits against the Authority.

In February 2012, a private landowner filed a similar lawsuit in such court on behalf of a park campground and makes nearly the same allegations 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. Plaintiffs previously filed timely notices of claim. The five plaintiffs include three individual landowners and two corporations. The three individual landowners own properties located in Schoharie, NY and Central Bridge, NY and are claiming damages in the aggregate amount of $1.55 million. The two corporations also own properties in Schoharie, NY and are claiming damages in the aggregate amount of $1.05 million.

While the Authority cannot presently predict the outcome of this or any related litigation, the Authority believes that it has meritorious defenses and positions with respect thereto. However, adverse decisions of a certain type in the matters discussed above could adversely affect Authority operations and revenues.

Other Actions or Claims

In January 2014, one of the 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 to trip. As a result of the impact to the cable, dielectric fluid was released into Long Island Sound. The Authority estimates it sustained damages of approximately $35 million. The Authority believes that it will be able to recover the full amount of its damages through legal proceedings, the insurance coverages and contractual obligations. Full recovery of these costs is modeled in this Four-Year Plan.

In addition to the matters described above, 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 amount which the Authority has available therefore and without any material adverse effect on the business of the Authority.

(e) Revised Forecast of 2014 Budget

(in Millions)

	Original Budget 2014	Forecast 2014	Variance Better/(Worse) 2014
Operating Revenues:			
Customer Revenues	$2,131.2	$2,100.3	($30.9)
NYISO Market Revenues	$793.0	$1,134.2	$341.3
Total Operating Revenues	$2,924.2	$3,234.5	$310.4
Operating Expenses:			
Purchased Power	$834.7	$1,025.2	($190.6)
Fuel	$299.9	$375.4	($75.5)
Wheeling Expenses	$614.2	$599.9	$14.3
O&M Expenses	$388.2	$392.9	($4.7)
Other Expenses	$216.7	$189.2	$27.5
Depreciation and Amortization	$228.7	$231.7	($3.0)
Total Operating Expenses	$2,582.4	$2,814.4	($232.0)
NET OPERATING REVENUES	**$341.8**	**$420.2**	**$78.4**
Other Income:			
Investment Income	$26.9	$34.0	$7.1
Other Income	$75.4	$74.6	($0.8)
Total Other Income	**$102.3**	**$108.5**	**$6.3**
Non-Operating Expenses			
Interest & Other Expenses	$176.4	$172.8	$3.6
Contributions to State	$90.0	$90.0	$0.0
Total Non-Operating Expense	**$266.4**	**$262.8**	**$3.6**
NET INCOME	**$177.7**	**$266.0**	**$88.3**

(f) Reconciliation of 2014 Budget and 2014 Revised Forecast

The 2014 year-end net income projection is $266.0 million, which is $88.3 million above budget. This positive variance is primarily a result of high energy prices garnered in January through April 2014 due to the harsh winter, in combination with increased hydroelectric generation at the Niagara and St. Lawrence – FDR projects due to above average precipitation over the Great Lakes. These factors are driving the variance in NYISO Market Revenues, Purchased Power, and Fuel.

(g) Statement of 2013 Financial Performance

New York Power Authority
Net Income - Actual vs. Budgeted
For the Year ended December 31, 2013
(in millions)

	Actual	Budget	Variance Favorable/ (Unfavorable)
Operating Revenues			
Customer	$2,087	$2,120	($33)
NYISO Market Revenues	$944	$679	$265
Total Operating Revenues	**$3,030**	**$2,798**	**$232**
Operating Expenses			
Purchased Power	$934	$774	($160)
Fuel	$324	$323	($1)
Wheeling	$603	$583	($20)
Operations & Maintenance	$433	$426	($6)
Other Expenses	$145	$201	$57
Depreciation & Amortization	$228	$228	($0)
Allocation to Capital	($11)	($13)	($2)
Total Operating Expenses	**$2,655**	**$2,522**	**($133)**
Operating Income	**$375**	**$276**	**$99**
Nonoperating Revenues and Expenses			
Nonoperating Revenues			
Investment Income	$5	$28	($22)
Other income	$85	$76	$9
Total Nonoperating Revenues	**$90**	**$103**	**($13)**
Nonoperating Expenses			
Contribution to New York State	$65	$65	$0
Interest and Other Expenses	$172	$185	$13
Total Nonoperating Expenses	**$237**	**$250**	**$13**
Nonoperating Income (Loss)	**($147)**	**($147)**	**($0)**
Net Income	**$228**	**$130**	**$98**

Net Income for the year ended December 31, 2013 was $228 million, which was $98 million above the budget of $130 million. Major contributing factors to the positive variance included hydro generation above budgeted levels, and higher capacity and energy prices. Precipitation over the Great Lakes was higher than average in the second half of the year, resulting in a combined net generation for the Niagara and St. Lawrence-FDR projects that was 6% higher than forecasted.

(h) Employee Data – number of employees, full-time, FTEs and functional classification

	2015 Request	2016	2017	2018
Headquarters	679	679	679	679
Power Generation	905	905	905	905
Transmission	170	170	170	170
R&D	14	14	14	14
TOTAL	**1,768**	**1,768**	**1,768**	**1,768**

(i) Gap-Closing Initiatives – revenue enhancement or cost-reduction initiatives

As the Authority is projecting positive net income for the 2015-2018 financial plan period, there are no planned gap-closing programs.

(j) Material Non-recurring Resources – source and amount

See discussion in "Other Income" section.

(k) Shift in Material Resources

There are no anticipated shifts in material resources from one year to another.

(l) Debt Service

New York Power Authority
Projected Debt Outstanding (FYE)
(in thousands)

	2015	2016	2017	2018
Revenue Bonds	$887,815	$832,105	$773,750	$1,264,999
Adjustable Rate Tender Notes	$86,115	$75,000	$58,355	$40,380
Subordinated Note (2012)	$22,780	$21,995	$21,200	$20,395
Commercial Paper Notes	$590,258	$735,146	$944,083	$687,807
Grand Total	$1,586,968	$1,664,246	$1,797,388	$2,013,581

New York Power Authority
Debt Service as Percentage of Pledged Revenues (Accrual Basis)
(Debt Service in thousands)

	2015		2016		2017		2018	
	Debt Service	**% of Rev.**	**Debt Service**	**% of Rev.**	**Debt Service**	**% of Rev.**	**Debt Service**	**% of Rev.**
Revenue Bonds	$102,760	3.27%	$102,747	3.33%	$102,635	3.37%	$107,892	3.47%
Adjustable Rate Tender Notes	$12,086	0.39%	$17,433	0.57%	$19,606	0.64%	$20,213	0.65%
Subordinated Debt	$1,505	0.05%	$1,504	0.05%	$1,505	0.05%	$1,504	0.05%
Commercial Paper Notes	$16,711	0.53%	$18,881	0.61%	$27,556	0.90%	$32,879	1.06%
Grand Total Debt Service	**$133,061**	**4.24%**	**$140,564**	**4.56%**	**$151,302**	**4.97%**	**$162,489**	**5.22%**

New York Power Authority
Planned Use of Debt Issuances
(in thousands)

TYPE	**Amount**	**Assumed Interest Rate**	**Project / Description**
Period January 1, 2015 – December 31, 2015			
Tax Exempt Commercial Paper	$110,338	0.50%	Energy Services Program
Taxable Commercial Paper	$7,823	0.75%	Energy Services Program
Taxable Commercial Paper	$63,486	0.75%	Niagara Power Plant / Transmission
Total Issued 2015	$181,647		
Period January 1, 2016 – December 31, 2016			
Tax Exempt Commercial Paper	$126,340	1.00%	Energy Services Program
Tax Exempt Commercial Paper	$217	1.00%	Niagara Power Plant
Taxable Commercial Paper	$8,323	1.50%	Energy Services Program
Taxable Commercial Paper	$103,264	1.50%	Niagara Power Plant / Transmission
Total Issued 2016	$238,144		

Period January 1, 2017 – December 31, 2017			
Tax Exempt Commercial Paper	$135,022	1.50%	Energy Services Program
Tax Exempt Commercial Paper	$350	1.50%	Niagara Power Plant
Taxable Commercial Paper	$14,028	2.50%	Energy Services Program
Taxable Commercial Paper	$163,020	2.50%	Niagara Power Plant / Transmission
Total Issued 2017	$312,420		

Period January 1, 2018 – December 31, 2018			
Tax Exempt Commercial Paper	$144,959	2.00%	Energy Services Program
Taxable Commercial Paper	$16,587	2.75%	Energy Services Program
Tax-Exempt Fixed Rate Bonds	$14,556	4.50%	Refund Commercial Paper Notes issued for Niagara Power Project *
Taxable Fixed Rate Bonds	$537,580	6.75%	Refund Commercial Paper Notes issued for Niagara Power Project / Transmission
Total Issued 2018	$713,682		

* Does not include Commercial Paper issued in 2018 for the Robert Moses Niagara Power Project and Transmission that was refunded with Fixed Rate Bonds in 2018.
Taxable amount $207,810 and Tax Exempt $14,556

Note: The full faith and credit of the Authority are pledged for the payment of bonds and notes in accordance with their terms and provisions of their respective resolutions. The Authority has no taxing power and its obligations are not debts of the State or any political subdivision of the State other than the Authority. The Authority's debt does not constitute a pledge of the faith and credit of the State or of any political subdivision thereof, other than the Authority.

Scheduled Debt Service Payments (Accrual Basis)

Outstanding (Issued) Debt

	Principal	Interest	Total
2015	$76,264,319	$56,253,698	$132,518,017
2016	$81,639,250	$55,282,452	$136,921,702
2017	$86,620,167	$53,327,246	$139,947,413
2018	$86,310,222	$52,048,583	$138,358,805

Proposed Debt

	Principal	Interest	Total
2015	$0	$543,254	$543,254
2016	$0	$3,642,703	$3,642,703
2017	$0	$11,354,215	$11,354,215
2018	$384,968	$23,745,052	$24,130,020

Total Debt

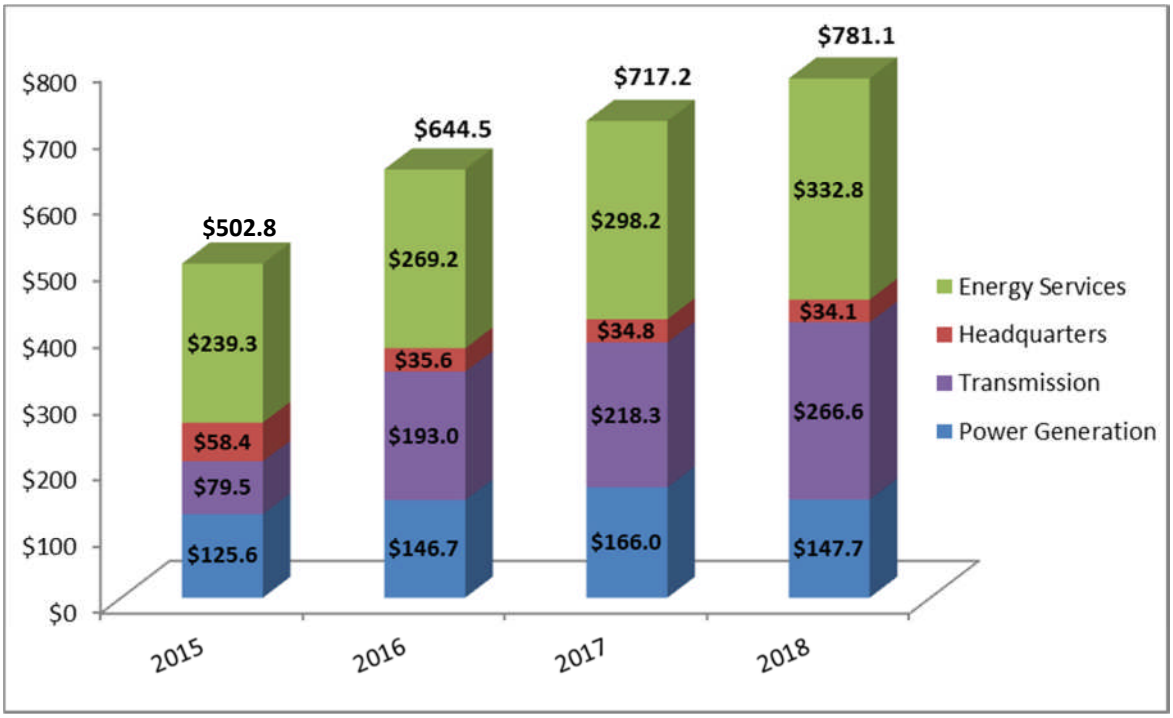
	Principal	Interest	Total
2015	$76,264,319	$56,796,952	$133,061,271
2016	$81,639,250	$58,925,154	$140,564,404
2017	$86,620,167	$64,681,461	$151,301,628
2018	$86,695,190	$75,793,634	$162,488,824

(m) Capital Investments and Sources of Funding

The Authority currently estimates that it will expend approximately $2.2 billion for various capital improvements over the financial period 2015-2018. The Authority anticipates that these expenditures will be funded using existing construction funds, internally-generated funds and additional borrowings. Such additional borrowings are expected to be accomplished through the issuance of additional commercial paper notes and/or the issuance of long-term fixed rate debt. Projected capital requirements during this period include:

(In thousands)	2015	2016	2017	2018
Transmission Life Extension & Modernization (LEM)	$ 50,500	$ 86,348	$ 76,886	$ 73,327
St. Lawrence Breaker and Relay Replacement	$ 9,686	$ 18,409	$ 14,580	$ 18,999
Marcy South Series Compensation	$ 12,740	$ 39,300	$ -	$ -
MA1 & MA2 – 230kV Replacement	$ 1,272	$ 11,184	$ 44,407	$ 73,610
Smart Grid G & T Implementation	$ -	$ 27,332	$ 59,467	$ 100,513
High Voltage Initiative	$ -	$ 12,500	$ 25,000	$ 12,500
Lewiston Pump Generation Plant LEM	$ 36,293	$ 39,319	$ 70,921	$ 57,737
SCPP Black Start (Hellgate, Harlem River)	$ 8,700	$ 563	$ -	$ -
Blenheim Gilboa Relicensing	$ 4,540	$ 5,386	$ 5,676	$ 3,582
St. Lawrence Headgate System Upgrade	$ 540	$ 5,685	$ 5,848	$ 5,781
St. Lawrence Generator Step-Up Transformer Replacement	$ 4,622	$ 6,567	$ 6,626	$ -
Total Energy Services	$ 239,313	$ 269,200	$ 298,200	$ 332,800
Other	$ 134,546	$ 122,665	$ 109,609	$ 102,297
GRAND TOTAL	**$ 502,752**	**$ 644,459**	**$ 717,221**	**$ 781,146**

2015-2018 Capital Investments by Function
(in millions)



Certification of Assumptions and Method of Estimation for Budget and Financial Plan 2015-2018 in accordance with the Comptroller's Regulation § 203.9 Certification

December 16, 2014

To the Board of Trustees
Power Authority of the State of New York

To the best of my knowledge and belief after reasonable inquiry, I, the undersigned, certify that the "Authority's Method of Estimation for Budget and Financial Plan 2015-2018" is based on reasonable assumptions and methods of estimation and that the regulations enumerated in Part 203, "Budget and Financial Plan Format, Supporting Documentation and Monitoring - Public Authorities" have been satisfied.

Edward Welz
Chief Operating Officer

Robert Lurie
Chief Financial Officer

New York Power Authority
ReCharge New York Retention Power Allocation Recommendations

Exhibit "5a-A"
December 16, 2014

Line	Company	City	County	Economic Development Region	IOU	Description	kW Request	kW Recommendation	Jobs Retained	Jobs Created	Total Job Commitment	Capital Investment ($)		Contract Term (years)
1	Hanes Supply Inc.	Albany	Albany	Capital District	NGRID	Cable, rope and sling manufacturing	60	26	16	0	16	$200,000		7
	Capital District Region Sub-totals:						**60**	**26**	**16**	**0**	**16**	**$200,000**		
2	Advanced Interconnect Manufacturing	Victor	Ontario	Finger Lakes	RGE	Produces wire harnesses and cable assemblies	208	80	62	0	62	$250,000		7
3	Alsco Inc.	Rochester	Monroe	Finger Lakes	RGE	Textile rental company	547	270	185	0	185	$3,937,500		7
4	Century Mold Company, Inc.	Rochester	Monroe	Finger Lakes	RGE	Plastic components manufacturing	1055	526	119	0	119	$5,000,000		7
5	Creative Food Ingredients, Inc.	Perry	Wyoming	Finger Lakes	NYSEG	Commercial bakery	519	256	120	0	120	$1,500,000		7
6	Diamond Packaging Holdings LLC	Rochester	Monroe	Finger Lakes	RGE	Manufacturer of paperboard and plastic folding cartons	1871	936	220	0	220	$2,500,000		7
7	Ferro Corporation	Penn Yan	Yates	Finger Lakes	NYSEG	Manufacturer of color pigments	3073	1,536	136	0	136	$4,000,000		7
8	Hanes Supply Inc.	Rochester	Monroe	Finger Lakes	RGE	Cable, rope and sling manufacturing	80	36	29	0	29	$500,000	(1)	7
9	Newchem, Inc.	Newark	Wayne	Finger Lakes	NYSEG	Photo chemical machine plant	359	176	21	0	21	$200,000	(1)	7
10	Nicholas H. Noyes Memorial Hospital, Inc.	Dansville	Livingston	Finger Lakes	NYSEG	Hospital	623	206	170	0	170	$1,000,000		7
11	Unither U.S. Corporation	Rochester	Monroe	Finger Lakes	RGE	Manufacturer of pharmaceutical products	3204	1,600	262	0	262	$10,000,000	(1)	7
	Finger Lakes Region Sub-totals:						**11,539**	**5,622**	**1,324**	**0**	**1,324**	**$28,887,500**		
12	A& Z Pharmaceutical	Hauppauge	Suffolk	Long Island	LIPA	Manufacturers pharmaceutical products	275	136	56	0	56	$15,000,000	(1)	7
13	Adchem Corporation	Riverhead	Suffolk	Long Island	LIPA	Manufacturer of specialty pressure sensitive adhesive tapes	762	366	115	0	115	$1,000,000		7
14	American Pride Fasteners, LLC	Bay Shore	Suffolk	Long Island	LIPA	Manufacturer of fasteners, pins, rivets	91	46	24	0	24	$150,000	(1)	7
15	American Racing Headers and Exhaust, Inc.	Deer Park	Suffolk	Long Island	LIPA	Manufacturer of exhaust products	80	36	33	0	33	$50,000		7
16	Castella Imports Inc.	Hauppauge	Suffolk	Long Island	LIPA	Warehousing and storage of imported food products	136	66	160	0	160	$0	(1)	*
17	Eastern Wholesale Fence Co., Inc.	Calverton	Suffolk	Long Island	LIPA	PVC fencing products	1300	600	130	0	130	$250,000		7
18	Elite Manufacturing Technologies, LLC	Westbury	Nassau	Long Island	LIPA	Manufacturer of parts for the aerospace, defense, and medical device industries	52	26	4	0	4	$760,000		7
19	Frank Lowe Rubber & Gasket Company	Shirley	Suffolk	Long Island	LIPA	Produces sealing and protective products	136	66	30	0	30	$500,000	(1)	7
20	Globe Grinding Corp	Copiague	Suffolk	Long Island	LIPA	Precision grinding facility	79	36	13	0	13	$650,000		7

Line	Company	City	County	Economic Development Region	IOU	Description	kW Request	kW Recommendation	Jobs Retained	Jobs Created	Total Job Commitment	Capital Investment ($)		Contract Term (years)
21	Posimech, Inc.	Medford	Suffolk	Long Island	LIPA	Machine parts processor	48	20	18	0	18	$300,000		7
22	Quesos La Ricura Ltd.	Hicksville	Nassau	Long Island	LIPA	Manufacturer of cheese products	298	146	186	10	196	$300,000		7
23	Richner Communications, Inc.	Garden City	Nassau	Long Island	LIPA	Communications company	245	120	118	0	118	$1,000,000		7
24	Wonton Food Inc.	Plainview	Suffolk	Long Island	LIPA	Food manufacturing and distribution	376	186	43	0	43	$3,000,000		7
	Long Island Region Sub-totals:						**3,878**	**1,850**	**930**	**10**	**940**	**$22,960,000**		
25	Jawonio, Inc.	New City	Rockland	Mid-Hudson	O&R	Disability assistance provider	118	36	160	115	275	$18,000,000		7
26	United Structural Works Inc.	Congers	Rockland	Mid-Hudson	O&R	Structural steel fabrication and erection company.	136	66	90	10	100	$10,000,000		7
27	Zumtobel Lighting, Inc.	Highland	Ulster	Mid-Hudson	CHUD	Manufacturer of lighting products	460	226	231	0	231	$10,000,000		7
	Mid-Hudson Region Sub-totals:						**714**	**328**	**481**	**125**	**606**	**$38,000,000**		
28	Chef One Corporation	Brooklyn	Kings	New York City	CONED	Food manufacturing company	87	40	17	0	17	$1,000,000		7
29	Chef One Corporation	Brooklyn	Kings	New York City	CONED	Food manufacturing company	115	56	13	0	13	$1,000,000		7
30	G.A.L. Manufacturing Corporation	New York	Bronx	New York City	CONED	Manufacturer of elevator equipment	400	196	387	0	387	$6,475,000	(1)	7
31	HSBC USA, Inc.	New York City	New York	New York City	CONED	Banking and financial services	1600	800	452	0	452	$5,600,000		7
32	Nomura Holding America Inc.	New York	New York	New York City	CONED	Investment and financial services	3347	1,670	1825	0	1,825	$45,000,000		7
33	Parallel Environmental Services Corporation	Bronx	Bronx	New York City	CONED	Recycling service facility	400	200	79	0	79	$250,000	(1)	7
34	Precision Gear, Inc.	College Point	Queens	New York City	CONED	Manufacturer of aerospace-related gear	500	240	151	0	151	$0	(1)	7
35	Signs & Decal Corp.	Brooklyn	Kings	New York City	CONED	Manufacturer of high end signage and related services	61	30	30	0	30	$1,000,000	(1)	7
36	Steuben Foods LLC	New York	Queens	New York City	CONED	HQ, R&D facility for dairy business	41	20	15	0	15	$1,500,000	(1)	7
37	Time Inc.	New York	Manhattan	New York City	CONED	Media company	4500	2,250	2000	0	2,000	$164,000,000	(2)	7
38	TMI Trading	Brooklyn	Kings	New York City	CONED	Food manufacturing company	134	66	27	0	27	$1,000,000		7
39	Twin Marquis Inc.	Brooklyn	Kings	New York City	CONED	Food manufacturing company	769	380	235	0	235	$5,500,000		7
40	Wonton Food Inc.	Long Island City	Queens	New York City	CONED	Food manufacturing and distribution	136	66	71	0	71	$2,000,000		7

New York Power Authority
ReCharge New York Retention Power Allocation Recommendations

Exhibit "5a-A"
December 16, 2014

Line	Company	City	County	Economic Development Region	IOU	Description	kW Request	kW Recommendation	Jobs Retained	Jobs Created	Total Job Commitment	Capital Investment ($)		Contract Term (years)
41	Wonton Food Inc.	Brooklyn	Kings	New York City	CONED	Food manufacturing and distribution	764	380	257	0	257	$5,000,000		7
	New York City Region Sub-totals:						**12,854**	**6,394**	**5,559**	**0**	**5,559**	**$239,325,000**		
42	Red Barn Technology Group, Inc	Binghamton	Broome	Southern Tier	NYSEG	High tech business technology provider	30	10	14	0	14	$350,000		7
43	Saputo Dairy Foods USA, LLC	Delhi	Delaware	Southern Tier	NYSEG	Dairy production facility	1841	920	140	0	140	$10,000,000		7
	Southern Tier Region Sub-totals:						**1,871**	**930**	**154**	**0**	**154**	**$10,350,000**		
44	Costanzo's Bakery	Cheektowaga	Erie	Western New York	NYSEG	Bakery - fresh and frozen goods	677	336	125	0	125	$3,000,000		7
45	Evolution Dental Science	Buffalo	Erie	Western New York	NGRID	Dental Laboratory, manufacturer of dental products	45	20	30	0	30	$250,000	(1)	7
46	Hanes Supply Inc.	Buffalo	Erie	Western New York	NGRID	Cable, rope and sling manufacturing	90	46	80	0	80	$100,000		7
47	HSBC USA, Inc.	Depew	Erie	Western New York	NYSEG	Banking and financial services	719	356	1574	0	1,574	$4,750,000		7
48	HSBC USA, Inc.	Buffalo	Erie	Western New York	NGRID	Banking and financial services	880	440	1454	0	1,454	$1,400,000		7
49	Kinedyne	Orchard Park	Erie	Western New York	NYSEG	Cable, rope and sling manufacturing	90	40	15	0	15	$100,000		7
50	New Era Cap Co., Inc.	Derby	Erie	Western New York	NGRID	Manufacturer of field baseball caps	425	206	198	0	198	$635,000		7
51	Precision Abrasives Corporation	Orchard Park	Erie	Western New York	NYSEG	Manufacturer of abrasive products	125	60	48	0	48	$150,000		7
52	Saputo Dairy Food USA, LLC	Friendship	Allegany	Western New York	RGE	Dairy production facility	2470	1,230	256	0	256	$30,000,000		7
53	Wendt Corporation	Buffalo	Erie	Western New York	NGRID	Manufactures automobile shredders	199	96	100	0	100	$500,000		7
	Western New York Region Sub-totals:						**5,720**	**2,830**	**3,880**	**0**	**3,880**	**$40,885,000**		
	Totals							**17,980**	**12,344**	**135**	**12,479**	**$380,607,500**		

(1) These companies are also recommended for expansion-related allocations of RNY for separate and distinct job creation and capital investment commitments associated with proposed business expansions.
(2) Allocation is recommended to be up to the amount indicated based on the companies' fulfillment of new electric load consistent with the ratio of recommended to requested amount.
(*) Allocation term will expire on 6/30/2019, consistent with the customer's in-service allocation currently under contract; existing 5 year capital investment commitment is $7,500,000.

New York Power Authority
ReCharge New York Expansion Power Allocation Recommendations

Exhibit "5a-B"
December 16, 2014

Line	Company	City	County	Economic Development Region	IOU	Description	kW Request	kW Recommendation (1)	Base Employment (3)	Job Creation Commitment	Project Capital Investment ($)		Contract Term (years)
1	Argyle Cheese Factory, LLC	Argyle	Washington	Capital District	NGRID	Wholesale cheese and yogurt producer	100	70	3	12	$150,000		7
2	Castleton Paperboard, LLC	Village of Castleton-on-Hudson	Rensselaer	Capital District	NGRID	Manufacturer of light-weight paperboard	17000	10,000	0	100	$300,000,000		7
3	Ferguson Enterprises, Inc.	Coxsackie	Greene	Capital District	CHUD	Wholesale distribution warehouse	652	456	0	75	$60,300,000		7
4	Yankee Distillers LLC	Clifton Park	Saratoga	Capital District	NGRID	Distillery	150	106	0	6	$830,000		7
	Capital District Region Sub-totals:							**10,632**	**3**	**193**	**$361,280,000**		
5	Oran Station Brewing Supplies LLC	Manilus	Onondaga	Central New York	NGRID	Producer of hops, barley for beer making ingredients	200	140	0	9	$711,200		7
	Central New York Region Sub-totals:							**140**	**0**	**9**	**$711,200**		
6	Hanes Supply Inc.	Rochester	Monroe	Finger Lakes	RGE	Cable, rope and sling manufacturing	35	20	29	3	$640,000	(2)	7
7	Newchem, Inc.	Newark	Wayne	Finger Lakes	NYSEG	Photo chemical machine plant	190	130	21	10	$3,920,000	(2)	7
8	Unither U.S. Corporation	Rochester	Monroe	Finger Lakes	RGE	Manufacturer of pharmaceutical products	400	280	262	22	$15,741,000	(2)	7
	Finger Lakes Region Sub-totals:							**430**	**312**	**35**	**$20,301,000**		
9	A& Z Pharmaceutical	Hauppauge	Suffolk	Long Island	LIPA	Manufacturers pharmaceutical products	100	70	56	40	$20,000,000	(2)	7
10	Air Stream Corp.	Oceanside	Nassau	Long Island	LIPA	Food service provider	150	106	210	50	$5,500,000		7
11	American Pride Fasteners, LLC	Bay Shore	Suffolk	Long Island	LIPA	Manufacturer of fasteners, pins, rivets	30	20	24	2	$125,000	(2)	7
12	Castella Imports Inc.	Hauppauge	Suffolk	Long Island	LIPA	Warehousing and storage of imported food products	100	70	160	5	$350,000	(2)	7
13	DealerTrack Technologies, Inc.	North Hills	Nassau	Long Island	LIPA	Auto industry software	835	580	500	250	$112,343,000		7
14	Frank Lowe Rubber & Gasket Company	Shirley	Suffolk	Long Island	LIPA	Produces sealing and protective products	27	16	30	8	$750,000	(2)	7
15	Tekweld Solutions, Inc.	Hauppauge	Suffolk	Long Island	LIPA	Labeling & screen printing for various products	200	140	80	15	$4,300,000		7
	Long Island Region Sub-totals:							**1,002**	**1,060**	**370**	**$143,368,000**		

16	Alexander Broadcasting, Inc.	Nanuet	Rockland	Mid-Hudson	O&R	Radio station	26	16	5	2	$485,000		7
17	Hepworth Farms, LLC	Milton	Ulster	Mid-Hudson	CHUD	Commercial fruit & vegetable processing	250	176	94	10	$1,782,237		7
18	Ramland Holdings LLC	Orangeburg	Rockland	Mid-Hudson	O&R	Wholesale colocation data center services	7020	1,000	0	10	$456,000,000		7
	Mid-Hudson Region Sub-totals:							**1,192**	**99**	**22**	**$ 458,267,237**		
19	Cosmoledo LLC	New York	New York	New York City	CONED	Commercial bakery	987	690	0	450	$60,000,000		7
20	G.A.L. Manufacturing Corporation	New York	Bronx	New York City	CONED	Manufacturer of elevator equipment	456	316	387	53	$3,425,000	(2)	7
21	Manufacture New York, Inc.	Brooklyn	Kings	New York City	CONED	Clothing designing developer	400	280	0	25	$14,720,000		7
22	Parallel Environmental Services Corporation	Bronx	Bronx	New York City	CONED	Recycling service facility	300	210	79	29	$1,775,000	(2)	7
23	Precision Gear, Inc.	College Point	Queens	New York City	CONED	Manufacturer of aerospace-related gear	200	140	151	20	$2,500,000	(2)	7
24	Signs & Decal Corp.	Brooklyn	Kings	New York City	CONED	Manufacturer of high end signage and related services	47	30	30	25	$2,000,000	(2)	7
25	Steuben Foods LLC	New York	Queens	New York City	CONED	HQ, R&D facility for dairy business	41	26	15	10	$3,681,250	(2)	7
	New York City Region Sub-totals:							**1,692**	**662**	**612**	**$88,101,250**		
26	Incodema3D LLC	Freeville	Tompkins	Southern Tier	NYSEG	3D printing facility	450	316	0	50	$25,000,000		7
	Southern Tier Region Sub-totals:							**316**	**0**	**50**	**$25,000,000**		
27	Evolution Dental Science	Buffalo	Erie	Western New York	NGRID	Dental Laboratory, manufacturer of dental products	30	20	30	12	$60,000	(2)	7
	Western New York Region Sub-totals:							**20**	**30**	**12**	**$60,000**		
	Totals							**15,424**	**682**	**1,303**	**$1,097,088,687**		

(1) All Allocations are recommended to be up to the amount indicated based on the companies' fulfillment of capital spending, job creation, and new electric load consistent with the ratio of recommended to requested amount.
(2) These companies are also recommended for retention-related allocations of RNY for separate and distinct job retention and capital investment commitments associated with retaining their existing businesses.
(3) New jobs committed must be above the base employment level; the base employment total includes only retained jobs not associated with another allocation; specifically Argyle Cheese Factory, LLC, DealerTrack Technologies, Inc., Tekweld Solutions, Inc., Alexander Broadcasting, Inc., and Hepworth Farms, LLC.

New York Power Authority
ReCharge New York Power Program
Ineligible Applicants

Exhibit "5a-C"
December 16, 2014

Line	Company	City	County	Economic Development Region	IOU	Description	Classification
1	KNIC LLC	New York	Bronx	New York City	CONED	Ice center	Retail
2	Lafayette Centre, LLC	Suffern	Rockland	Mid-Hudson	O&R	Retail office space	Retail
3	RiverWorks LLC	Buffalo	Erie	Western New York	NGRID	Event center for tourism	Retail
4	Stump City Brewery LLC	Gloversville	Nassau	Mohawk Valley	NGRID	Tap room	Retail
5	Wm. H. Buckley Farm LLC	Saratoga	Saratoga	Capital District	NGRID	Retail meat & dairy Producer	Retail

Applications Not Considered

Line	Company	City	County	Economic Development Region	IOU	Description	Reason
1	Bantu Recording Corporation	Staten Island	Richmond	New York City	CONED	Corporate entertainment facility	Incomplete
2	Clearwater Aquaponics, Inc.	Berlin	Rensselaer	Capital District	NYSEG	Aquaponic facility	Withdrawn
3	Dimar Manufacturing Corporation	Clarence	Erie	Western New York	NYSEG	Sheet metal manufacturing, powder coating and assembly	Withdrawn
4	Elly's Acres Farm	Jamesville	Onondaga	Central New York	NGRID	Farm	No demand meter
5	Greenwood Woodbuster	Constable	Franklin	North Country	NGRID	Wood pellet manufacturing company	Not responsive
6	Hanes Supply Inc.	Buffalo	Erie, Monroe, Albany	MULTI: Capital District, Finger Lakes, Western New York	NGRID	Cable, rope and sling mfg	Withdrawn
7	Campus Labs	Buffalo	Erie	Western New York	NGRID	Administers college student data	Not responsive
8	Matt Industries	Syracuse	Onondaga	Central New York	NGRID	Printing company.	Withdrawn
9	Oceanside Institutional Industries, Inc.	Oceanside	Nassau	Long Island	LIPA	Institutional laundry service	TED recipient
10	Pillar Rock USA Corp.	Great Neck	Nassau	Long Island	LIPA	Nutraceurtical supplement company	Withdrawn
11	Simmons Machine Tool Corporation	Albany	Albany	Capital District	NGRID	Machine tool manufacturer	Withdrawn
12	Constantino Brumidi Lodge	Deer Park	Suffolk	Long Island	NGRID	Italian community center	Withdrawn
13	The Adirondack Distilling Company, Inc.	Utica	Oneida	Mohawk Valley	NGRID	Bourbon, vodka and gin distillery	Not responsive
14	Tri-Town Packing Inc.	Brasher Falls	St. Lawrence	North Country	NGRID	Meat processing facility	Not responsive
15	Twenty East, LLC	Cazenovia	Madison	Central New York	NGRID	Farmers market retail products	Withdrawn
16	Vino Verona LLC	Oneida	Oneida	Mohawk Valley	NGRID	Vineyard, winery and potential bistro.	Not responsive
17	Warriors of the Cross Ministry	Carthage	Jefferson	North Country	NGRID	Child care, education, training facility	Not responsive
18	World Peace and Praise Production Incorporation	Buffalo	Erie	Western New York	TBD	Community youth services.	NFP expansion project premature

New York Power Authority
ReCharge New York Power Program
Applications Not Considered

Exhibit "5a-D"
December 16, 2014

Applications Not Recommended

Line	Company	City	County	Economic Development Region	IOU	Description	Reason
19	Union Hill Volunteer Firemen's Association	Ontario	Wayne	Finger Lakes	RGE	Volunteer Fire Dept	Demand usage too low to warrant an allocation

Request for Transfers of Recharge New York Power Allocations

Bread Alone, Inc., has locations in Boiceville and Lake Katrine, both in Ulster County, and is a producer of organic breads and baked goods which it sells in the northeast. The company has requested to transfer its 36 kilowatt ("kW") Recharge New York ("RNY") retention allocation from its Boiceville facility to its Lake Katrine facility to support expansion at the latter facility. The company has not yet started takedown of this allocation. The company will honor all of its commitments under its RNY contract.

National Pipe and Plastics, Inc., located in Vestal, Broome County, produces plastic pipes and fittings. The company has requested to transfer its 1,250 kW RNY allocation to an existing facility the company owns in Endicott. Within one contract, the customer agrees to maintain its 150 job commitment, with 40 administrative jobs in Vestal and the remainder at their Endicott location. Its capital investment commitment of $15 million will be met by spending at both facilities. The customer is currently in compliance with its commitments, reporting current employment of 207 jobs and capital investments exceeding $11 million as described in its most recent compliance report. The company will continue to honor all of its commitments under its RNY contract.

Silver Lake Cookie Company, located in Islip, Suffolk County, is a producer of baked goods including cookies and other snack items. The company has a 316 kW RNY "expansion" allocation. Silver Lake was recently purchased and is 100% wholly owned by United Baking Co., Inc. In order to meet business requirements for branding, Silver Lake is requesting a transfer of its allocation to an entity named Cookies United LLC which is poised to assume operations of the facility that benefits from the allocation. Silver Lake is currently in compliance with its job commitments which include the addition of 17 jobs over a three-year period, and Cookies United will continue to honor all of Silver Lake's commitments under the RNY contract.

New York Power Authority
Recommendation for Preservation Power Allocation

Exhibit "A"

	Company Name	Program	City	County	Base Jobs	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Requested (kW)	Power Recommended (kW)	Contract Term
A-1	St. Lawrence Zinc Co.	PP	Gouverneur	St. Lawrence	8	100	$33,800,000	$67,600	8,100	**4,000**	7 Years

Exhibit "A-1"
December 16, 2014

APPLICATION SUMMARY
Preservation Power

Company:	St. Lawrence Zinc Company, LLC
Location:	Gouverneur, NY
County:	St. Lawrence
IOU:	National Grid
Business Activity:	Zinc Mining
Project Description:	The applicant, St. Lawrence Zinc Company, LLC ("SLZC"), would purchase, refurbish, open and operate a mine and mill complex that has been closed since 2008. The goal of the operation would be to produce 70,000 tons of zinc concentrate annually. In order for the project to occur, Northern Zinc LLC ("NZ") would acquire SLCZ and SLCZ would in turn purchase, open, refurbish and operate the mine and mill.
Existing Allocation(s):	None
Power Request:	8,100 kW
Power Recommended:	4,000 kW
Job Commitment:	
Base:	8
New:	100 jobs
New Jobs/Power Ratio:	25 jobs/ MW
New Jobs - Avg. Wage and Benefits:	$67,600
Capital Investment:	$33.8 million
Capital Investment/MW:	$8.45 million/MW
Other ED Incentives:	In discussions with St. Lawrence County IDA, Start-Up New York and ESD
Summary:	The closing of the mine and mill complex in 2008 had an adverse impact on the region's economy. With zinc prices on the rise, operation of the mine and mill is economically feasible. If the project moves forward, NZ indicates that 100 quality jobs would be created (including the possible rehiring of up to 30 former mine employees), and SLCZ would make a capital investment of $33.8 million for the mine

purchase and refurbishment. Because operation of the mine and mill would require significant energy usage, an allocation of Preservation Power could help facilitate this project.

EXHIBIT B

POWER AUTHORITY

OF THE

STATE OF NEW YORK

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

AGREEMENT FOR THE SALE OF
PRESERVATION POWER AND ENERGY
to
ST. LAWRENCE ZINC COMPANY, LLC

The Power Authority of the State of New York ("Authority"), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title 1 of Article 5 of the New York Public Authorities Law ("PAL"), having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Preservation Power and Energy ("Agreement") to St. Lawrence Zinc Company, LLC, having facilities at 408 Sylvia Lake Road, Gouverneur, NY 13642 ("Customer"). The Authority and the Customer are from time to time referred to in this Agreement individually as a "Party" or collectively as the "Parties" and agree as follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the St. Lawrence-FDR Power Project known as Preservation Power (or "PP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, PP consists of 490 megawatts ("MW") of firm hydroelectric power and associated energy produced by the St. Lawrence-FDR Power Project;

WHEREAS, St. Lawrence-FDR Power Project hydroelectric power plays an important role in providing competitively priced power for sale to attract and retain business investment and to promote economic development in New York State;

WHEREAS, the Authority has the authority under PAL § 1005(13)(a) to award allocations of PP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant's long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient's facilities are located;

WHEREAS, the Customer has applied for an allocation of PP for use at facilities located at 408 Sylvia Lake Road, Gouverneur, NY 13642 (defined in Article I of this Agreement as the "Facility") to be received upon completion of an expansion of the Facility as provided for in the Capital Expansion Program described in this Agreement;

WHEREAS, on December 16, 2014, the Authority's Board of Trustees ("Trustees") approved a 4,000 kilowatt allocation of PP (defined in Article I of this Agreement as the "Allocation") to the Customer for a seven year term, as further described in this Agreement;

WHEREAS, the provision of Electric Service (defined in Article I of this Agreement) associated with the Allocation is an unbundled service separate from the transmission and delivery service necessary for the Customer to receive the Allocation which will be performed by the Customer's local utility company;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for contracts negotiated by the Authority; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3).

NOW THEREFORE, in consideration of the mutual covenants herein, the Authority and the Customer agree as follows:

Article I. Definitions

A. **Agreement** means this Agreement as further described in the preamble, including all documents and other matters attached to and incorporated into the Agreement.

B. **Allocation** refers to the total amount of PP and associated energy set forth in Schedule A to this Agreement awarded to the Customer.

C. **Contract Demand** has the meaning set forth in the Service Tariff.

D. **Electric Service** is Firm Power and Firm Energy associated with the Allocation and sold to the Customer in accordance with the provisions of this Agreement, the Service Tariff, and the Rules.

E. **Energy Efficiency Audit** means a physical inspection of a building in a manner approved by the Authority that should include the following elements: (1) an assessment of a building's energy use, cost and efficiency which produces an energy utilization index for the building (such as an Energy Use Intensity or Energy Performance Indicator); (2) a comparison of the building's index to indices for similar buildings; (3) an analysis of low-cost/no-cost measures for improving energy efficiency; (4) a listing of potential capital improvements for improving energy consumption; and (5) an initial assessment of potential costs and savings from such measures and improvements.

F. **Facility** means the Customer's facility identified in Schedule A.

G. **Firm Energy** has the meaning set forth in the Service Tariff.

H. **Firm Power** has the meaning set forth in the Service Tariff.

I. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).

J. **FERC License** means the license issued by FERC to the Authority for the continued operation and maintenance of the St. Lawrence Project, pursuant to Section 15 of the Federal Power Act, which became effective October 22, 2003 after expiration of the Project's original license issued in 1953.

K. **Hydro Projects** is a collective reference to the Authority's Niagara Project and St. Lawrence-FDR Project.

L. **International Joint Commission** (or **IJC**) refers to the entity with responsibility to prevent and resolve disputes between the United States of America and Canada under the *1909 Boundary Waters Treaty* and pursues the common good of both countries as an independent and objective advisor to the two governments. The IJC rules upon applications for approval of projects affecting boundary or transboundary waters and may regulate the operation of these projects.

M. **Load Serving Entity** (or **LSE**) means an entity designated by a retail electricity customer to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.

N. **NYISO** means the New York Independent System Operator, Inc. or any successor organization.

O. **NYISO Charges** has the meaning set forth in the Service Tariff.

P. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.

Q. **PAL** means the New York Public Authorities Law.

R. **Preservation Power** (or **PP**) has the meaning set forth in the Service Tariff.

S. **Niagara Project** means the Authority's Niagara Power Project, FERC Project No. 2216.

T. **Rules** refers to the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by Authority.

U. **Service Tariff** means the Authority's Service Tariff No. 10, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement.

V. **St. Lawrence Project** means the Authority's St. Lawrence-FDR Power Project, FERC Project No. 2000.

W. **Schedule A** refers to the Schedule A to this Agreement entitled "Preservation Power Allocations" which is attached to and made part of this Agreement.

X. **Schedule B** refers to the Schedule B to this Agreement entitled "Preservation Power Commitments" which is attached to and made part of this Agreement.

Y. **Schedule C** refers to Schedule C to this Agreement entitled "Takedown Schedule" which is attached to and made part of this Agreement.

Z. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectric power that would otherwise have been supplied to the Customer under this Agreement.

AA. **Taxes** have the meaning set forth in the Service Tariff.

BB. **Unforced Capacity** (or **UCAP**) is the electric capacity required to be provided by Load Serving Entities to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

Article II. Electric Service

A. The Authority shall provide Electric Service to the Customer to enable the Customer to receive the Allocation in accordance with this Agreement, the Service Tariff and the Rules. The Customer shall not be entitled to receive Electric Service for any PP Allocation that is not specified in Schedule A.

B. The Authority will provide, and the Customer shall pay for, Electric Service with respect to the Allocation specified on Schedule A. If Schedule C specifies a Takedown Schedule for the Allocation, the Authority will provide, and the Customer shall take and pay for, Electric Service with respect to the Allocation in accordance with such Takedown Schedule.

C. The Authority shall provide UCAP in amounts necessary to meet the Customer's NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs. The Customer shall be responsible to pay the Authority for such UCAP in accordance with the Service Tariff.

D. The Customer acknowledges and agrees that Customer's local electric utility shall be responsible for delivering the Allocation to the Facility specified in Schedule A, and that the Authority has no responsibility for delivering the Allocation to the Customer.

E. The Contract Demand and the Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as PP from the St. Lawrence Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. Any such modification will be made on a pro rata basis to all PP customers, as applicable, based on the terms of such ruling, order, or decision. The Authority will use reasonable efforts to provide at least thirty (30) days prior written notice to the Customer of any such modification unless such notice is inconsistent with such ruling, order or decision.

F. The Contract Demand may not exceed the Allocation.

G. By entering into this Agreement, the Customer consents to the exchange of information between the Authority and the Customer's local electric utility pertaining to the Customer that such parties determine is necessary to provide for the allocation, sale and delivery of PP to the

Customer, the proper and efficient implementation of the PP power program, billing related to PP Power, and/or the performance of such parties' obligations under any contracts or other arrangements between them relating to such matters. In addition, the Customer agrees to complete such forms and consents the Authority determines are necessary to effectuate such exchanges of information.

H. The provision of Electric Service by the Authority shall be dependent upon the existence of a written agreement between the Authority and the Customer's local electric utility providing for the delivery of PP on terms and conditions that are acceptable to the Authority.

I. The Customer understands and acknowledges that the Authority may from time to time require the Customer to complete forms, provide documentation, execute consents and provide other information (collectively, "Information") the Authority determines is necessary for the provision of Electric Service, the delivery of PP, billing related to the PP program, the effective and proper administration of the PP program, and/or the performance of contracts or other arrangements between the Authority and the Customer's local electric utility. The Customer's failure to provide such Information shall be grounds for the Authority in its sole discretion to withhold or suspend Electric Service to the Customer.

Article III. Rates, Terms and Conditions

A. The Authority will provide Electric Service to the Customer based on the rates, terms and conditions established in accordance with this Agreement, the Service Tariff and the Rules.

B. The Service Tariff and the Rules may be amended from time to time by the Authority. The Authority shall provide at least thirty (30) days prior written notice to the Customer of any proposed change in the Service Tariff or the Rules. No subsequent amendment to the Service Tariff or the Rules shall affect the determination of rates for PP to the Customer during the term of the Agreement except insofar as otherwise authorized by this Agreement. This provision shall not limit the Authority's discretion to determine rates applicable to allocations of power and energy awarded to the Customer beyond or in addition to the Allocation.

C. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates shall be subject to increase by the Authority at any time upon 30 days prior written notice to Customer if, after consideration by the Authority of its legal obligations, the marketability of the output or use of the St. Lawrence Project and the Authority's competitive position with respect to other suppliers, the Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in the Authority's bond and note resolutions and covenants with the holders of its financial obligations. The Authority shall use its best efforts to inform the Customer at the earliest practicable date of its intent to increase the power and energy rates pursuant to this provision. Any rate increase to the Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers that are subject to the Service Tariff after giving consideration to the

factors set forth in the first sentence of this subsection. With respect to any such increase, the Authority shall forward to the Customer with the notice of the increase, an explanation of all reasons for the increase, and shall also identify the sources from which the Authority will obtain the total of increased revenues and the bases upon which the Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as the Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

Article IV. Billing and Billing Methodology

A. The billing methodology for the Allocation shall be determined on a "load factor sharing" basis in a manner consistent with the local electric utility's applicable tariffs and any agreement between the Authority and the Customer's local electric utility. An alternative basis for billing may be used provided the Parties agree in writing and the local electric utility provides its consent if such consent is deemed necessary.

B. The Authority shall render bills for power and energy by the tenth (10th) business day of the month for charges due for the previous month. Such bills shall include the NYISO Charges and Taxes (as such terms are defined in the Service Tariff) associated with the Allocation. NYISO Charges and Taxes billed to the Customer are subject to adjustments consistent with any subsequent NYISO re-billings to Authority.

C. The Authority may render bills to the Customer electronically.

D. The Authority and the Customer may agree in writing to an alternative method for the rendering of bills and for the payment of bills, including but not limited to the use of an Authority-established customer self-service web portal.

E. The Authority will charge and collect from the Customer all Taxes (including local, state and federal taxes) the Authority determines are applicable, unless the Customer furnishes the Authority with proof satisfactory to the Authority that (i) the Customer is exempt from the payment of any such Taxes, and/or (ii) the Authority is not obligated to collect such Taxes from the Customer. If the Authority is not collecting Taxes from the Customer based on the circumstances described in (i) or (ii) above, the Customer shall immediately inform the Authority of any change in circumstances relating to its tax status that would require the Authority to charge and collect such Taxes from the Customer.

F. Unless otherwise agreed to by the Authority and the Customer in writing, if the Customer fails to pay any bill when due, an interest charge of two percent (2%) of the amount unpaid shall be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent (1 1/2%) of the sum unpaid shall be added on the first day of each succeeding billing period until the amount due, including interest, is paid in full.

G. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of any bill rendered by Authority, the Customer shall pay such

bill in full within the time provided for by this Agreement, and adjustments, if appropriate, will be made thereafter.

H. If at any time after commencement of Electric Service the Customer fails to make complete and timely payment of any two (2) bills for Electric Service, the Authority shall have the right to require the Customer to deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit shall be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. If the Customer fails or refuses to provide the deposit within thirty (30) days of a request for such deposit, the Authority may, in its sole discretion, suspend Electric Service to the Customer or terminate this Agreement.

I. All other provisions with respect to billing are set forth in the Service Tariff.

J. The rights and remedies provided to the Authority in this Article are in addition to any and all other rights and remedies available to Authority at law or in equity.

Article V. Transmission and Delivery of Power and Energy

A. The Customer shall responsible for securing arrangements with its local utility for transmission and delivery service associated with the Allocation unless otherwise agreed to by the Parties.

B. The Customer will pay its local utility for transmission and delivery service associated with the Allocation in accordance applicable contracts and all applicable tariffs, rulemakings, and orders, in order to deliver to the Customer the Firm Power and Firm Energy supplied by the Authority under this Agreement. To the extent the Authority incurs transmission and delivery service charges or other costs associated with the Allocation during the term of this Agreement, the Customer agrees to compensate the Authority for all such charges and costs incurred.

C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the LSE with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf as may be required under the applicable local utility company tariffs. In no event shall the Authority act as the LSE for the power and energy consumed by Customer other than Electric Service (inclusive of Substitute Energy, if any) sold by the Authority under this Agreement. The Customer understands and acknowledges that it will be responsible to the Authority for all charges and other costs incurred by the Authority associated with the provision of Electric Service to enable the Customer to receive the Allocation, including charges and costs contained in the NYISO Tariffs or other applicable tariffs (including local utility company tariffs), regardless of whether such charges and costs are transmission-related. Such charges and costs are in addition to the charges for power and energy.

Article VI. Preservation Power Commitments

A. Schedule B sets forth the Customer's specific "Preservation Power Commitments." Such commitments are in addition to any other rights and obligations of the Parties provided for in the Agreement.

B. The Authority's obligation to provide Electric Service to the Customer under this Agreement is expressly conditioned upon the Customer's timely completion of the Capital Expansion Program regarding the Facility as described in Schedule B.

C. In the event of partial completion of the Capital Expansion Program which results in the Facility expansion being partially completed, the Authority may, upon the Customer's request, provide Electric Service to the Customer in an amount determined by the Authority to fairly correspond to the completed portion of the Facility expansion, provided that the Customer demonstrates that the amount of requested Electric Service is needed to support operations thereat.

D. The Customer shall give the Authority not less than ninety (90) days' advance notice in writing of the anticipated date of partial or full completion of the Facility expansion. The Authority will inspect the Facility expansion for the purpose of verifying the completion status of the Facility expansion and notify Customer of the results of the inspection. The Authority will thereafter commence Electric Service in accordance with this provision within a reasonable time after verification based on applicable operating procedures of the Authority, the Customer's local electric utility and the NYISO.

E. In the event the Customer fails to complete the Facility expansion by December 16, 2017 (*i.e.*, within three (3) years of the Authority's award of the Allocation), (i) the Authority may, at its option and discretion, cancel the Allocation, or reduce it by the total amount of kilowatts determined by the Authority to fairly correspond to the uncompleted portion of the Facility expansion, or (ii) upon request of the Customer, such date may be extended by the Authority in its sole discretion.

Article VII. Rules and Service Tariff; Conflicts

The Service Tariff is hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariff and the Rules, the provisions of the Service Tariff shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and the Service Tariff, the provisions of this Agreement shall govern.

Article VIII. Hydropower Curtailments and Substitute Energy

A. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served by the Authority from the Hydro Projects,

curtailments (*i.e.*, reductions) in the amount of Firm Power and Firm Energy associated with the Allocation to which the Customer is entitled shall be applied on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with the Service Tariff as applicable.

B. The Authority shall provide reasonable notice to the Customer of any curtailments referenced in Article VIII.A of this Agreement that could impact Customer's Electric Service under this Agreement.

C. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the hydroelectricity that would otherwise have been supplied under this Agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

D. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO charges and taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

E. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

Article IX. Additional Allocations

A. Upon application by the Customer, the Authority may award additional allocations of PP to the Customer at such rates and on such terms and conditions as set forth in the Service Tariff. Once the Customer agrees to purchase Electric Service associated with such additional allocations, the Authority will produce modified or supplemental Schedules A and B which will reflect any such additional allocations and other pertinent terms as appropriate. The Authority will furnish the Customer with any such modified or supplemental Schedules within thirty (30) days of the commencement of Electric Service for any such additional allocation.

B. The Customer shall furnish such documentation and other information as the Authority requests to enable the Authority to evaluate (i) whether any additional allocations should be made to the Customer, and (ii) the terms relating to any additional allocation.

Article X. Notification

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

To: The Authority

New York Power Authority
123 Main Street
White Plains, New York 10601
Telephone:
Facsimile: (914) 390-8156
Electronic mail:
Attention: Manager – Business Power Allocations and Compliance

To: Customer

St. Lawrence Zinc Company, LLC
408 Sylvia Lake Road
Gouverneur, New York 13642
Telephone:
Facsimile:
Electronic mail:
Attention:

B. Except where otherwise herein specifically provided, any notice, communication or request required or authorized by this Agreement by either Party to the other shall be deemed properly given: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (2) if sent by a nationally recognized overnight delivery service, two (2) calendar days after being deposited for delivery to the appropriate address set forth above; (3) if delivered by hand, with written confirmation of receipt; (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (5) if sent by electronic mail to the appropriate address as set forth above, with written confirmation of receipt. Either Party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing. Any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License and rulings by the IJC and without regard to conflicts of law provisions.

Article XI. Venue

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction for adjudication of any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement.

Article XII. Successors and Assigns; Transfers; Resale of PP

A. This Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the legal successors and assigns of either Party hereto; provided, however, that no assignment by either Party or any successor or assignee of such Party of its rights and obligations hereunder shall be made or become effective without the prior written consent of the other Party in each case obtained.

B. The transfer of any portion of the Allocation, or any benefits relating the Allocation, by the Customer to any person, to a different owner or operator of the Facility, or to a different facility, is prohibited unless (i) specifically approved by the Authority, and, (ii) all other legal requirements applicable to such a transfer are complied with. Any transfer that occurs without such approval and compliance shall be invalid and transfer may in the Authority's sole discretion subject the transferor to revocation or modification of the Allocation and/or this Agreement.

C. The Customer may not resell any portion of the Allocation to any person. If such a sale occurs, the Authority may, in its sole discretion, terminate the Allocation and/or this Agreement.

Article XIII. Previous Agreements and Communications

This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the sale of PP, and supersedes all previous communications between the Parties hereto, either oral or written, with respect to the sale of PP. No modifications of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

Article XIV. Waiver

A. Any waiver at any time by either the Authority or the Customer of their rights with respect to a default or of any other matter arising out of this Agreement shall not be deemed to be a waiver with respect to any other default or matter.

B. No waiver by either Party of any rights with respect to any matter arising in connection with this Agreement shall be effective unless made in writing and signed by the Party making the waiver.

Article XV. Severability and Voidability

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

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

Article XVI. Term, Modification, Termination and Effect

A. Electric Service under this Agreement shall continue with respect to an Allocation until the earliest of: (1) termination by the Customer with respect to all of the Allocation upon at least ninety (90) days prior written notice to the Authority; (2) termination by Authority pursuant to the Rules upon required notice; or (3) expiration of the Allocation by its own term as specified in Schedule A.

B. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days prior written notice to the Authority. The termination shall be effective commencing with the first "Billing Period" as defined in the Service Tariff following the required notice.

C. The Authority may modify or terminate Electric Service hereunder or modify the quantities of power and energy associated with an Allocation: (1) if such termination or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency); or (2) as otherwise provided in this Agreement or in the Rules.

D. This Agreement shall become legally binding and effective only upon satisfaction of the following conditions precedent: (1) receipt of approval of this Agreement by the Authority Board of Trustees; (2) receipt of approval of this Agreement by the Governor of the State of New York pursuant to PAL § 1009; and (3) execution of this Agreement by the Authority and the Customer.

Article XVII. Execution

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery

of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

ST. LAWRENCE ZINC COMPANY, LLC

BY: _____

Title: _____

Date: _____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____
John R. Koelmel, Chairman

Date: _____

SCHEDULE A

PRESERVATION POWER ALLOCATIONS

Customer: St. Lawrence Zinc Company, LLC

Type of Allocation	Allocation (kW)	Trustee Approval Date	Expiration Date	Facility
PP	4,000	December 16, 2014	Seven (7) years from commencement of Electric Service of any portion of this Allocation	408 Sylvia Lake Road, Gouverneur, NY 13642

SCHEDULE B

PRESERVATION POWER COMMITMENTS

ARTICLE I. EMPLOYMENT COMMITMENTS

A. Base Employment Level

The Customer shall establish and maintain the employment level as provided for in the Appendix to this Schedule B (the "Base Employment Level"). Unless otherwise provided for in Schedule B, such Base Employment Level shall be the total number of full-time positions held by: (1) individuals employed by the Customer at the Facility identified in the Appendix to this Schedule B; and (2) individuals who are contractors or are employed by contractors of the Customer and who are assigned to such Facility (collectively, "Base Level Employees"). The number of Base Level Employees shall not include individuals employed on a part-time basis (less than 35 hours per week); provided, however, that two individuals each working at least 20 hours but not more than 35 hours per week shall be counted as one Base Level Employee.

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

The Authority may consider a request to change the Base Employment Level based on a claim of increased productivity, increased efficiency, or adoption of new technologies or for other appropriate reasons as determined by the Authority. The Authority shall have the sole discretion to make any such change.

B. Employment Records and Reports

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Customer employees and contractor employees at the Facility, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify Customer employees and contractor employees and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice all non-confidential written and electronic records and

data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

ARTICLE II. REDUCTIONS OF CONTRACT DEMAND

A. Employment Levels

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

B. Power Utilization Levels

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

C. Notice of Intent to Reduce Contract Demand

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced pursuant to this Schedule, the Authority shall provide the Customer with at least thirty (30) days prior written notice of such reduction, specifying the amount of the reduction of Contract Demand and the reason for the reduction, provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or facilities upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

ARTICLE III. CAPITAL INVESTMENT

The Customer agrees to undertake the Capital Expansion Program set forth in the Appendix to this Schedule B.

ARTICLE IV. ENERGY EFFICIENCY AUDITS AND INFORMATION REQUESTS

The Customer shall undergo an Energy Efficiency Audit of its facilities and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement but in any event not less than once every five years. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the facilities.

The Customer agrees to cooperate to make its facilities available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.

APPENDIX TO SCHEDULE B

I. Base Employment Level

In accordance with Article I of Schedule B, the Customer agrees to a Base Employment Level at the Customer's Facility as indicated below.

Base Employment Level	Facility	Miscellaneous/Notes
Not less than one hundred eight (108) persons in full-time positions at the Facility within three (3) years of the commencement of Electric Service of any portion of the Allocation to the Facility.	408 Sylvia Lake Road, Gouverneur, NY 13642	

II. Capital Expansion Program

The Customer shall make a total capital investment of at least $33,800,000 in connection with an expansion of the Facility (the "Capital Investment"). The Capital Investment is expected to consist of the following specific expenditures:

Purchase of Zinc Mine:	$17, 500,000
Mine Refurbishment:	$12,800,000
Mine Exploration:	$3,500,000
Total Capital Investment:	$33,800,000

The Capital Investment shall be made, and the expansion of the Facility shall be completed and fully operational, not later than December 16, 2017 (*i.e.*, within three (3) years of the date of the Authority's award of the Allocation). Upon request of the Customer, such date may be extended in the sole discretion of the Authority.

SCHEDULE C

TAKEDOWN SCHEDULE

N/A

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

Schedule of Rates for Sale of Firm Power to Preservation Power Customers

Service Tariff No. 10

Date of Issue: December 20, 2010

Date Effective: July 1, 2010

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

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Schedule of Rates for Firm Power Service

I. Applicability

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

II. Abbreviations and Terms

A. The following abbreviations are used:

kW	kilowatt(s)
kW-mo.	kilowatt-month
kWh	kilowatt-hour(s)
MWh	megawatt-hour(s)
NYISO	New York Independent System Operator, Inc. or any successor organization
PAL	New York Public Authorities Law
OATT	Open Access Transmission Tariff

B. The term “Agreement” means an executed Agreement for the Sale of Preservation Power and Energy between the Authority and the Customer (each as defined below).

C. The term “Annual Adjustment Factor” or “AAF” shall have the meaning set forth in Section V herein.

D. The term “Authority” means the Power Authority of the State of New York, a corporate municipal instrumentality and a political subdivision of the State of New York created pursuant to Chapter 772 of the New York Laws of 1931 and existing and operating under Title 1 of Article 5 of the PAL, also known as the “New York Power Authority.”

E. The term “Customer” means a business customer who has received an allocation for Preservation Power from the Authority and who purchases Preservation Power directly from the Authority.

F. The term “Electric Service” means the power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

G. The term “Preservation Power” means Firm Power and Firm Energy made available under this Service Tariff by the Authority from the Project for sale to the Customer for business purposes pursuant to PAL § 1005(5) and (13).

H. The term “Firm Power” means capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the Agreement between the Authority and the Customer and this Service Tariff. Firm Power shall not include peaking power.

I. The term “Firm Energy” means energy (kWh) associated with Firm Power.

J. The term “Load Serving Entity” or “LSE” shall have the meaning set forth in the Agreement.

K. The term “Project” means the Authority’s St. Lawrence-FDR Power Project, FERC Project No. 2000.

L. The term “Rate Year” or “RY” means the period from July 1 through June 30 of the following year.

M. The term “Rules” means the applicable provisions of Authority’s rules and regulations (Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by the Authority.

N. The term “Service Tariff” means this Service Tariff No. 10.

All other capitalized terms and abbreviations used but not defined herein shall have the same meaning as set forth in the Agreement.

III. Monthly Rates and Charges

A. Preservation Power Base Rates

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

Rate Year	Demand Charge $/kW-mo.	Energy Charge $/MWh
2010	6.15	10.52
2011	6.71	11.48
2012	7.32	12.52
2013	7.99	13.66

Beginning with the 2014 Rate Year (July 1, 2014), and for each Rate Year thereafter, such rates shall be subject to an Annual Adjustment Factor set forth in Section V herein.

B. Preservation Power Rates No Lower Than Rural/Domestic Rate

At all times the applicable base rates for demand and energy determined in accordance with Sections III.A and V of this Service Tariff shall be no lower than the rates charged by the Authority for the sale of hydroelectricity for the benefit of rural and domestic customers receiving service in accordance with the Niagara Redevelopment Act, 16 U.S.C. § 836(b)(1) and PAL § 1005(5) (the "Rural/Domestic Rate"). This provision shall be implemented as follows: if the base rates, as determined in accordance with Sections III.A and V of this Service Tariff, are lower than the Rural/Domestic Rate on an average $/MWh basis, each set of rates measured at 80% load factor which is generally regarded as representative for Preservation Power Customers, then the base rates determined under Sections III.A and V of this Service Tariff will be revised to make them equal to the Rural/Domestic Rate on an average $/MWh basis. However, the base rates as so revised will have no effect until such time as these base rates are lower than the Rural/Domestic Rate.

C. Monthly Base Rates Exclude Delivery Service Charges

The monthly base rates set forth in this Section III exclude any applicable costs for delivery services provided by the local electric utility.

D. Minimum Monthly Charge

The minimum monthly charge shall equal the product of the demand charge and the contract demand (as defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges or Taxes (each as defined herein) incurred by the Authority with respect to the Customer's Allocation.

E. Billing Period

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

F. Billing Demand

The billing demand shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

G. Billing Energy

The billing energy shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

H. Contract Demand

The contract demand of each Customer will be the amount of Preservation Power, not to exceed the Customer's Allocation, provided to such Customer by the Authority in accordance with the Agreement. The minimum Contract Demand for any Preservation Power Allocation is 100 kW.

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

1. Subject to Section IV.B.2, the Authority shall provide to the Customer in any billing period Firm Energy associated with Firm Power. The offer of Firm Energy for delivery shall fulfill the Authority's obligations for purposes of this provision whether or not the Firm Energy is taken by the Customer.

2. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of NYPA's Firm Power customers served from the Hydro Projects, hydropower curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy to which the Customer is entitled shall be applied on a *pro rata* basis to all Firm Power and Firm Energy customers served from the Hydro Projects. Reductions as a percentage of the otherwise required Firm Power and Firm Energy sales will be the same for all Firm Power and Firm Energy customers served from the Hydro Projects. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Customer in later billing periods. The Customer will receive appropriate bill credits as provided under the Rules.

C. Delivery

For the purpose of this Service Tariff, Firm Power and Firm Energy shall be deemed to be offered when the Authority is able to supply Firm Power and Firm Energy to the Authority's designated NYISO load bus. If, despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Adjustment of Rates

To the extent not inconsistent with the Agreement, the rates contained in this Service Tariff may be revised from time to time on not less than thirty (30) days written notice to the Customer.

E. Billing Methodology and Billing

Unless otherwise specified in the Agreement, the following provisions shall apply:

1. The billing methodology to be used to render bills to the Customer related to its Allocation shall be determined in accordance with the Agreement and delivery agreement between the Authority and, as applicable, the Customer or local electric utility or both.

2. Billing Demand – Unless separately metered, the billing demand charged by the Authority to each Customer will be the highest 15-minute integrated demand during each billing period recorded on the Customer's meter multiplied by a percentage based on load factor sharing, as applicable.

3. Billing Energy – Unless separately metered, the kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer's meter for the billing period multiplied by a percentage based on load factor sharing, as applicable.

F. Payment by Customer to Authority

1. Demand and Energy Charges, Taxes

The Customer shall pay the Authority for Firm Power and Firm Energy during any billing period the higher of either (i) the sum of (a), (b) and (c) below or (ii) the monthly minimum charge as defined herein:

a. The demand charge per kilowatt for Firm Power specified in this Service Tariff or any modification thereof applied to the Customer's billing demand (as defined in Section IV.E, above) for the billing period; and

b. The energy charge per MWh for Firm Energy specified in this Service Tariff or any modification thereof applied to the Customer's billing energy (as defined in Section IV.E, above) for the billing period; and

c. A charge representing reimbursement to the Authority for all applicable Taxes incurred by the Authority as a result of providing Preservation Power allocated to the Customer.

2. Transmission Charge

The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the Allocation, including such costs that are charged pursuant to the OATT.

3. NYISO Transmission and Related Charges (“NYISO Charges”)

The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority for services provided by the NYISO pursuant to its OATT or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with providing Electric Service to the Customer:

A. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;

B. Marginal losses;

C. The New York Power Authority Transmission Adjustment Charge ("NTAC");

D. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;

E. Any and all other charges, assessments, or other amounts associated with deliveries to Customers or otherwise associated with the Authority’s responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and

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

The NYISO Charges, if any, incurred by the Authority on behalf of the Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

4. Taxes Defined

Taxes shall be any adjustment as the Authority deems necessary to recover from the Customer any taxes, assessments or any other charges mandated by federal, state or local agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer if and to the extent such taxes, assessments or charges are not recovered by the Authority pursuant to another provision of this Service Tariff.

5. Substitute Energy

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

6. Payment Information

Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by the Authority. In the event that there is a dispute on any items of a bill rendered by the Authority, the Customer shall pay such bill in full. If necessary, any adjustments will be made thereafter.

G. Adjustment of Charges

1. Distribution Losses

The Authority will make appropriate adjustments to compensate for distribution losses of the local electric utility.

2. Transformer Losses

If delivery is made at transmission voltage but metered on the low-voltage side of the Customer's substation, the meter readings will be increased two percent to compensate for transformer losses.

3. Power Factor

Power factor is the ratio of real power (kW) to apparent power (kVa) for any given load and time. The Authority may require the Customer to maintain a power factor of not less than 90%, lagging or leading, at the point of delivery, or as may otherwise be imposed upon the Authority by the local electric utility providing delivery and/or NYISO.

H. Conflicts

In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of the Agreement and this Service Tariff, the provisions of the Agreement shall govern.

I. Customer Resales Prohibited

The Customer may not resell any quantity of Preservation Power.

V. Annual Adjustment Factor

A. Adjustment of Rates

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

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

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

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

2. Annual Adjustment Factor Computation Guide

   Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.

   Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the AAF.

   Step 3: Multiply the current Rate Year base rate by the AAF calculated in Step 2 to determine the new Rate Year base rate.

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

3. The Authority shall provide the Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15th of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.

4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

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

STEP 1

Determine the Index Value for the Measuring Year (MY) and Measuring Year - 1 (MY-1) for Each Index

- Index 1 - Producer Price Index, Industrial Power

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

- Index 2 – EIA Industrial Rate

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

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

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

STEP 2

Determine AAF by Summing the Weighted Indices

Index	Ratio of MY to MY-1	Weight	Weighted Factors
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	0.255
AAF			**1.016**

STEP 3

Apply AAF to Calculate the New Rate Year Base Rate

	Demand $/kW-mo.	Energy $/MWh
Current Rate Year Base Rate	7.99	13.66
New Rate Year Base Rate	8.12	13.88

New York Power Authority
Recommendations for Western New York Hydropower Allocation

Exhibit "A"
December 16, 2014

Exhibit Number	Company Name	Program	City	County	Base Jobs [1]	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage & Benefits	Power Requested (kW)	Power Recommended (kW)	Contract Term
A-1	WhiteRock Pigments, Inc.	RP	Tonawanda	Erie	0	101	$130,000,000	$58,733	3,472	**2,450**	7 Years
	Totals					**101**	**130,000,000**			**2,450**	

(1) Represents employment at time of application or, in the case of existing customer, the higher of existing employment or the highest contract employment commitment

December 16, 2014
Exhibit "A-1"

APPLICATION SUMMARY
Replacement Power

Company:	WhiteRock Pigments, Inc.
Project Location:	Tonawanda
County:	Erie
IOU:	National Grid
Business Activity:	Producer of TiO2 Pigment
Project Description:	The applicant is considering the construction of a new, 140,000-square-foot Titanium Dioxide (TiO2) pigment production plant on 50 acres of vacant land along the Niagara River in Tonawanda.
Existing Allocation(s):	2,100 kW "expansion" allocation under the RNY Power Program.
Power Request:	3,472 kW
Power Recommended:	2,450 kW
Job Commitment:	
Base:	0 jobs
New:	101 jobs
New Jobs/Power Ratio:	41 jobs/MW
New Jobs - Avg. Wage and Benefits:	$58,733
Capital Investment:	$130 million
Capital Investment/MW:	$53 million/MW
Other ED Incentives:	$2 million in Excelsior Tax Credits from Empire State Development.
Summary:	WhiteRock Pigments is an Ohio-based company that is considering the construction of a new facility in Tonawanda to produce 25,000 tons of TiO2 per year with plans to double in size in the coming years. With other states in play, the leaders of the company believe an allocation of hydropower will help locate the facility in Tonawanda and initially create more than 100 quality jobs.

Exhibit B

POWER AUTHORITY

OF THE

STATE OF NEW YORK

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

AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER to WHITEROCK PIGMENTS, INC.

The POWER AUTHORITY OF THE STATE OF NEW YORK ("Authority"), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title I of Article V of the New York Public Authorities Law ("PAL"), having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Expansion Power and/or Replacement Power ("Agreement") with WhiteRock Pigments, Inc. ("Customer"), with offices at 1768 E. 25th Street, Cleveland, OH, 44114. The Authority and the Customer are from time to time referred to in this Agreement as "Party" or collectively as "Parties" and agree follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, Federal Energy Regulatory Commission ("FERC") Project No. 2216, known as "Expansion Power" (or "EP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, FERC Project No. 2216, known as "Replacement Power" (or "RP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, EP consists of 250 megawatts ("MW") of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, RP consists of 445 MW of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, the Authority is authorized pursuant to PAL § 1005(13)(a) to award EP and/or RP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant's long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient's facilities are located;

WHEREAS, the Customer applied to the Authority for an allocation of hydropower to support operations at a new and/or expanded facility to be constructed and operated by the Customer (defined in Section I of this Agreement as the "Facility");

WHEREAS, on December 16, 2014, the Authority's Board of Trustees ("Trustees") approved a 2,450 kilowatt ("kW") allocation of RP to the Customer for a seven (7) year term (defined in Section I of this Agreement as the "Allocation") in connection with the construction and operation of the Facility as further described in this Agreement;

WHEREAS, on December 16, 2014, the Trustees authorized the Authority to, among other things, take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate its approval of the Allocation;

WHEREAS, the provision of Electric Service associated with the Allocation is an

unbundled service separate from the transmission and delivery of power and energy to the Customer, and delivery service will be performed by the Customer's local electric utility in accordance with the Utility Tariff;

WHEREAS, the Parties have reached an agreement on the sale of the Allocation to the Customer on the terms and conditions provided for in this Agreement;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for certain contracts negotiated by the Authority; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3).

NOW THEREFORE, in consideration of the mutual covenants herein, the Authority and the Customer agree as follows:

NOW THEREFORE, the Parties hereto agree as follows:

I. Definitions

A. **Agreement** means this Agreement.

B. **Allocation** refers to the allocation of EP and/or RP awarded to the Customer as specified in Schedule A.

C. **Contract Demand** is as defined in Service Tariff No. WNY-1.

D. **Electric Service** is the Firm Power and Firm Energy associated with the Allocation and sold by the Authority to the Customer in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules.

E. **Expansion Power** (or **EP**) is 250 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

F. **Facility** means the Customer's facilities as described in Schedule A to this Agreement.

G. **Firm Power** is as defined in Service Tariff No. WNY-1.

H. **Firm Energy** is as defined in Service Tariff No. WNY-1.

I. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).

J. **FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which became effective September 1, 2007 after expiration of the Project's original license which became effective in 1957.

K. **Hydro Projects** is a collective reference to the Project and the Authority's St. Lawrence-FDR Project, FERC Project No. 2000.

L. **Load Serving Entity** (or **LSE**) means an entity designated by a retail electricity customer (including the Customer) to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.

M. **NYISO** means the New York Independent System Operator or any successor organization.

N. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.

O. **Project** means the Niagara Power Project, FERC Project No. 2216.

P. **Replacement Power** (or **RP**) is445 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

Q. **Rules** are the applicable provisions of Authority's rules and regulations (Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by the Authority.

R. **Service Tariff No. WNY-1** means the Authority's Service Tariff No. WNY-1, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement.

S. **Schedule A** refers to the Schedule A entitled "Expansion Power and/or Replacement Power Allocations" which is attached to and made part of this Agreement.

T. **Schedule B** refers to the Schedule B entitled "Expansion Power and/or Replacement Power Commitments" which is attached to and made part of this Agreement.

U. **Schedule C** refers to the Schedule C entitled "Takedown Schedule" which is attached to and made part of this Agreement.

V. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectricity that would otherwise have been supplied to the Customer under this Agreement. Unless otherwise agreed upon by the Parties, Substitute Energy refers to energy purchased by the Authority for the Customer from markets administered by the NYISO.

W. **Taxes** is as defined in Service Tariff No. WNY-1

X. **Unforced Capacity (or "UCAP")** means the electric capacity required to be provided by LSEs to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

Y. **Utility Tariff** means the retail tariff(s) of the Customer's local electric utility filed and approved by the PSC applicable to the delivery of EP and/or RP.

II. Electric Service

A. The Authority shall make available Electric Service to enable the Customer to receive the Allocation in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules. The Customer shall not be entitled to receive Electric Service under this Agreement for any EP and/or RP allocation unless such EP and/or RP allocation is identified on Schedule A.

B. The Authority will provide, and the Customer shall pay for, Electric Service with respect to the Allocation specified on Schedule A. If Schedule C specifies a Takedown Schedule for the Allocation, the Authority will provide, and the Customer shall take and pay for, Electric Service with respect to the Allocation in accordance with such Takedown Schedule.

C. The Authority shall provide UCAP in amounts necessary to meet the Customer's NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs. The Customer shall be responsible to pay the Authority for such UCAP in accordance with Service Tariff No. WNY-1.

D. The Customer acknowledges and agrees that Customer's local electric utility shall be responsible for delivering the Allocation to the Facility specified in Schedule A, and that the Authority has no responsibility for delivering the Allocation to the Customer.

E. The Contract Demand for the Customer's Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as EP or RP from the Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. Any such modification will be made on a pro rata basis to all EP and RP customers, as applicable, based on the terms of such ruling, order, or decision.

F. The Contract Demand may not exceed the Allocation.

III. Rates, Terms and Conditions

A. Electric Service shall be sold to the Customer based on the rates, terms and conditions provided for in this Agreement, Service Tariff No. WNY-1 and the Rules.

B. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates for Electric Service shall be subject to increase by Authority at any time upon 30 days prior written notice to Customer if, after consideration by Authority of its legal obligations, the marketability of the output or use of the Project and Authority's

competitive position with respect to other suppliers, Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in Authority's bond and note resolutions and covenants with the holders of its financial obligations. Authority shall use its best efforts to inform Customer at the earliest practicable date of its intent to increase the power and energy rates pursuant to this provision. Any rate increase to Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers after giving consideration to the factors set forth in the first sentence of this subsection. With respect to any such increase, Authority shall forward to Customer with the notice of increase, an explanation of all reasons for the increase, and shall also identify the sources from which Authority will obtain the total of increased revenues and the bases upon which Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

IV. Expansion Power and/or Replacement Power Commitments

A. Schedule B sets forth the Customer's specific "Expansion Power and/or Replacement Power Commitments." The commitments agreed to in Schedule B are in addition to any other rights and obligations of the Parties provided for in the Agreement.

B. The Authority's obligation to provide Electric Service under this Agreement, and the Customer's obligation to take and pay for such Electric Service, are expressly conditioned upon the Customer's timely completion of the commitments described in Schedule B.

C. In the event of partial completion of the Facility which has resulted in such Facility being partly operational and the partial attainment of the Base Employment Level, the Authority may, upon the Customer's request, provide Electric Service to the Customer in an amount determined by the Authority to fairly correspond to the completed portion of the Facility, provided that the Customer demonstrates that the amount of requested Electric Service is needed to support the operations of the partially completed Facility.

D. The Customer shall give the Authority not less than ninety (90) days' advance notice in writing of the anticipated date of partial or full completion of the Facility. The Authority will inspect the Facility for the purpose of verifying the completion status of the Facility and notify Customer of the results of the inspection. The Authority will thereafter commence Electric Service within a reasonable time after verification based on applicable operating procedures of the Authority, the Customer's local electric utility and the NYISO.

E. In the event the Customer fails to complete the Facility by December 16, 2017 (*i.e.*, within three (3) years of the Authority's award of the Allocation), the Allocation, at the option and discretion of the Authority, may be canceled or reduced by the total amount of kilowatts determined by the Authority to fairly correspond to the uncompleted portion of the Facility, provided that in such event, and upon request of the Customer, such date may be extended by the Authority in its sole discretion.

V. Rules and Service Tariff

Service Tariff No. WNY-1, as may be modified or superseded from time to time by the Authority, is hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts, or differences between the provisions of Service Tariff No.WNY-1 and the Rules, the provisions of Service Tariff No. WNY-1 shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and Service Tariff No. WNY-1, the provisions of this Agreement shall govern.

VI. Transmission and Delivery of Firm Power and Firm Energy; Responsibility for Charges

A. The Customer shall be responsible complying with all requirements of its local electric utility that are necessary to enable the Customer to receive delivery service for the Allocation. Delivery of the Allocation shall be subject to the Utility Tariff.

B. The Customer shall be solely responsible for paying its local electric utility for delivery service associated with the Allocation in accordance with the Utility Tariff. Should the Authority incur any charges associated with such delivery service, the Customer shall reimburse the Authority for all such charges.

C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the LSE with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf. The Customer agrees and understands that it shall be responsible to the Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO Tariff, or other applicable tariff ("NYISO Charges"), as set forth in Service Tariff No. WNY-1 or any successor service tariff, regardless of whether such NYISO Charges are transmission-related. Such NYISO Charges shall be in addition to the charges for power and energy.

D. By entering into this Agreement, the Customer consents to the exchange of information between the Authority and the Customer's local electric utility pertaining to the Customer that the Authority and the local electric utility determine is necessary to provide for the Allocation, sale and delivery of EP and/or RP to the Customer, the proper and efficient implementation of the EP and/or RP programs, billing related to EP and/or RP, and/or the performance of such parties' obligations under any contracts or other arrangements between them relating to such matters.

E. The provision of Electric Service by the Authority shall be dependent upon the existence of a written agreement or other form of understanding between the Authority and the Customer's local electric utility on terms and conditions that are acceptable to the Authority.

F. The Customer understands and acknowledges that the Authority may from time to time require the Customer to complete forms, provide documentation, execute consents and provide other information (collectively, "Information") which the Authority determines is necessary for the provision of Electric Service, the delivery of EP and/or RP, billing

related to the EP and/or RP program, the effective and proper administration of the EP and/or RP program, and/or the performance of contracts or other arrangements between the Authority and the Customer's local electric utility. The Customer's failure to provide such Information shall be grounds for the Authority in its sole discretion to withhold or suspend Electric Service to the Customer.

VII. Billing and Billing Methodology

A. The billing methodology for the Allocation shall be determined on a "load factor sharing" basis in a manner consistent with the Utility Tariff and any agreement between the Authority and the Customer's local electric utility. An alternative basis for billing may be used provided the Parties agree in writing and the local electric utility provides its consent if such consent is deemed necessary.

B. The Authority will render bills by the 10th business day of the month for charges due for the previous month. Such bills shall include charges for Electric Service, NYISO Charges associated with the Allocation (subject to adjustment consistent with any later NYISO re-billings to the Authority), and other applicable charges.

C. The Authority may render bills to the Customer electronically.

D. The Authority and the Customer may agree in writing to an alternative method for the rendering of bills and for the payment of bills, including but not limited to the use of an Authority-established customer self-service web portal.

E. The Authority will charge and collect from the Customer all Taxes (including local, state and federal taxes) the Authority determines are applicable, unless the Customer furnishes the Authority with proof satisfactory to the Authority that (i) the Customer is exempt from the payment of any such Taxes, and/or (ii) the Authority is not obligated to collect such Taxes from the Customer. If the Authority is not collecting Taxes from the Customer based on the circumstances described in (i) or (ii) above, the Customer shall immediately inform the Authority of any change in circumstances relating to its tax status that would require the Authority to charge and collect such Taxes from the Customer.

F. Unless otherwise agreed to by the Authority and the Customer in writing, if the Customer fails to pay any bill when due, an interest charge of two percent (2%) of the amount unpaid shall be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent (1 1/2%) of the sum unpaid shall be added on the first day of each succeeding billing period until the amount due, including interest, is paid in full.

G. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of any bill rendered by Authority, the Customer shall pay such bill in full within the time provided for by this Agreement, and adjustments, if appropriate, will be made thereafter.

H. If at any time after commencement of Electric Service the Customer fails to make complete and timely payment of any two (2) bills for Electric Service, the Authority shall

have the right to require the Customer to deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit shall be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. If the Customer fails or refuses to provide the deposit within thirty (30) days of a request for such deposit, the Authority may, in its sole discretion, suspend Electric Service to the Customer or terminate this Agreement.

I. All other provisions with respect to billing are set forth in Service Tariff No. WNY-1 and the Rules.

J. The rights and remedies provided to the Authority in this Article are in addition to any and all other rights and remedies available to Authority at law or in equity.

VIII. Hydropower Curtailments and Substitute Energy

A. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served by the Authority from the Hydro Projects, curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy associated with the Allocation to which the Customer is entitled shall be applied on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with Service Tariff No. WNY-1 as applicable.

B. The Authority shall provide reasonable notice to Customer of any curtailments referenced in Section VIII.A of this Agreement that could impact Customer's Electric Service under this Agreement. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the Firm Power and Firm Energy that would otherwise have been supplied pursuant to this Agreement.

C. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO charges and taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

D. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

IX. Effectiveness, Term and Termination

A. This Agreement shall become effective and legally binding on the Parties upon execution of this Agreement by the Authority and the Customer.

B. Once commenced, Electric Service under the Agreement shall continue until the earliest of: (1) termination by the Customer with respect to its Allocation upon ninety (90) days prior written notice to the Authority; (2) termination by the Authority pursuant to this Agreement, Service Tariff No. WNY-1, or the Rules; or (3) expiration of the Allocation by its own term as specified in Schedule A.

C. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days' notice prior written notice to the Authority. The termination shall be effective commencing with the first billing period as defined in Service Tariff No. WNY-1.

D. The Authority may cancel service under this Agreement or modify the quantities of Firm Power and Firm Energy associated with the Allocation:(1) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency); or (2) as otherwise provided in this Agreement, Service Tariff No. WNY-1, or the Rules.

X. Additional Allocations

A. Upon proper application by the Customer, the Authority may in its discretion award additional allocations of EP or RP to the Customer at such rates and on such terms and conditions as the Authority establishes. If the Customer agrees to purchase Electric Service associated with any such additional allocation, the Authority will (i) incorporate any such additional allocations into Schedule A, or in its discretion will produce a supplemental schedule, to reflect any such additional allocations, and (ii) produce a modified Appendix to Schedule B, as the Authority determines to be appropriate. The Authority will furnish the Customer with any such modified Schedule A, supplemental schedule, and/or a modified Appendix to Schedule B, within a reasonable time after commencement of Electric Service for any such additional allocation.

B. In addition to any requirements imposed by law, the Customer hereby agrees to furnish such documentation and other information as the Authority requests to enable the Authority to evaluate any requests for additional allocations and consider the terms and conditions that should be applicable of any additional allocations.

XI. Notification

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

To: The Authority

New York Power Authority

123 Main Street
White Plains, New York 10601
Email:
Facsimile: _____
Attention: Manager – Business Power Allocations and Compliance

To: The Customer

WhiteRock Pigments, Inc.
1768 E. 25th Street
Cleveland, OH 44114

Email:
Facsimile:
Attention:

The foregoing notice/notification information pertaining to either Party may be changed by such Party upon notification to the other Party pursuant to Section XI.B of this Agreement.

B. Except where otherwise herein specifically provided, any notice, communication or request required or authorized by this Agreement by either Party to the other shall be deemed properly given: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (2) if sent by a nationally recognized overnight delivery service, two (2) calendar days after being deposited for delivery to the appropriate address set forth above; (3) if delivered by hand, with written confirmation of receipt; (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (5) if sent by electronic mail to the appropriate address as set forth above, with written confirmation of receipt. Either Party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing.

XII. Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License and the Niagara Redevelopment Act (16 USC §§836, 836a).

XIII. Venue

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction for adjudication of any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement.

XIV. Successors and Assigns; Resale of Hydropower

A. The Customer may not assign or otherwise transfer an interest in this Agreement.

B. The Customer may not resell or allow any other person to use any quantity of EP and/or RP it has purchased from the Authority under this Agreement.

C. Electric Service sold to the Customer pursuant to this Agreement may only be used by the Customer at the Facility specified in Schedule A.

XV. Previous Agreements and Communications

A. This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the subject matter hereof, and supersedes all prior negotiations, representations, warranties, commitments, offers, contracts and writings, written or oral, with respect to the subject matter hereof.

B. Except as otherwise provided in this Agreement, no modification of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

XVI. Severability and Voidability

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

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

XVII. Waiver

A. Any waiver at any time by either the Authority or the Customer of their rights with respect to a default or of any other matter arising out of this Agreement shall not be deemed to be a waiver with respect to any other default or matter.

B. No waiver by either Party of any rights with respect to any matter arising in connection with this Agreement shall be effective unless made in writing and signed by the Party making the waiver.

XVIII. Execution

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall

not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

WHITEROCK PIGMENTS, INC.

By: _____

Title: _____

Date: _____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____
John R. Koelmel, Chairman

Date: _____

SCHEDULE A TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER TO CUSTOMER

EXPANSION POWER AND/OR REPLACEMENT POWER ALLOCATIONS

Customer: WhiteRock Pigments, Inc. Type of Allocation	Allocation Amount (kW)	Facility	Trustee Approval Date	Expiration Date
Replacement Power	2,450	4000 River Road, Tonawanda, NY 14150	December 16, 2014	Seven (7) years from commencement of Electric Service of any portion of this Allocation.

SCHEDULE B TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER TO CUSTOMER

EXPANSION POWER AND/OR REPLACEMENT POWER COMMITMENTS

I. Employment Commitments

A. Employment Levels

The provision of EP and/or RP to the Customer hereunder is in consideration of, among other things, the Customer's creation and/or maintenance of the employment level set forth in the Appendix of this Schedule (the "Base Employment Level"). Such Base Employment Level shall be the total number of full-time positions held by: (1) individuals who are employed by the Customer at Customer's Facility identified in the Appendix to this Schedule, and (2) individuals who are contractors or who are employed by contractors of the Customer and assigned to the Facility identified in such Appendix (collectively, "Base Level Employees"). The number of Base Level Employees shall not include individuals employed on a part-time basis (less than 35 hours per week); provided, however, that two individuals each working 20 hours per week or more at such Facility shall be counted as one Base Level Employee.

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

The Authority may consider a request to change the Base Employment Level based on a claim of increased productivity, increased efficiency or adoption of new technologies or for other appropriate reasons as determined by the Authority. Any such change shall be within Authority's sole discretion.

B. Employment Records and Reports

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Base Level Employees who are employed at or assigned to the Customer's Facility identified in the Appendix to this Schedule, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify the individuals who are employed by the Customer, and the individuals who are contractors or who are employed by contractors of the Customer, and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice

all non-confidential written and electronic records and data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

II. Reductions of Contract Demand

A. Employment Levels

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

B. Power Utilization Levels

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the Facility receiving the power covered by the Agreement. If the average of the Customer's six (6) highest Billing Demands (as such term is described in Service Tariff No. WNY-1) for Expansion Power and/or Replacement Power is less than 90% of the Customer's Contract Demand in such calendar year the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest Billing Demands for in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

C. Capital Investment

The Customer agrees to undertake the capital investment set forth in the Appendix to this Schedule.

Notwithstanding any other provision of the Agreement, the Customer shall provide the Authority with such access to the Facility, and such documentation, as the Authority deems necessary to determine the Customer's compliance with the Customer's obligations provided for in this Schedule B.

D. Notice of Intent to Reduce Contract Demand

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced pursuant to this Schedule , the Authority shall provide the Customer with at least thirty (30) days prior written notice of such reduction, specifying the amount of the reduction of Contract Demand and the reason for the reduction, provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or Facility upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

III. Energy Efficiency Audits; Information Requests

Unless otherwise agreed to by the Authority in writing, the Customer shall undergo an energy efficiency audit of its Facility and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement but in any event not less than once every five years. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the Facility.

The Customer agrees to cooperate to make its Facility available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.

APPENDIX TO SCHEDULE B

BASE EMPLOYMENT LEVEL

Within three (3) years of commencement of Electric Service, the Customer shall employ at least one hundred and one (101) full-time employees ("Base Employment Level") at the Customer's Facility. The Base Employment Level shall be maintained thereafter for the term of the Allocation in accordance with Article I of Schedule B.

CAPITAL INVESTMENT

The Customer shall make a total capital investment of at least $130,000,000 to renovate and furnish the Facility (the "Capital Investment"). The Capital Investment for the Facility is expected to consist of the following specific expenditures:

Equipment, Machinery, Installation:	$85,000,000
Miscellaneous:	$45, 000,000
Total Capital Investment:	**$130,000,000**

The Capital Investment shall be made, and the Facility shall be completed and fully operational, no later than December 16, 2017 (*i.e.*, within three (3) years of the date of the Authority's award of the Allocation). Upon request of the Customer, such date may be extended in the sole discretion of the Authority.

SCHEDULE C TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER TO CUSTOMER

TAKEDOWN SCHEDULE

N/A

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

Schedule of Rates for Sale of Firm Power to Expansion and Replacement Customers located In Western New York

Service Tariff No. WNY-1

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Schedule of Rates for Firm Power Service

I. Applicability

To sales of Expansion Power and/or Replacement Power (as defined below) directly to a qualified business Customer (as defined below) for firm power service.

II. Abbreviations and Terms

- kW — kilowatt(s)
- kW-mo. — kilowatt-month
- kWh — kilowatt-hour(s)
- MWh — megawatt-hour(s)
- NYISO — New York Independent System Operator, Inc. or any successor organization
- PAL — New York Public Authorities Law
- OATT — Open Access Transmission Tariff

Agreement: An executed "Agreement for the Sale of Expansion and/or Replacement Power and Energy" between the Authority and the Customer (each as defined below).

Annual Adjustment Factor or **AAF**: This term shall have the meaning set forth in Section V herein.

Authority: The Power Authority of the State of New York, a corporate municipal instrumentality and a political subdivision of the State of New York created pursuant to Chapter 772 of the New York Laws of 1931 and existing and operating under Title 1 of Article 5 of the PAL, also known as the "New York Power Authority."

Customer: A business customer who has received an allocation for Expansion Power and/or Replacement Power from the Authority and who purchases Expansion Power and/or Replacement Power directly from the Authority.

Electric Service: The power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

Expansion Power and/or **Replacement Power**: Firm Power and Firm Energy made available under this Service Tariff by the Authority from the Project for sale to the Customer for business purposes pursuant to PAL § 1005(5) and (13).

Firm Power: Capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the Agreement between the Authority and the Customer and this Service Tariff. Firm Power shall not include peaking power.

Firm Energy: Energy (kWh) associated with Firm Power.

Load Serving Entity or **LSE**: This term shall have the meaning set forth in the Agreement.

Load Split Methodology or **LSM**: A load split methodology applicable to a Customer's allocation. It is usually provided for in an agreement between the Authority and the Customer's local electric utility, an agreement between the Authority and the Customer, or an agreement between the Authority, the Customer and the Customer's local electric utility, or such local utility's tariff, regarding the delivery of WNY Firm Power. The load split methodology is often designated as "Load Factor Sharing" or "LFS" , "First through the Meter" or "FTM", "First through the Meter Modified" or "FTM Modified", or "Replacement Power 2" or "RP 2".

Project: The Authority's Niagara Power Project, FERC Project No. 2216.

Rate Year or **RY**: The period from July 1 through June 30 starting July 1, 2013, and for any year thereafter.

Rules: The Authority's rules and regulations set forth in 21 NYCRR § 450 *et seq*., as they may be amended from time to time.

Service Tariff: This Service Tariff No. WNY-1.

Target Rate: This term shall have the meaning set forth in Section III herein.

All other capitalized terms and abbreviations used but not defined herein shall have the same meaning as set forth in the Agreement.

III. Monthly Rates and Charges

A. Expansion Power (EP) and Replacement Power (RP) Base Rates

Beginning on July 1, 2013, there will be a 3-year phase-in to new base rates. The phase-in will be determined by the rate differential between the 2012 EP/RP rates and a "Target Rate." The Target Rate, specified in Section III.A.1. below, is based on the rates determined by the Authority to be applicable in RY 2013 for sales of "preservation power" as that term is defined in PAL § 1005(13). The following Sections III.A.1-4 describe the calculation and implementation of the phase-in.

1. The initial rate point will be established by the EP/RP rates ($/kW and $/MWh), determined by mid-April 2012 and made effective on May 1, 2012 in accordance with the Authority's then-applicable EP and RP tariffs. The Target Rate (*i.e.* demand and energy rates) for RY 2013 shall be $7.99/kW and $13.66/MWh.

2. The difference between the two rate points is calculated and divided by 3 to correspond with the number of Rate Years over which the phase-in will occur. The resulting quotients (in $/kW and $/MWh) are referred to as the "annual increment."

3. The annual increment will be applied to the base rates for the 3-year period of the 2013, 2014 and 2015 Rate Years, which shall be as follows:

   RY 2013: July 1, 2013 to June 30, 2014
   RY 2014: July 1, 2014 to June 30, 2015
   RY 2015: July 1, 2015 to June 30, 2016

   The annual rate adjustments normally made effective on May 1, 2013 under then-applicable EP and RP tariffs will be suspended, such that demand and energy rates established in 2012 shall be extended through June 30, 2013.

4. Effective commencing in RY 2013, the Annual Adjustment Factor ("AAF") described in Section V herein, shall be applied as follows:

   A. For the RY 2013 only, the AAF will be suspended, and the RY 2013 rate increase will be subject only to the annual increment.

   B. For the RYs 2014 and 2015, the AAF will be applied to the demand and energy rates after the addition of the annual increment to the rates of the previous RY rates. Such AAF will be subject to the terms and limits stated in Section V herein.

   C. Beginning in RY 2016, the AAF will be applied to the previous RY rates, and the annual increment is no longer applicable.

B. EP and RP Rates no Lower than Rural/Domestic Rate

At all times the applicable base rates for demand and energy determined in accordance with Sections III.A and V of this Service Tariff shall be no lower than the rates charged by the

Authority for the sale of hydroelectricity for the benefit of rural and domestic customers receiving service in accordance with the Niagara Redevelopment Act, 16 U.S.C. § 836(b)(1) and PAL § 1005(5) (the "Rural/Domestic Rate"). This provision shall be implemented as follows: if the base rates, as determined in accordance with Sections III.A and V of this Service Tariff, are lower than the Rural/Domestic Rate on an average $/MWh basis, each set of rates measured at 80% load factor which is generally regarded as representative for EP and RP Customers, then the base rates determined under Sections III.A and V of this Service Tariff will be revised to make them equal to the Rural/Domestic Rate on an average $/MWh basis. However, the base rates as so revised will have no effect until such time as these base rates are lower than the Rural/Domestic Rate.

C. Monthly Base Rates Exclude Delivery Service Charges

The monthly base rates set forth in this Section III exclude any applicable costs for delivery services provided by the local electric utility.

D. Minimum Monthly Charge

The minimum monthly charge shall equal the product of the demand charge and the contract demand (as defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges or Taxes (each as defined herein) incurred by the Authority with respect to the Customer's Allocation.

E. Estimated Billing

If the Authority, in its sole discretion, determines that it lacks reliable data on the Customer's actual demand and/or energy usage for a Billing Period during which the Customer receives Electric Service from the Authority, the Authority shall have the right to render a bill to the Customer for such Billing Period based on estimated demand and estimated usage ("Estimated Bill").

For the purpose of calculating a Billing Demand charge for an Estimated Bill, the demand charge will be calculated based on the Customer's Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated demand (kW) will be calculated based on an average of the Customer's Billing Demand (kW) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated demand (kW) value for the Estimated Bill will equal the Customer's Takedown (kW) amount.

- For Customers whose allocation is subject to a First through the Meter/ FTM, FTM Modified, or RP 2 LSM, the estimated demand (kW) value will equal the Customer's Takedown (kW) amount.

For the purpose of calculating a Billing Energy charge for an Estimated Bill, the energy charge will be calculated based on the Customer's Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated energy (kWh) will be based on the average of the Customer's Billing Energy (kWh) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated energy value (kWh) will be equal to the Takedown (kW) amount at 70 percent load factor for that Billing Period.

- For Customers whose allocation is subject to a First through the Meter/FTM, FTM Modified, or RP 2 LSM, the estimated energy (kWh) will be equal to the Takedown (kW) amount at 100 percent load factor for that Billing Period.

If data indicating the Customer's actual demand and usage for any Billing Period in which an Estimated Bill was rendered is subsequently provided to the Authority, the Authority will make necessary adjustments to the corresponding Estimated Bill and, as appropriate, render a revised bill (or provide a credit) to the Customer.

The Minimum Monthly Charge provisions of Section III B.D. shall apply to Estimated Bills.

The Authority's discretion to render Estimated Bills is not intended to limit the Authority's rights under the Agreement.

F. <u>Adjustments to Charges</u>

In addition to any other adjustments provided for in this Service Tariff, in any Billing Period, the Authority may make appropriate adjustments to billings and charges to address such matters as billing and payment errors, the receipt of actual, additional, or corrected data concerning Customer energy or demand usage.

G. <u>Billing Period</u>

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

H. <u>Billing Demand</u>

The billing demand shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

I. <u>Billing Energy</u>

The billing energy shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

J. <u>Contract Demand</u>

The contract demand of each Customer will be the amount of Expansion Power and/or Replacement Power, not to exceed their Allocation, provided to such Customer by the Authority in accordance with the Agreement.

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

1. Subject to Section IV.B.2, the Authority shall provide to the Customer in any billing period Firm Energy associated with Firm Power. The offer of Firm Energy for delivery shall fulfill the Authority's obligations for purposes of this provision whether or not the Firm Energy is taken by the Customer.

2. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of NYPA's Firm Power customers served from the Hydro Projects, hydropower curtailments (*i.e.* reductions) in the amount of Firm Power and Energy to which the Customer is entitled shall be applied on a *pro rata* basis to all Firm Power and Energy customers served from the Hydro Projects. Reductions as a percentage of the otherwise required Firm Power and Energy sales will be the same for all Firm Power and Energy customers served from the Hydro Projects. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Customer in later billing periods. The Customer will receive appropriate bill credits as provided under the Rules.

C. Delivery

For the purpose of this Service Tariff, Firm Power and Firm Energy shall be deemed to be offered when the Authority is able to supply Firm Power and Firm Energy to the Authority's designated NYISO load bus. If, despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Adjustment of Rates

To the extent not inconsistent with the Agreement, the rates contained in this Service Tariff may be revised from time to time on not less than thirty (30) days written notice to the Customer.

E. Billing Methodology and Billing

Unless otherwise specified in the Agreement, the following provisions shall apply:

1. The billing methodology to be used to render bills to the Customer related to its Allocation shall be determined in accordance with the Agreement and delivery agreement between the Authority and, as applicable, the Customer or local electric utility or both.

2. Billing Demand –The Billing Demand charged by the Authority to each Customer will be the highest 15 or 30-minute integrated demand, as determined by the local utility, during each Billing Period recorded on the Customer's meter multiplied by a percentage based on the Load Split Methodology provided for in any contract between the Authority and the Customer's local electric utility, any contract between the Authority and the Customer, or any contract between the Authority, the Customer and the Customer's local electric utility for delivery of WNY Power. Billing Demand may not exceed the amount of the Contract Demand.

3. Billing Energy –The kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer's meter for the Billing Period multiplied by a percentage based on the methodology provided for in any contract between the Authority and the Customer's local electric utility for delivery of WNY Power.

F. <u>Payment by Customer to Authority</u>

1. <u>Demand and Energy Charges, Taxes</u>

   The Customer shall pay the Authority for Firm Power and Energy during any billing period the higher of either (i) the sum of (a), (b) and (c) below or (ii) the monthly minimum charge as defined herein:

   a. The demand charge per kilowatt for Firm Power specified in this Service Tariff or any modification thereof applied to the Customer's billing demand (as defined in Section IV.E, above) for the billing period; and

   b. The energy charge per MWh for Firm Energy specified in this Service Tariff or any modification thereof applied to the Customer's billing energy (as defined in Section IV.E, above) for the billing period; and

   c. A charge representing reimbursement to the Authority for all applicable Taxes incurred by the Authority as a result of providing Expansion Power and/or Replacement Power allocated to the Customer.

2. <u>Transmission Charge</u>

   The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the Allocation, including such costs that are charged pursuant to the OATT.

3. <u>NYISO Transmission and Related Charges ("NYISO Charges")</u>

   The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority for services provided by the NYISO pursuant to its OATT or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with providing Electric Service to the Customer:

   A. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;

   B. Marginal losses;

C. The New York Power Authority Transmission Adjustment Charge ("NTAC");

D. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;

E. Any and all other charges, assessments, or other amounts associated with deliveries to Customers or otherwise associated with the Authority's responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and

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

The NYISO Charges, if any, incurred by the Authority on behalf of the Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.
The method of billing NYISO charges to the Customer will be based on Authority's discretion.

4. Taxes Defined

Taxes shall be any adjustment as the Authority deems necessary to recover from the Customer any taxes, assessments or any other charges mandated by federal, state or local agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer if and to the extent such taxes, assessments or charges are not recovered by the Authority pursuant to another provision of this Service Tariff.

5. Substitute Energy

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

6. Payment Information

Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by the Authority. In the event that there is a dispute on any items of a bill rendered by the Authority, the Customer shall pay such bill in full. If necessary, any adjustments will be made thereafter.

G. Rendition and Payment of Bills

1. The Authority will render bills to the Customer for Electric Service on or before the tenth (10th) business day of the month for charges due for the previous Billing Period. Bills will reflect the amounts due and owing, and are subject to adjustment as provided for in the Agreement, Service Tariff No. WNY-1 and the Rules. Unless otherwise agreed to by the Authority and the Customer in writing, the Authority shall render bills to the Customer electronically.

2. Payment of bills by the Customer shall be due and payable by the Customer within twenty (20) days of the date the Authority renders the bill.

3. Except as otherwise agreed by the Authority in writing, if the Customer fails to pay any bill when due an interest charge of two percent of the amount unpaid will be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent of the sum unpaid shall be added on the first day of each succeeding Billing Period until the amount due, including interest, is paid in full.

4. If at any time after commencement of Electric Service the Customer fails to make complete payment of any two (2) bills for Electric Service when such bills become due pursuant to Agreement, the Authority shall have the right to require that the Customer deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit will be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. The failure or refusal of the Customer to provide the deposit within thirty (30) days of a request for such deposit will be grounds for the Authority in its sole discretion to suspend Electric Service to the Customer or terminate this Agreement.

H. Adjustment of Charges

1. Distribution Losses

   The Authority will make appropriate adjustments to compensate for distribution losses of the local electric utility.

I. Conflicts

The Authority's Rules shall apply to the Electric Service provided under this Service Tariff. In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern.

J. Customer Resales Prohibited

The Customer may not resell any quantity of Expansion Power and/or Replacement Power.

V. Annual Adjustment Factor

A. Adjustment of Rates

1. The AAF will be based upon a weighted average of three indices described below. For each new Rate Year, the index value for the latest available calendar year ("Index Value for the Measuring Year") will be compared to the index value for the calendar year immediately preceding the latest available calendar year (the Index Value for the Measuring Year -1"). The change for each index will then be multiplied by the indicated weights. As described in detail below, these products are then summed, producing the AAF. The AAF will be multiplied by the base rate for the current Rate Year to produce the base rates for the new Rate Year, subject to a maximum adjustment of ±5.0% ("±5% Collar"). Amounts outside the ±5% Collar shall be referred to as the "Excess."

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

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

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

2. Annual Adjustment Factor Computation Guide

   Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.

   Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the AAF.

   Step 3: Commencing RY 2014, modifications to the AAF will be subject to ±5% Collar, as described below.

   a) When the AAF falls outside the ±5% Collar, the Excess will be carried over to the subsequent RY. If the AAF in the subsequent RY is within the ±5% Collar, the current RY Excess will be added to/subtracted from the subsequent Rate Year's AAF, up to the ±5% Collar.

b) Excesses will continue to accrue without limit and carry over such that they will be added to/subtracted from the AAF in any year where the AAF is within the ±5% Collar.

Step 4: Multiply the current Rate Year base rate by the AAF calculated in Step 2 to determine the new Rate Year base rate.

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

3. The Authority shall provide the Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15th of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.

4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

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

STEP 1

Determine the Index Value for the Measuring Year (MY) and Measuring Year - 1 (MY-1) for Each Index

- Index 1 - Producer Price Index, Industrial Power

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

- Index 2 – EIA Industrial Rate

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

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

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

STEP 2

Determine AAF by Summing the Weighted Indices

Index	Ratio of MY to MY-1	Weight	Weighted Factors
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	0.255
AAF			**1.016**

STEP 3

Apply Collar of ±5.0% to Determine the Maximum/Minimum AAF.

-5.0% < 1.6% < 5.0%; collar does not apply, assuming no cumulative excess.

STEP 4

Apply AAF to Calculate the New Rate Year Base Rate

	Demand $/kW-mo.	Energy $/MWh
Current Rate Year Base Rate	7.56	12.91
New Rate Year Base Rate	7.68	13.12

Western NY Power Proceeds Allocation Board

Exhibit "A"
December 16, 2014

Applicants Recommended for an Award of Fund Benefits

Line	Business	City	County	Economic Development Region	Project Description	Project Type	Recommended Award Amount	Total Project Cost	Jobs Retained	Jobs Created
1	43N LLC	Buffalo	Erie	Western NY	Business Plan Competition	Innov./Entrepreneur	Up to $6,000,000	Approx $7,000,000	5	-
						Total:	**Up to $6,000,000**	**Approx $7,000,000**	**5**	**-**

Total Jobs Created & Retained: 5

Exhibit "B"

Western NY Power Proceeds Allocation Board

Criteria adapted from the Western NY Power Proceeds Allocation Board's "Procedures for the Review of Applications for Fund Benefits"

1. The extent to which an award of Fund Benefits would be consistent with the strategies and priorities of the Regional Economic Development Council ("REDC") having responsibility for the region in which an Eligible Project is located.[1] The Western New York Regional Economic Development Council which is responsible for Eligible Projects in Erie and Niagara Counties Strategies & Priorities are:

   - Promote "Smart Growth" by investing in areas that infrastructure already exists and achieves certain goals, such as: preserving historic buildings; reviving downtowns; reviving main streets; investing in existing neighborhoods; and investing in former industrial sites. A project consistent with Smart Growth will also focus on: enhancing walkability; enhancing multiple modes of transportation; connecting disadvantaged communities to employment clusters; spurring mixed-use private investment in existing communities and preserving/enhancing natural lands and or resources.
   - Promote workforce development by increasing diversity in the labor force, developing and cultivating that includes workers with advancement potential, underemployed, unemployed and special population; align education and skills training to job market for current and future industry needs.
   - Foster entrepreneurship and new business formation and growth. Designing a plan that brings new technologies and/or products to the marketplace, increases new start ups in strategic industries and facilitates the commercialization of products that can lead to job growth in the Region.
   - Increase the industry profile of agriculture in WNY by: creating better access to markets; creating new products; creating new more efficient processes; creating strong regional brands; creating programs that promote careers in agriculture.
   - Utilize Western New York's proximity to Canadian and U.S. population centers to advance economic development in WNY. Bi-national projects will: utilize cross-border planning to create transportation and logistical infrastructure; improve operational relationships; promote the attractiveness of WNY as a hub for global trade.

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[1] As provided for in EDL § 189-c(4), criteria 2-15 are adapted from the criteria for eligibility for Expansion Power, Replacement Power and Preservation Power under Public Authorities Law § 1005. The specific criteria identified in PAL § 1005(13)(b)(4)-(5) are relevant to power allocations under these programs but do not have any logical application to allocations of Fund Benefits. Therefore, the Board does not expect to use these criteria to evaluate applications for Fund Benefits. Additionally, in accordance with PAL § 1005(13), criteria 13-15 listed herein will only be used in the case of Eligible Projects which are proposed by Applicants as, and determined by the Board to be, "revitalization" projects.

- Position the WNY region as a global energy hub through new sources of clean energy, energy efficiency and energy efficient transportation.
- Support growth of advanced manufacturing by making research more available to manufacturers to help them innovate.
- Spur growth in the health and life sciences industry through improved commercialization, recruit high profile research talent and reducing the cost burden of healthcare while improving health outcomes.
- Expand the scope of higher education by increasing accessibility to Higher Education for communities that currently have limited access to educational opportunities; better aligning education with the industry needs and creating support structures for start-ups which will assist start-ups with commercialization, business planning, workforce preparation, facilities, etc.
- Grow visitors and visitor spending by raising the profile of WNY as a national and international destination; connect multiple tourist destinations in WNY; improve the profile of the WNY Gateway to the United States.

For more information on the Western New York Regional Economic Development Council please go to http://regionalcouncils.ny.gov/content/western-new-york.

2. The extent to which an award of Fund Benefits would be consistent with the strategies and priorities of the Regional Economic Development Council ("REDC") having responsibility for the region in which an Eligible Project is located.[2] The Finger Lakes Regional Economic Development Council which is responsible for Eligible Projects in Orleans and Genesee Counties Strategies & Priorities can be found at: http://regionalcouncils.ny.gov/content/finger-lakes.
3. The number of jobs that would be created as a result of an award of Fund Benefits.
4. The applicant's long term commitment to the region as evidenced the current and/or planned capital investment in applicant's facilities in the region.
5. The ratio of the number of jobs to be created to the amount of Fund Benefits requested.
6. The types of jobs that would be created, as measured by wage and benefit levels, security and stability of employment.
7. The amount of capital investment, including the type and cost of buildings, equipment and facilities, proposed to be constructed, enlarged or installed.
8. The extent to which an award of Fund Benefits would affect the overall productivity or competitiveness of the applicant and its existing employment.
9. The extent to which an award of Fund Benefits may result in a competitive disadvantage for other business in the State.

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[2] As provided for in EDL § 189-c(4), criteria 2-15 are adapted from the criteria for eligibility for Expansion Power, Replacement Power and Preservation Power under Public Authorities Law § 1005. The specific criteria identified in PAL § 1005(13)(b)(4)-(5) are relevant to power allocations under these programs but do not have any logical application to allocations of Fund Benefits. Therefore, the Board does not expect to use these criteria to evaluate applications for Fund Benefits. Additionally, in accordance with PAL § 1005(13), criteria 13-15 listed herein will only be used in the case of Eligible Projects which are proposed by Applicants as, and determined by the Board to be, "revitalization" projects.

10. The growth potential of the applicant's facilities and the contribution of economic strength to the area in which the applicant's facilities are or would be located.
11. The extent of the applicant's willingness to satisfy affirmative action goals.
12. The extent to which an award of Fund Benefits is consistent with state, regional and local economic development strategies and priorities and supported by local units of government in the area in which the business is located.
13. The impact of an award of Fund Benefits on the operation of any other facilities of the applicant, and on other businesses within the region.
14. That the business is likely to close, partially close or relocate resulting in the loss of a substantial number of jobs.
15. That the applicant is an important employer in the community and efforts to revitalize the business are in long-term interests of both employers and the community.
16. That a reasonable prospect exists that the proposed award of Fund Benefits will enable the applicant to remain competitive and become profitable and preserve jobs for a substantial period of time.

Western New York Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

To: Chairman Anthony J. Colucci III, Henry Wojtaszek, Deanna Alterio Brennen, Brenda Williams McDuffie, Dennis W. Elsenbeck
From: Christina Orsi, Regional Director of Empire State Development
CC: Michael Huvane, Angela Rossi, Richard Smith
Date: December 1, 2014

Applicant Name:	43North LLC	REDC Region:	Western New York
Project Type:	Innovation/Entrepreneur Development	County:	Erie and Niagara
Industry:	Several – Health/Life Sciences, High Tech Industries, Manufacturing, Etc.	Locality:	Buffalo
Amount Requested:	$6,000,000	Start Date:	January 1, 2015
		Finish Date:	December 31, 2016 (including incubator support)

RECOMMENDED OFFER	
Recommended Total Award:	Up to $6,000,000 (for 2015 competition)
Total Project Cost:	Approximately $7,000,000 (for 2015 competition)
% of Project Cost Recommended:	Up to 86%

PROJECT BUDGET

Use of funds	Total Amount	Source of Funds	Total Amount
Marketing, events, website	$1,790,000	Proceeds/Fund Benefits	Up to $6,000,000 (for 2015 competition)
General and admin	$1,700,000		
Incubator space and mentoring	$ 510,000	Private funding/other funding sources/sponsors	Approx. $1,000,000 (for 2015 competition)
Awards to winners	Up to $10,000,000 (for 2015 and 2016 competitions)		
Total:	**$14,000,000**		

REGIONAL IMPACT MEASUREMENTS	
Number of Jobs Retained:	Approximately 5 positions.
Number of Jobs Created:	TBD, based on business development by competition winners.
Average Salary of Jobs:	TBD.
Indirect Jobs Created	TBD based on semi-finalists locating in Buffalo-Niagara region.
Other Impact	Enhanced venture capital investment in the region.

Western New York Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

PROJECT DESCRIPTION (Adapted from application)

43North, the successor to Launch NY, would continue to operate the world's richest business idea competition through two separate competitions, one in 2015 and a second in 2016. The applicant is seeking funding in this application to support the 2015 competition. In 2015, the applicant would offer up to $5M in awards to multiple business winners.

The program would include global outreach through social media, in-person roadshows, and use of traditional media to promote 43North and business investment in the Buffalo-Niagara region. In addition, 43 North will begin incubating the winners from the 2014 competition and future competition winners in the new incubator space in Buffalo and in collaboration with other local entrepreneur support services from organizations like Buffalo Niagara Partnership. UB STOR, CEL, Insyte and Launch NY, 43North would host entrepreneur and innovation focused education and mentoring programs. 43North would also host a global audience during "43North Week" which would be held each year when the winners of the business idea competition would be selected. 43North would be a catalyst for entrepreneurship and business investment in Western New York, attracting entrepreneurs and venture capital investment to Buffalo from around the world as well as enhancing Buffalo's image as an attractive place for start-up businesses to be located.

The applicant intends to seek funding to support the 2016 competition at a later time. The applicant could seek another award of Fund Benefits and/or seek funding from other available State resources to support the 2016 competition.

OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED

ESD:	$	NYPA:	$
IDA:	$	Other:	$

PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED

TYPE	AMOUNT	STATUS
WNY Fund Proceeds	$5,418,000 to predecessor of 43North (Launch NY)	Awarded and partially disbursed

BASIS FOR RECOMMENDATION

Continuing the competition aligns with the entrepreneurial strategy and will of the Western New York Regional Economic Development Council and Governor Cuomo's Buffalo Billion Investment Development Plan.

The first year of the Launch NY/43North business competition succeeded in achieving significant positive media impact for Buffalo locally and nationally, with over 301 articles written, including in Forbes, Business Insider, and Fortune Magazine. In addition, 43North attracted over 2,600 qualified applicants to the competition from every U.S. state and 96 countries, demonstrating that Buffalo can be an attractive location for start-up businesses. The competition successfully held a "43North Week" event to showcase the finalists and awarded 11 winners. Over 30 start ups also participated

in the Bright Buffalo start up forum. The continuation of this program has the potential to result in over 30 direct new starts ups in Buffalo, plus other "trailing" semi-finalists who choose to start their business in Buffalo and venture capitalists choosing to invest in Buffalo because of the pool of growing start-ups. This in turn can catalyze direct and indirect job growth and aligns with the WNYREDC to support entrepreneur development.

The Buffalo Niagara community has demonstrated tremendous support for this program by providing in-kind marketing and event support services from the Buffalo Niagara Enterprise. In addition many area business and economic development partners (including Insyte, UB STOR and CEl and Launch NY) provided and offered on-going mentoring support services to semi-finalists and competition winners. Other area organizations including the Buffalo Niagara Partnership and Leadership Buffalo have come together to develop programs to provide personal and business support to the competition winners. Going forward, 43 North will continue to seek collaborative support from area mentors, economic development partners and funders to provide optimal support to competition winners helping enhance their growth in Buffalo.

DISBURSEMENT TERMS

Use of Fund Benefits:

Fund Benefits would be used for (1) working capital including, but not limited to, personnel, marketing, incubator services and overhead (approx. $1,000,000), and (2) prizes for winners of the 2015 competition (up to $5,000,000).

The competition will be held in 2015 with a total of up to $5,000,000 in prizes awarded. All winners would be offered incubator space and support services and be required to locate their business in Western New York for at least one year following completion of the competition.

Possible Disbursement Terms:

Staff recommends that the Allocation Board recommend that NYPA consider the following terms and conditions relating to disbursement of Fund benefits, in addition to such other terms and condition NYPA may require, in any contract with 43North:

1. Operating Expenses Funding

Initial advance of up to $1,000,000 for operating expenses, disbursed upon execution of grant contract between NYPA and 43North and subject to such conditions and milestones to be determined by NYPA.

2. Award Funding
    a. Up to $5,000,000 may be disbursed upon awarding of prizes pursuant to business plan idea winners in 2015 competition, provided that the total amount of Fund

Benefits for operating expenses and award funding may not exceed $6,000,000.

b. A portion of the total award shall be subject to recapture if 43North fails to meet certain reporting and other requirements set by NYPA.

3. Miscellaneous

a) Pre-approval by NYPA of: 43North's marketing plan and budgets.
b) Pre-approval by NYPA of the process for selecting finalists and winners, the final number of awards and the final amount of individual awards.
c) Pre-approval by NYPA of competition criteria.
d) Annual written reports to NYPA which address the following information at a minimum:
i) Number, name and amount of prizes awarded to each of company.
ii) Marketing impact – positive media hits about 43 North and WNY
iii) Status of all prior 43 North winners, including location, number of jobs and other funds raised each year following award by 43 North.
iv) Other funds (including sources and amounts) raised to support 43 North.
e) Additional reports to address specific issues as NYPA may require.
f) 43North shall require winners to agree to certain conditions to be determined by NYPA.
g) 43North shall provide updates and solicit input from NYPA, and its designees, on no less than a quarterly basis.
h) Pre-approval by NYPA of certain of 43North's expenditures.

Exhibit "A"

STRATEGIC INITIATIVE BUSINESS PLAN for

Workforce Planning

Executive Sponsor	Jim Pasquale
Initiative Owner	Phil Toia
Project Manager	Karina Saslow
Initiative Team	Lori Alesio; Emily Alkiewicz; Bryant Bullard; Daniel Johnsen; Mija Kim
Initiative Start	January 2015
Initiative End	December 2017

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EXECUTIVE SUMMARY

Strategic rationale and drivers of the initiative

Throughout the history of its existence, NYPA has been at the forefront of many of the initiatives in the energy industry. From harnessing the power of the Niagara and St. Lawrence Rivers and building much of the backbone of the State's transmission grid, to installing energy efficient technologies and renewable resources throughout the State, NYPA continues to provide reliable, low-cost power to the residents of New York State.

The changing landscape of the energy industry, coupled with the increasing competition for Science, Technology, Engineering and Math (STEM) skills make it critically important that NYPA develop the systems and processes to build a knowledgeable, flexible and agile workforce. The Workforce Planning Initiative will help lay the foundation for the organizational changes necessary for NYPA to fully implement many of the projects envisioned by the other strategic initiatives.

The project team performed an analysis of the current state of NYPA's workforce planning systems and processes and developed a roadmap to move NYPA to the desired future state. Many of the projects identified in this business plan are incremental changes to existing systems and processes necessary to move NYPA from the current state of headcount planning/workforce reporting to strategic talent and workforce planning.

However, several key projects were identified that are more transformative in nature, resulting in significant steps forward for the future NYPA workforce. Two such initiatives are NYPA University and the Workforce Development Center. NYPA University will capitalize on, and expand upon, existing employee development opportunities, such as the MBA program. It is envisioned that this initiative will create an employee portal that will provide employees with the means to explore the available in-house and external training programs. Employees will be able to create individualized development plans to meet their career goals while establishing a pipeline of talented and highly skilled resources capable of meeting the future needs of the organization.

The Workforce Development Center will also create a pipeline of skilled trades employees for NYPA and other businesses within New York State. The proposed center in Western New York will offer programs in skilled trades that have become increasingly difficult to find qualified workers. This will ensure that NYPA continues to have qualified employees necessary to build and maintain the energy infrastructure of the future.

The projects identified in this initiative will provide benefits to both NYPA management and employees. Management will be given the processes and tools to identify the future skills required to compete in the energy industry. These processes, combined with data available on current employees, training programs and skills available in the marketplace, will lead to a strategic decisions on the use of internal resources vs.outsurced contractor and consultant resources, resulting in cost savings. Employees will have a clear understanding of the future needs of the organization, as well as, potential career paths available to them. This will lead to improved employee engagement, resulting in improved efficiency and safety performance.

Financial Summary:

As envisioned, the projects are expected to have a benefit/cost ratio of 1.31 up to the year 2020, with continued positive results beyond 2020. This is based on cost estimates of slightly more than $18 million, mostly in the areas of the Workforce Planning system and development of the training programs. Benefits of $24 million will be realized by improved efficiencies attributed to improved employee engagement, improvements in employee attraction and retention and decreased costs due to improved safety performance.

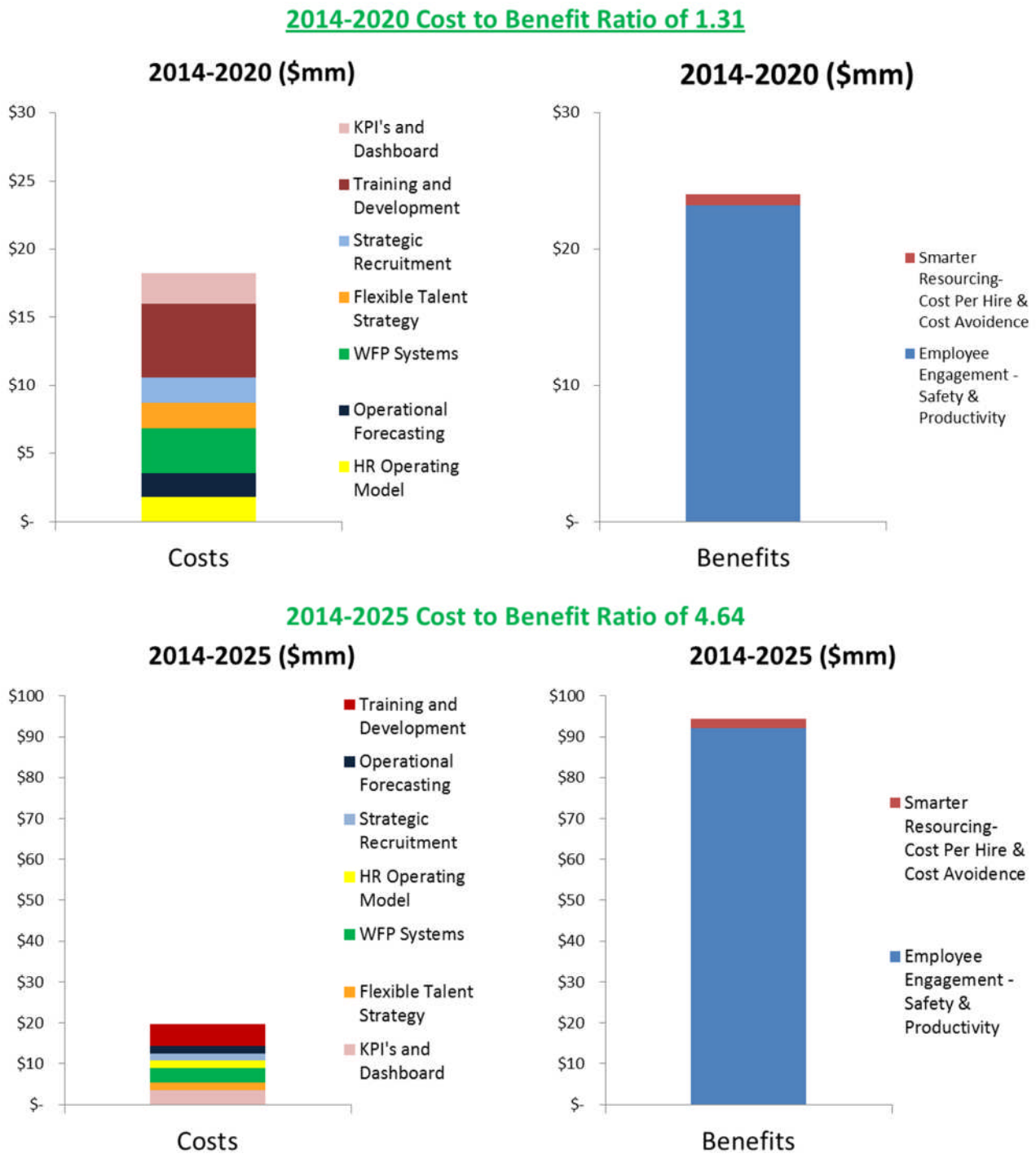


Figure 1: Initiative costs and benefits

High Level Timeline

The projects will begin in 2015 with the continuation of the Workforce Planning System implementation plan, the roll-out of a pilot program for the Forecasting Business Operational Needs and the start of the NYPA University project. Full implementation of the initiative projects is expected to be completed in 2019, with on-going operational funding and support beyond.

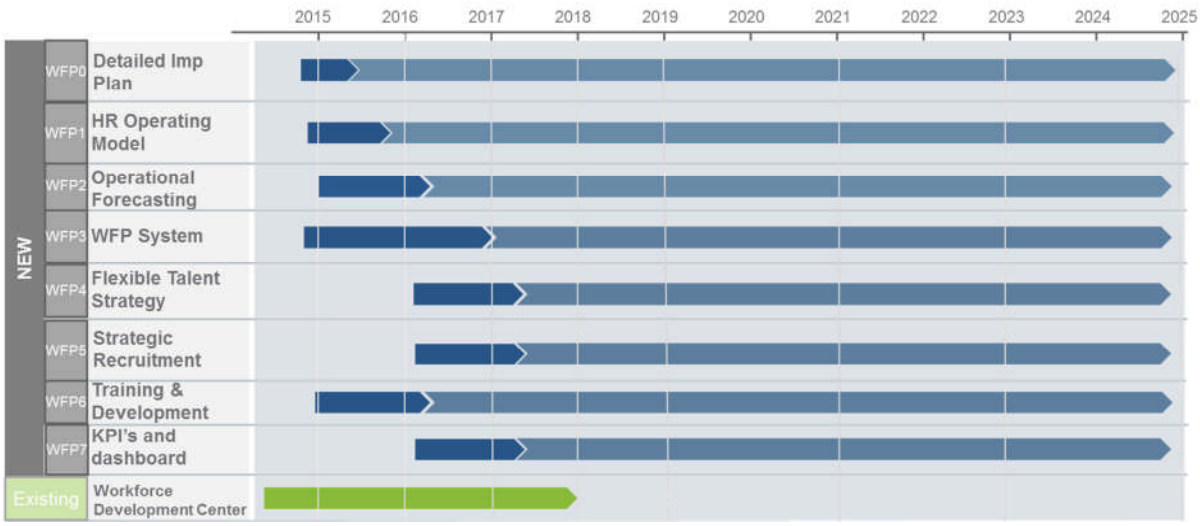


Figure 1: High level work plan

Key Risks of the initiative

- The initiative is perceived as being relevant to the HR function only – the Workforce Planning initiative is an initiative that will deliver benefit across the business and will therefore need to be driven by the end to end organization for it to be truly successful
- The success of other key strategic initiatives such as Customer, Asset Management and Smart G&T will be reliant upon the stepped improvement of core business competencies that the Workforce Planning initiative is planning to address (e.g. forecasting, recruitment, training, development and retention)

STRATEGIC RATIONALE

Business strategy and rationale

The 2014 Strategic Plan outlines a transformation of NYPA into an organization that leads the industry in delivering innovative customer services, deploying smart technologies and applying internationally recognized asset management standards. The combined impact of initiatives targeted in each of these areas will deliver enhanced value to our customers, secure optimal operation of our generation and transmission (G&T) assets and support the dissemination of lessons learned in the deployment of cutting-edge industry technology. Effective delivery in line with these aspirations will require a corresponding internal transformation of NYPA into a dynamic, agile organization that is able to quickly respond to external changes in the energy industry. Establishing a workforce that exhibits these traits will be critical to NYPA's success. This highlights the need for, and importance of, a targeted workforce plan that will support the recruitment, development, training and retention of staff with the skills and capabilities to secure the effective delivery of NYPA's strategic vision.

The workforce planning initiative will not only support the successful implementation of the transformational strategic initiatives proposed as part of the strategic vision but will also secure successful ongoing operation of NYPA in a rapidly shifting environment. A host of drivers indicate that there is a need for a formal, cohesive and comprehensive workforce planning approach at NYPA.

- **A need to align resources to future skills and competencies:** If NYPA is to successfully transform in line with the aspirations set out in its Strategic Vision, it will need to attract and develop staff with the skills, capabilities and competencies to effectively design, develop, implement and maintain the customer solutions, asset management and Smart G&T initiatives discussed above. Each of these initiatives are in the early stages of development but, even now, are placing new resource and capability demands on NYPA; demands that will only increase over time. These three initiatives are not, however, the only changes to which NYPA will need to adapt. The Strategic Vision includes two additional strategic initiatives related to knowledge management and process excellence that will enhance NYPAs internal operations and further establish the foundations to support its transformation. All of this is set within the context that the New York energy industry is evolving rapidly and will present opportunities for, or place new obligations on, NYPA. The combination of these factors point to a change in resource needs, the pace of which will only increase over time. NYPA needs to proactively assess how these changes will impact resource requirements now and into the future so that it can align its workforce strategy to these needs.

- **Maintaining the knowledge / capability base of employees:** The profile of employment for NYPA staff is changing, from careers that typically spanned 25 to 30 years to a much shorter employee tenure. Current data indiactes that 50% of NYPA employees have less than 10 years of experience at NYPA. In addition, the NYPA workforce is aging and this is leading to a retirement bubble in which 26% of employees are eligible for retirement in the next five years. The combination of these factors is creating challenges for the retention of both knowledge and capabilities, particularly as much of the institutional knowledge that those leaving take with them is undocumented. While the knowledge management initiative will help address this issue, there will be further benefits from a workforce planning approach that incorporates training and development opportunities as well as establishing defined career paths that expose employees to a range of different working environments across NYPA. Thus ensuring that the time it takes to get employees operationally effective in their roles is minimized and the value delivered to the business by each employee is maximized.

- **A need for agile, flexible workforce practices:** Within NYPA, a number of current practices reduce the learning and development opportunities to which our staff have access. For example, hiring is restricted to backfilling open positions rather than identifying replacements for positions that are soon to become

vacant and this limits the abaility of staff to grow their skills proactively. The development of staff is silo'd within business units and this limits opportunities for cross- organization or function development. In addition, there are limited opportunities for managerial or capability based training which means that we don't always have the bench strength to fill senior roles. Each of these examples illustrates the need for a renewed focus on training and ways to realign our current approach to the needs of the workforce particularly given the challenges that staff will face in supporting the transformation of NYPA.

- **Competition for scarce resources in the labor market:** Many of our core functions are related to the construction, operation and maintenance of our G&T assets, functions that require the support of skilled engineers and trades people (STEM skills). However, the availability of resources with these skills and competencies in the labor market is reducing. As a result, there is increasing competition for candidates with these skills from both power utilities and other industries that have a focus on large infrastructure. We are constrained in our ability to compete for these resources as our compensation / rewards programs are restricted and this means that we are often unable to match the compensation offers that our competitors make. While our moves toward realigning our base salaries and benefits to prevailing compensation levels in the labor market are a step in the right direction, there is a need to utilize other levers, both monetary and non-monetary,to reward prospective and existing employees at various stages of their careers.

Each of these drivers indicate that the development of a workforce plan that places renewed focus on our strategy for recruiting, developing, training and retaining employees will ensure we have access to staff with the right skills and capabilities to support NYPA's transformation into an industry-leading organization.

Alignment with strategic goals

Strategic goal	Degree of impact	Description of impact
Financial Effectiveness	Positive – Low	Informed decisions based on accurate data will maximize return on investments
Operational Effectiveness	Positive - High	NYPA will have the required resource and capabilities to effectively operate and maintain its assets which will secure optimal levels of power generation and transmission.
Value From Energy	Positive – Low	Customer facing NYPA staff will have required skills and capabilities to support customer decisions about energy services and ensure they attain maximum value from this.

Alignment with key values

Values	Degree of impact	Description of impact
Sustainability	Positive – Medium	Effective day-to-day operation will be more sustainable as required skills and capabilities will reside within the organization
Safety	Positive – High	Employees will have access to critical operational skills and capabilities which will improve safety
Compliance	Positive – Medium	Maintain compliance with the right experience, skills and capabilities
Environmental Responsibility	Positive – Low	Employees will better understand environmental requirements and obligations
Employee Development	Positive – High	Employees will have visibility regarding career pathways and developmental opportunities to proactively influence their own development
NYS Energy Plan	Positive – Medium	A more agile workforce will be better equipped to respond to changing industry conditions and deliver in line with the NYS Energy Plan

INITIATIVE OVERVIEW

Description of the opportunity

The transformation of NYPA envisaged under the Strategic Vision will require a proactive workforce strategy that ensures NYPA not only has required resources as needed to deliver key outcomes but that staff are given opportunities to further develop so that they are equipped to quickly adapt to emerging industry conditions. To establish and maintain this agile workforce NYPA must create and embed a workforce plan that provides transparency about resource needs both now and in the future and establishes a targeted strategy to support these. The workforce plan will perform a number of different functions.

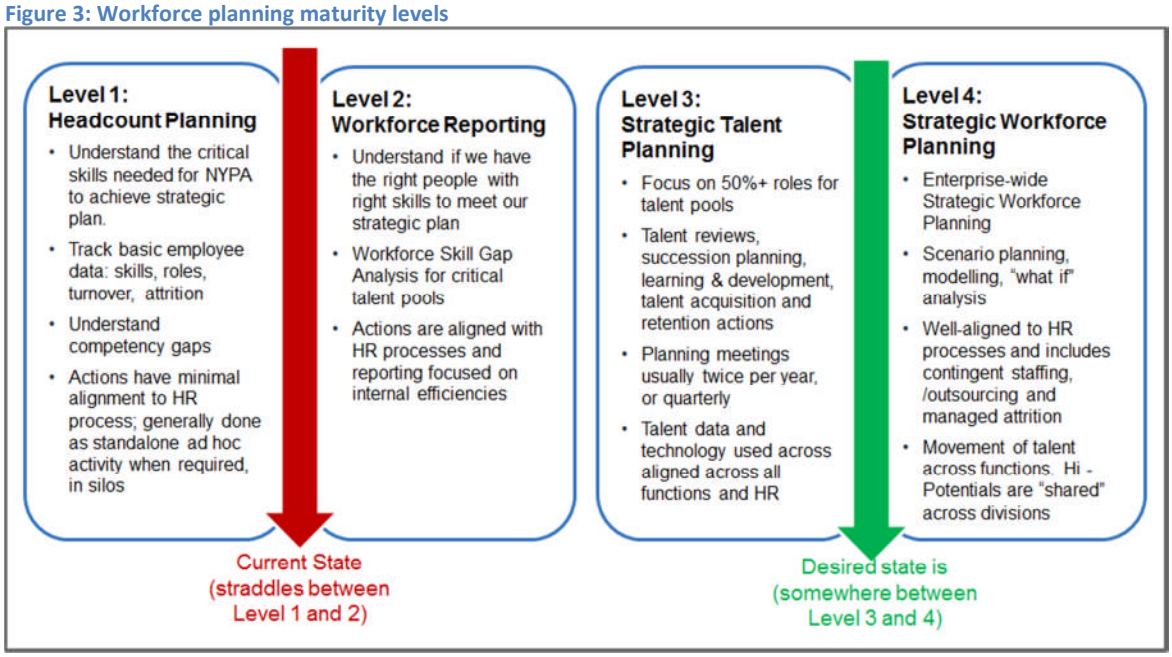
- Provide insights into internal and external NYPA developments that will impact workforce needs;
- Help NYPA to anticipate required knowledge, skills and competences that will be essential to support effective delivery in the context of these emerging business drivers;
- Allow NYPA to proactively identify, attract, develop and retain required knowledge, skills and competencies to ensure resources are available at the time they are needed; and
- Ensure NYPA has an overview of the current workforce gaps (from both a skills and quantity perspective) so as to ensure that the most effective and efficient measures that can be used to bring the workforce to the right level.

The full and successful implementation of a workforce plan applicable across all NYPA departments and strategic initiatives will ensure that there is forward looking clarity about gaps in skills and capabilities as well as a strategy to fill these via recruitment of new resources or development of existing staff.

Initiative vision

The planning of workforce needs and implementation of strategies to address these is already an integral part of NYPA's internal operating model. However, recognizing the transformation of the organization set to take place to deliver in line with the provisions of the strategic vision, we are proposing to enhance the maturity and associated sophistication of the existing approach. Figure 3 illustrates the various maturity levels associated with workforce planning

Figure 3: Workforce planning maturity levels



At the most basic level of 'headcount planning', companies understand the skills required to support delivery of key outputs and track basic employee data but workforce planning is not aligned to or embedded in the overall HR strategy. At level 2 'workforce reporting', there is more understanding of whether the organization has the necessary skills to deliver key outputs as well as skill gaps that exists in priority work areas and where action is subsequently taken this is aligned to HR processes. Both of these stages are focused on what has already taken place in the workforce and are more reactive. At level 3 'strategic talent planning' there is a shift towards being more forward looking with a greater focus on talent management and a clear understanding of talent needs for more than half of the roles in the organization, regular meetings to plan talent needs and dedicated talent data that is aligned across the organization. At the most mature level of 'strategic workforce planning' there is organization-wide workforce planning which is aligned to HR processes and supports the mobility of staff across functions. Level 4 is typically for organizations that operate in multiple countries and therefore require a more sophisticated approach. For these reasons, NYPA is not attempting to achieve a level 4 maturity. Our assessment of workforce planning at NYPA suggests that currently the organization is at a maturity level between 1 and 2 but there is an aspiration to achieve a maturity between levels 3 and 4.

If NYPA reaches its vision to achieve a maturity level of between 3 and 4, the workforce plan will provide:

- Full visibility about the capabilities of the existing workforce and how these will need to change over the short, medium and long term.
- An integrated recruitment plan and training curriculum which will address anticipated workforce needs as well as being flexible to unexpected demands that are placed on the workforce.
- Clarity to NYPA employees about the opportunities available to further develop their skills and capabilities via training or defined career path opportunities.
- Established metrics that are supported by targeted data collection and enable NYPA to continually monitor the performance of the workforce plan, making changes as needed.

Ultimately, the workforce plan will support the development of an agile workforce that can proactively adapt and respond to energy industry changes and focus on high priority outcomes to deliver the strategic vision.

Initiative scope

The intent is that the implementation of this strategic initiative will support an enterprise-wide workforce plan that encompasses all NYPA business units to establish an approach that is consistently applied across NYPA. This will not only ensure that there is transparency about the resource, skill and capability needs of the business, including the needs of the strategic initiatives, but will also support an understanding of the relative importance and criticality of workforce needs in each area.

The workforce plan and associated strategy will cover the full complement of the workforce as well as all aspects of the employee life cycle, from forecasting of resource and talent needs, to attraction of required staff, provision of development opportunities and retention of NYPA employees. Each of these aspects of the life cycle should be considered holistically in terms of the process, data, systems and people requirements which are illustrated in Figure 4 below.

	Forecasting	Attraction	Development	Retention
Process	Process to provide understanding of the people and organization capabilities required	Internal selection, external recruitment and/or procurement processes	Performance review/development processes and training programs	Promotion, comp/benefit, succession, internal transfer processes
Data	Existing workforce and future business needs data to inform workforce supply & demand	Business needs data to inform recruitment & procurement decisions	Performance review and development metrics and training effectiveness data	Promotion, comp/benefit succession, transfer plans and data
Systems / Technology	System / IT platforms to collect, store and manage WFP data	Resource/capability planning system / IT platforms to inform recruitment/procurement	System / IT platforms to support career planning, training and development	System / IT platforms to collate data and transparency with internal opportunities
People / Organization / Roles	Roles and capabilities required to address business needs	Decisions to build or buy certain roles/capabilities	Framework that provides competency expectations and development paths	Understanding of internal career paths, role and skills transferability

Figure 4: Scope of the workforce planning initiative

Consequence of maintaining status quo

Under the status quo workforce planning at NYPA will not be sufficiently mature to support the forecasting, attraction, development and retention of necessary resources to secure the full and successful delivery of the Strategic Vision. Under the status quo, we anticipate that workforce planning will be characterized by:

- Limited clarity about workforce capabilities across the organization;
- A loss of employees with critical skills and capabilities with no clear plan of how to mitigate this risk;
- Difficulties filling key roles as a result of increasing labor market competitiveness for key skills;
- A reactive requirement to secure short-term contractual staff to fill gaps which leads to greater costs and a loss of critical knowledge when these contracts end;
- Increased risks associated with safety, operations, regulation and policy due to the inability to fill key positions and/or the possibility that employees may not have required skills;
- Limited clarity and integration of NYPA workforce initiatives reducing the benefits delivered.
- Operating with disjointed processes and programs, e.g. PPR description, goals, career paths are not effectively aligned at the moment.

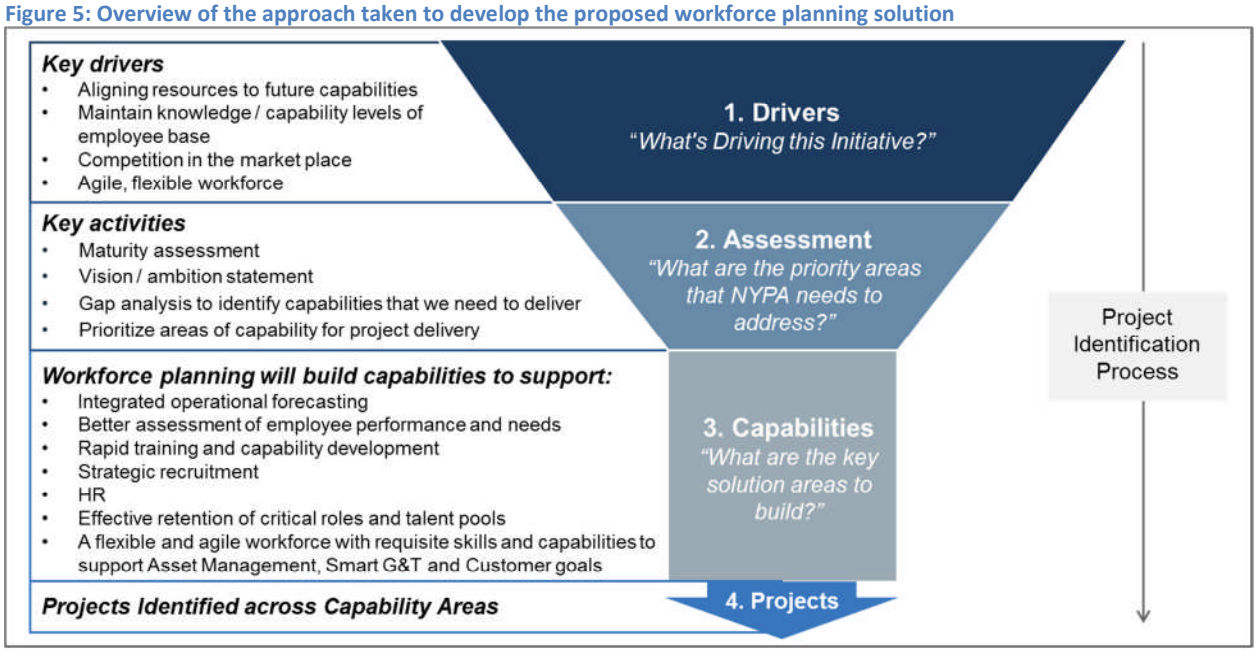
The development of a dedicated, comprehensive, enterprise-wide workforce plan that provides transparency about the skills and capabilities of the existing workforce including the way that these are likely to change over time and a strategy to address any gaps that are identified will help to avoid these outcomes.

SOLUTION

The approach to developing the solution

The team has taken a logical approach to the identification of a set of work streams that will support the development and implementation of an enterprise-wide workforce plan. Figure 5 illustrates the process the team adopted to identify the work streams that should form the focus of the workforce planning initiative.

Figure 5: Overview of the approach taken to develop the proposed workforce planning solution



First, the team assessed the drivers of the initiative. As outlined in the Strategic Rationale, effective delivery of the strategic initiatives will necessitate a change in the skills and capabilities of NYPA staff to establish an agile and flexible workforce that can quickly adapt to changing industry conditions. To develop these skills, strategies will be needed to more efficiently recruit staff and develop existing resources. Both activities need to be considered within the context of an increasingly competitive labor force and a changing profile of employment at NYPA.

Second, the team considered the objectives of the initiative**.** As outlined in the Initiative Overview, there was a need to understand the maturity of current workforce planning activities and develop a clear vision for the future of workforce planning at NYPA. This assessment supported the identification of gaps and allowed the team to prioritize areas of capability for project development.

The output of these first two steps was a clear understanding of the capability areas that the workforce planning initiative should focus on developing which are illustrated above in Figure 3. On the basis of these capability areas, the team developed a series of seven targeted work streams that would address each of these issues in turn, prioritized based on their ability to help NYPA move up the workforce planning maturity scale. Each of these work streams is presented in the following section.

Proposed solution

The team adopted a robust process to identify gaps in current workforce planning capabilities at NYPA. This highlighted seven key capability areas that the initiative should target in order to develop and adopt an enterprise-wide workforce plan that will support delivery in line with the aspirations set out in the Strategic Vision. Figure 6 below presents an overview of the proposed workforce planning work streams.

Figure 6: The workforce planning projects

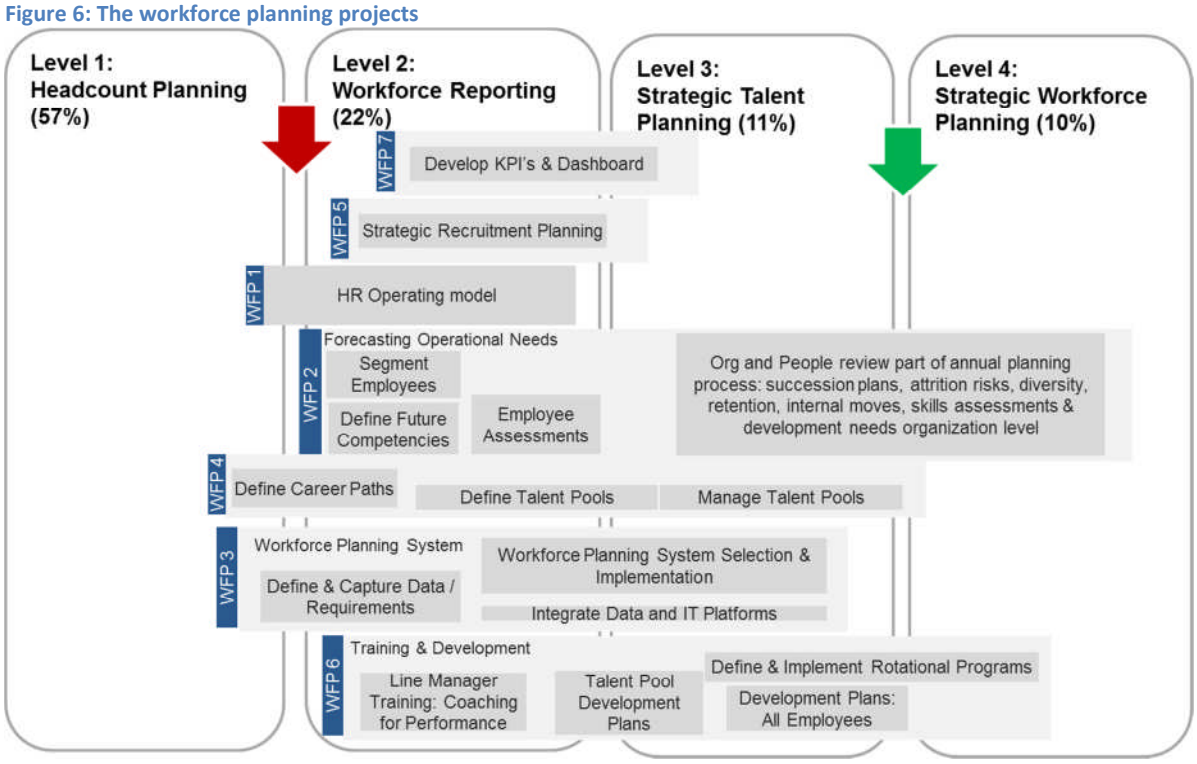


Figure 4 presents the seven work streams that comprise the workforce planning initiative, aligned to the levels of workforce planning maturity that each work stream will help NYPA to attain. While some can be considered foundational, e.g. the HR operating model work stream, others span a range of levels and can be considered progressive in terms of their level of maturity, e.g. the forecasting of operational needs. The following sections provide an overview of each work stream in turn.

WORK STREAM 1: HR operating model

A defined HR operating model is a critical foundational element required to support the full implementation of the workforce planning initiative. This will provide clarity to staff across NYPA about the role that HR will play in administering and maintaining the workforce plan as well as the respective role that each of the business units will have in this process. The NYPA HR operating model needs to be re-structured in order to drive meaningful change with regards to Workforce Planning and other strategic initiatives. We must target HR capabilities that fit the emerging strategic needs of the Authority. This will provide NYPA with a greater ability to anticipate and address workforce trends and energy industry market shifts. The team's initial view is that the HR team will have the following roles.

- **The roll out of the workforce planning tools across NYPA.** This includes a series of training sessions to educate staff on each of the elements of the approach and the roles that they will be expected to perform in keeping the workforce plan up to date.
- **The provision of support to business units during implementation.** For the initiative to be successful it will be critical that staff across all business units take responsibility for implementing the core elements of the workforce plan. HR will be expected to provide continued support to ensure that staff understand the approach that is being rolled out and are applying each element both effectively and consistently.
- **Long term point of contact.** HR will be the responsible point of contact over the longer term as the initiative matures and becomes business as usual. They will act as the conduit for key

information, either formally via a designated website or informally via email. They will also be expected to provide ongoing coaching support to business units about available processes and tools under the initiative.

- **Capturing, maintaining and analyzing workforce data.** A key work stream that falls under this initiative is the establishment of a workforce planning system that captures and analyzes workforce data. The HR group will be responsible for ensuring the continued capture of this data which will form the basis of metrics that will be used to assess the performance of the workforce planning initiative and identify potential areas for improvement.

A series of activities will need to be taken forward to refine the role and scope of HR in the implementation and ongoing support of the workforce planning initiative. This includes:

- An assessment of the impact of the initiative on outputs the HR team will be expected to deliver.
- A definition of the precise role of HR in this initiative via a clear workforce planning strategy.
- An assessment of the potential gaps in the capability of the HR team which will need to be filled prior to the team assuming the roles defined under the workforce strategy.
- A potential review of the existing structure of the HR team to determine whether a new organizational design, including revised roles and responsibilities, is needed.

The development of a defined HR operating model will establish clear roles and responsibilities for the roll out of the workforce planning strategy and, by inference, provide staff across NYPA with targeted support for the effective implementation and maintenance of the initiative. Providing a defined point of interaction between HR and business units will also help to ensure that a more cohesive and consistent approach toward workforce planning is taken across NYPA providing the foundation to move the organization toward level 4 planning.

WORK STREAM 2: Forecasting business operational needs

An understanding of current workforce capabilities and future resource needs will provide transparency around the skills and capabilities of NYPA staff that will need to change over time and is critical to the development of a valuable workforce plan. Much of the work associated with forecasting business operational needs can be considered to provide a foundation for the workforce planning initiative in that it will support NYPA in reaching a maturity level of 2. Forecasting business operational needs is an important and necessary aid to planning and planning is the backbone of effective operations. It helps NYPA management make more informed decisions about where resources will be required in the future as well as the skills/capabilities of current staff that could be used in new critical roles. This effective planning will ultimately allow NYPA to move up the maturity curve. A number of activities will need to be taken forward to support forecasting of business operational needs.

- **An understanding of the data to be collected.** The team will need to develop a more formalized skills framework that clearly identifies the types of resources NYPA needs to secure for various different roles across the organization. This will provide structure to the process of assessing the existing workforce as well as the future resource needs that NYPA will have.

- **Collection of data on current NYPA resources.** At present NYPA has limited understanding of the skills and capabilities of the existing resource base across the organization and the workforce planning team will therefore need to collect relevant data to provide a clearer picture of the competencies of existing staff. This process should commence with a focus on 'critical roles' across the organization and be extended to all roles within NYPA as the workforce planning process matures.

- **Gap analysis.** The focus of this activity will be to assess current gaps in skill and capability needs at NYPA as well as the way that this will change over the short, medium and long term which will ultimately be influenced by changes in delivery expectations over time. This will provide clarity to the team about headcount needs both now and into the future as well as the skills and capabilities that these resources will need to have.

- **Workforce planning roadmap.** Once the team has clarity about resource needs and how these will change over time, it will be possible to develop both headcount and role requirements which will, in turn, be used to support the development of a recruiting strategy under work stream 5 and the training and development approach under work stream 6. Given the potential scope of resource requirements both now and into the future, some prioritization will need to be applied to the development of role requirements across the organization.

- **Implement a cyclical process.** The initial process of establishing forecasting arrangements for business operational needs will be supported by additional resources in HR, as well as, existing resources from the business units. Once the process is developed and refined, the process will be embedded in the annual business plan process for the respective business units and will be supported via a realignment of existing resources. On a cyclical basis, the needs of the organization and the way that these have changed should be revisited and updated to ensure the picture of skill and capability requirements remains current.

For the forecasting tool to be accurate and reliable, it will be important that the approach taken to develop the skills framework and collect required data is collaborative, involving a range of key representatives from across the organization. Not only will this secure the accuracy of the tool but will also help ensure the credibility of forecasting and therefore support integration of the model across NYPA business units. All of this will help ensure that forecasting becomes a part of the regular business planning cycle and is effectively embedded within each of the business units rather than being a process driven by HR.

The greater clarity that the forecasting tool will provide surrounding skill and capability needs over the short, medium and long term will allow NYPA to be more proactive in the process it adopts to secure resources needed to deliver future planned projects or new regulatory obligations. Understanding the skills and business needs will effectively balance the makeup of NYPA regular and procured resources. Improved workforce planning engagement with the business will also place NYPA in a better position to react to changing operational needs by providing insights about the capabilities of existing staff and gaps that may need to be filled to deliver under changing circumstances.

WORK STREAM 3: Workforce planning system

An effective Workforce Planning System will ensure that there is a single integrated repository to store all relevant data. It will provide a unified picture of 'the truth' and support the collection of data that can be used to calculate metrics to monitor performance against the workforce plan. It will also support effective and integrated decision-making across all business units within NYPA. This system should be established and administered by the workforce planning team but there will be an expectation that representatives from each of the business units will be responsible for inputting and maintaining relevant data over time.

For the system to be of use to workforce planning efforts across the organization, it will be important that key representatives are involved in the process of defining data requirements and refining these over time. The data requirements will need to be based upon an assessment of the current and future data necessary to support forecasting of competency needs and recruitment of resources as well as development and retention of existing staff.

Clarity around data needs will allow NYPA to initiate discussions with software providers that can support the development of a dedicated workforce planning system and advance through the process of selecting an appropriate provider. It will be critical that the specifications of the software system that is selected are such that integration with existing data and IT platforms in place at NYPA are supported.

WORK STREAM 4: Career paths and talent pools

The vision for the workforce planning initiative includes an aspiration to create a cross-organizational flexible workforce as well as the intent to establish clear opportunities for NYPA staff to further develop their skills and capabilities. The development of career paths and associated talent pools will support delivery of both of these elements within the workforce planning vision. Career paths provide roadmaps for employee development related to the area of the organization they work in as well as for the organizational positions they aspire to attain. Talent pools are groups of high-performing, high-potential employees that have the capacity to assume greater responsibility in the organization. The two concepts are inherently linked. Career paths provide clarity to individual employees about the opportunities available for them to progress within the organization while talent pools provide transparency to the organization about available resources that could assume key responsibilities on the basis of their skills and capabilities.

The main activities that will need to be completed as part of this work stream will be to develop distinct career paths for the various business units across NYPA and establish defined talent pools that distinguish employees that have key skills and capabilities. It will be important to effectively manage both career paths and talent pools once they are defined. The career paths should be periodically updated over time to ensure that they fully reflect the opportunities that are available to employees as well as the requirements with which staff will need to comply to attain key roles within the organization. The talent pools will also need to be regularly updated to reflect changes in the employee base and remain current. For the tools to become embedded within the organization, appropriate communication channels need to be established with employees around the availability and value of the career paths while appropriate governance of the talent pools will be needed to ensure they are used by relevant managers across the organization.

This work stream will support flexibility within the workforce by supporting the movement of employees with defined skills and capabilities around the organization, thereby increasing their exposure to a variety of business issues and enabling them to more effectively adapt to changing circumstances. In effect, this will help NYPA to respond quickly and appropriately to changing industry demand. In addition, by providing these individuals with valuable opportunities for career development, it will help to increase employee morale and improve overall retention as employees will have less need to look externally for new opportunities.

WORK STREAM 5: Strategic recruitment planning

Recruitment of highly skilled talent is becoming increasingly competitive, particularly for roles that require technical competencies. This underscores the value of a defined recruitment strategy that first enhances NYPAs brand in the external labor market to attract high calibre resources and second identifies the channels that will enable NYPA to target highly skilled candidates. Establishing a clear strategy for recruitment within NYPA will also ensure that the approach taken by business units across the organization is consistent and cohesive.

A first step in defining a recruitment strategy for NYPA is to develop and agree upon a clear brand. This will likely be an extended undertaking and, to ensure that the agreed upon brand is reflective of the environment across business units and locations, it will be important to involve a number of representative stakeholders from across the organization. The process of developing this brand could comprise a number of working sessions to allow for brainstorming of ideas and open discussion of the options. A second step is to identify recruitment channels that are available to NYPA, identify the benefits associated with each and design a strategy for utilizing these different tools.

A necessary improvement to NYPA's existing recruitment planning model is a more effective use of contractors and consultants. The companies that are most successful at strategic recruitment planning learn when it's best to buy talent (through recruitment or use of contractors/consultants) and when it's more effective to build it (through training and development of existing staff). Where the overarching recruitment strategy is successfully designed and implemented, it will help to reduce the time that it takes to fill vacant roles within the organization, in some cases allowing for a transitional period for staff that are set to leave the organization. Improvements to the recruitment process will also lessen the need for contractors and consultants. Clarity surrounding the strategy and NYPA brand will ensure that candidates receive appropriate messaging and are attracted to NYPA based on actual opportunities which will improve the likelihood of retaining those resources for a longer period of time.

WORK STREAM 6: Training and development

Gaps in the skills and capabilities of the NYPA workforce can be addressed via recruitment or through targeted programs of training and development. Training and development not only offers a cost effective way of securing these required skills and capabilities but also presents employees with opportunities for career progression and therefore helps to improve employee retention over time. Where employees have clarity around the training and development opportunities available to them, they can link these to their career paths to enable them to plan and manage their progression at NYPA.

To fully capitalize on all of the benefits of the current and future training programs, the concept of NYPA University is proposed. Initially, NYPA University will be launched as an employee portal for access to all of the training and development programs both, internal and external, available to NYPA employees. It will provide, via NYPA Powernet, one-stop shopping for employees to explore, register for and track their training participation. The concept will be further developed over time to link career paths, succession planning and training to enable employees and management to develop customized training curricula to meet employee career goals and NYPA's skill needs.

Most importantly, we are not starting this project from scratch. NYPA has established talent development programs, technical training courses and an MBA program in place and is in the process of putting in place an updated LMS system.

WORK STREAM 7: Develop KPIs and dashboard

Work stream 3 proposes to establish a workforce planning system to store data. The ease of access and broad availability of this data will allow NYPA to develop key performance indicators (KPIs) and an associated dashboard to support monitoring both outlook and progress of the workforce planning initiative. The KPIs and dashboard will perform two purposes. First, they will provide key indicators that allow NYPA to forecast future resource and skill needs and therefore create flexible development programs. Second, they will allow NYPA to monitor the success of the workforce planning initiative against key HR statistics including recruitment, development and attrition levels for example.

Suggested business model

The foundation of the workforce planning initiative is a strong core team responsible for the development, implementation, and sustainability of workforce planning at NYPA. The dedicated team will secure the long-term success of the initiative with key roles focused on:

- Developing a workforce planning strategy;
- Coordinating workforce planning activities and projects;
- Providing training and ongoing support to business units on the use of workforce planning tools;
- Engaging business units and departments through regular communications and activities; and
- Measuring and tracking workforce planning activities.

The team will initially comprise two to three full-time resources which will be increased to up to eleven full time equivalents via the use of contractors during peak periods when all of the seven work streams are being implemented in parallel. The intent is that the majority of the workforce planning positions will be filled by qualified internal employees to capitalize on institutional knowledge and allow the team to commence its first project in early 2015. Upon completion of the initiative, HR roles will be realigned to support the new workforce planning model.

The team will continue to engage consultants and partner with energy companies on emerging best practice to ensure that the approach adopted by NYPA draws on lessons learned by others in the implementation and maintenance of a successful workforce planning approach. Focus will also be placed on exploring lessons learned from the approach implemented at NYPA, with amendments to the approach made as appropriate to build on those elements that worked well and revise those elements that did not support desired outcomes.

An enterprise-wide awareness of the workforce planning initiative will be critical to make sure that staff across NYPA understand each of the elements of the approach and the implications that the changes to workforce planning at NYPA will have for their work. Critical importance should be attached to change management when implementing a new workforce planning approach as behavior and cultural change on the part of all staff across NYPA will be necessary to embed the initiative. For this reason, a targeted change management program will be rolled out focused on identifying influential stakeholders across NYPA, communicating key messages around the changes set to take place and encouraging their input in developing the approach to workforce planning.

Suggested governance structure

The workforce planning organization will be located within the HR department. A key work stream within this initiative is focused on developing an operating model for the workforce planning organization. The governance structure will need to consider how best the initiative will interact with other departments across NYPA and what this will mean in terms of broader changes to roles and responsibilities in other teams. Discussions around governance of the workforce planning initiative will be progressed as a priority to ensure that there is clarity surrounding respective roles and responsibilities. This will allow the team to make decisions about the areas of the workforce planning approach that should be prioritized including the roles and responsibilities needed to support this work. In the interim period, the work required to progress the workforce planning initiative will be taken forward by the existing HR department. Governance will be critical if the interdependencies between Workforce Planning and the other initiatives are to be managed effectively.

BENEFITS AND REVENUE

High-level benefits

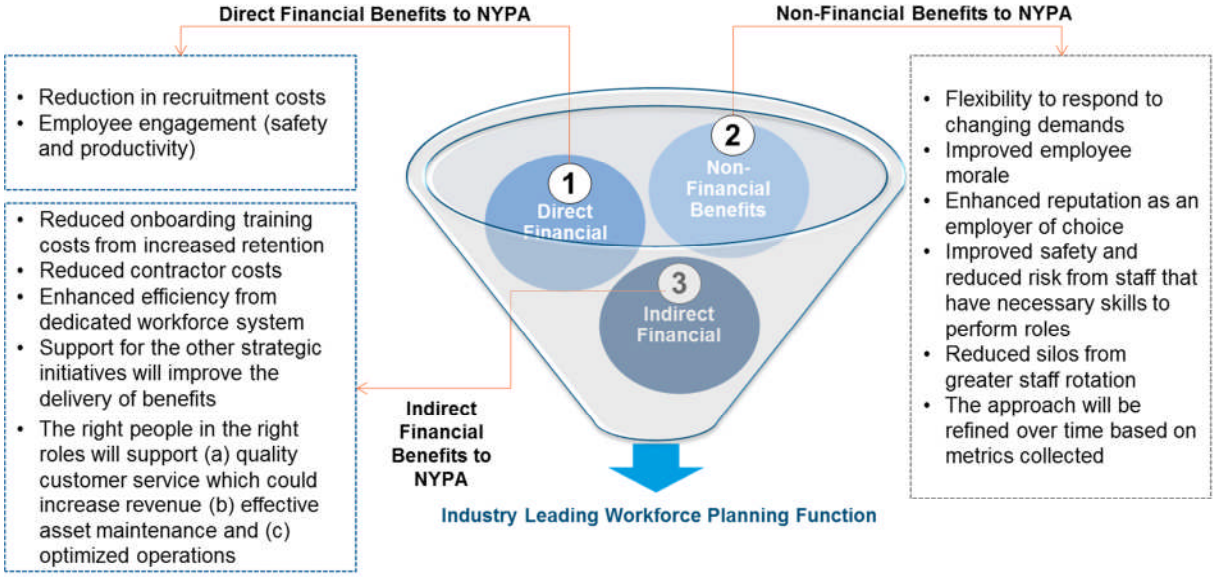
The overarching benefit of this initiative is that it will provide a strong foundation for the transformation of NYPA as outlined in the Strategic plan. It will also support the delivery of outcomes anticipated from the Smart G&T, asset management and customer solutions initiatives.

More specifically, the workforce planning initiative will transform NYPA into an agile and flexible organization that can quickly adapt to changes that occur in the external market.

Accurately quantifying the benefits associated with the implementation of this initiative is challenging as very little quantitative data exists around the successful transformation of a utility work force. However, through a series of studies and engagement with other utilities, a compelling blend of financial and non financial benefits that make this initiative attractive are presented below in Figure 5.

The quantified benefits from this initiative are based on research and findings from a number of sources including meta-analysis studies; academic reports; NYPA sustainability annual reports; and benchmarking data. Research illustrates a number of significant benefits and costs savings relating to workforce planning maturity in areas including Employee Engagement, safety and productivity; capability building and smarter resourcing.

Figure 7: An overview of financial and non financial benefits associated with the initiative



Financial Benefits:

The team identified two key groupings of financial benefits:

<u>Employee engagement on safety and productivity</u>

In terms of the impact of improved employee engagement on safety and productivity, a meta-analysis research study from Gallup shows a number of direct correlations with the most engaged organizations displaying 48% lower safety incidents and 21% higher productivity than the least engaged organizations. Based on this research and NYPA's workforce planning maturity aspirations, there is the potential to decrease recordable safety incident rates and achieve up to 42% less safety incidents. Regarding productivity,

increased employee engagement is expected to yield 17.5% higher productivity which will provide NYPA with significant additional resource that can be redeployed to meet other business needs and strategic initiatives.

Due to the number of variables and less aggressive benefits, a conservative approach was taken with this specific category. It is projected that over seven years the financial benefits will peak at $13,609,646 by 2020.

Smarter staff resourcing: reducing cost per hire and cost avoidance

Academic research has also demonstrated that best in class resourcing approaches can reduce costs by up to 50%. Based on an assessment of NYPA's current maturity regarding workforce practices, there is the opportunity to reduce and redeploy resourcing related costs by up to 8% each year and achieve 52.5% reduction and cost efficiency by 2020. NYPA also has the opportunity to strengthen and build its internal capabilities with less reliance on its outsourced consulting/contract workforce. The benefit currently associated with this category equates to $283,727 by 2020. This benefit category is anticipated to be much larger if additional contingency workforce costs and ratios are calculated and included.

Category	2014	2015	2016	2017	2018	2019	2020	Post 2020
Employee Engagement - Safety & Productivity	$ -	$ -	$ -	$ 2,362,905	$ 4,590,345	$ 6,953,250	$ 9,316,155	$ 13,325,919
Smarter Resourcing- Cost Per Hire & Cost Avoidence	$ -	$ -	$ -	$ 96,864	$ 193,727	$ 238,727	$ 283,727	$ 283,727
Total ($ '000)	**$ -**	**$ -**	**$ -**	**$ 2,459,769**	**$ 4,784,072**	**$ 7,191,977**	**$ 9,599,882**	**$ 13,609,646**

Incremental revenue ($ '000)								
Category	2014	2015	2016	2017	2018	2019	2020	Post 2020
Total ($ '000)								

Total NYPA savings & revenue ($ '000)	**$ 92,083,932**

Benefit assumptions

- For safety benefits it was assumed that the average number of safety incidents per year is 50 and the average cost of safety incidents is $20,000.
- In terms of employee engagement and productivity benefits, it was assumed that NYPA headcount is 1,642 and will not change over the next 5 years. In addition, the assumed average cost per employee is $165,000.
- The team is not suggesting headcount won't grow in the business over the next 10 years. However, to ensure our benefits calculations remain conservative, we have assumed that headcount won't change.

Confidence level of benefit realization

The following table represents the overall confidence that the specified revenue and benefits will be realized, using the scale that follows.

Confidence level of benefit realization

Please indicate the overall confidence that the specified revenue benefits will be realized, using the scale specified to the right. Using the specified confidence level, a confidence-adjusted revenue and benefit range is then estimated.

NYPA Savings & Revenue	**Low**

	Low	High
NYPA Savings & Revenue ($ '000)	**$ 64,458,752**	**$ 119,709,111**

Confidence level	Benefit/revenue realization range	
Very high	+/- 5% of expected benefits	
High	+/- 10% of expected benefits	
Medium	+/- 20% of expected benefits	
Low	+/- 30% of expected benefits	

Risks benefiting realization:

Risk driver	Description of impact on benefit realization	Probability	Impact
Lack of comprehensive quality data on current workforce	WFP implementation time will be extended if an accurate view of the current workforce is lacking	Medium	High
Lack of employee ownership of WFP	WFP not as effective and efficient if employees are not engaged/not supportive of initiative	Medium	High
Non alignment of workforce planning with Strategic Initiatives	WFP does not address Strategic Initiatives' needs	Medium	High
Loss of skills sets/expertise to redeployment	WFP ineffective for pipeline development, training & development assessed incorrectly	Medium	Medium
IT system poor execution	WFP not as effective and efficient if unable to comprehensively analyze and measure workforce data in real time for staffing decisions due to inaccurate and inconsistent data	Low	High
Non delivery of productivity	FTE's will not be redeployed if the processes and system fail to deliver efficiencies	Low	Low
Inability to fill open positions internally	Internal access to available talent and/or shortage of critical talent may result in the need to source externally	Medium	Medium
IT system not flexible and configurable	WFP not as effective and efficient in tracking workforce trends and limited flexibility in the creation of multiple planning scenarios	Medium	High
Benefits not sustainable	Increase in turnover/inability to retain employee	Medium	Medium
Selected Workforce Planning projects failing to deliver benefits	WFP processes are not optimized resulting in the need to invest and initiate other workforce related projects	Medium	Medium
Inability to forecast resource needs accurately	NYPA's inability to foresee market trends & proactively understand market demand/supply	Medium	Medium
Inability to develop compelling NYPA brand	NYPA's inability to successfully transform away from traditional utility image	Medium	Medium

FUNDING FOR THE INITIATIVE

Intended sources of funding

Given the relatively low cost and internal-facing nature of the initiative, the workforce planning initiative will primarily be funded via NYPA's O&M budget.

Intended total funding sources			
Source	Selected	Value ($ '000)	Percentage of funds
Bond issuance	Yes	$ 6,609,167	33%
Cash reserves	Yes	$ 13,218,333	67%
Third-party funds	No	$ -	0%
Other	No	$ -	0%
Total		**$ 19,827,500**	100%

Expected annual funding profile								
Category	2014	2015	2016	2017	2018	2019	2020	Post 2020
Bond proceeds	$ 109,167	$ 1,496,333	$ 1,921,333	$ 1,240,667	$ 650,000	$ 500,000	$ 208,333	$ 96,667
Third-party funds								
Total external funds	**$ 109,167**	**$ 1,496,333**	**$ 1,921,333**	**$ 1,240,667**	**$ 650,000**	**$ 500,000**	**$ 208,333**	**$ 96,667**
Interest payments								
Debt retirement								
Other								
Net external funds impact	**$ 109,167**	**$ 1,496,333**	**$ 1,921,333**	**$ 1,240,667**	**$ 650,000**	**$ 500,000**	**$ 208,333**	**$ 96,667**
NYPA cash	***$ 218,333***	***$ 2,992,667***	***$ 3,842,667***	***$ 2,481,333***	***$ 1,300,000***	***$ 1,000,000***	***$ 416,667***	***$ 193,333***
Total annual cost	*$ 327,500*	*$ 4,489,000*	*$ 5,764,000*	*$ 3,722,000*	*$ 1,950,000*	*$ 1,500,000*	*$ 625,000*	*$ 290,000*

Total external funding ($ '000)	**$ 6,609,167**
Total NYPA cash ($ '000)	**$ 13,218,333**

Confidence level	Benefit/revenue realization range
Very high	+/- 5% of expected benefits
High	+/- 10% of expected benefits
Medium	+/- 20% of expected benefits
Low	+/- 30% of expected benefits
Very low	+/- 50% of expected benefits

Confidence level	**Low**

	Low	High
External funding ($ '000)	**$ 4,626,417**	**$ 8,591,917**
Residual NYPA cash funds ($ '000)	***$ 15,201,083***	***$ 11,235,583***

COSTS AND RESOURCES

Initiative cost and resources (i.e. costs and resources associated with implementing the initiative)

O&M expenses ($ '000)								
Category	2014	2015	2016	2017	2018	2019	2020	Post 2020
Structure	$ 48,000	$ 96,000	$ -	$ -	$ -	$ -	$ -	$ -
HR Operating Model	$ 279,500	$ 1,267,000	$ 275,000	$ -	$ -	$ -	$ -	$ -
Operational Forecasting	$ -	$ 782,000	$ 223,000	$ 175,000	$ 175,000	$ 175,000	$ 175,000	$ -
WFP Systems	$ -	$ -	$ 825,000	$ 525,000	$ -	$ -	$ -	$ -
Flexible Talent Strategy	$ -	$ 375,000	$ 1,060,000	$ 222,000	$ -	$ -	$ -	$ -
Strategic Recruitment	$ -	$ 919,000	$ 931,000	$ -	$ -	$ -	$ -	$ -
Training and Development	$ -	$ 375,000	$ 175,000	$ 825,000	$ 525,000	$ 525,000	$ -	$ -
KPI's and Dashboard	$ -	$ 425,000	$ 275,000	$ 275,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000
Total annual O&M expenses	**$ 327,500**	**$ 4,239,000**	**$ 3,764,000**	**$ 2,022,000**	**$ 950,000**	**$ 950,000**	**$ 425,000**	**$ 250,000**

Total O&M expenses ($ '000)	**$ 13,927,500**

Capital expenses ($ '000)								
Category	2014	2015	2016	2017	2018	2019	2020	Post 2020
Structure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
HR Operating Model	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operational Forecasting	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
WFP Systems	$ -	$ -	$ 450,000	$ 900,000	$ 250,000	$ 200,000	$ 200,000	$ 40,000
Flexible Talent Strategy	$ -	$ -	$ 200,000	$ -	$ -	$ -	$ -	$ -
Strategic Recruitment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Training and Development	$ -	$ 250,000	$ 850,000	$ 800,000	$ 750,000	$ 350,000	$ -	$ -
KPI's and Dashboard	$ -	$ -	$ 500,000	$ -	$ -	$ -	$ -	$ -
Total annual Capex	**$ -**	**$ 250,000**	**$ 2,000,000**	**$ 1,700,000**	**$ 1,000,000**	**$ 550,000**	**$ 200,000**	**$ 40,000**

Total initiative Capital expenses ($ '000)	**$ 5,900,000**

Total initiative costs ($ '000)	**$ 19,827,500**

Resources (FTE)								
Category	2014	2015	2016	2017	2018	2019	2020	Post 2020
Detailed Imp Plan	0	0.25	0	0	0	0	0	0
HR Operating Model	0	3	1	0	0	0	0	0
Operational Forecasting	0	2	1	1	1	1	1	1
WFP Systems	0	0	3	3	0	0	0	0
Flexible Talent Strategy	0	2	1	0	0	0	0	0
Strategic Recruitment	0	0	3	3	0	0	0	0
Training and Development	0	1	1	3	3	3	0	0
KPI's and Dashboard	0	0	1	1	1	1	1	1
Total annual FTE	**0**	**8**	**11**	**11**	**5**	**5**	**2**	**2**

Confidence level of initiative and post-implementation costs

The following table represents the overall confidence that the cost levels will be met.

Confidence level of initiative and post-implementation costs

Please indicate the overall confidence that the indicated cost levels will be met. Based on the indicated level of confidence, a confident-adjusted range of both initiative and post-implementation costs will be established.

Initiative costs	**Very low**
Post-implementation costs	**Very high**

Confidence level	Cost range
Very high	+/- 5% of expected costs
High	+/- 10% of expected costs
Medium	+/- 20% of expected costs
Low	+/- 30% of expected costs
Very low	+/- 50% of expected costs

	Low	High
Total initiative costs ($ '000)	**$ 9,913,750**	**$ 29,741,250**
Total annual post-implementation costs ($ '000)	**$ -**	**$ -**

IMPACT TO MARKET

Overview of market trends/NYPA's role in the market

Employees are no longer seeking or expecting to stay with the same company for their entire career. Therefore, NYPA cannot rely on how it operated in the past with relatively low employee turnover. Additionally, NYPA was able to use the pension system as a major selling point to attract and retain employees in the past. Today, that pension system has increased the employee contribution as well as become portable and therefore it is no longer as attractive a benefit or a viable retention tool. As a result, NYPA "needs to prepare for continued attrition by developing tools that will capture knowledge as future employees leave after only a few years instead of a few decades." – Gil C. Quiniones

NYPA does not have a direct role in the market for workforce planning. However, the ambition is for NYPA to become an employer of choice and, as appropriate, we will seek to share our experiences of best practice with others across the industry as we increasingly understand those elements of workforce planning that work well – helping promote the economic growth of the state.

The Workforce Planning initiative is an enabler for some of the other initiatives to attract the right staff into key roles from the current market place.

Expected impact on customer segments

The workforce planning initiative is anticipated to have a moderate and positive impact on NYPA's customer segments for the reasons discussed above with respect to the overview of marketing approach section. In essence, an improvement in our employees overall experience will be positive with NYPA customer interactions. NYPA "needs to start figuring out ways to reinvent and reimagine the cultural paradigms we currently operate under in the energy industry – while providing the best value and outcome for our customers." – Gil C. Quiniones

ORGANIZATIONAL IMPACT

Overall degree of change

The workforce planning initiative will have a large impact on the current and future workforce at NYPA. This initiative is expected to transform the way in which NYPA attracts, develops and deploys employees throughout the organization. It is expected to provide managers with improved data on current skill sets of employees and foster a greater emphasis on long-range planning of future needs. From the employee perspective, it is expected to provide a clearer understanding of the current and future needs of the organization and actively engage them in developing career and development plans. It is designed to link business and individual performance to the strategic goals of the organization improving productivity to reach these goals. These changes will require a well-planned and consistent communication plan with employees. This will provide them with a clear vision of where NYPA is going and how to get there, improving morale, engagement and retention.

Critical success factors:

- All business units and sites need to adopt a consistent approach to workforce planning, enabling full engagement and commitment from the workforce
- All business units and sites across NYPA need to work together to agree career pathways based on job families and skills framework
- Forecasting real-time system integrated with SAP required to drive transparency with decisions to attract, develop and deploy based on supply and demand analysis
- Workforce planning must become an integral part of cyclical business planning process and unit leadership at highest levels must properly identify roles and skills
- Internal communication must be clear and timely to advise employees of the initiative and the reason for the initiative
- Decisions regarding people and workforce need to be consistently applied and underpinned by data
- Individuals need to be viewed as an organizational resource that will be managed and deployed for the greater good of the organization while providing opportunities for people to develop
- Career Paths become a greater part of the talent discussion between line managers and employees.
- Implementation of system will greatly improve availability and timeliness of HR Metrics expand options of metrics

Change management considerations across all projects:

The changes envisaged with workforce planning are a cultural shift for the organization and a step away from the current silo'd and reactive culture. Without leadership support, dedicated resources and targeted communications to ensure rapid acceptance of new ways of working, the benefit of this initiative will be diluted.

Once implementation commences, the team will provide targeted training to change agents across the business units as well as other relevant representatives to ensure that they fully understand each of the component parts of the initiative and projects. In addition, the team will conduct regular outreach activities to attain feedback on how the initiative is being implemented and potential changes that could be made to improve adoption. The team will also provide formal and informal routes of communication to supplement this including a portal of relevant information such as success stories of where the elements of the initiative have been effectively applied.

Required skills

This initiative will require HR and IT skills to develop and implement the Workforce Planning system and metrics. It will also require strong support from HR in helping the business units' move from the current reactive approach to workforce planning to the anticipated model of a forecast approach.

However, the most important skills required to implement the change envisioned in this plan are leadership and change management. These skills will be needed throughout the organization as the business units roll-out the new workforce planning approach and will be supported by the change agents assigned to aid in implementation.

Skills overview			
Business Unit	Skills required	Current status	Suggested action
Human Resources	Experience in development and improvement of processes. Facilitate and lead projects involving multiple groups across the organization in forecasting, gap analysis, etc.	Existing	Train
IT	Experience implementing large enterprise system solution and integrating it with existing systems and processes	Existing	Train
All Business Units	Analytical and forecasting skills for development of operational business plans taking into account workforce needs. Strategic planning skills required for business plan development and long-range planning	Existing	Train

External impact overview			
Stakeholder	Description of impact	Impact	Suggested action
Customer	Enhanced quality of services and interaction from effective workforce planning	Positive - Medium	
Distribution Utilities	Ease of conducting business with NYPA as a result of improved access to knowledge	Positive - Medium	
NYISO	Ease of executing bids, payments and scheduling as a result of improved access to knowledge	Positive - Medium	
Transmission Operators	Ease of conducting business with NYPA and integrating with other TO corporate processes due to improved access to knowledge	Positive - Medium	
State Agencies	Improvements to the interaction with NYPA as a result of enhanced staff knowledge and succession planning	Positive - Medium	
Third Party Agencies	Ease of conducting business with NYPA as a result of improved access to knowledge	Positive - Medium	

EXTERNAL STAKEHOLDER IMPACT AND MARKETING PLAN

Description of marketing strategy

While this initiative is viewed as internally focused, there are two areas that should be considered as marketing related. First, NYPA has a strong history of leadership in the energy industry, and in particular in leading change. By implementing the projects in this initiative, NYPA will be able to maintain that leadership and continue to be seen as a leader in the industry. Second, NYPA must utilize this rich history and reputation to be seen as the employer of choice in the energy industry. While there is no defined marketing plan resulting from this initiative, there is a compelling story to tell to demonstrate NYPA's leadership and attract the talent necessary to carry this forward. In summary, NYPA never used to be an employer that had to actively attract new staff . This situation is now changing and the importance of an external marketing strategy to attract the right skills cannot be underplayed.

To aid in the change management process required to fully implement the initiative, an internal marketing strategy will be developed. This marketing strategy will focus on the overall vision of this initiative, the key aspects of each project, and how they will improve the workforce planning process at NYPA and employee engagement. It will need to be closely aligned to NYPA's broader change management plan.

RISKS

Risks to NYPA as a result of implementing the initiative

Risk overview						
Category	Description	Likelihood	Impact	Suggested actions	Owner	Liaison
Financial	Costs savings & benefits not delivered	Medium	Low	Monitor & analyze KPIs to take corrective action/s	TBD	
Workforce	Lack of employee engagement and commitment	Medium	High	Analyze root causes and address them, including remuneration, rewards & recognition	TBD	
Organization	Change fatigue & consequent stress, confusion & indifference	Medium	Medium	Investigate & analyze the cumulative impact of change. Take action to alleviate saturation & monitor to manage & control.	TBD	
External	Market factors that change workforce dynamics (out of NYPA's direct control)	Medium	High	Continuous monitoring of key external factors for proactive decision making with contingency planning	TBD	
Image	Inability to transform traditional utility perception to compete successfully as employer of choice	Medium	High	Analyze root causes and address them. Explore other options to fill resource gaps in skills & expertise.	TBD	

Resolution

Whereas, Lynn H. Hait has been the quintessential example of professionalism, dedication and visionary leadership in his more than three decades of distinguished service to the New York Power Authority and the State of New York; and

Whereas, Mr. Hait's commitment to the highest standards of excellence has left an indelible imprint on the operation of the Blenheim-Gilboa Pumped Storage Power Project from his single-minded adherence to continuous improvement and innovation, for the highest performance standards at the hydroelectric facility; and

Whereas, Mr. Hait has played a historic role in the decades-long operation of Blenheim-Gilboa and oversaw the comprehensive integration of high-tech measures as a result of a $135 million Life Extension and Modernization Program, thus ensuring the plant's readiness to meet the challenges of the 21st century electric industry; and

Whereas, Mr. Hait, beginning his career in Blenheim-Gilboa's maintenance department in 1976, and steadily rising through the ranks to electrician, project superintendent and finally as NYPA's regional manager for Central New York in 2008, has been consistently recognized for his unparalleled management and vision; and

Whereas, Mr. Hait is an inspiration to all NYPA employees and proof positive that through exceptional hard work and a dedication to excellence, the American Dream is still achievable; and

Whereas, Mr. Hait's leadership during Tropical Storm Irene in August 2011, along with the heroic, unstinting efforts of other B-G employees, were instrumental in avoiding catastrophic damage to the earthen dam of the pumped-storage project; and

Whereas, Possessing extraordinary personal courage and stalwart stewardship of NYPA's resources, Mr. Hait worked tirelessly throughout the storm to ensure the safety of B-G employees and the state's critical electric infrastructure, including the Vischer Ferry small-hydro plant; and

Whereas, Mr. Hait served brilliantly as the ranking B-G Operations employee during the storm and its aftermath, providing clear and calm direction to staff and ongoing communication and reassurance to the community; and

Whereas, Mr. Hait has contributed invaluable service for NYPA's efforts toward B-G's federal relicensing in 2019 as part of a process for identifying issues for further analysis and receiving input from area communities; and

Whereas, as a trusted advisor and inspiring mentor, Mr. Hait has selflessly imparted his deep institutional knowledge of electric operations and unique experience in the energy industry to NYPA's employees, actively seeking to develop the next generation utility workforce to carry on his distinguished work at B-G; and

Whereas, Mr. Hait has received numerous awards and commendations from professional organizations and his community, and has been honored for his Excellence in Public Service by the State Academy for Public Administration; and

Whereas, Mr. Hait is universally held in the highest esteem and will be forever known as a man of integrity, intelligence, humor, and personal and professional generosity, a tireless advocate for his neighbors, and a beacon of fairness in execution of his responsibility as justice for the Town of Jefferson in Schoharie County;

Now Therefore Be It Resolved, That the Trustees of the Power Authority of the State of New York convey their deepest gratitude, respect and appreciation to Lynn H. Hait for his service to NYPA and the people of the state and that they wish him, Theresa, his wife of 30 years, and their five children, a happy, healthy and rewarding future.

New York Power Authority

Generating more than electricity

December 16, 2014

Resolution

Whereas, Michael Huvane has worked with unselfish professionalism and purpose to advance the interests of the New York Power Authority and its employees at a time of profound change in the electric power industry and unprecedented challenges for the Authority; and

Whereas, throughout an extraordinary career of more than 33 years at NYPA, Mr. Huvane has demonstrated a keen intelligence, superb analytical skills and a superior gift for constructive collaboration, helping him to rise from the position of Billing Clerk to Vice President for Marketing; and

Whereas, as a Vice President since 2009, Mr. Huvane has with great effectiveness and lasting impact overseen NYPA activities in its customer segments as diverse as business marketing and economic development, governmental key accounts, municipal and rural cooperatives, and other technical areas to include power contracts, power allocations and compliance; and

Whereas, he has further strengthened NYPA's efforts to effectively serve its power supply customers, attracted and retained customers, and worked tirelessly with other state entities and associations to further economic development; and

Whereas, Mr. Huvane's exemplary work in budgeting and accounting positions, and then as Director of Marketing for almost three years, not only honed his talents and prepared him for his current responsibilities; and

Whereas, the patience, empathy and candor that he has displayed throughout his career at NYPA have earned him the abiding admiration, respect and loyalty of those who have worked with and for him; and

Whereas, Mr. Huvane was instrumental in the development, launch and success of NYPA's first economic development program, Power for Jobs, and also made important contributions to its successor program, ReCharge NY; and

Whereas, over the course of his career, Mr. Huvane led the effort to secure long-term agreements with about 100 Western New York hydropower customers. He earned the confidence and respect of New York's business community due to his dedication, honesty and deep understanding of their needs; and

Whereas, Mr. Huvane has made meaningful contributions to NYPA's mentoring program by providing guidance to several co-workers; and

Whereas, Mr. Huvane has served with distinction as Secretary of the New York State Economic Development Council; and

Whereas, Mr. Huvane was the last of the original members of NYPA's Industrial Economic Development team (now known as the Marketing Department) to remain on staff; and

Whereas, Mr. Huvane is retiring from the Authority, having contributed immensely to its past successes and done much to lay the groundwork for the fulfillment of its Strategic Vision 2014-2019; and

Now Therefore Be It Resolved, that the Trustees of the Power Authority of the State of New York convey their deepest thanks and appreciation to Michael Huvane for his service to NYPA and the people of the state, and that they wish him; his wife, Kathleen; and their sons and daughter a happy, healthy and rewarding future.

December 16, 2014

Resolution

Whereas, John J. Suloway's exemplary 32-year career at the New York Power Authority has been defined and distinguished by his legendary work ethic, his meticulous attention to detail in pursuit of overarching goals and his unfailing ability to take on the most formidable of challenges with a singular blend of optimism, persistence and professionalism; and

Whereas, as a self-styled "Pup From the Midwest," Mr. Suloway has exerted a profoundly beneficial impact on the electric power system in New York State and on the hydroelectric power industry nationally through his involvement in a series of critical licensing proceedings, most notably that which resulted in a new 50-year federal license for the St. Lawrence-Franklin D. Roosevelt hydro project; and

Whereas, from his first NYPA assignments related to small hydroelectric projects, to his subsequent work on such initiatives as the Sound Cable Project, the Flynn power plant, the Small, Clean Power Plants and the 500-Megawatt facility, and continuing through his current duties as Vice President Project Development and Licensing, Mr. Suloway has, with consummate effectiveness, drawn upon his prior experience as an environmental scientist, his firm grasp of the licensing process and his propensity for innovative thinking; and

Whereas, his central role in the St. Lawrence relicensing included his leadership in developing a groundbreaking process that enabled enhanced participation by diverse parties and became a model for other hydro projects; and

Whereas, often fueled by his "Lucky Oatmeal" at a venerable Massena eatery, he built a rapport in countless meetings with the parties, helping to produce a landmark Comprehensive Settlement Agreement that led to the new license; and

Whereas, he has since led NYPA's implementation of its St. Lawrence and Niagara relicensing commitments, directed negotiations stemming from a review of those at St. Lawrence and guided efforts to win regulatory approvals for future transmission projects and to secure a new license at Blenheim-Gilboa; and

Whereas, in line with his vital part in licensing and construction of the urgently needed Tri-Lakes transmission line, he brokered an essential compromise providing for a portion of the route to cross the Adirondack Park Forest Preserve; and

Whereas, notwithstanding his grueling schedule at NYPA, he has brought additional credit to the Authority by serving as President of the National Hydropower Association and a member of its Board of Directors; and

Whereas, he has further managed to pursue a wide range of activities and interests, including, but fortunately not limited to, the Chicago Cubs; and

Whereas, Mr. Suloway has announced his retirement, with his substantial personal and professional legacy intact and certain to endure;

Now Therefore Be It Resolved, That the Trustees of the Power Authority of the State of New York express their deepest thanks to John Suloway for his invaluable service to the Authority and the people of the State and that they wish him; his wife, Monica; and their family many years of health, happiness and continuing fulfillment.

New York Power Authority

Generating more than electricity

December 16, 2014