

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

July 31, 2007

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July 31, 2007

Minutes of the Regular Meeting of the Power Authority of the State of New York held via video conference at the following participating locations at 11:00 a.m.:

- 1) New York Power Authority, 123 Main Street, White Plains, NY
- 2) New York Power Authority, Niagara Power Project, 5777 Lewiston Road, Lewiston, NY
- 3) Harris Beach, PLLC, 99 Garnsey Road, Pittsford, NY

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

Frank S. McCullough, Jr., Chairman (White Plains, NY)
Michael J. Townsend, Vice Chairman, (Pittsford, NY)
James A. Besh, Sr., Trustee (White Plains, NY)
Elise M. Cusack, Trustee (Lewiston, NY)
Robert E. Moses, Trustee (White Plains, NY)
Thomas W. Scozzafava, Trustee (White Plains, NY)
Leonard N. Spano, Trustee (White Plains, NY)

Roger B. Kelley	President and Chief Executive Officer
Thomas J. Kelly	Executive Vice President and General Counsel
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer
Vincent C. Vesce	Executive Vice President – Corporate Services and Administration
Steven J. DeCarlo	Senior Vice President – Transmission
Angelo S. Esposito	Senior Vice President – Energy Services and Technology
William J. Nadeau	Senior Vice President – Energy Resource Management and Strategic Planning
Brian Vattimo	Senior Vice President – Public and Governmental Affairs
Edward A. Welz	Senior Vice President and Chief Engineer – Power Generation
James Yates	Acting Senior Vice President – Marketing and Economic Development
William V. Slade	Vice President – Environment, Health and Safety
Donald A. Russak	Vice President – Finance
Brian C. McElroy	Treasurer – Corporate Finance
Albert Swansen	First Deputy Inspector General – Corporate Security
Anne B. Cahill	Corporate Secretary
Angela D. Graves	Deputy Corporate Secretary
Dennis T. Eccleston	Chief Information Officer
Richard Hackman	Chief Technology Development Officer – Energy Services and Technology
Joseph J. Carline	Assistant General Counsel – Power and Transmission
Paul F. Finnegan	Executive Director – Public and Governmental Affairs
John J. Suloway	Executive Director – Licensing, Implementation and Compliance
Thomas J. Concadoro	Director – Accounting
Joseph Leary	Director – SENY – Public and Governmental Affairs
James F. Pasquale	Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing
Michael A. Saltzman	Director – Media Relations – Public and Governmental Affairs
Marilyn Brown	Manager – Market Pricing Analyst
Daniel J. Cappiello	Manager – Performance Planning
Steven Lockfort	Manager – Risk Reporting – Energy Risk Assessment and Control
Lesly Y. Pardo	Manager – Internal Audit
Paul Tartaglia	Regional Manager – SENY – Poletti Power Project
Denise D’Ambrosio	Principal Attorney – Finance and Risk Management
Jacqueline Carmody	Attorney – Regulatory and Contracts
Carlos Gutierrez	Attorney – Power and Transmission
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
Gerard Vincitore	Senior Investment Analyst – Corporate Finance

Dan Miner
D. Stierer

Reporter – Niagara Gazette
Photographer – Niagara Gazette

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

July 31, 2007

1. Approval of the Minutes

The Minutes of the Regular Meeting of June 26, 2007 were unanimously adopted.

2. Financial Reports for the Six Months Ended June 30, 2007

Mr. Concadoro presented an overview of the reports for the Trustees. In response to a question from Chairman McCullough, Mr. Concadoro said that the lower generation figures were a result of both lower output at the hydro plants and the Flynn outage.

NEW YORK POWER AUTHORITY
FINANCIAL REPORTS
FOR THE SIX MONTHS ENDED JUNE 30, 2007

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NEW YORK POWER AUTHORITY FINANCIAL REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2007

(\$ in millions)

<u>Financial Summary</u>	<u>2007 YTD</u>		<u>June 2007</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Net operating revenues	\$139.7	\$121.0	\$19.2	\$25.3
Net revenues	129.0	92.3	18.6	21.3
O&M (incl. administrative)	128.7	138.2	22.7	23.1
Generation (gwh's)	13,610	13,250	2,174	2,195
	<u>Current</u>	<u>Prior Month</u>	<u>December 2006</u>	
Reserves	\$370	\$375	\$348	

Net revenues through June 30, 2007 were \$129.0 which was \$36.7 higher than budgeted including higher net operating revenues (\$18.7) and higher non-operating income (\$18.0). Net operating revenues were higher primarily at the hydro (\$8.6) and transmission (\$8.5) facilities. The positive results at the hydro facilities were due to higher than expected water flows resulting in 5% higher production. Transmission revenues included higher than anticipated congestion payments to the Authority due to a higher level of congestion across the central-east interface (assigned to FACTS project TCC's). Non-operating income included higher earnings on investments due to higher balances and lower than anticipated interest costs on variable rate debt.

Net revenues for the month of June were \$18.6 which was \$2.7 less than anticipated resulting from lower net operating revenues (\$6.1) partially offset by higher non-operating income (\$3.4). Net operating revenues were lower primarily at the hydro facilities (\$6.2) due to lower than anticipated generation (5%). Higher SENY net revenues for the month were substantially offset by a negative variance at Flynn due to the repair of the generator rotor. Production for June (2,174 gwh) was 1% lower than anticipated (2,195 gwh) including lower generation at the hydro facilities (66 gwh) partially offset by higher fossil production (46 gwh). Non-operating income included higher investment earnings and lower costs on variable rate debt. Cash generated by operations during the month was offset by additions to other reserves (\$24.0).

NYPA
Net Revenues
For The Six Months ended June 30, 2007
(\$ in 000'S)

	<u>Annual Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
Operating Revenues				
Customer	\$1,826,711	\$902,784	\$879,195	\$23,589
Market-Based Power Sales	737,570	437,198	349,801	87,397
Ancillary Services	67,499	31,813	35,161	(3,348)
NTAC and Other	81,763	45,588	41,433	4,155
Total Market-Based and ISO	<u>886,832</u>	<u>514,599</u>	<u>426,395</u>	<u>88,204</u>
	2,713,543	1,417,383	1,305,590	111,793
Operating Expenses				
Purchased Power:				
Entergy	155,370	73,223	74,450	1,227
Other	809,217	458,354	390,660	(67,694)
Ancillary Services	73,733	51,656	35,940	(15,716)
Fuel Consumed - Oil & Gas	519,480	270,034	253,949	(16,085)
Wheeling	325,869	138,926	136,626	(2,300)
Operations & Maintenance	281,152	128,676	138,191	9,515
Other expenses	142,609	73,477	71,302	(2,175)
Depreciation & Amortization	176,451	87,064	87,538	474
Allocation to Capital	(12,681)	(3,740)	(4,029)	(289)
	<u>2,471,200</u>	<u>1,277,670</u>	<u>1,184,627</u>	<u>(93,043)</u>
Net Operating Revenues	242,343	139,713	120,963	18,750
Interest Income and Realized Gains	56,743	38,842	28,032	10,810
Mark to Market Adjustment	1,000	1,022	1,000	22
Investment Income	<u>57,743</u>	<u>39,864</u>	<u>29,032</u>	<u>10,832</u>
Interest and Other Expenses	<u>124,192</u>	<u>50,561</u>	<u>57,698</u>	<u>7,137</u>
Net Revenues	<u><u>175,894</u></u>	<u><u>129,016</u></u>	<u><u>92,297</u></u>	<u><u>36,719</u></u>

New York Power Authority
Net Revenues by Facility
For the Six Months ended June 30, 2007
(\$ in 000's)

	Niagara/ St. Lawrence	B-G	SENY	SCPP	Market Supply Power	Flynn	Transmission	Eliminations & Adjmts	Total
Operating Revenues									
Customer	\$ 159,123	\$ 4,403	\$ 551,705	\$ 481	\$ 118,135	\$ 41,547	\$ 44,375	\$ (16,985)	\$ 902,784
Market-Based Power Sales	79,860	49,556	276,364	61,427	23,779			(53,788)	437,198
Ancillary Services	26,986	1,449	2,969	409					31,813
NTAC and Other							45,588		45,588
Total Market-Based and ISO	106,846	51,005	279,333	61,836	23,779	-	45,588	(53,788)	514,599
Operating Expenses									
Purchased Power:									
Energy			73,223						73,223
Other	46,599	32,205	316,958	3,402	132,794	35	24	(73,663)	458,354
Ancillary Services	17,291	175	28,113	55	6,022				51,656
Fuel Consumed - Oil & Gas			210,523	32,495		27,016			270,034
Wheeling	5,165		128,649		4,911	201			138,926
Operations & Maintenance	46,055	12,427	25,480	6,613	694	7,224	30,183		128,676
Other expenses	12,866	1,777	8,063	655	25,247	416	6,683	17,770	73,477
Depreciation & Amortization	17,692	3,078	29,402	14,051	430	2,630	19,781		87,064
Allocation to Capital	(1,611)	(453)	(633)	(16)		(124)	(903)		(3,740)
	144,057	49,209	819,778	57,255	170,098	37,398	55,768	(55,893)	1,277,670
Net Operating Revenues	121,912	6,199	11,260	5,062	(28,184)	4,149	34,195	(14,880)	139,713
Investment and Other Income	2		3,863				208		39,864
Interest and Other Expenses	(10,109)	812	(16,729)	(12)	(25)	(1,288)	(13,564)	(9,646)	(50,561)
Net Revenues (loss)	111,805	7,011	(1,606) *	5,050	(28,209)	2,861	20,839	11,265	129,016
Budget	101,665	1,466	(6,303)	1,818	(27,199)	7,607	11,494	1,749	92,297
Variance	\$ 10,140	\$ 5,545	\$ 4,697	\$ 3,232	\$ (1,010)	\$ (4,746)	\$ 9,345	\$ 9,516	\$ 36,719

* Revenues for SENY include \$25.4 million from the application of an energy charge adjustment to recover variable costs under the LT Supplemental Energy Supply Agreement.

NEW YORK POWER AUTHORITY
VARIANCE FROM BUDGET
MAJOR FACTORS
For the Six Months Ended June 30, 2007
(Millions)

			<u>Better/(Worse) than budget</u>
Niagara/St. Lawrence	o Higher revenues (including higher volume of market-based sales)	\$ 22.0	
	o Higher purchased power costs (primarily higher congestion)	(8.4)	
	o Higher ancillary service costs (residual adjustments)	(7.3)	
	o Lower St. Lawrence site O&M (lower than anticipated maintenance costs)	1.4	
	o Other (includes lower interest costs)	<u>2.4</u>	\$10.1
Blenheim-Gilboa	o Higher market-based revenues (higher volumes & prices)	13.1	
	o Higher purchased power costs (higher volumes)	(7.5)	
	o Other	<u>(0.1)</u>	5.5
SENY	o Higher customer revenues (higher than anticipated ECA revenue)	28.0	
	o Higher market-based sales (higher volumes & prices)	49.4	
	o Higher purchased power costs (higher volumes)	(49.7)	
	o Higher ancillary service costs (residual adjustments)	(6.7)	
	o Higher fuel costs (primarily higher prices)	(23.0)	
	o Lower Poletti site O&M (scheduled maintenance outage delayed)	2.1	
	o Other (lower interest costs)	<u>4.6</u>	4.7
SCPP	o Higher revenues (higher volumes & prices on market-based sales)	15.6	
	o Higher purchased power costs (higher volumes)	(2.3)	
	o Higher fuel costs (higher generation & higher prices)	(10.9)	
	o Other	<u>0.8</u>	3.2
Market Supply Power	o Higher revenues (primarily a higher volume of market-bases sales)	7.4	
	o Higher purchased power costs (higher prices & volumes)	(6.7)	
	o Higher ancillary service costs (residual adjustments)	(1.5)	
	o Other	<u>(0.2)</u>	(1.0)
Flynn	o Lower revenues	(19.8)	
	o Lower fuel costs (primarily lower generation - rotor failure)	17.8	
	o Higher site O&M (rotor repair)	(3.2)	
	o Other	<u>0.5</u>	(4.7)
Transmission	o Higher revenues (primarily TCC revenues for the FACTS project)	6.0	
	o Lower allocated administrative expenses	2.3	
	o Other (includes lower interest costs)	<u>1.1</u>	9.4
Consolidating adjustments (primarily higher earnings on investments)			<u>9.5</u>
Net Revenues			<u>\$ 36.7</u>

NYPA
Operations & Maintenance
For the Six Months Ended June 30, 2007

	(\$'s in millions)	
	<u>Actual</u>	<u>Budget</u>
Power Generation		
Headquarters Support	\$5.2	\$4.5
Blenheim-Gilboa	6.7	7.3
Charles Poletti	8.0	10.1
500 MW	6.7	6.0
R.M. Flynn	5.9	2.7
SCPP	6.0	7.6
Small Hydros	1.2	1.9
Niagara	18.4	18.3
St. Lawrence	<u>8.1</u>	<u>9.5</u>
	66.2	67.9
Transmission		
ECC/Headquarters	4.3	4.9
Transmission Facilities	<u>18.1</u>	<u>18.2</u>
	22.4	23.1
Corporate Support		
Executive Office	5.1	5.7
Business Services	15.4	16.9
HR & Corporate Support	12.0	13.9
Marketing & Econ. Devel.	2.7	3.2
Energy Services	<u>1.4</u>	<u>1.9</u>
	36.6	41.6
Research & Development & Other	3.5	5.6
Total	<u>\$128.7</u>	<u>\$138.2</u>

Through June, O&M expenses were \$9.5 million under budget. Power Generation expenditures were \$1.7 million under budget. Poletti was under budget by \$2.1 million primarily due to the postponement until the fall of the scheduled outage. The SCPP's were underrunning (\$1.6 million) due to the delayed start of the Mini Overhaul project (Hell Gate) partially offset by emergency repair work at Hell Gate and Brentwood. St. Lawrence was under budget by \$1.4 million due to less than expected direct charges for recurring maintenance, contract services for the Ebay Brick Façade Repair and the Robert Moses Power Dam Foundation Grouting. These underruns were partially offset by overruns at Flynn and Power Generation HQ. The overrun at Flynn (\$3.2 million) was the result of an unscheduled outage for generator rotor damage as well as advancing some maintenance scheduled for the fall planned outage. The Power Generation HQ overrun was due to lower than expected labor charged to capital and facility support.

Transmission spending was under budget by \$0.7 million primarily due to less than expected contractor support for right-of-way maintenance and aircraft services, and underruns in non-recurring work associated with the Transformer #10 Failure and the ECC Fire Suppression System.

HQ Corporate Support expenses were under budget by \$5.0 million mostly due to under spending for the public awareness program, legal consultants, HQ communications, IT contract services and fuel cell maintenance.

R&D was under budget due to a significant delay in procurement of Electric Hybrid school Buses, and a delay in spending for the Phase II of PHEV Sprinter Van Project

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

	<u>JUNE</u> <u>2007</u>	<u>DECEMBER</u> <u>2006</u>	<u>NET CHANGE</u>
ASSETS:			
Electric Plant In Service, Less Accumulated Depreciation	\$3,034,673	\$3,078,037	(43,364)
Construction Work In Progress	176,383	163,034	13,349
Net Utility Plant	<u>\$3,211,056</u>	<u>\$3,241,071</u>	<u>(30,015)</u>
Restricted Funds	96,452	67,487	28,965
Construction Funds	77,447	105,648	(28,201)
Investment In Decommissioning Trust Fund	961,843	922,778	39,065
Current Assets:			
Cash	72	72	-
Investments In Government Securities	916,162	749,988	166,174
Interest Receivable On Investments	16,491	15,114	1,377
Receivables-Customers	226,350	205,471	20,879
Materials & Supplies-Plant & General	72,804	66,297	6,507
-Fuel	27,032	32,793	(5,761)
Prepayments And Other	45,690	62,902	(17,212)
Notes Receivable-Nuclear Sale	203,901	192,001	11,900
Deferred Charges And Other Assets	<u>500,254</u>	<u>497,301</u>	<u>2,953</u>
TOTAL ASSETS	<u>\$6,355,554</u>	<u>\$6,158,923</u>	<u>\$196,631</u>
LIABILITIES AND OTHER CREDITS:			
Long-Term Debt - Bonds	\$1,708,163	\$1,735,262	(27,099)
Notes	150,000	156,145	(6,145)
Short-Term Notes Payable	269,962	272,282	(2,320)
Accounts Payable And Accrued Liabilities	694,329	636,683	57,646
Spent Nuclear Fuel Disposal	206,706	201,575	5,131
Decommissioning Of Nuclear Plants	961,843	922,778	39,065
Deferred Revenue	<u>201,916</u>	<u>200,706</u>	<u>1,210</u>
TOTAL LIABILITIES AND OTHER CREDITS	4,192,919	4,125,431	67,488
ACCUMULATED NET REVENUES-JANUARY 1	2,033,619	1,896,548	137,071
NET REVENUES	<u>129,016</u>	<u>136,944</u>	<u>(7,928)</u>
TOTAL LIABILITIES AND CAPITAL	<u>\$6,355,554</u>	<u>\$6,158,923</u>	<u>\$196,631</u>

NYPA
**SUMMARY OF NET GENERATION (MWH'S)
 FOR THE SIX MONTHS ENDED JUNE 30, 2007**

Facility	Year-to-date June			Month of June 2007				
	Actual	Budget	Variance (Actual vs Budget)	% Variance from Budget	Actual	Budget	Variance (Actual vs Budget)	% Variance from Budget
Niagara	7,055,006	6,830,000	225,006	3.29%	985,984	1,050,000	(64,016)	-6.10%
St. Lawrence	3,523,631	3,270,000	253,631	7.76%	579,061	590,000	(10,939)	-1.85%
Combined	10,578,637 (2)	10,100,000	478,637	4.74%	1,565,045	1,640,000	(74,955)	-4.57%
Poletti	1,000,344 (3)	872,756	127,588	14.62%	199,470	154,720	44,750	28.92%
500MW	1,473,350	1,482,884	(9,534)	-0.64%	265,742	263,590	2,152	0.82%
SCPP	333,856	249,367	84,489	33.88%	91,986	64,393	27,593	42.85%
Blenheim Gilboa	(197,939)	(181,617)	(16,322)	8.99%	(29,811)	(46,044)	16,233	-35.26%
Small Hydro	94,636	106,330	(11,694)	-11.00%	8,728	16,477	(7,749)	-47.03%
R. M. Flynn	326,941 (1)	620,545	(293,604)	-47.31%	73,154 (1)	101,971	(28,817)	-28.26%
Total	13,609,825	13,250,265	359,560	2.71%	2,174,314	2,195,107	(20,793)	-0.95%

(1) Unscheduled outage began March 12, 2007. It is estimated that the plant will be out of service for 8 to 12 weeks. A portion of work planned to be completed during the scheduled Fall 2007 outage will be accelerated into this current outage.

(2) Higher water flows resulting from higher than anticipated level of snow and rainfall.

(3) A major maintenance outage was rescheduled from April 2007 to the Fall of 2007. A portion of work was completed during a smaller outage from April 17 to May 7, 2007.

NYPA
Capital Expenditures
For the Six Months Ended June 30, 2007

(\$'s in millions)

	<u>Actual</u>	<u>Budget</u>
New Generation	\$1.2	\$1.0
Energy Services	63.3	44.1
Existing Facilities	31.4	42.7
Transmission	13.0	17.3
Headquarters	9.0	11.7
General Plant and Minor Additions	<u>5.6</u>	<u>7.2</u>
	<u>\$123.5</u>	<u>\$124.0</u>

Capital expenditures for 2007 were 0.4% lower than the budget. **Energy Services** was \$19.2 million over budget primarily due to overruns in the Long Term Agreements resulting from unbudgeted expenditures related to the Peak Load Management and the NYC Housing Authority Hot Water Tanks Program. In addition, accelerated construction activity in other Energy Services Programs contributed to this overrun. **Existing Facilities** were under running the budget by \$11.3 million due to timing differences on the procurement of various equipment for the St. Lawrence LEM and consultant costs for the New License and Comprehensive Settlement Agreement projects. Delays relating to the Niagara Unit 4 Standardization and Generator Stator Rewind Project also contributed to this underrun. The underrun in **Transmission** of \$4.3 million was primarily due to timing differences on the procurement of equipment for the Static Var Compensator, Gowanus-Greenwood 138 KV and Tri Lakes Reliability projects.

Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$6.2 million for 2007. There were no new expenditures this month.

**Demand Side Management
Cost Summary (Inception to Date)
June 30, 2007
(\$ in 000's)**

(A) DSM Projects

Authorized	Program	Prog	(A) Projects In-Progress	(B) Completed Projects	(C) Cumulative Cost	(D) Recoveries to Date	(E) Net Investment (C-D)
\$13,000	Distributed Generation	ES-DGN	\$347	\$1,440	\$1,787	\$360	\$1,427
183,050	Electrotechnologies LTEPA	ES-EPN	10,213	74,534	84,747	49,073	35,674
433,000	NYPA Energy Services Program	ES-ESN	58,665	110,139	168,804	54,440	114,364
530,000	SENY Govt Cust Energy Serv	ES-GSN	68,214	10,992	79,206	27,307	51,899
25,000	Lower Manhattan Energy Serv	ES-LMS					
130,000	SENY HELP LTEPA	ES-LTN	12,059	75,667	87,726	62,010	25,716
1,200	MUNI Vehicle Program	ES-MVN		458	458	277	181
140,000	Non-Elect End Use LTEPA	ES-NEN	31,937	57,634	89,571	28,337	61,234
35,000	Peak Load Mgmt	ES-PLN	6,222	165	6,387		6,387
Completed Programs							
5,000	Coal Conversion LTEPA	ES-CCN		5,000	5,000	3,466	1,534
5,000	County & Muni's	ES-CMN		1,919	1,919	1,881	38
14,600	Industrial	ES-IPN		6,875	6,875	6,814	61
51,000	LI HELP	ES-LIN		47,505	47,505	47,166	339
15,000	SENY New Constr	ES-NCN		2,992	2,992	2,992	0
75,000	Public Housing LTEPA	ES-PHN		72,081	72,081	72,081	0
40,000	Public Schools	ES-PSN		38,941	38,941	38,839	102
130,000	SENY HELP	ES-SEN		134,305	134,305	134,305	0
60,000	Statewide	ES-SWN		56,733	56,733	55,259	1,474
4,085	Other			746	746	746	0
7,500	Wattbusters			5,441	5,441	5,441	0
<u>\$1,897,435</u>			<u>\$187,657</u>	<u>\$703,567</u>	<u>\$891,224</u>	<u>\$590,794</u>	<u>\$300,430</u>

(B) POCR Funding

LOANS

Authorized	Program	Loans Issued	Repayments	Outstanding Balance
<u>\$ 16,390</u>	Colleges & Universities	<u>\$ 16,390</u>	<u>\$ 16,079 (1)</u>	<u>\$ 311</u>

GRANTS

Authorized	Program	Issued
\$9,105	Coal Conversion Pilot	\$9,105
4,558	Hybrid Bus Program	4,558
663	Solar Grants	663
3,000	NYSERDA	3,000
25,768 (1)	Energy Services Programs	15,430
31,199 (1)	POCR Grants	13,058
<u>\$ 74,293</u>		<u>\$ 45,814</u>

(C) CASP Funding

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

(D) Board of Ed Funding

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

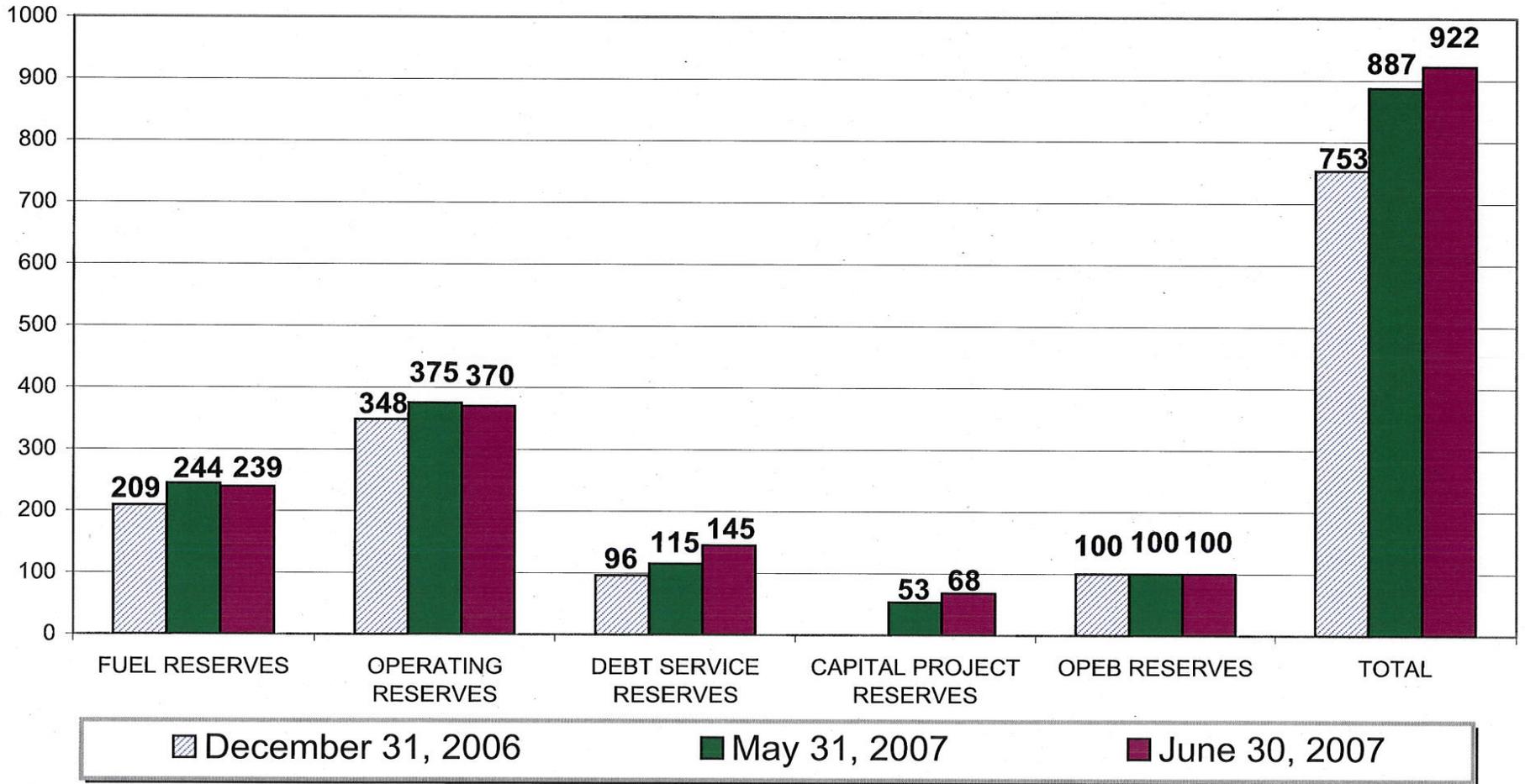
(D) NYC Housing Auth Funding

Authorized	Program	Issued
\$25,708 (2)	NYCHA Hot Water Heaters	\$15,312

(1) Funds recovered via loan repayments are available and assigned to be used as grants in the Energy Services Program and for POGR Grant Program.

(2) Authorized funds reflect both principal received and the interest earned on such principal.

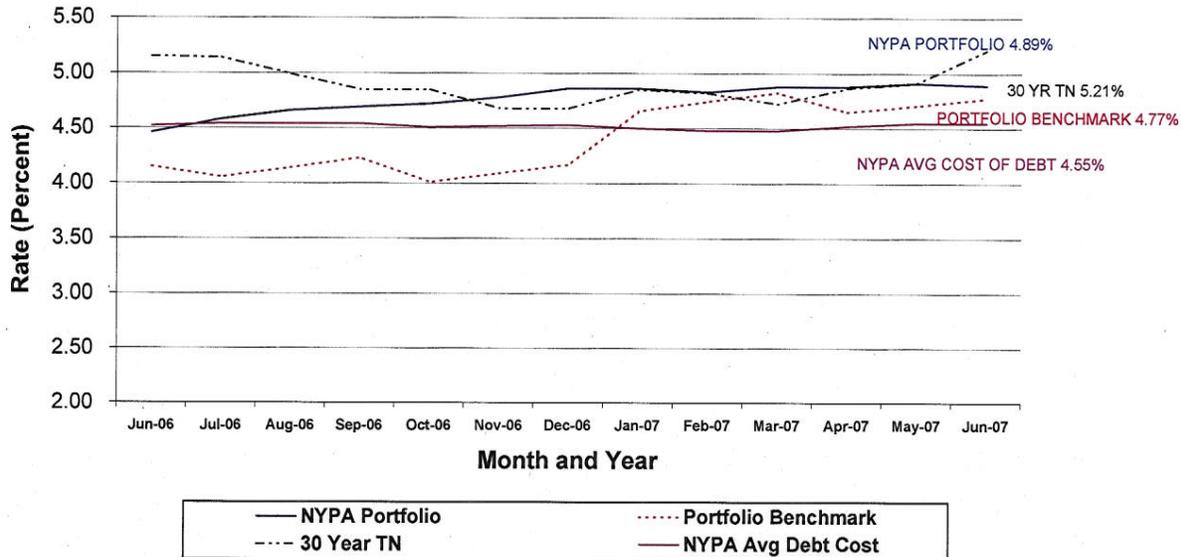
**NEW YORK POWER AUTHORITY
OPERATING FUND
(\$ MILLIONS)**



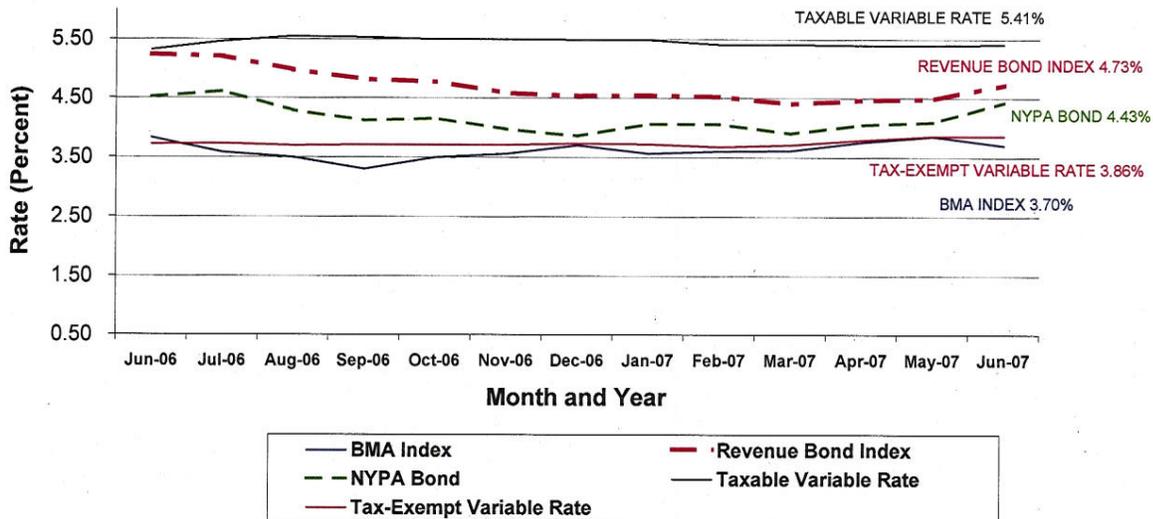
Fuel Reserves include \$207 million for Nuclear Spent Fuel and \$32 million for Energy Hedging Reserve Fund.

OPEB (Other Post Employment Benefits): The Authority's Trustees have authorized staff to initiate the establishment of a trust for its OPEB obligations and have designated \$100 million as a reserve within the Operating fund for this purpose.

Portfolio Performance



Financing Rates



3. Report from the President and Chief Executive Officer

President Kelley said that he's had an exciting first month on the job. He's toured almost all of the White Plains office, floor by floor, and that he hoped to get to the floors he's missed in the near future. In addition, he's also toured the St. Lawrence and Niagara projects. According to President Kelley, he's transitioning into the job well, getting to know the issues and challenges the Authority faces. He said that Authority staff has been great in terms of meeting with him and responding to the President's blog. He's also met with Tom Congdon from the Governor's Office, as well as with Congressman Higgins and Assemblyman Hoyt from western New York.

The Power for Jobs program has been extended by legislation through June 30, 2008 and 100% of the customers have signed up for the extended program. President Kelley said that the Trustees would be asked today to authorize the Authority to continue its electricity sales to the three upstate utilities for the benefit of rural and domestic customers through June 30, 2008, pending potential legislative or further Trustee action.

President Kelley is looking forward to a day-and-a-half retreat in August on energy and environmental policy issues sponsored by the Governor's Office for key staff from the Authority, the Public Service Commission, the Department of Environmental Conservation, the New York State Energy Research and Development Authority and the Long Island Power Authority.

According to President Kelley, staff morale seems good and the Authority is moving forward.

Chairman McCullough thanked President Kelley for the thorough report, although he said that it understated all that President Kelley had done in his first month on the job. With regard to the extension of the Power for Jobs program, Chairman McCullough said that staff should be commended for the fact that, despite the tight timeframe created by the last-minute enactment of the legislation, there had been no lapse in service for any of the Authority's customers.

4. **Allocation of 1,700 kW of Hydro Power**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve an allocation of available Replacement Power (‘RP’) totaling 1,700 kW to two industrial companies.

BACKGROUND

“Under Section 1005 (13) of the Power Authority Act, as amended by Chapter 313, the Authority may contract to allocate or reallocate directly, or by sale for resale, 250 MW of firm hydroelectric power as Expansion Power and up to 445 MW of RP to businesses in the State located within 30 miles of the Niagara Power Project, provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county. Allocations are made pursuant to criteria set forth in Section 1002 (13).

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

DISCUSSION

“Based on the Advisory Group’s discussions, staff recommends that the available power be allocated to the two companies as set forth in Exhibit ‘4-A.’ The Exhibit shows, among other things, the amount of power requested, the recommended allocations 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 150 jobs.

RECOMMENDATION

“The Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommends that the Trustees approve the allocation of 1,700 kW of hydropower to the companies listed in Exhibit ‘4-A.’

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

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

RESOLVED, That the allocation of 1,700 kW of Replacement 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, 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.

July 31, 2007

New York Power Authority
Replacement Power
Recommendations for Allocations

Exhibit "4-A"
July 31, 2007

Exhibit Number	Company Name	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term
A-1	Moog, Inc.	North Tonawanda	Niagara	1,250	140	\$16,850,000	\$45,000	1,200	Five Years
A-2	Niacet Corporation	Niagara Falls	Niagara	2,100	10	\$15,300,000	\$75,000	500	Five Years
	Total RP Recommended				150	\$32,150,000		1,700	

APPLICATION SUMMARY

Replacement Power

Company: Moog, Inc.

Location: East Aurora

County: Erie

IOU: New York State Electric and Gas Corporation

Business Activity: Manufacturer of precision controls

Project Description: This two-phase project will add 66,900 sq. ft. to the company's existing facility to expand manufacturing and office space for its Space-Defense and Industrial Groups. The company will add equipment that will increase its output. Products manufactured at this site, as a result of this project, will be combat vehicle turret and gun controls; space products, principally for new NASA programs; tactical missiles and flight simulators.

Existing Allocation: 4,250 kW of Expansion Power

Power Request: 1,250 kW

Power Recommended: 1,200 kW

Job Commitment:
 Existing: 2,306 jobs
 New: 140 jobs

New Jobs/Power Ratio: 117 jobs/MW

New Jobs - Avg. Wage and Benefits: \$45,000

Capital Investment: \$16,850,000

Capital Investment per MW: \$14 million/MW

Summary: Moog is a leading worldwide designer, manufacturer and integrator of precision control components and systems for aircraft, satellites, space vehicles, missiles, automated industrial machinery and medical equipment. A low-cost hydro allocation would make it cost-effective for the firm to expand in western New York and remain competitive.

APPLICATION SUMMARY

Replacement Power

Company:	Niacet Corporation
Location:	Niagara Falls
County:	Niagara
IOU:	National Grid
Business Activity:	Manufactures specialty chemicals
Project Description:	The project includes the installation of new processing equipment to expand the company's current production capacity. The company's existing facility will be modified to accommodate the expansion. New equipment will include various pumps, agitators, compressors, tanks, ventilation equipment, fans and HVAC equipment.
Prior Application:	Yes
Existing Allocation:	RP 1,400 kW and EP 500 kW
Power Request:	2,100 kW
Power Recommended:	500 kW
Job Commitment:	
Existing:	82 jobs
New	10 jobs
New Jobs/Power Ratio:	20 jobs/MW
Total jobs/Power Ratio:	34 jobs/MW (all allocations)
New Jobs - Avg. Wage and Benefits:	\$75,000
Capital Investment:	\$15.3 million
Capital Investment Per MW	\$ 30.6 million/MW
Summary:	Niacet is a manufacturer of specialty chemicals. It is an important industry and employer in Niagara Falls. The company is making a substantial investment in its plant that will help it remain competitive and grow in the area. The alternative location for this project would be Mobile, Alabama. A low-cost hydro allocation will help the company grow and implement this project in Niagara Falls.

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 50 Power for Jobs (‘PFJ’) customers as listed in Exhibit ‘5-A.’ These customers have been recommended to receive such extended benefits by the Economic Development Power Allocation Board (‘EDPAB’).

BACKGROUND

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

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

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

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

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

“Section 189 of the New York State Economic Development Law, which was amended by Chapter 59 of the Laws of 2004, provided the statutory authorization for the extended benefits that could be provided to PFJ customers. 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 109 and completed review of 108.

DISCUSSION

“At its meeting on July 31, 2007, EDPAB recommended that the Authority’s Trustees approve electricity savings reimbursement rebates to the 50 businesses listed in Exhibit ‘5-A.’ Collectively, these organizations have agreed to retain more than 70,000 jobs in New York State in exchange for rebates. The rebate program will be in effect until June 30, 2008, the program’s sunset.

“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 \$4.4 million. Staff recommends that the Trustees authorize a withdrawal of monies from the Operating Fund for the payment of such amount, provided that such amount is not needed at the time of withdrawal for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. Staff expects to present the Trustees with requests for additional funding for rebates to the companies listed in the Exhibit in the future.

FISCAL INFORMATION

“Funding of rebates for the companies listed in Exhibit ‘5-A’ is not expected to exceed \$4.4 million. Payments will be made from the Operating Fund. To date, the Trustees have approved \$85.7 million in rebates.

RECOMMENDATION

“The Executive Vice President and Chief Financial Officer and the Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommend that the Trustees approve the payment of electricity savings reimbursements to the Power for Jobs customers listed in Exhibit ‘5-A.’

“The Executive Vice President and General Counsel, the Acting Senior Vice President – Marketing and Economic Development, 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.

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”;

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," and that the Authority finds that such 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 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 \$4.4 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 Acting Senior Vice President – Marketing and Economic Development or his designee be, and hereby is, authorized to negotiate and execute any and all documents necessary or desirable to effectuate the foregoing, subject to the approval of the form thereof by the Executive Vice President and General Counsel; and be it further

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

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

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over/Under	% Over/Under	Compliance	Recommended KW	Jobs/MW	Type	Service
1	Beth Israel Medical Center	New York	New York	Con Ed	3,800	4800	6634	1,834	38%	Yes	3,800	1,746	NFP	Health Care Center
2	Bowme & Co	New York	New York	Con Ed	550	507	2571	2,064	407%	Yes	550	4,675	Large	Provides document management services
3	Charmer Industries, Inc.	Astoria	Queens	Con Ed	750	810	768	-42	-5%	Yes	750	1,024	Large	Distributors of wines and spirits
4	Columbia University - Trustees	New York	New York	Con Ed	750	723	750	27	4%	Yes	750	1,000	NFP	Educational and Student Services
5	Manhattan School of Music	New York	New York	Con Ed	200	343	343	0	0%	Yes	200	1,715	NFP	International conservatory of music
6	Marymount College	Tarrytown	Westchester	Con Ed	400	279	187	-92	-33%	No	400	468	NFP	Independent liberal arts college
7	Mount Sinai Medical Center	New York	New York	Con Ed	2,000	11,261	11,647	386	3%	Yes	2,000	5,824	NFP	Medical Center
8	New York University	New York	New York	Con Ed	1,700	9,817	16,007	6,190	63%	Yes	1,700	9,416	NFP	Institution of Higher Education
9	Norampac New York City, Inc	Maspeth	Queens	Con Ed	600	195	213	18	9%	Yes	600	355	Large	Manufacturers' of corrugated paper packaging and displays
10	NYU Medical Center	New York	New York	Con Ed	4,000	10,455	11,414	959	9%	Yes	4,000	2,854	NFP	Medical Center
11	Pepsi Cola Bottling Company	College Point	Queens	Con Ed	2,200	990	990	0	0%	Yes	2,200	450	Large	Manufacturer & distributes of soft drinks
	Total Con Ed		Subtotal	11	16,950	40,180	51,524				16,950			
12	American Technical Ceramics	Huntington Station	Suffolk	LIPA	200	406	424	18	4%	Yes	200	2,120	Small	Ceramic Capacitor
13	Fortunoff	Uniondale	Nassau	LIPA	1,000	325	360	35	11%	Yes	1,000	360	Large	Warehousing and distribution/Back office
14	Good Samaritan Hospital	West Islip	Suffolk	LIPA	800	2,914	2,805	-109	-4%	Yes	800	3,506	NFP	Healthcare Center
15	J.P. Morgan/Chase	Lake Success	Nassau	LIPA	1,295	1,050	631	-419	-40%	No	1,295	487	Large	Banking
16	J.P. Morgan/Chase	Uniondale	Nassau	LIPA	500	717	932	215	30%	Yes	500	1,864	Large	Banking
17	Kozy Shack, Inc.	Hicksville	Nassau	LIPA	1,000	139	209	70	50%	Yes	1,000	209	Large	Mfr. of puddings & snacks
18	North Shore Health System	Manhasset	Nassau	LIPA	2,600	6,444	6,471	27	0%	Yes	2,600	2,489	NFP	Medical Services
19	Ultimate Precision Metal	Farmingdale	Suffolk	LIPA	250	122	123	1	1%	Yes	250	492	Small	Manufactures controlled enclosures
	Total LIPA		Subtotal	8	7,645	12,117	11,955				7,645			
20	Albany Molecular Research, Inc.	Albany	Albany	N. Grid	600	348	395	47	14%	Yes	600	658	Large	Provider of customized pharmaceuticals
21	Applied Energy Solutions (CEN Electronics)	Caledonia	Livingston	N. Grid	300	64	63	-1	-2%	Yes	300	210	Small	Electronics
22	Cascades Tissue Group	Waterford	Saratoga	N. Grid	600	159	160	1	1%	Yes	600	267	Large	Large Industrial towel manufacturer
23	Cooper Hand Tools	Cortland	Cortland	N. Grid	1,330	115	124	9	8%	Yes	1,330	93	Large	Metal machining and casting
24	Cooper Industries (Cooper Crouse-Hinds)	Syracuse	Onondaga	N. Grid	2,350	529	579	50	9%	Yes	2,350	246	Large	Manufacturer of electrical equipment
25	Dielectric Laboratories, Inc.	Cazenovia	Madison	N. Grid	400	174	190	16	9%	Yes	400	475	Large	Ceramic capacitors and ceramic packaging
26	Fitzpatrick & Weller, Inc.	Ellicottville	Cattaraugus	N. Grid	1,000	107	95	-12	-11%	No	1,000	95	Large	Lumber & wood components
27	Higbee Inc.	Syracuse	Onondaga	N. Grid	100	48	48	0	0%	Yes	100	480	Small	Mfr. of gaskets, and sealing products
28	Interface Solutions, Inc.	Fulton	Oswego	N. Grid	1,000	180	161	-19	-11%	Yes	1,000	161	Large	Makes backing for vinyl flooring and fiber gaskets
29	Kilian Manufacturing Corporation	Syracuse	Onondaga	N. Grid	400	214	166	-48	-22%	No	400	415	Large	Mfr. ball bearings
30	Lydall Manning	Green Island	Albany	N. Grid	1,100	111	115	4	4%	Yes	1,100	105	Large	Specialty Paper Manufacturer
31	McLane Eastern	Baldwinsville	Onondaga	N. Grid	875	783	823	40	5%	Yes	875	941	Large	Wholesale grocery distributor of food & nonfood products
32	Mohawk Paper Mills	Cohoes	Albany	N. Grid	2,250	426	424	-2	0%	Yes	2,250	188	Large	Manufacturer of text and cover papers
33	Nathan Littauer Hospital & Nursing Home	Gloversville	Fulton	N. Grid	400	677	675	-2	0%	Yes	400	1,688	NFP	Hospital and Nursing Home
34	Natrium Products, Inc.	Cortland	Cortland	N. Grid	90	20	21	1	5%	Yes	90	233	Small	Manufacturer of sodium bicarbonate
35	Precision Systems Mfg., Inc.	Liverpool	Onondaga	N. Grid	200	69	71	2	3%	Yes	200	355	Small	Machining and sheet metal manufacturing
36	Robison & Smith, Inc.	Gloversville	Fulton	N. Grid	384	190	193	3	2%	Yes	384	503	Small	Linen & Laundry Supply
37	Specialized Packaging Radisson, Inc	Baldwinsville	Onondaga	N. Grid	180	148	153	5	3%	Yes	180	850	Small	Produces printed folding cartons for consumer products
38	Standard Manufacturing Co., Inc.	Troy	Rensselaer	N. Grid	30	30	41	11	37%	Yes	30	1,367	Small	Apparel
39	Syracuse Plastics, Inc.	Liverpool	Onondaga	N. Grid	400	57	55	-2	-4%	Yes	400	138	Large	Maker of plastic parts and components
40	Vicks Lithograph & Printing	Yorkville	Oneida	N. Grid	750	165	153	-12	-7%	Yes	750	204	Large	Book printer & distribution
41	Welch Allyn Data Collection Inc.	Skaneateles Falls	Onondaga	N. Grid	2,000	1,257	1,275	18	1%	Yes	2,000	638	Large	Medical and dental diagnostic equipment manufacturer
	Total National Grid		Subtotal	22	16,739	5,871	5,980				16,739			
42	A. T. Reynolds & Sons, Inc.	Kiamesha Lake	Sullivan	NYSEG	250	59	56	-3	-5%	Yes	250	224	Small	Spring water and Ice Mfr.
43	Aqr-Mark, Inc	Chateaugay	Franklin	NYSEG	500	116	112	-4	-3%	Yes	500	224	Large	Cheese Manufacturer
44	Air-Flo Manufacturing	Prattsburgh	Steuben	NYSEG	130	119	99	-20	-17%	No	130	762	Small	Mfr. of ice control equipment and truck bodies
45	Audio Sears	Stamford	Delaware	NYSEG	190	74	85	11	15%	Yes	190	447	Small	Makes audio equipment
46	Candlelight Cabinetry, Inc.	Lockport	Niagara	NYSEG	400	185	204	19	10%	Yes	400	510	Large	Manufacture custom cabinets
47	Consumers Beverages, Inc.	Buffalo	Erie	NYSEG	240	60	69	9	15%	Yes	240	288	Small	Beverage Producer
48	Egll Machine, Inc.	Sidney	Olsego	NYSEG	20	34	28	-6	-18%	No	20	1,400	Small	Injected molds
49	Kraft Foods - Walton	Walton	Delaware	NYSEG	870	180	156	-24	-13%	No	870	179	Large	Mfr. of puddings & snacks
	Total RG&E		Subtotal	8	2,600	827	809				2,600			
50	Flower City Printing, Inc.	Rochester	Monroe	RGE	1,150	257	275	18	7%	Yes	1,150	239	Large	Commercial printer
	Total RG&E		Subtotal	1	1,150	257	275				1,150			
	Total		50		45,084	59,252	70,543				45,084	1,565		

Note: Some of the companies listed above have had part or all of their allocation restored through the reconsideration process.

**6. Economic Development Programs – Service Tariff
Amendments – Notice of Proposed Rulemaking**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve a notice of proposed rulemaking to amend the Authority’s tariffs for Economic Development Power (‘EDP’), High Load Factor and Industrial Economic Development served by Municipal Distribution Agencies (collectively, the ‘Power Programs’) to increase rates for certain customers. These customers have long-term price commitments that expire on October 31, 2007. The proposed rates reflect the increased costs incurred by the Authority, combined with the mitigating effects of the Energy Cost Savings Benefits (‘ECSB’) Awards that were recently extended by lawmakers to be effective July 1, 2007 through June 30, 2008. (Exhibit ‘6-B’).

“In addition to the publication of the required notice in the *New York State Register* under the State Administrative Procedure Act (‘SAPA’), staff requests that the Trustees authorize the Corporate Secretary to schedule a public forum for the purpose of obtaining the views of interested parties concerning the proposed tariff amendments to increase the rates. Staff will evaluate any comments on the notice of proposed rulemaking received in accordance with SAPA and/or at the public forum, and return to the Trustees in October 2007 seeking final adoption of the rate increase.

“In addition, the Trustees are requested to amend the four affected service tariffs (Service Tariff Nos. 1, 1S, 35 and 50) to conform to the extension of the ECSB Awards, as well as to make other ministerial tariff changes. (Exhibit ‘6-A’).

BACKGROUND

“On June 23, 2005, the New York State Legislature and the Governor agreed on legislation (Chapter 313 of the Laws of 2005) that amended the Public Authorities Law and the Economic Development Law to create the ECSB Awards to be administered by the Economic Development Power Allocation Board (‘EDPAB’). These awards are designed to mitigate the rates that would otherwise reflect the cost of electricity purchased from the New York State Independent System Operator-administered markets and were limited to existing Power Program customers that were not subject to any long-term price commitments made by the Authority.

“Under the 2005 legislation, the source of revenues for the ECSB Awards is from the sale of three types of hydro power: 70 MW of unallocated Replacement Power, 20 MW of unallocated power from the St. Lawrence/FDR Project and up to 38.6 MW from the St. Lawrence/FDR Project that is voluntarily relinquished. (The 20 MW of St. Lawrence/FDR Project power expired on December 31, 2006 and can no longer be used to fund the program. None of the 38.6 MW of St. Lawrence/FDR Project power was ever relinquished for use in the ECSB.) Any shortfall in excess of the hydro revenues would come from the Authority’s Operating Fund. Furthermore, the legislation authorized EDPAB and the Authority to administer the new ECSB Awards so as to limit rate increases through December 31, 2006 for these customers.

“At their October 19, 2005 meeting, the Trustees approved a rulemaking modifying the tariff rates for the customers in the Power Programs that had been approved for ECSB Awards. These customers included customers for which pricing protection ended on October 31, 2005, and customers that had no pricing protection. The Trustees froze these customers’ production rates from November 1, 2005 to January 1, 2006 at the demand charge of \$8.16/kW and the energy charge of \$23/MWh. These rates were then subject to a 5% delivered rate increase on February 1, 2006 and a 6% delivered rate increase on August 1, 2006, for a cumulative 11.3% increase through December 31, 2006. Customers that had long-term pricing commitments through October 31, 2007 were not affected. The Authority anticipated that the hydro revenues and the rate increases would not fully recover the Authority’s production costs under the Power Programs and estimated a fiscal impact of -\$7.5 million through December 31, 2006.

“In 2006, lawmakers authorized the extension of the ECSB Awards through June 30, 2007. In compliance with the extension, at their meeting on October 24, 2006, the Trustees extended customers’ contracts and modified the tariffs to appropriately reflect the extension.

DISCUSSION

“In June 2007, the Legislature passed another extension of the ECSB Awards that was signed into law by the Governor on June 29, 2007 (Chapter 89 of the Laws of 2007). The legislation extended ECSB Awards through June 30, 2008. Eligible customers are defined as those that were served from the Authority’s former James A. FitzPatrick nuclear power plant whose power prices may be subject to increase before June 30, 2008. Furthermore, to minimize the disruption in service, the law directs EDPAB to expedite the ECSB Awards and to defer the compliance review until after the applicants have received the awards.

“At their meeting on June 26, 2007, the Trustees took the initial steps needed to implement the 2007 legislative changes. First, the Trustees approved the extension of the 66 Power Program contracts that were set to expire on June 30, 2007 or on a later date to June 30, 2008. Second, the Trustees approved the EDPAB recommendation that all Power Program customers be approved for ECSB benefits, subject to subsequent documentation. EDPAB recommended that compliance review be deferred until on or before September 30, 2007. Finally, Authority staff noted that the rates for the customers not currently receiving ECSB Awards would be increased by 11.3% effective November 1, 2007 when they become eligible to receive the ECSB Awards that are the subject of the proposed tariff change.

“Accordingly, staff’s proposed tariff modifications would increase production rates for those customers whose contractual pricing protection ends on October 31, 2007.¹ Consistent with the October 2005 Trustee action that first approved limited rate increases for customers receiving ECSB benefits, these new ECSB beneficiaries will be subject to an 11.3% price increase based on their ‘as-delivered’ rates. Under this proposed rulemaking, a new Table III (shown in Exhibit ‘6-A’) will be added to the four service tariffs listing the proposed production rates for the customers newly approved to receive ECSB Awards. Exhibit ‘6-B’ shows the current and proposed delivered rates by customer and the percentage increase. In addition, the Trustees are being asked to approve and make effective modifications to the four service tariffs that extend the ECSB Awards received by current customers through June 30, 2008, which is in conformance with Chapter 89 of the Laws of 2007, plus some ministerial changes.

“From the inception of the ECSB Awards in November 2005 to December 31, 2006, the cost of serving such customers exceeded the billed customer revenues by \$27.4 million. The Authority’s market sales of the 70 MW of Replacement Power and 20 MW of St. Lawrence/FDR power did produce net revenues of \$33.0 million, yielding total net revenues of +\$5.6 million. As noted, the forecasted net revenues were -\$7.5 million. However, due to the addition of the newly eligible customers on November 1, 2007, the ECSB Awards will be spread over an additional 484 GWh of sales for the November 2007 to June 2008 period. In addition, the total value of the ECSB itself likely will be diminished because hydro revenues will continue to be generated solely by the 70 MW of Replacement Power. Staff also recommends that the Trustees continue the authorization of a withdrawal of monies from the Operating Fund for the payment of such awards, 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 intends to inform the affected customers periodically of the cost to the Authority of the ECSB Awards.

“This pricing plan is an interim solution through June 30, 2008. After that date, if the ECSB Awards are not extended again, or if a permanent plan is not adopted, the tariffs would permit the charging of market-based rates for all electricity sold under these contracts.

“The proposed tariffs include an updated provision that reflects the ECSB Awards extension by indicating that the tariff rates are subject to the Trustees’ discretion to be raised above the prescribed fixed-rate levels prior to

¹ Such customers are now designated as “Option 5” customers in both the current and proposed tariffs. That pricing category will not apply to any Power Program customer commencing November 1, 2007.

June 30, 2008 if the Trustees determine in their sole discretion that such action is necessary to protect the Authority's financial condition. Upon making such a determination, the Trustees would have the authority to modify the tariff charges up to the full cost incurred by the Authority to serve the customers.

FISCAL INFORMATION

“Implementing the proposed tariff amendments will ensure that the Authority has the means in place to offset a portion of the cost of purchasing electricity commodity in the market to serve the Power Program customers that receive ECSB Awards. The November 1, 2007 to June 30, 2008 estimated revenues from the rate increase will total about \$3.7 million. Including this impact, the cost to the Authority of implementing ECSB Awards is estimated to be \$5.4 million for the same period.

RECOMMENDATION

“The Manager – Market and Pricing Analysis recommends that the Trustees authorize the Corporate Secretary to file notices for publication in the *State Register* of: (1) a proposed rulemaking to adopt tariff amendments implementing new rates effective November 1, 2007 for certain Power Program customers that will no longer have contractual pricing protections and (2) a public forum to obtain the views of interested parties on the proposed tariff amendments.

“The Manager – Market and Pricing Analysis further recommends that the Trustees adopt modifications to the service tariffs that implement the extension of the Energy Cost Savings Benefits Awards approved by the State Legislature in 2007.

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

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

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, authorized to file with the Secretary of State for publication in the *New York State Register* notice of the Authority's proposed rulemaking to adopt tariff amendments to increase rates from certain customers effective November 1, 2007 as permitted under the Energy Cost Savings Benefit legislation and consistent with the expiration of the price protection provisions contained in the Authority's contracts; and to schedule a public forum to solicit the views of interested parties concerning the proposed action; and be it further

RESOLVED, That the customers' service tariffs be modified accordingly to reflect the extension of the Energy Cost Savings Benefit Awards authorized in Chapter 89 of the Laws of 2007; and be it further

RESOLVED, That such monies may be withdrawn pursuant to the foregoing resolution upon 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 Acting Senior Vice President – Marketing and Economic Development or his designee(s) be, and hereby is, authorized to take such other and further actions as may be necessary to effectuate the foregoing; and be it further

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



Table III

**NEW YORK POWER AUTHORITY
BUSINESS CUSTOMERS
RATES APPLICABLE TO SERVICE TARIFFS NOS. 1, 1S, 35 AND 50
Effective November 1, 2007 to June 30, 2008**

<u>Rate Category</u>	<u>Local Service Territory/Customer</u>	<u>Service Tariff</u>	<u>Demand Rate</u> \$/kW	<u>Energy Rate</u> mills/kWh
<u>CON EDISON</u>				
CE 2.2	American International Group, Inc.	35	10.00	30.00
	CBS Inc.	35	10.00	30.00
CE 2.3	Brenner Paper Products Company Inc.	35	10.00	29.25
	Excelsior Transparent Bag Manufacture	35	10.00	29.25
CE 2.4	Citigroup	1S	10.00	28.60
	Hunts Point Cooperative Market, Inc.	35	10.00	28.60
	J.J. Cassone Bakery, Inc.	1S	10.00	28.60
	National Broadcasting Company, Inc.	35	10.00	28.60
CE 2.5	World Class Film Corp.	35	10.00	28.27
<u>LIPA</u>				
LIPA 2.2	Burton Industries, Inc.	1S	8.80	31.55
	Island Container Corp.	1S	8.80	31.55
	Oceanside Laundry	35	8.80	31.55
LIPA 2.3	Angelica Textile Services	1S	9.00	30.24
	Kozy Shack, Inc.	1S	9.00	30.24
LIPA 2.4	Ellanef Manufacturing Corporation	35	8.16	31.60
	General Semiconductor, Inc.	1S	8.16	31.60
LIPA 2.5	GKN Aerospace Monitor (Stellex)	1S	9.85	27.61
	NBTY, Inc.	1S	9.85	27.61
LIPA 2.6	Newsday, Inc.	1S	9.85	26.96
<u>NIMO</u>				
NIMO 2.1	Metropolitan Life Insurance Company	50	10.00	26.55
	SCA Tissue	1S	10.00	26.55
NIMO 2.2	Air Products and Chemicals, Inc.	1	10.00	26.10
	Harden Furniture Company	50	10.00	26.10
	Mele Manufacturing (Farrington Packg.)	50	10.00	26.10
NIMO 2.3	DOT Foods	50	10.00	25.60
	Granny's Kitchens	50	10.00	25.60
	The Fountainhead Group, Inc.	50	10.00	25.60
	Oak-Mitsui, Inc.	50	10.00	25.60
NIMO 2.4	Revere Copper Products	50	9.00	27.32
<u>NYSEG</u>				
NYSEG 2.2	Endicott Interconnect Technologies	50	9.60	26.94
NYSEG 2.3	Tessy Plastics Corp.	50	9.50	26.40
	Transelco Div. of Ferro Corp.	50	9.50	26.40

**NEW YORK POWER AUTHORITY
ECSB BUSINESS CUSTOMERS
CURRENT AND PROPOSED DELIVERED RATES**

<u>Local Service Territory/Customer</u>	<u>Current Rate</u> miils/kwh	<u>Proposed Rate</u> miils/kwh	<u>Proposed Increase</u>
<u>CON EDISON</u>			
American International Group, Inc.	111.1	123.4	11.0%
CBS Inc.	96.9	107.4	10.8%
Brenner Paper Products Company Inc.	96.1	107.0	11.3%
Excelsior Transparent Bag Manufacture	96.3	107.2	11.3%
Citigroup	78.0	86.8	11.3%
Hunts Point Cooperative Market, Inc.	80.5	89.5	11.2%
J.J. Cassone Bakery, Inc.	76.2	84.9	11.4%
National Broadcasting Company, Inc.	82.6	91.8	11.1%
World Class Film Corp.	73.5	81.5	11.0%
<u>LIPA</u>			
Burton Industries, Inc.	96.9	107.5	11.0%
Island Container Corp.	89.4	99.4	11.3%
Oceanside Laundry	96.9	108.2	11.7%
Angelica Textile Services	81.5	90.5	11.0%
Ellanef Manufacturing Corporation			
Kozy Shack, Inc.	83.3	92.3	10.9%
General Semiconductor, Inc.	76.0	84.8	11.5%
GKN Aerospace Monitor (Stellex)	66.1	73.8	11.7%
NBTY, Inc.	74.6	83.1	11.4%
Newsday, Inc.	61.8	68.8	11.4%
<u>NIMO</u>			
Metropolitan Life Insurance Company	58.8	65.2	10.9%
Air Products and Chemicals, Inc.	55.9	62.0	11.0%
Harden Furniture Company	75.0	83.7	11.7%
Mele Manufacturing (Farrington Packg.)	77.1	85.8	11.3%
DOT Foods	59.0	65.4	11.0%
Granny's Kitchens	57.5	64.1	11.5%
The Fountainhead Group, Inc.	66.3	73.6	11.1%
Oak-Mitsui, Inc.	75.0	83.6	11.4%
Revere Copper Products	48.4	54.0	11.4%
SCA Tissue - Encore Paper	54.3	60.6	11.7%
<u>NYSEG</u>			
Endicott Interconnect Technologies (IBM)	56.1	62.6	11.6%
Tessy Plastics Corp.	55.3	61.2	10.8%
Transelco Div. of Ferro Corp.	51.5	57.1	10.8%
Total	68.0	75.7	11.3%

7. PURPA – Compliance with Fuel Diversity, Fossil Fuel Efficiency and Net Metering Standards

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize a public hearing for the purpose of commencing consideration of Fuel Sources, Fossil Fuel Generation Efficiency and Net Metering standards (‘Standards’) as required by the federal Energy Policy Act of 2005 (‘EPACT’). The Authority, as a non-regulated electric utility under the requirements of EPACT, must complete consideration of the Standards and make a determination as to whether to adopt the Standards by August 8, 2008. The Standards concern fuel diversity, fossil fuel efficiency and net metering service. The public hearing will provide interested parties with an opportunity to provide comments to the Authority with respect to whether and how the Standards should be adopted.

BACKGROUND

“The Public Utility Regulatory Policies Act (‘PURPA’) is a federal statute first enacted in 1978 for the purposes of encouraging: (1) conservation of energy supplied by electric utilities; (2) optimization of the efficient use of facilities and resources by electric utilities and (3) equitable rates to electric consumers. The Authority is a non-regulated electric utility with respect to the Federal Energy Regulatory Commission (‘FERC’), the agency that implements PURPA.

“In August 2005, PURPA was amended by the Energy Policy Act of 2005. Under EPACT, the Authority is required to provide public notice and conduct a hearing with respect to the consideration of a number of standards, including those relating to Fuel Sources, Fossil Fuel Generation Efficiency, and Net Metering. At their meeting of March 27, 2007, the Trustees completed consideration of and adopted the Demand Response and Smart Metering (‘DRSM’) Standard under EPACT. While not required to adopt the Standards, the Authority must consider the Standards in good faith and issue a determination as to whether the Authority will adopt any or all of them. The law requires the Authority to publicly announce the date of the hearing before August 8, 2007, and to make its consideration and determination by August 8, 2008.

DISCUSSION

“The Fuel Sources standard requires each electric utility to develop a plan to minimize its dependence on one fuel source and ensure that the energy it sells to consumers is generated by a diverse range of fuels and technologies, such as renewables.

“The Fossil Fuel Generation Efficiency standard requires each electric utility to develop and implement a 10-year plan to increase the efficiency of its fossil fuel generation.

“The Net Metering standard requires each electric utility to make available upon request, net metering service to any electric consumer that the electric utility serves. Net metering service is defined by the statute as ‘service to an electric consumer under which electric energy generated by that electric consumer from an eligible on-site generating facility and delivered to the local distribution facilities may be used to offset electric energy provided by the electric utility to the electric consumer during the applicable billing period.’

“In preparing a report recommending whether the Authority should adopt the Standards, staff will consider the views of interested parties, in particular the Authority’s customers, who will be afforded an opportunity to provide comments at a public hearing to be held on Wednesday, January 16, 2008 at the Authority’s White Plains office, as well as in writing. Staff’s recommendation will be made available to the public upon request.

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FISCAL INFORMATION

“There are no anticipated fiscal impacts.

RECOMMENDATION

“The Executive Vice President and General Counsel recommends that a public hearing on the Fuel Sources, Fossil Fuel Generation Efficiency and Net Metering standards be held at the Authority’s White Plains Headquarters Office on Wednesday, January 16, 2008. The Corporate Secretary will arrange for notice to be issued by publication in the *New York State Register* and the office of Public and Governmental Affairs will issue a news release.

“The Senior Vice President – Energy Resource Management and Strategic Planning, the Senior Vice President and Chief Engineer – Power Generation, the Acting Senior Vice President – Marketing and Economic Development and I concur in the recommendation.”

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

WHEREAS, by August 8, 2007, the Authority must set a public hearing date for the consideration of the following Standards under the Public Utility Regulatory Policies Act:

Fuel Sources

Fossil Fuel Generation Efficiency

Net Metering

NOW THEREFORE BE IT RESOLVED, That the Trustees direct the Corporate Secretary to schedule a public hearing on the Fuel Sources, Fossil Fuel Generation Efficiency and Net Metering standards, such hearing to be held on Wednesday, January 16, 2008 in the Jaguar Room at the Clarence D. Rappleyea Building, 123 Main Street, White Plains, New York, and to arrange to have a notice of such public hearing published in the *New York State Register*; and be it further

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

8. Procurement (Construction) Contract – St. Lawrence/FDR Power Project Relicensing – Construction of Dike Improvements at Wilson Hill Wildlife Management Area – Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a procurement contract to J. E. Sheehan Contracting Corp. (‘Sheehan’) for construction services to improve the dikes within the Wilson Hill Wildlife Management Area (‘WHWMA’) at the St. Lawrence/FDR Power Project (‘Project’). The term of the contract will be from August 1, 2007 through December 31, 2009. The total cost of the contract is \$8,552,000.

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 or for contracts in excess of \$3 million.

“The Federal Energy Regulatory Commission (‘FERC’) issued the new license for the Project on October 23, 2003. The Trustees accepted the new license at their meeting of November 25, 2003. As part of this license, the Authority is required to construct improvements to the existing dikes and water control structures at the WHWMA and to install a new dike with a water control structure to benefit waterfowl and other species. The new dike will include an emergency access road from the mainland to the western end of Wilson Hill Island. This contract will involve construction of the majority of the WHWMA improvements. Additional improvements to one other WHWMA dike and installation of new recreational facilities at the WHWMA will be accomplished under separate contracts. At their meeting of December 16, 2003, the Trustees authorized a total of \$169 million for expenditures related to compliance with the new license, including the costs of constructing these improvements to the WHWMA.

DISCUSSION

“To meet the requirements of the new license, the Authority will hire a construction firm to refurbish the existing dikes and water control structures and to construct the new dike with a water control structure and emergency access roadway.

“On May 14, 2007, the Authority issued a Request for Proposals (‘RFP’) for the above services, including a notice in the New York State Contract Reporter. A site visit for potential bidders was conducted on May 23, 2007, and several bid addenda were issued to address questions from potential bidders. Proposals were received on June 13, 2007 from Perras Excavating, Inc. (‘Perras’) of Massena and Sheehan of Potsdam.

“Staff from the Authority’s Licensing, Environmental and Procurement divisions evaluated the proposals for technical qualifications and pricing. Early in this review phase, Procurement received a request via email from Perras seeking to increase its bid price to correct omissions in its proposal. Under its procurement policies, the Authority could not accept a post-bid revision to bid prices. Therefore, Perras’ proposal was removed from further consideration because it was deficient.

“It is recommended that the contract be awarded to Sheehan, the remaining qualified bidder. Sheehan has considerable experience working with the Authority on earthwork-related and other relicensing projects, all of which have been satisfactorily completed. Its proposed project organization includes supervisory and management personnel who are technically qualified to execute this work and who are known by the Authority’s project management team. Sheehan’s proposal meets the Authority’s schedule and quality control requirements.

“The term of the contract will be from August 1, 2007 through December 31, 2009; the award amount is \$8,552,000.

FISCAL INFORMATION

“Since these expenditures are related to implementing commitments in the new license and the settlement agreements, payments will be made from the Capital Fund.

RECOMMENDATION

“The Senior Vice President – Public and Governmental Affairs, the Vice President – Procurement and Real Estate and the Vice President – Environment, Health and Safety recommend that the Trustees authorize award of a contract to J. E. Sheehan Contracting Corp. for \$8,552,000 for construction services to install dike improvements at the Wilson Hill Wildlife Management Area at the St. Lawrence/FDR Power Project.

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

Mr. Suloway presented the highlights of staff’s recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Suloway said that this project would entail rehabilitating existing dikes, work on the tops of the dikes, water control structures and building a new dike with an emergency access road. He added that this is the largest contract resulting from the relicensing settlement agreements. Responding to another question from Chairman McCullough, Mr. Suloway said that if the second bidder had not been disqualified, its revised bid would have come in slightly lower in price than the successful bidder. Mr. Kelly said that the error in the second bidder’s proposal was only discovered after the bid had been opened. He said that rebidding the project was not an option under the Authority’s procurement policies and guidelines and that selecting the successful bidder was deemed to be the best course of action, especially since the successful bidder’s proposal price was lower than that estimated by the Authority’s engineers for the project. Mr. Kelly said that given the Authority’s guidelines, the law and the engineering estimate, staff determined that the Authority was on solid legal ground in awarding the contract to the successful bidder. In response to a question from Trustee Besha, Mr. Kelly said that the unsuccessful bidder’s proposal was deemed to be nonconforming with the Authority’s Request for Proposals.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to J. E. Sheehan Contracting Corp. for a period commencing on August 1, 2007 and ending on December 31, 2009, in an amount of \$8,552,000, for construction services to install improvements to dikes and water control structures at the Wilson Hill Wildlife Management Area at

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the St. Lawrence/FDR Power Project in compliance with the new license for the St. Lawrence/FDR Power Project, as recommended in the foregoing report of the President and Chief Executive Officer;

Contractor

Contract Approval

J. E. Sheehan
Contracting Corp.

\$8,552,000

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

9. Procurement (Services) Contract – Hydro Power-to-Hydrogen Initiative – Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize a contract award in the amount of \$9 million to General Physics Corporation for the design, fabrication, furnishing, installation, start-up and maintenance of two hydrogen fueling stations in Western New York. One station is to be located at the Niagara Frontier Transportation Authority (‘NFTA’) Frontier bus garage in Buffalo and the other station is to be located at the New York State Office of Parks, Recreation and Historic Preservation (‘State Parks’) alt-fuel facility in Niagara Falls.

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.

“At their meeting of September 26, 2006, the Trustees approved the Authority’s Hydro Power-to-Hydrogen initiative to be implemented in the Buffalo/Niagara region and expenditures of up to \$21 million in program financing.

“Hydrogen is considered to be the optimum fuel for transportation because it is clean burning and can also be used directly in a fuel cell engine where the principal emission is chemically pure water. Hydrogen fuel can be produced through a variety of processes, including electrolysis of water and steam reformation of natural gas. Currently, most hydrogen fuel is produced by steam reformation. Reforming natural gas, however, releases significant amounts of CO₂, and because steam is required in this process, it also generates NO_x and other emissions. The use of renewable hydro power for electrolysis generates clean and renewable hydrogen. The hydro power-to-hydrogen program has the potential to jump-start a new high-tech hydrogen industry, reduce the State’s dependence on fossil fuels and improve local air quality.

“Consistent with the Authority’s mission to help spur energy research and economic growth in New York State, dedicating low-cost and renewable hydro power to a sizable electrolysis project in the Buffalo/Niagara region will both insure a successful hydrogen fuel demonstration project and foster commercial development of this technology. The Buffalo/Niagara region is particularly suitable for the innovative hydrogen industry given the availability of a skilled workforce and State universities, and the proximity to inexpensive hydro power resources. The initiative is aligned with the New York State Hydrogen Roadmap, a document jointly developed in 2005 among the Authority, the New York State Energy Research and Development Authority (‘NYSERDA’) and the Long Island Power Authority (‘LIPA’), which sets goals for expanded use of hydrogen fuel statewide.

“In a future agenda item, Trustees’ approval will be sought for a 700 kW allocation of hydropower to NFTA to power these hydrogen production fueling stations.

DISCUSSION

“In March 2007, the Authority solicited bids for the construction of two hydrogen stations. Two bids were received on May 30, 2007, one from LP Ciminelli Incorporated and one from General Physics Corporation. Authority staff conducted a review of the two bids in cooperation with NFTA and State Parks. General Physics Corporation was the lowest bidder and was also determined to be the more qualified of the two bidders. General Physics Corporation has extensive experience in the design and installation of hydrogen vehicle fueling stations.

“Subject to the Trustees’ approval, the Authority will enter into a contract with General Physics to design, permit and install the hydrogen generation and fueling stations, as well as to provide maintenance services for the fueling stations for a period of six years through an extended warranty program. The extended warranty provision will allow for the host site operators, NFTA and State Parks, to become familiar with hydrogen fueling station

operation and maintenance practices, and ensure a successful and safe demonstration program. No construction will take place until a State Environmental Quality Review Act determination has been completed by the Authority.

“The two fueling stations will be installed subject to site installation agreements. These site agreements are currently being negotiated by the Authority and the host sites, NFTA and State Parks. Upon installation, each host site will assume ownership of its respective station. The fueling stations will be powered by a new hydro power allocation of approximately 700kW to NFTA. Each station will require approximately 350kW of hydro power for operation. NFTA will use half of the new allocation for the station at its facility and half of the allocation for the State Parks station under a shared-use agreement. This shared-use agreement will allow NFTA to use the hydrogen at both stations.

“The two fueling stations, once put into operation, will represent one of the largest hydrogen demonstration projects in the world, and will be capable of attracting support from a variety of private and public partners. The Authority has recently applied for more than \$6 million in federal co-funding for this initiative, and is actively pursuing additional funding opportunities. Two bus developers have indicated their intention of supplying hydrogen fuel cell transit buses for this initiative.

FISCAL INFORMATION

“Funding for this initiative, which has been included in the Authority’s Operating Forecast, will be provided from the Operating Fund. The total cost of the program, as previously approved, is not to exceed \$21 million. At this time, the Trustees are being requested to approve an award for the installation of two hydrogen fueling stations in the amount of \$9 million. A portion of the costs may be recovered from the participating partners and through federal, State and local grants and co-funding.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology recommends that the Trustees approve a contract award to General Physics Corporation in the amount of \$9 million for the design, fabrication, furnishing, installation, start-up and maintenance of two hydrogen fueling stations in Western New York.

“The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Corporate Services and Administration, the Acting Senior Vice President – Marketing and Economic Development, the Senior Vice President and Chief Engineer – 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 Scozzafava, Mr. Hackman said that the hydrogen would be used to power buses and utility vehicles belonging to the Niagara Frontier Transportation Authority and the New York State Office of Parks, Recreation and Historic Preservation. Responding to a question from Trustee Besha, Mr. Hackman said that these vehicles would be operated for the most during on-peak hours. In response to a question from Trustee Cusack, Mr. Hackman said that it is anticipated that ground will be broken for the fueling facilities in January 2008, with the facilities becoming operational in the first quarter of 2009.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the Trustees hereby authorize the award of a contract in the amount of \$9 million to General Physics

Corporation for the design, fabrication, furnishing, installation, start-up and maintenance of two hydrogen fueling stations in Western New York; and be it further

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

<u>Operating Funds</u>	<u>Expenditure Authorization (not to exceed)</u>
Total previously approved	\$21 million
Two fueling stations, including electrolysis, hydrogen storage and dispensing equipment	\$ 9 million _____
Total remaining	<u>\$12 million</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, 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. Informational Item: New York Power Authority's Annual Strategic Plan

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are presented with the 2008-12 Strategic Plan as set forth in Exhibit ‘10-A’ and attached hereto.

BACKGROUND

“Article VII – Fiscal Management of the Authority By-Laws states in Section 2 – ‘Strategic Plan, that the Trustees shall annually review a Strategic Plan which shall become the basis for the development of departmental plans, the annual budget and the capital expenditure plan.’ As part of the Authority’s annual review and planning process the content of the Strategic Plan was expanded to make clear and specific the Authority’s role and intentions so that all stakeholders have a clear understanding of the driving forces behind the Authority’s direction and decisions. In addition, the strategic planning process itself is in the midst of a significant change, going from a short-term tactical work plan to a long-term dynamic Strategic Plan providing guidance and purpose to each organization and employee as directed by the Trustees.

DISCUSSION

“Before work could begin on the Strategic Plan itself, it was necessary to define the strategic planning process, its scope and the detailed work-plan necessary to ensure its acceptance in a timeframe that would allow for the resource allocation process to benefit from it.

“Once the structure of this new process was completed, work began in earnest in January 2007 with the formation of an 11-member Core Team of mid-level Authority staff members, chosen for their experience, expertise, intelligence, perspective and knowledge of the Authority and its business environment. Their assignment was to: assess the Authority as it is and the industry influences affecting it and define a vision of the future that would suggest how to do things better and add greater value.

“In order to keep the Authority’s leadership engaged, the approach required that Authority executives be kept involved as each milestone was completed. The Executive Management Committee (‘EMC’) reviewed the approach and selection of the Core Team.

“The first assignment for the Core Team was to describe the ‘current state’ of the Authority, or the way things are now, and then describe the ‘future state’ aspiration. The Core Team completed the analysis for five categories of external industry trends and eight internal Authority processes. Once completed, the results were presented to the EMC in March to confirm agreement as to the Current and Future States as presented by the Core Team.

“With the aspirations confirmed, Core Team members went on to identify the Issues that needed to be addressed in order to achieve the agreed-to vision of the future. Through consultations with colleagues and senior managers, a detailed listing of Issues was prepared followed by extensive meetings that included far-ranging discussions in specific categories on what specific actions or Strategies the Authority needed over the planning horizon to resolve those Issues and achieve the desired future.

“The Core Team refined its list to 40 key Strategies, and met over a two-day period in May with the EMC to finalize and prioritize those Strategies to be presented to the Trustees for concurrence. Guidance from the EMC resulted in the reduction and consolidation of the initial list to a group of 20 Strategic Initiatives in support of the Authority’s mission. A Strategy Leader was assigned to assume responsibility for each strategy’s implementation.

“The final step in the process called for the creation of ‘charters,’ or tactical plans, for each of the Strategic Initiatives. The Strategy Leader was responsible for the Charter’s development, which consisted of a work plan, the

team members who would be assisting and an order-of-magnitude estimate of the resource requirements necessary to implement it and the benefits that could be expected. An EMC ‘Sponsor’ was named to provide guidance and assistance on an ongoing basis.

“A two-day planning conference was convened in June for Strategy Leaders to present the draft Charters to the Trustees and EMC for final modifications and guidance. The Strategies are included within the Strategic Result Areas section of the Strategic Plan.

“Concurrently, the Strategic Plan document is being updated to reflect any changes resulting from the planning process and related discussions to the Authority’s Mission and Decision Drivers. The Strategic Plan is presented in the format delineated below:

- MISSION STATEMENT - A Mission Statement is a clear definition of the Authority’s aims, focus and emphasis for a specified timeframe.
- DECISION DRIVERS - Underlying this Mission Statement is a set of core values that define the priorities for the Authority. Values determine how we make decisions, perform our work and deal with others. By understanding the driving forces behind what we want to be, we will make decisions that will support the Authority’s goals.
- STRATEGIC RESULT AREAS - If we are to succeed in our Mission, there are specific areas where we need to articulate our vision and make clear our intentions. In order to do that for both internal and external stakeholders, we need to define our goals and objectives, as well as identify the specific Strategies we are undertaking that support that vision. (The Balanced Scorecard then translates Mission and Strategies into objectives and measures with specific targeted levels of performance quantifying success.)

“The attached Strategic Plan reflects the results of the planning process.”

Mr. Cappiello presented an overview of staff’s report to the Trustees. Chairman McCullough said that Mr. Nadeau, Mr. Cappiello and all staff who had participated in developing the Strategic Plan did a great job, demonstrating a terrific commitment of time and effort. He said that the development of this Strategic Plan was a great step forward and that the Authority would clearly be changing direction in some areas. He reiterated what Mr. Cappiello had said about the Plan document being in its infancy and said that as early as this fall, more direction and specific programs would be forthcoming from the Executive Management Committee and the Trustees. Chairman McCullough congratulated Mr. Nadeau and Mr. Cappiello and thanked them for their hard work.



Generating More Than Electricity

Overall NYPA Strategic Plan 2008-2012

<i>MISSION STATEMENT</i>	<i>Page 2</i>
<i>DECISION DRIVERS – CORE VALUES</i>	<i>Page 3</i>
<i>STRATEGIC RESULT AREAS</i>	<i>Page 7</i>

MISSION STATEMENT

A mission statement is a clear definition of the aims, focus and emphasis of an organization over a specified time frame. Following is a statement of NYPA's mission:

O*ur Mission is...*

to provide clean, economical and reliable energy consistent with our commitment to safety, while promoting energy efficiency and innovation, for the benefit of our customers and all New Yorkers.

NYPA STRATEGIC PLAN 2008-2012

DECISION DRIVERS

Underlying this Mission Statement is a set of core values that define the priorities for the organization. Values determine how we will make decisions, perform our work and deal with others. By understanding the driving forces behind what we want to be, we will make decisions that will support our company's goals.

PUBLIC BENEFIT

The Authority's history demonstrates that its underlying purpose is to support the State's energy policy in the public interest as such policy and interests are determined at any point in time by the Governor and/or the Legislature and approved by the Board of Trustees.

We will utilize, when called upon, our resources, people and expertise to provide a crucial public service in the State's energy sector by optimizing its current assets and being prepared, if necessary, to supplement them with new generation and/or transmission facilities.

OPERATING EXCELLENCE

Reliable operation of our generation and transmission assets is essential to carry out our mission.

We will achieve operating excellence through focused O&M practices, Life Extensions and continuous improvements to our business processes including succession preparedness and planning.

NYPA STRATEGIC PLAN 2008-2012

ENERGY EFFICIENCY SERVICES & TECHNOLOGIES

NYPA's role is to be a leader in energy efficiency programs by stimulating new energy technologies throughout New York State.

We will demonstrate the commercial viability of available technologies to encourage private investment. The Authority will work to expand energy-service technologies for its customers, thus benefiting the people of New York State.

ETHICS

NYPA, as a public entity, has an obligation to operate at the highest level of honesty, ethical conduct, and public trust in all of its activities. Authority employees are entitled to privacy in their personal affairs; however as employees of a public entity, they must conduct Authority business solely in the public interest and in an ethical manner.

We will develop and deliver ethics and compliance training to all NYPA officials and employees that not only reaffirm awareness and compliance with the laws, regulations and policies that govern our behavior but also articulate our commitment to ethical business conduct.

FINANCIAL

NYPA must have the financial resources necessary to successfully carry out its mission, to maximize opportunities to serve our customers, and to preserve its strong credit rating.

We commit to utilizing the Authority's assets in a responsible manner consistent with our mission for our customers and the benefit of the people of New York State.

NYPA STRATEGIC PLAN 2008-2012

BUSINESS GROWTH in NEW YORK STATE

We will be the provider of low cost power to support economic growth in New York State.

To the extent allowed by law, NYPA will support economic development in New York State by using its low-cost power to create and retain jobs.

CUSTOMER LOYALTY

True customer loyalty is defined as the selection of NYPA as the supplier of choice and the support of NYPA politically and publicly.

We will win customer loyalty by providing a wide range of value-added services we are authorized to deliver, tailored to individual customer needs. We will aggressively communicate the benefits and services NYPA provides.

STAKEHOLDER SUPPORT

The electric utility industry is changing at a rapid and accelerating pace. We must maximize our efforts to establish and maintain among our key stakeholders an awareness of our unique value and range of contributions

We will aggressively build awareness of NYPA's Mission and purpose by cultivating better relationships with all our customers, public officials and other opinion leaders to ensure they support us and share in our commitment.

NYPA STRATEGIC PLAN 2008-2012

PERFORMANCE COMMITMENT

In today's competitive world, efforts alone will not be enough; the effectiveness of our efforts will be judged by our results.

We will hold ourselves and each other accountable, recognize and reward successful contributors, and actively confront non-performers.

We will set clear performance goals and behavior expectations and provide continuous feedback.

We will continually examine all our processes and practices to attain best-in-class performance.

SUSTAINABILITY

We believe that a company's ability to manage its extra-financial aspects, such as those related to the environment, our employees, and social impact, through the lens of sustainability, is a powerful proxy and an indicator for its overall management quality.

We will make choices at NYPA utilizing sustainability principles in our operations. We will monitor and report on our progress in meeting the sustainability goals we have set for ourselves.

STRATEGIC RESULT AREAS

If we are to succeed in our Mission, there are specific areas where we need to articulate our goals and make clear our intentions. In order to do that for both internal & external stakeholders, we need to define the specific actions we are taking that support that vision. We have identified specific strategies intended to help us achieve our vision of the future.

Theme 1 - Providing Value to Our Customers and the People of New York State - The strategies that follow will allow us to create more value through low cost power and energy services:

1. **DEVELOP CUSTOMER RELATIONSHIPS** - *Define/design the ongoing customer relationship management process including a comprehensive customer feedback measurement to help us focus on things that we can improve.*
2. **SUPPORT NYS ECONOMIC DEVELOPMENT PLAN** - *Assist NYS government and stakeholders with ongoing development of the best economic development plan for NYS. Define and implement appropriate levels of financial assistance for various market segments. Determine appropriate power pricing. Based on the NYS-defined policy and program, define selection criteria, an objective quantitative evaluation process. Communicate and implement process with existing and new customers and potential participants over time.*
3. **ENHANCE ENERGY SERVICE VALUE PROPOSITION** - *Design and implement a formal, comprehensive ongoing process for External Relations that delivers clear, consistent, cogent messages and understanding of NYPA and its Mission among various stakeholders, facilitating the pursuit of desired strategies.*
4. **BROADEN NYPA TECHNOLOGY APPLICATION** - *Facilitate commercial demonstration of emerging energy technology implementation by NYS energy users, to reduce environmental impact.*

NYPA STRATEGIC PLAN 2008-2012

Theme 2 - Managing Generation & Transmission Assets – The strategies that follow will prepare us to get the most out of our existing assets and build the capacity to see that the future energy needs of our customers and the people of NYS are met:

1. ESTABLISH NYPA'S NYS POLICY IMPLEMENTATION ROLE AND PLANS - *Define NYPA's Energy Policy deployment capabilities, potential roles and establish role agreement. Share NYPA's suggestions for a good energy planning process and agree on NYPA's role to support the agreed process.*
2. PREPARE FOR NYC & NYS ENERGY RELIABILITY NEEDS - *Get ready to carry out NYPA's potential role in the implementation of alternative plans to address the energy needs of New York City and New York State..*
3. MAXIMIZE EXISTING GENERATION ASSET UTILIZATION - *Identify opportunities for increased generation revenue with minimal or no asset investments, all yielding high economic return on investments.*
4. OPTIMIZE TRANSMISSION BUSINESS - *Define and implement a transmission model that optimizes performance and minimizes risk.*
5. ENSURE NERC COMPLIANCE - *Implement a NYPA process to help develop NERC/NPCC-CBRE/NYSRC regulations and ensure NYPA compliance*
6. ENSURE NYPA AS INDUSTRY MODEL FOR SAFETY LEADERSHIP - *Establish values and behavior, processes and measurement results that demonstrate NYPA is an industry leader in health and safety.*
7. ESTABLISH NYPA AS INDUSTRY MODEL FOR ENVIRONMENTAL LEADERSHIP - *Establish environmental performance expectations, programs, processes and metrics so that NYPA is a clearly demonstrated sustainability leader in the US utility industry.*

NYPA STRATEGIC PLAN 2008-2012

Theme 3 - Our Employees - The strategies that follow will provide for a skilled, motivated and diverse workforce prepared to meet the challenges we need to confront if we are to fulfill our Mission:

1. **ENHANCE EMPLOYEE DEVELOPMENT PROCESSES** - *Enhancing the skills and knowledge of our employees while strengthening the diversity of our workforce through management processes that motivate performance in order to successfully implement NYPA's strategic objectives.*

Theme 4 - Providing Support to New York State Energy Policy - The strategies that follow will allow us to better support and if called upon to implement Energy Policy as determined at any point in time by the Governor and/or the Legislature and approved by the Board of Trustees:

1. **ENHANCE EXTERNAL RELATIONS** - *Design and implement a formal, comprehensive ongoing process for External Relations that delivers clear, consistent, cogent messages and understanding of NYPA and its Mission among various stakeholders, facilitating the pursuit of desired strategies.*
2. **STRENGTHEN NYPA INFLUENCE IN REGIONAL ISO MARKETS** - *Create an internal structure which will enhance and improve the effectiveness of NYPA influence over NYISO and PJM market design and regulatory decisions impacting the wholesale energy and capacity markets in the Northeast.*

Theme 5 - Managing Information for Better Value - The strategies that follow will allow us to extract the maximum value from our Information Technology investments:

1. **CREATE AND IMPLEMENT STRATEGIC INFORMATION SYSTEM PLAN** - *Ensure that information technology resources maximize business value to the Authority by taking an integrated approach to information systems planning.*
2. **ENHANCE DATA MANAGEMENT** - *Identify key business processes and key data that are shared. Identify and minimize data redundancies and inconsistencies.*

NYPA STRATEGIC PLAN 2008-2012

Theme 6 - Planning for the Future - The strategies that follow will provide the capability to plan for the long term and to ensure plans once approved, are implemented:

1. ESTABLISH NYPA'S STRATEGY MANAGEMENT CAPABILITY - *Design a dynamic and long-term Strategy Management (strategic planning and implementation) process that aligns NYPA with NYS policy, and becomes the basis for departmental plans, the annual budget and the capital expenditure plan.*
2. CREATE ENTERPRISE WIDE RISK MANAGEMENT CAPABILITY - *Establish a robust ongoing enterprise-wide Risk Management process at NYPA and measure the benefits it provides.*
3. DESIGN AND MANAGE A BUSINESS CONTINUITY PROCESS - *Develop and maintain continuity and disaster recovery plans/processes for those risks that cannot be sufficiently mitigated. Ensure appropriate readiness to execute such plans.*
4. ENHANCE FINANCIAL PLANNING PROCESS - *Define Operating Forecast and Financial planning process requirements. Assess SAP enabling capability as well as alternative solutions. Select best solution. Plan and implement optimal solution.*
5. RAISE CREDIT RATING - *Raise investment credit ratings to allow NYPA to obtain financing at favorable rates.*

11. Hydropower Contracts with Upstate Investor-Owned Utilities for the Benefit of Domestic and Rural Consumers – Month-to-Month Extensions

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize month-to-month extensions of contracts for sale to National Grid (‘Grid’)(formerly Niagara Mohawk Power Corporation), New York State Electric and Gas Corporation (‘NYSEG’) and Rochester Gas and Electric Corporation (‘RG&E’) (hereinafter referred to individually as ‘Grid,’ ‘NYSEG’ and ‘RG&E,’ respectively, or collectively as the ‘Utilities’) of a total of 455 MW of firm and 360 MW of firm peaking hydropower currently being sold to the Utilities for the benefit of domestic and rural consumers. Existing contracts for the sale of such power to the Utilities expire on August 31, 2007. The contract extensions would be month to month and commence on September 1, 2007, pending later approval by the Governor under §1009 of the Public Authorities Law and resolution by the Legislature and the Governor of the long-term disposition of the power and associated energy, or as otherwise may be determined by the Trustees.

BACKGROUND

“The Utilities are currently receiving a total of 553 MW of firm power from the St. Lawrence/FDR and Niagara Power Projects and 360 MW of firm peaking hydro power from the Niagara Project for the benefit of domestic and rural consumers under contracts executed on February 22, 1989. These and predecessor contracts with the Utilities for the purchase of such power have been in effect since February 10, 1961. The power is purchased at the cost-based hydro power rate and the benefits are passed on to the Utilities’ residential and small farm customers (the rural and domestic, or ‘R&D,’ customers) without markup under Public Service Commission tariffs.

DISCUSSION

“In 1976, the Federal Power Commission (‘FPC,’ the predecessor of the Federal Energy Regulatory Commission, or ‘FERC’) determined that 1,880 MW of firm power is available for sale from the Niagara Project. *State of Vermont Public Service Board v. Power Authority of the State of New York*, Docket No. E-8746, 55 FPC 1100, Issued March 12, 1976. The Authority had been selling a total of 1,936 MW of firm Niagara power, 56 MW in excess of the amount of firm Project Power determined to be appropriate by the FPC. In the meantime, the Authority made commitments in connection with relicensing the Niagara Project to allocate 58 MW of Niagara Project power for the benefit of the Host Communities, Erie County and the City of Buffalo, the Tuscarora Nation and Niagara University. As of January 1, 2007, based on a rigorous study, the Authority declared there were an additional 32 MW of firm Niagara Project power available for sale as a result of the completion of the Niagara Upgrade project. Of this amount, one-half, or 16 MW, must be sold to municipal systems pursuant to federal law. The remainder is the net available capacity resulting from the Upgrade project.

“Other than the 553 MW sold to the Utilities, the entire firm output from the St. Lawrence/FDR and Niagara Projects is sold under contracts extending beyond August 31, 2007, or otherwise required to be used for specific purposes under law. Consequently, to account for the new relicensing-related power allocations, adjustments in sales to comply with FPC (FERC) rulings and firm power increases due to the Niagara Upgrade, the 553 MW must be adjusted. Therefore, commencing September 1, 2007, reflecting the adjustments outlined above, 98 MW of the 553 MW of St. Lawrence/FDR and Niagara Project firm power currently sold will not be available for sale to the Utilities. This leaves 455 MW of firm power and 360 MW of firm peaking power currently sold to the Utilities.

Current Utility Allocations: 553 MW

Adjustments

Less: Niagara Relicensing Allocations:	-58 MW
Less: FPC (FERC) Adjustments	-56 MW
<u>Plus: Net Available Niagara Upgrade Capacity</u>	<u>+16 MW</u>
Total Adjustments	-98 MW

Revised Utility Allocations: 455 MW

“Chapter 59 of the Laws of 2006 (Part U) authorized the creation by the Governor of a ‘Temporary State Commission on the Future of New York State Power Programs for Economic Development’ (‘Commission’). The charge to the Commission was to recommend to the Governor and the Legislature on or before December 1, 2006, ‘whether to continue, modify, expand or replace the state’s economic development power programs, including but not limited to the power for jobs program and the energy cost savings benefit program. . . .’

“On December 1, 2006, the Commission issued its report, which included an array of findings and recommendations. A key recommendation of the report was that, among other things, hydropower now sold to the Utilities ought to be ‘redeployed’ for economic development purposes.

The Commission recommends that power reserved for ‘rural and domestic’ uses be redeployed for economic development purposes. A portion of the hydropower from NYPA’s Niagara and St. Lawrence Power Projects is sold to three upstate investor owned utilities, National Grid and two units of Energy East, NYS Electric and Gas (NYSEG) and Rochester Gas and Electric (RGE). These sales are made in accordance with Public Authorities Law 1005 (5) which states that power from NYPA power projects ‘shall be considered primarily as for the benefit of the people of the state as a whole and particularly the domestic and rural consumers to whom the power can economically be made available.’ The contracts for this power expire at the end of the current Niagara Project license, August 31, 2007.

The Commission recommends this significant power asset should be redeployed for statewide economic development and allocated to approved businesses under the revised application process and criteria. The Commission believes that while the collective value of the ‘rural and domestic’ hydropower to the customer base of the utilities is substantial, the value of the savings to the average residential customer—approximately five to ten dollars per month—is arguably less significant than the benefits the power could leverage if targeted for economic development, e.g. jobs, payroll, capital investment and other benefits.

Hydropower used in this manner can be blended with market-priced power to create a large pool of competitive power for economic development purposes. This shifting of power from residential to economic development purposes should be phased in over a period of three years.

Report at 15-16.

DISCUSSION

“In the recently concluded legislative session, the Power for Jobs and Energy Cost Savings Benefit Programs were extended for an additional year through June 30, 2008, (Chapter 89 of the Laws of 2007) with the understanding that a reformation of the State’s economic development power programs was necessary, with the goal of creating a long-term power resource with price stability for business, whether based on the recommendations of the Commission or some other approach. It is expected that this issue will be addressed before the current programs expire in mid-2008.

“In the meantime, it is appropriate, consistent with the adjustments outlined above and maintenance for the time being of the status quo, that firm and peaking hydropower sales to the Utilities be continued on flexible terms to allow the power to be used in a new economic development power program if authorized by the Legislature.

“It is recommended that the amounts of firm and peaking St. Lawrence/FDR and Niagara Project power currently sold to the Utilities be adjusted as follows and that appropriate contract extension agreements be entered into to sell these quantities to the respective Utilities on a month-to-month renewable basis subject to reallocation as may be authorized by law or as otherwise may be determined by the Trustees.

<u>Utility</u>	<u>Current Allocations</u> <u>Firm MW / Peaking MW</u>	<u>Recommended Allocations</u> <u>Firm MW / Peaking MW</u>
Grid	230 / 175	189 / 175
NYSEG	203 / 150	167 / 150
RG&E	120 / 35	99 / 35
Total Firm / Peaking	553 / 360	455 / 360

“The contract extensions would commence on September 1, 2007, subject to negotiation of appropriate terms with the utilities, later approval by the Governor under §1009 of the Public Authorities Law and resolution by the Legislature and the Governor of the long-term disposition of the power and associated energy, or as otherwise may be determined by the Trustees. In addition to the withdrawals specified above, the Authority would be allowed to reduce or terminate service if it is determined to be necessary to comply with any statute, ruling, order or decision by a regulatory or judicial body or the Trustees relating to hydropower and energy allocated under the proposed contracts.

FISCAL INFORMATION

“The proposed extension agreements will provide that the Utilities continue to pay for hydropower at the same rates they are currently charged, that is, determined in accordance with the ratemaking principles incorporated in the Auer Settlement and subsequent rate settlements. Accordingly, there will be no fiscal impact associated with the power sold on a month-to-month basis.

RECOMMENDATION

“The Acting Senior Vice President – Marketing and Economic Development recommends that the Trustees authorize month-to-month extensions of contracts for sale to National Grid, New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation, for a total of 455 MW of firm and 360 MW of firm peaking hydropower for the benefit of domestic and rural consumers subject to its use in a new economic development power program if authorized by the Legislature or as otherwise may be determined by the Trustees.

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

Mr. Kelly provided an overview of the history of these contracts and then summarized staff's recommendations to the Trustees. He said that for more than 45 years, the Authority had sold National Grid, New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation 553 MW of firm and 360 MW of peaking hydro power for the benefit of their rural and domestic customers. The three contracts for this power expire on August 31, 2007. Staff is recommending that the Authority follow the step-by-step process detailed in Section 2009 of the Public Authorities Law to negotiate new contracts with the three utilities under which the Authority will sell them 455 MW of firm and 360 MW of peaking hydro power for the benefit of their

rural and domestic customers through June 30, 2008. The 455 MW of firm power represents a reduction necessitated by the new Niagara license settlement agreements with the Tuscarora Nation, Niagara University and others, offset by the Niagara plant upgrades. Mr. Kelly said that as part of its final report issued in December 2006, the Temporary Commission on the Future of New York State Power Programs for Economic Development had recommended that this rural and domestic power be reallocated for economic development purposes. In response to a question from Chairman McCullough, Mr. Kelly said that the new contracts will extend through June 30, 2008, but will be terminable or modifiable on 30 days' notice.

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

RESOLVED, That the Authority hereby authorizes month-to-month extensions of contracts for sale to National Grid, New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation, for a total of 455 MW of firm and 360 MW of firm peaking hydropower for the benefit of domestic and rural consumers, to commence on September 1, 2007, pending later approval by the Governor under §1009 of the Public Authorities Law and resolution by the Legislature and the Governor of the long-term disposition of the power and associated energy, or as otherwise may be determined by the Trustees consistent with law; and be it further

RESOLVED, That the President and Chief Executive Officer, or his designee, is hereby authorized to execute contract extensions on the terms set forth in the foregoing report of the President and Chief Executive Officer, the form of which shall be approved by the Executive Vice President and General Counsel, and to do such other and further things and to execute such documents as may be necessary to effectuate the foregoing; and be it further

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

12. Authorization of Actions Related to the Other Post-Employment Benefits Trust

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to take the following actions related to the creation of the Other Post-Employment Benefits Trust (‘Trust’): Approval of the Trust Agreement, adoption of the Trust Investment Policy Statement, appointment of a Trustee Custodian and approval of the initial funding plan for the Trust.

BACKGROUND

“In 2004, the Governmental Accounting Standards Board (‘GASB’) issued Statement Nos. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans* and 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*. These standards define the accounting and reporting requirements for assets and liabilities related to ‘other post-employment benefits’ (‘OPEB’). Specifically, Statement No. 45 requires governmental employers to account for OPEB on an ‘accrual’ basis, i.e., as the benefits are earned during the working career of the employee, rather than on a ‘pay-as-you-go’ basis, where costs would be recorded as the benefits are paid during the employee’s retirement. OPEB may include medical, prescription drug, life and other long-term care benefits offered by the employer for retirees and eligible beneficiaries. Larger government employers like the Authority were required to begin reporting accrued OPEB liabilities no later than the first financial reporting period after December 15, 2006. The Authority implemented accrual accounting for its OPEB obligation in 2002, in advance of this rule’s effective date.

“The Authority’s unfunded actuarial accrued liability for OPEB was \$325 million as of December 31, 2006. GASB Statement No. 43 does not mandate the funding of accrued OPEB obligations. However, a liability such as OPEB, if it were to remain unfunded, could significantly impact the employer’s financial standing and its overall credit rating, with a concomitant impact on the cost of debt financing. GASB Statement No. 45 specifies conditions under which contributions may be treated as an offset to OPEB obligations. To qualify as such, payments are considered contributions to the extent they: (1) pay for current-year retiree benefit costs or (2) are made to a qualifying trust. To be a GASB-qualifying trust, the trust must be: (1) irrevocable, (2) dedicated to providing benefits to retirees and their beneficiaries in accordance with plan terms and (3) legally protected from creditors of the employer and plan administrator.

“At their meeting of December 19, 2006, the Trustees authorized staff to begin to take certain actions to initiate the establishment of a Trust for OPEB. Specifically, the Trustees authorized actions by the Authority to initiate the establishment of a trust for OPEB by establishing the parameters of a trust; developing investment guidelines; and competitively searching and/or soliciting for a financial management consultant, investment manager(s) and Trustee Custodian.

DISCUSSION

“Pursuant to the above-mentioned Trustee authorization, staff competitively searched and selected PFM Advisors (‘PFM Advisors’) as financial management consultant. Orrick, Herrington & Sutcliffe LLP (‘Orrick’) and Hawkins, Delafield & Wood provided legal services related to the creation and the financing of the Trust. With the support of these entities, staff developed the Trust Agreement and the Investment Policy Statement (both contained in Exhibit ‘12-A’).

Creation of Trust

“The exclusive purposes of the Trust are to accumulate, hold and invest funds for the payment of Benefits to Plan Beneficiaries and the payment of related administrative costs of the Plan and of the Trust, as provided in the Trust Agreement. The Trust is intended to be a trust created under the common law of the State of New York and it is intended that all income derived from the Trust Estate shall be excludable from gross income for federal tax purposes pursuant to Section 115 of the Internal Revenue Code.

“The principal of the Trust, together with any earnings thereon, shall be held separate and apart from funds of the Authority and any Investment Manager. All Trust assets and all income thereon are irrevocably dedicated to, and shall be used for, the exclusive purposes of the Trust as set forth in the Trust Agreement. At no time will any Trust assets be used for, or diverted to, any other purposes.

“The Authority intends that the assets of this Trust are to be taken into account for the purpose of determining the Authority’s OPEB obligation on the Authority’s financial statements under GASB Statement Nos. 43 and 45. Upon the establishment of the Trust, it is expected that each year, at a minimum, the Normal Cost will be contributed into the Trust and, to the extent appropriate, additional contributions may be deposited into the Trust. Also, any retiree benefits will be paid by withdrawals from the Trust.

“In no event shall the Authority’s Trustees or its members, or any of its directors, officers, employees or agents be liable hereunder. Distributions from the Trust do not constitute debts of the Authority (within the meaning of constitutional or statutory limitations or restrictions) nor are they legal or equitable pledges, charges, liens or encumbrances upon the Authority’s property, income or other assets.

Investment Policy Statement

“The Trust Investment Policy Statement (Attachment B to Exhibit ‘12-A’) is a document that outlines and discusses the Trust’s investment objectives, cash-flow projections, risk tolerance, view of the economy and markets.

“In order to develop a comprehensive policy statement, PFM Advisors and the Authority engaged in a portfolio planning survey and analysis, reviewed the Authority’s actuarial valuation and reviewed the investment policy the New York State Comptroller uses for the New York State and Local Employees’ Retirement Fund. Subsequently, PFM Advisors and the Authority developed several alternative asset allocation models, reviewed capital market assumptions and determined the probability of achieving the desired investment objectives for each model.

“The portfolio planning survey was designed to facilitate an understanding of the Trust’s risk/return profile and asset classes appropriate for the portfolio. The information derived from the planning survey was then used to assist in constructing a series of strategic asset allocation models. In developing these asset allocation models, PFM Advisors used advanced proprietary modeling programs from Ibbotson Associates. Essentially, each model incorporated historical data on asset class investment returns, volatility and correlations with other asset classes and capital market assumptions made by PFM Advisors. After each model was developed, a series of tests were performed in order to determine the probability of achieving the desired return on investment.

“Based on the various model tests and the Trust’s objectives and risk tolerances, the following strategic asset class allocations are recommended:

Asset Type	Target % Allocation	Range of Allocation
Equities	61%	
Domestic Equity	42%	37% - 47%
International Equity	19%	14% - 24%
Other Equity	6%	
Real Estate (REITs)	6%	1% - 11%
Fixed Income	33%	
Domestic Fixed Income	30%	25% - 35%
Cash Equivalent	3%	0% - 10%

“The recommended asset allocation employs the same general asset classes that the New York State Comptroller uses in managing the New York State and Local Employees’ Retirement Fund. The Trust will combine active and passive investment strategies. Staff recommends these two investment strategies based on two factors. First, an empirical study based on historical data concluded the following:

1. Over the last 10 years active strategies have added value in most asset classes.
2. Passive strategies tend to outperform during strong markets with momentum.
3. Active strategies tend to outperform in weak and/or less efficient markets.
4. Active strategies tend to provide better relative downside protection.

Secondly, based on the Trust's asset class allocation and staff's views on market efficiency, both active and passive investment strategies complement each other and provide a balanced investment approach.

"Accordingly, given the Trust's purpose, return objectives and risk tolerances, the Investment Policy Statement was created to assist in supervising, monitoring and evaluating the investment assets of the Trust.

Appointment of Trustee Custodian

"On May 8, 2007, a Request for Proposals was issued for Trustee and Custody Services for the Trust. A comprehensive review of all responses was conducted and rankings were developed for each respondent based on the following key points of consideration:

1. Commitment to the Public Sector Market
2. Commitment to the Trust and Custody Services Business
3. Breadth and Depth of Experience and Services
4. Presence in Local Community
5. Plan Cost
6. Other Factors (Securities Lending, Commission Recapture, Third Party Lenders and Transition Accounting)

"Staff determined that all respondents were of significant size and capable of performing the necessary custodial services. However, The Bank of New York's commitment to the public sector, commitment to the trust custody business and its securities lending and commission recapture programs provide added value. These benefits, coupled with cost considerations, result in staff recommending that The Bank of New York be appointed as the Trustee Custodian. Exhibit '12-B,' entitled 'Trust and Custody Provider Review,' summarizes the Trustee Custodian rankings.

Funding Plan

"The establishment of a Trust, in addition to securing the Authority's ability to meet its OPEB obligations in the future, would reduce the cost of the obligations by allowing investment in longer-term, less restrictive and generally higher-yielding investments. Based on discussions with the Authority's actuary, a 1% increase in the earnings of such a Trust Fund could yield a 15% decrease in the prior service liability and the annual OPEB cost. This higher earnings rate is estimated to produce more than \$70 million in present-value savings over a 30-year period.

"At their meeting of December 19, 2006, the Trustees set aside \$100 million as a reserve within the Operating Fund in anticipation of the establishment of the Trust. At this time, the Trustees are requested to authorize and approve a transfer of this \$100 million into the Trust from the Operating Fund. After a thorough review by staff and PFM Advisors of the earnings potential of the Trust relative to the cost of issuing the debt, staff is also recommending that an additional \$125 million be made available and deposited into the Trust through the issuance of taxable commercial paper. The commercial paper, which staff intends to amortize over a 10-year period, will provide additional earnings opportunities for the Fund. It is estimated that the issuance of commercial paper for this purpose will provide more than \$20 million in additional savings.

"Overall, the \$225 million recommended at this time for deposit into the OPEB Trust represents nearly three-quarters of the Authority's OPEB liability. Full funding is not recommended at this time as staff would like to monitor the earnings on the Fund. If the investment returns exceed the earnings assumption in the actuarial report used to determine the liability, the overall liability could be further reduced and staff is looking to avoid over-

funding the Trust. While the initial funding plan is designed to fund up to three-quarters of the liability, the intent is to eventually achieve fully funded status.

“At this time, PFM Advisors and staff are soliciting responses from investment managers for the different investment asset classes. Staff will seek the Trustees’ approval once the various recommended investment managers are determined. Prior to such approval, the initial deposits to the Fund are to be invested in Exchange Traded Funds (‘ETFs’) in accordance with the Trust’s asset allocation guidelines (as referenced above) and managed by the Trustee Custodian. ETFs are like open-ended mutual funds that typically replicate a stock market index. ETFs allow for diversified and low-cost index investments, while allowing for full liquidity on a daily basis. After investment managers have been selected and approved by the Trustees, the ETFs will be sold and the proceeds will be reinvested with each respective investment manager. Accordingly, the Trust will be partially funded and begin earning an investment return.

FISCAL INFORMATION

“Upon Trustee approval of the Trust, adoption of the Trust Investment Policy Statement and the appointment of a Trustee Custodian, \$100 million will be transferred from the designated OPEB Reserve within the Operating Fund to the Trust. In addition, the proceeds of the recommended \$125 million commercial paper issuance will be deposited into the Trust. Other ancillary costs associated with legal and financial consultants will continue to be paid from the Operating funds under current contracts until the Trust is funded. The costs associated with the OPEB liability have, since 2002, been incorporated into the Authority’s customer rates as they have been approved by the Trustees and such collections are expected to be sufficient to cover the cost of retiring the commercial paper.

RECOMMENDATION

“The Vice President – Finance recommends that the Trustees: (1) approve the creation of the Other Post-Employment Benefits Trust agreement, (2) adopt the Trust Investment Policy Statement, (3) appoint The Bank of New York as Trustee Custodian and (4) approve the funding plan as outlined above, including the transfer of \$100 million from the OPEB Reserve within the Operating Fund to the Trust; the issuance of \$125 million in taxable commercial paper, the proceeds of which are also to be deposited into the Trust, and allow the initial deposits to be invested in Exchange Trade Funds.

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

Mr. Russak presented the highlights of staff’s recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Russak said that he estimates that it will be a year or two before staff returns to the Trustees asking for authorization of full funding of the trust, since staff will be monitoring the earnings performance of the funds in the trust between now and then. Responding to a question from Trustee Besha, Mr. Russak confirmed that the actuarial assumption for the trust is based on a 7% rate of return. Mr. Del Sindaco said that a New York Times article within the last two weeks described that governments at all levels across the country have trillions of dollars in OPEB liability, citing New Jersey’s \$58 billion in unfunded OPEB liability as an example. He said that the OPEB trust being discussed today differentiates the Authority not only from other authorities but also from other government entities of all kinds nationwide. Chairman McCullough said that there is no question that this OPEB trust is creating security for both the Authority and its employees.

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

RESOLVED, That the Trustees hereby approve the creation of an Other Post-Employment Benefits Trust (“Trust”) and authorize its execution by the Executive Vice President and Chief Financial Officer, the Vice President – Finance or the Treasurer, subject to approval of the form thereof by the Executive Vice President and General Counsel, on behalf of the Authority, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Trustees approve the adoption of the Trust Investment Policy Statement and appointment of The Bank of New York as Trustee Custodian for the Other Post-Employment Benefits Trust; and be it further

RESOLVED, That the Executive Vice President and Chief Financial Officer, the Vice President – Finance or the Treasurer are, and each hereby is, authorized to execute a transfer of \$100 million from the Other Post-Employment Benefits Reserve within the Operating Fund to the Trust and that up to \$125 million of the Authority’s Commercial Paper Series 3 Notes may be issued with the proceeds deposited into the Trust and that the Trust may invest in Exchange Traded Funds prior to final investment management selection as recommended 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, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Vice President – Finance, the Treasurer and the Deputy Treasurer, are, and each hereby is, authorized to do and perform or cause to be done and performed in the name and on behalf of the Authority, all other acts, to execute and deliver or cause to be executed and delivered all other notices, requests, directions, consents, approvals, orders, applications, agreements, certificates and further documents or other communications of any kind under the corporate seal of the Authority or otherwise as he, she or they may deem necessary, advisable or appropriate to effect the intent of the foregoing resolution; 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.

**Exhibit “12-A”
July 31, 2007**

**POWER AUTHORITY OF THE STATE OF NEW YORK
OTHER POST-EMPLOYMENT BENEFITS TRUST AGREEMENT**

Dated: _____, 2007

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OTHER POST-EMPLOYMENT BENEFITS TRUST AGREEMENT

AGREEMENT made as of this ____ day of _____, 2007, between POWER AUTHORITY OF THE STATE OF NEW YORK, a corporate municipal instrumentality and political subdivision of the State of New York (the “Authority”), as Grantor, and [BANK], (the “Trustee”) as Trustee, a [New York banking corporation][national banking association] having trust powers.

WHEREAS, the Authority maintains and provides benefits (“Benefits”) under certain non-pension benefit plans (“Plans”) to those retired employees of the Authority and their dependents who meet the eligibility requirements of the Plans (“Plan Beneficiaries”), each as more specifically described in Attachment A.

WHEREAS, the Authority and the Trustee wish to establish a trust (the “Trust”) (i) in which to accumulate assets to finance Benefits and to pay Benefits when due to Plan Beneficiaries, (ii) the income on which will be exempt from federal and state income tax (under Code Section 115 with respect to federal income tax), (iii) transfers to which will not be taxable to Plan Beneficiaries, (iv) deposits in which will qualify as contributions under Governmental Accounting Standards Board (“GASB”) statement 43 and 45 guidelines, and (v) all assets of which are irrevocably dedicated to, and shall be used for the exclusive purpose of, making payments of Benefits to or for the benefit of Plan Beneficiaries and for paying expenses of administering the Plans and the Trust, and not available to any creditors of the Authority or any Investment Manager, and the Trust shall be administered accordingly;

WHEREAS, the Trust shall be an entity separate from the Authority and any Investment Manager, for the exclusive benefit of the Beneficiaries and not of the Authority or any Investment Manager;

WHEREAS, [Bank] is willing to serve as Trustee of the Trust on the terms and conditions herein set forth;

WHEREAS, the indicia of ownership of the Trust assets shall be held by Trustee at all times and the Trust assets shall not be considered funds or assets of the Authority for any purpose; and

WHEREAS, authorization for the Trust may be found in Title 1 of Article 5 of the Public Authorities Law of the State of New York.

NOW, THEREFORE, in consideration of the mutual promises herein contained and other good and valuable consideration, receipt and sufficiency of which is hereby acknowledged, the Trustee hereby agrees to accept, from and after the date first above written, Contributions to the Trust delivered to it from time to time by or on behalf of the Authority;

TO HAVE AND TO HOLD such assets;

TO INVEST AND REINVEST the same as provided herein;

IN TRUST NEVERTHELESS, for the uses and purposes and upon the terms and conditions, as hereinafter set forth; and

TO PAY OR DISTRIBUTE from the Trust as provided herein.

ARTICLE I

DEFINITIONS

1.01. Definitions. As used in this Agreement, the following terms shall have the following meanings:

(1) “Agreement” shall mean this Other Post-Employment Benefits Trust Agreement as the same may be amended, modified, or supplemented from time to time.

(2) "Administrative Cost" shall have the meaning set forth in Section 5.02 hereof.

(3) “Applicable Law” shall mean all applicable laws, statutes, rules, codes, ordinances, regulations, certificates, orders and interpretations, of any Governmental Authority and judgments, decrees, injunctions, writs, orders or like action of any court, arbitrator or other judicial or quasi-judicial tribunal of competent jurisdiction.

(4) “Authority” shall have the meaning set forth in the opening paragraph of this Agreement.

(5) “Authorized Representative” shall mean the persons designated as such pursuant to Section 2.08.

(6) “Benefits” shall have the meaning ascribed thereto in the first WHEREAS clause of this Agreement.

(7) “Business Day” shall mean a day that is not a Saturday or Sunday or a legal holiday in the State of New York.

(8) “Certificate” shall mean a document properly completed and executed by an Authorized Representative of the Authority and substantially in the form of Attachment C hereto as it may from time to time be amended.

(9) “Code” shall mean the Internal Revenue Code of 1986, as amended.

(10) “Contribution” shall mean any contribution, cash or otherwise, made to the Trustee for deposit in the Trust and in such subaccounts thereof as provided in this Agreement. No contribution which consists of real property shall be permitted.

(11) “GASB” shall have the meaning ascribed thereto in the second WHEREAS clause of this Agreement.

(12) “Governmental Authority” shall mean any federal, state, county, municipal, foreign, international, regional or other governmental authority, agency, board, body, instrumentality or court.

(13) “Investment Manager(s)” shall mean any person or entity appointed by the Authority (including, but not limited to, the Trustee, any affiliate company or subsidiary of the Trustee or any employee thereof); provided, however, that written notice of such appointment is received by the Trustee from the Authority; provided further, however, that neither the Authority nor any affiliate company, subsidiary or employee of the Authority may act as an Investment Manager.

(14) “Plan Beneficiaries” shall have the meaning ascribed thereto in the first WHEREAS clause of this Agreement.

(15) “Plans” shall have the meaning ascribed thereto in the first WHEREAS clause of this Agreement.

(16) “Trust” shall mean the trust established by Section 2.02 hereof.

(17) “Trustee” shall have the meaning ascribed thereto in the opening paragraph of this Agreement or any successor appointed pursuant to Section 7.01 hereof.

(18) “Trust Estate” shall mean all monies and property on deposit in the Trust, including all proceeds thereof and income therefrom and any other increment thereto.

ARTICLE II

TRUST PURPOSES AND NAME

2.01. Trust Purposes. The exclusive purposes of the Trust are to accumulate, hold and invest funds for the payment to Plan Beneficiaries of Benefits and the payment of related administrative costs of the Plans and of the Trust as provided in this Agreement, and to expend funds for those purposes.

2.02. Establishment of Trust.

(a) By execution of this Agreement, the Authority:

(1) establishes a trust (the Trust) for the purposes provided by Section 2.01 hereof, which shall be effective on the date first above written; and

(2) appoints [Bank] as Trustee of the Trust.

The Authority represents that it has requisite authority and is empowered to appoint the Trustee and enter into this Agreement with the Trustee.

(b) The Trust is intended to be a trust created under the common law of the State of New York and it is intended that all income derived from the Trust Estate shall be excludable from gross income for federal tax purposes pursuant to Section 115 of the Code.

(c) It is the intention of the parties hereto that the Trust not constitute a “business trust” within the meaning of Title 11 of the United States Code entitled “Bankruptcy”, and that the Trust not have the benefit of the provisions thereof.

(d) The principal of the Trust, together with any earnings thereon, shall be held separate and apart from funds of the Authority and any Investment Manager. All Trust assets and all income thereon are irrevocably dedicated to, and shall be used for the exclusive purpose of, the purposes of the Trust set forth in Section 2.01 hereof. At no time will any Trust assets be used for, or diverted to, any other purposes.

(e) Neither the Authority nor any Investment Manager, nor any entity associated with the Authority or any Investment Manager shall have any legal or equitable interest in the Trust or in any assets of the Trust.

(f) Assets held in the Trust are to not be subject to claims of creditors of the Authority, any Investment Manager, or the Plans.

(g) Plan Beneficiaries shall have no preferred claim, lien, or encumbrance of any kind on any assets of the Trust and shall only be entitled to receive distributions, if any, in respect of Benefits when, as and if determined by the Trustee in accordance with this Agreement.

(h) Except to the extent required by applicable law, the rights or interests of any Plan Beneficiaries to any Benefits or future payments hereunder or under any Plan are to not be subject to attachment or garnishment or other legal process by any creditor of any such Plan Beneficiaries, nor shall any such Plan Beneficiaries have any right to alienate, anticipate, commute, pledge, encumber or assign any of the Benefits or payments which he or she may expect to receive contingent or otherwise, under this Agreement or the Plans.

(i) The Authority intends that its deposits to this Trust qualify as contributions under GASB statement 43 and 45 guidelines. Such contributions shall be irrevocable and shall be used exclusively to pay Benefits to or in behalf of Plan Beneficiaries and Trust expenses.

(j) Contributions to the Trust may constitute all or part of the Authority's Annual Required Contribution as defined by GASB statement 45 or of the Authority's unfunded accrued liability for Benefits.

(k) Benefit payments from the Trust are neither general nor special obligations of the Authority. Trust assets are the only assets irrevocably dedicated to the

payment of Benefits under the Trust. Payment of Benefits from the Trust is not backed by the Authority's full faith and credit.

(1) In no event shall the Authority's governing body or its members, or any of its directors, officers, employees or agents be liable hereunder. Distributions from the Trust (whether in respect of Benefits or otherwise) do not constitute debts of the Authority (within the meaning of constitutional or statutory limitations or restrictions) nor are they legal or equitable pledges, charges, liens or encumbrances upon the Authority's property, income, or other assets.

2.03. Acceptance of Appointment. Upon the terms and conditions herein set forth, [Bank] accepts the appointment as Trustee of the Trust. The Trustee declares that it will hold all estate, right, title and interest it may acquire hereunder exclusively for the purposes set forth in this Article II. The Trustee shall receive any Contributions deposited with it by the Authority in trust for the benefit of the Authority and shall deposit such Contributions in the Trust, and in such subaccounts thereunder as provided in Section 2.06 hereof and otherwise as the Authority shall specify. The Trustee shall hold, manage, invest and administer such Contributions, together with earnings and appreciation thereon, in accordance with this Agreement.

2.04. Name of Trust. The contributions received by the Trustee from the Authority together with the proceeds, reinvestments and appreciation thereof shall constitute the "Power Authority of the State of New York Post-Employment Benefits Trust."

2.05. Situs of Trust. The Trust will be located and administered in the State of New York at the office of the Trustee. The Trust may have one or more managers or employees within or without the State of New York.

2.06. Division of Trust. The Trust shall be divided by the Trustee into such subaccounts as may be specified by the Authority. The Trustee shall maintain such records as are necessary to reflect each subaccount separately on its books from each other subaccount.

2.07. Designation of Subaccounts. Upon (i) any Contribution to the Trust, (ii) any withdrawal from the Trust or (iii) any transfer between the subaccounts of the Trust, the Authority shall designate (in writing), in accordance with Article IV or V, as applicable, the

subaccount(s) thereof which is to be credited or debited for the amount of such Contribution, withdrawal or transfer, and the Trustee shall credit or debit the subaccount(s) thereof, in accordance with such designation.

2.08. Duties of Authorized Representatives. The Authority shall from time to time provide the Trustee with written statements setting forth the names and specimen signatures of the Authorized Representatives. The Trustee acknowledges receipt of an initial such statement. The Authorized Representatives shall provide the Trustee with a written statement setting forth the names and specimen signatures of any delegates of the Authorized Representatives. The Authority has empowered the initial Authorized Representatives, and shall empower all additional Authorized Representatives and their delegates, to act for the Authority in all respects hereunder. The Authorized Representatives may act as a group or may designate one or more Authorized Representative(s) or delegate(s) to perform the duties described in the foregoing sentence. Until otherwise notified in writing by the Authority, the Trustee may rely upon any written notice, instruction, direction, certificate or other communication believed by it to be genuine and to be signed or certified by any one or more Authorized Representatives or their designated delegate(s), and the Trustee shall be under no duty to make any investigation or inquiry as to the truth or accuracy of any statement contained therein. The Authority may appoint additional Authorized Representatives, or remove existing Authorized Representatives, in its sole discretion at any time.

2.09. No Authority to Conduct Business. The purpose of the Trust is limited specifically to the matters set forth in Section 2.01 hereof, and there is no objective to carry on any business unrelated to the Trust purpose set forth in Section 2.01 hereof or to divide the gains therefrom.

ARTICLE III

TITLE TO TRUST ESTATE; BENEFICIARIES OF TRUST

3.01. Title to Trust Estate. Legal title to all of the Trust Estate shall be vested at all times in the Trust as a separate legal entity, except where applicable law in any jurisdiction requires title to any part of the Trust Estate to be vested in a trustee or trustees, in which case title

shall be deemed to be vested in the Trustee, a co-trustee and/or a separate trustee, as the case may be.

3.02. Beneficiaries; Authority Not a Beneficiary. The beneficial ownership of the Trust shall, subject to the purposes of the Trust, be at all times in the Plan Beneficiaries. The Authority shall have no beneficial interest in the Trust Estate nor shall it be entitled to share in the profits and losses of the Trust, and the Trust Estate shall not be subject to the claims of creditors of the Authority. The Authority shall not be entitled to any distribution from the Trust except to the extent and for the purposes referenced in Sections 5.01 and 6.02 hereof.

ARTICLE IV

CONTRIBUTIONS AND INCOME

4.01. Contributions. In its sole discretion, the Authority may make such Contributions to the Trust from time to time as it shall deem necessary or appropriate. Neither the Trustee, any Investment Manager nor any Plan Beneficiary shall have any right to compel such additional contributions. All such contributions and all income thereon are irrevocably dedicated to, and shall be used for the exclusive purpose of, the purposes of the Trust set forth in Section 2.01 hereof.

4.02. Allocation of Net Income. The Trustee may pool the assets of any subaccounts of the Trust for investment purposes in accordance with the written instructions of the Authority, subject to the limitations on investments contained in Attachment B hereto, and, upon so doing, shall treat each subaccount so pooled as having received or accrued a pro rata portion (based on the principal balances of the subaccounts so pooled) of the net income of the Trust (including appreciation) related to such pooled assets in any accounting period of the Trust. Without limiting the requirements of Section 7.05 hereof, the Trustee shall maintain such separate records of each of the subaccounts of the Trust as are necessary to reflect the assets thereof and the allocation of income and losses among the subaccounts.

ARTICLE V

DISTRIBUTIONS

5.01. Payment of Benefits and Administrative Costs; Other Payments. The Trustee shall make payments out of the Trust or any subaccounts thereof upon presentation to the Trustee of a Certificate by the Authority instructing the Trustee to disburse amounts in the Trust or any subaccounts thereof in a manner designated in such Certificate for purposes of paying costs, liabilities and expenses of Plans or, if so specified, Administrative Costs, or to reimburse the Authority for the payment of any such amounts.

If the assets of the Trust or any subaccount thereof are insufficient to permit the payment in full or amounts to be paid pursuant to a Certificate, none of the Trustee, the Plans or the Authority shall have any liability with respect to such insufficiency and no obligation to use its own funds to pay the same.

5.02. Payment of Administrative Costs. In addition to the payment of costs, liabilities and expenses of Plans paid pursuant to Section 5.01 hereof, from time to time, the Trustee shall make payments of any administrative costs in connection with the operation of the Trust pursuant to this Agreement, including taxes, out-of-pocket expenses, Investment Manager fees, Trustee's fees (as specified in the agreement referred to in Section 5.03 hereof), accountant's fees, financial advisory fees and similar fees and expenses (any such fee or expense is referred to in this Agreement as an "Administrative Cost"). All Administrative Costs shall be paid from Trust assets, and the Trustee shall maintain such records as are necessary to reflect the payment of Administrative Costs by the Trust. If the Trust assets are insufficient to permit the payment in full of amounts payable under this Section 5.02, none of the Trustee, the Plans or the Authority shall have any liability with respect to such insufficiency and no obligation to use its own funds to pay the same.

5.03. Fees. The Trustee from the assets of the Trust as set forth in Section 5.02 hereof shall receive as exclusive compensation for its services such amounts as may from time to time be agreed to in writing by the Trustee and the Authority.

5.04. Liquidation of Investments. At the written direction of the Authority on behalf of the Plan Beneficiaries, the Trustee shall sell or liquidate such investments of the Trust

as may be specified in such written direction. The proceeds of any such sale or liquidation shall be credited to the Trust, or pro rata within the Trust to any subaccounts of the Trust to which such investments were credited prior to such sale or liquidation.

ARTICLE VI

TERMINATION

6.01. Termination of Trust in General. The Trust shall terminate only upon the earlier of (i) the payment of all Benefits of the Plans (as evidenced by written notification of that fact to the Trustee by an Authorized Representative), (ii) termination of the Trust in writing by the Authority (provided that such termination does not render the Trust "revocable" or adversely affect the status of the Trust as described in clause (v) of the second Whereas clause of this Agreement), or (iii) twenty-one (21) years from the death of the last survivor of the descendants of the late Joseph P. Kennedy, the late ambassador of the United States to the Court of St. James, living on the date of this Agreement. Prior to its termination, the Trust shall be irrevocable. The bankruptcy of the Authority shall not terminate the Trust.

6.02. Distribution of Assets of Trust Upon Termination. Upon termination of the Trust, the Trustee shall liquidate the assets of the Trust and distribute them (including accrued, accumulated and undistributed net income), less all reasonable final Administrative Costs, (i) solely for the purposes provided by Section 2.01 hereof or (ii), if and only to the extent not required for such purposes at the time or thereafter (as evidenced by written notification of that fact to the Trustee by an Authorized Representative), to or as directed by the Authority. Except as provided above, no part of the Trust Estate shall revert to the Authority.

ARTICLE VII

TRUSTEES

7.01. Designation and Qualification of Successor Trustee(s). At any time during the term of the Trust, the Authority shall have the right to remove the Trustee (at the Authority's sole discretion) acting hereunder and appoint another qualified entity as a successor Trustee upon thirty (30) days' notice in writing to the Trustee, or upon such shorter notice as

may be acceptable to the Trustee. In the event that the bank or trust company serving as Trustee or successor Trustee shall (a) become insolvent or admit in writing its insolvency; (b) be unable or admit in writing its inability to pay its debts as such debts mature; (c) make a general assignment for the benefit of creditors; (d) have an involuntary petition in bankruptcy filed against it; (e) commence a case under or otherwise seek to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law, statute, or proceeding; or (f) resign, the Authority shall appoint a successor Trustee as soon as practicable. In the event of any such removal or resignation, the Trustee or successor Trustee shall have the right to have its accounts finalized as provided in Section 7.06 hereof. Any successor to the Authority, as provided herein, shall have the same right to remove and to appoint any Trustee or successor Trustee.

Any successor Trustee shall be a bank or trust company incorporated and doing business within the United States of America and having a combined capital and surplus of at least \$50,000,000, if there be such an institution willing, able and legally qualified to perform the duties of Trustee hereunder upon reasonable or customary terms.

Any successor Trustee shall qualify by a duly acknowledged acceptance of the Trust, delivered to the Authority. Upon acceptance of such appointment by the successor Trustee, the Trustee shall assign, transfer and pay over to such successor Trustee the assets then constituting the Trust. Any successor Trustee shall have all the rights, powers, duties and obligations herein granted to the original Trustee.

Anything herein to the contrary notwithstanding, the Authority shall be deemed to have automatically appointed as Trustee any corporation or association into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation or association succeeding to all or substantially all of the corporate trust business of the Trustee by transfer or otherwise, and such corporation or association, upon consummation of such transaction, shall be deemed to have automatically accepted such appointment and shall be the successor of the Trustee hereunder.

7.02. Exoneration from Bond. No bond or other security shall be exacted or required of any Trustee or successor Trustee appointed pursuant to this Agreement.

7.03. Resignation. The Trustee or any successor Trustee hereof may resign and be relieved as Trustee at any time without prior application to or approval by or order of any court by a duly acknowledged instrument, which shall be delivered to the Authority by the Trustee no less than ninety (90) days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to the Authority. If for any reason the Authority cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee and the cost of making such application shall be an Administrative Cost.

7.04. Transactions With Third Parties. No person or organization dealing with the Trustee hereunder shall be required to inquire into or to investigate its authority for entering into any transaction or to see to the application of the proceeds of any such transaction.

7.05. Notices, Etc. In order to permit the Authority or an Investment Manager as the case may be, to make timely and informed decisions regarding the management of the Trust Estate subject to their respective control, the Trustee shall forward to the Authority, or to an Investment Manager if the Authority so directs, for appropriate action any and all proxies, proxy statements, notices, requests or other communications received by the Trust or the Trustee (or its nominee) as the record owner of such assets.

7.06. Accounts and Reports. The Trustee shall keep accurate and detailed accounts of all investments, receipts and disbursements and other transactions hereunder with respect to the Trust and each subaccount thereof in accordance with specifications of the Authority, and all accounts, books and records relating thereto shall be open to inspection and audit at all reasonable times by any person designated by the Authority. The Trustee shall provide the Authority with a letter, from the Trustee's independent accountants, which the Trustee normally provides to its customers, with respect to the Trustee's system of internal accounting controls. Within 15 days following the beginning of each month, the Trustee shall provide a written estimate of the market value of the Trust and each subaccount thereof, prepared on an accrual basis. Within 20 days following the close of each month, the Trustee shall file with the Authority a final written report setting forth all investments, receipts and disbursements and other transactions effected by it during the month and containing an exact description of all cash

and securities contributed, purchased, sold or distributed and the cost or net proceeds of sale, and showing all cash, and securities and other investments held at the end of such month and the cost and fair market value of each item thereof as carried on the books of the Trustee. Such accounts and reports shall be based on the accrual method of reporting net income and expenses and shall show the portion of the assets applicable to the Trust and each subaccount thereof and shall also identify all disbursements from the Trust and each subaccount thereof.

Upon the expiration of 180 days from the date of filing such written reports with the Authority, the Trustee shall be forever released and discharged from all liability or accountability to anyone with respect to all acts and transactions shown in such written reports, except such acts or transactions as to which the Authority shall take exception by written notice to the Trustee within such 180 day period; provided, however, that nothing contained in this Section 7.06 shall be deemed to relieve the Trustee of any liability imposed pursuant to Section 7.08 hereof. In the event that any exception taken by the Authority cannot be amicably adjusted, the Authority may, within one year of the date of such exception, file the written report in a court having jurisdiction and upon the audit thereof any and all such exceptions which may not have been amicably settled shall be heard and adjudicated. Any exception not so filed within one year shall be deemed waived and any liability of the Trustee with respect thereto shall be deemed released.

All records and accounts maintained by the Trustee with respect to the Trust shall be preserved for such period as the Authority shall specify and in the absence of any instructions from the Authority shall be preserved for a period of three years. Upon the expiration of any such required retention period, the Trustee shall have the right to destroy such records and accounts after first notifying the Authority in writing of its intention and transferring to the Authority any records and accounts requested by the Authority.

7.07. Tax Returns and Other Reports. To the extent required by Applicable Law, the Trustee shall prepare and file all federal, state and local income or franchise tax returns or other reports (including estimated tax returns and information returns) as may be required from time to time with respect to the Trust, and the Authority agrees to provide the Trustee in a timely manner with any information which is necessary to such filings which is not in the possession of the Trustee. The Trustee may employ independent certified public accountants or

other tax counsel to prepare or review such returns and reports and the cost thereof shall be an Administrative Cost. The Trustee agrees to sign any tax returns or other reports where required by law to do so or arising out of the Trustee's responsibilities hereunder, and to remit from the Trust appropriate payments or deposits of federal, state and local income or franchise taxes directly to the taxing agencies or authorized depositaries. Any interest or penalty charges assessed against the Trust pursuant to Applicable Law as a result of the Trustee's failure to comply with this Section 7.07 shall be an Administrative Cost unless caused by the Trustee's negligence or willful misconduct, in which case such interest or penalty charges shall be borne by the Trustee and not the Trust. To the extent Applicable Law requires the filing of any tax returns relating to the Trust, the Trustee agrees to notify the Authority in writing within 10 days of the commencement of the audit of the Trust's federal, state or local tax returns, and to participate with the Authority on behalf of the Trust in such audits and related inquiries.

7.08. Liability. (a) The Trustee shall be liable only for its own acts or omissions occasioned by its negligence or willful misconduct. In no event shall the Trustee be liable (i) for acting in accordance with instructions from the Authority or any Investment Manager or pursuant to a legal opinion of counsel to the Authority, (ii) for special or consequential damages unless such special or consequential damages are the result of willful misconduct on the part of the Trustee, (iii) for acts or omissions of a Federal Reserve Bank, The Depository Trust Company, Participants Trust Company or a clearing agency governed by Section 17A of the Securities Exchange Act of 1934, Cedel, Euroclear or other non-U.S. depositaries or clearing agencies, or (iv) acts or omissions of sub-custodians which participate in the Trustee's Global Custody Network. For the purposes of this Section 7.08(a), the term "Trustee" shall mean the Trustee, its officers and employees, and any person or entity retained or authorized by the Trustee to carry out any duty or obligation of the Trustee under this Agreement.

(b) The Authority shall indemnify the Trustee and hold it harmless against any and all claims, losses, liabilities, excise taxes, damages or expenses (including reasonable attorneys' fees and expenses) howsoever arising from the Authority's acts or omissions in connection with this Agreement, together with any income taxes imposed on the Trustee as a result of any indemnity paid to it hereunder; provided, however, that nothing contained herein shall require that the Trustee be indemnified for any liability imposed pursuant to clause (a) of

this Section 7.08. Nothing contained herein shall limit or in any way impair the right of the Trustee to indemnification under any other provision of this Agreement.

(c) The Authority understands that when and if the Trustee delivers property against payment, it may deliver such property prior to receiving final payment and that, as a matter of bookkeeping convenience, the Trustee may credit the Trust or any subaccount thereof with anticipated proceeds of sale prior to actual receipt of final payment. The risks of non-receipt of payment shall be the Authority's and the Trustee shall have no liability thereof.

(d) The provisions of this Section 7.08 and the right of the Trustee to claim the benefit thereof shall survive any termination of this Agreement and any resignation or removal of the Trustee.

ARTICLE VIII

TRUSTEE'S GENERAL POWERS

The Trustee shall have, with respect to the Trust, the following powers, all of which powers are fiduciary powers to be exercised in a fiduciary capacity and in the best interests of the Trust and the purposes hereof, namely:

8.01. Registration of Securities. To hold any bonds, securities, and/or other property in the name of a nominee, in a street name, or by other title-holding device, without indication of trust and generally to exercise the powers of an owner, including without limitation the power to vote in accordance with instructions provided by the Authority, with respect to any such property whether so held or held in its own name, as Trustee.

8.02. Borrowing. To borrow money in such amounts and upon such terms as the Authority may authorize in writing as necessary to carry out the purposes of the Trust, and to pledge any securities or other property for the repayment of any such loan as the Authority may direct.

8.03. Retention and Removal of Professional Services. To contract with attorneys, accountants, custodians, engineers, contractors, clerks and agents to carry out the purposes of the Trust. The cost of any such services shall be an Administrative Cost.

8.04. Reliance on Counsel. To, in its sole discretion exercised in good faith, consult with legal counsel if its choice, with respect to the meaning or construction of this Trust Agreement, the proper administration of the Trust Estate or the Trustee's obligations and duties hereunder, and the Trustee shall be fully protected with respect to any action taken or not taken by the Trustee in good faith and in reliance upon the advice of such counsel, absent the Trustee's own negligence or willful misconduct. If a dispute shall arise as to any act to be performed by it, the Trustee may, in its discretion, postpone performance of such act until adjudication of such dispute shall be made in a court of competent jurisdiction.

8.05. Delegation of Ministerial Power. To delegate to other persons such ministerial powers and duties as the Trustee may deem to be advisable.

8.06. Powers of Trustee to Continue Until Final Distribution. To exercise any of such powers after the date on which the principal and income of the Trust shall have become distributable and until such time as the entire principal of, and income from, the Trust shall have been actually distributed by the Trustee. It is intended that distribution of the Trust will occur as soon as possible after termination of the Trust.

8.07. Discretion in Exercise of Powers. To do any and all other acts which the Trustee shall deem proper to effectuate the powers specifically conferred upon it by this Agreement, provided, however, that the Trustee may not do any act or participate in any transaction which would:

- (a) contravene any provision of this Agreement; or
- (b) violate the terms and conditions of any instructions provided in a written statement of the Authority; or
- (c) knowingly and intentionally cause the Trust held hereunder not to satisfy the requirements of Applicable Law.

8.08. Deposit of Funds. To deposit funds in interest bearing account deposits maintained by or savings certificates issued by [Bank] in its separate corporate capacity, or in any other banking institution affiliated with [Bank].

8.09. Temporary Investments. In the event assets of the Trust have not been invested by an Investment Manager at the end of the business day, to temporarily invest such uninvested assets in interest bearing account deposits maintained or savings certificates issued by [Bank] in its separate corporate capacity, in accordance with Section 9.01 hereof.

ARTICLE IX

INVESTMENTS

9.01. Trustee's General Investment Powers. Subject to the provisions of Sections 9.02 and 9.03, the Trustee shall have the power to invest assets of the Trust in accordance with the written directions of the Authority, subject to the limitations on investments contained in Attachment B hereto.

Nothing in this Agreement shall restrict the Trustee, in its individual capacity, from acting as an agent for, providing banking, investment advisory, investment management and other services to, and generally engaging in any kind of business with others (including, without limiting the generality of the foregoing, issuers of securities, of money market instruments or of other property purchased for or on behalf of the Trust) to the same extent as if not the Trustee hereunder. Nothing in this Agreement shall in any way be deemed to restrict the right of the Trustee, in its individual capacity, to perform services for any other person or entity, and the performance of such services for others will not be deemed to violate or give rise to any duty or obligation to the Authority or the Trust not specifically undertaken by the Trustee hereunder. Nothing in this Agreement shall limit or restrict the Trustee, in its individual capacity, or any of its officers, affiliates or employees from buying, selling or trading in any securities for its or their own accounts. The Trustee, in its individual capacity, its officers, employees or affiliates, and its other clients may at any time have, acquire, increase, decrease or dispose of positions in investments which are at the same time being acquired or disposed of for the account of the Trust. The Trustee shall have no obligation to acquire for the Trust a position in any property which it acquires in its individual capacity, or which its officers, employees or affiliates may acquire for its or their own accounts or for the account of a client.

9.02. Appointment of Investment Manager(s). The Authority may appoint one or more Investment Managers to direct the investment of all or part of the Trust. The Authority

shall also have the right to remove any such Investment Manager(s). Whenever such appointment is made, the Authority shall provide written notice of such appointment to the Trustee, shall specify the portion of the Trust with respect to which an Investment Manager has been designated, and shall instruct the Trustee to segregate into a trust account or subaccount those assets designated for management by the Investment Manager. To the extent that assets are segregated into an Investment Account, the Trustee shall be released from and relieved of all investment duties, responsibilities and liabilities customarily or statutorily incident to a trustee with respect to the assets in Investment Account and as to such Investment Account the Trustee shall act as custodian. An Investment Manager shall certify in writing to the Trustee the identity of the person or persons authorized to give instructions or directions to the Trustee on its behalf, including specimen signatures. The Trustee may continue to rely upon all such certifications unless otherwise notified in writing by the Authority or an Investment Manager, as the case may be.

9.03. Direction by Investment Manager(s). (a) An Investment Manager designated by the Authority to manage an Investment Account shall have authority to manage and to direct the acquisition and disposition of the assets of the Trust, or a portion thereof, as the case may be, and the Trustee shall exercise the powers set forth in Article IX hereof only when, if, and in the manner directed by the Authority in writing, and, subject to the requirements of paragraph (c) of this Section 9.03, shall not be under any obligation to invest or otherwise manage any assets in the Investment Account. An Investment Manager shall have the powers and authority, exercisable in its sole discretion at any time, and from time to time, to issue and place orders for the purchase or sale of portfolio securities directly with qualified brokers or dealers. The Trustee, upon proper notification from an Investment Manager, shall settle the transactions in accordance with the appropriate trading authorizations. Written notification of the issuance of each such authorization shall be given promptly to the Trustee by an Investment Manager, and such Investment Manager shall cause the settlement of such transaction to be confirmed in writing to the Trustee, and to the Authority, by the broker or dealer. Such notification shall be proper authority for the Trustee to pay for portfolio securities purchased against receipt thereof and to deliver portfolio securities sold against payment therefor, as the case may be. All directions to the Trustee by an Investment Manager shall be in writing and shall

be signed by a person who has been certified by such Investment Manager pursuant to Section 9.02 hereof as authorized to give instructions or directions to the Trustee.

(b) Should an Investment Manager at any time elect to place security transactions directly with a broker or dealer, the Trustee shall not recognize such transactions unless and until it has received instruction or confirmation of such fact from an Investment Manager. Should an Investment Manager direct the Trustee to utilize the services of any person with regard to the assets under its management or control, such instruction shall be in writing and shall specifically set forth the actions to be taken by the Trustee as to such services. In the event that an Investment Manager places security transactions directly or directs the utilization of a service, such Investment Manager shall be solely responsible for the acts of such persons. Subject to the provisions of paragraph (c) of this Section 9.03, the sole duty of the Trustee as to such transactions shall be incident to its duties as custodian.

(c) The authority of an Investment Manager and the terms and conditions of the appointment and retention of an Investment Manager(s) shall be the responsibility solely of the Authority, and the Trustee shall not be deemed to be a party or to have any obligations under any agreement with an Investment Manager; provided, however, that the Trustee shall review the transactions in any Investment Account on a daily basis for the purpose of determining whether any assets acquired or to be acquired are permissible investments under the guidelines established for such Investment Account and in the event that the Trustee determines, as a result of any such daily review, that an investment is not permitted under the guidelines established for such account, then it shall notify the Authority and the applicable Investment Manager within one business day of such determination by telephone, confirmed in writing. If the applicable Investment Manager does not dispose of the unpermitted investment within two business days of such oral notice, then the Trustee shall dispose of such unpermitted investments within four days of such oral notice.

ARTICLE X

MISCELLANEOUS

10.01. Headings. The section headings set forth in this Agreement and the Table of Contents are inserted for convenience of reference only and shall be disregarded in the construction or interpretation of any of the provisions of this Agreement.

10.02. Particular Words. Any word contained in the text of this Agreement shall be read as the singular or plural and as the masculine, feminine, or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word “person” shall be taken to mean and include an individual, partnership, association, trust, company, or corporation.

10.03. Severability of Provisions. If any provision of this Agreement or its application to any person or entity or in any circumstances shall be invalid and unenforceable, the application of such provision to persons and in circumstances other than those as to which it is invalid or unenforceable and the other provisions of this Agreement, shall not be affected by such invalidity or unenforceability.

10.04. Delivery of Notices Under Agreement. Any notice, direction or instruction required by this Agreement to be given to the Authority or the Trustee shall be deemed to have been properly given when mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth below:

If to the Authority:

New York Power Authority
123 Main Street
White Plains, New York 10601
Attention: _____

If to the Trustee:

[Bank]
[Address]
Attention: _____

The Authority or the Trustee may change the above address by delivering notice thereof in writing to the other party.

10.05. Amendments. The Trustee and the Authority understand and agree that amendments may be required to this Agreement, and to the attachments hereto, from time to time to effectuate the purpose of the Trust and to comply with Applicable Law, and any other changes in the laws applicable to the Authority or Plans. This Agreement, and the attachments hereto, may be amended to the extent necessary or advisable to effectuate such purposes or to comply with such Applicable Law or changes. Otherwise, this Agreement, and the attachments hereto, may be amended for any purpose requested by the Authority so long as such amendment does not (i) affect the use of the Trust Estate for the purposes provided by Section 2.01 or (ii) render the Trust "revocable" or adversely affect the status of the Trust as described in clause (v) of the second Whereas clause of this Agreement.

Any amendment to this Agreement or an attachment hereto may be made by an instrument in writing executed by the Authority and delivered to the Trustee, provided that the rights, duties and liabilities of the Trustee shall not be amended without its consent. The Trustee shall have no duty to inquire or make any investigation as to whether any amendment, modification or alteration is consistent with this Section 10.05.

10.06. Successors and Assigns of Trustee. Subject to the provisions of Section 7.01, this Agreement shall be binding upon and inure to the benefit of the Trustee and its respective successors and permitted assigns.

10.07. Non-Assignability by Beneficiaries. Except as may specifically be permitted by this Agreement, a Plan or Applicable Law, no beneficial interest in the Trust or Trust Estate is assignable or subject to transfer, hypothecation, encumbrance, anticipation, alienation, legal process, pledge, mortgage, levy, execution, receivership, attachment or garnishment by any Plan Beneficiary, nor shall any interest pass to any trustee in bankruptcy or otherwise be reached or applied by any legal process for the payment of any obligation of any such person.

10.08. Employee Rights. Neither the establishment of the Trust, nor any amendment thereof, nor the creation of any subaccount, nor the payment of any Benefits, shall be

construed as giving to any employee, retired employee or other person any legal or equitable right against the Authority, the Trustee, or any officer, employee or member of any thereof, except as herein expressly provided, and in no event shall the terms or conditions of employment of any employee, or the control of the Authority over the same, be modified or in any manner affected hereby.

10.09. Enforcement. The Authority hereof shall have the exclusive right to enforce any and all provisions of this Agreement on behalf of the Plan Beneficiaries and their respective beneficiaries and estates. Any determination made by the Authority pursuant to a Plan or this Agreement shall be conclusive and binding on all Plan Beneficiaries and upon their respective beneficiaries and estates, and the Trustee shall be fully protected in acting in accordance therewith.

10.10. Governing Law; Jurisdiction; Certain Waivers.

(a) This Agreement, the Trust and all questions pertaining to the validity, construction and administration of this Agreement and the Trust shall be determined in accordance with the internal substantive laws (and not the choice of law rules) of the State of New York. The Authority and the Trustee hereby waive the right to a trial by jury in any action or proceeding brought hereunder.

(b) To the extent that, in any jurisdiction, the Authority has or hereafter may acquire, or is or hereafter may be entitled to claim, for itself or its assets, immunity (sovereign or otherwise) from suit, execution, attachment (before or after judgment) or any other legal process brought by or on behalf of the Trustee and arising with respect to this Agreement, the Trust or the Trustee's functions hereunder, the Authority irrevocably agrees not to claim, and hereby waives, such immunity.

10.11. Accounting Year. The Trust shall operate on an accounting year which shall be the same as the accounting year of the Authority, which currently coincides with the calendar year, January 1 through December 31.

10.12. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

10.13. Liability for Payment of Benefits. Nothing in this Agreement or in any attachment hereto is intended to impose any responsibility on the Trustee for overseeing or paying Benefits other than, in the case of the Trustee, the disbursement of funds in accordance with Article V hereof.

IN WITNESS WHEREOF, the Authority and the Trustee have set their hands to this Agreement as of the day and year first above written.

[BANK], as Trustee

By _____

Name:

Title:

Attest: _____

Name:

Title:

POWER AUTHORITY OF THE STATE OF NEW YORK

By _____

Name:

Title:

Attest: _____

Name:

Title:

BENEFITS, PLANS AND PLAN BENEFICIARIES**Retirement Program****As in effect January 1, 2006**

Eligibility

Age 55 and 10 years of service.

Coverages available

Medical Plan benefits, Medicare Part B Reimbursement and Life Insurance benefit. In addition to the Indemnity/PPO Medical Plan described below, retirees can elect from alternative HMO and POS options.

(1) **Salaried Employees**

I. Medical	In Network	Out of Network
Deductible	Individual: None Employee	\$400
	plus one: None	\$800
	Family: None	\$1,200
Coinsurance	Plan pays 100% after copayments	Plan pays 80% of R&C in excess of the deductible
Out-of-Pocket Maximum	Individual: Family:	\$ 1,000 \$ 1,800
Hospitalization	100% coverage. Out-of-network inpatient physician services are covered at 80% after deductible.	
Prescription Drug Copayments		<u>Retail</u> <u>Mail Order</u>
	Generic:	\$ 5 \$ 10
	Preferred Brand:	\$ 15 \$ 30
	Non-Preferred Brand:	\$ 30 \$ 60
Medicare Coordination	Carve - out	
Lifetime Maximum	\$2,000,000	
Retiree Contributions	None	
II. Medicare Part B Reimbursement	Paid by NYPA (retiree and spouse)	
III. Life Insurance		
Benefit	Generally 40% of salary, minimum \$20,000, maximum \$50,000. 1 times salary for VP and equivalents and 2 times salary for senior VP and above.	

(2) **UWUA Employees**

I. Medical

		<u>In Network</u>	<u>Out of Network</u>
Deductible	Individual:	None	\$175
	Family:	None	\$525
Coinsurance		Plan pays 100% After Minimal copayments	Plan pays 80% of R&C in excess of the deductible
Out-of-Pocket Maximum	Family:		\$700
Hospitalization		100% coverage. Out-of-network inpatient physician services are covered at 80% after deductible.	
Prescription Drug Copayments	Generic:	\$ 0	
	Brand:	\$ 2 or \$ 8	
	Mail Order:	\$ 0	
Medicare Coordination		Government Exclusion	
Lifetime Maximum		\$2,000,000 (\$1,000,000 if retired prior to 2002)	
Retiree Contributions		None	
II. Medicare Part B Reimbursement		Paid by NYPA up to \$50/retiree only	
III. Life Insurance			
Benefit		1.5 times annual pay, maximum \$20,000	

(4) **Teamster Union Employees**

I. Medical

Deductible	Individual:	\$140
	Family:	\$420
Coinsurance		Plan pays 80% of R&C in excess of the deductible
Out-of-Pocket Maximum	Individual:	\$500
Hospitalization	Annual deductible:	\$ 0
	Emergency room copayment:	\$ 0
Prescription Drug Copayments	Generic:	\$ 0
	Brand:	\$ 2 or \$ 8
	Mail Order:	\$ 0
Medicare Coordination	Government Exclusion	
Lifetime Maximum	\$1,000,000	
Retiree Contributions	None	

II. Medicare Part B Reimbursement Paid by NYPA

III. Life Insurance

Benefit 1.5 times pay, maximum \$20,000

INVESTMENT POLICY STATEMENT

FOR

POWER AUTHORITY OF THE STATE OF NEW YORK

OTHER POST-EMPLOYMENT BENEFITS TRUST

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Background

The Power Authority of the State of New York (the “Authority”) has established a Trust fund, known as the Power Authority of the State of New York Other Post-Employment Benefits Trust (the “Trust”). This Trust provides medical, prescription drug, life and other long-term benefits for those employees who meet the age and service requirements outlined in Attachment A of the Trust Agreement. The Trust consists of contributions from the Power Authority of the State of New York. The Power Authority of the State of New York will oversee certain policies and procedures related to the operation and administration of the Trust.

Purpose

The purpose of this Investment Policy Statement (the “Policy”) is to assist the Authority in effectively supervising, monitoring and evaluating the investment of assets of the Trust. A thorough investment program is defined throughout this document to achieve the following:

1. Document the Authority’s investment objectives, performance expectations and investment guidelines for Trust assets.
2. Establish an appropriate investment strategy for managing all Trust assets, including an investment time horizon, risk tolerance ranges and asset allocation. The goal of this strategy is to provide sufficient diversification and overall return over the long-term time horizon of the Trust.
3. Establish investment guidelines to control overall risk and liquidity, within the agreed upon investment strategy.
4. Establish periodic performance reporting requirements that will effectively monitor investment results and ensure that the investment policy is being followed.
5. Comply with all fiduciary, prudence, due diligence and legal requirements for Trust assets.

The Authority has arrived at this Policy through careful study of the returns and risks associated with alternative investment strategies in relation to the current and projected liabilities of the Trust. This Policy has been chosen as the most appropriate policy for achieving the financial objectives of the Trust which are defined in the objectives of this Policy.

Statement of Objectives

In defining the objectives of the Trust, the Authority has carefully reviewed its current and projected financial obligations as well as the risk and return relationships included in various asset allocation strategies. Based on these considerations, the Trust objectives are:

1. To invest assets of the Trust in a manner consistent with the fiduciary standards of State of New York, namely: (a) all transactions undertaken must be for the sole interest of Trust participants and their beneficiaries and to provide maximum benefits and defray reasonable expenses in a prudent manner, and (b) assets are to be diversified in order to minimize the impact of large losses in individual investments.
2. To provide for the funding and anticipated withdrawals on a continuing basis.
3. To conserve and enhance the capital value of the Trust in real terms through asset appreciation and income generation, while maintaining a moderate investment risk profile.
4. To minimize principal fluctuations over the investment cycle (three to five years).
5. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in the policy.

While there can be no assurance that these objectives will be realized, the Authority believes that the likelihood of their realization is reasonably high based upon this Policy.

Investment Guidelines

Time Horizon

The Trust's objectives are based on a 20-year investment horizon so that interim fluctuations should be viewed with appropriate perspective. The Authority has adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

Diversification

In general, the Trust will hold between 6 and 12 months of protected liquidity needs for benefit payments and expenses in cash. The remaining assets will be invested.

Investments shall be diversified with the intent to minimize the risk of investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries.

Asset Allocation

The Authority believes that to achieve the greatest likelihood of meeting Trust objectives and the best balance between risk and return for optimal diversification, the Trust should allocate assets in accordance with the targets for each asset class as follows:

<u>Asset Class</u>	ARTICLE XI <u>Asset Weightings</u>	
	<u>Range</u>	<u>Target</u>
Domestic Equity	37% - 47%	42%
11.01. International Equity	14% - 24%	19%
Other Equity	1% - 11%	6%
Fixed Income	25% - 35%	30%
Cash Equivalent	0% - 10%	3%

Liquidity target is 8 months of benefits and expenses.

The investment managers shall have discretion to temporarily invest a portion of the assets in cash reserves when they deem it appropriate. However, the managers will be evaluated against their peers on the performance of the total funds under their direct management.

Rebalancing Philosophy

The asset allocation range established by this investment policy represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside the policy range. When these divergences occur, the investment consultant may recommend to the Authority to rebalance the asset mix to its appropriate targets and ranges. Similarly, if the cash requirement to handle liquidity needs falls to a level where near term distributions (over the following three months or less) cannot be met and no contributions are anticipated, the investment consultant may recommend to the Authority to rebalance the trust to its appropriate targets and ranges.

When the investment consultant is notified of new contributions by the Trust custodian, the investment consultant will review the Trust allocation and recommend to the Authority to fill the liquidity allocation first and the remaining investment allocations last.

Risk Tolerances

The Authority recognizes that the objectives of the Trust cannot be achieved without incurring a certain amount of principal volatility. The Trust will be managed in a style that seeks to

minimize principal fluctuations over the established time horizon and that is consistent with the Trust's stated objectives.

Performance Expectations

Over the long-term, a rolling five year period, the investment objectives for this portfolio shall be to achieve an average total annual rate of return that is equal to or greater than the Plan's stated 7% actuarial assumption. The Authority acknowledges that actual returns may vary significantly from these targets on a year to year basis.

Selection of Investment Managers

The Authority, with the assistance of its independent investment consultant, shall select appropriate investment managers to manage the assets of the Trust. Managers must meet the following criteria:

- The investment manager must be a bank, insurance company, or investment adviser as defined by the Investment Advisers Act of 1940.
- The investment manager must provide CFA Institute (Formerly Association for Investment Management and Research) compliant historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style and reported gross of fees.
- The investment manager must provide detailed information on history of the firm, key personnel, key clients, fee schedule (including most favored nation clauses), and support personnel. This information can be a copy of a recent Request for Proposal (RFP) completed by the manager.
- The investment manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

Guidelines for Portfolio Holdings

Equities

Investment in common and preferred stocks shall be limited to securities of domestic (corporations incorporated in the United States) or foreign corporations listed on the New York Stock Exchange, American Stock Exchange, or National Association of Securities Dealers Automated Quotation system. Investments in American Depositary Receipts and publicly traded Real Estate Investment Trusts are also permitted. Investments in non-dollar denominated equities are prohibited.

Investment in common stocks, preferred stocks and publicly traded Real Estate Investment Trusts shall be restricted to high quality, readily marketable securities of corporations that are actively traded on a major exchange.

Not more than 5% of the total stock portfolio valued at market may be invested in the common stock of any one corporation. Ownership of the shares of one company shall not exceed two (2%) percent of those outstanding. Not more than 20% of stock valued at market may be held in any one industry category. Other than these constraints, there are no quantitative guidelines suggested as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the investment manager(s).

The overall non-U.S. equity allocation should include a diverse global mix of at least 10 countries. The emerging markets exposure as defined by Morgan Stanley Capital International Inc. should be limited to 35% of the non-U.S. portion of the portfolio.

In order to maintain an effective money management structure that is style neutral, the large capitalization growth equity portion of the investment portfolio shall not exceed the large capitalization value equity portion of the portfolio by more than a two-to-one ratio. Conversely, value shall not exceed growth by the same ratio. This same relationship should be followed for the portfolio's small capitalization equity investment managers as well.

Fixed Income

Fixed income investments shall be high quality, marketable securities with a preponderance of the investments in (1) U.S. Treasury, federal agencies and U.S. Government guaranteed obligations, and (2) investment grade municipal or corporate issues including convertibles.

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. This does not apply to issues of the U.S. Treasury or other Federal Agencies.

The overall rating of the fixed income assets shall be at least "A", according to one of the three rating agencies (Fitch, Moody's or Standard & Poor's). In cases where the yield spread adequately compensates for additional risk, securities where two of the three rating agencies (Fitch, Moody's or Standard & Poor's) have assigned ratings of Baa3 or BBB- ratings, can be purchased up to a maximum of 20% of total market value of fixed income securities. If the credit quality of any one issue should drop below investment grade (as defined by two of the three rating agencies – Fitch, Moody's and Standard & Poor's), the investment manager should notify the Authority and the investment consultant immediately detailing their plan of action regarding the security.

Active bond management is encouraged and may require transactions that will temporarily lower the return or change the maturity of the portfolio in anticipation of market changes. Holdings of individual securities should be liquid so as not to incur unnecessary transaction costs.

Cash Equivalents

Cash equivalent reserves shall consist of cash instruments having a quality rating of A-1, P-1 or higher, as established by Moody's or Standard & Poor's. Bankers' acceptances, certificates of deposit and savings accounts must be made of United States banks or financial institutions, or

foreign branches of United States banks, or United States branches of foreign banks, which are federally insured with unrestricted capital of at least \$50 million. Short-term corporate obligations must be rated A or better by Moody's or by Standard & Poor's.

Pooled Vehicles

The diversification restrictions for individual stocks and fixed income securities purchased and held in the total portfolio shall not apply to similar investment instruments held in a commingled fund or a SEC registered mutual fund specifically approved by the Authority. Every effort shall be made, to the extent practical, prudent and appropriate, to select commingled funds and/or mutual funds that have investment objectives and policies that are consistent with this Policy. However, given the nature of commingled funds and mutual funds, it is recognized that there may be deviations between this Policy and the objectives of these pooled vehicles. Any commingled fund(s) and/or mutual fund(s) approved by the Authority shall first be reviewed and recommended by the Authority's independent investment consultant and shall be eligible for inclusion in the total portfolio as long as it is in compliance with the Investment Company Act of 1940's diversification requirement.

Prohibited Securities

The following securities and transactions are not authorized and shall not be purchased: letter stock and other unregistered securities, commodities or commodity contracts, short sales, margin transactions, private placements (with the exception of Rule 144A securities); derivatives, options or futures for the purpose of portfolio leveraging are also prohibited. Neither real estate equity nor natural resource properties such as oil, gas or timber may be held except by purchase of publicly traded securities or pooled investment vehicles. The purchase of collectibles is also prohibited.

Safekeeping

All securities shall be held by a custodian appointed by the Authority for safekeeping. The custodian shall produce statements at least quarterly listing the name and value of all assets held, and the dates and nature of all transactions. Assets of the Trust held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts.

Control Procedures

Independent Investment Consultant

The Authority will appoint a consultant to assist them in the investment process and maintaining their compliance to this Policy. The investment consultant must be independent and registered in good standing with the Securities and Exchange Commission.

Review of Investment Objectives

The independent investment consultant shall review annually the appropriateness of the Policy for achieving the Trust's stated objectives. It is not expected that the Policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in the investment policy.

Review of Investment Performance

The independent investment consultant shall report on a quarterly basis to the Authority to review the total Trust investment performance. In addition, the independent investment consultant will be responsible for keeping the Authority advised of any material change in all investment managers' personnel, investment strategy, and other pertinent information potentially affecting performance of all investments.

The independent investment consultant shall compare the investment results on a quarterly basis to appropriate benchmarks, as well as market index returns in both equity and debt markets. Examples of benchmarks and indexes that will be used include the S&P 500 Index for large cap equities, Russell 2000 Index for small cap equities, MSCI Europe, Australia, and Far East Index (EAFE) for international equities, Lehman Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-Bill Index for cash equivalents.

Voting of Proxies

Voting of proxy ballots shall be for the exclusive benefit of the Trust. Unless the Authority provides information on how to vote a proxy, the investment managers shall vote the proxies in accordance with this Policy on all shareholder issues. Proxies must be intelligently voted in a manner that best serves the interest of the participants and beneficiaries of the Trust. Where the Authority has retained an investment manager(s), the Authority will delegate to the investment manager(s) the authority to vote the proxies. The Authority delegates this authority subject to the understanding that the investment manager(s) in voting the proxies will consider only those factors that may affect the value of the Trust's investment and not subordinate the interests of the participants and beneficiaries to unrelated objectives. The Authority will, in addition to monitoring the investment manager(s) with respect to the management of Trust assets, monitor the decisions made and actions taken with regard to proxy voting decisions. The Authority will require the investment manager(s) to maintain accurate records as to proxy voting and report annually to the Authority a summary of all proxy voting decisions made by the investment manager(s) on behalf of the Trust. Investment manager(s) are prohibited from abstaining in voting proxies. Investment manager(s) are expected to be aware of corporate provisions that may adversely affect stockholdings, including but not limited to "golden parachutes," "super majorities," "poison pills," "fair price" provisions, staggered boards of directors, and other tactics. Proxies should be vigorously voted with the interest of preserving or enhancing the security's value.

The investment manager(s) of a commingled trust or mutual fund that holds the assets of the Trust along with assets of other funds with conflicting proxy voting policies must reconcile the conflicting policies to the extent possible, and, if necessary, to the extent legally permissible, vote the proxies to reflect the policies in proportion to each fund's interest in the pooled fund.

Execution of Security Trades

The Authority expects that the purchase and sale of all Trust securities shall be made in a manner designed to receive the combination of best price and execution. All transactions are to be governed by negotiation to achieve "best execution" (best price net of commissions). The lowest commission rate need not mean "best execution." Firms which offer research services may be given preference as long as the principle of "best realized price" and the investment manager(s)'s option to "pay up" for research are compatible.

Adoption of Investment Policy Statement

This Policy is not immutable, but any changes or exceptions to it will be in writing and delivered to each investment manager.

Approved by the Power Authority of the State of New York:

Title

Date

CERTIFICATE NO. ____

The undersigned Authorized Representative of the POWER AUTHORITY OF THE STATE OF NEW YORK (the "Authority"), being duly authorized and empowered to execute and deliver this Certificate, hereby certifies pursuant to the Other Postemployment Benefits Trust Agreement dated as of _____, 2006, between the Authority and [Bank] as Trustee thereunder (the "Trust Agreement") that payments in the amounts and to the payees listed in Exhibit 1 hereto (the "Payees") are for obligations duly incurred by the Authority for the purposes of Section 2.01 and Article V of the Trust Agreement and hereby directs the Trustee of the Power Authority of the State of New York Other Post-Employment Benefits Trust (the "Trust"), pursuant to Article V of the Trust Agreement, to pay to each Payee listed, including the Authority if so listed, the respective amounts set forth in Exhibit 1, and certifies that the payments requested are proper expenditures of the Trust.

Accordingly, request is hereby made that the Trustee provide for the withdrawal of \$_____ from [the {insert name of subaccount of}] the Trust in order to permit payment of such sums to be made to the Payees. You are further requested to disburse such sums, once withdrawn, directly to such Payees in the following manner: [CHECK/WIRE TRANSFER/ _____] on or before _____, 20__.

WITNESS MY HAND THIS ____ day of _____, 20__.

By: _____
Name:
Authorized Representative

**Exhibit “12-B”
July 31, 2007**

Trust/Custody Provider Review and Scoring

Criteria	BNY	Citi	JPMorgan	Northern Trust	State Street	US Bank	Wells Fargo
Commitment to Public Sector	3.0	3.0	3.0	3.0	3.0	2.0	2.0
Commitment to Trust and Custody Business	3.0	2.0	2.0	2.0	3.0	2.0	2.0
Breadth and Depth of Experience and Service	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Local Presence in Community	3.0	3.0	3.0	2.0	2.0	2.0	2.0
Other Factors (Securities Lending, Com. Recap., etc.)	3.0	3.0	3.0	2.0	2.0	1.0	1.0
Fees/ BPS Rate	\$75,134 3.34 bps	\$76,241 3.39 bps	\$85,212 3.79 bps	\$94,765 4.21 bps	\$110,479 4.91 bps	\$44,487 1.98 bps	\$93,628 4.16 bps
Fee Score	2.5	2.5	2.0	1.5	1.0	3.0	1.5
Overall Score (Out of 18 possible points)	16.5	15.5	15.0	12.5	13.0	12.0	10.5

Criterion Scoring: 3.0 = Above Average
2.0 = Average
1.0 = Below Average

Fee Scoring: < 3.0 bps = 3.0
3.0 – 3.5 bps = 2.5
3.5 – 4.0 bps = 2.0
4.0 – 4.5 bps = 1.5
> 4.5 bps = 1.0

13. Notice of Proposed Rulemaking – Revisions to Authority’s Freedom of Information Law Regulations (21 NYCRR Part 453)

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the Corporate Secretary to publish a Notice of Proposed Rule Making (‘NOPR’) in the *New York State Register* in connection with the adoption of revisions to the Authority’s regulations implementing the Freedom of Information Law (‘FOIL’), which appear as Part 453 of Chapter 21 of the New York Code of Rules and Regulations (‘NYCRR’). The Trustees are further requested to authorize the Corporate Secretary to make any and all other filings and take all steps necessary or appropriate therewith in accordance with the requirements of the State Administrative Procedure Act (‘SAPA’), the Executive Law and FOIL. In addition, the Trustees are requested to authorize the Corporate Secretary to schedule a public forum for the purpose of obtaining the views of interested parties concerning the proposed revisions to the FOIL regulations.

BACKGROUND

“FOIL, which was enacted in 1977, directed State agencies (a term that includes public authorities) to adopt regulations governing the availability of agency records and the procedures that the public should follow to gain access to those records. The Authority adopted its FOIL regulations in 1978 and has not amended them since then. Recent changes in law and circumstances make amendments to the Authority’s FOIL regulations appropriate at this time.

DISCUSSION

“On June 5, 2007, in accordance with Executive Order No. 20 of Governor George Pataki, as extended by Executive Order No. 5 of Governor Eliot Spitzer, a Notice of Intent for Rule Making, together with other supplementary materials, was submitted to the Governor’s Office of Regulatory Reform (‘GORR’) regarding the proposed revisions to the Authority’s FOIL regulations. The revised FOIL regulations are attached as Exhibit ‘13-A’ and include these revisions: (1) change the amount of time the Authority has to either grant or deny FOIL requests to 20 days from 10 days, to conform with current FOIL time limits; (2) clarify the hours of operation of the Secretary’s Office for the purpose of calculating response times to FOIL requests; (3) include faxing and e-mailing as acceptable means of making FOIL requests; (4) specify electronic media as the preferred method of providing records to FOIL requesters and (5) increase the ways in which FOIL requesters may pay for copies of requested records.

“GORR authorized the Authority to proceed with filing the NOPR on July 16, 2007. A copy of the letter authorizing the Authority to proceed is attached as Exhibit ‘13-B.’

“SAPA requires that, prior to action adopting the revised FOIL regulations, the NOPR be published in the *New York State Register*. In addition, the Executive Law requires that the notice of adoption be transmitted to the Temporary President of the Senate and the Speaker of the Assembly.

“Pursuant to SAPA, public comment on the proposed revisions to the FOIL regulations will be accepted for 45 days following publication of the NOPR in the *State Register*. In addition, a public forum will be held on September 18, 2007 to solicit public comment. Staff will consider any comments received at the public forum or in writing by the Corporate Secretary through October 1, 2007, and then the Trustees will be asked to approve the final adoption of the revised regulations at their meeting on October 30, 2007.

RECOMMENDATION

“The Executive Vice President and General Counsel recommends that the Trustees authorize the Corporate Secretary to: (i) file a Notice of Proposed Rule Making in the *New York State Register* in connection with the proposed adoption of the revised Freedom of Information Law regulations and to make any and all other filings and take all steps necessary or appropriate therewith in accordance with the requirements of the State Administrative

Procedure Act, the Executive Law and the Freedom of Information Law, and (ii) schedule a public forum for the purpose of obtaining the views of interested parties concerning the proposed revisions.

“I concur in the recommendation.”

Ms. Cahill presented an overview of staff’s recommendations to the Trustees. In response to a question from Chairman McCullough, Ms. Cahill said that the revisions in the Authority’s FOIL regulations would make the Authority’s FOIL response timeframes the same as those that have been specified in FOIL since it was amended in May 2005.

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

RESOLVED, That the Corporate Secretary be, and hereby is, authorized to file a Notice of Proposed Rule Making in the *New York State Register* in connection with the proposed adoption of the revised Freedom of Information Law regulations and to make any and all other filings and take all steps necessary or appropriate therewith in accordance with the requirements of the State Administrative Procedure Act, the Executive Law and the Freedom of Information Law; and be it further

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

Section 453.1 is amended to read as follows:

§ 453.1 Public records

(a) The public records of the Power Authority of the State of New York, which are required to be made available under article 6 of the New York Public Officers Law, shall be available for inspection and copying upon written request, reasonably describing the record or records sought, during the hours of 9 a.m. – 5 p.m. at the authority' s office at 123 Main Street, 15th Floor, White Plains, NY 10006.

§ 453.2 Procedures

(a) A request for inspection or copying of a public record of the authority shall be made to the corporate secretary of the authority in writing, and shall contain sufficient information to identify the particular record sought, including, if possible, information regarding the date, file designation or other information describing the record sought. Any request shall be made either:

(1) in person [during regular business hours] between the hours of 9:00 a.m. and 5:00 p.m. Monday through Friday at the authority's office at 123 Main Street, [15th Floor,] White Plains, NY 10601; or

(2) by mailing such request, postage prepaid, to the corporate [S]secretary, Power Authority of the State of New York, at the foresaid address; or

(3) by faxing such request to the office of the corporate secretary of the authority;
or

(4) by e-mailing such request to foil@nypa.gov.

(b)(1) Upon receipt of a written request for a record reasonably described, the corporate secretary shall promptly determine whether [or not] the record requested is required to be made available under the provisions of article 6 of the New York Public Officers Law and will, within five business days of the receipt of such request, either:

- (i) make such record available to the person requesting it by notifying such person where and when the record may be inspected and copied;
- (ii) deny such request in writing; or
- (iii) furnish a written acknowledgement of the receipt of such request and a statement of the approximate date when such request will be granted or denied, including, where appropriate, a statement that access to the record will be determined in accordance with the procedure prescribed in section 89(5) of the New York Public Officers Law regarding trade secrets.

(2) If access to records is neither granted nor denied within [10] 20 business days after the date of acknowledgement of receipt of the request, the request may be construed as a denial of access that may be appealed.

(c) Trade secrets. (1) Records or portions of records constituting trade secrets shall be so designated by the authority and shall be filed or maintained in secure facilities of the authority to which access is limited. Records or portions of records constituting trade secrets shall be made available for inspection and study to the trustees, the president, the general counsel, the officers and department heads of the authority and their designees.

[(2)] (3) A person acting pursuant to law or regulation who, on or after January 1, 1982, submits any record to the authority may, at the time of submission, request that the authority, in accordance with the provisions of section 89(5) of the New York Public Officers Law, designate such record or any portion thereof as a trade secret and except such information from public disclosure under section 87(d)(2) of such law. Any such request shall identify in writing the record or part thereof alleged to be a trade secret and state reasons why such record or portion thereof should be excepted from public disclosure. Within 15 business days of receipt of a written request for an exception, the authority will either grant or deny such request in writing.

(d) (1) Records required to be made available for public inspection will be either provided to the requester electronically if practicable or, in the alternative, photocopied by the

authority if practicable and the person requesting a copy will be charged a fee of \$.25 per page for copies not exceed 9 x 14 inches, or the actual cost of reproducing such records if larger copies are required. If it is not practicable for the authority to photocopy any such record, it will be copied commercially and the person requesting the copy will be charged a fee equal to the cost of such commercial reproduction.

(2) Upon payment of[, or offer to pay,] the fee determined by the authority for copying a record required to be made available for public inspection, the authority will provide a copy of such record and the corporate secretary will certify to the correctness of such copy if so requested in writing, or, as the case may be, shall certify that the authority does not have possession of such record or that such record cannot be found after diligent search.

(3) Any fee charged by the authority pursuant to this Part shall be paid by the person making the request in cash or by money order or [certified] check [or bank cashier's check], in advance of the delivery of [copies] a copy of any record referred to in this Part.

(e) Any person who is denied access to a public record of the authority by the corporate secretary of the authority may, within 30 days of such denial, file an appeal from such denial with the authority's general counsel. Appeals pursuant to this subdivision shall be decided by the general counsel. If an appeal is denied, the reasons therefore shall be explained fully in writing to the person requesting the record within 10 business days of the date on which such appeal is received by the general counsel. The general counsel will forward to the Committee on Open Government a copy of such appeal and the determination thereon.

Eliot Spitzer
GOVERNOR



Robert Hermann
Director

July 16, 2007

The Honorable Roger B. Kelley
President & CEO
NYS Power Authority
123 Main Street
White Plains, NY 10601

Dear Mr. Kelley:

The Governor's Office of Regulatory Reform hereby authorizes the NYS Power Authority, based on its request received on June 5, 2007, to amend 21 NYCRR Part 453, Freedom of Information Law.

A copy of this notification is being sent to Secretary of State Cortes-Vazquez to inform her that the NYS Power Authority may submit this proposed rule for publication in the State Register.

Sincerely,

A handwritten signature in black ink that reads "Robert Hermann". The signature is fluid and cursive, with a long horizontal line extending to the right.

Robert Hermann

RH/JR/saf

cc: The Honorable Lorraine Cortes-Vazquez
The Honorable Catharine M. Young
The Honorable Ruben Diaz, Jr.
Thomas J. Kelly, Esq. ✓

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

“Mr. Chairman, I move that the Authority conduct an Executive Session for the purpose of discussing matters related to proposed, pending or current litigation.” Upon motion duly made and seconded, an Executive Session was held.

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

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

July 31, 2007

16. Next Meeting

The next Meeting of the Trustees will be held on **Tuesday, September 25, 2007, at 11:00 a.m., at the Poletti Power Project, Queens, New York**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

July 31, 2007

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