

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

May 23, 2006

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the Clarence D. Rappleyea Building at 11:00 a.m.

Present: Frank S. McCullough, Jr., Chairman
Michael J. Townsend, Vice Chairman
Joseph J. Seymour, Trustee
Elise M. Cusack, Trustee
Robert E. Moses, Trustee
Thomas W. Scozzafava, Trustee

Timothy S. Carey	President and Chief Executive Officer
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer
Thomas J. Kelly	Executive Vice President and General Counsel
Vincent C. Vesce	Executive Vice President – Corporate Services and Administration
Steven J. DeCarlo	Senior Vice President – Transmission
Angelo S. Esposito	Senior Vice President – Energy Services and Technology
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Brian Vattimo	Senior Vice President – Public and Governmental Affairs
Edward A. Welz	Senior Vice President – Power Generation
Anne B. Cahill	Corporate Secretary
Carmine J. Clemente	Deputy General Counsel
Joseph J. Carline	Assistant General Counsel – Transmission
Wendy Lane	Assistant General Counsel – Human Resources & Labor Relations
Thomas P. Antenucci	Vice President – Project Management
Arnold M. Bellis	Vice President – Controller
Arthur M. Brennan	Vice President – Internal Audits and Corporate Compliance
Robert J. Deasy	Vice President – Energy Resource Management
Joseph W. Gryzlo	Vice President – Ethics and Employee Resources
John M. Hoff	Vice President – Procurement and Real Estate
Charles I. Lipsky	Vice President and Chief Engineer
Donald A. Russak	Vice President – Finance
William V. Slade	Vice President – Environmental Management
Tom H. Warmath	Vice President and Chief Risk Officer
Michael E. Brady	Treasurer
Stephen P. Shoenholz	Deputy Vice President – Public Affairs
Dennis T. Eccleston	Chief Information Officer
Edgar K. Byham	Principal Attorney I
William Helmer	Special Licensing Counsel
Angela D. Graves	Deputy Corporate Secretary
Frederick Chase	Executive Director – Hydro Relicensing
John Osinski	Executive Director of Regulatory Affairs
Ida Gencarelli	Director – Employee Benefits
Keith Silliman	Director – Niagara Relicensing
Daniel Wiese	Director – Corporate Security and Inspector General
Richard J. Ardolino	Project Manager – Project Management
Michael Mitchell	Project Manager – Project Management
Richard Hackman	Program Manager – Energy Services & Technology
Carol Geiger-Wank	Senior Employee Relations Specialist
Michael A. Saltzman	Senior Information Specialist
Brian G. Warner	Senior Policy Specialist
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary

Jeffrey Carey
Lisa Farrell
Kevin Brocks
Ken Stabb
Ray Core

Special Assistant to President and Chief Executive Officer
Secretary to Executive Vice President and General Counsel
Read and Laniado – Counsel to Municipal Electric Utilities Association
Village of Boonville – Superintendent
Vice President – Transpower US

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

1. **Approval of the Minutes**

The Minutes of the Annual Meeting of April 28, 2006 were unanimously adopted.

2. **Financial Reports for the Four Months Ended April 30, 2006**

Mr. Bellis presented an overview of the reports to the Trustees.

3. **Report from the President and Chief Executive Officer**

President Carey said that Chairman McCullough and he had recently taken a very successful trip to the North Country, visiting the St. Lawrence plant, where they met with plant employees, and Watertown, where they had positive meetings with Authority customers, State and local officials, and the media. Chairman McCullough added that President Carey's efforts in the past few months to visit each Authority facility and meet with the employees, as well as local editorial boards, were very worthwhile. He agreed that the North Country trip had been a most positive one and mentioned that one of the highlights had been the public announcement of the first loan commitment by the Seaway Private Equity Corporation ("SPEC"), started by the Authority last fall. He said that three other loans are in the works. President Carey added that the SPEC loans involved a 2:1 match on investment in energy technology and environmental research and had the potential to create meaningful jobs in the North Country. President Carey also said that the meeting he and Chairman McCullough had with Alcoa had gone very well.

4. Allocation of 5,450 kW of Hydro Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve two allocations of available Expansion Power totaling 5,450 kW to two industrial companies.

BACKGROUND

“Under Section 1005 (13) of the Power Authority Act, as amended by Chapter 313 of the Laws of 2005, the Authority may contract to allocate or reallocate directly, or by sale for resale, 250 MW of firm hydroelectric power as Expansion Power (‘EP’) and up to 445 MW of Replacement Power (‘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.

DISCUSSION

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

“Based on the Advisory Group’s discussions, staff recommends that the available power be allocated between two companies, as set forth in Exhibit ‘4-A.’ The Exhibit shows, among other things, the amount of power requested by each company, the recommended allocation and additional employment and capital investment information. These projects will help maintain and diversify the industrial base of Western New York and provide new employment opportunities. They are projected to result in the creation of 80 jobs.

RECOMMENDATION

“The Director – Business Power Allocations, Regulation and Billing recommends that the Trustees approve the allocation of 5,450 kW of hydro power to the companies listed in Exhibit ‘4-A.’

“The Executive Vice President and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Vice President – Major Accounts Marketing and Economic Development and I concur in the recommendation.”

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

RESOLVED, That the allocation of 5,450 kW of Expansion Power, as detailed in Exhibit “4-A,” be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further

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

New York Power Authority
Expansion Power
Recommendations for Allocations

Exhibit "4-A"
May 23, 2006

Exhibit Number	Company Name	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term (1)
A-1	Polymer Conversions, Inc.	Orchard Park	Erie	480	15	\$3,700,000	\$35,000	450	Until 8/31/07
A-2	RiverWright, LLC	Buffalo	Erie	6,500	65	\$80,000,000	\$42,000	5,000	Until 8/31/07
	Total EP Recommended			6,980	80	83,700,000		5,450	

(1) Expansion Power resale agreements with NYSEG and NIMO have automatic extension provisions until 2013 if the Niagara Project license is extended. Should the license be extended, the full term of these contracts will be five years.

APPLICATION SUMMARY

Expansion Power

Company:	Polymer Conversions, Inc.
Location:	Orchard Park
County:	Erie
IOU:	New York State Electric and Gas Corporation
Business Activity:	Custom plastic injection molder
Project Description:	The project will include construction of a 20,500-square-foot expansion on the company's current property. In addition the company will purchase and install new machinery and equipment, including injection molding machines, robotic automation, auxiliary equipment and high-speed inspection machines. The project will also include installing new overhead cranes, new chiller systems, power upgrades and a new HVAC system that will support a clean room.
Prior Application:	Yes
Existing Allocation:	325 kW of PFJ
Power Request:	480 kW
Power Recommended:	450 kW
Job Commitment:	
Existing:	80 jobs
New	15 jobs
New Jobs/Power Ratio:	33 jobs/MW
New Jobs - Avg. Wage and Benefits:	\$35,000
Capital Investment:	\$3,700,000
Capital Investment Per MW	\$8,222,222/MW
Summary:	Polymer Conversions is a precision custom plastic injection molder. The company specializes in highly technical tight-tolerance medical devices. A low-cost hydro allocation will help the company expand and grow in the medical and biotech markets. The company has an option of locating this project in Pennsylvania. However, an Expansion Power allocation would help them commit to continuing to invest and grow their business locally.

APPLICATION SUMMARY

Expansion Power

Company:	RiverWright, LLC
Location:	Buffalo
County:	Erie
IOU:	National Grid
Business Activity:	Manufacturer of ethanol
Project Description:	The project includes the purchase of 22.9 acres of land along the Buffalo River. The company plans to construct a dry mill corn-to- new-ethanol production plant. In addition to constructing their new facility, the company will also install new equipment for manufacturing ethanol and new equipment to produce distillers' grain for livestock feed.
Prior Application:	No
Existing Allocation:	None
Power Request:	6,500 kW
Power Recommended:	5,000 kW
Job Commitment:	
Existing:	0 jobs
New	65 jobs
New Jobs/Power Ratio:	13 jobs/MW
New Jobs - Avg. Wage and Benefits:	\$42,000
Capital Investment:	\$80,000,000
Capital Investment Per MW	\$16,000,000/MW
Summary:	The plant will convert 36 million bushels of corn to 80 million gallons of ethanol for use as an additive to gasoline: 400,000 tons of dried distillers' grain for use as feed for cattle and 300,000 tons of liquid CO ₂ , which will be used in the meat packing, flash freezing and soda dispensing industries. A low-cost hydro allocation would be an incentive for the company to build this project in Western New York.

5. Power for Jobs Program – Extended Benefits

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve extended benefits for 39 Power for Jobs (‘PFJ’) customers listed in Exhibit ‘5-A.’ In addition, the Trustees are requested to approve modifications to the benefits for one customer that has applied to have its PFJ benefits reinstated after they were reduced by the Economic Development Power Allocation Board (‘EDPAB’) for non-compliance with the company’s job commitments, as detailed in Exhibit ‘5-B.’ EDPAB has recommended that this customer receive such extended benefits and modification.

BACKGROUND

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

“The PFJ program originally made 400 megawatts (‘MW’) of power available. The program was to be phased in over three years, with approximately 133 MW made available each year. In July 1998, as a result of the initial success of the program, the Legislature and Governor Pataki amended the PFJ statute to accelerate the distribution of the power, making a total of 267 MW available in Year One. The 1998 amendments also increased the size of the program to 450 MW, with 50 MW to become available in Year Three.

“In May 2000, legislation was enacted that authorized another 300 MW of power to be allocated under the PFJ program. The additional MW were described in the statute as ‘phase four’ of the program. Customers that received allocations in Year One were authorized to apply for reallocations; more than 95% reapplied. The balance of the power was awarded to new applicants.

“In July 2002, legislation was signed into law by Governor Pataki that authorized another 183 MW of power to be allocated under the program. The additional MW were described in the statute as ‘phase five’ of the program. Customers that received allocations in Year Two or Year Three were given priority to reapply for the program. Any remaining power was made available to new applicants.

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

“PFJ customers whose contracts expired on or prior to November 30, 2004 were eligible for a rebate to the extent funded by the Authority from the date their contract expired through December 31, 2005. As an alternative, such customers could choose to receive a rebate to the extent funded by the Authority from the date their contract expired as a bridge to a new contract extension, with the contract extension commencing December 1, 2004. The new contract would be in effect from a period no earlier than December 1, 2004 through the end of the PFJ program on December 31, 2005.

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

“In 2005, provisions of the approved State budget extended the period PFJ customers could receive benefits until December 31, 2006, the program’s new sunset date.

“Section 189 of the New York State Economic Development Law, which was also amended by Chapter 59 of the Laws of 2004, provided the statutory authorization for the extended benefits that could be provided to PFJ

customers with contracts that expired before December 31, 2005. The statute stated that an applicant could receive extended benefits *'only if it is in compliance with and agrees to continue to meet the job retention and creation commitments set forth in its prior power for jobs contract.'*

"Chapter 313 of the Laws of 2005 amended the above language to allow EDPAB to consider continuation of benefits on such terms as it deems reasonable. The statutory language now reads as follows:

An applicant shall be eligible for such reimbursements and/or extensions only if it is in compliance with and agrees to continue to meet the job retention and creation commitments set forth in its prior power for jobs contract, or such other commitments as the board deems reasonable. (emphasis supplied)

"At its meeting of October 18, 2005, EDPAB approved criteria under which applicants whose extended benefits EDPAB had reduced for non-compliance with their job commitments could apply to have their PFJ benefits reinstated in whole or in part. EDPAB authorized staff to create a short-form application, notify customers of the process, send customers the application and evaluate reconsideration requests based on the approved criteria. To date, staff has mailed 200 applications, received 105 and completed review of 103.

DISCUSSION

"At its meeting on May 23, 2006, EDPAB recommended that the Authority's Trustees approve the electricity savings reimbursement rebates to the 39 businesses listed in Exhibit '5-A.' Collectively, these organizations have agreed to retain more than 18,000 jobs in New York State in exchange for rebates. The rebate program will be in effect until December 31, 2006, the program's sunset.

"Also, at its meeting on May 23, 2006, based on the reconsideration criteria, EDPAB recommended that the Authority's Trustees approve modifications to the benefits for one customer that applied to have its PFJ benefits reinstated after they were reduced by EDPAB for non-compliance with the company's job commitments, as detailed in Exhibit '5-B.'

"The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit '5-A' in a total amount currently not expected to exceed \$1,800,000. Staff recommends that the Trustees authorize a withdrawal of monies from the Operating Fund for the payment of such amount, provided that such amount is not needed at the time of withdrawal for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. Staff expects to present the Trustees with requests for additional funding for rebates to the companies listed in Exhibit '5-A' in the future.

FISCAL INFORMATION

"Funding of rebates for the companies listed in Exhibit '5-A' is not expected to exceed \$1,800,000. Payments will be made from the Operating Fund. To date, the Trustees have approved \$39.3 million in rebates.

RECOMMENDATION

"The Executive Vice President and Chief Financial Officer and the Director – Business Power Allocations, Regulation and Billing recommend that the Trustees approve the payment of electricity savings reimbursements to the Power for Jobs customers listed in Exhibit '5-A.' It is also recommended that the Trustees approve modifications to the benefits for one customer that has applied to have its Power for Jobs benefits reinstated after EDPAB reduced them for non-compliance with the company's job commitments as detailed in Exhibit '5-B.'

"The Executive Vice President and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Senior Vice President – Public and Governmental Affairs, the Vice President – Major Account Marketing and Economic Development and I concur in the recommendation."

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Pasquale provided an overview of the reconsideration process from

last fall to date. Staff has sent 200 letters regarding the reconsideration process to companies for which Power for Jobs (“PFJ”) allocations were reduced. Of that number, 105 companies, or 52.5%, sent in applications for reconsideration. Of those 105 companies, 77% had their allocation fully or partially restored. Forty-six had their allocations fully reinstated, 33 had their allocations partially reinstated and 24 had their allocations remain at the reduced level; staff is following up with 2 companies for additional details to enable staff to make a recommendation to EDPAB. Responding to a question from Trustee Seymour, Mr. Bellis said that the Authority had budgeted \$58 million for PFJ program rebates for 2006. He said that figure had been based on a fairly high projection of what market energy prices would be, but that since market energy prices were turning out to be much lower than expected, it was unlikely that the entire \$58 million would be spent.

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

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve electricity savings reimbursements to the Power for Jobs customers listed in Exhibit “5-A”; and

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve modifications to one allocation for a customer that has applied to have its Power for Jobs benefits reinstated after the Board reduced them for non-compliance with the company’s job commitments as detailed in Exhibit “5-B”;

NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves the payment of electricity savings reimbursements to the companies listed in Exhibit “5-A,” as submitted to this meeting, and that the Authority finds that such extensions and payments for electricity savings reimbursements are in all respects reasonable, consistent with the requirements of the Power for Jobs program and in the public interest; and be it further

RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves modifications to the benefits for one customer that has applied to have its Power for Jobs benefits reinstated after the Board reduced them for non-compliance with the company’s job commitments as detailed in Exhibit “5-B”; and be it further

RESOLVED, That based on staff’s recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to \$1.8 million, and it is hereby found that amounts may properly be withdrawn from the Operating Fund to fund such payments; and be it further

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

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

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

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

Line	Company	City	County	IOU	KW	Jobs Committed	Jobs in Application 2005	Over/(Under)	%Over/(Under)	Compliance	Recommended KW	Jobs/MW	Type	Service
1	American Indian Community House	New York	New York	Con Ed	40	41	36	-5	-12%	No	35	1,029	NFP	Social support agency & cultural center
2	Charmer Industries, Inc.	Astoria	Queens	Con Ed	750	732	810	78	11%	Yes	750	1,080	Large	Distributors of wines and spirits
3	International Business Machines - White Plains	White Plains	Westchester	Con Ed	4,400	1,989	1,748	-241	-12%	No	3,870	452	Large	Computer Manufacturer
4	Jacmel Jewelry, Inc.	Long Island City	Queens	Con Ed	170	227	267	40	18%	Yes	170	1,571	Small	Makes fine Jewelry
5	The Museum of Modern Art	New York	New York	Con Ed	1,000	614	741	127	21%	Yes	1,000	741	NFP	Museum
	Con Ed		Subtotal	5	6,360	3,603	3,602				5,825	618		
6	Good Samaritan Hospital	West Islip	Suffolk	LIPA	800	2,651	2,914	263	10%	Yes	800	3,642	NFP	Healthcare Center
7	John T. Mather Memorial Hospital	Port Jefferson	Suffolk	LIPA	400	1,069	1,360	291	27%	Yes	400	3,400	NFP	Community Hospital
	LIPA		Subtotal	2	1,200	3,720	4,274				1,200	3,562		
8	Bank of New York	Oriskany	Oneida	Nat Grid	500	651	748	97	15%	Yes	500	1,496	Large	Banking Services
9	Cascades Tissue Group	Waterford	Saratoga	Nat Grid	600	110	159	49	45%	Yes	600	265	Large	Large Industrial towel manufacturer
10	Clarkson University	Potsdam	St. Lawrence	Nat Grid	1,500	621	652	31	5%	Yes	1,500	435	NFP	Higher education
11	Cooper Hand Tools	Cortland	Cortland	Nat Grid	2,200	190	115	-75	-39%	No	1,330	86	Large	Metal machining and casting
12	Corning, Inc. (Canton)	Canton	St. Lawrence	Nat Grid	1,500	272	260	-12	-4%	Yes	1,500	173	Large	Optical fiber, glass and ceramic products
13	CWM Chemical Services, LLC	Model City	Niagara	Nat Grid	400	100	83	-17	-17%	No	330	252	Small	Treatment, storage & disposal of Industrial Waste
14	Dielectric Laboratories, Inc.	Cazenovia	Madison	Nat Grid	400	248	174	-74	-30%	No	280	621	Small	Ceramic capacitors and ceramic packaging
15	Diemolding Corporation	Canastota	Madison	Nat Grid	200	305	300	-5	-2%	Yes	200	1,500	Small	Thermoset plastic forming
16	Edward John Noble Hospital	Gouverneur	St. Lawrence	Nat Grid	100	252	258	6	2%	Yes	100	2,580	NFP	Healthcare center
17	Fiber Glass Industries Inc.	Amsterdam	Herkimer	Nat Grid	700	130	142	12	9%	Yes	700	203	Large	Produces high strength woven fabrics
18	Fitzpatrick & Weller, Inc.	Ellicottville	Cattaraugus	Nat Grid	1,000	230	107	-123	-53%	No	1,000	107	Large	Lumber & wood components
19	General Electric Plastics	Selkirk	Albany	Nat Grid	5,000	545	515	-30	-6%	Yes	5,000	103	Large	Plastic materials & resins
20	Interface Solutions, Inc.	Fulton	Oswego	Nat Grid	1,000	187	180	-7	-4%	Yes	1,000	180	Large	Makes backing for vinyl flooring and fiber gasket
21	Intertek Testing Services	Cortland	Cortland	Nat Grid	600	278	289	11	4%	Yes	600	482	Large	Independent test lab
22	Kilian Manufacturing Corporation	Syracuse	Onondaga	Nat Grid	400	345	214	-131	-38%	No	400	535	Large	Mfr. ball bearings
23	Lewis County General Hospital	Lowville	Lewis	Nat Grid	200	382	389	7	2%	Yes	200	1,945	NFP	Medical Center
24	Mohawk Paper Mills	Cohoes	Albany	Nat Grid	2,250	389	426	37	10%	Yes	2,250	189	Large	Manufacturer of text and cover papers
25	Nathan Littauer Hospital & Nursing Home	Gloversville	Fulton	Nat Grid	400	662	677	15	2%	Yes	400	1,693	NFP	Hospital and Nursing Home
26	Quad Graphics, Inc.	Saratoga Springs	Saratoga	Nat Grid	4,000	1,420	1,118	-302	-21%	No	4,000	280	Large	Printing services
27	Queensboro Farm Products, Inc. - Canastota	Canastota	Madison	Nat Grid	500	79	81	2	3%	Yes	500	162	Large	Milk manufacturing and processing plant
28	Robison & Smith, Inc.	Gloversville	Fulton	Nat Grid	384	176	190	14	8%	Yes	384	495	Small	Linen & Laundry Supply
29	Sorrento Lactalis, Inc.	Buffalo	Erie	Nat Grid	1,500	358	464	106	30%	Yes	1,500	309	Large	Produces cheese as well as whey products
30	Specialized Packaging Radisson, Inc	Baldwinsville	Onondaga	Nat Grid	200	190	148	-42	-22%	No	180	822	Small	Produces printed folding cartons
31	Standard Manufacturing Co., Inc.	Troy	Rensselaer	Nat Grid	160	152	30	-122	-80%	No	30	1,000	Small	Apparel
32	Syroco, Inc. - A Subsidiary of Vassallo Industries	Baldwinsville	Onondaga	Nat Grid	550	427	183	-244	-57%	No	550	333	Large	Plastic injection molding manufacturer
33	Turbine Components Technologies (Utica Corp)	Whitesboro	Oneida	Nat Grid	1,200	395	225	-170	-43%	No	1,200	188	Large	Precision forging plant
34	Welch Allyn Data Collection Inc.	Skaneateles Falls	Onondaga	Nat Grid	2,000	2,294	1,257	-1,037	-45%	No	1,100	1,143	Large	Medical and dental diagnostic equipment
	National Grid		Subtotal	27	29,444	11,388	9,384				27,334	343		
35	A. T. Reynolds & Sons, Inc.	Kiamesha Lake	Sullivan	NYSEG	500	116	59	-57	-49%	No	250	236	Small	Spring water and ice manufacturer
36	Agri-Mark, Inc	Chateaugay	Franklin	NYSEG	500	106	116	10	9%	Yes	500	232	Large	Cheese Manufacturer
37	Merritt Plywood Machinery, Inc.	Lockport	Niagara	NYSEG	75	19	19	0	0%	Yes	75	253	Small	Machinery for hardwood, veneer and plywood
38	Vail Ballou Press, Inc.	Binghamton	Broome	NYSEG	1,800	500	426	-74	-15%	No	1,800	237	Large	Book printer and distributor
	NYSEG		Subtotal	4	2,875	741	620				2,625	236		
39	International Business Machines - Rochester	Rochester	Monroe	RGE	2,800	1,495	610	-885	-59%	No	1,150	530	Large	Computer Manufacturer
	RG&E		Subtotal	1	2,800	1,495	610				1,150	530		
	Total			39	42,679	20,947	18,490				38,134	485		

Note: some of the companies listed above have had part or all of their allocation restored though the reconsideration process

**New York Power Authority
Power for Jobs Extended Benefits
Recommendations for Full or Partial Reinstatement
Contract Extension**

Line	Company	City	Original KW	Jobs in Application 2005	Reduction KW	Reduced Allocation KW	Reconsideration Full/ Partial	Recommended Reinstated KW	Recommended Allocation After Reinstatement KW	Final Commitment Jobs	Service
1	Applied Energy Solutions (CEN Elec)	Caledonia	300	64	140	160	Full	140	300	64	Manufacturer of battery chargers
Totals			300	64	140	160		140	300	64	

6. Operations and Maintenance Payments for New York State Parks

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize payments totaling up to \$8 million from the Operating Fund for expenditures of the New York State Office of Parks, Recreation and Historic Preservation (‘OPRHP’) in New York State fiscal year (‘SFY’) 2006-07. The funds are to be used for operation and maintenance of Robert Moses State Park (‘Robert Moses’), Coles Creek State Park (‘Coles Creek’) and Art Park and Niagara Reservation (including Reservoir, Whirlpool, DeVeaux Woods and Devil’s Hole State Parks and the Niagara Gorge Trails) (‘Niagara Reservation’). Robert Moses and Coles Creek are directly associated with the St. Lawrence/FDR Power Project and have been incorporated into the Federal Energy Regulatory Commission (‘FERC’) project license issued in October 2003. Art Park and Niagara Reservation, although not part of the FERC-licensed project, are associated with the Niagara Power Project.

“The Trustees are further requested to authorize the President and Chief Executive Officer, or his designee, to sign any documents or enter into any agreements necessary to effectuate such payment, subject to approval as to the form thereof by the Executive Vice President and General Counsel.

BACKGROUND

“Commencing with the SFY 2003-04 Executive Budget, the Authority agreed to a special Revenue-Other State Operations appropriation of up to \$8 million reflecting the Authority’s assumption of responsibility for operations expenses at four New York State parks, including Art Park, Robert Moses, Coles Creek and Niagara Reservation. As part of the agreement, such funding would be considered annually by the Trustees through SFY 2007-08.

“The approved New York State Budget for SFY 2003-04 adopted the Governor’s recommendations. At their meeting of June 24, 2003, the Trustees were advised that while authorization was requested only for SFY 2003-04, it is expected that such payments will continue through the end of the current federal license for the Niagara Power Project in 2007. The Trustees have annually authorized payments of up to \$8 million to the OPRHP Patron Services Account for SFY 2003-04, SFY 2004-05 and SFY 2005-06, and payments were subsequently made in conformance with such authorizations.

“Provisions of the approved SFY 2006-07 State Budget (Chapter 55 of the Laws of 2006), include a special Revenue-Patrons Fund account appropriation of \$65.214 million, which contemplates an \$8 million contribution from the Authority for operations expenses at Art Park, Robert Moses, Coles Creek and Niagara Reservation.

DISCUSSION

“Payments made by the Authority would be used for OPRHP operating costs to include, but not be limited to, personal services, fringe benefits and non-personal services costs directly related to the operation of Art Park, Robert Moses, Coles Creek and Niagara Reservation.

“Payments would be made to the OPRHP Patron Services Account in three installments. An initial payment of \$4 million for the first and second quarters of SFY 2006-07 would be made immediately upon the Trustees’ approval and a finding by the Executive Vice President and Chief Financial Officer, the Vice President – Finance or the Treasurer that such amount is not needed for any of the purposes set forth in Section 503(1) (a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented. Subsequent payments of \$2 million each would be made at the beginning of the third and fourth quarters of the SFY conditioned upon the Section 503(1) certification discussed above. All such payments would be subject to reconciliation based on OPRHP’s actual O&M expenditures for such parks.

“Payments would be made pursuant to an annual spending plan approved by the New York State Division of the Budget and a quarterly reconciliation report documenting all costs to be provided by OPHRP to the Authority within 45 days of the end of the third and fourth quarters (November 15 and February 15).

FISCAL INFORMATION

“Payments pursuant to this authorization will be made from the Authority’s Operating Fund.

RECOMMENDATION

“The Senior Vice President – Public and Governmental Affairs and the Vice President – Governmental Affairs and Policy Development recommend that the Trustees approve operating fund expenditures of up to \$8 million for payment to the New York State Office of Parks, Recreation and Historic Preservation Patron Services Account for the operation and maintenance of Art Park, Robert Moses State Park, Coles Creek State Park and the Niagara Reservation (including Reservoir, Whirlpool, DeVeaux Woods and Devil’s Hole State Parks and the Niagara Gorge Trails) in New York State fiscal year 2006-07.

“The Executive Vice President and General Counsel, the Senior Vice President – Power Generation and I concur in the recommendation.”

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

RESOLVED, That Operating Fund expenditures of up to \$8 million be made to the Special Revenue – Other Account (New York State Office of Parks, Recreation and Historic Preservation Patron Services Account) for the operation and maintenance of Art Park, Robert Moses State Park, Coles Creek State Park and the Niagara Reservation (including Reservoir, Whirlpool, DeVeaux Woods and Devil’s Hole State Parks and the Niagara Gorge Trails), as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That such amounts shall be paid from the Operating Fund upon certification by the Executive Vice President and Chief Financial Officer, the Vice President – Finance or the Treasurer that such amounts are not needed for any of the purposes set forth in Section 503(1) (a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That the President and Chief Executive Officer, or his designee, be and hereby is, authorized to sign any documents or enter into any agreements necessary to effectuate such payment, subject to approval as to the form thereof by the Executive Vice President and General Counsel; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all 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. Amendments to the Authority's Investment Guidelines

The President and Chief Executive Officer presented the following report:

SUMMARY

“The Trustees are requested to approve revisions to the New York Power Authority Guidelines for the Investment of Funds (the ‘Investment Guidelines’) (i) to reflect the re-establishment of the position of Executive Vice President and Chief Financial Officer and (ii) to bring the Investment Guidelines into compliance with the recently issued New York State Comptroller’s regulations for public authorities.

BACKGROUND

“Section 2925 of the Public Authorities Law requires that the Trustees establish Investment Guidelines detailing the operative policy and instructions for the investing, monitoring and reporting of the Authority’s funds. Section 2925 also requires that the Trustees conduct an annual review and approval of the Investments Guidelines and an Annual Investment Report. The Trustees approved the 2005 Annual Report on Investment of Authority Funds on March 28, 2006.

DISCUSSION

“At its April 28, 2006 meeting, the Trustees re-established the position of Executive Vice President and Chief Financial Officer appointing Joseph M. Del Sindaco to the position. Accordingly, the Investment Guidelines must be amended to reflect that change. Additionally, on March 29, 2006, the New York State Comptroller published regulations that apply to the Accounting, Reporting and Supervision Requirements for Public Authorities. The regulations expand upon the provisions contained in Section 2925 of the Public Authorities Law. Staff has reviewed the regulations and identified two instances where the Investment Guidelines warrant revision to be in compliance with the regulations. Generally, the Investment Guidelines must be amended (1) to include the requirement that a list of the authorized Banks and Dealers be maintained, and (2) to provide for the collateral backing of any investment at current market values at the time of initial investment, and thereafter, at least monthly.

“Specifically, the following amendments to the Investment Guidelines are necessary:

Section II. ‘Responsibility for Investments,’ in the first sentence delete the word **‘Senior’** and replace with **‘Executive’**.

Section V. ‘Provisions Relating to Qualifications of Dealers and Banks,’ paragraph A.1, insert a sentence following the first sentence that would read, **‘A list of authorized Banks and Dealers shall be maintained.’**

Section VII. ‘Policies Concerning Certain Types of Investment Diversification Standards Required,’ paragraph A.2, in the first sentence delete the word **‘secured’** and replace with **‘secured/collateralized.’** Add a third sentence that would read **‘Collateral pledged for Certificates of Deposit or Time Deposits held as investments shall be market valued (marked to market) not less than once per week.’** In paragraph B.5, in the second sentence delete the word **‘Senior’** and replace with **‘Executive.’**

Section IX. ‘Reports’ paragraph C. Delete the word **‘Senior’** and replace with **‘Executive.’**

“The amended Investment Guidelines are set forth in Exhibit ‘7-A1’ attached hereto. A redlined version with strikethroughs denoting deletions and underlining new language is attached as Exhibit ‘7-A2.’

RECOMMENDATION

“The Treasurer recommends that the Trustees approve the amendments to the Authority’s Investment Guidelines as presented above.

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

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

RESOLVED, That the amendments to the Investment Guidelines, which amendments are discussed in the foregoing report of the President and Chief Executive Officer and are attached hereto as Exhibits “7-A1” and “7-A2,” be hereby adopted; and be it further

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

New York Power Authority
Guidelines for the Investment of Funds

I. General

These Guidelines for the Investment of Funds (the "Guidelines") are intended to effectuate the applicable provisions of the General Resolution Authorizing Revenue Obligations, adopted February 24, 1998 (the "Resolution"), the lien and pledge of which covers all accounts and funds of the Authority and that governs the Authority's existing policies and procedures concerning the investment of funds as contained in these Guidelines. In a conflict between the Guidelines and the Resolution, the latter shall prevail. In addition, these Guidelines are intended to effectuate the provisions of Section 2925 of the New York State Public Authorities Law.

II. Responsibility for Investments

The Treasurer and Deputy Treasurer have the responsibility for the investment of Authority funds under the general supervision of the Executive Vice President and Chief Financial Officer. The Treasurer shall ensure that an operating manual is maintained that provides a detailed description of procedures for maintaining records of investment transactions and related information.

III. Investment Goals

The Treasurer and Deputy Treasurer are responsible for maximizing the yield on investments consistent with requirements for safety, liquidity and minimization of risk. Monies will not be invested for terms in excess of the projected use of funds.

IV. Authorized Investments

- A. Monies in funds established pursuant to the Resolution shall be invested in Authorized Investments or Authorized Certificates of Deposit, defined as follows:

"Authorized Investments" shall mean:

1. Direct obligations of or obligations guaranteed by the United States of America or the State of New York;
2. Bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association (including Participation Certificates), Government National Mortgage Association, Federal Financing Bank, Federal Home Loan Mortgage Corporation and

Federal Home Loan Banks, Federal Housing Administration, Federal Farm Credit Banks Funding Corporation, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks or any other agency controlled or supervised by and acting as an instrumentality of the United States government;

- 3.3. Obligations of any state of the United States of America or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision that shall be rated at the time of the investment in any of the three highest long-term Rating Categories, as such term is defined in the Resolution, or the highest short-term Rating Category by a Rating Agency, as such term is defined in the Resolution.
- 4.4. Public Housing Bonds issued by Public Housing Authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract with the United States of America; or Project Notes issued by Local Public Agencies, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; provided that such Bonds or Notes are guaranteed by the United States of America.

“Authorized Certificate of Deposit” shall mean a certificate of deposit authorized by the Resolution as an “Authorized Investment.”

- B. The Authority, as an issuer of tax-exempt obligations, must not engage in any arbitrage practice prohibited by the arbitrage regulations promulgated under the Internal Revenue Code. In no event shall Authority funds be invested in a manner that would violate the provisions of such arbitrage regulations.

V. Provisions Relating to Qualifications of Dealers and Banks

- A.1. The purchase and/or sale of Authorized Investments shall be transacted only through banks, trust companies or national banking associations (herein collectively termed “Banks”) that are members of the Federal Reserve System and government security dealers (herein termed “Dealers”), which are Banks and Dealers reporting to, trading with and recognized as primary dealers by the Federal Reserve Bank of New York. A list of authorized Banks and Dealers shall be maintained. Banks and Dealers shall have demonstrated an ability to:
 - a) offer superior rates or prices on the types and amounts of securities required;
 - b) provide a high degree of attention to the Authority's investment objectives; and
 - c) execute trades in a timely and accurate manner.

- A.2. Authorized Investments may also be purchased or sold through minority- and women-owned firms authorized to transact business in the U.S. government and municipal securities markets. Such qualified firms shall demonstrate the qualities detailed in clauses (a), (b) and (c) of Section V.A.1.
- A.3.A. Municipal securities qualifying as Authorized Investments may also be purchased or sold through any municipal bond dealer registered in the State of New York that demonstrates the qualities detailed in clauses (a), (b) and (c) of Section V.A.1.
- ~~B.~~B. Authorized Certificates of Deposit and time deposits (“Time Deposits”) shall be purchased directly from Banks that:
 - (1) are members of the Federal Reserve System transacting business in the State of New York;
 - (2) have capital and surplus aggregating at least \$50 million; and
 - (3) demonstrate all the qualities detailed in clauses (a), (b) and (c) of Section V.A.1.
- C. Authorized Investments purchased by the Authority or collateral securing its investments shall be deposited only with custodians designated by the Authority. Such custodians shall be Banks that are members of the Federal Reserve System transacting business in the State of New York.
- D. The Authority shall file with each qualified dealer a letter agreement that designates the (1) type of authorized investments, (2) Authority employees who are authorized to transact business and (3) delivery instructions for the safekeeping of investments.
- E. The Authority shall enter into a written contract with any (1) Dealer from which Authorized Investments are purchased subject to a repurchase agreement and (2) Bank from which Authorized Certificates of Deposit are purchased.

VI. General Policies Governing Investment Transactions

A. Competitive quotations or negotiated prices shall be obtained except in the purchase of government securities at their initial auction or upon initial offering. A minimum of three quotes shall be obtained and documented from Dealers and/ or Banks, except as indicated above, and the most favorable quote accepted. The Treasurer or Deputy Treasurer may waive this requirement on a single-transaction basis only if warranted by market conditions and documented in writing.

B. Authorized Investments purchased shall be either delivered to the Authority's designated custodian or, in the case of securities held in a book-entry account maintained at the Federal Reserve Bank of New York or the Depository Trust Company, recorded in the

Authority's name or in the name of a nominee agent or custodian designated by the Authority on the books of the Federal Reserve Bank of New York or the Depository Trust Company. Payment shall be made to the Dealer or Bank only upon receipt by the Authority's custodian of (1) the securities or (2) in the case of securities held in a book-entry account, written advice or wire confirmation from the Federal Reserve Bank of New York or the Depository Trust Company that the necessary book entry has been made.

C. Each purchase or sale of Authorized Investments or Authorized Certificates of Deposit shall be authorized by the Treasurer or Deputy Treasurer. Investment orders may be placed by Authority employees as designated by the Treasurer. The custodian shall have standing instructions to send a transaction advice to the Authority's Controller for purposes of comparison with internal records. The Controller shall advise the Treasurer of any variances, and the Treasurer shall ensure appropriate corrections are provided.

VII. Policies Concerning Certain Types of Investment Diversification Standards Required

A. Authorized Certificates of Deposit and Time Deposits

1. Authorized Certificates of Deposit and Time Deposits shall be purchased directly from a Bank in the primary market.
2. Authorized Certificates of Deposit and Time Deposits shall be continuously secured/collateralized by Authorized Investments defined in subsection (1) or (2) of Section IV.A., having a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such Certificates of Deposit or Time Deposits. Such Authorized Investments shall be segregated in a separate custodian account on behalf of the Authority. Collateral pledged for Certificates of Deposit or Time Deposits held as investments shall be market valued (marked to market) not less than once per week.
3. Investments in Authorized Certificates of Deposit or Time Deposits shall not exceed 25% of the Authority's invested funds. The par value of Authorized Certificates of Deposit purchased from any one Bank shall not exceed \$25 million.

B. Repurchase Agreements

The Authority may from time to time elect to enter into arrangements for the purchase and resale of Authorized Investments (known as "Repurchase Agreements"). This type of investment transaction shall be used only when there is no other viable, short-term investment alternative.

1. A Repurchase Agreement shall be transacted only with a Dealer or Bank qualified to sell Authorized Investments to the Authority that is recognized by the Federal Reserve Bank as a primary dealer.
2. Authorized Investments purchased subject to a Repurchase Agreement shall be marked to market daily to ensure their value equals or exceeds the purchase price.
3. A Repurchase Agreement shall be limited to a maximum fixed term of five business days. Payment for the purchased securities shall be made against delivery to the Authority's designated custodian (which shall not be a party to the transaction as seller or seller's agent) or, in the case of securities held in a book-entry account maintained at the Federal Reserve Bank of New York or the Depository Trust Company, written advice that the securities are recorded in the Authority's name or in the name of a nominee, agent or custodian designated by the Authority on the books of the Federal Reserve Bank or the Depository Trust Company.
4. No more than \$50 million of Authorized Investments shall be purchased under a Repurchase Agreement with any one Dealer or Bank. This requirement may be waived by the Vice President - Finance on a single-transaction basis only if warranted by special circumstances and documented in writing.
5. The aggregate amount invested in Repurchase Agreements may not exceed the greater of 5% of the investment portfolio or \$100 million. The Executive Vice President and Chief Financial Officer may waive this requirement on a single-transaction basis only if warranted by cash-flow requirements and documented in writing.
6. The Authority may not enter into arrangements (known as Reverse Repurchase Agreements) for the purpose of borrowing monies by pledging Authorized Investments owned by the Authority.

VIII. Review

These Guidelines and any proposed amendments shall be submitted for Trustee review and approval at least once a year.

In addition to the Authority's periodic review, the Authority's independent auditors, in connection with their examination of the Authority, shall perform an annual audit of the investment portfolio, review investment procedures and prepare a report, the results of which will be made available to the Trustees.

IX. Reports

- A. The Treasurer shall submit an investment report to the Trustees, at least quarterly. Such report shall contain a (1) detailed description of each investment; (2) summary of the dealers and banks from which such securities were purchased and (3) a list of fees, commissions or other charges, if any, paid to advisors or other entities rendering investment services.
- B. The Treasurer shall submit an annual report for approval by the Trustees. In addition to the information provided quarterly, the Annual Report shall include : (i) a copy of the Guidelines; (ii) an explanation of the Guidelines and any amendments thereto since the last annual report; (iii) the results of an annual independent audit of investment inventory and procedures and (iv) a record of income earned on invested funds. The approved report shall be submitted to the State Division of the Budget with copies distributed to the Office of the State Comptroller, the Senate Finance Committee and the Assembly Ways and Means Committee. Copies shall be made available to the public upon written reasonable request.
- C. Any waivers that occurred during the prior month shall be reported to the Executive Vice President and Chief Financial Officer.

X. Miscellaneous

- A. These Guidelines are intended for guidance of officers and employees of the Authority only, and nothing contained herein is intended or shall be construed to confer upon any person, firm or corporation any right, remedy, claim or benefit under, or by reason of, any requirement or provision thereof.
- B. Nothing contained in these Guidelines shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of these Guidelines.
- C. No provisions in these Guidelines shall be the basis of any claim against any Trustee, officer or employee of the Authority in his or her individual or official capacity or against the Authority itself.

8. Procurement (Services) Contract – St. Lawrence/FDR Power Project – Life Extension and Modernization Program – Increase in Expenditure Authorization and Contract Compensation Limit

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to increase the expenditure authorization limit for the St. Lawrence/FDR Power Project (‘St. Lawrence’) Life Extension and Modernization (‘LEM’) Program to \$224,985,000 from the previously authorized capital expenditure amount of \$158,800,000. The increase of \$66,185,000 in the authorized capital expenditures is for the rehabilitation of three additional units at the St. Lawrence facility. This would bring the total number of rehabilitated units at St. Lawrence to 11.

“The Trustees are further requested to approve an increase in the compensation limit of \$4,500,000 for additional material, work and escalation required for the contract with General Electric International, Inc. (‘GE’) (Contract #4600000395) for the removal, rehabilitation and installation of 16 sets of generator rotor poles and accessories at the St. Lawrence facility. This additional compensation would bring the total contract amount to \$11,356,000.

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 revised Expenditure Authorization Procedures require the Trustees’ approval when the cumulative change order value of a personal services contract exceeds the greater of \$250,000 or 35% of the originally approved contract amount not to exceed \$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 \$500,000 or 35% of the originally approved contract amount not to exceed \$1,000,000.

“At their meeting of November 25, 1997, the Trustees approved the initiation of a program, estimated to cost \$254,139,000, to renew the generation assets of St. Lawrence and were informed that the LEM Program would begin in 1998 and require about 15 years to complete. The Trustees also approved funding of \$2,211,000 to enable staff to begin engineering for the purchase of the ‘prototype’ turbine runner, two new transformers, overhaul of the gantry cranes and refurbishment of the intake gate and associated seals.

“At their meeting of July 28, 1998, the Trustees authorized additional expenditures of \$16,300,000 and approved the award of a contract to Alstom for modernization of the first set of eight turbines and replacements for the Baldwin Lima Hamilton (‘BLH’) machines.

“At their meeting of February 29, 2000, the Trustees authorized the award of a contract in the amount of \$6,285,745 to GE (Contract #4600000395) for furnishing materials and refurbishment of 16 generator rotor poles and approved the release of \$1,091,470 for materials and refurbishing of the first rotor.

“At subsequent meetings in March 2001, January 2002, June 2002, April 2003 and October 2003, additional expenditure authorizations were approved, bringing the total expenditure authorization limit to \$82,700,000.

“At their meeting of February 24, 2004, the Trustees approved an increase in the LEM Program’s estimate to \$281,400,000, in order to correct as-found conditions with the turbine components due to excessive wear. In addition, the Trustees approved the increase in the expenditure authorization limit to \$158,800,000 and the award of a second contract to Alstom to provide the second set of eight turbines and replacements for the Allis Chalmers (‘AC’) machines, including the fabrication of the prototype.

“At their meeting of September 20, 2005, the Trustees approved increases in compensation limits for previously awarded contracts to (i) Alstom to provide the second set of eight turbines for the AC machines for \$25,200,000; (ii) GE for the rehabilitation of the remaining Generator Rotor Poles for \$6,856,000 and (iii) Voith Siemens Power Generation, Inc. (‘VSY’) for the design and manufacture of the remaining eight sets of the Generation Control System (‘GCS’) for \$21,500,000.

DISCUSSION

“The total estimated cost of the St. Lawrence LEM Program CEAR is unchanged at \$281,400,000 and is proceeding on schedule, with three units completed every two years as planned. The seventh BLH unit was returned to service three days ahead of schedule and the outage for the eighth BLH unit is under way. The current schedule for manufacturing the first AC replacement turbine is six months ahead of the original schedule; the AC outage is presently scheduled to start in February 2007.

“This increase of capital expenditures is for the rehabilitation of three additional units, including generator rotor poles, unit automation and associated auxiliary equipment. In addition, this increase of capital expenditures would also permit the Authority to release for fabrication the remaining seven additional AC turbine runners from the previously approved contract with Alstom for manufacturing in order to maintain the existing schedule.

“In order to allow for the orderly prosecution of the LEM Program, it is necessary at this time to commit to additional funding for engineering, manufacturing and installation services to support this program through December 2008. The remaining fund balance would then be requested in order to rehabilitate the remaining five units and associated auxiliary equipment.

“This current additional expenditure request for the CEAR is:

Engineering and Construction Management	\$ 5,700,000
Procurement	\$28,036,000
Construction	\$18,947,000
Auxiliary Facility Equipment/Materials	\$ 7,450,000
Authority Direct and Indirect	<u>\$ 6,052,000</u>
Total	<u>\$66,185,000</u>

“Regarding the GE contract, subsequent to the initial contract award for the generator rotor poles rehabilitation to GE and after inspection of the initial unit after disassembly, it became necessary to provide new fan blades, repair the spider arm cracks and replace the rotor pole and rim keys. The cost for the additional materials and work is approximately \$3,000,000. The original contract also provided for price adjustment in accordance with U.S. Bureau of Labor Statistics Indices. Based on the current estimate of changes in the Indices, an estimated amount of \$1,500,000 is also included in the requested increase of the compensation ceiling for the GE contract, for a total of \$4,500,000

FISCAL INFORMATION

“Payments will be made from the Capital Fund and will be funded with bond proceeds.

RECOMMENDATION

“The Vice President – Project Management, the Vice President – Procurement and Real Estate, the Vice President and Chief Engineer – Power Generation, the Regional Manager – Northern New York and the Project Manager recommend that the Trustees authorize (i) capital expenditures in the amount of \$66,185,000 for rehabilitation of three additional units and procurement of seven turbines for the St. Lawrence/FDR Power Project and (ii) an increase in the compensation limit of \$4,500,000 for additional material, work and escalation required for the contract with General Electric International, Inc. (Contract #4600000395) for the removal, rehabilitation and installation of 16 sets of generator rotor poles and accessories at the St. Lawrence facility, bringing the total contract amount to \$11,356,000.

“The Executive Vice President and General Counsel, the Executive Vice President – Corporate Services and Administration, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Power Generation, the Vice President – Controller and I concur in the recommendation.”

Mr. Mitchell presented the highlights of staff’s recommendations to the Trustees. In response to a question from Chairman McCullough, President Carey said that the overall capital expenditure authorization amount of \$281 million was not being increased.

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

RESOLVED, That capital expenditures are hereby approved to be committed in accordance with the Authority’s Expenditure Authorization Procedures for the Life Extension and Modernization of the St. Lawrence/FDR Power Project, in the amounts and for the purposes listed below:

<u>Description</u>	<u>Current Estimate</u>	<u>Previously Authorized Amount</u>	<u>Current Request</u>	<u>New Authorized Totals</u>
Engineering & Construction Management	\$ 34,923,000	\$ 18,858,000	\$ 5,700,000	\$ 24,558,000
Procurement	\$ 89,919,000	\$ 53,003,000	\$28,036,000	\$ 81,039,000
Construction	\$ 74,651,000	\$ 32,556,000	\$18,947,000	\$ 51,503,000
Auxiliary Facility Equipment/Materials	\$ 53,312,000	\$ 39,148,000	\$ 7,450,000	\$ 46,598,000
Authority Direct/Indirect	<u>\$ 28,595,000</u>	<u>\$ 15,235,000</u>	<u>\$ 6,052,000</u>	<u>\$ 21,287,000</u>
Totals	<u>\$281,400,000</u>	<u>\$158,800,000</u>	<u>\$ 66,185,000</u>	<u>\$224,985,000</u>

AND BE IT FURTHER RESOLVED, That approval is hereby granted under the existing contract with General Electric International, Inc. to increase the contract value and commit capital funds for the refurbishment of the Generator Rotor Poles (Contract #4600000395) and associated work for the Life Extension and Modernization of the St. Lawrence/FDR Power Project, in the amounts and for the purposes listed below:

Current authorized	\$ 6,856,000
Current increase amount	<u>\$ 4,500,000</u>
New authorized amount	<u>\$11,356,000</u>

AND BE IT FURTHER RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all 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.

9. Statewide Energy Services Program – Inclusion of Municipal and Rural Electric Cooperative System Customers

The President and Chief Executive Officer submitted the following report:

“The Trustees are requested to authorize the inclusion of the Authority’s 51 municipal and rural electric system cooperative (‘Muni and Coop’) customers that receive power from the Authority, either in whole or in part, as eligible participants in the Statewide Energy Services Program (‘Statewide ESP’). No additional program funding is being requested at this time and all costs will be recovered directly from each participating Muni and Coop.

“The Trustees are also requested to authorize the use of the Purchased Power Adjustment Charge or the previously authorized 1 mill Energy Efficiency Program adder as the instrument for the full-requirements Munis and Coops to recover their costs associated with this program.

BACKGROUND

“The Authority’s mission is to provide clean, economical and reliable energy consistent with its commitment to safety, while promoting energy efficiency for the benefit of its customers and all New Yorkers. In that regard, the Authority has provided energy services programs across the State to reduce energy consumption and peak demand. To date, the Authority’s programs have reduced the demand for electricity by 192 MW, resulting in savings of more than \$92 million annually.

“Since the 1980s, the Authority has sponsored a number of energy efficiency programs for its Muni and Coop customers, most notable of which was the Watt Busters home energy audit and weatherization program completed in the mid-1990s. Currently, the Authority offers an electric vehicle purchase program and is working on a number of energy projects for publicly operated facilities served by the Munis and Coops.

“In 2003, in connection with new long-term power sales agreements, the Authority entered into Global Settlements with all of the Authority’s Muni and Coop customers. These Global Settlements included a commitment that the Authority and these customers would work cooperatively to implement expanded energy efficiency and energy conservation programs for the systems to ensure optimum use of the Authority’s hydroelectric resources. In 2005, the Municipal Electric Utilities Association (‘MEUA’) and the Authority completed an Authority-sponsored study to determine the economic potential for energy efficiency in the Muni and Coop customer market. The study identified a significant level of potential for cost-effective energy efficiency program activity in this market.

DISCUSSION

“Since 2001, a number of municipal systems have been undertaking conservation program activities under the auspices of the Independent Energy Efficiency Program (‘IEEP’) they developed. Currently, 22 municipal systems are participating in IEEP, with collective investment of more than \$9 million since 2001. Under this approach, the systems manage the selection and implementation of program initiatives. Many of the systems recovered the cost of the IEEP program through a 1 mill ‘adder’ to rates authorized by the Authority. In discussions with MEUA’s Executive Committee and at MEUA’s most recent annual meeting, most of the membership expressed a strong preference for undertaking conservation measures through the IEEP model.

“If approved by the Trustees, the Authority’s 51 Muni and Coop customers would be added as an eligible market sector to the existing Statewide Energy Services Program (‘ESP’) and would become eligible for Authority funding for projects to be implemented by individual Munis and Coops. The Statewide ESP includes, but is not limited to, such measures as lighting, motors, heating, ventilating and air-conditioning and controls, boilers, building shell measures and clean energy technologies such as solar and photovoltaic. The systems would implement programs with their customers using Authority financing. The Authority’s role would be to review the eligible measure to ensure they are consistent with the current measures authorized under the Statewide ESP, analyze savings estimates, provide technical assistance as needed and, if requested by a system, provide financing. Program

initiatives undertaken to comply with the objectives of the hydropower contracts and the Global Settlement, whether or not involving Authority financing, should be submitted for review and approval by the Authority.

“Each Muni and Coop would launch and administer its own programs within its own system. The Authority would then enter into a single Cost Recovery Agreement (‘CRA’) with each Muni and Coop interested in accessing the Authority’s ESP. Each system would be financially responsible to the Authority for any funding provided by the Authority for programs it launches within its own system.

“The current authorized funding for this program is sufficient for the expected level of expanded market activity and the Statewide ESP will continue to be implemented to take into account the Authority’s regulatory requirements associated with support of projects of this type.

“Finally, the Trustees are requested to authorize the full-requirements Munis and Coops regulated by the Authority to recover from their customers all costs associated with the program through the Purchased Power Adjustment Clause mechanism, or in the case of full-requirements systems that used the 1 mill ‘adder’ previously authorized by the Authority, through such mechanism. Recovery of the costs arising from this important program by the partial-requirements Munis may be within the regulatory jurisdiction of the New York Public Service Commission (‘PSC’). All of the systems should be treated the same in this matter, whether their retail rates are ultimately regulated by the Authority or the Commission. Therefore, the Authority should encourage the PSC to allow rate recovery of the costs of these energy efficiency programs, which are undertaken as a condition of the 2003 hydroelectric contract amendments and the Global Settlements.

FISCAL INFORMATION

“Funding will be provided through the previously approved funding of the Statewide ESP. This funding will be provided from the proceeds of the Taxable Commercial Paper Notes Series 3.

“All Authority costs, including Authority overheads and the costs of advancing funds, will be recovered from the individual participating Munis and Coops through executed CRAs consistent with other Energy Services and Technology programs.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology recommends that the Trustees authorize the inclusion of the Authority’s 51 municipal and rural electric cooperative system customers that receive power from the Authority, either in whole or in part, as eligible participants in the Authority’s previously authorized Statewide Energy Services Program, and that the costs of these programs incurred by the full-requirements customers, whose rates are regulated by the Authority, be recovered from their customers through the Purchased Power Adjustment Clause mechanism, or in the case of such systems that used the 1 mill ‘adder’ previously authorized by the Authority, through such mechanism. Program initiatives undertaken to comply with the objectives of the hydropower contracts and the Global Settlement, whether or not involving Authority financing, should be submitted for review and approval by the Authority.

“The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Senior Vice President – Power Generation, the Senior Vice President – Public and Governmental Affairs and I concur in the recommendation.”

Mr. Hackman presented the highlights of staff’s recommendations to the Trustees. In response to a question from Trustee Cusack, Mr. Hackman said that this action would simply be making the municipal and rural electric cooperative customers eligible for a preexisting Authority program. President Carey added that it was staff’s understanding that the Public Service Commission would approve rate recovery of the costs of these

energy efficiency programs. He also emphasized the appropriateness of encouraging the Authority's low-cost power customers to maximize their energy efficiency.

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

RESOLVED, That the Trustees hereby authorize the inclusion of the Authority's 51 municipal and rural electric cooperative system customers that receive power from the Authority, either in whole or in part, as eligible participants in the Statewide Energy Services Program ('ESP') in addition to the previously authorized publicly operated facilities served by these electric systems; and be it further

RESOLVED, That the Authority's Commercial Paper Notes, Series 3, may be issued to finance Program costs resulting from inclusion of these customers in the Statewide ESP; and be it further

RESOLVED, That the costs of these programs incurred by the full-requirements customers, whose rates are regulated by the Authority, be recovered from their customers through the Purchased Power Adjustment Clause mechanism, or in the case of such systems that used the 1 mill 'adder' previously authorized by the Authority, through such mechanism, as deemed appropriate by the Authority, and be it further

RESOLVED, That program initiatives undertaken to comply with the objectives of the hydropower contracts and the Global Settlement, whether or not involving Authority financing, should be submitted for review and approval by the Authority; and be it further

RESOLVED, That the Trustees encourage the Public Service Commission ('PSC') to allow rate recovery of the costs of these energy efficiency programs by the partial-requirements municipal electric systems whose retail rates are regulated by the PSC; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all 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.

10. **Appointment of Trustee Elise Cusack to the Audit Committee**

The Vice Chairman submitted the following report:

SUMMARY

“In accordance with Article V, Section (2) of the By-laws of the Power Authority of the State of New York, which article was adopted by the Authority’s Trustees at their meeting of December 17, 1996, and amended by the Trustees at their meeting of April 28, 2006, and in accordance with the Charter of the Audit Committee, as also adopted by the Authority’s Trustees at their meeting of December 17, 1996, and amended by the Trustees at their meeting of February 28, 2006, the Trustees are requested to select Elise Cusack as a member of the Audit Committee, effective May 23, 2006.

BACKGROUND

“Section 2 of Article V of the Authority’s By-laws provides for the establishment of an Audit Committee of the Board consisting of three Trustees.

“The Charter of the Audit Committee, adopted by the Trustees on December 17, 1996 and amended on February 28, 2006, provides that Audit Committee members are to be selected by vote of the Trustees from among the eligible Trustees. Audit Committee members serve for a period of four years and may serve for additional periods subject to their terms of office as Trustees.

“The Audit Committee currently comprises Michael J. Townsend, who has served on the Committee since October 19, 2005 and was elected Chairman of the Committee on April 28, 2006, and Thomas W. Scozzafava, who was appointed to the Audit Committee on February 28, 2006. The third member was Frank S. McCullough, Jr., who resigned from the Committee on May 22, 2006.

DISCUSSION

“In view of Trustee McCullough’s resignation from the Committee, it is desirable for the Trustees to select another eligible Trustee to serve on such Committee. Trustee Cusack has indicated her willingness to serve in that position. Accordingly, her selection as member of the Audit Committee is recommended.

RECOMMENDATION

“I concur in the recommendation.”

Vice Chairman Townsend presented his recommendation to the Trustees. Chairman McCullough thanked Trustee Cusack for her willingness to take on this additional responsibility.

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

RESOLVED, That Elise Cusack is hereby selected as a member of the Audit Committee, effective May 23, 2006, to serve for a term ending May 6, 2009.

11. Niagara-Adirondack Tie Line – Acquisition of Property

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the acquisition of ‘danger tree’ easements by purchase or eminent domain to remove trees that threaten the continued safe operation of the Niagara-Adirondack Tie Line (‘NATL’). The proposed easements, described in Exhibit ‘11-A,’ will encumber 50-foot-wide strips of land adjacent to both the northerly and southerly right-of-way boundaries of the NATL.

BACKGROUND

“The 300-foot-wide NATL right-of-way runs from the Niagara Power Project to the Edic Substation near Utica and as the major east-west transmission facility in New York State is responsible for transporting as much as 6-8% of the State’s total electric load. The rights-of-way for the NATL were acquired in the early 1960s before the Authority established the policy of acquiring danger tree easements contemporaneously with transmission line easements. As no such danger tree easement exists abutting the NATL easement, the Authority has either purchased danger tree temporary permits or permanent easements to remove trees adjacent to the NATL or, in the vast majority of cases, purchased the right to cut individual trees. Acquisition of danger trees has been increasingly difficult with changes in land use such as suburbanization of areas in the vicinity of Authority transmission lines.

“Due to the importance of the NATL to the reliability of electric service in New York, and the threat presented by danger trees to both the operation of the line and the health and safety of those people living proximate to the line, it is necessary to acquire permanent tree-cutting rights.

DISCUSSION

“The transmission line maintenance department has identified numerous trees on each of the subject properties that threaten the continued safe operation of the NATL. A danger tree is generally defined as a tree outside the Authority’s existing easement that, either currently or in the near future, could fall into the transmission line wire security zone, the 15 feet surrounding the transmission line conductor. Additional criteria used in defining a danger tree include the species, condition and lean of the tree, soil conditions, terrain and other variables that might influence the tree’s potential to fall toward the transmission line conductor. Such an occurrence could cause a flash-over or possible outage of that transmission line. In fact, flash-overs, and the consequential outages, played a central role in the August 2003 blackout that severed power to millions of people in the Northeast, Midwest and Canada. To prevent these occurrences and their associated hazardous consequences, danger trees must be monitored and eliminated once identified.

“The Authority’s real estate division has identified two properties that contain danger trees where the Authority has been unsuccessful in negotiating agreements with the owners for removal of the trees. One property, located in the Town of Pittsford, Monroe County, is owned by Masi Enterprises, Inc (see Exhibit ‘11-A1’). The second property, located in the Town of Victor, Ontario County, is owned by Mr. B. Thomas Golisano (see Exhibit ‘11-A2’).

“Mr. Lewis Masi was first contacted by Authority real estate division personnel on July 19, 2001; the first meeting with Mr. Masi regarding the Authority’s need to acquire rights to cut trees on the Masi property adjacent to the Authority’s transmission line was on August 1, 2001. There have been 10 subsequent contacts by telephone and in person with Mr. Masi or his representative and 5 letters have been sent to Mr. Masi concerning the Authority’s need to acquire rights to cut trees. Since the Masi property is being developed as a residential subdivision known as Country Pointe, Authority staff has attempted to purchase a permanent tree-cutting easement to obviate the need for future negotiations with a number of individual lot owners. An option to purchase rights through the Phase II area was sent to Mr. Masi on April 30, 2003. Mr. Masi has thus far resisted conveying a tree-cutting easement to the Authority. The Authority system forester has confirmed the existence of danger trees and a third-party arborist has valued the trees. The Authority’s real estate division contacted Mr. Masi on January 6, January 19 and February 28,

2006 and had a conversation with Mr. Masi's attorney in March 2006, all of which resulted in an unsuccessful effort to resolve the matter.

"Mr. Golisano was first contacted by the Authority's real estate division personnel by telephone on May 10, 2001 regarding trees on his property adjacent to the Authority's transmission line easement that posed a threat to the safe operation of the line. Since the initial contact with Mr. Golisano, the Authority has contacted him or his representative by telephone or in person 10 times and sent 7 letters stressing the importance of the removal of the trees in order to provide for the safe operation of this critical link in the State power grid. At the request of Authority real estate personnel, the Authority's system forester and his predecessor reviewed the situation on May 18, 2001 and December 7, 2004 and confirmed the existence of danger trees. The trees have been valued by a third-party arborist and in an April 6, 2006 meeting between Mr. Golisano's property manager and Authority personnel, the Authority offered to have a third-party arborist render an opinion as to whether the trees in question are a threat to the transmission line. In a May 2, 2006 telephone conversation, Mr. Golisano's property manager indicated that Mr. Golisano has rejected that course of action. In a May 9, 2006 letter to Mr. Golisano, the Authority once again suggested that using the services of a third-party arborist is the best method for resolving this matter. Thus far the Authority has received no response to the May 9, 2006 letter.

"As efforts to negotiate a purchase price with the landowners for either the individual danger trees or danger tree strips as set out in Exhibit '11-A' have not been successful, acquisition by eminent domain is now deemed necessary. In addition to the transmission line department and the system forester review of the situation, the Senior Vice President – Transmission has personally inspected the sites and concurs that the trees must be acquired by either purchase or use of the Eminent Domain Procedure Law.

FISCAL INFORMATION

"Payment will be made from the Operating Fund.

RECOMMENDATION

"The Senior Vice President – Transmission, the Vice President – Environmental Management and the Director – Real Estate recommend that the Trustees approve the acquisition of the permanent easement rights shown on the Niagara Power Project, Niagara-Adirondack Tie Line Map Nos. MPI-1432, Parcel Nos. 1432A, 1432B and 1432C and Map No. OV-1434, Parcel Nos. 1434A and 1434B.

"The Executive Vice President and General Counsel, the Executive Vice President – Corporate Services and Administration, the Vice President – Procurement and Real Estate and I concur in the recommendation."

Mr. Hoff presented the highlights of staff's recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Hoff said that the two landowners would be receiving the Authority's price offer for the land in question next week and that the Authority should know within a few weeks after that whether the landowners would accept the offers. President Carey added that if the landowners do not accept the Authority's offers, the acquisition of the property through eminent domain may happen fairly quickly, particularly due to the imminent danger to public health and safety caused by the "danger trees." He pointed out that flash-overs such as those that could be caused by the "danger trees" in question had been one of the main causes of the August 2003 blackout. Mr. Kelly said that these would be viewed as de minimis takings, so that the only issue to be adjudicated would be the value of the land taken. In response to a question from Trustee Seymour, Mr. Hoff said that he didn't know if the Authority had taken easements on the other properties near the

Masi Enterprises, Inc. property in Pittsford. Mr. Vesce pointed out that these two landowners are the only ones with whom the Authority has not been able to negotiate easements. Mr. Hoff added that 14 other landowners had granted easements for 75 acres of land.

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 it necessary to acquire by purchase or eminent domain the real properties shown and described on Power Authority of the State of New York, Niagara Power Project, Niagara-Adirondack Tie Line, Map Nos. MPI-1432, Parcel Nos. 1432A, 1432B and 1432C and Map No. OV-1434, Parcel Nos. 1434A and 1434B and hereby finds and determines that such real property is required for a public use and hereby determines that such real property is reasonably necessary for the operation of the Niagara-Adirondack Tie Line, and that because of the critical situation caused by the trees, the public interest will be endangered by any delay caused by the public hearing requirement of the Eminent Domain Procedure Law; and be it further

RESOLVED, That in the opinion of the Authority the acquisition of the real property shown and described on Power Authority of the State of New York, Niagara Power Project, Niagara-Adirondack Tie Line, Map Nos. MPI-1432, Parcel Nos. 1432A, 1432B and 1432C and OV-1434, Parcel Nos. 1434A and 1434B is *de minimis* in nature so that the public interest will not be prejudiced by the acquisition of such real property without a public hearing; and be it further

RESOLVED, That the President and Chief Executive Officer, the Vice President – Procurement and Real Estate and the Director – Real Estate be, and each of them hereby is, authorized and directed to execute on behalf of the Authority such certificates, requests, and directions on terms and conditions substantially in accord with the foregoing report of the President and Chief Executive Officer, as are necessary or desirable for the acquisition of such real property subject to the approval of the Executive Vice President and General Counsel; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all 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.

May 23, 2006

Exhibit "11-A"

Landowner	Map No.	Acreage	
Masi Enterprises, Inc.	MPI-1432	3.4	Exhibit 'A-1'
B. Thomas Golisano	OV-1434	1.57	Exhibit 'A-2'

12. New York State 2006 ‘Stay Cool!’ Program

The President and Chief Executive Officer presented the following report:

SUMMARY

“The Trustees are requested to authorize the President and Chief Executive Officer to enter into an agreement with the New York State Energy Research and Development Authority (‘NYSERDA’) to support the coordinated 2006 Statewide ‘Stay Cool!’ program to promote the use of energy-efficient ENERGY STAR[®] products and increase public awareness of the need for energy conservation through New York Energy \$martSM.

BACKGROUND

“To address the urgent energy challenges facing New York State in the summer of 2001, Governor George E. Pataki directed State agencies to engage in a variety of energy demand reduction initiatives. Among those efforts was a coordinated campaign involving NYSERDA, the New York Power Authority (‘NYPA’) and the Long Island Power Authority (‘LIPA’) in cooperation with the New York State Public Service Commission (‘PSC’) to promote more prudent use of electricity in New York State with an ENERGY STAR[®] Awareness campaign and an air conditioner bounty program for the purchase of residential ENERGY STAR[®] room air-conditioning equipment and the return of old, inefficient units.

DISCUSSION

“The focus of the public awareness campaign is the education of consumers on the value of energy efficiency, providing advice on ways to stay cool during the summer months while controlling energy costs. The public appeal highlights the need to use power sensibly, coupled with ways to be more energy efficient. The program has employed assorted communications media, including television, radio, newspapers and direct mail. Promotional materials direct consumers to the ENERGY STAR[®] retailer partners, participating State government websites, and the toll-free consumer hotline: 1-877-NYSMART. It is noteworthy that more than three-quarters of New York State consumers recognize the ENERGY STAR[®] label, compared to one-third in 1999.

“The ‘Keep Cool’ Air Conditioner Replacement Bounty Program was designed to ensure that old, inefficient air conditioners were taken out of circulation, recycled and replaced with highly efficient ENERGY STAR[®] models. In 2001 and 2002, State residents could receive a \$75 bounty when they turned in their old, working room air conditioners and purchased ENERGY STAR[®] models. The bounty was reduced to \$35 in 2003. Market share of ENERGY STAR[®] room air conditioners has increased to approximately 70%, compared to 14% in 1999. More than 200,000 older units were removed from operation, reducing residential peak demand by 83 megawatts Statewide. NYPA participation in the program specifically enabled residential customers of municipal electric systems and rural electric cooperatives to become eligible for the bounty program. From 2001 through 2003, municipal and cooperative customers turned in more than 4,500 units. In 2004, the bounty was no longer viewed as a necessary component of the program given the significant market penetration achieved by ENERGY STAR[®] room air conditioners. By the end of 2005, 961,000 of the more than 1.5 million room air conditioners in operation Statewide were ENERGY STAR[®] appliances. Consequently, a revised ‘Stay Cool!’ program was instituted to sustain public awareness of energy-efficient products and focus on energy conservation during the summer peak demand period through New York Energy \$martSM, a Statewide program to promote ‘clean, energy-efficient products and solutions.’

FISCAL INFORMATION

“In 2001, the Trustees authorized a contribution of up to \$2 million for the ‘Keep Cool’ program, of which \$1.097 million was transferred to NYSERDA. In 2002, the Trustees authorized a contribution of up to \$2 million, of which \$1.47 million was transferred to NYSERDA. In 2003, the Trustees authorized a contribution of up to \$1.25 million, of which \$1.05 million was transferred to the NYSERDA. In 2004, Trustees authorized a contribution of up to \$750,000, of which \$710,755 was transferred to NYSERDA. In 2005, the Trustees authorized a contribution of up to \$550,000, of which \$538,560 was transferred to NYSERDA. In 2006, the Trustees are

requested to authorize a contribution of up to \$500,000, which has been previously budgeted and would be withdrawn from the NYPA's Operating Fund.

RECOMMENDATION

"The Senior Vice President –Public and Governmental Affairs, the Senior Vice President – Energy Services and Technology and the Vice President – Governmental Affairs and Policy Development recommend that the Trustees authorize the President and Chief Executive Officer to enter into an agreement with the New York State Energy Research and Development Authority for the purpose of providing New York Power Authority support to New York State's 2006 'Stay Cool!' and New York Energy \$martSM summer energy conservation awareness programs.

"The Executive Vice President and General Counsel, the Executive Vice President – Corporate Services and Administration and I concur in the recommendation."

Mr. Warner presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Cusack, President Carey said that the Authority's only financial contribution to the program is whatever amount it gives each year to the New York State Energy Research and Development Authority.

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

RESOLVED, That the energy challenges facing New York State require sustained public attention to the need for energy efficiency; and be it further

RESOLVED, That Section 1001 of the Power Authority Act states 'that it is desirable that the authority give its fullest cooperation to the energy research and development authority in advancing and promoting the development and implementation of new energy technologies...'; and be it further

RESOLVED, That Section 1854(3) of the Public Authorities Law empowers the New York State Energy Research and Development Authority to contract with the New York Power Authority with respect to 'the construction and operation of experimental or developmental facilities which implement new energy technologies which have prospects of reducing the economic, environmental and social costs of energy production and utilization'; and be it further

RESOLVED, That such energy technologies as are referred to in the foregoing statutory provisions include advanced high-efficiency products promoted under the ENERGY STAR[®] program; and be it further

RESOLVED, That a coordinated effort directed by the Governor of the State of New York among and between New York State agencies and authorities is a proven effective means to educate consumers about the value of energy efficiency and raise public awareness of the availability of high-efficiency ENERGY STAR[®] products; and be it further

RESOLVED, That the President and Chief Executive Officer of the Authority be, and hereby is, authorized to execute, on behalf of the Authority with the New York State Energy Research and Development Authority, an agreement to provide support by the Authority, including a contribution of up to \$500,000 for the New York State 2006 ‘Stay Cool!’ and New York Energy \$martSM summer energy conservation awareness programs, subject to approval of the form thereof by the Executive Vice President and General Counsel; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all 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.

13. **Motion to Conduct Executive Session**

“Mr. Chairman, I move that the Authority conduct an executive session to discuss matters related to (i) ongoing potential litigation and (ii) collective bargaining negotiations pursuant to Article 14 of the Civil Service Law.” Upon motion moved and seconded, an executive session was held.

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

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

15. Blenheim-Gilboa Pumped Storage Project – Proposed Settlement – NYISO Market Clearing Prices

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve a proposed settlement among the Authority, the New York Independent System Operator (‘NYISO’) and certain NYISO Market Participants that ends years of litigation over the appropriate market clearing price in the NYISO during May 2000. Exhibit “15-A”

BACKGROUND

“A settlement has been reached among the Authority, the NYISO and certain NYISO Market Participants in the long-standing dispute growing out of the high energy bids for May 8-9, 2000. These were the first days of unexpected extremely hot weather following the start-up of the NYISO market the previous November and market system design issues became apparent for the first time.

“The then-existing NYISO bidding regime did not permit the Authority to signal to the NYISO that its Blenheim-Gilboa Pumped Storage Project (‘B-G’) was an energy-limited resource, except by submitting a high bid. (This has subsequently been changed.) In order to preserve water for emergency generation and to continue participation in the NYISO market as required by capacity obligations, the Authority submitted an artificially high bid for B-G in an effort to prevent it from being selected to preserve its limited water supply.* Nevertheless, due to unusually high temperatures and resulting heavy demand for electricity for early May, in certain hours on the 8th and 9th, B-G was selected and, under the ISO rules, its bid set the market clearing price. This resulted in record hourly prices for a few hours over the two-day period. Soon after the occurrence, the NYISO reset the prices as if the Authority’s bid had not set the clearing price, reducing the income of generators statewide by millions of dollars and saving consumers a like amount. The Authority supported the NYISO decision to reduce the market prices.

“Not surprisingly, generators challenged the NYISO decision to reset the prices. Litigation at the Federal Energy Regulatory Administration (‘FERC’) led to an appeal to the U.S. Circuit Court for the District of Columbia. That court ruled that FERC improperly approved the NYISO’s resetting of prices and ordered reconsideration. After an aborted effort at settlement, the NYISO offered a revised computation for May 8 and 9 which resulted in several million dollars of additional payments to generators and payments by load-serving entities. Those collections and payments were made in 2005. The Authority fell in both these categories. The generators then challenged the NYISO again at FERC and settlement discussions again commenced.

“The Authority has consistently through this litigation at FERC and at the Circuit Court worked with the investor-owned utilities on behalf of the consumers affected by the incident.

“Settlement discussions resumed in Washington last fall under a Settlement Judge appointed by FERC. After considerable give and take, an agreement was reached wherein the generators and other suppliers are to be paid an additional \$2.5 million by three investor-owned utilities (Con Ed-O&R 72 %, National Grid 20% and NYSEG-RGE 8%). An important element of the deal, however, is that the Authority, as a generator and load-serving entity, would neither pay nor receive any additional funds. If the same parameters had been used to determine the Authority’s additional income as was used to determine the \$2.5 million to the rest of the generators and suppliers, the Authority would receive about \$830,000. Hence, by signing this agreement, the Authority waives any claim to additional funds resulting from the recomputation of May 8-9, 2000 NYISO bids.

* The BG upper reservoir can store 12,000 MWH (1,000 MW for 12 hours). Under NYISO rules, the Authority had to bid 1,040 MW for 16 on-peak hours (16,640 MWH) in order to receive capacity payments.

DISCUSSION

“This proposed settlement leaves the Authority and its customers unaffected, while minimizing the impact on other electric customers in the State. The Authority is an essential party to the agreement. If the settlement is not concluded, additional litigation can be anticipated and the cost to the Authority could be significant.

FISCAL INFORMATION

“There is no fiscal impact. The funds forgone in this settlement were not assumed in this year’s budget.

RECOMMENDATION

“The Executive Vice President and General Counsel recommends that the Trustees approve this settlement, as outlined above.

“The Executive Vice President and Chief Financial Officer, the Vice President – Energy Resource Management and I concur in the recommendation.”

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

RESOLVED, That the Trustees approve a proposed settlement among the Authority, the New York Independent System Operator (“NYISO”) and certain NYISO Market Participants that ends litigation at the Federal Energy Regulatory Commission over the appropriate market clearing price in the NYISO during May 2000 as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

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

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

H.Q. Energy Services (U.S.), Inc.)	Docket No. EL01-19-000, <i>et seq.</i>
)	
v.)	
)	
New York Independent System Operator, Inc.)	
)	
PSEG Energy Resources & Trade LLC)	Docket No. EL02-16-000, <i>et seq.</i>
)	
v.)	
)	
New York Independent System Operator, Inc.)	
)	
)	

EXPLANATORY STATEMENT

Pursuant to Rule 602(c) of the Federal Energy Regulatory Commission's ("FERC" or "Commission") Rules of Practice and Procedure, 18 CFR § 385.602(c), Consolidated Edison Company of New York, Inc. ("Con Edison"), Long Island Lighting Company d/b/a LIPA ("LIPA), New York Power Authority ("NYPA"), New York State Electric & Gas Corp. ("NYSEG"), Niagara Mohawk Power Corporation d/b/a National Grid ("Niagara Mohawk"), Orange and Rockland Utilities, Inc. ("Orange and Rockland") and Rochester Gas and Electric Corp. ("RG&E") (these seven entities are referred to collectively as the "New York Transmission Owners"), the New York Independent System Operator, Inc. ("NYISO"), Consolidated Edison Solutions, Inc. ("Con Edison Solutions"), Central Hudson Gas & Electric Corp. ("Central Hudson"), Merchant Energy Group (MEGA), PSEG Energy Resources & Trade LLC, HQ

Energy Services (US), the Mirant Parties,¹ Reliant Energy, Inc.,² NRG Power Marketing Inc., Indeck-Corinth LP, Indeck-Yerkes LP, PPL EnergyPlus, LLC (EPLUS), Aquila Merchant Services, Inc., and KeySpan-Ravenswood, LLC (individually "Party" and collectively, "Parties") submit this Explanatory Statement in support of the Stipulation and Agreement of Settlement ("Settlement") concurrently filed in the captioned dockets.³ This Explanatory Statement is not intended to, and does not, alter any of the provisions in the Settlement.

The Settlement fully resolves all issues that were raised or could have been raised by all Parties with respect to the May 8, 2000 and May 9, 2000 temporary extraordinary procedures (TEP) price adjustments in Docket Nos. EL01-19-000, *et seq.* and EL02-16-000, *et seq.* and in connection with the petitions for review filed in the U.S. Court of Appeals for the D.C. Circuit in Docket Nos. 06-1029 and 06-1030. The Parties request that the Commission approve the Settlement, without modification or condition, as fair, reasonable and in the public interest.

BACKGROUND

H.Q. Energy Services (U.S.), Inc. filed a complaint against the NYISO requesting that the Commission order the NYISO to restore the original real-time market-clearing prices for energy on May 8, 2000. PSEG Energy Resources & Trade LLC ("PSEG") filed a similar complaint

¹ The Mirant Parties include Mirant Energy Trading, LLC ("MET"), Mirant New York, Inc., Mirant Bowline, LLC, Mirant Lovett, LLC, and Mirant NY-Gen, LLC. On February 1, 2006, Mirant Americas Energy Marketing, LP ("MAEM") transferred its assets related to its participation in the NYISO-administered markets to MET, including all potential refund claims relating to MAEM's sales in the NYISO-administered market during the period May 8-9, 2000. Accordingly, MET is currently the real party in interest for purposes of these proceedings.

² Reliant Energy, Inc. (f/k/a Reliant Resources, Inc.) sold its interest in its New York City power generation facilities in 2006. Reliant Energy, Inc. retained the rights to certain claims and refunds, including the amounts to be paid under this Settlement Agreement.

³ In addition, this Settlement is supported by Constellation New Energy, Constellation Energy Commodities Group, the Independent Power Producers of New York, Inc., Ontario Power Generation, Inc. and Central Hudson Enterprise Corporation that have an interest but who are currently not parties to this proceeding.

requesting restoration of the original real-time market-clearing prices on May 9, 2000. The Commission denied both complaints and subsequently denied rehearing.⁴

PSEG filed a petition for review of the Commission's orders with the United States Court of Appeals for the District of Columbia Circuit, which remanded the case to the Commission. On March 4, 2005, the Commission issued its "Order on Remand," in which the Commission found that the "NYISO erred in recalculating those prices," and directed "NYISO to reinstate the prices for energy for May 8 and 9 that would have been in place absent the exercise of NYISO's TEP authority."⁵ On June 2, 2005, the NYISO filed a Refund Report, in which it set forth prices that purportedly would have been posted for the relevant intervals on May 8 and 9, 2000, if the Energy Limited Resources Emergency Corrective Action had not been implemented. On July 8, 2005, the NYISO included the refund amounts and surcharges to recover refund amounts in the invoices it distributed. The NYISO effectuated the transfer of surcharges and refunds on July 20, 2005.

Requests for rehearing or clarification of the Commission's March 4 Order were filed by certain of the New York Transmission Owners, the NYISO, KeySpan Ravenswood LLC, Con Edison Solutions and Independent Power Producers of New York, Inc. On November 21, 2005, the Commission issued an "Order Denying Rehearing, Granting Clarification and Setting Refunds for Hearing."⁶ In the November 21 Order, the Commission affirmed its decision to order refunds with respect to price corrections on May 8 and 9, 2000. On January 19, 2006, certain of the New York Transmission Owners ("Indicated New York Transmission Owners")

⁴ *H.Q. Energy Services (U.S.), Inc.*, 97 FERC ¶ 61,218 (2001), *reh'g denied*, 100 FERC ¶ 61,028 (2002).

⁵ *H.Q. Energy Services (U.S.), Inc.*, 110 FERC ¶ 61,243 (2005).

⁶ *H.Q. Energy Services (U.S.), Inc.*, 113 FERC ¶ 61,184 (2005).

submitted to the United States Court of Appeals for the District of Columbia Circuit a joint petition for review of the Commission's March 4 and November 19 orders requiring refunds in Docket Nos. EL01-19 and EL02-16. The Indicated New York Transmission Owners include Con Edison, NYPA, NYSEG, Niagara Mohawk, Orange and Rockland and RG&E. The Indicated New York Transmission Owners' petition for review was docketed as Case No. 06-1029. The NYISO also filed a petition for review which was docketed as Case No. 06-1030. The petitions for review are currently held in abeyance pending the outcome of the Commission's ongoing proceedings in Docket Nos. EL01-19-000, *et seq.*, and EL02-16-000, *et seq.* On January 23, 2006, the Commission issued an "Order Granting Clarification," in which it clarified that, pending a final Commission order in the proceeding, refunds already made by the NYISO would not be returned or adjusted.⁷

By its terms, the Settlement resolves all issues that were raised or that could have been raised by all Parties in Docket Nos. EL01-19-000, *et seq.* and EL02-16-000, *et seq.* and in connection with the petitions for review in Case Nos. 06-1029 and 06-1030.

THE STIPULATION AND AGREEMENT OF SETTLEMENT

In Section One, the Parties accept the proposal that, subject to the terms of the Settlement, a one-time \$2.5 million additional refund payment (inclusive of interest) will be paid by the five named Parties below to the NYISO in the amounts shown below and distributed by the NYISO in accordance with the terms of this Settlement in full satisfaction of all claims in Docket Nos. EL01-19-000, *et seq.*, and EL02-16-000, *et seq.*, with respect to the Commission's orders requiring refunds and the NYISO's June 2005 Refund Report, that were raised or could have been raised by all Parties:

⁷ *H.Q. Energy Services (U.S.), Inc.*, 114 FERC ¶ 61,059 (2006).

(i)	Con Edison	\$1,465,000
(ii)	Orange & Rockland	\$365,000
(iii)	Niagara Mohawk	\$475,000
(iv)	RG&E	\$99,000
(v)	NYSEG	\$96,000

In Section Two, the Parties agree that the \$2.5 million refund payment will be distributed by the NYISO as set forth in Section Three. NYPA and the former co-tenants of the Roseton generating facility (Con Edison, Niagara Mohawk and Central Hudson) expressly agree to forego any entitlement to or payment of any portion of the \$2.5 million refund payment. This \$2.5 million refund payment constitutes the only payment that will be made under this Settlement. No Party will be entitled to any other refund or payment of any kind.

In Section Three, the Parties agree that the Settlement is conditioned upon payment of the \$2.5 million in refunds as indicated in Attachment A to the Stipulation and Agreement of Settlement. No Parties, nor any other parties, will be entitled to any other payments or refund of any kind under the terms of the Settlement otherwise.

In Section Four, the Parties to the Settlement Agreement provide for the resolution of miscellaneous issues including the effective date of the Settlement, which shall occur upon the issuance by the Commission of a final order approving the Settlement without material modification or condition. In the event that Commission approval is conditioned upon a material modification or condition to the Settlement, it shall nevertheless become effective automatically if no Party to the Settlement Agreement objects to such modification or condition within ten (10) days from the date of the Commission's order. The Parties to the Settlement Agreement agree that the Settlement shall not limit or restrict the arguments that the Parties to the Settlement Agreement may put forth or the positions that the Parties to the Settlement Agreement may take in any future proceeding before FERC, except as to the matters that are the subject of this Settlement

In Section Five, the Parties agree that this Settlement fully resolves all issues that were raised or that could have been raised by any person, whether or not they are signatories to this Settlement, in Docket Nos. EL01-19-000 *et seq.*, EL02-16-000, *et seq.* and in the D.C. Circuit, Case Nos. 06-1029 and 06-1030.

INFORMATION REQUIRED BY THE COMMISSION

Issues Underlying The Settlement And The Major Implications

The procedural history of this proceeding and the issues in dispute in this case are described above. The Settlement resolves all issues that were raised or could have been raised in Docket Nos. EL01-19-000, *et seq.*, and EL02-16-000, *et seq.*, and in connection with the petitions for review in Case Nos. 06-1029 and 06-1030, by any person regarding the Commission's orders requiring the payment of refunds.

Policy Implications

The Settlement does not raise policy implications.

Whether Other Pending Cases May Be Affected

As described above, the Settlement resolves all issues raised by Parties in Docket Nos. EL01-19-000, *et seq.* and EL02-16-000, *et seq.* Certain of the New York Transmission Owners and the NYISO filed petitions for review of the Commission's orders in Docket Nos. EL01-19-000, *et seq.* and EL02-16-000, *et seq.*, which are pending in the D.C. Circuit. Upon approval of this Settlement by the Commission, the petitions for review, which are currently held in abeyance, will be withdrawn.

Whether The Settlement Involves Issues Of First Impression

The Settlement does not involve any issues of first impression.

Whether There Are Any Previous Reversals On The Issues Involved

There are no previous reversals on the issues addressed in the Settlement.

The Standard of Review

The proceeding is subject to the just and reasonable standard.

CONCLUSION

The Parties believe that the Stipulation and Agreement of Settlement represents a fair and reasonable resolution of the issues in this proceeding and urge the Commission to approve it expeditiously.

Dated: May --, 2006

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

H.Q. Energy Services (U.S.), Inc.)	Docket No. EL01-19-000, <i>et seq.</i>
)	
v.)	
)	
New York Independent System Operator, Inc.)	
)	
PSEG Energy Resources & Trade LLC)	Docket No. EL02-16-000, <i>et seq.</i>
)	
v.)	
)	
New York Independent System Operator, Inc.)	
)	

STIPULATION AND AGREEMENT OF SETTLEMENT

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission” or “FERC”), 18 C.F.R. § 385.602, active participants in the above-captioned docket hereby submit this Stipulation and Agreement of Settlement (“Settlement Agreement”), fully resolving all disputed issues in Docket Nos. EL01-19-000, *et seq.* and EL02-16-000, *et seq.* The active participants (collectively referred to as the “Parties”) are Consolidated Edison Company of New York, Inc. (“Con Edison”), Long Island Lighting Company d/b/a LIPA (“LIPA”), New York Power Authority (“NYPA”), New York State Electric & Gas Corp. (“NYSEG”), Niagara Mohawk Power Corporation d/b/a National Grid (“Niagara Mohawk”), Orange and Rockland Utilities, Inc. (“Orange and Rockland”) and Rochester Gas and Electric Corp. (“RG&E”) (these seven entities are referred to collectively as the “New York Transmission Owners”), the New York Independent System Operator, Inc. (“NYISO”),

Consolidated Edison Solutions, Inc. ("Con Edison Solutions"), Central Hudson Gas & Electric Corp. ("Central Hudson"), Merchant Energy Group (MEGA), Public Service Energy Resources & Trade LLC, HQ Energy Services (US), the Mirant Parties,⁸ Reliant Energy, Inc.,⁹ NRG Power Marketing Inc., Indeck-Corinth LP, Indeck-Yerkes LP, PPL EnergyPlus, LLC (EPLUS), Aquila Merchant Services, Inc., and KeySpan-Ravenswood, LLC (individually "Party" and collectively "Parties").¹⁰

This Settlement Agreement resolves all issues with respect to the May 8, 2000 and May 9, 2000 temporary extraordinary procedures (TEP) price adjustments in Docket Nos. EL01-19-000, *et seq.* and EL02-16-000, *et seq.*, and in connection with the petitions for review filed with the U.S. Court of Appeals for the D.C. Circuit, Case Nos. 06-1029 and 06-1030, by providing, *inter alia*, a total refund of \$2.5 million, which is in addition to the refunds already paid to generators in accordance with the NYISO's June 2005 Refund Report. As this Settlement Agreement is fair and reasonable and in the public interest, the Parties urge prompt approval without condition or modification.

⁸ The Mirant Parties include Mirant Energy Trading, LLC ("MET"), Mirant New York, Inc., Mirant Bowline, LLC, Mirant Lovett, LLC, and Mirant NY-Gen, LLC. On February 1, 2006, Mirant Americas Energy Marketing, LP ("MAEM") transferred its assets related to its participation in the NYISO-administered markets to MET, including all potential refund claims relating to MAEM's sales in the NYISO-administered market during the period May 8-9, 2000. Accordingly, MET is currently the real party in interest for purposes of these proceedings.

⁹ Reliant Energy, Inc. (f/k/a Reliant Resources, Inc.) sold its interest in its New York City power generation facilities in 2006. Reliant Energy, Inc. retained the rights to certain claims and refunds, including the amounts to be paid under this Settlement Agreement.

¹⁰ In addition, this Settlement is supported by Constellation New Energy, Constellation Energy Commodities Group, the Independent Power Producers of New York, Inc., Ontario Power Generation, Inc. and Central Hudson Enterprise Corporation that have an interest but who are currently not parties to this proceeding.

SECTION ONE

REFUND PAYMENT

- 1.1 The Parties accept, for purposes of settlement, a one-time \$2.5 million refund payment (inclusive of interest) to the NYISO for distribution in accordance with the terms of this Settlement in full satisfaction of all claims in Docket Nos. EL01-19-000, *et seq.*, and EL02-16-000, *et seq.*, that were raised or could have been raised by all Parties with respect to the Commission's orders requiring refunds and the NYISO's June 2005 Refund Report in Docket Nos. EL01-19-000, *et seq.*, and EL02-16-000, *et seq.*
- 1.2 This \$2.5 million refund payment is in addition to the refunds already paid in accordance with the NYISO's June 2005 Refund Report.
- 1.3 The \$2.5 million refund payment will be paid by the five named Parties below to the NYISO in the amounts shown below to be distributed by the NYISO in accordance with the terms of this Settlement Agreement as follows:

(i)	Con Edison	\$1,465,000
(ii)	Orange & Rockland	\$365,000
(iii)	Niagara Mohawk	\$475,000
(iv)	RG&E	\$99,000
(v)	NYSEG	\$96,000

SECTION TWO

REFUND ALLOCATION

- 2.1. The Parties agree that the \$2.5 million refund payment, which is in addition to the refunds already paid in accordance with the NYISO's June 2005 Refund Report, will be the only payment made under this Settlement Agreement or otherwise in connection with the May 8, 2000 and May 9, 2000 TEP price adjustments or related refunds. No Party

will be entitled to any other additional payment of any kind in connection with the matters covered by this Settlement.

- 2.2 NYPA and the former co-tenants in the Roseton generating facility (Con Edison, Niagara Mohawk and Central Hudson) support this Settlement Agreement and expressly agree to forego any entitlement to, or payment of, any portion of the \$2.5 million refund payment.

SECTION THREE

REFUND DISTRIBUTION LIST

- 3.1. The Parties agree that the Settlement Agreement is conditioned upon the payment of the \$2.5 million in refunds as provided in Attachment A to the Stipulation and Agreement of Settlement.
- 3.2 No Parties, nor any other entities, will be entitled to any other payments or refunds of any kind under the terms of the Settlement Agreement.

SECTION FOUR

GENERAL RESERVATIONS

- 4.1 This Settlement Agreement shall become effective upon issuance by the Commission of a Final Order approving this Settlement Agreement, without material modification or condition or, if modified or conditioned, within ten (10) days of the date of such order unless objected to by a Party to the Settlement Agreement as provided below. For purposes of this Settlement Agreement, a Commission order shall be deemed a Final Order on the date it is issued.
- 4.2 This Settlement Agreement is an integrated whole and is expressly conditioned on the Commission's acceptance of all provisions herein without material modification or

condition. Notwithstanding the foregoing, if the Commission's approval of this Settlement Agreement requires any material modification or condition, such modification or condition shall be considered to be accepted unless any Party to the Settlement Agreement objecting to such modification or condition files a written notice of objection to the Settlement Agreement, as modified or conditioned, with the Commission within a period of ten (10) days from the date of such Final Order, and promptly serves such notice on the other Parties to this Settlement Agreement, in which case the Settlement Agreement shall be deemed withdrawn unless all Parties to the Settlement Agreement agree to all of the required modifications or conditions within thirty (30) days after a notice of objection has been filed. In the event that all Parties to the Settlement Agreement fail to agree to accept such material modification or condition of the Settlement Agreement, the Settlement Agreement shall be deemed to be withdrawn and the Settlement Agreement shall not constitute any part of the record in this docket and shall not be used for any other purpose.

- 4.3 For the sole purpose of settling the matters described herein, this Settlement Agreement represents a fair and reasonable negotiated settlement that is in the public interest. The terms of this Settlement Agreement shall not limit or restrict the arguments that the Parties to the Settlement Agreement may put forth or the positions that the Parties to the Settlement Agreement may take in any future proceeding before FERC, except as to the matters explicitly described herein. Nor shall the Parties to the Settlement Agreement be deemed to have approved, accepted, agreed, or consented to any concept, theory or principle underlying or supposed to underlie any of the matters provided for herein or to

be prejudiced thereby in any future proceeding except as to the extent relied upon to settle the matters explicitly described herein.

4.4 This Stipulation and Agreement of Settlement is made upon the express understanding that it constitutes a negotiated settlement and, except as otherwise expressly provided for herein, no settling Party shall be deemed to have approved, accepted, agreed to, or consented to any principle or policy relating to rate design, rate calculation, or any other matter affecting or relating to any of the rates, charges, classifications, terms, conditions, principles, issues or tariff sheets associated with this Stipulation and Agreement of Settlement. This Stipulation and Agreement of Settlement shall not be deemed to be a "settled practice" as that term was interpreted and applied in *Public Service Commission of New York v. FERC*, 642 F.2d 1335 (D.C. Cir. 1980), and shall not be the basis for any decision with regard to the burden of proof in any future litigation. This Stipulation and Agreement of Settlement shall not be cited as precedent, nor shall it be deemed to bind any settling Party (except as otherwise expressly provided for herein) in any future proceeding, including, but not limited to, any FERC proceeding, except in any proceeding to enforce this Stipulation and Agreement of Settlement or in Docket Nos. EL01-19-000, *et seq.*, and EL02-16-000, *et seq.*

4.5 The discussions among the Parties that have produced this Stipulation and Agreement of Settlement have been conducted on the explicit understanding, pursuant to Rule 602(e) of the Commission's Rules of Practice and Procedures, that all offers of settlement and any comments on these offers are privileged and not admissible as evidence against any participant who objects to their admission and that any discussion of the Parties with respect to offers of settlement is not subject to discovery or admissible in evidence.

- 4.6 Commission acceptance of this Settlement Agreement shall constitute the requisite waiver of any and all otherwise applicable Commission regulations, to the extent necessary, to permit implementation of the provisions of this Settlement Agreement. This Settlement Agreement constitutes the full and complete agreement of the Parties with respect to the subject matter addressed herein and supersedes all prior negotiations, understandings, and agreements, whether written or oral, between the Parties with respect to the subject matter described herein.
- 4.7 Headings in this Stipulation and Agreement of Settlement are included for convenience only and are not intended to have any significance in interpretation of this Stipulation and Agreement of Settlement.
- 4.8 Signatures may occur by counterparts. Such signatures shall have the same effect as if all signatures were on the same document.
- 4.9 This Stipulation and Agreement of Settlement does not involve, affect or impact the NYISO's non-spinning reserve proceedings in Docket No. ER00-1969-000, *et al.*, nor does it involve, affect or impact the related petitions for review pending before the United States Court of Appeals for the D.C. Circuit in Case Nos. 06-1025 and 06-1027, and, all Parties to the Settlement Agreement reserve their rights as to the proceedings and appeals or any remands or other related proceedings as discussed in this Section 4.9.

SECTION FIVE

SUPPORT OF FULL SETTLEMENT

- 5.1 The Parties agree that this Settlement Agreement resolves all issues that were raised or that could have been raised by any person in Docket Nos. EL01-19-000, *et seq.*, and

EL02-16-000, *et seq.*, whether or not they are signatories to this Settlement Agreement, with respect to the Commission's orders requiring refunds and the NYISO's June 2005 Refund Report in these proceedings and in connection with the petitions for review filed in the U.S. Court of Appeals for the D.C. Circuit in Case Nos. 06-1029 and 06-1030.

- 5.2 The petitioners agree to withdraw their petitions for review in Case Nos. 06-1029 and 06-1030 upon Commission approval of this Settlement Agreement.

Respectfully submitted,

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16. Collective Bargaining Agreement Between the Authority and Local Unions 2032 and 2104, International Brotherhood of Electrical Workers – Successor Agreement

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the Collective Bargaining Agreement (‘Agreement’) dated April 1, 2006, between the Authority and Local Unions 2032 and 2104 of the International Brotherhood of Electrical Workers (‘IBEW’). This Agreement, if approved, will have an effective date of April 1, 2006 and will expire on March 31, 2011. It covers employees at the Authority’s Blenheim-Gilboa Pumped Storage Project (‘B-G’), Frederick R. Clark Energy Center (‘Clark’), Niagara Power Project (‘Niagara’) and St. Lawrence/FDR Power Project (‘St. Lawrence’).

BACKGROUND

“The Authority and the IBEW have been parties to collective bargaining agreements since 1961. This Agreement is the successor general agreement negotiated between the parties following the end term of their 2001 labor contract.

“The Authority’s negotiating committee was chaired by Joseph Gryzlo, Vice President – Ethics and Employee Resources. The committee also consisted of Wendy Lane, Assistant General Counsel, Human Resources and Labor Relations; Steven DeCarlo, Senior Vice President – Transmission; Randy Crissman, Regional Manager, Western New York; Allen Schriver, Regional Manager, Northern New York; Horace Horton, Regional Manager, Central New York; Michele LaPorte, Facility Manager, Human Resources, CEC; Stephen Colan, Facility Manager, Human Resources, Niagara; Tim Morley, Facility Manager, Human Resources, St. Lawrence; Tracy Dufresne, Facility Manager, Human Resources, B-G and Carol Geiger-Wank, Senior Employee Relations Specialist, from the headquarters office. The IBEW had representatives from both locals and from each facility where the IBEW represents employees at the Authority. Michael Flanagan, an IBEW International Representative, chaired the union’s negotiating committee.

“Agreement on a new contract was reached on April 10, 2006, 10 days after the expiration of the 2001-06 agreement. As a consequence, this new Agreement will become effective retroactive to April 1, 2006, pending Trustee approval. The Agreement reached by the Authority’s and the union’s negotiating committees was ratified by the union membership on May 10, 2006, by a vote of 326 in favor to 156 opposed.

“Exhibit ‘16-A’ summarizes the negotiations, describing amendments to the predecessor Agreement, as well as the understandings reached between the parties concerning certain matters not addressed in the Agreement.

DISCUSSION

“The Agreement is for 60 months with a \$1,600 ratification payment effective upon Agreement approval and in lieu of a general wage increase in the first year; and with general wage increases of 2.75% effective April 1, 2007; 3.25% effective April 1, 2008; 3.5% effective April 1, 2009 and 3.5% effective April 1, 2010.

“Among other negotiated benefits, for the first time in the parties’ negotiating history, this Agreement also contains an escalating employee monthly contribution for benefits effective January 1, 2007 of \$50 for the calendar years of 2007 and 2008; \$65 for the calendar years 2009 and 2010 and \$75 effective January 1, 2011 through the end of the contract term. Additionally, employees who use physicians and services within the medical Participating Provider (‘PPO’) Network (including current and future retirees) will be responsible for a \$20 co-payment for each transaction commencing January 1, 2007 through December 31, 2008, and then a \$25 co-payment per transaction for the remaining years of the contract term. Further, a three-tier formulary for prescription drugs that will also apply to future retirees will become effective January 1, 2007 and result in co-payments of \$5/\$15/\$30 for the calendar years 2007 and 2008; \$5/\$20/\$35 in calendar year 2009 and \$7/\$25/\$40 beginning January 1, 2010 through the end

of the contract term. Starting January 1, 2007, a co-payment representing 2 ½ times the applicable tier co-payment for bulk mail order prescriptions will be in effect.

“Even with certain modest improvements in specific medical benefits, the introduction of employee contributions, enhanced co-payments for the PPO Network and prescription drug program and other health plan modifications will generate annual benefits-related costs savings of more than \$370,000 in 2007 and 2008; more than \$540,000 in 2009 and 2010 and more than \$650,000 in the last year of the Agreement.

“In addition, various work rule changes and agreements were negotiated resulting in modified or new contract language in the areas of promotions, work schedules, work rules, worker availability, Hydro and Transmission Apprenticeship Training Program standards, sick leave practices and job descriptions. Most notably, the parties negotiated ‘job flexibility’ language and consolidated various IBEW job titles, duties and qualifications, which will enable the Authority to perform work in a more efficient manner. Also, the parties recognized the need to better manage the work day and seek opportunities at the local plant levels to increase productive work time within the contract framework.

“This Agreement compares favorably to contracts between other generating plant operators in New York (Con Edison, Entergy, Keyspan, National Grid) and the IBEW local unions representing employees at such plants. It is important to note that in most instances the employees at these other generating plants will receive annual general wage increases during the years 2006 through 2009 in excess of those negotiated by the Authority during the same years. None of those operators’ labor contracts extend beyond 2009.

“The Agreement also incorporates adjustments in shift premiums for workers rescheduled for specific jobs, as well as increases in per diem (meal and lodging) payments. In addition, this Agreement now memorializes a previously negotiated extra annual holiday. This day off is designated at a time that minimizes its impact on operations. Regarding vacation time accrual, the Agreement provides an accelerated opportunity for employees with more than 20 years of service to receive additional vacation time by cashing out one week each year, provided they meet a vacation balance threshold. A job security feature that has been an element of all prior agreements is included in this Agreement but the no-layoff pledge will expire on March 30, 2011, the day before the Agreement expires. Any extension beyond that date will require further negotiations.

FISCAL INFORMATION

“The lump sum ratification payments for 2006 amount to \$932,800 and are in the 2006 O&M Approved Budget. The lump sum payments and general wage increases for the 2006-11 period are consistent with the Authority’s long-term financial forecast. The estimated annual costs are:

2006 - \$121,680
2007 - \$1,058,143
2008 - \$1,284,922
2009 - \$1,428,734
2010 - \$1,478,740

“Payment will be made from the Operating Fund.

RECOMMENDATION

“The Executive Vice President – Corporate Services and Administration, the Senior Vice President – Power Generation and the Senior Vice President – Transmission recommend that the Collective Bargaining Agreement dated April 1, 2006, between the Authority and Local Unions 2032 and 2104 of the International Brotherhood of Electrical Workers be approved by the Trustees.

“I concur in the recommendation.”

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

RESOLVED, That the Vice President – Ethics and Employee Resources be, and hereby is, authorized on behalf of the Authority to execute a Collective Bargaining Agreement with Local Unions 2032 and 2104, International Brotherhood of Electrical Workers, AFL-CIO, covering specified operating and maintenance employees of the Blenheim-Gilboa Pumped Storage Project, Frederick R. Clark Energy Center, Niagara Power Project and St. Lawrence/FDR Power Project with changes to that Agreement as described in the foregoing report of the President and Chief Executive Officer and Exhibit “16-A,” subject to approval of the form thereof by the Executive Vice President and General Counsel; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all 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.

April 10, 2006

2006 LABOR AGREEMENT NEGOTIATIONS

BETWEEN

POWER AUTHORITY OF THE STATE OF NEW YORK

and

**LOCAL UNIONS 2032 and 2104, INTERNATIONAL
BROTHERHOOD of ELECTRICAL WORKERS,
A.F.L.-C.I.O.**

The Negotiating Committees of the Power Authority and Local Unions 2032 and 2104 and the International Representative of the I.B.E.W. have reached agreement, subject to ratification of the memberships of the Local Unions and the approval of the Power Authority's Trustees and the I.B.E.W. International Office, as follows:

The provisions of the agreement between the parties dated November 14, 2001 to be incorporated in the new agreement with changes and additions substantially as indicated below:

1. Term of Agreement (Article XV, Sections 1 and 2)

Term to run from April 1, 2006 through March 31, 2011.

2. Wage Increases (Article VII)

General wage increases of: 0%, \$1,600 (gross) ratification bonus effective upon agreement approval, 2006; 2.75% effective April 1, 2007; 3.25% effective April 1, 2008; 3.5% effective April 1, 2009 and 3.5% effective April 1, 2010.

3. Medical Benefits (Article IX)

Attachment A contains the agreed upon changes to various benefits provisions.

4. Promotions (Article IV, Section 6 and Annex 1 of Article IV, 7)

Modify listed criteria to add consideration of leadership and teamwork for promotions to Senior Operator and all regular full-time Chief positions and delete reference to 1040 hours (probation period) for such promotions, and establish a three-step joint union-management evaluation process for promotions to Senior Operator and all Chief positions.

5. Job Security (Article IV, Section 1 (f))

The no lay-off provision of the existing agreement is extended until March 30, 2011.

6. Shift Premium (Article V, Section 2 (f))

Increased from \$1.25 to \$1.65 per hour.

7. Holidays (Article V, Section 11)

The designated holiday is established and will be observed as follows: July 3, 2006; August 31, 2007; December 26, 2008; July 6, 2009; and July 2, 2010. Designated holidays in successive years to be identified by mutual agreement.

8. Reschedule Clause (Article V, Section 14)

Reschedule clause is revised, among other things, to further authorize the reschedule of non-shift employees to perform work which will displace the use of contract labor or work which may be required to address a safety

concern, decrease required notice, provide for joint union-management pre-reschedule meetings to discuss the purpose, scope, start date, holiday impacts and completion date of the defined work, and provide for an increase in the reschedule night premium from \$1.25 per hour to \$3.50 per hour.

9. Job Flexibility (Article VI, Section 7 (a), new Supplemental Agreement)

Agree to a job flexibility concept which will apply in non-emergency situations and allow the Authority to more efficiently deploy the workforce and use the skills of certain bargaining unit members outside of their home classifications. In addition, two new positions of Building & Grounds Attendant and Senior Building & Grounds Attendant were agreed to through a merger of several current positions (see Job Descriptions below). The employees currently holding the positions of Groundskeeper, Janitor and Laborer hourly rates of pay will be increased to \$22.64, and employees currently holding the positions of Head Janitor and Lead Laborer hourly rates of pay will be increased to \$26.66, respectively.

10. Per Diem (Article VI, Sections 11 and 12, Exhibit C)

The room and board rate is increased from \$100 to \$125 per day and the Per Diem Adjustment and Allocation chart (Exhibit C) is modified to increase the daily lunch rate from \$12 to \$17 and the room rate from \$64 to \$84 dollars.

11. Vacation (Article VIII, Sections 2, 5 (a), 9 (b) (4), and 9(d))

Section 2 will be revised to reflect the completion of a phase-in from the current contract [those with 20 years of completed continuous service earn twenty-five (25) days' vacation].

Section 5 (a) revised to provide that employees with 20 years of continuous service or more may carry-over fifty (50) days of vacation (up from 40 days) and may receive a one week vacation leave payout per year if their vacation balance is at least 50 days on their anniversary date.

Section 9 (b) (4) revised to reflect the completion of a phase in from the current contract [those with 20 years of completed continuous service receive two vacation days for each month of continuous service beyond those years].

Section 9(d) added to allow up to sixty-five (65) days of accrued vacation payout (of the employee's base hourly straight-time rate) upon retirement, death or termination of employment due to curtailment of force.

12. Sick Leave Pay-out (Article VIII, Sections 15(e) and (h))

Section 15 (e) revised to add language stating that Authority may require reasonable proof of sickness and that failure to do so may result in suspension without pay until such compliance is achieved.

Section 15 (h) revised to change maximum payout from 67% up to 100 days, to 100% up to 100 days.

Add a new Section 15 (k) to limit extended medical leaves of absence to a twelve (12) month period from the date an employee commenced the leave.

13. Partial Incapacity (Article IX, Section 6)

Modify the 'Article IX' language to limit its application to employees with 5 or more years of service. Change the rate of pay in Section 5 for employees with 5 to up to 25 years of service to the maximum rate of the classification to which they are assigned, and for those with 25 years or more to the greater of the maximum rate of the classification to which they are assigned or their rate of pay at the time of the reassignment.

14. Job Descriptions (Article X)

The parties agreed to modify the Job Classification Manual as follows:

- a) Include a two year educational degree requirement as a qualification for all Operator (Electrical or Mechanical or related technical field), Technician (Electrical or Computer Technology) and Drafting (Drafting or Engineering) positions. [Incumbent represented employees at the date of ratification of this agreement will only be required to have these new job qualifications for Apprentice Operator positions and all Drafter classifications];
- b) Add equivalency language to the qualifications for all job descriptions contained in (a) above;

- c) Revise the Security Guard Job Description duties and qualifications (see also item 17 below);
- d) Eliminate the Groundskeeper, Janitor and Laborer Job Descriptions and add a new Building and Grounds Attendant position (see item 9 above);
- e) Eliminate the Head Janitor and Lead Laborer Job Descriptions and add a new Senior Building and Grounds Attendant position (see item 9 above);
- f) Joint union-management meeting to take place at a mutually agreeable time after the Agreement has been signed to discuss the job duties of all of the classifications affected by this agreement, including the General Clerk duties and qualifications, as well as any currently unincorporated classifications, including Chief Drafter, Seasonal Laborer, Seasonal Lead Laborer, Resident Small Hydro Operator, and Computer Technician (NIA);
- g) Add to the 2006 Summary Language the agreement reached in 2001 regarding the use of digital imaging technology by employees in performing their job and allowing casual photography by non-photographers. In addition, it is agreed that the Authority may assign any employee to the work currently performed by Photographers at its discretion. The incumbent Photographers will be grandfathered and will continue to perform photography assignments.

15. Security Clause (Article XIII)

Agree to modify Article XIII by replacing all current references to fifteen (15) years with ten (10) years.

16. Provisional Employees

The ‘Memorandum of Agreement Upgrading and Provisional Employees Niagara Project’ shall be deleted from the agreement.

17. Security Guard

In addition to the revised Security Guard job description, the Authority and Union agreed to incorporate the September 2002, Memorandum of Understanding into Addendum I, Supplemental Agreement (Security Guard) of the Agreement, with a modification that employees hired, or transferring into, the Security Guard classification on or after the effective date of this new agreement shall have no bidding rights for a period of three (3) years from the date they first occupy the position, the deletion of the second paragraph of Section III of the Supplemental Agreement, and an agreement to pay all employees in the Security Guard classification on the effective date of this agreement an additional one-dollar (\$1.00) per hour to their base rate.

18. Hydro and Transmission Apprenticeship Training Program

All references to Drafter and Technician classifications shall be deleted from the program agreement. The program scoring and rating guide shall be revised as follows:

Aptitude Test	Score x .6 Passing Score High Score	= 45 - 60 = 75% = 100%
Seniority	2 pts. per year of Project Seniority	0 - 10
Education	2 pts. per 6 mos. or equivalent semester beyond high school of related schooling.	0 - 10

Experience	1 pt. per year in related field. 2 pts. per year same field.		0 - 10
Performance on Other Power Authority Jobs	Satisfactory Above Average Superior	= 2 pts. = 5 pts. = 10pts.	0 - 10 _____
		Total	45 - 100

Below 45 = Not Qualified
45 - 65 = Qualified
66 - 85 = Well-Qualified
86 - 100 = Outstanding

19. Management of the Work Day

The parties agreed to include in the Summary Language the mutual recognition of the objective to increase work productivity and the mutual best interest to address and improve the current practices relating to line-in, line-out, breaks, and lunch periods. The Authority reaffirmed its right to manage and schedule such time and will address these issues locally.

ATTACHMENT A

MEDICAL CARE BENEFITS CHANGES

Benefits Contribution (monthly – pre-tax) effective on January 1, 2007:

Years 1 and 2 (2007-08) \$50 for all active employees
Years 3 and 4 (2009-10) \$65 for all active employees
Year 5 (2011) \$75 for all active employees

Changes commencing in 2006:

Hospice care;
Vision up to \$75 employee only;
Dental max (annual) to \$1,500;
Sealants children up to 14 years posterior teeth only;

457 Loan (pending 457 Plan committee approval);
Blood Plasma to \$75;
Ambulance to \$75;
HMO participants: ‘cutting’ procedure to be covered in Dental plan (within regular \$1,500 annual maximum);

\$600 stipend for employees waiving out of NYPA health care (effective 2007) – employees must provide proof of alternative medical coverage;

Participating Provider (PPO) Network-including current and future retirees, effective 1/1/07:

Years 1 and 2 (2007-08) \$20 co-payment
Years 3, 4 and 5 (2009-11) \$25 co-payment

Drugs, 3-tier formulary including future retirees only, effective 1/1/2007:

Years 1 and 2 (2007-08) \$5/15/30, 2.5 x bulk order
Year 3 (2009) \$5/20/35, 2.5 x bulk order
Years 4 and 5 (2010-11) \$7/25/40, 2.5 x bulk order

Article IX, Section 3 (c) shall be modified by deleting the words ‘at its own expense’ in the reference to Retiree Benefits and adding a new sentence stating that: ‘Employees retiring under the term of this agreement will not make the medical care contributions that active employees will make under this agreement.’

17. Niagara Power Project – Authorization of Niagara University Relicensing Settlement Agreement and Filing of Supplement to Offer of Settlement

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the President and Chief Executive Officer (and his designees) to enter into a Niagara University Relicensing Settlement Agreement (‘NURSA’) with Niagara University (the ‘University’), to file with the Federal Energy Regulatory Commission (‘FERC’) a supplement to the Offer of Settlement filed in connection with the relicensing of the Niagara Power Project (‘Project’) on August 19, 2005 and to execute such other documents and take such other action or actions as may be necessary or convenient in connection with the foregoing.

BACKGROUND

“The existing 50-year license issued to the Authority under the Federal Power Act authorizing construction and operation of the Project expires on August 31, 2007. At their meeting of June 28, 2005, the Trustees authorized the President and Chief Executive Officer (and his designees) to file an Application for a New License (‘Application’) with FERC for the Project; to file related applications with the New York State Department of State and the New York State Department of Environmental Conservation and an Offer of Settlement with FERC (‘Offer of Settlement’); to enter into and execute settlement agreements and to execute such other documents and take such other actions as may be necessary or convenient in connection with such actions. The Application was filed with FERC on August 18, 2005 and the Offer of Settlement was filed with FERC the following day.

“The Offer of Settlement included four separate settlement agreements reached by the Authority with parties participating in the Alternative Licensing Process (‘ALP’) commenced by the Authority in 2002 in accordance with FERC regulations. The Relicensing Settlement Agreement Addressing New License Terms and Conditions was executed by the State and federal agencies involved in the relicensing process and by certain public and private entities concerned with ecological issues; the Host Community Relicensing Settlement Agreement Addressing Non-License Terms and Conditions was executed by the Project ‘Host Communities’;¹¹ the Relicensing Settlement Agreement between the Power Authority of the State of New York and the Tuscarora Nation was executed by the Tuscarora Nation of Indians and the Relicensing Settlement Agreement Addressing Allocation of Niagara Project Power and Energy to Neighboring States was executed by the Authority’s out-of-state hydropower customers.

“The construction of the Project required the acquisition of a portion of the campus of the University and, for over 45 years, the campus has abutted Project lands. Project infrastructure visible from the campus includes the Robert Moses Power Dam, the forebay directly adjacent thereto, the switchyard, transmission lines leading therefrom and other structures. Infrastructure shared by the Authority and the University include roads, parking lots and other facilities.

“Pursuant to the National Environmental Policy Act, FERC’s action on the Application will be preceded by, and based on review of, the environmental impacts of the relicensing of the Project, which review will involve preparing both draft and final environmental impact statements.

¹¹ The Host Communities consist of the seven municipal entities that would exercise taxing jurisdiction over areas encompassed by the Project boundary established by FERC if Project lands were taxable. These communities are the City of Niagara Falls, Niagara County, the Towns of Lewiston and Niagara and three school districts: Lewiston-Porter, Niagara-Wheatfield and the City of Niagara Falls.

DISCUSSION

“During the course of the ALP, the University raised a number of issues generally arising out of the proximity of the campus to the Project, and settlement negotiations between the University and the Authority commenced in December 2004. In view of the unique nature of the relationship between the University and the Authority, the parties concluded that certain of the issues raised were more properly addressed in a ‘Good Neighbor Agreement’ that would be separate and apart from the relicensing context.

“Within the relicensing context, the Authority and the University have agreed to settle the outstanding issues pursuant to the Niagara University Relicensing Settlement Agreement, which will involve the following terms and conditions:

- The University will support the Application and the Offer of Settlement as supplemented by the NURSA and the Erie County/City of Buffalo Relicensing Settlement Agreement;
- The Authority will establish a University Capital Fund in the amount of \$9.5 million to be used for any purpose consistent with the Charter of the University;
- The Authority will establish a Landscape Development Fund in the amount of \$1,000,000 to be used for projects designed to enhance the aesthetic appeal of the University Campus;
- The Authority will convey a vacant parcel of land, approximately 24 acres in size, to the University;
- The Authority will supply the University with up to three megawatts of firm Project power and associated energy at a cost equivalent to the rates charged by the Authority to its western New York hydropower business customers, plus any additional charges assessed or imposed in connection with such supply by any third party, including the New York Independent System Operator; and
- As is the case with all of the Authority’s relicensing settlement agreements, the obligations of the Authority pursuant to the NURSA are contingent on the issuance by FERC of a license fully consistent with the Application and Offer of Settlement, both of which call for, among other things, issuance of a new license for a term of 50 years.

“On May 3, 2006, the Board of Trustees of the University approved the NURSA and authorized University President Reverend Joseph Levesque to execute and deliver it to the Authority. The NURSA now awaits the signature of the President and Chief Executive Officer of the Authority.

“Section 1005(3) of the Power Authority Act authorizes and directs the Authority to seek and receive licenses for its hydroelectric projects and Section 1005(11) of the Act authorizes and directs the Authority to ‘. . . exercise all the powers necessary or convenient to carry out and effectuate the purposes and provisions of this title. . . and generally to do any and everything necessary or convenient to carry out the purposes of this title. . .’

“Entering into the NURSA is a reasonable, appropriate and ‘necessary or convenient’ action in the context of the Authority’s pursuit of a new 50-year license for the Project, and it will promote the realization of the Authority’s ultimate goal in the relicensing, which is to obtain a new license carrying a 50-year term and imposing no changes with respect to Project operations. If and when FERC grants a new license under these terms, the Project will be able to continue to provide low-cost power to the citizens of New York and its out-of-state customers for the next 50 years under favorable license terms and conditions.

FISCAL INFORMATION

“The cost in 2007 dollars associated with the NURSA is estimated to be approximately \$10,500,000, exclusive of the value of the 24-acre parcel of land and the power allocation. The below-market value of power allocated to the University does not represent a cost to the Authority as the Authority will be paid at the prevailing business customer rate. Financing of the costs will be accomplished through the issuance of commercial paper along with the use of capital fund and operating fund monies, and such costs will be included in the rates charged to Project customers.

RECOMMENDATION

“The Executive Director – Hydropower Relicensing recommends that the Trustees authorize the President and Chief Executive Officer, and his designees, to enter into the Niagara University Relicensing Settlement Agreement with Niagara University, to file with the Federal Energy Regulatory Commission a supplement to the Offer of Settlement filed in connection with the relicensing of the Niagara Power Project on August 19, 2005 and to execute such other documents and take such other actions as may be necessary or convenient in connection with the foregoing.

“The Executive Vice President and General Counsel, the Executive Vice President – Corporate Services and Administration, the Executive Vice President – Chief Financial Officer, the Senior Vice President – Power Generation, the Senior Vice President – Public and Governmental Affairs and I concur in the recommendation.

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

RESOLVED, That the President and Chief Executive Officer and his designees be, and hereby are, authorized to enter into the Niagara University Relicensing Settlement Agreement, to file with the Federal Energy Regulatory Commission a supplement to the Offer of Settlement filed in connection with the relicensing of the Niagara Power Project on August 19, 2005 and to execute such other documents and take such other actions as may be necessary or convenient in connection with the foregoing; and be it further

RESOLVED, That the Authority’s Series 1, Series 2 and Series 3 Commercial Paper Notes and its Extendable Municipal Commercial Paper Notes may be issued and the proceeds of such issuance may be used, along with capital fund and operating fund monies, to fund payments called for or contemplated by the Niagara University Relicensing Settlement Agreement; and be it further

RESOLVED, That the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all 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.

18. Niagara Power Project – Authorization of Good Neighbor Agreement with Niagara University

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the President and Chief Executive Officer (and his designees) to enter into a Good Neighbor Agreement (‘GNA’) with Niagara University (the ‘University’) and to execute such other documents and take such other action or actions as may be necessary or convenient in connection therewith. A copy of the GNA, together with the appendices thereto, is attached as Exhibit ‘18-A’ to this item.

BACKGROUND

“The construction of the Niagara Power Project (the ‘Project’) required the acquisition of a portion of the University campus and, for 45 years, the campus of the University has abutted Project lands. In recent years, enhancing the geographic and visual separation of the campus and Project structures and facilities has become a priority for both parties—a priority for the Authority as it continues to address security concerns at all of its facilities in the aftermath of the attacks of September 11, 2001 and a priority for the University as it pursues a long-term plan to reconfigure its campus. Recognizing this mutual interest, the Authority and the University engaged in discussions regarding the possibilities for, and advantages of, enhanced separation. These discussions were succeeded by negotiation of the terms of an agreement that would provide enhanced separation, as well as resolve certain issues and claims advanced by the parties.

“Currently, the Project switchyard is bounded on the south by an array of athletic fields owned by the University that extend as far south as the east-west road that links Military Road with Lewiston Road. The University has constructed residential townhouses on its property south of this road and to the west of the Project warehouse. To the south of these University facilities are a number of parcels of property owned by the Authority. One such parcel (identified on Appendix B to the GNA as Parcel 4), located south of the townhouses, consists of approximately 7.5 acres and is vacant. Another such parcel (identified on Appendix B to the GNA as Parcel 3) consists of approximately 10.5 acres and includes the area upon which the Project warehouse is situated, the north-south road to the west and to the southwest of this area and the western portion of the field immediately to the east of this area (the ‘Authority Parcels,’ or, individually, ‘Authority Parcel’).

DISCUSSION

“Pursuant to the GNA, the Authority will offer to convey the Authority Parcels to the University by quit claim deed subject to standard terms and conditions to be included in a purchase and sale agreement or agreements, except that the GNA stipulates that any conveyance of the Authority Parcel associated with the Project warehouse may not take place before December 31, 2011. For its part, the University will convey a parcel of land adjacent to the switchyard adequate for the construction of an earthen berm and wall separating the switchyard from the remaining athletic fields to the south, as well as a parcel of land adequate for the construction of a new warehouse and appurtenant facilities (the ‘University Parcels’). The Authority will set aside \$3.5 million for this construction project. To the extent the University’s athletic fields are displaced as a result of this conveyance, the Authority will fund the construction of replacement facilities at a cost not to exceed \$2 million.

“Authority staff has determined that the vacant Authority Parcel is no longer needed for Project purposes. Authority staff also has determined that the Authority Parcel upon which the Project warehouse is located will no longer be needed for Project purposes if and when a new warehouse and related facilities are constructed on the parcel of property to be conveyed to the Authority by the University pursuant to the GNA. Authority staff has also determined that acquisition of the University Parcels is necessary and convenient to support Project operations. In addition, conveyance of the Authority Parcels pursuant to the GNA will further the public health, safety or welfare or an economic development interest of the State of New York and will be both (a) consistent with applicable law, including, without limitation, the Public Authorities Accountability Act and (b) on terms beneficial to the Authority.

“The GNA provides the framework for a multiyear design and construction effort that will include as its major components the wall and berm, the relocated athletic fields and a new warehouse facility. The GNA is made expressly subject to the State Environmental Quality Review Act, and, to the extent that any action to be taken pursuant to the GNA gives rise to an obligation to conduct and/or participate in a review of environmental or other impacts or to consult with other agencies with respect to same, the Authority will have the right and duty to defer the taking of such action pending completion of the required review and/or consultation. Staff is preparing to initiate a comprehensive review of the impacts of the land transactions and the design and construction activities during the summer of 2006, with release of a generic environmental impact statement tentatively scheduled during the final weeks of December 2006.

“The GNA also provides for a comprehensive mutual release of all claims the Authority and the University have against each other, including all claims arising in the future that are similar in kind to claims currently asserted or assertable. In addition, the University specifically agrees that, if it breaches the terms of the GNA, the Authority may obtain injunctive relief without being required to post a bond or other security. The Authority's obligations to the University pursuant to the GNA are expressly made contingent upon the Authority's acceptance of a new license for the Project issued pursuant to the Federal Power Act.

“The Board of Trustees of Niagara University on May 3, 2006 approved the GNA and authorized University President Reverend Joseph Levesque to execute and deliver it to the Authority. The GNA now awaits the signature of the President and Chief Executive Officer of the Authority.

FISCAL INFORMATION

“The cost of the GNA is estimated to be approximately \$5.5 million, exclusive of the value of the Authority Parcels. Financing of the GNA costs will be accomplished through the issuance of commercial paper along with the use of capital and operating fund monies and such costs will be included in rates charged to Project customers.

RECOMMENDATION

“The Executive Vice President and General Counsel recommends that the Trustees authorize the President and Chief Executive Officer, and his designees, to enter into the Good Neighbor Agreement and to execute such other documents and take such other actions as may be necessary or convenient in connection with such actions.

“The Executive Vice President – Corporate Services and Administration, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Power Generation, the Regional Manager for Western New York and I concur in the recommendation.”

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

RESOLVED, That the President and Chief Executive Officer and his designees be, and hereby are, authorized to enter into the Good Neighbor Agreement with Niagara University as described in the foregoing report of the President and Chief Executive Officer and to execute such other documents and take such other actions as may be necessary or convenient in connection with such actions; and be it further

RESOLVED, That the Authority's Series 1, Series 2 and Series 3 Commercial Paper Notes and its Extendable Municipal Commercial Paper Notes may be issued and the proceeds of such issuance may be used, along with capital fund and operating fund monies, to fund payments called for or contemplated by the Good Neighbor Agreement with Niagara University; and be it further

RESOLVED, That the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all 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.

19. Other

Chairman McCullough said that he understood that this was Mr. Lipsky's last Trustees' Meeting, adding that he was extremely grateful for all of the good work Mr. Lipsky had done over the course of his long career at the Authority. Chairman McCullough said that Mr. Lipsky would be sorely missed and wished him health and happiness in his retirement.

20. **Next Meeting**

The next meeting of the Trustees will be held on **Tuesday, June 27, 2006, at 11:00 a.m., at the Clarence D. Rappleyea Building in White Plains**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

On motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 12:20 p.m.



Anne B. Cahill
Corporate Secretary