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

July 28, 2009

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July 28, 2009

Minutes of the Regular Meeting of the Power Authority of the State of New York held at the Clarence D. Rappleyea Building, 123 Main Street, White Plains, New York, at 11:05 a.m.

Members of the Board present were:

Michael J. Townsend, Chairman
Jonathan F. Foster, Vice Chairman
D. Patrick Curley, Trustee
Elise M. Cusack, Trustee
Eugene L. Nicandri, Trustee

Richard M. Kessel	President and Chief Executive Officer
Gil C. Quiniones	Chief Operating Officer
Terryl Brown Clemons	Executive Vice President and General Counsel
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer
Edward A. Welz	Executive Vice President and Chief Engineer – Power Supply
Joan Tursi	Acting Executive Vice President – Corporate Support and Administration
Bert J. Cunningham	Senior Vice President – Corporate Communications
Steven J. DeCarlo	Senior Vice President – Transmission
Paul F. Finnegan	Senior Vice President – Public and Governmental Affairs
Donald A. Russak	Senior Vice President – Corporate Planning and Finance
James H. Yates	Senior Vice President – Marketing and Economic Development
Arnold M. Bellis	Vice President and Controller
Jordan Brandeis	Vice President – Power Resource Planning and Acquisition
Thomas A. Davis	Vice President – Energy Risk Assessment and Control
Agnes Harris-Mattos	Vice President – Human Resources
John Kahabka	Vice President – Environment, Health and Safety
Patricia Leto	Vice President – Procurement
Lesly Y. Pardo	Vice President – Internal Audit
John J. Suloway	Vice President – Project Development, Licensing and Compliance
Brian C. McElroy	Treasurer
Gerard Vincitore	Deputy Treasurer
Dennis T. Eccleston	Chief Information Officer
Francine Evans	Special Advisor to the President and Chief Executive Officer
Sarah Barish-Straus	Special Assistant to the President and Chief Executive Officer – Economic and Project Development
Karen Delince	Corporate Secretary
Joseph Leary	Executive Director – Corporate and Community Affairs
Christine Pritchard	Executive Director – Corporate Communications
Thomas J. Concadoro	Director – Accounting
James F. Pasquale	Director – Marketing Analysis and Administration
Michael A. Saltzman	Director – Media Relations
Jenifer Becker	Chief Sustainability Manager
Carol Garcia	Manager – Contract Administration
Mark Slade	Licensing Manager
Anne B. Cahill	Principal Attorney II – Regulatory and Contracts
Steve Schoenwiesner	Senior Licensing Specialist
Angela D. Graves	Deputy Corporate Secretary
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
Chuck Haddon	Managing Director – Navigant Consulting
Khai Nguyen	Director – Navigant Consulting

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

1. Consent Agenda

Chairman Michael Townsend said that the Economic Development Power Allocation Board had recommended that the Authority's Trustees approve item 1b (Power for Jobs Program – Extended Benefits) at their meeting of July 22, 2009.

Trustee D. Patrick Curley said that he was abstaining from the vote on the portion of item 1c (Allocation of 7,700 kW of Hydropower) that relates to ENrG Inc. Vice Chairman Jonathan Foster thanked Mr. James Pasquale and his team for the jobs-per-MW ratios provided for each of the companies requesting hydropower allocations in item 1c.

With respect to item 1f (New York Power Authority Other Post-employment Benefts and Nuclear Decommissioning Trust Funds: Selection of Fixed-Income Investment Managers), Vice Chairman Foster said that in the future it would be helpful if staff could provide more information about why particular investment managers are being chosen. Chairman Townsend also requested that staff ensure that there are no onerous termination penalties if the Authority opts to terminate agreements with 60 days' notice, as would be allowed under the Investment Manager Agreements.

With respect to item 1g (Hydropower Contracts with Upstate Investor-Owned Utilities for the Benefit of Rural and Domestic Consumers – Notice of Public Hearing), President Richard Kessel said that the 400+ MW provided to the upstate investor-owned utilities represented a very small savings to most rural and domestic customers of those utilities. He opined that this electricity could be better used for economic development upstate and suggested that this option be looked at as part of the economic development power reform legislation that would hopefully be enacted next year. Vice Chairman Foster suggested that the Authority use bill inserts or print ads to communicate to the public that the savings on their electricity bills, no matter how small, were due to this electricity being sold by the Authority to the upstate utilities. Chairman Townsend said that, given his background in economic development, he would work with staff and any other Trustees who might be interested on reforming the Authority's economic development power programs.

a. **Approval of the Minutes**

The Minutes of the Regular Meeting held on June 30, 2009 were unanimously adopted.

b. Power for Jobs Program - Extended Benefits

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve electricity savings reimbursement rebates for 46 Power for Jobs ('PFJ') customers as listed in Exhibit '1b-A.' This request is to approve rebate dollars only. Similar decisions to allow customers to receive extended benefit payments have been made at past Trustees' Meetings. These rebates are calculated for historical periods only. These customers have been recommended to receive such rebates by the Economic Development Power Allocation Board ('EDPAB'). In addition, the Trustees are requested to approve payment for PFJ Restitution to the eight companies listed in Exhibit '1b-B-1.' These companies have been evaluated for Restitution and are due a payment.

BACKGROUND

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

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

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

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

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

"In 2005, provisions of the approved State budget extended the period PFJ customers could receive benefits until December 31, 2006. Chapter 645 of the Laws of 2006 included provisions extending program benefits until June 30, 2007. Chapter 89 of the Laws of 2007 included provisions extending program benefits until June 30, 2008. Chapter 59 of the Laws of 2008 included provisions extending the program benefits until June 30, 2009. Chapter 217 of the Laws of 2009 included provisions extending the program benefits until May 15, 2010.

"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.

"PFJ Restitution was created by Chapter 645 of the Laws of 2006, which extended the PFJ program for six months to June 2007; the law states: 'for the period beginning January 1, 2006, for recipients who choose to elect a contract extension, and whose unit cost of electricity under the contract extension exceeds the unit cost of electricity of the electric corporation, the Power Authority shall reimburse the recipient for all dollars paid in excess of the unit cost of electricity of the electric corporation.' Customers eligible to apply for restitution are those that chose to extend their PFJ electric service contracts beyond January 1, 2007 but terminated their service on June 30, 2007 or on or after June 30, 2008.

DISCUSSION

"At its meeting on July 22, 2009, EDPAB recommended that the Authority's Trustees approve electricity savings reimbursement rebates to the 46 businesses listed in Exhibit '1b-A.' Collectively, these organizations have agreed to retain more than 56,000 jobs in New York State in exchange for the rebates. The rebate program will be in effect until May 15, 2010, the program's sunset.

"The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit '1b-A' in a total amount currently not expected to exceed $5.5 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 Exhibit '1b-A' in the future for other rebate months.

"Restitution is based on whether the net amount paid by the customer for PFJ service exceeded the 'unit cost of electricity' of the host utility over the measurement period for the same quantity of electricity. Under current law, the measurement period begins January 1, 2006 and ends with the date that the eligible customer ceases to be in the program.

"The host utilities, in conjunction with the Authority and the Public Service Commission, determine what the otherwise applicable full-service electric rates of the host utility would have been for service throughout the measurement period, calculate what the customer charges would have been under those rates, compare that total to the total actual charges paid by the customer for PFJ and determine whether the customer had net savings overall in the PFJ program or is due a Restitution payment.

"Staff has evaluated an additional nine customers for Restitution. Eight customers are eligible for Restitution payment and are presented for approval in Exhibit '1b-B-1.' The customer listed in Exhibit '1b-B-2' had overall PFJ program savings; therefore, no payment is required.

FISCAL INFORMATION

"Funding of rebates for the companies listed in Exhibit '1b-A' is not expected to exceed $5.5 million. Payments will be made from the Operating Fund. To date, the Trustees have approved $184.8 million in rebates.

"Funding of restitution payments for the companies listed on Exhibit '1b-B-1' is not expected to exceed $0.9 million. Payments will be made from the Operating Fund. This is the second payment request to date, which will bring the total approved for PFJ Restitution payments to $2.9 million. Additional requests will follow based on subsequent evaluation of other Restitution-eligible customers.

RECOMMENDATION

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

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

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

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

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

RESOLVED, That based on staff's recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report of the President and Chief Executive Officer, in the aggregate amount of up to $5.5 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 based on staff's recommendation, it is hereby authorized that payments be made for PFJ Restitution payments as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to $0.9 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 Senior Vice President – Corporate Planning and Finance or the Treasurer that the amount to be withdrawn is not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

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

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

July 28, 2009
Exhibit “1b-A”

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

											Recommended Allocation			
Line	**Company**	**City**	**County**	**IOU**	**KW**	**Job Committed**	**Jobs in Application**	**Over (under)**	**% Over (under)**	**Compliance**	**KW**	**Jobs/MW**	**Type**	**Service**
1	Northeast Solite Corp.	Mount Marion	Ulster	CHG&E	600	57	60	3	5%	Yes	600	100	Large	Manufactures nonmetallic mineral products
	Total Central Hudson Gas & Electric		**Subtotal**	**1**	**600**	**57**	**60**				**600**			
2	A. Stein Meat Products, Inc.	Brooklyn	Kings	Con Ed	120	38	28	-10	-26%	Yes *	120	233	Small	Meat wholesale/fabrication
3	Acme Architectural Products, Inc.	Brooklyn	Kings	Con Ed	620	469	471	2	0%	Yes	620	760	Large	Manufacturer of office landscape systems
4	AT&T	White Plains	Westchester	Con Ed	560	535	610	75	14%	Yes	560	1,089	Large	Telecommunications
5	Bank of New York - NYC	New York	New York	Con Ed	4,700	6,339	6,813	474	7%	Yes	4,700	1,450	Large	Banking Services
6	Cecilware Corp.	ong Island Ci	Queens	Con Ed	300	241	216	-25	-10%	Yes	300	720	Small	Manufacturer of restaurant equipment
7	Continental Food Products, Inc.	Flushing	Queens	Con Ed	300	65	59	-6	-9%	Yes	300	197	Small	Frozen Pizza manufacturer and distributor.
8	Diller-Quaile School of Music	New York	New York	Con Ed	30	52	59	7	13%	Yes	30	1,967	NFP	Music education programs
9	IBM - Westchester	White Plains	Westchester	Con Ed	3,870	2,177	2,115	-62	-3%	Yes	3,870	547	Large	Technology products and services
10	Long Island Jewish Medical Center	Manhasset	Nassau	Con Ed	2,000	6,958	6,508	-450	-6%	Yes	2,000	3,254	NFP	Healthcare Center
11	Memorial Sloan-Kettering Cancer Cen	New York	New York	Con Ed	5,000	9,286	9,840	554	6%	Yes	5,000	1,968	NFP	Medical Center
12	Mount Sinai Medical Center	New York	New York	Con Ed	2,000	10,220	10,327	107	1%	Yes	2,000	5,164	NFP	Medical Center
13	Streamline Plastics Co., Inc.	Bronx	Bronx	Con Ed	140	59	65	6	10%	Yes	140	464	Small	Miscellaneous plastics products
14	The Museum of Modern Art	New York	New York	Con Ed	1,000	765	766	1	0%	Yes	1,000	766	NFP	Museum
	Total Con Ed		**Subtotal**	**13**	**20,640**	**37,204**	**37,877**				**20,640**			
15	Good Samaritan Hospital	West Islip	Suffolk	LIPA	800	3,088	3,137	49	2%	Yes	800	3,921	NFP	Healthcare Center
16	J.P. Morgan/Chase	Lake Success	Nassau	LIPA	1,295	694	694	0	0%	Yes	1,295	536	Large	Banking
17	J.P. Morgan/Chase	Uniondale	Nassau	LIPA	500	988	988	0	0%	Yes	500	1,976	Large	Banking
18	Ultimate Precision Metal	Farmingdale	Suffolk	LIPA	250	120	116	-4	-3%	Yes	250	464	Small	Manufactures controlled enclosures
	Total LIPA		**Subtotal**	**4**	**2,845**	**4,890**	**4,935**				**2,845**			
19	Birds Eye Foods, Inc.	Fulton	Oswego	Grid	1,500	280	294	14	5%	Yes	1,500	196	Large	Food processing and marketing company
20	Carville National Leather Corp.	Johnstown	Fulton	Grid	200	31	33	2	6%	Yes	200	165	Small	Fine leather manufacturer
21	Cascades Tissue Group	Waterford	Saratoga	Grid	530	142	204	62	44%	Yes	530	385	Large	Large Industrial towel manufacturer
22	Clarkson University	Potsdam	St. Lawrence	Grid	1,500	664	664	0	0%	Yes	1,500	443	NFP	Higher education
23	Finch Pruyn & Company Inc.	Glen Falls	Warren	Grid	5,000	842	834	-8	-1%	Yes	5,000	167	Large	Produces uncoated paper
24	General Mills	Buffalo	Erie	Grid	1,000	109	110	1	1%	Yes	1,000	110	Large	Flour, bran, and wheat products
25	Spray Nine Corporation	Johnstown	Fulton	Grid	300	119	106	-13	-11%	Yes	300	353	Small	Specialty cleaning chemical
26	Standard Manufacturing Co., Inc.	Troy	Rensselaer	Grid	30	67	32	-35	-52%	No	15	2,133	Small	Apparel
27	Syracuse Plastics, Inc.	Liverpool	Onondaga	Grid	400	38	42	4	11%	Yes	400	105	Large	Maker of plastic parts and components
28	Thermold Corp	Canastota	Madison	Grid	200	56	36	-20	-36%	No	130	277	Small	Complete thermosplastic molding services
	Total National Grid		**Subtotal**	**10**	**10,660**	**2,348**	**2,355**				**10,575**			

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

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended Allocation KW	Jobs/MW	Type	Service
29	A. T. Reynolds & Sons, Inc.	Kiamesha Lak	Sullivan	NYSEG	250	55	54	-1	-2%	Yes	250	216	Small	Spring water and Ice Mfr.
30	Air-Flo Manufacturing	Prattsburgh	Steuben	NYSEG	130	93	113	20	22%	Yes	130	869	Small	Ice control equipment and truck bodies
31	Audio Sears	Stamford	Delaware	NYSEG	190	89	81	-8	-9%	Yes	190	426	Small	Makes audio equipment
32	Corning (Erwin Plant)	Corning	Steuben	NYSEG	1,500	614	624	10	2%	Yes	1,500	416	Large	Optical fiber, glass and ceramic products
33	Corning, Inc.- (Big Flats)	Big Flats	Chemung	NYSEG	500	122	142	20	16%	Yes	500	284	Large	Optical fiber, glass and ceramic products
34	Corning, Inc. (Northside)	Corning	Steuben	NYSEG	2,500	948	911	-37	-4%	Yes	2,500	364	Large	Optical fiber, glass and ceramic products
35	Corning, Inc. (SCC & TDM)	Corning	Steuben	NYSEG	500	178	176	-2	-1%	Yes	500	352	Large	Optical fiber, glass and ceramic products
36	Corning, Inc.- (Southside)	Corning	Steuben	NYSEG	1,500	825	837	12	1%	Yes	1,500	558	Large	Optical fiber, glass and ceramic products
37	Corning, Inc. (Sullivan Park)	Corning	Steuben	NYSEG	3,000	1,495	1,618	123	8%	Yes	3,000	539	Large	Optical fiber, glass and ceramic products
38	Derrick Corp	Cheektowaga	Erie	NYSEG	1,000	426	484	58	14%	Yes	1,000	484	Large	Manufacturer of oil drilling technology
39	Endicott Interconnect Technologies	Endicott	Broome	NYSEG	3,500	4,207	4,172	-35	-1%	Yes	3,500	1,192	Large	Electronic services and products
40	IEC Electronics Corp.	Newark	Wayne	NYSEG	590	243	257	14	6%	Yes	590	436	Large	Assembly of printed circuit boards
41	Milward Alloys	Lockport	Niagara	NYSEG	600	43	41	-2	-5%	Yes	600	68	Large	Copper and aluminum based alloys
42	Soucy USA	Champlain	Clinton	NYSEG	400	199	182	-17	-9%	Yes	400	455	Large	Storage & Warehouse facility
43	Ultralife Batteries, Inc.	Newark	Wayne	NYSEG	1,440	521	483	-38	-7%	Yes	1,440	335	Large	Manufacturers batteries
44	Vail Ballou Press, Inc.	Binghamton	Broome	NYSEG	1,800	408	399	-9	-2%	Yes	1,800	222	Large	Book printer and distributor
	Total NYSEG		**Subtotal**	**16**	**19,400**	**10,466**	**10,574**				**19,400**			
45	IBM - Rochester	Rochester	Monroe	RG&E	1,150	583	592	9	2%	Yes	1,150	515	Large	Technology products and services
46	XLI Corporation	Rochester	Monroe	RG&E	175	75	75	0	0%	Yes	175	429	Small	Makers of precision machine components
	Total RG&E		**Subtotal**	**2**	**1,325**	**658**	**667**				**1,325**			
			Total	**46**	**55,470**	**55,623**	**56,468**				**55,385**			

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

July 28, 2009
Exhibit "1b-B-1"

New York Power Authority
Power for Jobs - Extended Benefits
Recommendation for Restitution Payments

Line	Company	City	County	IOU	KW	Type	Restitution Period Time Frame	Months	Program Status	Restitution Payments	Service
1	Amphenol Corp	Sidney	Delaware	NYSEG	2,000	Large	Jan '06-June '07	18 mths	Exited	$266,710	Manufacturer of electronic & fiber optic connectors
2	Derrick Corp	Cheektowaga	Cheektowaga	NYSEG	1,000	Large	Jan '06 - Jun 08	30–months	Rebate	$181,983	Manufacturer of separation technology for oil drilling industry
3	Hadco Corp.	Owego	Tioga	NYSEG	2,000	Large	Jan '06-June '07	18 mths	Exited	$281,957	Makes cathode ray television picture tubes
4	International Paper - Geneva Container	Geneva	Ontario	NYSEG	350	Small	Jan '06-June '07	18 mths	Exited	$48,889	Manufacturer of corrugated containers and boxes
5	Magnus Manufacturing	Phelps	Ontario	NYSEG	275	Small	Jan '06-June '07	18 mths	Exited	$13,740	Precision machining
6	National Baseball Hall Of Fame and Museum	Cooperstown	Otsego	NYSEG	350	Small	Jan '06 - Feb '09	38-months	Exited	$32,930	Educational Institution & Museum
7	Polymer Conversions	Orchard Park	Erie	NYSEG	325	Small	Jan '06 - Oct 08	34-months	Rebate	$17,680	Plastic products
8	TMP Technologies, Inc.	Wyoming	Wyoming	NYSEG	268	Small	Jan '06 - Jun 08	30–months	Rebate	$1,970	Maker of foam, rubber, plastic products
NYSEG Subtotal					**6,568**					***$845,859***	
Grand Total					**6,568**					**$845,859**	

July 28, 2009
Exhibit “1b-B-2”

New York Power Authority
Power for Jobs - Extended Benefits
Restitution Savings - No Payment Required

Line	Company	City	County	IOU	KW	Type	Restitution Period Time Frame	Restitution Period Months	Program Status	PFJ Savings	Service
1	Burt Rigid Box, Inc.	Oneonta	Otsego	NYSEG	350	Small	Jan '06 - Jun 08	30–months	Rebate	$62,322	Makes custom made set-up boxes for cosmetic, fragrance, computer industries
NYSEG Subtotal					**350**						
Grand Total					**350**					**$62,322**	

c. Allocation of 7,700 kW of Hydropower

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 7,700 kW to three industrial companies.

BACKGROUND

"Under Section 1005(13) of the Power Authority Act, as amended by Chapter 313 of the Laws of 2005, the Authority may contract to allocate or reallocate directly, or by sale for resale, 250 MW of firm hydroelectric power as Expansion Power ('EP') and up to 445 MW of RP to businesses in the State located within 30 miles of the Niagara Power Project, provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

"Each application for an allocation of EP or RP must be evaluated under criteria that include, but need not be limited to, those set forth in Public Authorities Law Section 1005(13)(a), which sets forth general eligibility requirements.

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

"On October 22, 2003, the Authority, National 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 hydropower. The entities noted above formed the Western New York Advisory Group ('Advisory Group') with the intent of better using the value of this resource to improve the economy of Western New York and the State of New York. Nothing in the MOU changes the legal requirements applicable to the allocation of hydropower.

DISCUSSION

"Staff recommends and the Advisory Group supports the available power being allocated to the three companies set forth in Exhibit '1c-A.' The Exhibit shows, among other things: the amount of power requested; the recommended allocation and additional employment and capital investment information. These projects will help maintain and diversify the industrial base of Western New York and provide new employment opportunities.

"The ENrG, Inc. project, which only requires 200 kW, will result in the creation of 16 jobs. The associated jobs-per-MW ratio of 80 is more than two-and-a-half times the average ratio for allocations since the formation of the Advisory Group. The project will also require a capital investment of $6.3 million that will result in a capital investment-per-MW ratio of $31.5 million. This is almost three times higher than the average of previous allocations. The SAGE Electrochromics, Inc. expansion project is projected to result in the creation of 159 jobs and will also require a capital investment of $110 million. The associated capital investment-per-MW ratio of $18.3 million is nearly 50% higher than the average of previous allocations. The Surface Igniter, USA expansion project is projected to result in the creation of 110 jobs, with a related jobs-per-MW ratio of 73. This is more than two times the average ratio for allocations since the formation of the Advisory Group. Additional information on each project is contained in the application summaries attached as Exhibits '1c-A-1,' '1c-A-2' and '1c-A-3.'

RECOMMENDATION

"The Director – Marketing Analysis and Administration recommends that the Trustees approve the allocation of 7,700 kW of hydropower to the companies listed in Exhibit '1c-A.'

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

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

> **RESOLVED, That the allocation of 7,700 kW of Replacement Power, as detailed in Exhibit "1c-A," be, and hereby is, approved on the terms set forth in the attached memorandum of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

July 28, 2009
Exhibit “1c-A”

New York Power Authority
Replacement Power
Recommendation for Allocation

Exhibit Number	Company Name	Program	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term
A-1	ENrG, Inc.	RP	Buffalo	Erie	200	16	$6,300,000	$50,000	**200**	5 Years
A-2	SAGE Electrochromics, Inc.	RP	Pembroke	Genesee	8,000	159	$110,000,000	$70,000	**6,000**	10 Years
A-3	Surface Igniter, USA	RP	TBD*	TBD*	2,500	110	$1,080,000	$32,000	**1,500**	5 Years
	Total RP Recommended					**285**	**$117,380,000**		**7,700**	

* The company will locate within 30 miles of the Niagara Project.

July 28, 2009
Exhibit “1c-A-1”

APPLICATION SUMMARY
Replacement Power

Company: ENrG Inc.

Location: Buffalo

County: Erie

IOU: National Grid

Business Activity: Products for clean energy systems

Project Description: The expansion project involves obtaining manufacturing floor space that would more than double the company’s existing facility size. The project will include the purchase and installation of four high-temperature furnaces and production forming equipment, as well as building 15,000 sq. ft. of clean- room space and a cold-room facility. The expansion requires a machinery and equipment investment of $1.75 million and a total investment of $6.3 million.

Existing Allocation(s): None

Power Request: 200 kW

Power Recommended: 200 kW

Job Commitment:
- **Existing:** 14 jobs
- **New:** 16 jobs

New Jobs/Power Ratio: 80 jobs/ MW

New Jobs -
Avg. Wage and Benefits: $50,000

Capital Investment: $6.3 million

Capital Investment/MW: $31.5 million/MW

Summary: ENrG is transitioning from the developmental stage to the production stage. ENrG’s main focus will be on products for clean energy systems, including thin, porous and high-density ceramic membranes and insulation packages. A hydropower allocation would enable ENrG to focus funding on capital equipment and employee benefits to attract and retain good employees. The savings from a hydropower allocation would also allow the company to continue R&D investments for clean energy. The ENrG project is supported by the City of Buffalo, Buffalo Niagara Enterprise, Empire State Development and the Erie County Industrial Development Agency.

July 28, 2009
Exhibit "1c-A-2"

APPLICATION SUMMARY
Replacement Power

Company:	SAGE Electrochromics, Inc.
Location:	Pembroke
County:	Genesee County
IOU:	National Grid
Business Activity:	Energy-saving electrochromic technology
Project Description:	The company plans to construct a 250,000-square-foot high-volume manufacturing plant. The project will also include some office, warehouse and distribution functions. Equipment to be installed includes an electrochromic coater, tempering and processing ovens and other production equipment.
Existing Allocation:	None
Power Request:	8,000 kW
Power Recommended:	6,000 kW
Job Commitment:	
Existing:	0 jobs
New:	159 jobs
New Jobs/Power Ratio:	27 jobs/MW
New Jobs -	
Avg. Wage and Benefits:	$70,000
Capital Investment:	$110 million
Capital Investment per MW:	$18.33 million/MW
Summary:	The product to be made at the site for which power is requested is a GreenSpec (LEED)-listed product used for windows in commercial, institutional and residential construction. The product involves application of fine coatings (electrochromic) enabling variation of permissibility of solar heat and light, thus reducing energy costs up to 30%. Also under consideration for this expansion project is a site adjacent to the existing manufacturing location and headquarters in Minnesota. Without the hydropower allocation, the decision to locate in Western New York would be unlikely. The hydropower allocation would enhance the company's ability to achieve its growth plans and continue expansion to build its competitive advantage through production of its breakthrough energy-efficient technology.

July 28, 2009
Exhibit "1c-A-3"

APPLICATION SUMMARY
Replacement Power

Company:	Surface Igniter, USA
Location:	Within 30 miles of the Authority's Niagara Project
County:	Within 30 miles of the Authority's Niagara Project
IOU:	National Grid or New York State Electric and Gas Corporation
Business Activity:	Silicon carbide igniters for home appliances
Project Description:	The company would like to build a new manufacturing/distribution facility in Western New York to consolidate its operations. The expansion would include an assembly process plant and finished-goods warehouse. The company would also need up to 4,000 square feet for new office space.
Existing Allocation:	None
Power Request:	2,500 kW
Power Recommended:	1,500 kW
Job Commitment:	
Existing:	0 jobs
New:	110 jobs
New Jobs/Power Ratio:	73 jobs/MW
New Jobs - Avg. Wage and Benefits:	$32,000
Capital Investment:	$1.08 million
Capital Investment per MW:	$.720 million/MW
Summary:	Surface Igniter manufactures silicon carbide igniters for home appliances such as dryers, ranges and stoves. The production of its igniter is power intensive. A hydropower allocation would lower the company's cost of production and keep it competitive. The company is considering consolidation of three of its manufacturing/distribution entities (China, Puerto Rico and Ohio) into one site in western New York. The company is also considering doing this expansion at other sites, including the Tennessee Valley and Canada.

d. Procurement (Services) Contract – St. Lawrence/FDR Power Project Relicensing – Installation of New Dike and Pumphouse 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 Perras Excavating, Inc. of Massena ('Perras') for the construction of a new dike and pumphouse within the Wilson Hill Wildlife Management Area ('WHWMA') at the St. Lawrence/FDR Power Project ('Project'). The contract term is three years and the amount for which authorization is requested is $3,747,850.

BACKGROUND

"Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts that involve services to be rendered for more than one year and that are worth more than $3 million.

DISCUSSION

"The Federal Energy Regulatory Commission ('FERC') issued the New License for the St. Lawrence/FDR Project on October 23, 2003. The Trustees accepted the New License at their November 25, 2003 meeting. As part of the New License and the Comprehensive Relicensing Settlement Accord, the Authority is required to implement improvements at the WHWMA. These improvements include: (1) refurbishing existing dikes and installing new water control structures, (2) installing a new dike and water control structure, (3) installing a pumphouse to lower water levels in the WHWMA pools and (4) constructing new or upgraded trails and wildlife viewing stations. 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 the improvements to the WHWMA.

"In July 2007, the Authority awarded a contract for the construction of the improvements to the existing WHWMA dikes and for construction of the new dike. Refurbishment of the existing dikes and installation of associated water control structures have been completed, but undetected subsurface conditions required redesign of the new dike. Due to the redesign, construction of the new dike was removed from the 2007 contract, while the other work was completed.

"On June 8, 2009, the Authority issued a Request for Proposals ('RFP') for the construction of the redesigned new dike and pumphouse, including a notice in the *New York State Contract Reporter*. Three proposals were received on July 1, 2009 from J. E. Sheehan Contracting Corporation ('Sheehan') of Potsdam; Gerace Construction Company, Inc. ('Gerace') of Midland, MI and Perras.

"Staff from the Authority's Relicensing and Implementation ('R&I') and Procurement Divisions, with support from R&I's construction management contractor, evaluated the proposals for technical qualifications and pricing. All three firms submitted proposals with lump-sum prices that were within the Authority's estimate for the work; however, one proposal was more than $1.5 million higher than the other two, and was therefore not reviewed further. Technical questions were issued to the two lowest-priced firms (Sheehan and Perras) focusing on the firms' experience with sheet pile installation and schedule flexibility, with satisfactory responses received from both firms.

"It is recommended that the contract be awarded to Perras, the lowest-priced qualified bidder. Perras has significant successful experience with projects involving earthwork, steel sheet pile installation and building construction in marine environments. Perras has also worked for the Authority on St. Lawrence relicensing projects involving earthwork, with satisfactory performance. Personnel proposed for this contract are qualified to serve in their designated roles. Perras' proposal meets the Authority's schedule needs for this work. The term of the contract would be for three years; the recommended award amount is $3,747,850, including contingency.

FISCAL INFORMATION

“Since these expenditures are related to implementing commitments in the New License and the Comprehensive Relicensing Settlement Accord, payments will be made from the Capital Fund.

RECOMMENDATION

“The Vice President – Project Development, Licensing and Compliance, the Vice President – Procurement and the Director – Relicensing and Implementation recommend that the Trustees authorize award of a contract to Perras Excavating, Inc. for $3,747,850 for construction services for installation of a new dike and pumphouse at the Wilson Hill Wildlife Management Area at the St. Lawrence/FDR Power Project.

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to Perras Excavating, Inc. for three years, in an amount of $3,747,850, for construction services for installation of a new dike and pumphouse at the Wilson Hill Wildlife Management Area at the St. Lawrence/FDR Power Project, as recommended in the foregoing report of the President and Chief Executive Officer;

Contractor	**Contract Approval**
Perras Excavating, Inc.	**$3,747,850**

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

e. Procurement (Services) Contract – St. Lawrence/FDR Power Project Relicensing – Construction Management Services – 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 Bernier, Carr & Associates, P. C. ('Bernier Carr') for construction management services for recreation and environmental improvements at the St. Lawrence/FDR Power Project ('Project'). The term of the contract will be for three years with options for two one-year extensions. The total cost of the contract is $1,060,160.

BACKGROUND

"Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustee's approval for procurement contracts involving services to be rendered for more than one year.

DISCUSSION

"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 the New License and the Comprehensive Relicensing Settlement Accord ('Settlement Accord'), the Authority is required to rehabilitate existing and build new recreational facilities; construct habitat improvement projects, including a substantial rehabilitation of the Wilson Hill Wildlife Management Area and stabilize areas of Project shoreline. In December 2003, the Trustees authorized a total of $169 million for expenditures relating to compliance with the New License, including the costs of construction management.

"To meet the requirements of the New License and the Settlement Accord, the Trustees authorized award of a contract to Bernier Carr for construction management services to oversee the construction of the recreation and environmental improvements. This contract ends on December 31, 2009.

"To meet the ongoing need for construction management services for recreation and environmental projects scheduled to begin this summer, the Authority issued a Request for Proposals ('RFP') on May 4, 2009 for these services, including a notice in the *New York State Contract Reporter*. Proposals were received from: (1) Bernier & Carr, (2) Chant Power and (3) White & Reader Associates.

"Staff from the Authority's Relicensing and Implementation and Procurement divisions evaluated the proposals for technical qualifications and pricing (i.e., direct payments, fixed fee and fixed overhead charges). The initial review focused on technical qualifications and rates for proposed personnel. Based on this initial review, an evaluated cost was prepared for the three firms; this cost estimate was based on the estimated number of hours required each year and pricing. The evaluated costs for the three proposals were:

Bernier Carr	$ 827,722
Chant Power	$1,564,676
White & Reader Associates	$2,384,213

"Bernier Carr was the lowest-cost bidder. Bernier Carr is currently providing construction management services for recreation and environmental projects for Project relicensing, and its performance has been satisfactory. Therefore, it is recommended that the contract be awarded to Bernier Carr for a term of three years with the option of extensions for two additional years. The evaluated cost did not include certain expenses, including a local office and material testing, so these expenses need to be added to the evaluated cost. It is recommended that the contract award be $1,060,160.

FISCAL INFORMATION

"As these expenditures are related to the implementation of commitments in the New License and the settlement agreements, payments will be made from the Capital Fund.

RECOMMENDATION

"The Vice President – Project Development, License and Compliance, the Vice President – Procurement and the Director – Relicensing and Implementation recommend that the Trustees authorize award of a contract to Bernier, Carr & Associates, P. C. for $1,060,160 for construction management services to oversee recreation and environmental improvements in support of compliance with the New License and the Comprehensive Relicensing Settlement Accord.

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Engineer – Power Supply and I concur in the recommendation."

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract for a period of three years commencing on August 1, 2009 (with options for two one-year extensions), to Bernier, Carr & Associates, P. C. in the amount not to exceed $1,060,160 for construction management services in support of implementation of recreation and environmental improvements in compliance with the New License and Comprehensive Relicensing Settlement Accord, as recommended in the foregoing report of the President and Chief Executive Officer:

Contractor	**Contract Approval**
Bernier, Carr & Associates, P. C.	**$1,060,160**

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

f. New York Power Authority Other Post-employment Benefits and Nuclear Decommissioning Trust Funds: Selection of Fixed-Income Investment Managers

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of multiyear procurement contracts to Bradford & Marzec LLC ('Bradford'), J. P. Morgan Investment Management Inc. ('J. P. Morgan') and TCW Asset Management Company ('TCW') for professional fixed-income investment management services in connection with the Authority's Other Post-employment Benefits Trust ('OPEB Trust') and Nuclear Decommissioning Trust ('NDT') Fund. Specifically, Bradford will replace fixed-income investment manager Tattersall Advisory Group ('Tattersall') in the OPEB Trust and J. P. Morgan and TCW will replace Tattersall in the NDT Fund.

BACKGROUND

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

OPEB Trust

"Certain Governmental Accounting Standards Board ('GASB') standards[1] issued in 2004 require governmental employers to account for other post-employment benefits liabilities on an 'accrual' basis (i.e., as the benefits are earned during the working career of the employee), rather than a 'pay-as-you-go' basis, where costs are recorded as the benefits are paid during the employee's retirement.

"At their meeting of July 31, 2007, the Trustees: (1) approved the creation of the New York Power Authority OPEB Trust to fund the Authority's post-employment benefits liabilities; (2) adopted the OPEB Trust Investment Policy Statement; (3) appointed The Bank of New York – Mellon as Trustee Custodian and (4) approved an initial $225 million funding plan.

"At their meetings of October 30, 2007 and February 24, 2009, the Trustees approved the award of nine multiyear procurement contracts to a diversified group of professional investment management entities in connection with the OPEB Trust, including Tattersall for the fixed-income asset class. Accordingly, on April 30, 2008, the Authority entered into an investment management agreement with Tattersall for the fixed-income asset class. As of May 31, 2009, the balance in the OPEB Trust was $196 million. Of this amount, $34 million is invested with Tattersall.

NDT Fund

"Pursuant to U. S. Nuclear Regulatory Commission ('NRC') ruling NUR-0584, the Authority established the NDT Fund in 1990. The purpose of the fund is to ensure that there are sufficient funds available to pay for the decommissioning costs (i.e., removing the spent fuel and dismantling any systems or components containing activation products) of the James A. FitzPatrick ('FitzPatrick') and Indian Point 3 ('IP3') Power Plants at license expiration. On November 21, 2000, the Authority completed the sale of its IP3 and FitzPatrick nuclear plants to two subsidiaries of Entergy Corporation pursuant to a purchase-and-sale agreement dated March 28, 2000. In

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

accordance with the Decommissioning Agreements, the Authority retains contractual decommissioning liability until license expiration, a change in the tax status of the fund or any early dismantlement of the plants, at which time the Authority will have the option to terminate its decommissioning responsibility and transfer the plant's fund to the Entergy subsidiary owning the plant. At that time, the Authority will be entitled to be paid an amount equal to the excess of the amount in the fund over the Inflation-Adjusted Cost Amount (a fixed estimated decommissioning cost amount adjusted in accordance with the effect of increases and decreases in the NRC's minimum cost-estimate amounts applicable to the plant), if any. The Authority's decommissioning liability is limited to the lesser of the Inflation-Adjusted Cost Amount or the amount of the plant's fund, guaranteeing that no additional cost burdens may be placed on the Authority.

"In 2000, the Authority entered into an investment management agreement with Tattersall to manage NDT Fund assets. As of May 31, 2009, the balance in the NDT Fund was $841 million. Of this amount, $263 million is invested with Tattersall.

DISCUSSION

"In 2008, Wells Fargo & Company ('Wells') acquired Tattersall's parent company, Wachovia Bank ('Wachovia'), which resulted in a comprehensive review of both Wachovia's and Wells' asset management businesses. Wells ultimately decided to discontinue certain Tattersall funds, including its core and intermediate fixed-income product offerings (eliminating the Authority's investment options), citing overlap in fund strategies and underperformance relative to Wells' existing core and intermediate fixed-income product offerings.

"Accordingly, on May 26, 2009, the Authority solicited proposals for professional fixed-income investment management services by notice to a number of firms providing such services and advertisement in the *New York State Contract Reporter* in order to replace Tattersall in both the OPEB Trust and the NDT Fund. On or before June 16, 2009, the Authority received a total of 13 proposals.

"Authority staff, with the support of its financial advisor, PFM Advisors, evaluated each proposal according to the following criteria: management experience, investment style, historical performance, various risk metrics (including, but not limited to, each manager's standard deviation, Sharpe Ratio, tracking error and Information Ratio), schedule of fees and supporting organizational capabilities. With respect to historical performance evaluation, each manager's performance attribution over the last five years was reviewed in order to determine and compare their sources of alpha (excess return over the benchmark) to stated investment objectives. Additionally, staff compared alpha correlations of prospective managers with existing managers in each respective fund.

"With respect to the OPEB Trust, Bradford's low alpha correlation to existing fixed-income manager C. S. McKee, L P., coupled with its impressive management team, nimble size, solid risk management discipline and strong rankings in the above criteria make it an ideal manager for the OPEB Trust.

"J. P. Morgan, despite having a moderate long-term alpha correlation with existing fixed-income manager Blackrock Inc., was selected for the NDT Fund due to its impressive track record and strong rankings in the above criteria, client attentiveness and strong overall investment team. Similarly, TCW's selection was due to its significant mortgage expertise, unique investment research process and consistent performance track record.

"In order to achieve stability and strong performance in the management of the fixed-income asset class in the OPEB Trust and the NDT Fund, it is recommended that Bradford, J. P. Morgan and TCW be awarded five-year contracts, subject, however, to early termination at any time by the Authority on 60 days' notice.

FISCAL INFORMATION

"The fees for the fixed-income investment management services are expected to be approximately 25 basis points (a basis point is equal to 1/100th of 1%, or 0.01%) and will be paid from the OPEB Trust or the NDT Fund, as applicable. The fees, which are based on the dollar amount of assets under management, should equal approximately $80,000 per year for Bradford and $338,000 per year each for J. P. Morgan and TCW. Over the course of the recommended five-year term, total investment management fees are estimated to be approximately $2.3 million, assuming a 4% growth rate in the assets.

RECOMMENDATION

"The Treasurer recommends the Trustees' approval of the award of multiyear service contracts to Bradford & Marzec LLC, J. P. Morgan Investment Management Inc. and TCW Asset Management Company for management of the fixed-income asset class for the Authority's Other Post-employment Benefits Trust and Nuclear Decommissioning Trust Fund, respectively.

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear investment management service contracts to Bradford & Marzec LLC, J. P. Morgan Investment Management Inc. and TCW Asset Management Company to manage fixed-income assets for the Authority's Other Post-employment Benefits Trust and Nuclear Decommissioning Trust Fund, respectively, is hereby approved and the execution of such contracts by the Executive Vice President and Chief Financial Officer, the Senior Vice President – Corporate Planning and Finance or the Treasurer, subject to the 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 Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.

g. Hydropower Contracts with Upstate Investor-Owned Utilities for the Benefit of Rural and Domestic Consumers – Notice of Public Hearing

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize two public hearings, pursuant to Section 1009 of the Public Authorities Law, on contract extensions for sale to National Grid (formerly Niagara Mohawk Power Corporation), New York State Electric and Gas Corporation ('NYSEG') and Rochester Gas and Electric Corporation ('RGE') (hereinafter referred to 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 rural and domestic consumers. The proposed contract extensions are attached as Exhibits '1g-A' (National Grid), '1g-B' (NYSEG) and '1g-C' (RGE).

BACKGROUND

"The Utilities received a total of 553 MW of firm power from the St. Lawrence/FDR and Niagara Power Projects and 360 MW of firm peaking hydropower from the Niagara Project for the benefit of rural and domestic consumers under contracts signed in 1990 that expired on August 31, 2007 (the 'Hydro Contracts'). At their meeting of July 31, 2007, the Trustees approved an extension of the Hydro Contracts (the '2007 Contract Extensions'). The 2007 Contract Extensions reflected a reduction in the amount of firm hydropower to be sold to the Utilities from 553 MW to 455 MW. The allocations of firm peaking hydropower remained unchanged.

"The power is purchased at the cost-based hydropower 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. The 2007 Contract Extensions expired on June 30, 2008.

"At their meeting of June 24, 2008, the Trustees approved an extension of the 2007 Contract Extensions (the '2008 Contract Extensions'). The 2008 Contract Extensions continue the sale of firm and firm peaking hydropower to the Utilities in the amounts approved by the Trustees at their meeting of July 31, 2007: a total of 455 MW of firm and 360 MW of firm peaking. The 2008 Contract Extensions have a term of 18 months to December 31, 2009, subject to earlier termination by the Authority on 30 days' advance written notice.

"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 be 'redeployed' for economic development purposes.

DISCUSSION

"Since the 2008 Contract Extensions are scheduled to expire December 31, 2009, new Contract Extensions with the Utilities are necessary so that the benefits of low-cost hydropower can continue to flow to the Utilities' R&D customers until such time as new legislation is enacted that redeploys this hydropower for other purposes. Should the Governor reject the 2009 Contract Extensions, the current contracts will expire on December 31, 2009.

"The 2009 Contract Extensions would continue the sale of firm and firm peaking hydropower to the Utilities in the amounts approved by the Trustees in their June 24, 2008 meeting, specifically, for National Grid 189 MW of firm and 175 MW of firm peaking, for NYSEG 167 MW of firm and 150 MW of firm peaking and for RGE

99 MW of firm and 35 MW of firm peaking. The 2009 Contract Extensions would have a term of 12 months to December 31, 2010, subject to earlier termination by the Authority on 30 days' advance written notice.

"In addition to the termination provision specified above, the Authority may reduce or terminate service if it is determined to be necessary to comply with any 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 2009 Contract Extensions 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, no fiscal impact is associated with this contract extension.

RECOMMENDATION

"The Manager – Contract Administration recommends that the Trustees authorize two public hearings on the 2009 Contract Extensions with National Grid (formerly Niagara Mohawk Power Corporation), New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation to be held at the Authority's PowerVista Visitors' Center at its Niagara Power Project on September 1, 2009 and at Syracuse City Hall on September 2, 2009, or at such other place and time designated by the Chairman. It is further recommended that, pursuant to Section 1009 of the Public Authorities Law, the Corporate Secretary be authorized to transmit copies of the proposed contracts to the Governor and legislative leaders.

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Marketing and Economic Development, the Director – Marketing Analysis and Administration and I concur in the recommendation."

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

RESOLVED, That the Trustees hereby authorize two public hearings on the terms of the contract extensions for the sale of hydroelectric power and energy generated by the Authority for sale to National Grid, New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation to be held at the Authority's PowerVista Visitors' Center at its Niagara Power Project on September 1, 2009 and at Syracuse City Hall on September 2, 2009, or such other place determined by the Chairman; and be it further

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

RESOLVED, That the President and Chief Executive Officer or his designee be, and hereby is, authorized, subject to the approval of the form thereof by the Chief Operating Officer and the Executive Vice President and General Counsel, to enter into such other agreements, and to do such other things as may be necessary or desirable to implement the contract extensions with National Grid, New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation as set forth in the

foregoing report of the President and Chief Executive Officer; and be it further

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

July 28, 2009
Exhibit "1g-A"

2009 Amendment to and Extension of Service Agreement of Niagara Mohawk Power Corporation under Service Tariff No. 41 and Service Tariff No. 42

Niagara Mohawk Power Corporation, d/b/a National Grid ("Company") and the New York Power Authority ("Authority") are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority's Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the "Service Agreement under ST No. 41 and ST No. 42"). Company and Authority have previously extended the Service Agreement under ST No. 41 and ST No. 42 to June 30, 2008 by letter agreement dated August 30, 2007 (the "2007 Amendment").

Company and Authority agree to terminate the 2007 Amendment effective July 1, 2008, and further extend and modify certain terms of the Company's Service Agreement under ST No. 41 and ST No. 42 as follows:

1) The amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 will be reduced from 230 MW to 189 MW. The Firm Peaking Power allocation of 175 MW under Service Tariff No. 42 will remain unchanged.

2) Article E – Rates. The current text is deleted in its entirety and is replaced with the following text.

> "The rates charged by the Authority under this Agreement shall be established in accordance with this Article.
>
> The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on April 24, 2007, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on April 24, 2007, except as otherwise provided for below.
>
> Company waives any challenges to any of the following methodologies and principles used by the Authority to set future preference power rates, numbers (ii) through (vii) as set forth in the "January 2003 Report on Hydroelectric Production Rates" as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":
>
> (i) The principles set forth in the March 5, 1986 Settlement Agreement settling *Auer v. Dyson*, No. 81-124 (Sup. Ct. Oswego Co.), *Auer v. Power Authority*, Index No. 11999-84 (Sup. Ct. N.Y. Co.) and *Delaware County Electric Cooperative, Inc. v. Power Authority*, 82 Civ. 7256 (S.D.N.Y.) (the "*Auer* Settlement").

(ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.

(iii) Treatment of sales to third parties, including the New York Independent System Operator.

(iv) Allocation of Indirect Overheads.

(v) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.

(vi) Post-employment benefits other than pensions (*i.e.*, retiree health benefits).

(vii) Rate Stabilization Reserve (RSR) methodology.

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Company shall have the right to take any position whatsoever with respect to such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority.’

3) Article F – Transmission. The current text is deleted in its entirety and is replaced with the following text.

> “In accordance with the terms of the existing transmission service agreement, which by its terms will expire on August 31, 2007, Company will cease taking transmission service from Authority and will instead take transmission service under the New York Independent System Operator's ("NYISO") Open Access Transmission Tariff. Company agrees to settle any outstanding transmission charges that may apply prior to September 1, 2007 including any subsequent NYISO true up settlements.”

4) Article G – Notification. In the contact address for Authority replace “10 Columbus Circle, New York, NY 10019” with 123 Main Street, White Plains, NY 10601”.

5) Article K - Restoration of Withdrawn Power and/or Energy is deleted in its entirety.
6) Article L – Term of Service, is revised to read as follows:

> ”Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the “Withdrawals of

Power and/or Energy" or the "Cancellation or Reduction" provisions until December 31, 2010, subject to earlier termination by the Authority with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days' prior written notice to Company."

7) Article M – Availability of Energy – Firm and Firm Peaking Hydroelectric Power Service. In the third paragraph, line 1, starting with the words "In the event that . . " through ". . . minimize the impact of such reductions." on line 10, replace with the following:

> "The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Company under Service Tariffs Nos. 41 and 42 if such reductions are necessary due to low flow (i.e. hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. In the event that hydrologic conditions require the Authority to reduce the amount of energy provided to Company, reductions as a percentage of the otherwise required energy deliveries will be the same for all firm Niagara and St. Lawrence-FDR Project customers. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Company in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Company. The Authority shall provide reasonable notice to Company of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers."

8) This amendment shall be referred to as the "2009 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42".

9) Continuation of service under this 2009 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42 shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act. If the Governor does not approve this amendment, service will cease on the last day of the month following the month during which the Governor disapproved these Contract Extensions.

Except as expressly provided in this 2009 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42, the Service Agreement under ST No. 41 and ST No. 42 shall remain unchanged and in full force and effect.
This 2009 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42 shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2009 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42 may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law, and upon execution by the Chairman of the Authority, this 2009 Amendment shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2009 Amendment shall take effect upon the expiration of the 2008 Amendment and continue on a month to month basis.

If the foregoing changes are acceptable to your organization, please so indicate by executing both copies of this amendment and returning them to us.

AGREED:

Niagara Mohawk Power Corporation d/b/a National Grid

By: ___________________________

Title: ___________________________

Date: ___________________________

Power Authority of the State of New York

By: ___________________________

Richard M. Kessel
President and Chief Executive Officer

Date: ___________________________

ACCEPTED:

By: ___________________________

Michael J. Townsend
Chairman
Date: ___________________________

July 28, 2009
Exhibit "1g-B"

2009 Amendment to 1990 Hydropower Contract

New York State Electric & Gas Corporation ("Company") and the New York Power Authority ("Authority") are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority's Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the "1990 Hydropower Contract'). Company and Authority have previously extended the 1990 Hydropower Contract to June 30, 2008 by letter agreement dated August 29, 2007 (the "2007 Amendment").

Authority, Rochester Gas and Electric Corporation ("RGE") and Company are also parties to a letter agreement dated February 14, 2008 ("February 14, 2008 Letter Agreement"). The February 14, 2008 Letter Agreement modified Article D – Regulation of Rates and Charges as it pertained to the calculation of the monthly savings realized by the customers of Company and RGE from the purchase of Authority hydropower.

Company and Authority agree to terminate the 2007 Amendment effective July 1, 2008, and further extend and modify certain terms of 1990 Hydropower Contract as follows:

1) The amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 will be reduced from 203 MW to 167 MW. The Firm Peaking Power allocation of 150 MW under Service Tariff No. 42 will remain unchanged.

2) Article E – Rates. The current text is deleted in its entirety and is replaced with the following text.

> "The rates charged by the Authority under this Agreement shall be established in accordance with this Article.
>
> The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on April 24, 2007, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on April 24, 2007, except as otherwise provided for below.
>
> Company waives any challenges to any of the following methodologies and principles used by the Authority to set future preference power rates, numbers (ii) through (vii) as set forth in the "January 2003 Report on Hydroelectric Production Rates" as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":
>
> (i) The principles set forth in the March 5, 1986 Settlement Agreement settling *Auer v. Dyson*, No. 81-124 (Sup. Ct. Oswego Co.), *Auer v. Power Authority*, Index No. 11999-84 (Sup. Ct. N.Y. Co.) and *Delaware County Electric Cooperative, Inc. v. Power Authority*, 82 Civ. 7256 (S.D.N.Y.) (the "*Auer* Settlement").

(ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.

(iii) Treatment of sales to third parties, including the New York Independent System Operator.

(iv) Allocation of Indirect Overheads.

(vi) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.

(vi) Post-employment benefits other than pensions (*i.e.*, retiree health benefits).

(viii) Rate Stabilization Reserve (RSR) methodology.

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Company shall have the right to take any position whatsoever with respect to such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority.’

3) Article F – Transmission. The current text is deleted in its entirety and is replaced with the following text.

> “In accordance with the terms of the existing transmission service agreement, which by its terms will expire on August 31, 2007, Company will cease taking transmission service from Authority and will instead take transmission service under the New York Independent System Operator's ("NYISO") Open Access Transmission Tariff. Company agrees to settle any outstanding transmission charges that may apply prior to September 1, 2007 including any subsequent NYISO true up settlements.”

4) Article G – Notification. In the contact address for Authority replace “10 Columbus Circle, New York, NY 10019” with 123 Main Street, White Plains, NY 10601”. In the contact address for Company, first and second lines, replace “Senior Vice President Electric System Operations and Engineering” with, “Dave Kimiecik, Vice President, Energy Supply”. On lines four and five, replace “4500 Vestal Parkway, Binghamton, New York, 13903” with “18 Link Drive, P.O. Box 5224, Binghamton, New York 13902-5224”.

5) Article K - Restoration of Withdrawn Power and/or Energy is deleted in its entirety.

6) Article L – Term of Service, is revised to read as follows:

> ”Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the “Withdrawals of Power and/or Energy” or the “Cancellation or Reduction” provisions until December 31, 2010, subject to earlier termination by the Authority with respect

> to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days' prior written notice to Company."

7) Article M – Availability of Energy – Firm and Firm Peaking Hydroelectric Power Service. In the third paragraph, line 1, starting with the words "In the event that . . " through ". . . minimize the impact of such reductions." on line 10, replace with the following:

> "The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Company under Service Tariffs Nos. 41 and 42 if such reductions are necessary due to low flow (i.e. hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. In the event that hydrologic conditions require the Authority to reduce the amount of energy provided to Company, reductions as a percentage of the otherwise required energy deliveries will be the same for all firm Niagara and St. Lawrence-FDR Project customers. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Company in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Company. The Authority shall provide reasonable notice to Company of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers."

8) This amendment shall be referred to as the "2009 Amendment to the 1990 Hydropower Contract".

9) Continuation of service under this 2009 Amendment to the 1990 Hydropower Contract shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act. If the Governor does not approve this amendment, service will cease on the last day of the month following the month during which the Governor disapproved these Contract Extensions.

Except as expressly provided in this 2009 Amendment to the 1990 Hydropower Contract, the 1990 Hydropower Contract as modified by the February 14, 2008 Letter Agreement shall remain unchanged and in full force and effect.

This 2009 Amendment to the 1990 Hydropower Contract shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.
This 2009 Amendment to the 1990 Hydropower Contract may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law, and upon execution by the Chairman of the Authority, this 2009 Amendment shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2009 Amendment shall take effect upon the expiration of the 2008 Amendment and continue on a month to month basis.

If the foregoing changes are acceptable to your organization, please so indicate by executing both copies of this amendment and returning them to us.

AGREED:

New York State Electric & Gas Corporation

By: ___________________________

Title: ___________________________

Date: ___________________________

Power Authority of the State of New York

By: ___________________________
Richard M. Kessel
President and Chief Executive Officer

Date: ___________________________

ACCEPTED:

By: ___________________________
Michael J. Townsend
Chairman

Date: ____________________________

July 28, 2009
Exhibit “1g-C”

2009 Amendment to 1990 Hydropower Contract

Rochester Gas and Electric Corporation (“Company”) and the New York Power Authority (“Authority”) are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority’s Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the “1990 Hydropower Contract”). Company and Authority have previously extended the 1990 Hydropower Contract to June 30, 2008 by letter agreement dated August 29, 2007 (the “2007 Amendment”).

Authority, New York State Electric & Gas Corporation (“NYSEG”) and Company are also parties to a letter agreement dated February 14, 2008 (“February 14, 2008 Letter Agreement”). The February 14, 2008 Letter Agreement modified Article D – Regulation of Rates and Charges as it pertained to the calculation of the monthly savings realized by the customers of Company and NYSEG from the purchase of Authority hydropower.

Company and Authority agree to terminate the 2007 Amendment effective July 1, 2008, and further extend and modify certain terms of 1990 Hydropower Contract as follows:

1) The amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 will be reduced from 120 MW to 99 MW. The Firm Peaking Power allocation of 35 MW under Service Tariff No. 42 will remain unchanged.

2) Article E – Rates. The current text is deleted in its entirety and is replaced with the following text.

> “The rates charged by the Authority under this Agreement shall be established in accordance with this Article.
>
> The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on April 24, 2007, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on April 24, 2007, except as otherwise provided for below.
>
> Company waives any challenges to any of the following methodologies and principles used by the Authority to set future preference power rates, numbers (ii) through (vii) as set forth in the “January 2003 Report on Hydroelectric Production Rates” as modified by the April 2003 “Staff Analysis of Public Comments and Recommendations”:
>
> (i) The principles set forth in the March 5, 1986 Settlement Agreement settling *Auer v. Dyson*, No. 81-124 (Sup. Ct. Oswego Co.), *Auer v. Power Authority*, Index No. 11999-84 (Sup. Ct. N.Y. Co.) and

Delaware County Electric Cooperative, Inc. v. Power Authority, 82 Civ. 7256 (S.D.N.Y.) (the "*Auer* Settlement").

(ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.

(iii) Treatment of sales to third parties, including the New York Independent System Operator.

(iv) Allocation of Indirect Overheads.

(vii) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.

(vi) Post-employment benefits other than pensions (*i.e.*, retiree health benefits).

(ix) Rate Stabilization Reserve (RSR) methodology.

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Company shall have the right to take any position whatsoever with respect to such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority.'

3) Article F – Transmission. The current text is deleted in its entirety and is replaced with the following text.

> "In accordance with the terms of the existing transmission service agreement, which by its terms will expire on August 31, 2007, Company will cease taking transmission service from Authority and will instead take transmission service under the New York Independent System Operator's ("NYISO") Open Access Transmission Tariff. Company agrees to settle any outstanding transmission charges that may apply prior to September 1, 2007 including any subsequent NYISO true up settlements."

4) Article G – Notification. In the contact address for Authority replace "10 Columbus Circle, New York, NY 10019" with 123 Main Street, White Plains, NY 10601". For Company, delete the current reference in its entirety and replace with the following "Dave Kimiecik, Vice President, Energy Supply, New York State Electric & Gas Corporation, 18 Link Drive, P.O. Box 5224, Binghamton, New York 13902-5224".

5) Article K - Restoration of Withdrawn Power and/or Energy is deleted in its entirety.

6) Article L – Term of Service, is revised to read as follows:

> ”Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the “Withdrawals of Power and/or Energy” or the “Cancellation or Reduction” provisions until December 31, 2010, subject to earlier termination by the Authority with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days’ prior written notice to Company.”

7) Article M – Availability of Energy – Firm and Firm Peaking Hydroelectric Power Service. In the third paragraph, line 1, starting with the words ”In the event that . . “ through “. . . minimize the impact of such reductions.” on line 10, replace with the following:

> “The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Company under Service Tariffs Nos. 41 and 42 if such reductions are necessary due to low flow (i.e. hydrologic) conditions at the Authority’s Niagara and St. Lawrence-FDR hydroelectric generating stations. In the event that hydrologic conditions require the Authority to reduce the amount of energy provided to Company, reductions as a percentage of the otherwise required energy deliveries will be the same for all firm Niagara and St. Lawrence-FDR Project customers. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Company in later billing periods. The offer of Energy for delivery shall fulfill Authority’s obligations for purposes of this Provision whether or not the Energy is taken by Company. The Authority shall provide reasonable notice to Company of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers.”

8) This amendment shall be referred to as the “2009 Amendment to the 1990 Hydropower Contract”.

9) Continuation of service under this 2009 Amendment to the 1990 Hydropower Contract shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act. If the Governor does not approve this amendment, service will cease on the last day of the month following the month during which the Governor disapproved these Contract Extensions.

Except as expressly provided in this 2009 Amendment to the 1990 Hydropower Contract, the 1990 Hydropower Contract as modified by the February 14, 2008 Letter Agreement shall remain unchanged and in full force and effect.

This 2009 Amendment to the 1990 Hydropower Contract shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2009 Amendment to the 1990 Hydropower Contract may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law, and upon execution by the Chairman of the Authority, this 2009 Amendment shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2009 Amendment shall take effect upon the expiration of the 2008 Amendment and continue on a month to month basis.

If the foregoing changes are acceptable to your organization, please so indicate by executing both copies of this amendment and returning them to us.

AGREED:

Rochester Gas and Electric Corporation

By: ___________________________

Title: ___________________________

Date: ___________________________

Power Authority of the State of New York

By: ___________________________

Richard M. Kessel
President and Chief Executive Officer

Date: ___________________________

ACCEPTED:

By: ___________________________

Michael J. Townsend
Chairman

Date: ___________________________

h. Seaway Private Equity Corporation Grant Agreement Amendments

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve two amendments to the Amended and Restated Grant Agreement with the Seaway Private Equity Corporation ('SPEC') to: (i) authorize SPEC to waive provisions of the standard-form Amended and Restated Capital Commitment Agreement upon a vote of two-thirds of the SPEC Board of Directors ('Board') and (ii) increase the amount set aside for legal and administrative expenses by authorizing SPEC to use the interest earned on the unexpended principal for such expenses.

BACKGROUND

"By resolution approved September 20, 2005, as part of the St. Lawrence Relicensing Settlement Agreements, the Trustees authorized the Authority to negotiate the terms and conditions of a grant agreement with a St. Lawrence County not-for-profit corporation, subsequently incorporated as SPEC. Pursuant to that grant agreement ('Grant Agreement'), the Authority would provide a grant of $10 million to be invested by SPEC under a capital commitment agreement ('Capital Commitment Agreement') with Golden Technology Management, LLC ('Golden'). Golden, in turn, would raise an additional $20 million in private equity funds for the purpose of establishing a pool for investments in technology businesses to promote economic development and increase employment and the tax base in St. Lawrence County.

"The original Grant Agreement was amended ('Amended and Restated Grant Agreement') to: (i) clarify the definitions of business development firms in which SPEC may invest; (ii) allow SPEC to invest in firms other than Golden; (iii) allow SPEC to invest in firms that are not 'new technology' firms (requiring a two-thirds vote of the SPEC Board) and (iv) require that the Authority approve any alternate business development firms prior to SPEC investment.

"SPEC has entered into two Capital Commitment Agreements, one with Golden and one with North Bay Technology Development, under which it has invested in six projects. All six of these investments required exceptions to the investment criteria in the Capital Commitment Agreements, which exceptions were approved by the SPEC Board and presented to the Authority for approval on a case-by-case basis. To clarify SPEC's authority to approve such exceptions, SPEC is now requesting that the Amended and Restated Grant Agreement be further amended to formalize the exception process by allowing the SPEC Board to authorize exceptions to the investment criteria set forth in the Amended and Restated Capital Commitment Agreement upon a two-thirds vote of the SPEC Board. Authority staff has reviewed SPEC's request and supports the amendment to enhance the likelihood of attracting companies to the area, thus promoting economic development, job creation and an increased tax base in St. Lawrence County.

"In addition, the Amended and Restated Grant Agreement limited the amount of grant funds available for legal and administrative expenses to $250,000 over its term. Currently, approximately $225,000 has been expended. To date, the principal grant amount has earned $1,061,168 in interest. It is recommended that the cap on administrative expenses be increased to $500,000, with such increase to be paid out of the interest earned.

RECOMMENDATION

"It is recommended that the Trustees approve two amendments to the Amended and Restated Grant Agreement with the Seaway Private Equity Corporation to: (i) authorize the Seaway Private Equity Corporation to waive provisions of the standard-form Amended and Restated Capital Commitment Agreement upon a vote of two-thirds of its Board of Directors and (ii) increase the amount set aside for legal and administrative expenses by authorizing the Seaway Private Equity Corporation to use the interest earned on the principal for such expenses.

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

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

> **RESOLVED, That two amendments to the Amended and Restated Grant Agreement with the Seaway Private Equity Corporation ("SPEC") to: (i) authorize SPEC to waive provisions of the standard-form Amended and Restated Capital Commitment Agreement upon a vote of two-thirds of the SPEC Board of Directors and (ii) increase the amount set aside for legal and administrative expenses by authorizing SPEC to use the interest earned on the principal for such expenses, be, and hereby are, 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 Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

Discussion Agenda

2. a. President and Chief Executive Officer's Report

President Kessel said that Mr. James Yates, the Authority's Senior Vice President for Marketing and Economic Development, is retiring in August. He said he wanted to personally thank Mr. Yates for the invaluable work he has done for the Authority both before and after President Kessel's arrival. He said that the Authority's customers were also full of praise for Mr. Yates. He said that Mr. Pasquale, Mr. Michael Huvane, and the whole economic development team provided great back-up for Mr. Yates.

President Kessel said that he was going to be meeting with the Niagara County Legislature tonight. Chairman Townsend said that when President Kessel had accepted the invitation from the Niagara County Legislature, the lawsuit against the Authority and the individual Trustees had not yet been brought. He said that he had conveyed the Trustees' concerns to President Kessel, who had promised him that in the meeting he wouldn't address anything having to do with the lawsuit, but would limit his remarks to policy issues regarding Western New York in general. Trustee Eugene Nicandri said that the litigants on the other side should submit themselves to a similar questioning. Trustee Curley said that he assumed President Kessel could not postpone this meeting and expressed concern that the Authority has no control over who will be asking the questions. President Kessel said that it is critically important that the people of Western New York understand what the Authority does for them and that it is his job is to forge a good relationship with different areas of the State; that is the sole purpose of his visit. Vice Chairman Foster said that he thought President Kessel's attendance at the meeting was both inappropriate and outrageous. President Kessel said that he is a man of his word. Vice Chairman Foster said that a private-sector board of trustees would forbid a chief executive officer from participating in such a meeting. Trustee Nicandri said that in his experience the expectation that you may be sued comes with every decision you make. President Kessel said that when he was at the Long Island Power Authority ("LIPA"), LIPA was constantly being sued by Suffolk County.

President Kessel provided updates on the following:

Power for Jobs ("PFJ")

Legislation extending the program through May 15, 2010 was enacted by the legislature. Ms. Terryl Brown Clemons said that audit reports on the PFJ customers are due at the end of January 2010 and that they will need to be factored into discussions about reforming the Authority's economic development power programs. In response to a question from Vice Chairman Foster, President Kessel said that the Authority would be working with the PFJ customers' individual utilities to ensure that none of the customers lose anything because of a gap between the expiration of the former PFJ legislation on June 30, 2009 and the effective date of the new legislation. He commended Governor Paterson for getting the State Senate back into session to deal with this and other issues.

Economic Development

Yahoo! and Applications for MW: Authority staff is talking to several other companies about bringing jobs to Niagara and Erie counties. However, the Authority is limited in what it can do by the fact that it is running out of MW to allocate. Staff is looking at the applications and the available MW and will begin prioritizing the applications in September.

Energy Efficiency Initiatives: Authority staff is talking to a number of counties and towns about energy efficiency initiatives. Legislation under consideration in the State Legislature would enable the Authority to do even more of this work Statewide.

Renewable Energy Projects

Great Lakes Off-Shore Wind: Staff is reviewing the 16 responses to the Request for Expressions of Interest ("RFEI") to craft a Request for Proposals ("RFP") that should be issued by the end of the year. In response to a question from Trustee Nicandri, President Kessel said that the focus is on Lake Erie and Lake Ontario, but that if the Trustees feel it would be helpful to expand the focus, staff will take a look at that. He reminded the Trustees that this initiative is an economic development project, too. Another meeting with the stakeholders will be held in August.

LINY Offshore Wind Collaborative: The Authority has joined this collaborative, which includes New York City, the Metropolitan Transportation Authority, the Port Authority of New York and New Jersey and the New York State Energy Research and Development Authority. Responses to an RFEI are due at the end of August and an RFP should be issued by the end of the year.

100 MW Solar Project: More than 40 responses to the RFEI responses were received. The solar industry is more interested in this project than anything else that has come their way.

University of Buffalo ("UB") Solar Project: The groundbreaking for this project is scheduled for August. While a Canadian company is the primary contractor, most of the work will be done by a Western New York company.

In response to a question from Vice Chairman Foster, President Kessel said that staff was not asking the Trustees to take any action on the Hudson Transmission Partners and Hydro Quebec projects today.

Community Outreach

Upstate and Downstate:

- ***University of Buffalo solar project/Solar Liberty***
- ***Yahoo! news conference***
- ***Met with Mayors Brown of Buffalo and Dyster of Niagara Falls***
- ***Attended Lieutenant Governor swearing-in in Albany***
- ***Participated in Robert Moses State Park ribbon-cutting and St. Lawrence Seaway 50th anniversary event***
- ***PFJ bill signing with Governor Paterson in Syracuse***
- ***Met with Plattsburgh Press Republican editorial board***
- ***Met with Plattsburgh Mayor Donald Kasprzak and Plattsburgh Lighting District Director Bill Treacy***
- ***Met with Brookhaven Town Supervisor Mark Lesko on energy efficiency measures for Brookhaven Town Hall***

b. Chief Operating Officer's Report

Mr. Gil Quiniones submitted the following report:

The Authority exceeded its targets for systemwide net generation and transmission reliability in June, completing a successful first half of the year in which both projections were surpassed every month. Also during June, the Authority invested nearly $13 million in energy efficiency projects, the highest monthly total thus far in 2009.

Key Activities of the Past Month

POWER SUPPLY

Plant Performance

Total net generation in June was 2,191,943 megawatt hours (MWh), compared with the projection of 2,080,186 MWh.[1,2] The year-to-date figure through the end of June was 13,489,845 MWh, exceeding the target of 12,857,882 MWh.

The plants were available to generate electricity 99.4 percent of the time during the month, increasing the annual figure to 91.3 percent.

The systemwide unforced capacity rating for June was 97.6 percent, bringing the year-to-date figure to 97.3 percent.[3] The monthly and annual targets are 98.5 percent.

River flows at the Niagara Power Project were at the historical averages and above normal compared with the long- and short-term forecasts. Flows at the St. Lawrence-Franklin D. Roosevelt Power Project were above the historical averages and consistent with the forecasts.

Outages

Significant forced generation outages occurred in June at the dual-unit Harlem River small, clean power plant and the Charles Poletti Power Project.[4] The Harlem River outage, lasting for more than 67 hours, was due to a circuit breaker trip.[5] The outage of just over five hours at Poletti was caused by a break in the high-pressure feedwater line.[6]

Transmission Performance

For the second consecutive month, there were no forced transmission outages, keeping the year-to-date duration total at 23 hours. The 11 scheduled outages in June totaled 60 hours.

The transmission reliability rating for the month was 99.57 percent, compared with the target of 99.15 percent.[7] The-year-to-date rating stood at 97.07 percent, exceeding the target of 95.65 percent.

Transmission Initiatives

An initial benefit analysis for a conceptual transmission line to carry power from Canada and upstate renewable energy projects to New York City was submitted by Navigant Consulting in July and is under review by Authority staff. The analysis provides a general assessment of the benefits in a single year, 2018. As noted in last month's report, the conceptual project was identified in a study of transmission system improvements by the Authority and Siemens-PTI.

Meanwhile, Authority and National Grid staff members have prepared a scope of work for a joint system planning study, as well as a draft memorandum of understanding for joint transmission development. The documents resulted from meetings in May and June at which Authority and National Grid representatives discussed mutual transmission interests and the potential for combining efforts to achieve shared objectives. Authority staff plan to meet with National Grid and Con Edison to explore Con Edison's interest in this effort.

Along with the transmission initiatives, Authority staff is continuing to review potential arrangements for sales of power from Hydro-Quebec to New York State. Such arrangements have thus far been discussed at a conceptual level. The Authority and H. Q. Energy Services (U. S.) Inc., Hydro-Quebec's marketing arm in the U. S., have agreed to resume discussions after additional review by both parties. The Authority and H. Q. Energy Services (U. S.) signed a confidentiality agreement on June 12.

ENERGY SERVICES AND TECHNOLOGY

Energy Efficiency Investment

The Authority's investment of $12.7 million in energy efficiency projects during June increased the year-to-date total to $52.9 million. Overhead cost recovery for the month was 99 percent, increasing the annual figure by four percentage points, to 82 percent.

Clean Energy Benefits

The Authority provided 17,230 MWh of clean energy benefits in June, including 1,230 MWh from energy efficiency and 16,000 MWh from renewable energy projects and purchases of renewable energy attributes.[8]

The year-to-date figure through the end of June was 138,700 MWh, with 35,722 MWh from energy efficiency and 102,978 MWh from renewable energy projects and attributes. The performance for the first six months of the year put the Authority on track to surpass the annual target of 234,000 MWh.

Project Development and Management

Westchester County Department of Public Works—The Authority is working with Westchester County to install energy- efficient windows at three large county facilities in White Plains—office buildings at 148 Martine Avenue and 112 East Post Road and the Coachman Hotel Building at 123 East Post Road, which has been converted into a homeless shelter. The total installed cost is expected to be about $6 million, with annual savings of $300,000 in energy expenses. Installation at the Coachman site is substantially complete, while work at the other two locations is in progress.

New York City Housing Authority, Bayview Houses (Staten Island)—This $785,740 project entails installing energy-efficient lighting in the apartment units, common areas and a maintenance/office building at the 23-building complex. Annual energy cost savings of more than $130,850 are anticipated. Work is largely complete in many apartments and common areas.

New York State Office of General Services, Perry B. Duryea, Jr. State Office Building, Hauppauge, Suffolk County—A combined-heat-and-power project, including a fuel cell and a supplementary natural-gas-

fueled generator, is expected to begin operation this summer as the latest in a series of Authority energy efficiency and clean energy initiatives that began at this building in the early 1990s. The $5.3 million project will supply heat and power to the building during normal operation and prolonged utility outages, with anticipated savings of $267,000 a year and an annual reduction of about 2,150 tons of carbon dioxide emissions. The fuel cell was unveiled at a June 12 news conference attended by President Kessel; State Senator John Flanagan; Paul Larrabee, Office of General Services first deputy commissioner and Kevin Law, Long Island Power Authority president and chief executive officer.

New York State Office of General Services, Cultural Education Center, Albany—Construction is scheduled to begin by the end of July on this $443,440 project to replace the outdoor lighting at the New York State Cultural Education Center, housed in the State Museum at the Empire State Plaza. Savings of more than $90,000 a year are anticipated, along with annual reductions of about 410 tons of carbon dioxide emissions.

Salem Central School District (Washington County)—Construction has begun on this $2.33 million project, which is expected to provide annual savings of more than $123,000 and reduce emissions of carbon dioxide by about 470 tons a year. The work includes installation of energy efficient windows, roof insulation and controls, lighting and sensors.

Advancing Clean Technologies

White Plains Office Fuel Cell—A contract has been awarded to Harbour Mechanical for the installation of an advanced 200-kilowatt fuel cell adjacent to the Authority's administrative office building in White Plains. The contractor will mobilize in August, with installation scheduled to be completed in October. Waste heat from the fuel cell will provide heating and cooling for the building's lobby, while the electricity it produces will supplement the facility's power supply. The fuel cell, fabricated by UTC Power, will be a "beta" model of the company's new cell stack technology, which will double the stack life of the previous model to 10 years.[9]

100-Megawatt Solar Project—A total of 40 responses were received to the Authority's Request for Expressions of Interest (RFEI) in a public-private partnership to install up to 100 megawatts of solar photovoltaic systems at various facilities throughout the State.[10] ***The responders included solar power developers,***

renewable energy trade groups and Authority customers. As a follow-up to this encouraging response, Authority staff intends to issue a Request for Proposals (RFP) to potential developers in the fall.[11]

Oneida-Madison Electric Cooperative Green Circuit Project—The Authority is working with the Electric Power Research Institute and the Oneida-Madison Electric Cooperative to install energy-efficient circuits on the cooperative's distribution system.[12] Authority staff is evaluating technology options to minimize losses on selected circuits while improving distribution system reliability and protecting the environment through enhanced efficiency.

MARKETING AND ECONOMIC DEVELOPMENT

Power for Jobs and Energy Cost Savings Benefits Extensions

On July 13, Governor Paterson signed legislation extending the Power for Jobs and Energy Cost Savings Benefits programs through May 15, 2010.[13,14] President Kessel attended the signing ceremony at Byrne Dairy in Syracuse, a Power for Jobs participant.

The programs had expired on June 30, but enactment of the new legislation was delayed because of the leadership dispute in the State Senate. Authority staff is attempting to identify measures to provide benefits to program participants for the period between June 30 and July 13. Other current efforts include obtaining re-enrollment applications from participants and working with the state's electric utilities to make entry or re-entry into the programs as seamless as possible.

POWER RESOURCE PLANNING AND ACQUISITION

Great Lakes Offshore Wind Project

An Authority staff team is reviewing the 16 responses received in June to the RFEI for the Great Lakes Offshore Wind Project. As a first step in preparing an RFP to potential developers, the team will complete an analysis of major issues raised by responders to the RFEI. Staff hopes to issue the RFP in November.

Long Island-New York City Offshore Wind Project

As anticipated, a Request for Information concerning the Long Island-New York City Offshore Wind Project was issued on June 30.[15] Responses are due on August 31, and an RFP is expected to be issued to potential developers by the end of the year.

New York City, Westchester County Medium-Term Supplies

The Authority is preparing to issue an RFP to provide economical energy to serve the Authority's governmental customers in New York City and Westchester County, beginning as soon as Jan. 1, 2010. The Authority is seeking 300 to 500 megawatts, preferably for three to five years. Bidders may offer energy, as well as capacity, from designated plants, and/or financial instruments for managing the customers' electricity costs.[16]

Staff will consult with the customers in reviewing the bids, which will be due about three weeks after issuance of the RFP. This will continue an extensive cooperative process that began with joint review and customer approval of the RFP.

Although previous reports have referred to the RFP as relating only to the New York City customers, the initiative has been expanded to also include the Westchester governmental entities.

OFFICE OF THE CHIEF OPERATING OFFICER

Federal Stimulus Package

The Authority submitted two Letters of Intent to the U. S. Department of Energy (DOE) on July 16 stating that it plans to seek federal stimulus funding for two projects under DOE's $3.4 billion Smart Grid Investment Grant Program.

In one project, the Authority proposes to replace the two synchronous condensers at the St. Lawrence-Franklin D. Roosevelt Power Project with a new static VAR compensator and capacitor bank combination system.[17,18,19] The initiative would enhance smart grid capabilities by using digital communications and automated controls to monitor power characteristics, detect localized disruptions and changes in power flows and manage and modify voltage levels.[20]

The other proposed project would involve a complete upgrade of the computer controls and semiconductor switches for the convertible static compensator at the Authority's Marcy Substation.1[21]

Applications for funding for the two projects are due August 6.

In addition to these two Authority-led projects, the Authority is supporting Hudson Transmission Partners' application for funding the smart-grid components of the transmission line from New Jersey that will connect New York City to the PJM system. The Authority is also supporting the New York Independent System Operator's applications for funding for fiber optic backbone and phasor measurement unit projects that will enhance real-time communication and reliability on the transmission system.[22,23]

ANTICIPATED DEVELOPMENTS OVER THE NEXT SIX MONTHS

POWER SUPPLY

Life Extension and Modernization Programs

Planning will intensify in the months ahead for a Life Extension and Modernization program at the Niagara Power Project's Lewiston Pump-Generating Plant.[24] A staff team has been established to undertake this effort. Current plans call for a program to be presented for the Trustees' consideration in the third quarter of next year.

As reported last month, work on the fourth and final unit as part of the LEM at the Blenheim-Gilboa Pumped Storage Power Project will begin in September, while refurbishment of the 12th of the 16 units at the St. Lawrence-Franklin D. Roosevelt Power Project is scheduled for completion by the end of the year.

GLOSSARY

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

[2] Megawatt hour—The amount of electricity needed to light 10,000 l00-watt light bulbs for 1 hour. A megawatt is equal to 1,000 kilowatts and can power about 800 homes, based on national averages.

[3] Unforced capacity rating—All power plants have an installed capacity, or ICAP, meaning the amount of power they could generate under perfect conditions. Since conditions are not always perfect and plants are shut down, there is a second measurement, called the unforced capacity, or UCAP, which is how much power a plant actually can produce. For New York State power plants, this measurement is influenced by the amount of time a plant is forced out of service when it is called into service through the New York Independent System Operator to provide energy.

[4] Outage—The removal of a power plant or transmission line from service. Outages may be scheduled for purposes such as anticipated maintenance, or forced by unexpected events. A significant forced or emergency outage of an individual generating unit is an event of more than 72 hours in duration, entailing a repair cost of more than $75,000 or resulting in more than $50,000 of lost revenues. A significant forced or emergency outage of an individual transmission line is an event that directly affects the reliability of the State's transmission network, or the availability of any component of the network, for more than eight hours or has a repair cost of more than $75,000.

[5] Circuit breaker—A device that connects and disconnects a generator from the electric grid.

[6] High-pressure feedwater line—A component that supplies high-pressure, high-temperature water to the boiler, where it is converted into steam used to drive the turbine-generator to produce electricity.

[7] Transmission reliability rating—A measurement of the impact of forced and scheduled outages on the statewide system's ability to transmit power.

[8] Renewable energy attributes—The environmental, social and economic features of renewable energy that may be sold separately from the energy itself; the Authority obtains such attributes on behalf of its New York City governmental customers.

[9] Fuel cell stack—A group of fuel cell components in which hydrogen is combined with oxygen to produce electricity and water in a virtually emission-free process.

[10] Request for Expressions of Interest—A document issued to prospective vendors and contractors in the early phases of a project to obtain preliminary information on the nature and cost of the services they provide and to determine their potential interest in bidding on the project.

[11] Request for Proposals—A formal solicitation of bids for a project; it may or may not be preceded by a Request for Expressions of Interest or a Request for Information.

[12] Electric Power Research Institute (EPRI)—The electric power industry's international research and technology organization. The Authority has long been active in EPRI and has collaborated with the organization on a number of major initiatives.

[13] Power for Jobs—A program begun in 1997 through which the Authority obtains electricity for businesses and non-profit organizations or provides them with reimbursement payments. About 320,000 jobs throughout the state were supported by Power for Jobs and the Energy Cost Savings Benefits programs at the time the programs expired on June 30. An updated jobs total awaits processing of applications for the recently extended programs.

[14] Energy Cost Savings Benefits—An initiative begun under 2005 legislation in which the Authority protects certain business customers from bill increases that resulted from higher market prices. These customers previously received power under various programs from the James A. FitzPatrick Nuclear Power Plant, which the Authority sold to Entergy Corp. in 2000.

[15] Request for Information—A document issued to prospective vendors and contractors in the early phases of a project to obtain preliminary information on the nature and cost of the services they provide.

[16] Energy and capacity—Energy, in this context, is the amount of electricity that is used by a customer in a given time period; it is usually expressed in megawatt hours or kilowatt hours. Capacity, as used here, is the share of a power plant's output that is contractually reserved for a customer; it is usually expressed in megawatts or kilowatts.

[17] Synchronous condensers—Motors that help support voltage at a specified level.

[18] Static VAR compensator—A high-power electronics-based controller used for automatic control of voltage, helping to stabilize the power grid.

[19] Capacitor bank—A collection of individual capacitor units that can store an electrical charge and are used to support system voltage.

[20] Voltage—A measurement of the force that pushes electricity through a transmission line, much as water is forced through a hose. The performance of a transmission line, especially those of medium length or longer, depends on maintaining voltage at certain levels. The maximum amount of power a line can transmit is reduced as voltage decreases.

[21] Convertible static compensator—A sophisticated device for controlling voltage and power flows on transmission lines to increase the capability of an existing transmission system. In a pioneering effort, the Authority completed installation in 2004 of the $54 million convertible static compensator at the Clark Energy Center's Marcy Substation as the most advanced of a series of technologies known as FACTS (Flexible Alternating Current Transmission Systems). The project, which also included the addition of conventional equipment at other substations, boosted the capability of the New York State system by nearly 200 megawatts without the need to build new lines. The Authority's convertible static compensator was the first transmission control device in the world to permit the instantaneous transfer of power between two lines in the same substation.

[22] Fiber optic backbone—Fiber optic cables installed on transmission lines to enhance the transfer of real-time data.

[23] Phasor measurement unit—A component that measures the electrical waves on the electric grid to determine the health of the system.

[24] Life Extension and Modernization (LEM) program—A major Authority initiative to ensure that a particular power project operates at maximum efficiency far into the future. In LEM programs currently under way at the St. Lawrence-Franklin D. Roosevelt and Blenheim-Gilboa projects, the turbines are being replaced and the generators and other components significantly refurbished.

Chairman Townsend said that Mr. Quiniones does a great job of keeping the Trustees apprised with weekly reports.

c. Chief Financial Officer's Report

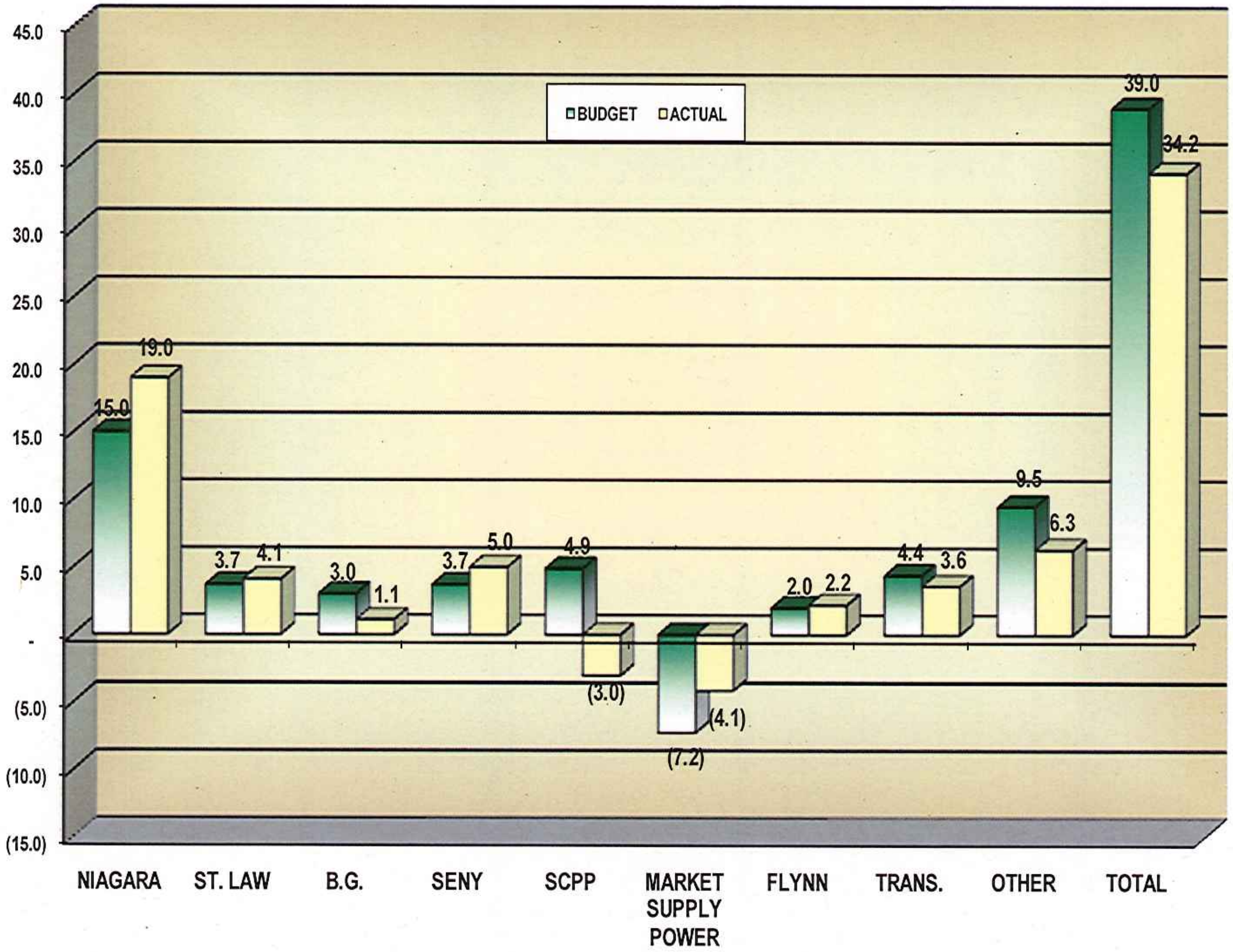
Mr. Joseph Del Sindaco presented highlights of the report to the Trustees. In response to a request from Chairman Townsend for a brief mid-year update, Mr. Joseph Del Sindaco said that the Authority's net revenues for the year should be close to the $280 million forecast, although the proposal for Western New York stimulus money could change this. Responding to a question from Vice Chairman Foster, Mr. Del Sindaco said that even though market prices are off by 25% and revenues are down $175 million to date this year, generation levels are above the forecast and that staff anticipates prices to increase. Mr. Arnold Bellis said that one of the reasons staff is predicting that the Authority will meet its revenue target is that for its economic development programs the Authority is an energy buyer, rather than an energy seller, so the lower market prices there offset the lower prices the Authority is receiving as an energy seller. He said that on a net-net basis, therefore, the impact of lower market prices is not as great as might be expected. Responding to a question from Trustee Nicandri about transmission initiatives, Mr. Quiniones said that the Authority has already signed a Memorandum of Understanding with National Grid about the Canada-to-New York project. Authority staff is scheduled to meet with Con Edison and the Long Island Power Authority at the end of August about this initiative. Mr. Quiniones said that staff is making good progress on the technical analysis. In response to another question from Trustee Nicandri about the status of the Authority's Life Extension and Modernization ("LEM") projects, Mr. Quiniones said that the 12th of 16 units at St. Lawrence and the last unit at Blenheim-Gilboa are scheduled to be replaced in September. Staff is in the planning stages for extending the life of and modernizing the Lewiston Pump Generating Plant at Niagara, the last LEM project that will take place at an Authority generation asset. These projects have all gone very well and have been completed ahead of schedule, either at or below budget. Mr. Quiniones said that the Power Supply business unit should be given credit for these results.

NEW YORK POWER AUTHORITY

REPORT OF THE CHIEF FINANCIAL OFFICER

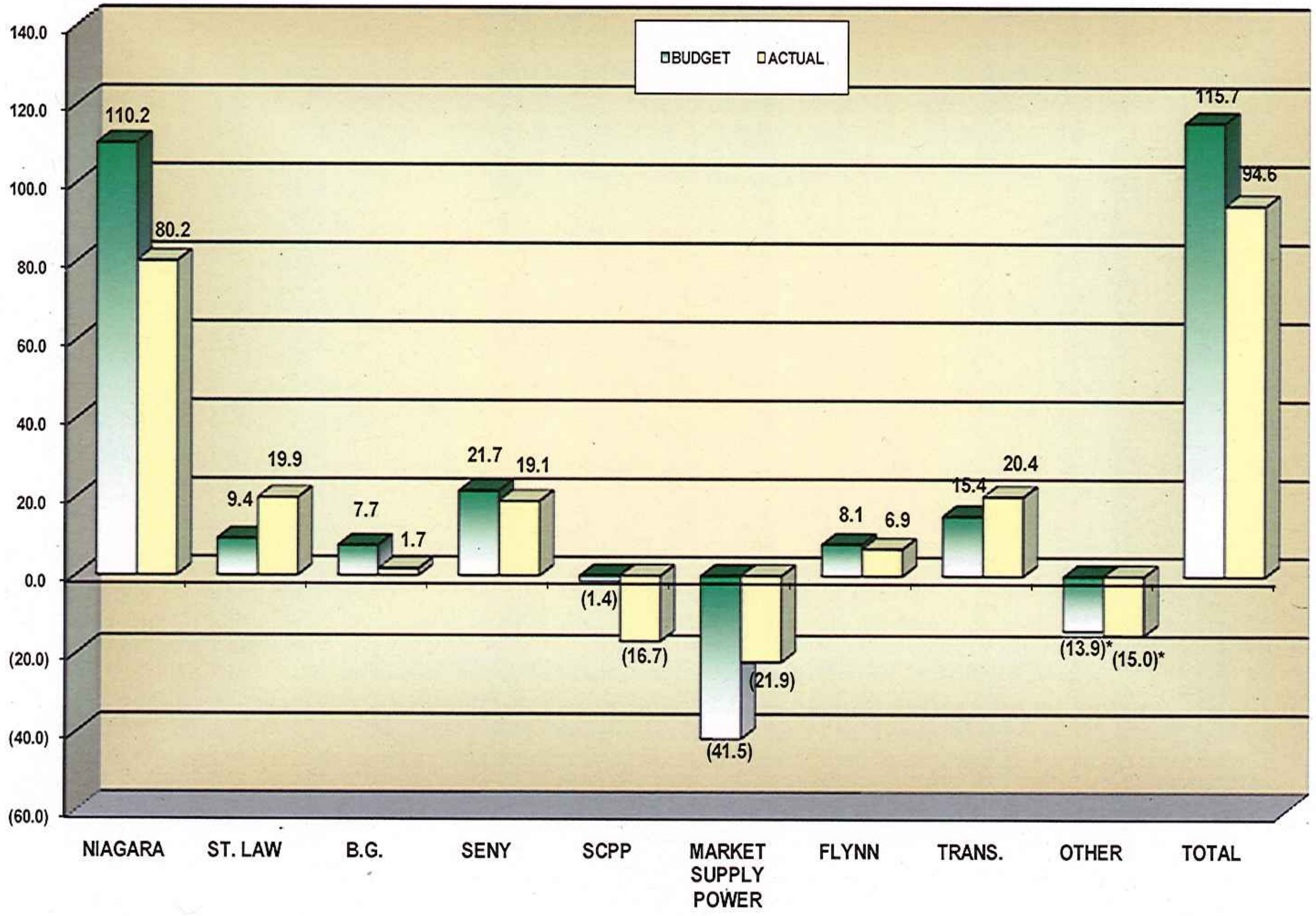
FOR THE SIX MONTHS ENDED JUNE 30, 2009

Net Income By Facility
June 2009
($ in millions)



Major Factors	Better (Worse)
Niagara	
Higher ISO revenues and lower purchased power costs.	$ 4.0
Blenheim-Gilboa	
Lower market based sales (84% lower production).	(1.9)
SCPP's	
Lower market-based sales and higher O&M (unplanned outage Harlem River #2).	(7.9)
MSP	
Lower purchased power costs (due to lower prices) partially offset by lower revenues.	3.1
Other	
Primarily mark-to-market loss on investments (higher market interest rates).	(3.2)
Misc.	1.1
Total	**$ (4.8)**

Net Income By Facility
Six months ended June 30, 2009
($ in millions)

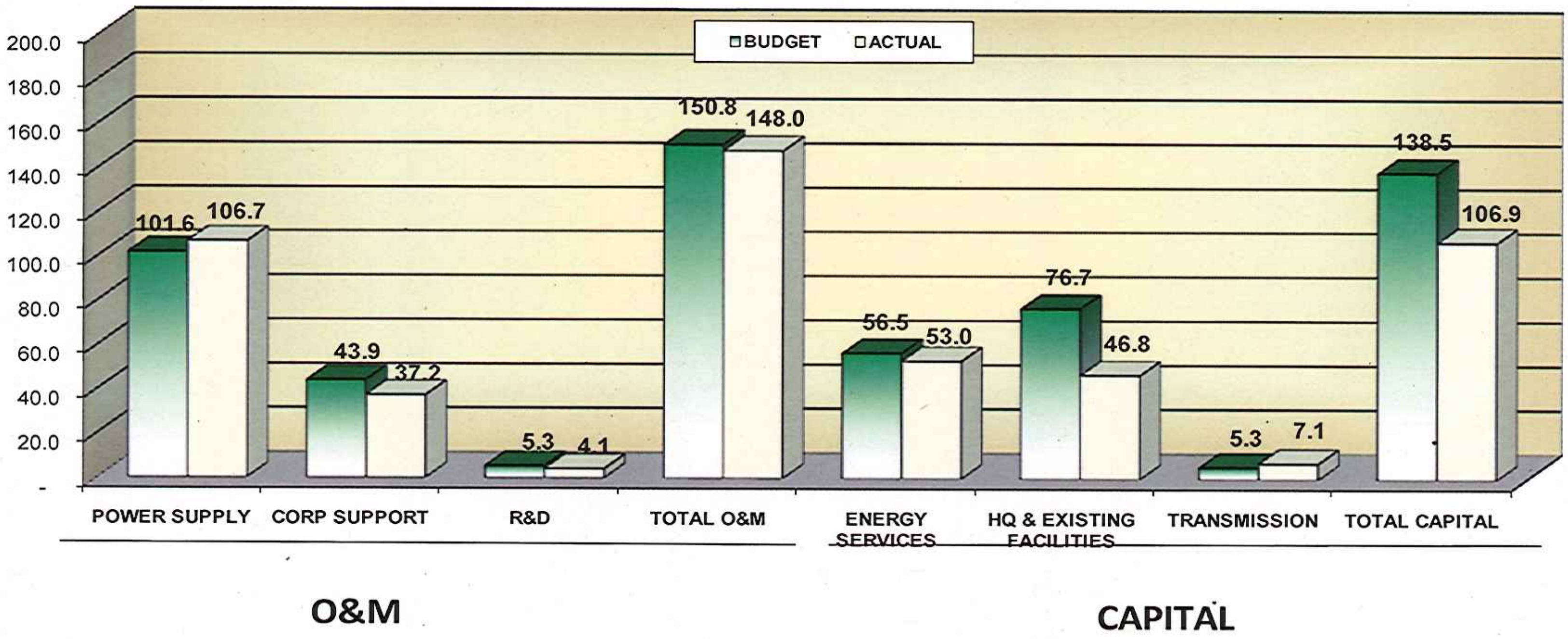


*Includes $70 million contribution to NY state (Actual & Budget).

Major Factors	Better (Worse)
Niagara**	
Primarily lower revenues on market-based sales for energy and regulation service.	$ (30.0)
St. Lawrence	
Higher market based sales & lower purchased power (15% higher production).	10.5
Blenheim-Gilboa	
Lower market-based sales due to lower production.	(6.0)
SCPP's	
Primarily lower market based sales partially offset by lower fuel costs.	(15.3)
MSP	
Lower purchased power (lower prices) partially offset by lower revenues.	19.6
Other	
Higher mark-to-market loss offset by realized gains on the sale of investment securities and lower debt costs.	(1.1)
Misc.	1.2
Total	$ (21.1)

**** Approximately 75% of this variance is due to lower market prices. The remainder is due to a timing difference in interruptible sales to out of state customers that is expected to reverse during the remainder of the year.**

O&M and Capital Expenditures
Six months ended June 30, 2009
($ in millions)



- Through June , O&M expenses were $2.8 lower than the budget.

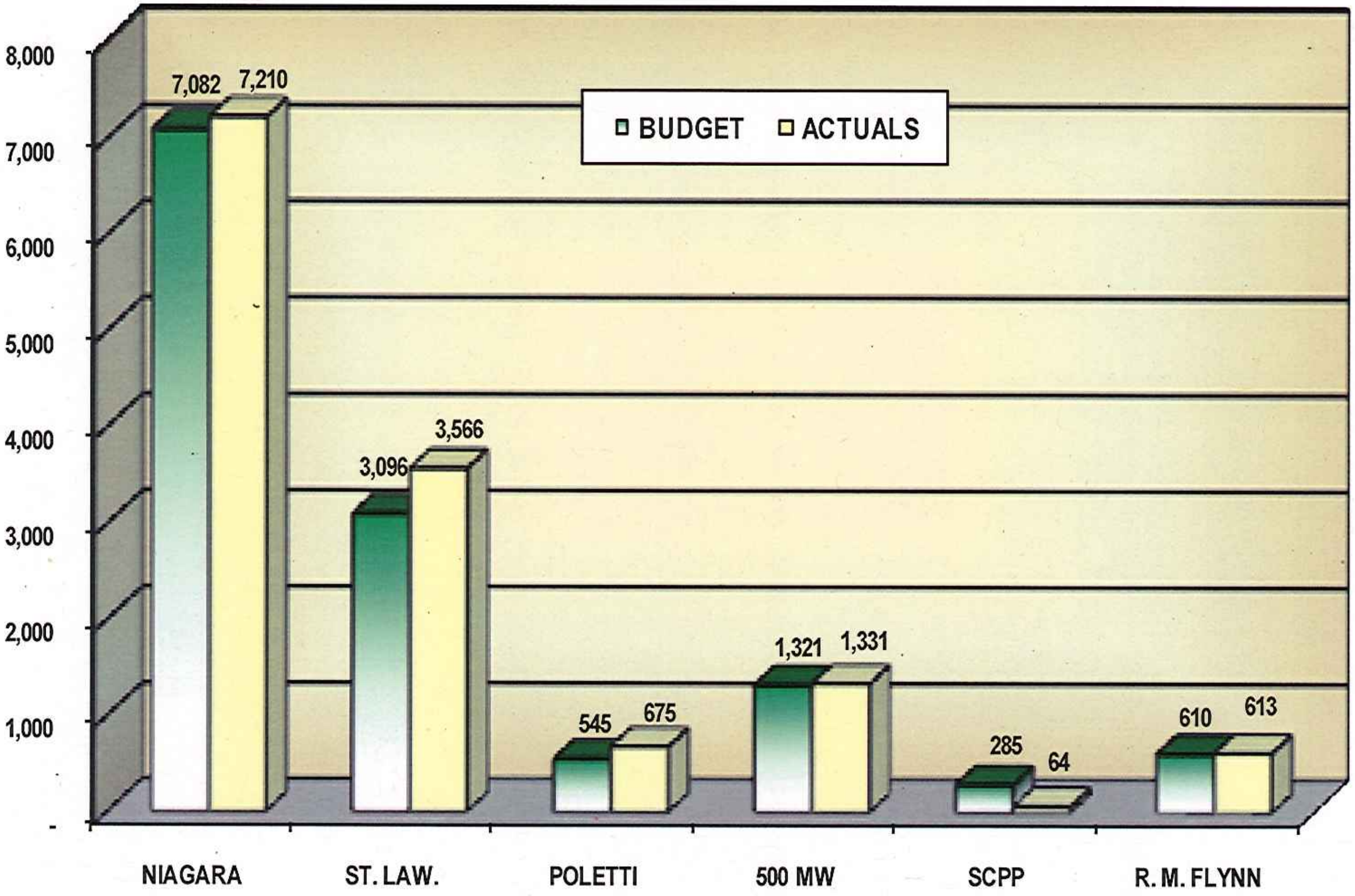
- Corporate Support expenses were under budget by $6.7 due mostly to under spending for IT computer hardware, software and consulting services.

- Power supply expenditures were $5.1 higher than budgeted primarily at the SCPP's and 500MW facility. O&M for the SCPP's included expenditures for an unplanned outage at Harlem River #2. The 500MW facility overrun was due to emergent contractor and material costs associated with the repairs to the unit 7A stator vanes.

- Lower capital expenditures at HQ and Existing Facilities were primarily due to delays in various projects such as the St. Lawrence LEM and Breaker Replacement . Energy Service expenditures were under budget due to timing differences.

- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of $14.8 for 2009. There were no new expenditures authorized this month.

GENERATION
YTD June 2009
(MWH in thousands)

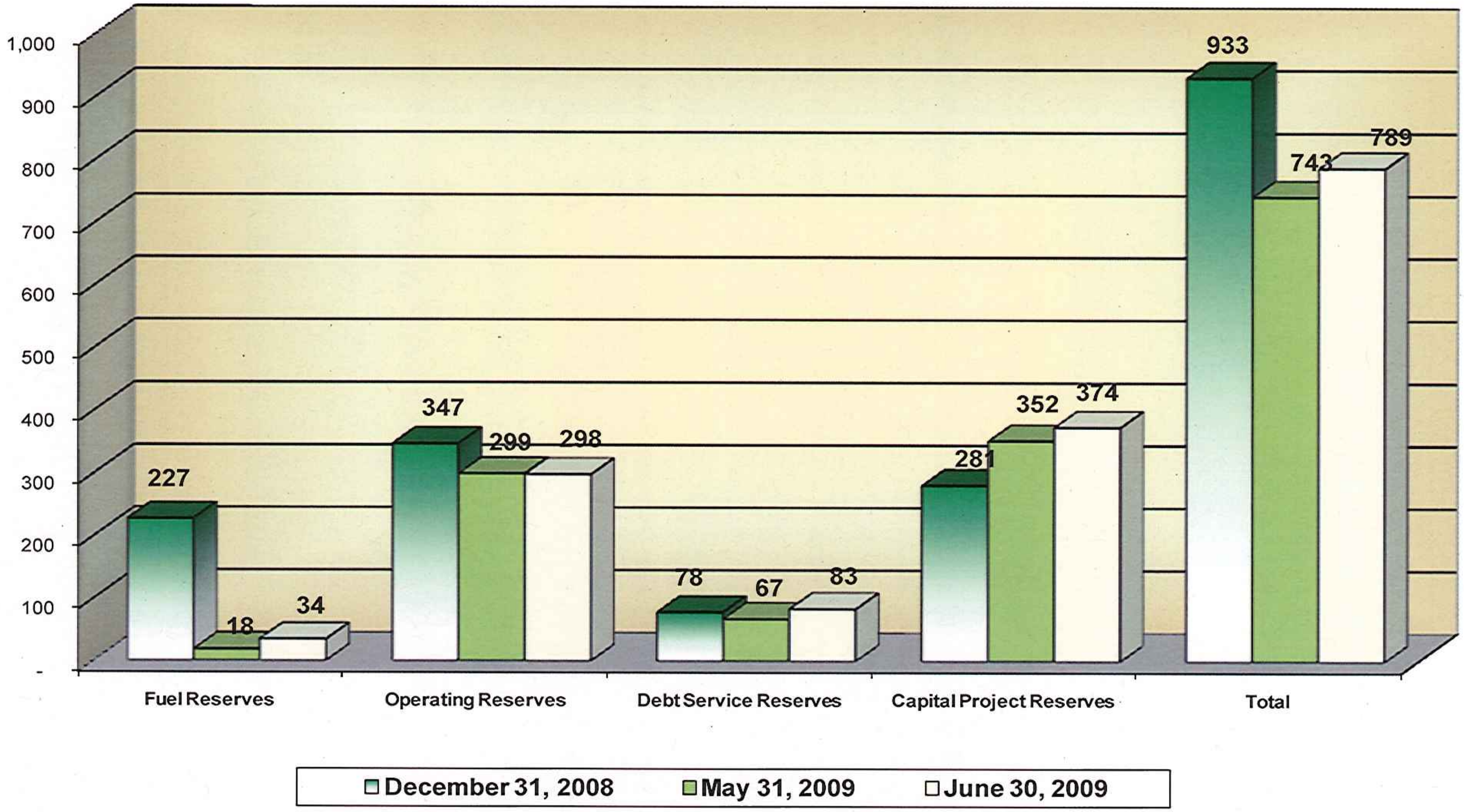


GENERATION
MONTH OF JUNE 2009

	BUDGET	ACTUAL	%
NIAGARA	1,068	1,105	3%
ST. LAW	530	634	20%
POLETTI	120	55	-54%
500MW	199	283	42%
SCPP	89	8	-91%
FLYNN	102	101	-1%
BG	(40)	(7)	-82%
SM. HYDRO	12	13	13%
Total	2,080	2,192	5%

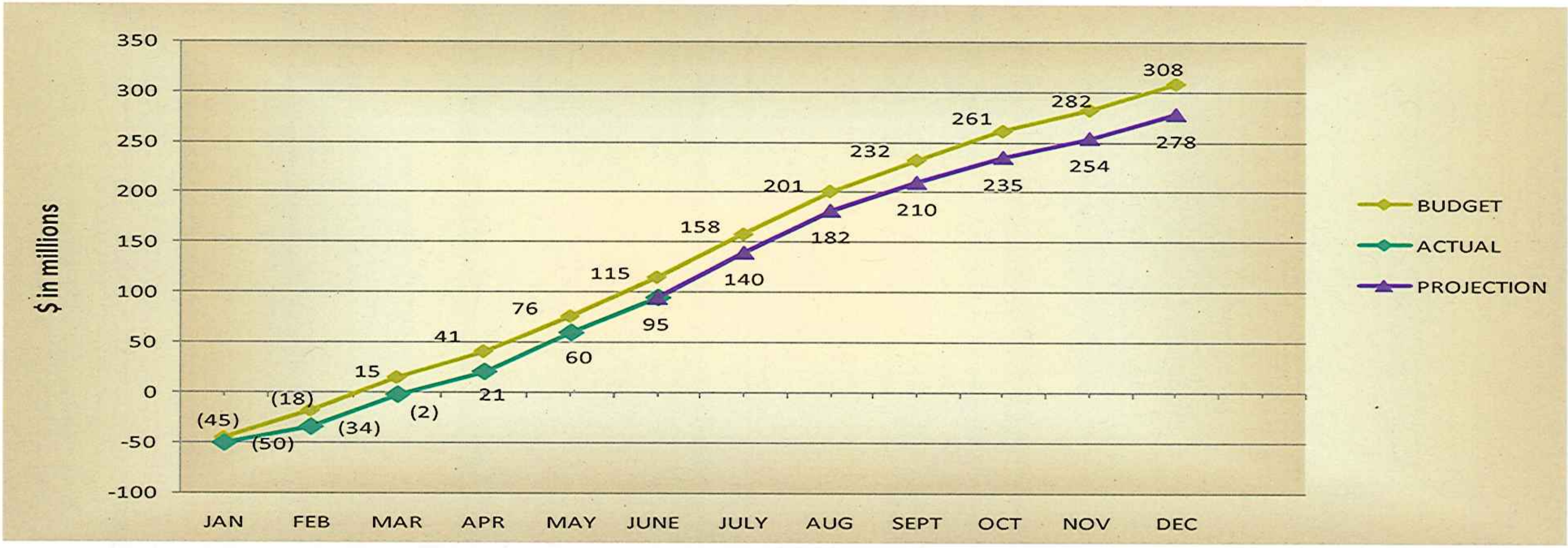
Production for June was 5% higher than anticipated resulting in 5% higher generation year-to-date. Through June, generation was higher at Poletti, St. Lawrence, and Niagara, partially offset by lower production at the SCPP's and the small hydro facilities.

Operating Fund
As of June 30, 2009
($ in millions)



The year-to-date decrease in the fuel reserve balance resulted primarily from a $215 Temporary Asset Transfer to NY State as authorized by the Trustees on February 3, 2009. The June balance of $34 represents $70 allocated to the Energy Hedging Reserve Fund less $37 being held by counterparties as collateral for commodity futures contracts, plus $1 for Nuclear Spent Fuel.

Net Income Projection
Year ended December 31, 2009
($ in millions)



Major Assumptions:

- 2009 hydro generation is projected to be slightly above budget. Niagara generation is currently forecast at 1% above budget, and St. Lawrence generation is expected to be 10% above budget. A drop in market prices (down 25%) is the primary driver of a $62 decrease in Niagara net income. In addition, the use of expansion power revenues to reduce bills via an Industrial Incentive Award contributed to Niagara's decline in net income. As for St. Lawrence, lower market prices and the North Country Stimulus program are mitigated by higher generation and increased sales into the ISO market, with a year end projected net income of $10 above budget.

- The Market Supply Power segment, a net buyer of market-based energy, benefits from the drop in market prices. MSP net income for 2009 reflects an improvement of $50, with the overall estimated 2009 net loss for this market sector of $27. With the extension of the Power for Jobs program through May 15, 2010, the Authority has been authorized to provide an additional voluntary contribution to the State's General Fund in the amount of $12.5. This amount has now been included in the projection.

- Blenheim-Gilboa year-end projected net income is under budget by $8 due to lower market prices and reduced net generation.

- The Small Clean Power Plants' 2009 net income is approximately $16 below budget due to lower market prices and reduced generation.

- A high water flow scenario (21.8 TWh) would result in net income of $318. A low water flow scenario (20.4 TWh) would yield net income of $254.

STATEMENT OF NET INCOME
For the Six Months Ended June 30, 2009
(in Millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable
	Operating Revenues			
$2,081.9	Customer	**$911.0**	**$1,005.6**	**($94.6)**
805.4	Market-based power sales	282.1	351.9	(69.8)
62.3	Ancillary services	20.0	37.9	(17.9)
88.0	NTAC and other	51.6	45.3	6.3
955.7	Total	**353.7**	**435.1**	**(81.4)**
3,037.6	**Total Operating Revenues**	**1,264.7**	**1,440.7**	**(176.0)**
	Operating Expenses			
1,060.3	Purchased power	434.1	510.7	76.6
516.5	Fuel consumed - oil & gas	181.7	238.0	56.3
95.8	Ancillary services	34.8	47.1	12.3
441.6	Wheeling	179.5	190.3	10.8
304.5	Operations and maintenance	148.0	150.8	2.8
160.7	Depreciation and amortization	80.9	80.4	(.5)
115.0	Other expenses	62.4	60.2	(2.2)
(10.4)	Allocation to capital	(3.7)	(4.8)	(1.1)
2,684.0	**Total Operating Expenses**	**1,117.7**	**1,272.7**	**155.0**
353.60	**Net Operating Revenues**	**147.0**	**168.0**	**(21.0)**
	Nonoperating Revenues			
89.8	Post nuclear sale income	52.1	52.1	-
43.9	Investment income	22.3	20.4	1.9
(3.7)	Mark to market - investments	(9.0)	(1.8)	(7.2)
130.0	**Total Nonoperating Revenues**	**65.4**	**70.7**	**(5.3)**
	Nonoperating Expenses			
70.0	Contributions to New York State	70.0	70.0	-
105.7	Interest and other expenses	47.8	53.0	5.2
175.7	**Total Nonoperating Expenses**	**117.8**	**123.0**	**5.2**
(45.7)	**Net Nonoperating Income (Loss)**	**(52.4)**	**(52.3)**	**(.1)**
$307.9	**Net Income (Loss)**	**$94.6**	**$115.7**	**($21.1)**

COMPARATIVE BALANCE SHEETS
June 30, 2009

Assets		**June 2009**	**June 2008**	**December 2008**
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	807.5	876.9	961.1
	Interest receivable on investments	5.3	18.4	7.1
	Accounts receivable - customers	155.3	296.3	159.0
	Materials and supplies, at average cost:			
	Plant and general	81.8	84.3	84.5
	Fuel	29.4	32.2	38.6
	Prepayments and other	176.5	155.6	188.6
	Total Current Assets	**1,255.9**	**1,463.8**	**$1,439.0**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	843.9	966.4	811.8
	Other	99.6	89.8	99.8
	Total Restricted Funds	**943.5**	**1,056.2**	**911.6**
Capital Funds	Investment in securities and cash	190.7	236.7	215.2
	Total Capital Funds	**190.7**	**236.7**	**215.2**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,361.1	3,420.0	3,370.6
	Construction work in progress	129.8	143.3	157.6
	Net Utility Plant	**3,490.9**	**3,563.3**	**3,528.2**
Other Noncurrent Assets	Receivable - NY State	215.0	-	-
	Deferred charges, long-term receivables and other	522.3	532.1	503.3
	Notes receivable - nuclear plant sale	162.4	174.1	182.2
	Total other noncurrent assets	**899.7**	**706.2**	**685.5**
	Total Noncurrent Assets	**5,524.8**	**5,562.4**	**5,340.5**
	Total Assets	**$6,780.7**	**$7,026.2**	**$6,779.5**
Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	$866.5	$863.3	$924.8
	Short-term debt	258.7	256.4	272.5
	Total Current Liabilities	**1,125.2**	**1,119.7**	**1,197.3**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,231.6	1,385.0	1,233.0
	Adjustable rate tender notes	137.5	144.0	144.0
	Commercial paper	421.5	473.6	469.0
	Total Long-term Debt	**1,790.6**	**2,002.6**	**1,846.0**
Other Noncurrent Liabilities	Nuclear plant decommissioning	843.9	966.4	811.8
	Disposal of spent nuclear fuel	215.6	214.0	215.5
	Deferred revenues and other	144.0	279.2	142.0
	Total Other Noncurrent Liabilities	**1,203.5**	**1,459.6**	**1,169.3**
	Total Noncurrent Liabilities	**2,994.1**	**3,462.2**	**3,015.3**
	Total Liabilities	**4,119.3**	**4,581.9**	**4,212.6**
Net Assets	Accumulated Net Revenues - January 1	2,566.8	2,268.4	2,268.4
	Net Income	94.6	175.9	298.5
	Total Net Assets	**2,661.4**	**2,444.3**	**2,566.9**
	Total Liabilities and Net Assets	**$6,780.7**	**$7,026.2**	**$6,779.5**

3. Authorization to Revise Extendible Municipal Commercial Paper Notes Reset Rate and Increase Maximum Amount of Series 1 Extendible Municipal Commercial Paper Notes to $200 Million

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize: (1) a revision to the calculation of the Extendible Municipal Commercial Paper ('EMCP') Notes' 'Tax-Exempt Reset Rate' to reflect current market conditions; and (2) an increase in the maximum amount of the Series 1 EMCP Notes that can be issued and outstanding to $200 million from the current authorization of $100 million.

BACKGROUND

"At their meeting on December 17, 2002, the Trustees adopted the Resolution Authorizing Extendible Municipal Commercial Paper Notes, which authorized the issuance of Series 1 EMCP Notes in an amount not to exceed $50 million. Due to the success of the program, the Trustees, at their April 26, 2005 meeting, adopted a Supplemental Resolution authorizing an increase in the amount of Series 1 EMCP Notes that can be issued and outstanding to a maximum of $100 million. The Series 1 EMCP Notes may be issued to:

(1) refund, redeem or defease any Revenue Bond or Subordinate Revenue Bond;
(2) refund, redeem or defease any Extendible Municipal Commercial Paper Note;
(3) refund or defease any other Authority Commercial Paper ('CP') Note;
(4) pay for the costs of issuance of the Series 1 Extendible Notes, any other Extendible Municipal Commercial Paper Note or any CP Note;
(5) pay costs of construction of the Small Clean Power Plants;
(6) pay costs of construction of the 500 MW Plant;
(7) pay any costs of the Authority's Energy Services and Technology programs; and
(8) for any other purpose authorized by the Trustees.

"To date, $100 million of the Series 1 EMCP Notes have been issued and $85 million are currently outstanding.

DISCUSSION

EMCP Reset Rate

"The Series 1 EMCP Notes are tax-exempt notes that were initially issued in 2003 and have been well received by the investor community. The Series 1 EMCP Notes do not require a revolving credit agreement or any other agreement to provide liquidity support as the investor provides liquidity for the Notes up to a maximum period of 270 days. The Notes are initially issued for a period of 1 to 90 days (the 'Original Maturity Date') at a rate determined on the initial issue date. On the Original Maturity Date, the Notes may be remarketed or paid down by the Authority. The Authority has the option to extend the maturity date of the Notes, which it likely would do in the event of a failed remarketing. If the Notes' maturity date is extended beyond their Original Maturity Date, the Notes would bear interest after the Original Maturity Date at a formulaic rate defined as the Tax-Exempt Reset Rate ('Reset Rate') up to a period of 270 days.

"The current Reset Rate is a function of the Securities Industry and Financial Markets Association Municipal Swap Index ('SIFMA'), which is calculated weekly, and the variable '*E*,' which is a fixed percentage rate expressed in basis points (each basis point being 1/100th of 1%) that is determined based on the ratings on the Series 1 EMCP Notes. The current Reset Rate is defined as:

(1.35 x SIFMA) + *E*

Prevailing Rating Fitch	 Moody's	 S&P	 *E* Variable
F-1+	P-1	A-1+	100 bps
F-1	--	A-1	150
F-2	P-2	A-2	200
F-3	P-3	A-3	300
Lower than F-3 (or rating withdrawn)	Lower than P-3 (or rating withdrawn)	Lower than A-3 (or rating withdrawn)	400

Due to lessons learned from failures in the Auction Rate market, investors today are requiring higher Reset Rates in order to properly compensate them for the perceived risk of having to hold notes longer than anticipated. Current market conditions call for a Reset Rate based on the higher of SIFMA + *E* or the Variable '*F*' shown below, but not to exceed a maximum of 12% per annum.

Higher of (SIFMA + *E)* or *F*

Prevailing Rating Fitch	 Moody's	 S&P	 *E* Variable	 *F* Variable
F-1+	P-1	A-1+	300 bps	7.00%
F-1	--	A-1	400	8.00%
F-2	P-2	A-2	600	9.00%
F-3	P-3	A-3	800	10.00%
Lower than F-3 (or rating withdrawn)	Lower than P-3 (or rating withdrawn)	Lower than A-3 (or rating withdrawn)	1200	12.00%

"In order to maintain a deep investor base for the EMCP Notes program and continue its success, staff is recommending that the Resolution Authorizing Extendible Municipal Commercial Paper Notes be amended to reflect this modification.

Increase in EMCP Notes to $200 Million

"The Authority's Commercial Paper Program is authorized pursuant to the Resolution Authorizing Commercial Paper Notes ('Resolution') adopted by the Authority on June 28, 1994, as subsequently amended and supplemented. The Resolution authorizes the issuance of general obligation notes known as 'Power Authority Commercial Paper Notes,' which may be issued as separate series of Notes from time to time in accordance with the provisions of the Resolution. Currently, three series of Commercial Paper Notes, designated as Series 1, Series 2 and Series 3, have been authorized and are outstanding. A fourth series, Series 4 Notes, is authorized, but no Series 4 Notes are currently outstanding. Series 1 and Series 2 consist of Notes, the interest on which is excluded from gross income for federal income tax purposes ('Tax-Exempt Notes'), and Series 3 consists of Notes, the interest on which is not excluded from gross income for federal income tax purposes. The Resolution authorizes the issuance of Series 1 Notes up to a maximum amount of $400 million, Series 2 Notes up to a maximum amount of $450 million, Series 3 Notes up to a maximum amount of $350 million and Series 4 Notes up to a maximum amount of $220 million. As of June 30, 2009, a combined total of $595.2 million was outstanding under the Series 1, 2 and 3 programs.

"In accordance with the Commercial Paper Notes Resolution, the Authority has a line of credit under a revolving credit agreement ('RCA') to provide liquidity support for the Commercial Paper Notes. The RCA is with a syndicate of banks, providing $775 million of liquidity support through January 31, 2011 with authorization to extend for a period of one year. On May 6, 2009, Standard & Poor's ('S&P') Rating Services downgraded the short-term ratings of two of the seven syndicate banks, Landesbank Baden-Wuerttemberg ('LBBW') and Bayerische Landesbank ('BLB'), to A-2 from A-1. While S&P has maintained an A-1 rating on the Authority's Commercial

Paper Notes program, should Moody's Investors Service or Fitch Ratings also downgrade the short-term rating of LBBW or BLB, many investors such as money market funds would be prohibited from purchasing the Authority's Commercial Paper Notes, which would result in increased interest costs, as well as potential remarketing failures.

"In order to mitigate these risks, staff is seeking authorization to further diversify its debt portfolio by increasing the amount of Series 1 EMCP Notes that may be issued up to a maximum of $200 million. Staff would then have the flexibility to reallocate up to $115 million of Commercial Paper Notes to EMCP Notes ($100 million in new authorization plus $15 million of unused capacity in the current authorization). This action, combined with the unused capacity under the current Commercial Paper RCA, would be sufficient to release both LBBW and BLB from their commitments under the line, thereby preserving the program rating at the highest short-term rating. This action is also expected to reduce interest costs on the Commercial Paper Notes program by 30-40 basis points, or about $1.9 million per annum, as investors are already demanding increased compensation for risk associated with LBBW and BLB.

FISCAL INFORMATION

"Remarketing Fees associated with the $100 million in additional EMCP Notes would be 11 basis points, which are approximately 14 basis points less than the combined cost of the CP Notes' remarketing fees and the costs of the supporting RCA. Overall savings of approximately $2.3 million in costs for the Commercial Paper Notes and EMCP Notes programs are expected due to reduced liquidity support fees, as well as reduced interest costs resulting from an increase in credit quality of the remaining banks providing liquidity support.

RECOMMENDATION

"The Treasurer recommends that the Trustees authorize: (1) a revision to the calculation of the Extendible Municipal Commercial Paper Notes Tax-Exempt Reset Rate to reflect current market conditions; and (2) an increase in the maximum amount of Series 1 Extendible Municipal Commercial Paper Notes that can be issued and outstanding to $200 million.

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

Mr. Brian McElroy presented the highlights of staff's recommendation to the Trustees. In response to a question from Vice Chairman Foster about the difficulty of replacing two banks, Mr. McElroy said that if the Authority opted to replace the two banks with different banks, as opposed to reducing the Commercial Paper program and relieving the banks of their commitments under the Revolving Credit Agreement ("RCA"), all of the commitments under the RCA would be re-priced at extremely expensive rates.

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

> **RESOLVED, That the Trustees adopt the Supplemental Resolution Authorizing Extendible Municipal Commercial Paper Notes, attached hereto as Exhibit "3-A," which authorizes an increase in the maximum amount of Series 1 Extendible Municipal Commercial Paper Notes that may be issued and be outstanding to $200 million and authorizes revisions to the Tax-Exempt Reset Rate as discussed in the foregoing report of the President and Chief Executive Officer; and be it further**

RESOLVED, That the Executive Vice President and Chief Financial Officer, the Senior Vice President – Corporate Planning and Finance and the Treasurer be, and each of them hereby is, authorized to execute such amendments to the existing dealer agreement for the Series 1 Extendible Municipal Paper Notes as such officer deems necessary or advisable to effectuate the intent of the foregoing resolution, subject to the approval thereof by the Executive Vice President and General Counsel; and be it further

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

July 28, 2009
Exhibit “3-A”

POWER AUTHORITY OF THE STATE OF NEW YORK

SECOND SUPPLEMENTAL RESOLUTION

AMENDING AND SUPPLEMENTING A RESOLUTION
OF THE AUTHORITY AUTHORIZING EXTENDIBLE MUNICIPAL COMMERCIAL PAPER NOTES ADOPTED
DECEMBER 17, 2002 AS AMENDED AND SUPPLEMENTED BY A SUPPLEMENTAL RESOLUTION DATED
APRIL 26, 2005

Adopted on July 28, 2009

July 28, 2009

SECOND SUPPLEMENTAL RESOLUTION

WHEREAS, on December 17, 2002, the Power Authority of the State of New York (the "Authority") adopted a Resolution (the "Resolution") pursuant to the terms of which the Authority authorized the issuance of the Series 1 EMCP Notes in an amount not to exceed $50,000,000;

WHEREAS, on April 26, 2005 the Authority adopted a Supplemental Resolution (the "Supplemental Resolution", together with the Resolution, the "EMCP Resolution") pursuant to the terms of which the Authority increased the aggregate principal amount of the Series 1 EMCP Notes that may be outstanding under the EMCP Resolution at any time to $100,000,000;

WHEREAS, pursuant to Section 602 of the EMCP Resolution the Authority may modify or amend the EMCP Resolution at any time by a supplemental resolution, without notice to or the consent of any Holder, to increase the aggregate principal amount of the Extendible Municipal Commercial Paper Notes that may be outstanding thereunder at any time;

WHEREAS, the Authority has determined to amend Section 301 of the EMCP Resolution to authorize an outstanding principal amount of $200,000,000 Series 1 EMCP Notes;

WHEREAS, pursuant to Section 602 of the EMCP Resolution the Authority may modify or amend the EMCP Resolution at any time by a supplemental resolution, without notice to or the consent of any Holder, to make such provisions as shall not materially and adversely affect the interests of the Holders of Extendible Municipal Commercial Paper Notes then outstanding;

WHEREAS, the Authority has further determined to amend the definition of "Tax-Exempt Reset Rate" in the EMCP Resolution for all Extendible Municipal Commercial Paper Notes issued on or after a date to be specified in writing by an authorized officer of the Authority (the "Commencement Date");

WHEREAS, in order to accomplish the foregoing the Authority has determined to amend the EMCP Resolution in the manner herein provided;

BE IT RESOLVED by the Power Authority of the State of New York that the EMCP Resolution is hereby amended as follows:

ARTICLE I

DEFINITIONS

Section 101. Definitions. (A) Except as provided in paragraph (B) of this Section 101 and Section 202, all terms which are defined in the EMCP Resolution, including by cross-reference, or in the General Resolution, shall have the same meanings in this Second Supplemental Resolution.

(B) In this Second Supplemental Resolution (herein referred to as the “Second Supplemental Resolution”), unless a different meaning clearly appears from the context, “General Resolution” means the Authority’s General Resolution Authorizing Revenue Obligations adopted on February 24, 1998, as supplemented and amended.

ARTICLE II

AMENDMENTS TO RESOLUTION

Section 201. Section 301 of the EMCP Resolution is amended and supplemented so that the third sentence of such section reads as follows (strikeout indicates deletion; double underlining indicates new language):

> Subject to Section 602, the principal amount of all Series 1 EMCP Notes outstanding at any time shall not exceed ~~$100,000,000~~ $200,000,000.

Section 202. Section 101(B)(35) of the EMCP Resolution is amended and supplemented so that such section reads as follows (double underlining indicates new language):

> “Tax-Exempt Reset Rate” means,
>
> (a) for Tax-Exempt Extendible Municipal Commercial Paper Notes issued before the Commencement Date (as such term is defined below), a rate of interest per annum determined by the following formula:
>
> $$(1.35 \times BMA) + E$$
>
> As used in the formula, the BMA variable will be the BMA Index and the *E* variable will be a fixed percentage rate expressed in basis points (each basis point being equal to 1/100 of one percent) that is determined based on the Prevailing Ratings, as follows:

Prevailing Rating			
Fitch	**Moody's**	**S&P**	**E Variable**
F-1+	**P-1**	**A-1+**	**100 basis points**
F-1	**-**	**A-1**	**150 basis points**
F-2	**P-2**	**A-2**	**200 basis points**
F-3	**P-3**	**A-3**	**300 basis points**
Lower than F-3 (or rating discontinued)	**Lower than P-3 (or rating discontinued)**	**Lower than A-3 (or rating discontinued)**	**400 basis points**

If the Prevailing Ratings would indicate different E variables as a result of split ratings assigned to the Authority, the E variable will be the arithmetic average of those indicated by the Prevailing Ratings; and

(b) for Tax-Exempt Extendible Municipal Commercial Paper Notes issued on or after the Commencement Date (as defined below), a rate of interest per annum up to a maximum of 12% determined by the following formula:

The higher of (SIFMA + *E)* or *F*

As used in the formula, the SIFMA variable will be the SIFMA Index (as defined below) and the *E* and *F* variables will be fixed percentage rates expressed in basis points (each basis point being equal to 1/100 of one percent) and yields, respectively, that are determined based on the Prevailing Ratings, as follows:

Prevailing Rating				
Fitch	**Moody's**	**S&P**	***E* Variable**	***F* Variable**
F-1+	**P-1**	**A-1+**	**300 basis points**	**7.00%**
F-1	**-**	**A-1**	**400 basis points**	**8.00%**
F-2	**P-2**	**A-2**	**600 basis points**	**9.00%**
F-3	**P-3**	**A-3**	**800 basis points**	**10.00%**
Lower than F-3 (or rating withdrawn)	**Lower than P-3 (or rating withdrawn)**	**Lower than A-3 (or rating withdrawn)**	**1200 basis points**	**12.00%**

If the Prevailing Ratings would indicate different E variables as a result of split ratings assigned to the Authority, the E variable will be the arithmetic average of those indicated by the Prevailing Ratings.

As used in this paragraph (b), "SIFMA Index" means the Securities Industry and Financial Markets Association Municipal Swap Index, a seven-day high-grade market index composed of selected tax-exempt variable-rate demand obligations meeting specific criteria. The SIFMA Index is calculated weekly and released each Wednesday afternoon. If at any time the SIFMA Index is not available, there shall be used in its place such index as the Issuing and Paying Agent (upon consultation with the Dealer) from time to time determines most closely approximates the SIFMA Index.

As used in this Section 101(B)(35), "Commencement Date" shall mean a date specified in writing by an Authorized Officer of the Authority after which the above definition of Tax-Exempt Reset Rate shall apply; such date being no earlier than July 28, 2009.

The Reset Rate applicable to a Extendible Municipal Commercial Paper Note will be determined by the Issuing and Paying Agent based on the Prevailing Ratings and other information available as of 11:00 a.m., New York time, on its Original Maturity Date and each Thursday thereafter and will apply through the following Wednesday.

ARTICLE III

MISCELLANEOUS

Section 301. Further Authority. The Chairman, Vice Chairman, President and Chief Executive Officer, Chief Operating Officer, Executive Vice President and General Counsel, Executive Vice President and Chief Financial Officer, Senior Vice President-Corporate Planning and Finance, Treasurer, or Deputy Secretary of the Authority, or any Authorized Officer (as defined in the General Resolution) are each hereby authorized to execute such documents and certifications as may be necessary to give effect to this supplemental resolution.

Section 302. Effective Date. This Supplemental Resolution shall be in full force and effect upon its adoption.

4. Procurement (Services) Contract – Independent Accounting Services

The Chairman of the Audit Committee submitted the following report:

SUMMARY

"The Trustees are requested to approve a procurement contract to provide independent accounting services, including the annual audit of the Authority's financial records and other services, as may be required, for a five-year period (2009-2013). The contract will provide for a limit of $1.6 million for all services.

BACKGROUND

"Section 2879 of the Public Authorities Law and the Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year. The Public Authority Accountability Act of 2005 provides that the Audit Committee must recommend to the board the hiring of a certified independent accounting firm. At their meeting of April 27, 2004, the Trustees approved the award of a contract to Ernst & Young LLP ('E&Y'), for auditing and other services, for five years (2004-2008). That contract will expire on July 31, 2009.

DISCUSSION

"In accordance with the Authority's Procurement Guidelines, a request for competitive bids was posted on the Authority's website and published in the New York State Contract Reporter on March 30, 2009 for independent accounting services covering a five-year period (2009-2013). The audit services will include preparation of the following reports: (1) opinion on the Authority's financial statements; (2) opinion on the Authority's schedule of investments; (3) review of the Authority's internal control over financial reporting and compliance with the State Comptroller's investment guidelines and the Authority's investment guidelines; and (4) review of the Authority's compliance with Office of Management and Budget ('OMB') Circular A-133 requirements. The Authority may request the successful bidder to perform other audit services (for example, reviews of debt-offering statements) and non-audit services (for example, reviews of internal process and procedural matters).

"The Authority received bids from KPMG LLP ('KPMG'), E&Y, Virchow Krause & Company ('Virchow Krause') and The Bonadio Group. A summary of the bid prices and average annual number of hours received from the bidders follows:

Bidder	**Average Annual # of Hours**	**Five-Year Total ($000)**
KPMG	**1,650**	**$1,562.2**
E&Y	**1,350**	**$1,778.5**
Virchow Krause	**1,650**	**$1,847.0**
The Bonadio Group	**2,650**	**$1,974.2**

"As noted above, KPMG's total price for all services over the five-year period is the lowest of the four bids by a significant margin. KPMG's price was 12% ($216,000) lower than E&Y, 15% ($285,000) lower than Virchow Krause and 21% ($412,000) lower than The Bonadio Group. KPMG has proposed a maximum guaranteed price to perform the annual audit and related services ($1,356.2K). The cost of other services will vary based on the level of activity (e.g., debt offerings, etc.).

"KPMG has a very large national auditing practice with significant experience in the utility and government sectors. As Long Island Power Authority's ('LIPA') auditor for the past several years, KPMG has extensive experience auditing a large public power entity in New York State. In addition, KPMG serves several utility clients in the Northeast, including Northern New England Energy Corporation, Vermont Gas Systems, Inc. and Green Mountain Power Corporation, and also serves as the auditor for the New York Independent System Operator ('NYISO'). KPMG also has a large number of government clients in the State. It serves as the primary auditor for the State of New York and as the auditor for numerous New York State agencies and authorities. The firm has an in-depth understanding of and extensive experience in addressing complex technical issues in such areas as utility industry deregulation, NYISO energy transactions, accounting for derivatives and accounting for the effects of certain types of regulation. KPMG has proposed to assign personnel with significant utility experience to serve the Authority.

"Based on the foregoing, the Audit Committee recommends award of a contract to KPMG, the lowest-priced bidder that meets the bid requirements and has the qualifications to perform the services.

FISCAL INFORMATION

"Payments over the term of the contract will be made from the Operating Fund.

RECOMMENDATION

"The Audit Committee recommends that the Trustees approve the award of a five-year contract to KPMG LLP to perform the annual audit of the Authority's financial records and perform other services for the years 2009 through 2013 in an amount not to exceed $1.6 million for all services."

Trustee Curley presented the highlights of the Audit Committee's recommendation to the Trustees that KPMG be issued a contract to serve as the Authority's independent auditor for the next five years. Vice Chairman Foster said that Ernst & Young ("E&Y") has done a great job for the Authority, but that KPMG's services would cost 12% less than the price quoted by E&Y and be of equal quality. Trustee Elise Cusack said that price was an important factor in KPMG being chosen as the Authority's new independent auditor and that sometimes change is good. Vice Chairman Foster said that, while KPMG is also LIPA's independent auditor, any global firm has similar conflicts. Chairman Townsend said that he had some trepidation about KPMG since they are also auditors for New York State. Mr. Bellis said that staff would make the contract with KPMG and that they have no concerns. Mr. Del Sindaco said that staff has spoken extensively with the Audit Committee members about this issue. Trustee Curley said that when the Audit Committee vote had been taken, he had voted for E&Y. He said that it's one thing for the firm to represent LIPA but in this situation the same people at KPMG would be working with the Authority. He said that his vote was not a negative vote for KPMG but rather was a positive vote for E&Y, which is thoroughly knowledgeable about the Authority's $500+ million in temporary transfers and voluntary contributions to the State Treasury. He said that the Audit Committee vote had been 2 to 1 in favor of KPMG. President Kessel said that when he was at LIPA, he worked very closely with KPMG but that he had not been involved in this selection process. Responding to a question from Chairman Townsend, Ms. Brown

Clemons said that the Audit Committee was recommending to the full Board that the Trustees approve the issuance of a contract to KPMG.

The following resolution, as submitted by the Chairman of the Audit Committee, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and provisions of the Public Authority Accountability Act of 2005, the award and funding of a multiyear procurement contract to KPMG LLP is hereby approved for the period of time indicated, as recommended in the foregoing report from the Chairman of the Audit Committee, in the amount and for the purpose listed below:

O&M	**Projected Closing Date**	**Contract Approval**
Independent Accounting Services		
KPMG LLP	**6/30/14**	**Not to exceed $1,600,000**

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

5. Motion to Conduct an Executive Session

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

6. Motion to Resume Meeting in Open Session

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

7. Reaffirmation of Temporary Transfer of Funds to the State Treasury

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to reaffirm that the temporary transfer of $103 million to the State's general fund, conditionally approved by the Trustees at their meeting of February 3, 2009, remains feasible and advisable and to authorize such transfer of funds pursuant to the terms of a Memorandum of Understanding ('MOU') dated February 23, 2009 between the State, acting by and through the Director of the Budget of the State, and the Authority.

BACKGROUND

"Pursuant to pre-existing legislative authorizations, the Authority's Trustees, in January 2009, approved a voluntary contribution in the amount of $119 million and such payment was made by the Authority on January 30, 2009. In February 2009, the Authority's Trustees, contingent upon the passage of authorizing legislation, approved the execution of the MOU and approved the first temporary asset transfer in the amount of $215 million, which transfer was completed by March 26, 2009. The Trustees also authorized, contingent upon the passage of authorizing legislation, the second temporary asset transfer of $103 million to be made within 180 days of the enactment of the 2009-10 State Budget and approved the payment of the additional voluntary contribution of $107 million by March 31, 2010, with the condition that the payment of these latter two amounts required the Trustees' reaffirmation prior to the actual transfer and contribution in order to consider if the release of such funds remains 'feasible and advisable' and in conformance with the requirements of the Authority's Bond Resolution. On February 4, 2009, the New York State Legislature passed legislation expressly authorizing the payments the Trustees approved on February 3, 2009. N.Y. Laws Ch. 2.

"At the time of the February 2009 Trustee actions, staff reviewed the effects of both the legislatively authorized voluntary contribution and the temporary asset transfers against the Authority's expected cash position and reserve requirements. The primary business criteria staff used to evaluate the potential transfers are that: (a) the Authority maintains an adequate debt service coverage ratio (at or above the median coverage ratio for comparable wholesale public power systems) and (b) the Authority maintains in total 100 days' worth of cash on hand to continue to provide for adequate liquidity. Based on that review, the schedule of payments and transfers was not expected to violate the above criteria assuming the Authority achieves all its financial and operating goals during this period.

DISCUSSION

"Over the past several months, the Authority's financial and operating goals have produced results slightly below budget but well within the criteria described above. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, and the other voluntary contributions being considered by the Trustees, staff is of the view that it is feasible for the Authority to make the asset transfer of $103 million during September 2009 under the terms and conditions contemplated in the MOU without compromising the financial integrity of the Authority.

FISCAL INFORMATION

"Staff has determined that sufficient funds will be available to transfer $103 million to the State's general fund during September 2009, as contemplated by the MOU, and that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's Bond Resolution. For financial reporting purposes, the Authority, following generally accepted accounting principles, will record the funds advanced to the State as a long-term receivable.

RECOMMENDATION

"The Senior Vice President – Corporate Planning and Finance recommends that the Trustees reaffirm that the transfer to the State Treasury of $103 million is feasible and advisable and authorize such transfer during the month of September 2009, but no later than September 28, 2009.

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

Mr. Donald Russak presented the highlights of staff's recommendations to the Trustees. Trustee Nicandri said that for the reasons he stated at the February 2009 Trustees' Meeting, he was voting in favor of the temporary transfer.

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

> **RESOLVED, That the Trustees hereby deem the payment to the State Treasury of $103 million from the Authority's Operating Fund feasible and advisable and authorize such payment to be made during the month of September 2009 but no later than September 28, 2009, pursuant to the terms of the Memorandum of Understanding between the State, acting by and through the Director of the Budget of the State, and the Authority, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the amount of $103 million to be used for the temporary transfer to the State Treasury described in the foregoing resolution is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further**
>
> **RESOLVED, That as a condition to making the payment specified in the foregoing resolutions, on the day of such payment the Senior Vice President – Corporate Planning and Finance or the Treasurer shall certify that such monies are not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further**
>
> **RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Corporate Planning and Finance, the Vice President – Controller, the Corporate Secretary, the Treasurer and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolutions, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

8. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, September 29, 2009, at 11:00 a.m. in Rochester New York, at a place to be determined,** unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

On motion made and seconded, the meeting was adjourned by the Chairman at approximately 2:55 p.m.

Karen Delince
Corporate Secretary