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

May 26, 2010

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Minutes of the Regular Meeting of the Power Authority of the State of New York held via telephone conference at the Hilton Garden Inn, 51 Arnot Road, Elmira, New York, at approximately 11:05 a.m.

Members of the Board present were:

Michael J. Townsend, Chairman
Jonathan F. Foster, Vice Chairman
D. Patrick Curley, Trustee
Eugene L. Nicandri, Trustee
Mark O'Luck, Trustee

Richard M. Kessel	President and Chief Executive Officer
Gil C. Quiniones	Chief Operating Officer
Terryl Brown	Executive Vice President and General Counsel
Francine Evans	Executive Vice President, Chief Administrative Officer and Chief of Staff – President's Office – WPO
Elizabeth McCarthy	Executive Vice President and Chief Financial Officer
Edward A. Welz	Executive Vice President and Chief Engineer – Power Supply
Bert J. Cunningham	Senior Vice President – Corporate Communications
Angelo Esposito	Senior Vice President – Energy Services and Technology
Paul Finnegan	Senior Vice President – Public, Governmental and Regulatory Affairs
James F. Pasquale	Senior Vice President – Marketing and Economic Development
Donald A. Russak	Senior Vice President – Corporate Planning and Finance
Joan Tursi	Senior Vice President – Enterprise Shared Services – WPO
Paul Belnick	Vice President – Energy Services
John L. Canale	Vice President – Project Management
Michael Huvane	Vice President – Marketing
Patricia Leto	Vice President – Procurement – WPO
Karen Delince	Corporate Secretary
Joseph Leary	Executive Director – Corporate Community Affairs
Michael Saltzman	Director – Media Relations – WPO
Timothy Muldoon	Manager – Business Power Allocations and Compliance – WPO
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
John Briggs	Manager – Purchase and Warehouse – Niagara
Mike Flynn	Photographer – Video and Photographic Services
Chris Isca	Contractor – Corporate Communications
Barbara Brenner	Attorney – White Brenner Group
Earl Wells	Public Relations Counsel – EZ Communications
Eric J. Gustavson	Attorney – Local Government Task Force
Robert McNeil	Member – Local Government Task Force
Andy McMahon	Massena Electric Department
Mark Scott	Supervisor – Town of Waddington

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

1. <u>Consent Agenda</u>

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 the previous week.

President Richard Kessel said that, in the interest of full disclosure, several of the law firms being recommended for contracts in item 1e (Request for Proposal for Legal Services) had done work for the Long Island Power Authority ("LIPA") when he had been there. In addition, several Power for Jobs customers were also customers.

a. **Approval of the Minutes**

The Minutes of the Annual Meeting held on March 23, 2010 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 payments (rebates) for 46 Power for Jobs ('PFJ') customers listed in Exhibit '1b-A.' The 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 companies listed in Exhibit '1b-B-1.' These companies have been evaluated for Restitution and are due a payment. The Trustees have approved similar extended benefit payments at past Trustees' meetings.

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 that 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 who chose to extend their PFJ electric service contract beyond January 1, 2007 but terminated their service on June 30, 2007, June 30, 2008, or on or after June 30, 2009.

DISCUSSION

"At its meeting on May 17, 2010, 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 25,000 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 $3.9 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 PFJ electricity 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 14 additional customers for Restitution. Of those, 4 customers are eligible for Restitution payment and are presented for approval as listed in Exhibit '1b-B-1.' The 10 customers 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 $3.9 million. Payments will be made from the Operating Fund. To date, the Trustees have approved $216.4 million in rebates.

"Funding of restitution payments for the companies listed in Exhibit '1b-B-1' is not expected to exceed $850,000. Payments will be made from the Operating Fund. This is the seventh payment request to date, which will bring the total approved for PFJ Restitution payments to $6.6 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 Senior Vice President – Marketing and Economic Development recommend that the Trustees approve the payment of electricity savings reimbursements to the Power for Jobs customers listed in Exhibit '1b-A' and PFJ Restitution to the customers listed in Exhibit '1b-B-1.'

"The Executive Vice President and General Counsel 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 $3.9 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 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 $850,000 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, 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.

May 26, 2010
Exhibit "1b-A"

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)	Type	Service
1	Northeast Solite Corp.	Mount Marion	Ulster	CHGE	600	60	57	-3	-5%	Yes	600	Large	Manufactures nonmetallic mineral products
	Total Central Hudson		**Subtotal**	**1**	**600**	**60**	**57**				**600**		
2	American Cancer Society	New York	New York	Con Ed	80	25	73	48	192%	Yes	80	NFP	Social services provider
3	Bank of New York	New York	New York	Con Ed	4,700	6,813	6,299	-514	-8%	Yes	4,700	Large	Banking services
4	Jacmel Jewelry, Inc.	Long Island City	Queens	Con Ed	170	266	251	-15	-6%	Yes	170	Small	Makes & ships fine jewelry
5	Kingsbrook Jewish Medical Center	Brooklyn	Kings	Con Ed	1,200	1,910	1,837	-73	-4%	Yes	1,200	NFP	Not for profit medical & research institution
6	Pepsi Cola Bottling Company	College Point	Queens	Con Ed	2,200	1,003	1,098	95	9%	Yes	2,200	Large	Manufacturer & distributor of soft drinks
	Total Con-Ed		**Subtotal**	**5**	**8,350**	**10,017**	**9,558**				**8,350**		
7	American Technical Ceramics	Huntington Station	Suffolk	LIPA	200	386	289	-97	-25%	Yes*	200	Small	Ceramic capacitor
8	John Hassall, Inc.	Westbury	Nassau	LIPA	450	101	96	-5	-5%	Yes	450	Large	Aerospace specialty metal fasteners
9	Madelaine Chocolates	Rockaway Beach	Queens	LIPA	575	415	417	2	0%	Yes	575	Large	Manufactures chocolate
10	Maloya Laser Inc.	Commack	Suffolk	LIPA	75	27	23	-4	-15%	Yes*	75	Small	Metal cutting and shaping
11	Silver Lake Cookie Co.	Islip	Suffolk	LIPA	400	195	196	1	1%	Yes	400	Large	Manufacturer of specialty cookies
	Total LIPA		**Subtotal**	**5**	**1,700**	**1,124**	**1,021**				**1,700**		
12	Albany Molecular Research, Inc.	Albany	Albany	N. Grid	600	404	398	-6	-1%	Yes	600	Large	Pharmaceutical & organic research
13	AMRI Rensselaer, Inc	Rensselaer	Rensselaer	N. Grid	1,000	253	267	14	6%	Yes	1,000	Large	Active pharmaceutical ingredients mfg.
14	Applied Energy Solutions	Caledonia	Livingston	N. Grid	300	62	48	-14	-23%	Yes*	300	Small	Industrial battery chargers
15	Bank of New York	Oriskany	Oneida	N. Grid	500	801	796	-5	-1%	Yes	500	Large	Banking services
16	Bestway Enterprises	Cortland	Cortland	N. Grid	75	71	60	-11	-15%	Yes*	75	Small	Lumber products
17	Cascades Tissue Group	Waterford	Saratoga	N. Grid	530	204	286	82	40%	Yes	530	Large	Large industrial towel manufacturer
18	Cooper Hand Tools	Cortland	Cortland	N. Grid	1,330	118	103	-15	-13%	Yes*	1,330	Large	Metal machining and casting
19	Corning, Inc. (Canton)	Canton	St. Lawrence	N. Grid	1,500	238	173	-65	-27%	Yes	1,500	Large	Optical fiber, glass, and ceramic products
20	Dal Tile Corporation	Olean	Cattaraugus	N. Grid	1,000	218	263	45	21%	Yes	1,000	Large	Ceramic tile
21	Eastman Machine Company	Buffalo	Erie	N. Grid	300	98	87	-11	-11%	Yes*	300	Small	Industrial textile cutting equipment
22	Edward John Noble Hospital	Gouverneur	St. Lawrence	N. Grid	100	237	230	-7	-3%	Yes	100	NFP	Healthcare center
23	Finch Pruyn & Company Inc.	Glen Falls	Warren	N. Grid	5,000	834	758	-76	-9%	Yes	5,000	Large	Produces uncoated paper
24	Ford Motor Company	Buffalo	Erie	N. Grid	5,000	1,140	949	-191	-17%	Yes*	5,000	Large	Automotive components stamping
25	Gehring Tricot Corp.	Dolgeville	Herkimer	N. Grid	450	99	90	-9	-9%	Yes	450	Large	Dyeing & finishing of knitted fabrics
26	Helmont Mills	St. Johnsville	Montgomery	N. Grid	250	95	77	-18	-19%	Yes*	250	Small	Knitted fabric production

May 26, 2010
Exhibit "1b-A"

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)	Type	Service
27	McLane Eastern	Baldwinsville	Onondaga	N. Grid	800	801	650	-151	-19%	Yes*	800	Large	Wholesale grocery distributor
28	Met Weld International, LLC	Altamont	Albany	N. Grid	100	60	64	4	7%	Yes	100	Small	Industrial equipment
29	Paul Bunyan Products, Inc.	Preble	Cortland	N. Grid	150	24	23	-1	-4%	Yes	150	Small	Hardwood lumber components and pallets
30	PCI Paper Conversions, Inc.	Syracuse	Onondaga	N. Grid	400	222	134	-88	-40%	Yes*	400	Large	Printed materials & adhesive manufacturing
31	Power Pallet	Schenectady	Schenectady	N. Grid	250	112	123	11	10%	Yes	250	Small	Produces wood pallets & skids
32	Precious Plate, Inc.	Niagara Falls	Niagara	N. Grid	235	127	89	-38	-30%	Yes*	235	Small	Electroplating services
33	Queensboro Farm Products, Inc.	Canastota	Madison	N. Grid	500	80	80	0	0%	Yes	500	Large	Milk manufacturing and processing plant
34	Schenectady International, Inc.	Schenectady	Schenectady	N. Grid	1,500	175	317	142	81%	Yes	1,500	Large	Produces electrical insulating varnishes
35	Snyder Industries, Inc.	N. Tonawanda	Niagara	N. Grid	350	100	104	4	4%	Yes	350	Small	Components for heavy equipment
36	Syracuse Plastics, Inc.	Liverpool	Onondaga	N. Grid	400	42	43	1	2%	Yes	400	Large	Maker of plastic parts and components
37	Syracuse University	Syracuse	Onondaga	N. Grid	2,000	4,575	4,648	73	2%	Yes	2,000	NFP	Institution of higher education
38	Watson Bowman Acme Corp.	Amherst	Erie	N. Grid	150	101	107	6	6%	Yes	150	Small	Expansion joint systems for roads bridges
	Total National Grid		**Subtotal**	**28**	**24,770**	**11,291**	**10,967**				**24,770**		
39	Audio Sears	Stamford	Delaware	NYSEG	190	81	79	-2	-2%	Yes	190	Small	Audio equipment
40	Corning, Inc. (Costar Plant)	Oneonta	Otsego	NYSEG	900	165	165	0	0%	Yes	900	Large	Optical fiber, glass, and ceramic products
41	Corning, Inc. (Northside)	Corning	Steuben	NYSEG	2,500	911	876	-35	-4%	Yes	2,500	Large	Optical fiber, glass, and ceramic products
42	Corning, Inc. (SCC & TDM)	Corning	Steuben	NYSEG	500	176	124	-52	-30%	Yes*	500	Large	Optical fiber, glass, and ceramic products
43	Corning, Inc. (Southside)	Corning	Steuben	NYSEG	1,500	837	883	46	5%	Yes	1,500	Large	Optical fiber, glass, and ceramic products
44	Corning, Inc. (Sullivan Park)	Corning	Steuben	NYSEG	3,000	1,618	1,791	173	11%	Yes	3,000	Large	Optical fiber, glass, and ceramic products
45	Merritt Machinery, LCC	Lockport	Niagara	NYSEG	75	9	7	-2	-22%	Yes*	75	Small	Machinery for hardwoods, veneers, etc.
	Total NYSEG		**Subtotal**	**7**	**8,665**	**3,797**	**3,925**				**8,665**		
46	Flower City Printing, Inc.	Rochester	Monroe	RGE	650	306	302	-4	-1%	Yes	650	Large	Commercial printer
	Total RG&E		**Subtotal**	**1**	**650**	**306**	**302**				**650**		
			Total	**47**	**44,735**	**26,595**	**25,830**				**44,735**		

*Company had all or part of their allocation restored through the reconsideration process, or will not have this month's benefits reduced based on program policy and procedures.

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Exhibit “1b-B-1”

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

Line	Company	City	County	IOU	KW	Restitution Period Time Frame	Restitution Period Months	Program Status	Restitution Payments	Service
1	Faxton St Luke's Heathcare	New Hartford	St. Lawrence	Grid	700	Jan 06 - Jun 09	42–months	Exited	$90,704	Healthcare center
2	General Mills	Buffalo	Erie	Grid	1,000	Jan '06 - Jun 08	30–months	Rebate	$85,287	Flour, millfeed, and wheat products
3	H. P. Hood, Inc.	Oneida	Madison	Grid	1,000	Jan 06 - Jun 09	42–months	Exited	$119,882	Fluid milk products
National Grid Subtotal					**2,700**				**$295,873**	
4	Fisher Price	East Aurora	Erie	NYSEG	1,500	Jan 06 - Jun 09	42–months	Rebate	$520,665	Toys and hobby goods supplies
NYSEG Subtotal					**1,500**				***$520,665***	
Grand Total					**4,200**				**$816,538**	

May 26, 2010
Exhibit "1b-B-2"

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

Line	Company	City	County	IOU	KW	Restitution Period Time Frame	Restitution Period Months	Program Status	PFJ Savings	Service
1	Anaren Microwave, Inc	East Syracuse	Onondaga	Grid	750	Jan '06 - Nov 08	35-months	Rebate	$196,909	Designs, manufactures microwave signal distribution networks for wireless communications
2	IPAC, Inc.	Amherst	Niagara	Grid	200	Jan 06 - Jun 09	42–months	Rebate	$11,413	Manufactures and sells compressed air products, large air conditioners, and long run sheet metal jobs
3	GreenFiber Albany, Inc.	Hagaman	Montgomery	Grid	300	Jan 06 - Jun 09	42–months	Exited	$133,272	Manufacturer of cellulose insulation and fire retardant
4	G.C. Hanford Mfg. Co.	Syracuse	Onondaga	Grid	750	Jan 06 - Jun 09	42–months	Exited	$92,442	Pharmaceuticals for human and veterinary use
5	Gehring Tricot Corp.	Dolgeville	Herkimer	Grid	450	Jan 06 - Jun 09	42–months	Rebate	$174,933	Dyeing & finishing of knitted fabrics
6	Faxton St Luke's Heathcare	Utica	Oneida	Grid	350	Jan 06 - Jun 09	42–months	Exited	$97,509	Hospital
7	Helmont Mills	St. Johnsville	Montgomery	Grid	250	Jan 06 - Jun 09	42–months	Rebate	$117,001	Knitted Fabric Production
8	Crowley Foods (1)	LaFargeville	Jefferson	Grid	1,000	Jan 06 - Nov 09	47–months	Exited	$399,626	Leading East Coast dairy manufacturer
9	Schilling Forge, Inc.	Syracuse	Onondaga	Grid	225	Jan '06 - Jun 08	30–months	Rebate	$40,100	Forging Plant
10	Harmac Medical Products, Inc.	Buffalo	Erie	Grid	385	Jan 06 - Jun 09	42–months	Rebate	$41,587	Designs & manufactures medical products
National Grid Subtotal					**4,660**				**$1,304,792**	
Grand Total					**4,660**				**$1,304,792**	

c. Proposed Long-Term Contract Extensions for the Sale of Western New York Hydropower – Notice of Public Hearing

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize a public hearing, pursuant to Section 1009 of the New York Public Authorities Law ('PAL'), on the proposed agreements to extend the contracts applicable to the Western New York Replacement Power ('RP') and Expansion Power ('EP') customers ('Customers'). The form of the proposed agreements with the Customers, as well as the accompanying proposed Service Tariff No. WNY-1, are attached as Exhibit '1c-A.'

BACKGROUND

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

"Currently, the majority of existing RP and EP allocations will expire in the 2012-2013 time frame. These allocations' expiration dates resulted from Trustee actions taken over the past several years.

"At their December 13, 2005 meeting, the Trustees approved Customer contract extensions in compliance with Chapter 313 of the Laws of 2005, which amended the PAL to require extensions of at least five years to existing RP customers. This Trustee action resulted in the extension of 101 RP contracts, totaling 366 MW, through December 31, 2012.

"On May 19, 2009, the Trustees extended, through June 30, 2013, 13 EP allocations that were due to expire in 2009, the expiration date of the EP sale-for-resale agreements with Niagara Mohawk Power Corporation d/b/a National Grid ('National Grid') and New York State Electric and Gas Corporation ('NYSEG').

"Lastly, in anticipation of the longer-term contract extension offering that is now before the Trustees, on December 15, 2009, contract extensions for 51 RP and EP allocations totaling 69.75 MW were approved. Allocations were extended to bridge from their current expiration dates through December 31, 2012 for RP allocations and June 30, 2013 for EP allocations. By approving the extensions, the Trustees facilitated the potential longer-term contract offering. As a result of the December 15, 2009 extension, virtually all in-service RP allocations have a termination date of December 31, 2012 and virtually all in-service EP allocations have a termination date of June 30, 2013.

DISCUSSION

"An initiative to provide contract extensions for Western New York businesses began in early 2009 in response to Customers' recurring requests for long-term supply commitments beyond the current terms of their contracts. The initiative culminated in the development of a contract extension offer by the Authority to provide a long-term supply commitment to facilitate the Customers' long-term planning and investment strategies for their Western New York facilities.

"In addition to providing long-term contract extensions, the Authority will be adopting, starting July 1, 2013, a direct billing relationship with Customers for the sale of RP and EP electric service, exclusive of delivery services. This will occur because, with respect to EP, the resale agreements with National Grid and NYSEG are set to expire on June 30, 2013. With respect to RP, the existing resale agreements with National Grid (there are none with NYSEG) are scheduled to expire December 31, 2011, and both the Authority and National Grid share the expectation that resale arrangements will cease and that direct NYPA electricity sales will commence on July 1, 2013 for all RP recipients. Under the proposed direct-sale agreements, NYPA provides and bills the Customers for production (capacity and energy) and New York Independent System Operator ('NYISO') costs, while the applicable utility will continue to bill the Customers for delivery services. Under current resale agreements, NYPA bills the utility for production services, and in turn, National Grid and NYSEG bill the Customers for production and delivery services. NYISO charges are, and will continue to be, direct-billed to the Customers by the Authority.

"In addition, for RP Customers whose current allocation contracts end on or about January 1, 2013, the proposed agreement effectuates an interim extension of their existing RP allocations through June 30, 2013. Thus, both RP and EP Customers will be subject to the new direct-sale arrangements at the same time.

"NYPA staff evaluated all existing RP and EP contract allocations with the intent of offering customers extended terms of service beyond their current expiration dates. NYPA, with the assistance of the Empire State Development Corporation ('ESD') developed a Hydropower Contract Extension Request Form ('Request Form'), soliciting information from each Customer regarding jobs, wages and benefits, current and future capital investment plans, contracts with New York State vendors and other relevant considerations. All Customers were required to complete the Request Form in order to be considered for a contract extension. ESD's Cost Benefits Model was used as one component of the evaluation process. NYPA staff also used the Center for Governmental Research as a consultant to assist with the evaluation. Additionally, NYPA worked closely with the Customers throughout the process to ensure their needs were being met. Specifically, NYPA staff communicated regularly with the Power for Economic Prosperity group, a business consortium comprised of twenty of the largest hydropower customers. NYPA briefed this group as well as ESD on several occasions throughout the process.

"NYPA staff's evaluation focused on three general criteria: jobs, public benefit and private benefit. Within each general criterion, there were several specific measures, such as jobs per MW allocated, net public benefit per job and the importance of power to a company's decision to be located in Western New York. NYPA staff used ESD's model outputs and CGR's expertise to develop a weighted ranking method across measures. The results showed that the Customers, which represent a diverse spectrum of industries, bring valuable benefits to New York State in return for the hydropower allocations.

"Among the major features of the proposed contract extensions are the additional commitments and enhanced compliance criteria. For the first time, the proposed agreements include annual capital investment commitments during the life of the contract. Specifically, Customers will commit to investing at least 90% of historic average capital spending each year, or risk reduction to their allocation, thus ensuring the Customers are investing in their facilities. The Authority will continue to have the right to reduce or terminate Customers' allocations if their employment or power utilization commitments are not met. Also, the job commitment threshold will be standardized to 90% of base employment levels for all allocations, from 80% for certain older allocations. Lastly, the agreements require the Customers to undergo energy efficiency audits on a periodic basis.

"Other features of the proposed agreement are streamlined contract administration and compliance procedures. For example, there will be one contract per Customer facility. Thus, if a Customer receives an additional allocation, a schedule in the agreement would be updated, rather than an entirely new contract being issued. Also, there will be one job commitment per Customer facility, obviating the need to administer multiple job commitments for a Customer with multiple allocations.

"Accompanying the new agreement in Exhibit '1c-A' is the attached proposed Service Tariff No. WNY-1 ('ST WNY-1'). Consistent with the discussion above, the terms and conditions of ST WNY-1 reflect the direct sale nature of the proposed agreement, incorporating only the aspects of production related transactions, plus all applicable charges of the NYISO, since NYPA will continue its role as Load Serving Entity for these Customers with respect to the NYISO. ST WNY-1 will become effective for all RP and EP sales commencing July 1, 2013, and will replace the three NYPA service tariffs that currently govern RP and EP electric rates.

"ST WNY-1 attains a measure of consistency with NYPA's other proposed hydropower tariff generally applicable to businesses (Preservation Power), in that it establishes a new base rate and contains the same Annual Adjustment Factor ('AAF'). The AAF comprises three measures, including two indices of industrial electric power and one relating to industrial commodities, as described in leaf No. 13 of the proposed tariff contained in Exhibit

'1c-A.' In response to Customers' concerns, the new base rate under ST WNY-1 will be achieved through a phased-in adjustment over a three-year period beginning July 2013. Thereafter, the rates will be subject to the AAF, as is the case under the proposed Preservation Power tariff.

"Authority staff sent the proposed contract extensions to each Customer for their review in March. The Customers were also provided with and asked to sign a Letter of Acknowledgement, indicating that they agree and understand (1) the rates, terms and conditions of the contract extensions; (2) the contracts are subject to NYPA's statutory public hearing process and (3) the Customers will execute a contract extension in substantially similar form at the conclusion of the public hearing process and upon final approval by the Governor.

"On March 25, 2010, the Authority's Vice President – Marketing gave presentations on the proposed contract extensions at the Niagara Project Power Vista Visitors' Center and in Chautauqua County. The presentation included a review of the contract terms, the rate phase-in, the public hearing process and the importance of the Customers providing their historic capital investments. Subsequent to the meetings, NYPA's account executives met individually with each Customer to discuss the terms of their proposed contract extension offer. Of the 108 Customers that were offered an extension, 106 Customers have signed the Letter of Acknowledgement. The two Customers that did not sign the letter, Cameron Compression Systems and Citigroup, have decided for various business reasons not to accept the extension offer and their allocations will expire on their original expiration dates.

"NYPA staff proposes 185 allocations to be extended, comprised of 85 EP allocations totaling 205,775 kW, and 100 RP allocations totaling 369,397 kW, as detailed in Exhibit '1c-B.' Because some Customers have multiple allocations, NYPA's contract extension offer will be made to 106 Customers. Of these 106 Customers, 104 Customers have been offered an extension of 7 years. Two Customers, General Motors ('GM') and Steuben Foods, have been offered an extension of 15 years in light of their commitment to make extraordinary additional capital investment. GM has committed to invest $825 million at its Tonawanda Engine Plant to produce the next-generation fuel-efficient Ecotec engine and the latest 'Generation V' engine lines ensuring the plant's long- term viability in Western New York. Steuben Foods will commit to spending no less than $52 million for a new capital expansion project, as well as creating new jobs.

"In total, the Customers agreeing to accept NYPA's contract extension have committed to retain and/or create 28,472 jobs in the State of New York. As noted above, the contract requires that each Customer meet an historic baseline of capital investment spending that will ensure they are doing what is necessary to improve and maintain their facilities in New York State from 2013 through the extension period. Under this new capital expenditure commitment, Customers have agreed to spend approximately $150 million of on-going capital investment each year. Prior to this contract extension, the commitment to capital investment was only necessary when the allocation was first awarded. This new capital investment commitment, along with job commitments, provides a major benefit to New York State in return for the hydropower.

FISCAL INFORMATION

"As stated above, ST WNY-1, applicable beginning July 1, 2013, specifies a three-year rate phase-in to a target rate, which is based on the proposed Preservation Power rate. The impact of the fully implemented phase-in, absent the effects of the AAF, would produce additional annual revenues of approximately $38.7 million.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees authorize a public hearing on the terms of the proposed contract with the Replacement Power and Expansion Power Customers to be held on July 15, 2010 at 2:00 p.m. and 7:00 p.m. at the Niagara Power Project's Power Vista Visitors' Center. It is further recommended that, pursuant to Public Authorities Law §1009, the Corporate Secretary be authorized to transmit copies of the proposed contract to the Governor and legislative leaders.

"The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Corporate Planning and Finance, the Senior Vice President – Marketing and Economic Development, the Vice President – Marketing 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 a public hearing on the terms of the proposed contract for the sale of hydropower and energy generated by the New York Power Authority to the Replacement Power and Expansion Power Customers, to be held at the Niagara Power Project's Power Vista Visitors' Center at 2:00 p.m. and 7:00 p.m. on July 15, 2010; and be it further

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

Exhibit “1c-A”
May 26, 2010

POWER AUTHORITY

OF THE

STATE OF NEW YORK

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

AGREEMENT FOR THE SALE OF
EXPANSION AND/OR REPLACEMENT POWER AND ENERGY

TO [EXISTING EP/RP RECIPIENT]

POWER AUTHORITY OF THE STATE OF NEW YORK

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

AGREEMENT FOR THE SALE OF
EXPANSION AND/OR REPLACEMENT POWER AND ENERGY

This Agreement for the Sale of Expansion and/or Replacement Power and Energy is made and entered into as of this ___ day of ____, 2010, by and between the Power Authority of the State of New York ("Authority"), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title 1 of Article 5 of the New York Public Authorities Law ("PAL"), having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, and [Company, Inc., with its facilities located at ___] ("Customer"). The Authority and the Customer are from time to time referred to in this Agreement individually as a "Party" or collectively as the "Parties."

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project known as Expansion Power (or "EP") and Replacement Power (or "RP") to qualified businesses in New York State in accordance with PAL § 1005(5) and (13).

WHEREAS, EP consists of 250 megawatts ("MW"), and RP consists of 445 MW, of firm hydroelectric power and associated energy produced by the Niagara Power Project.

WHEREAS, Niagara Power Project hydroelectric power plays an important role in providing competitively priced power for sale to attract and retain business investment and to promote economic development in western New York State.

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

WHEREAS, the Authority and the Customer are currently parties to one or more agreements governing the allocation and sale of EP and/or RP for ultimate use by the Customer.

WHEREAS, the Customer's existing allocations for the purchase of RP (if any) are scheduled to expire at 12:01 a.m. January 1, 2013 or later, and the Customer's existing allocations for the purchase of EP (if any) are scheduled to expire midnight June 30, 2013 or later, as indicated by the “Expiration Date” specified in Schedule A to this Agreement.

WHEREAS, the Authority’s Trustees have approved extensions of the Customer’s EP and/or RP allocations (if any) until the “Extended Expiration Date” specified in Schedule A of this Agreement.

WHEREAS, the Authority has determined that the extensions are authorized by the PAL.

WHEREAS, the Trustees have authorized the Authority to provide electric service with the Customer’s extended allocations of EP (if any) and/or the extended allocations of RP (if any) at the rates and on the terms and conditions provided for in this Agreement.

WHEREAS, the Parties desire to enter into this Agreement in advance of the expiration of the EP and/or RP allocations identified in Schedule A in order to promote commercial and financial certainty and long term planning by each of the Parties.

WHEREAS, the Authority supports the efficient use of energy, including EP and RP allocated and sold pursuant to this Agreement.

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

Article I. Definitions

A. **Agreement** means this Agreement as further described in the preamble, including all documents attached to and incorporated into the Agreement.

B. **Allocation** or **Allocations** refers to the total amount of power (in kilowatts (“kW”)) and associated energy from the EP and/or RP allocations as set forth in Schedule A to this Agreement authorized by the Authority’s Trustees to be sold to the Customer in accordance with the provisions of this Agreement.

C. **Contract Demand** is the amount of Expansion Power and/or Replacement Power provided to the Customer by Authority in accordance with the provisions of this Agreement.

D. **Electric Service** is Firm Power and Firm Energy associated with the Allocation and sold to the Customer in accordance with the provisions of this Agreement, Service Tariff No. WNY-1 (as applicable), and the Rules.

E. **Firm Energy** has the meaning set forth in Service Tariff No. WNY-1.

F. **Firm Power** has the meaning set forth in Service Tariff No. WNY-1.

G. **EP Allocation** refers to an Allocation of EP (if any) identified in Schedule A.

H. **Expansion Power** (or **EP**) has the meaning set forth in Service Tariff No. WNY-1.

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

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

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

L. **International Joint Commission (or "IJC")** refers to the entity with responsibility to prevent and resolve disputes between the United States of America and Canada under the *1909 Boundary Waters Treaty* and pursues the common good of both countries as an independent and objective advisor to the two governments. The IJC rules upon applications for approval of projects affecting boundary or transboundary waters and may regulate the operation of these projects.

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

N. **NYISO** means the New York Independent System Operator, Inc. or any successor organization.

O. **NYISO Charges** has the meaning set forth in the Service Tariff No. WNY-1.

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

Q. **PAL** means the New York Public Authorities Law.

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

S. **Replacement Power** (or **RP**) has the meaning set forth in Service Tariff No. WNY-1.

T. **RP Allocation** refers to an Allocation of RP (if any) identified in Schedule A.

U. **Rules** refers to the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by Authority.

V. **Service Tariff No. WNY-1** means the Authority's Service Tariff No. WNY-1, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement. As further provided in this Agreement, Service Tariff No. WNY-1 shall be applicable to Electric Service provided on July 1, 2013 and thereafter.

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

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

Y. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectricity that would otherwise have been supplied to the Customer under this Agreement.

Z. **Taxes** have the meaning set forth in Service Tariff No. WNY-1.

AA. **Unforced Capacity (or "UCAP")** is the electric capacity required to be provided by Load Serving Entities to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

Article II. Electric Service During the Interim Service Period

A. From 12:01 a.m. January 1, 2013 or such later date prior to July 1, 2013 on which any RP Allocation identified in Schedule A expires through midnight June 30, 2013 (hereinafter referred to as the "Interim Service Period"), the Authority shall provide and the Customer shall pay for Electric Service to enable the Customer to receive such RP Allocation during the Interim Service Period. The rates applicable to Electric Service sold to the Customer during the Interim Service Period shall be the rates associated with such RP Allocation in effect as of December 31, 2012.

B. The Customer shall be responsible for payment of all applicable assessments and charges of whatever kind for transmission and delivery services assessed by the Customer's local electric utility that are associated with the RP Allocation, and all assessments and charges of whatever kind, including, but not limited to, NYISO Charges and Taxes that are associated with the RP Allocation, during the Interim Service Period. To the extent that the Authority incurs any of these assessments or charges during the Interim Service Period, the Customer will compensate the Authority for assessments and charges associated with the RP Allocation.

C. The Customer understands and acknowledges that for the Interim Service Period the Customer shall remain bound by the employment commitments set forth in any agreement between the Parties in effect as of December 31, 2012 providing for electric service to the Customer for the RP Allocation, and the Authority shall have the right to reduce the RP Allocation during the Interim Service Period for the Customer's failure to meet such commitments.

Article III. Electric Service Commencing July 1, 2013

A. Commencing July 1, 2013, the Authority shall provide and the Customer shall pay for Electric Service with respect to any EP Allocation and/or RP Allocation as specified in Schedule A.

B. The Customer shall not be entitled to receive Electric Service for any EP Allocation or RP Allocation that is not specified in Schedule A.

C. The Authority shall provide UCAP in amounts necessary to meet the Customer's NYISO Unforced Capacity requirements associated with the Allocation in accordance with the NYISO Tariffs.

D. The Contract Demand may not exceed the Allocation.

E. The Contract Demand or the Allocation may be modified by the Authority if the amount of power and energy available for sale as EP and RP from the Project is modified as required to comply with any ruling, order or decision of any regulatory or judicial body having jurisdiction. Any such modification will be made on a *pro rata* basis to all EP and RP customers, as applicable, based on the terms of such ruling, order or decision.

Article IV. Rates for Electric Service Commencing July 1, 2013

A. Commencing July 1, 2013, Electric Service shall be sold to the Customer based on the rates, terms and conditions determined in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules.

B. Electric Service shall be subject to the demand and energy rates determined in accordance with Service Tariff No. WNY-1 as of **[insert date]**, 2010, which shall be in effect commencing July 1, 2013 for the term of this Agreement, and no subsequent amendment to Service Tariff No. WNY-1 shall affect the determination of rates for EP and RP sold to the Customer during the term of the Agreement except insofar as authorized by this Agreement. This provision shall not limit the Authority's discretion to determine rates with respect to additional allocations awarded to the Customer made pursuant to Article X of this Agreement.

C. Should the Authority at any time during the term of this Agreement enter into an agreement with another EP or RP customer for sales of power and energy at rates more advantageous to such customer than the power and energy rates contained herein, the Customer shall be entitled to such more advantageous power and energy rates in place of the power and energy rates required by this Agreement and Service Tariff No. WNY-1.

D. Notwithstanding any other provision of this Agreement to the contrary, the power and energy rates for Electric Service commencing July 1, 2013 shall be subject to increase by the Authority at any time upon 30 days prior written notice to the Customer if, after consideration by the Authority of its legal obligations, the marketability of the output or use of the Project and the Authority's competitive position with respect to other suppliers, the Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in the Authority's bond and note resolutions and covenants with the holders of its financial obligations. The Authority shall use its best efforts to inform the Customer at the earliest practicable date of its intent to increase the power and energy charges pursuant to this provision. Any rate increase to the Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers after giving consideration to the factors set forth in the first sentence of this subsection. With respect to any such increase, the Authority shall forward to the Customer with the notice of increase, an explanation of all reasons for the increase, and shall also identify the sources from which the Authority will obtain the total of increased revenues and the bases upon which the Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as the Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

Article V. Billing and Methodology

A. Commencing July 1, 2013, the billing methodology for the Allocation shall be determined on a "load factor sharing" basis in a manner consistent with the local electric utility's applicable tariffs. An alternative billing methodology may apply provided there is mutual agreement in writing between the Parties, and the consent of the local electric utility.

B. The Authority shall render bills for power and energy by the tenth (10^{th}) business day of the month for charges due for the previous month. Such bills shall include the NYISO Charges and Taxes (each as defined in Service Tariff No. WNY-1) associated with the Allocation. The NYISO Charges shall be subject to adjustments consistent with any subsequent NYISO re-billings to Authority.

Article VI. Transmission and Delivery of Power and Energy

A. Commencing July 1, 2013, the Customer shall be responsible for securing arrangements with the local electric utility for transmission and delivery service associated with the Allocation unless otherwise agreed to by the Parties. The Authority shall cooperate in good faith to assist Customer in securing such arrangements, regardless of whether the Authority provides Electric Service through a direct sale to Customer or through a sale for resale arrangement with the local electric utility.

B. The Customer shall pay the local electric utility for transmission and delivery service associated with the Allocation in accordance with all applicable tariffs, agreements, rulemakings and orders. The Customer shall compensate the Authority for any all charges the Authority incurs for transmission and delivery associated with the Allocation.

C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the Load Serving Entity with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf. The Customer agrees and understands that it shall be responsible to Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO Tariffs, or other applicable tariff (*i.e.*, NYISO Charges), as set forth in Service Tariff No. WNY-1.

Article VII. Expansion and Replacement Power Customer Commitments

A. The Customer understands and acknowledges that the extension of the EP Allocations and/or RP Allocations provided for in Schedule A is partly in consideration of the Customer meeting the commitments provided for in Schedule

B. Commencing July 1, 2013, the Authority shall have the right to reduce the Allocations based on reductions in the Contract Demand made pursuant to Schedule B if the Customer fails to meet such commitments.

B. In addition to any reduction of an Allocation made pursuant to Article VII.A of this Agreement, if the Authority reduces the quantity of EP or RP allocated to the Customer prior to July 1, 2013, or the Customer's EP or RP allocation is reduced for any other reason and as a result the quantity of EP and/or RP is less than the RP Allocation or EP Allocation provided for in Schedule A as of July 1, 2013, the Authority shall have the right to reduce accordingly the EP Allocation or RP Allocation provided for in Schedule A applicable to Electric Service provided on and after July 1, 2013.

C. The Authority will provide written notice to the Customer of any reduction made pursuant to this Article within thirty (30) days of such determination and will furnish the Customer with a revised Schedule A which reflects the reduced Allocation.

Article VIII. Hydropower Curtailments and Substitute Energy

A. Reduced Water Flows; Curtailments. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served from the Hydro Projects, hydropower curtailments in the amount of firm power and energy to which the Customer is entitled shall be applied in accordance with Service Tariff No. WNY-1.

B. Provision of Substitute Energy. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the hydroelectricity that would otherwise have been supplied under this Agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

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

D. Affect of Substitute Energy on Agreement. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement.

Article IX. Conflicts

The Rules and Service Tariff No. WNY-1 are hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts, or differences between the provisions of Service Tariff No. WNY-1 and the Rules, the provisions of Service Tariff No. WNY-1 shall govern. In the event of any inconsistencies, conflicts or differences between the Service Tariff No. WNY-1 and any other provisions of this Agreement, the provisions of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to the Customer of any proposed change in the Rules and Service Tariff No. WNY-1, but in no event shall the Authority provide less notice than that required to be provided to similarly affected Authority customers within New York State.

Article X. Additional Allocations

A. Upon application by the Customer, the Authority may award additional allocations of EP or RP to the Customer at such rates and on such terms and conditions as the Authority shall establish. Once the Customer agrees to purchase Electric Service associated with such additional allocations, the Authority will incorporate the additional allocations into Schedule A, or in its discretion, will produce a supplemental schedule, to reflect such additional allocations, and produce a modified Appendix A of Schedule B, as appropriate. The Authority will furnish the Customer with a modified Schedule A, a supplemental schedule, and/or a modified Appendix A as appropriate, within thirty (30) days of the commencement of Electric Service for any such additional allocation.

B. The Customer shall furnish such documentation and other information as the Authority requests to enable the Authority to evaluate whether any additional allocations should be made to the Customer and the terms of any additional allocation.

Article XI. Notification

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

To: The Authority

Michael J. Huvane
Vice President, Marketing
New York Power Authority
123 Main Street
White Plains, New York 10601
Telephone: (914) 390-8117
Facsimile: (914) 390-8156
Electronic mail: michael.huvane@nypa.gov

To: Customer

Mr./Ms. First Name Last Name
Title
Company, Inc.
Address
City, New York Zip
Telephone: _____
Facsimile: _______
Electronic mail: _____

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

Article XII. Applicable Law

Any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License and rulings by the IJC and without regard to conflicts of law provisions.

Article XIII. Venue

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

Article XIV. Successors and Assigns; Resale

A. This Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the legal successors and assigns of either Party hereto; provided, however, that no assignment by either Party or any successor or assignee of such Party of its rights and obligations hereunder shall be made or become effective without the prior written consent of the other Party in each case obtained.

B. The Customer may not resell any EP or RP that it has purchased from the Authority under this Agreement.

Article XV. Previous Agreements and Communications

This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the sale of RP for the Interim Service Period and the Allocation thereafter, and supersedes all previous communications between the Parties hereto, either oral or written, with reference to the sale of RP for the Interim

Service Period and the Allocation thereafter. No modifications of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

Article XVI. Waiver

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

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

Article XVII. Severability and Voidability

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

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

Article XVIII. Term, Modification, Termination and Effect

A. Electric Service under this Agreement shall continue with respect to an Allocation until the earliest of: (1) termination by the Customer with respect to all of the Allocation upon at least thirty (30) days prior written notice to the Authority; (2) termination by Authority pursuant to the Rules upon required notice; or (3) expiration of the Allocation by its own term as specified in Schedule A.

B. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days prior written notice to the Authority. The termination shall be effective commencing with the first "Billing Period" as defined in Service Tariff No. WNY-1 following the required notice.

C. The Authority may modify or terminate Electric Service hereunder or modify the quantities of power and energy associated with an Allocation: (1) if such termination or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency); or (2) as otherwise provided in this Agreement or in the Rules.

D. This Agreement shall become legally binding and effective only upon satisfaction of the following conditions precedent: (1) receipt of approval of this Agreement by the Authority Board of Trustees; (2) receipt of approval of this Agreement by the Governor of the State of New York pursuant to PAL § 1009; and (3) execution of this Agreement by the Authority and the Customer.

Article XIX. Extensions of Allocations and Agreement

A. The Customer may apply to the Authority for an extension of the Extended Expiration Date of an Allocation identified in Schedule A as follows: (1) after this Agreement becomes effective but before January 1, 2013, based on additional capital investments the Customer proposes to make to the Customer's facilities identified in Appendix A of Schedule B prior to the Extended Expiration Date; (2) during the twenty-four month period immediately preceding the Extended Expiration Date; (3) pursuant to another process established by the Authority, if any; or (4) with the Authority's consent in writing.

B. The Authority in its discretion may extend the term of this Agreement upon: (1) an extension of an Allocation by the Authority; or (2) an award of an additional allocation pursuant to Article X of this Agreement by the Authority.

C. The length of an extension of the term of this Agreement, if any, and the terms and conditions of such extension provided pursuant to this Article, shall be within the Authority's discretion based consideration of the criteria for eligibility prescribed in PAL § 1005(13).

Article XX. Execution

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

COMPANY, INC.

BY: ____

Title: ____

Date: ____

(Seal)
Attest by: ____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY: ____

Title: ____

Date: ____

(Seal)
Attest by: ____

SCHEDULE A

EXPANSION POWER AND REPLACEMENT POWER ALLOCATIONS

Type of Allocation	Allocation (kW)	Expiration Date	Extended Expiration Date
1. [EP Allocation]			
2. [RP Allocation]			
TOTALS:			

SCHEDULE B

EXPANSION AND REPLACEMENT POWER COMMITMENTS

Article I. Employment Commitments

A. Employment Levels.

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

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

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

B. Employment Records and Reports.

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Base Level Employees who are employed at or assigned to the Customer's facilities identified in Appendix A to this Schedule, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify the individuals who are employed by the Customer, and the individuals who are contractors or who are employed by contractors of the Customer, and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice all non-confidential written and electronic records and data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

Article II. Reductions of Contract Demand

A. Employment Levels.

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

B. Power Utilization Levels.

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the facilities receiving the power covered by the Agreement. If the average of the Customer’s six (6) highest Billing Demands (as such term is defined in Service Tariff No. WNY-1) for Expansion and Replacement Power is less than 90% of the Customer’s Contract Demand in such calendar year the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount by which the Authority may reduce the Contract

Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest Billing Demands for in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

C. Capital Investment Levels.

Customer records of the Customer's capital investment for the calendar years 2006, 2007 and 2008 shall be shared with the Authority for purposes of determining the Customer's historical three-year average capital investment ("Historical Average"), provided, however, that the Authority shall take due regard for extraordinary capital investment levels in the 2006-2008 period and accordingly reduce the Historical Average upon Customer demonstration satisfactory to Authority. Each year, the Customer shall record its annual capital investment for purposes of determining a rolling three-year average ("Rolling Average"), which shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. If the Customer's Rolling Average is less than 90% of its Historical Average, the Contract Demand may be reduced by the Authority subject to Article II.D of this Schedule. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the Rolling Average divided by the Historical Average. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

D. Notice of Intent to Reduce Contract Demand.

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

SCHEDULE B

Article III. Energy Efficiency Audits; Information Requests

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

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

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

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

SCHEDULE B

APPENDIX A

Base Employment Level

In accordance with Article I of this Schedule, the Customer agrees to a Base Employment Level of XX persons at the Customer's facility located at Address, City, New York Zip, to be effective on the effective date of this Agreement.

Capital Investment Level

In accordance with Article II of this Schedule, the Customer agrees to a Historic Average of _____________.

Exhibit "1c-A-1"

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

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

Service Tariff No. WNY-1

Exhibit "1c-A-1"

Table of Contents

Schedule of Rates for Firm Power Service

I. Applicability

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

II. Abbreviations and Terms

A. The following abbreviations are used:

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

B. The term "Agreement" means an executed "Agreement for the Sale of Expansion and/or Replacement Power and Energy" between the Authority and the Customer (each as defined below).

C. The term "Annual Adjustment Factor" or "AAF" shall have the meaning set forth in Section V herein.

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

E. The term "Customer" means a business customer who has received an allocation for Expansion Power and/or Replacement Power from the Authority and who purchases Expansion Power and/or Replacement Power directly from the Authority.

F. The term "Electric Service" means the power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

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

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

I. The term "Firm Energy" means energy (kWh) associated with Firm Power.

J. The term "Load Serving Entity" or "LSE" shall have the meaning set forth in the Agreement.

K. The term "Project" means the Authority's Niagara Power Project, FERC Project No. 2216.

L. The term "Rate Year" or "RY" means the period from July 1 through June 30 starting July 1, 2013, and for any year thereafter.

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

N. The term "Service Tariff" means this Service Tariff No. WNY-1.

O. The term "Target Rate" shall have the meaning set forth in Section III herein.

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

III. Monthly Rates and Charges

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

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

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

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

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

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

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

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

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

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

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

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

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

C. Monthly Base Rates Exclude Delivery Service Charges

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

D. Minimum Monthly Charge

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

E. Billing Period

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

F. Billing Demand

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

G. Billing Energy

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

H. Contract Demand

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

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

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

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

C. Delivery

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

D. Adjustment of Rates

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

E. <u>Billing Methodology and Billing</u>

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

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

2. Billing Demand – Unless separately metered, the billing demand charged by the Authority to each Customer will be the highest 15-minute integrated demand during each billing period recorded on the Customer's meter multiplied by a percentage based on load factor sharing, as applicable.

3. Billing Energy – Unless separately metered, the kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer's meter for the billing period multiplied by a percentage based on load factor sharing, as applicable.

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

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

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

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

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

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

2. <u>Transmission Charge</u>

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

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

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

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

   B. Marginal losses;

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

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

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

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

   The NYISO Charges, if any, incurred by the Authority on behalf of the Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

4. Taxes Defined

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

5. Substitute Energy

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

6. Payment Information

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

G. Adjustment of Charges

1. Distribution Losses

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

2. Transformer Losses

If delivery is made at transmission voltage but metered on the low-voltage side of the Customer's substation, the meter readings will be increased two percent to compensate for transformer losses.

3. Power Factor

Power factor is the ratio of real power (kW) to apparent power (kVa) for any given load and time. The Authority may require the Customer to maintain a power factor of not less than 90%, lagging or leading, at the point of delivery, or as may otherwise be imposed upon the Authority by the local electric utility providing delivery and/or NYISO.

H. Conflicts

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

I. Customer Resales Prohibited

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

Exhibit "1c-A-1"

V. <u>Annual Adjustment Factor</u>

A. <u>Adjustment of Rates</u>

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

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

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

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

2. Annual Adjustment Factor Computation Guide

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

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

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

a) When the AAF falls outside the ±5% Collar, the Excess will be carried over to the subsequent RY. If the AAF in the subsequent RY is within the ±5% Collar, the current RY Excess will be added to/subtracted from the subsequent Rate Year's AAF, up to the ±5% Collar.
b) Excesses will continue to accrue without limit and carry over such that they will be added to/subtracted from the AAF in any year where the AAF is within the ±5% Collar.

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

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

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

4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the

substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

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

STEP 1

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

- Index 1 - Producer Price Index, Industrial Power

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

- Index 2 – EIA Industrial Rate

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

Exhibit "1c-A-1"

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

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

STEP 2

Determine AAF by Summing the Weighted Indices

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

STEP 3

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

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

STEP 4

Apply AAF to Calculate the New Rate Year Base Rate

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

New York Power Authority
Replacement and Expansion Power
Recommendations for Contract Extensions

May 26, 2010
Exhibit "1c-B"

Count	Customer Name	Location	IOU	Program	Allocation (kW)	Current Job Commitment	Extension Job Commitment	Annual Capital Investment Commitment ($)	Current Contract End Date	Extended Contract End Date
1	3M	Tonawanda	NGRID	EP	500	330	345	5,936,601	6/30/2013	6/30/2020
2	3M	Tonawanda	NGRID	EP	1,000	290			6/30/2013	6/30/2020
3	ADM Milling Co.	Buffalo	NGRID	EP	1,500	84	84	660,874	6/30/2013	6/30/2020
4	ADM Milling Co.	Buffalo	NGRID	RP	1,900	70			12/31/2012	6/30/2020
5	Allegheny Technologies Inc.	Lockport	NYSEG	EP	200	46	57	398,765	6/30/2013	6/30/2020
6	Allied Frozen Storage, Inc.	West Seneca	NYSEG	RP	600	54	63	33,000	12/31/2012	6/30/2020
7	American Axle & Manufacturing, Inc.	Cheektowaga	NYSEG	EP	650	60	75	661,000	6/30/2013	6/30/2020
8	American Axle & Manufacturing, Inc.	Cheektowaga	NYSEG	EP	250	60			6/30/2013	6/30/2020
9	API Heat Transfer, Inc.	Buffalo	NGRID	RP	300	340	340	384,000	12/31/2012	6/30/2020
10	APP Pharmaceuticals, LLC	Grand Island	NGRID	RP	1,000	481	526	1,135,955	12/31/2012	6/30/2020
11	APP Pharmaceuticals, LLC	Grand Island	NGRID	RP	1,000	506			12/31/2012	6/30/2020
12	Ascension Industries	N. Tonawanda	NGRID	RP	150	135	100	224,010	12/31/2012	6/30/2020
13	Ashland Advanced Materials, Inc.	Niagara Falls	NGRID	EP	3,500	75	75	150,000	6/30/2013	6/30/2020
14	Ashton Potter (USA) LTD	Cheektowaga	NYSEG	RP	700	48	50	50,000	4/30/2013	6/30/2020
15	Avery Dennison Information Systems	Buffalo	NGRID	RP	250	82	124	259,216	12/31/2012	6/30/2020
16	Bernzomatic	Medina	NGRID	EP	750	247	247	333,261	6/30/2013	6/30/2020
17	BOC Gases (Linde LLC)	Buffalo	NGRID	EP	10,500	40	40	386,000	6/30/2013	6/30/2020
18	Brunner, Inc.	Medina	NGRID	RP	2,500	160	160	1,640,858	11/302013	6/30/2020
19	Brunner, Inc.	Medina	NGRID	EP	1,500	160			6/30/2013	6/30/2020
20	Brunner, Inc.	Medina	NGRID	EP	300	160			6/30/2013	6/30/2020
21	Brunner, Inc.	Medina	NGRID	RP	1,200	160			12/31/2012	6/30/2020
22	Buffalo Newspress Inc.	Buffalo	NGRID	EP	200	149	149	303,630	6/30/2013	6/30/2020
23	Buffalo Tungsten Incorporated	Depew	NGRID	RP	800	62	62	98,620	12/31/2012	6/30/2020
24	Buffalo Tungsten Incorporated	Depew	NGRID	RP	1,250	40			12/31/2012	6/30/2020
25	C+S Wholesale Grocers, Inc.	Cheektowaga	NGRID	EP	300	50	50	37,433	6/30/2013	6/30/2020
26	C+S Wholesale Grocers, Inc.	Lancaster	NYSEG	EP	550	682	560	427,900	6/30/2013	6/30/2020
27	Carleton Technologies Inc.	Orchard Park	NYSEG	EP	700	140	262	534,493	6/30/2013	6/30/2020
28	CertainTeed	Buffalo	NGRID	EP	3,100	178	113	163,522	6/30/2013	6/30/2020
29	Cliffstar Corporation	Dunkirk	NGRID	EP	500	455	630	3,222,333	6/30/2013	6/30/2020
30	Confer Plastics Inc.	N. Tonawanda	NGRID	RP	300	91	120	530,432	12/31/2012	6/30/2020
31	Contract Pharmaceutical Limited Niagara	Buffalo	NGRID	EP	750	265	329	1,214,954	6/30/2013	6/30/2020
32	Contract Pharmaceutical Limited Niagara	Buffalo	NGRID	RP	250	329			12/31/2012	6/30/2020
33	Coyne Textile Services	Buffalo	NGRID	EP	350	93	52	141,185	6/30/2013	6/30/2020
34	Curtis Screw Co., Inc.	Buffalo	NGRID	RP	1,100	150	150	1,088,196	12/31/2012	6/30/2020
35	Curtis Screw Co., Inc.	Buffalo	NGRID	RP	300	150			12/31/2012	6/30/2020
36	Curtis Screw Co., Inc.	Buffalo	NGRID	RP	350	150			12/31/2012	6/30/2020
37	DKP Buffalo LLC	Tonawanda	NGRID	EP	750	57	57	350,000	6/30/2013	6/30/2020
38	Dunkirk Specialty Steel, Inc.	Dunkirk	NGRID	EP	5,800	180	180	998,382	6/30/2013	6/30/2020

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Count	Customer Name	Location	IOU	Program	Allocation (kW)	Current Job Commitment	Extension Job Commitment	Annual Capital Investment Commitment ($)	Current Contract End Date	Extended Contract End Date
39	E.I. du Pont de Nemours & Co., Inc.	Niagara Falls	NGRID	RP	3,000	260	195	2,766,667	12/31/2012	6/30/2020
40	E.I. du Pont de Nemours & Co., Inc.	Niagara Falls	NGRID	RP	31,700	177			12/31/2012	6/30/2020
41	E.I. du Pont de Nemours & Co., Inc.	Niagara Falls	NGRID	EP	790	230			6/30/2013	6/30/2020
42	E.I. du Pont de Nemours & Co., Inc.	Buffalo	NGRID	EP	1,800	390	605	8,533,333	6/30/2013	6/30/2020
43	E.I. du Pont de Nemours & Co., Inc.	Buffalo	NGRID	RP	675	605			12/31/2012	6/30/2020
44	E.I. du Pont de Nemours & Co., Inc.	Buffalo	NGRID	RP	500	264			12/31/2012	6/30/2020
45	E.I. du Pont de Nemours & Co., Inc.	Buffalo	NGRID	RP	1,300	285			12/31/2012	6/30/2020
46	EPCO Carbondioxide Products, Inc.	Medina	NGRID	RP	1,000	20	20	55,000	9/30/2013	9/30/2013
47	Fairbank Farms, Inc.	Ashville	NGRID	EP	700	100	127	236,081	6/30/2013	6/30/2020
48	Fieldbrook Foods Corporation	Dunkirk	NGRID	EP	1,000	420	478	2,785,420	6/30/2013	6/30/2020
49	Fieldbrook Foods Corporation	Dunkirk	NGRID	EP	2,000	420			6/30/2013	6/30/2020
50	Flexo Transparent, Inc.	Buffalo	NGRID	RP	380	100	100	192,335	12/31/2012	6/30/2020
51	FMC Corporation	Tonawanda	NGRID	RP	2,500	161	161	844,333	12/31/2012	6/30/2020
52	FMC Corporation	Tonawanda	NGRID	RP	750	106			12/31/2012	6/30/2020
53	FMC Corporation	Tonawanda	NGRID	RP	5,500	71			12/31/2012	6/30/2020
54	Ford Motor Company	Buffalo	NGRID	EP	2,900	950	950	6,733,333	6/30/2013	6/30/2020
55	Ford Motor Company	Buffalo	NGRID	EP	4,300	950			6/30/2013	6/30/2020
56	Ford Motor Company	Buffalo	NGRID	EP	1,500	950			6/30/2013	6/30/2020
57	GEICO	Amherst	NGRID	EP	1,600	736	1,500	825,709	6/30/2013	6/30/2020
58	General Mills	Buffalo	NGRID	EP	1,000	520			6/30/2013	6/30/2020
59	General Mills	Buffalo	NGRID	RP	1,000	563	400	5,974,667	12/31/2012	6/30/2020
60	General Mills	Buffalo	NGRID	RP	3,100	432			12/31/2012	6/30/2020
61	GM Components Holdings LLC	Lockport	NYSEG	EP	14,300	950	950	5,165,233	6/30/2013	6/30/2020
62	GM Components Holdings LLC	Lockport	NYSEG	EP	10,000	950			6/30/2013	6/30/2020
63	General Motors Corporation	Buffalo	NGRID	RP	2,000	500	710	14,136,667	12/31/2012	6/30/2028 [1]
64	General Motors Corporation	Buffalo	NGRID	EP	13,800	500			6/30/2013	6/30/2028 [1]
65	General Motors Corporation	Buffalo	NGRID	EP	5,000	500			6/30/2013	6/30/2028 [1]
66	General Motors Corporation	Buffalo	NGRID	EP	800	500			6/30/2013	6/30/2028 [1]
67	General Motors Corporation	Buffalo	NGRID	EP	1,100	500			2/28/2014	6/30/2028 [1]
68	General Motors Corporation	Buffalo	NGRID	RP	725	500			12/31/2012	6/30/2028 [1]
69	Global Abrasive Products	Lockport	NYSEG	EP	150	25	30	21,556	6/30/2013	6/30/2020
70	Globe Specialty Metals, Inc.	Niagara Falls	NGRID	EP	7,353	500	500	3,366,667	6/30/2013	6/30/2020
71	Globe Specialty Metals, Inc.	Niagara Falls	NGRID	RP	32,647	500			12/31/2012	6/30/2020
72	Goodyear Dunlop Tires N.America Ltd.	Tonawanda	NGRID	EP	6,000	1,412	1,239	5,117,817	6/30/2013	6/30/2020
73	Goodyear Dunlop Tires N.America Ltd.	Tonawanda	NGRID	RP	800	1,449			12/31/2012	6/30/2020
74	Goodyear Dunlop Tires N.America Ltd.	Tonawanda	NGRID	RP	850	1,422			12/31/2012	6/30/2020
75	Goodyear Dunlop Tires N.America Ltd.	Tonawanda	NGRID	RP	4,191	589			12/31/2012	6/30/2020
76	Goodyear Dunlop Tires N.America Ltd.	Tonawanda	NGRID	RP	250	1,422			12/31/2012	6/30/2020

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Count	Customer Name	Location	IOU	Program	Allocation (kW)	Current Job Commitment	Extension Job Commitment	Annual Capital Investment Commitment ($)	Current Contract End Date	Extended Contract End Date
77	Graphic Controls Corp.	Buffalo	NGRID	RP	250	265	254	357,679	12/31/2012	6/30/2020
78	Greatbatch, Inc.	Alden	NYSEG	EP	1,500	368	333	1,041,555	6/30/2013	6/30/2020
79	Habasit Belting, LLC	Buffalo	NGRID	RP	200	80	80	200,000	12/31/2012	6/30/2020
80	Honeywell International	Buffalo	NGRID	RP	300	168	132	1,400,000	12/31/2012	6/30/2020
81	Hurtubise Tire, Inc.	N. Tonawanda	NGRID	RP	180	18	18	30,000	2/28/2013	6/30/2020
82	Hydro-Air Components, Inc.	Hamburg	NGRID	EP	250	55	116	125,224	6/30/2013	6/30/2020
83	I Squared R Element Co., Inc.	Akron	NGRID	RP	500	60	68	76,521	12/31/2012	6/30/2020
84	Ingram Micro Inc.	Williamsville	NGRID	EP	900	1,525	1,293	71,433	10/31/2013	10/31/2020
85	International Imaging Materials, In	Amherst	NGRID	RP	250	393			12/31/2012	6/30/2020
86	International Imaging Materials, Inc.	Amherst	NGRID	EP	1,000	499	310	1,217,581	6/30/2013	6/30/2020
87	International Imaging Materials, Inc.	Amherst	NGRID	EP	1,250	336			6/30/2013	6/30/2020
88	Life Technologies Corporation	Grand Island	NGRID	RP	375	488	525	564,929	4/30/2013	6/30/2020
89	Life Technologies Corporation	Grand Island	NGRID	RP	400	398			12/31/2012	6/30/2020
90	Lockheed Martin	Niagara Falls	NGRID	RP	250	45	45	223,667	12/31/2012	6/30/2020
91	Luvata Buffalo	Buffalo	NGRID	RP	250	831	575	1,699,538	12/31/2012	6/30/2020
92	Luvata Buffalo	Buffalo	NGRID	RP	250	16			12/31/2012	6/30/2020
93	Luvata Buffalo	Buffalo	NGRID	RP	3,000	634			12/31/2012	6/30/2020
94	Luvata Buffalo	Buffalo	NGRID	RP	8,060	483			12/31/2012	6/30/2020
95	Malyn Industrial Ceramics, Inc.	Clarence	NYSEG	EP	150	27	27	11,020	6/30/2013	6/30/2020
96	Mayer Brothers Apple Products	West Seneca	NYSEG	EP	200	113	134	1,983,667	6/30/2013	6/30/2020
97	Metaullics Systems (2050 Cory Road)	Sanborn	NGRID	RP	500	8	8	25,000	4/30/2013	6/30/2020
98	Metaullics Systems (2040 Cory Road)	Sanborn	NGRID	RP	1,000	29	29	156,599	12/31/2012	6/30/2020
99	Moldtech, Inc.	Lancaster	NYSEG	EP	250	75	65	326,733	12/31/2013	6/30/2020
100	Moog Inc.	East Aurora	NYSEG	EP	750	371	2,200	13,911,658	6/30/2013	6/30/2020
101	Moog Inc.	East Aurora	NYSEG	EP	3,000	1,229			6/30/2013	6/30/2020
102	Moog Inc.	East Aurora	NYSEG	EP	500	1,987			6/30/2013	6/30/2020
103	Nestle Purina	Dunkirk	NGRID	EP	500	284	419	2,920,536	6/30/2013	6/30/2020
104	Nestle Purina	Dunkirk	NGRID	EP	900	261			7/31/2013	6/30/2020
105	Nestle Purina	Dunkirk	NGRID	EP	2,000	261			7/31/2013	6/30/2020
106	Niacet Corporation	Niagara Falls	NGRID	EP	500	82	82	880,000	6/30/2013	6/30/2020
107	Niacet Corporation	Niagara Falls	NGRID	RP	1,000	54			12/31/2012	6/30/2020
108	Niacet Corporation	Niagara Falls	NGRID	RP	400	66			12/31/2012	6/30/2020
109	Niagara Ceramics Corporation	Buffalo	NGRID	EP	250	190	140	121,619	6/30/2013	6/30/2020
110	Niagara Ceramics Corporation	Buffalo	NGRID	RP	850	190			12/31/2012	6/30/2020
111	Niagara Falls Water Board (Waste)	Niagara Falls	NGRID	RP	1,644	0	0	3,766,667	12/31/2012	6/30/2020
112	Niagara Falls Water Board (Water)	Niagara Falls	NGRID	RP	2,000	0			12/31/2012	6/30/2020
113	Niagara LaSalle Corporation	Buffalo	NGRID	RP	700	164	164	129,025	12/31/2012	6/30/2020
114	Niagara LaSalle Corporation	Buffalo	NGRID	RP	700	92			12/31/2012	6/30/2020

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Count	Customer Name	Location	IOU	Program	Allocation (kW)	Current Job Commitment	Extension Job Commitment	Annual Capital Investment Commitment ($)	Current Contract End Date	Extended Contract End Date
115	Niagara Sheets, LLC	Wheatfield	NGRID	RP	850	64	70	1,000,000	5/31/2013	6/30/2020
116	Norampac Industries Inc. Niagara Falls Div.	Niagara Falls	NGRID	EP	1,600	126	126	1,302,040	6/30/2013	6/30/2020
117	North American Hoganas	Niagara Falls	NGRID	EP	4,000	57	57	499,660	6/30/2013	6/30/2020
118	North American Hoganas	Niagara Falls	NGRID	RP	1,000	53			12/31/2012	6/30/2020
119	Nuttall Gear Company	Niagara Falls	NGRID	EP	350	135	135	85,295	6/30/2013	6/30/2020
120	Occidental Chemical Corporation	Niagara Falls	NGRID	EP	38,700	214	214	5,966,667	6/30/2013	6/30/2020
121	Occidental Chemical Corporation	Niagara Falls	NGRID	RP	56,000	206			12/31/2012	6/30/2020
122	Olin Corporation Chlor-Alkali Products	Niagara Falls	NGRID	RP	21,300	160	190	7,800,000	12/31/2012	6/30/2020
123	Olin Corporation Chlor-Alkali Products	Niagara Falls	NGRID	RP	2,290	41			12/31/2012	6/30/2020
124	Olin Corporation Chlor-Alkali Products	Niagara Falls	NGRID	RP	15,000	135			12/31/2012	6/30/2020
125	Olin Corporation Chlor-Alkali Products	Niagara Falls	NGRID	RP	40,860	160			12/31/2012	6/30/2020
126	PCB Machining Solutions	Lackawanna	NGRID	RP	250	41	57	82,361	12/31/2012	6/30/2020
127	Precision Electro Minerals Co.,Inc.	Niagara Falls	NGRID	RP	800	22	24	116,836	12/31/2012	6/30/2020
128	Praxair Inc.	Tonawanda	NGRID	EP	2,000	900	1,300	1,564,217	6/30/2013	6/30/2020
129	Praxair, Inc.	Tonawanda	NGRID	RP	750	1,352			12/31/2012	6/30/2020
130	Praxair, Inc.	Tonawanda	NGRID	RP	2,000	1,000			12/31/2012	6/30/2020
131	Praxair, Inc.	Niagara Falls	NGRID	EP	2,000	68	83	656,246	6/30/2013	6/30/2020
132	Praxair, Inc.	Niagara Falls	NGRID	RP	37,050	70			12/31/2012	6/30/2020
133	Praxair, Inc.	Niagara Falls	NGRID	RP	9,000	70			12/31/2012	6/30/2020
134	Precious Plate, Inc.	Niagara Falls	NGRID	RP	400	164	164	1,016,075	12/31/2012	6/30/2020
135	Precious Plate, Inc.	Niagara Falls	NGRID	RP	800	145			12/31/2012	6/30/2020
136	Protective Closures Inc.	Buffalo	NGRID	EP	250	310	224	2,010,941	6/30/2013	6/30/2020
137	Quebecor World Buffalo	Depew	NYSEG	EP	4,000	810	636	275,188	6/30/2013	6/30/2020
138	Republic Engineered Products, Inc.	Blasdell	NGRID	RP	2,000	276	276	534,528	12/31/2012	6/30/2020
139	Republic Engineered Products, Inc.	Blasdell	NGRID	EP	7,400	276			6/30/2013	6/30/2020
140	RHI Monofrax, Inc.	Falconer	NGRID	EP	2,082	380	250	692,978	2/1/2014	2/1/2021
141	Rosina Food Products, Inc.	West Seneca	NYSEG	EP	200	171	159	533,446	6/30/2013	6/30/2020
142	Rosina Food Products, Inc.	Buffalo	NYSEG	EP	200	270	235	1,360,953	6/30/2013	6/30/2020
143	Rosina Food Products, Inc.	Buffalo	NYSEG	EP	400	134			6/30/2013	6/30/2020
144	RubberForm Recycled Products, LLC	Lockport	NYSEG	EP	500	30	30	3,000	6/30/2013	6/30/2020
145	Saint Gobain - Boron Nitride Division	Amherst	NGRID	RP	570	63	56	611,667	12/31/2012	6/30/2020
146	Saint Gobain - Boron Nitride Division	Amherst	NGRID	RP	2,500	55			12/31/2012	6/30/2020
147	Saint Gobain - Ceramics and Plastics	Niagara Falls	NGRID	RP	1,100	69	69	1,384,966	12/31/2012	6/30/2020
148	Saint Gobain - Ceramics and Plastics	Niagara Falls	NGRID	RP	2,100	51			12/31/2012	6/30/2020
149	Saint Gobain - Ceramics and Plastics	Niagara Falls	NGRID	RP	100	51			12/31/2012	6/30/2020
150	Saint Gobain Advanced Ceramics	Niagara Falls	NGRID	RP	300	165	186	1,336,533	12/31/2012	6/30/2020
151	Saint Gobain Advanced Ceramics	Niagara Falls	NGRID	RP	3,450	112			12/31/2012	6/30/2020
152	Saint Gobain Advanced Ceramics	Niagara Falls	NGRID	RP	1,400	169			12/31/2012	6/30/2020
153	Saint Gobain Advanced Ceramics	Niagara Falls	NGRID	RP	1,000	186			1/31/2013	6/30/2020

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Count	Customer Name	Location	IOU	Program	Allocation (kW)	Current Job Commitment	Extension Job Commitment	Annual Capital Investment Commitment ($)	Current Contract End Date	Extended Contract End Date
154	Servotronics, Inc.	Elma	NYSEG	EP	500	145	155	257,333	6/30/2013	6/30/2020
155	Sorrento Lactalis Inc.	Buffalo	NGRID	RP	1,500	500	500	762,000	12/31/2012	6/30/2020
156	Sorrento Lactalis Inc.	Buffalo	NGRID	RP	250	402			12/31/2012	6/30/2020
157	Sotek Inc./Belrix Industries, Inc.	Buffalo	NGRID	RP	100	53	71	330,145	12/31/2012	6/30/2020
158	Special Metals Corporation	Dunkirk	NGRID	EP	1,000	81	81	217,667	6/30/2013	6/30/2020
159	Steuben Foods Corporation	Elma	NYSEG	EP	5,000	500	576	934,213	6/30/2013	6/30/2028 [2]
160	Steuben Foods Corporation	Elma	NYSEG	EP	3,000	349			6/30/2013	6/30/2028 [2]
161	Steuben Foods Corporation	Elma	NYSEG	EP	750	364			6/30/2013	6/30/2028 [2]
162	Stollberg, Inc.	Niagara Falls	NGRID	EP	300	30	71	165,500	12/31/2013	6/30/2020
163	Tam Ceramics, LLC	Niagara Falls	NGRID	EP	2,100	152	152	241,667	6/30/2013	6/30/2020
164	Tam Ceramics, LLC	Niagara Falls	NGRID	RP	1,700	152			12/31/2012	6/30/2020
165	Tam Ceramics, LLC	Niagara Falls	NGRID	RP	600	152			12/31/2012	6/30/2020
166	Tam Ceramics, LLC	Niagara Falls	NGRID	RP	7,000	147			12/31/2012	6/30/2020
167	The Carriage House Companies, Inc.	Dunkirk	NGRID	EP	500	199	199	455,184	10/31/2013	10/31/2020
168	The Carriage House Companies, Inc.	Fredonia	NGRID	EP	750	440	464	1,576,086	6/30/2013	6/30/2020
169	Time Release Sciences Inc.	Buffalo	NGRID	RP	250	70	72	25,000	11/30/2013	11/30/2020
170	Time Release Sciences Inc.	Buffalo	NGRID	RP	200	65			12/31/2012	6/30/2020
171	TitanX Engine Cooling, Inc.	Jamestown	NGRID	EP	1,000	310	310	1,083,333	1/31/2014	1/31/2021
172	Treibacher Schleifmittel Corp.	Niagara Falls	NGRID	RP	750	35	64	211,492	12/31/2012	6/30/2020
173	Tulip Corporation	Niagara Falls	NGRID	EP	300	122	70	79,333	6/30/2013	6/30/2020
174	Tulip Corporation	Niagara Falls	NGRID	RP	1,200	122			12/31/2012	6/30/2020
175	Unifrax Corporation	Tonawanda	NGRID	RP	3,500	238	238	340,333	2/28/2015	2/28/2022
176	Unifrax Corporation	Tonawanda	NGRID	RP	1,000	147			12/31/2012	6/30/2020
177	Unifrax Corporation	Tonawanda	NGRID	RP	2,600	55			12/31/2012	6/30/2020
178	Unifrax Corporation	Niagara Falls	NGRID	RP	1,000	81	95	32,667	12/31/2012	6/30/2020
179	Upstate Niagara Cooperative, Inc.	West Seneca	NYSEG	EP	1,000	134	144	1,163,716	6/30/2013	6/30/2020
180	Washington Mills Electro Minerals	Niagara Falls	NGRID	RP	9,700	171	107	1,475,667	12/31/2012	6/30/2020
181	Washington Mills Tonawanda, Inc.	Tonawanda	NGRID	RP	300	70	38	237,333	12/31/2012	6/30/2020
182	Western New York Energy, LLC	Medina	NGRID	RP	5,000	50	40	42,402	12/31/2012	6/30/2020
183	Zemco Indus. dba Tyson Retail Deli	Buffalo	NGRID	EP	500	502	502	1,287,980	6/30/2013	6/30/2020
184	Zemco Indus. dba Tyson Retail Deli	Buffalo	NGRID	EP	750	275			6/30/2013	6/30/2020
185	Zemco Indus. dba Tyson Retail Deli	Buffalo	NGRID	EP	1,000	170			6/30/2013	6/30/2020
				Totals *	**575,172**	**28,376**	**28,472**	**149,112,737**		

* Job numbers not included in total to avoid double counting of jobs at same location
[1]General Motors has committed to extraordinary additional future capital investment for a contract extension term of 15 years
[2] Steuben Foods Corporation has committed to extraordinary additional future capital investment for contract extension term of 15 years

d. Procurement (Services) Contract – Blenheim-Gilboa Pumped Storage Project – Award of Contract

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a contract to Gomez and Sullivan Engineers, P. C. ('GSE') in Utica, New York for inspection and consulting services in support of an independent consultant's inspection, report and follow-up service for the Blenheim-Gilboa Pumped Storage Project ('B-G'), as mandated by the Federal Energy Regulatory Commission ('FERC'). The intended term of the contract is five years for a total projected amount of $230,000.

BACKGROUND

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

DISCUSSION

"FERC regulations require the Authority to hire an independent consultant to perform an independent dam safety inspection and review at licensed projects every five years. FERC issued a letter on December 10, 2009 to the Authority indicating that the report for B-G was due for submittal on December 1, 2010. In January 2010, staff solicited bids from 55 consulting and engineering firms, including nine firms recognized for their experience in providing dam safety and inspection services at FERC-licensed projects.

"Bidders were required to submit a detailed proposal in accordance with the Request for Proposals and scope of work. Six bids were received and opened on February 17, 2010; one firm later withdrew its bid. The remaining five bids were analyzed and evaluated by a team of staff members from Engineering, BG and Procurement.

"GSE's proposal is complete, competitive and fully responsive to the scope of work. GSE has allocated proper resources to complete this work thoroughly and on time. FERC's new inspection report guidelines require the degree of staffing allocated by GSE and the firm has the knowledge and expertise to perform the work.

"GSE was the lowest-priced bidder and its proposal indicates a complete understanding of the FERC requirements for this work. Based on its qualifications and ability to perform such work, staff recommends awarding a contract to GSE.

"The award is for $30,000 for the first year of the contract, including $1,100 for any additional unforeseen work. FERC requires the independent consultant to be available to answer follow-up questions for a period of five years. Therefore, based on prior experience, $50,000 has been included to respond to FERC questions in years 2-5 of the contract. The total contract value is $230,000.

"FERC must approve the résumés of the specific independent consultants employed by GSE to proceed with this work. Historically, FERC has required the Authority to use the FERC-approved independent consultant to conduct follow-up work; therefore, the intended term of the contract is five years. This contract will permit the Authority to comply with the FERC mandate that the Authority conduct independent consultant inspections of its licensed hydropower project every five years.

"In FERC's letter dated December 10, 2009, the Authority is required to submit a letter for the approval of the proposed independent consultant to FERC no later than June 1, 2010, six months before the Part 12D Safety Inspection Report is due.

FISCAL INFORMATION

"Funds required to support this contract are included in the 2010 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in budget submittals for those years. Payment will be made from the Operating Fund.

RECOMMENDATION

"The Senior Vice President – Power Supply Support Services, the Vice President – Engineering, the Vice President – Procurement and the Regional Manager – Central New York recommend that the Trustees approve the award of a multiyear contract to Gomez and Sullivan Engineers, P. C. for inspection and consulting services as discussed above.

"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, the award and funding of a five-year procurement contract to Gomez and Sullivan Engineers, P. C., in the amount of $230,000, is hereby approved, 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.

e. **Law Department Contracts**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of multiyear procurement contracts for legal services to be utilized by the Law Department, as may be required.

BACKGROUND

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

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

"The last Law Department Request for Proposals ('RFP') for legal services was in 2006.

DISCUSSION

"The terms of the anticipated contracts will be more than one year; therefore, the Trustees' approval is required. All of the contracts will allow the Authority, in its sole discretion, to terminate services without liability other than paying for acceptable services rendered to the effective date of termination.

"The issuance of multiyear contracts is necessitated by both cost and efficiency considerations. In many cases, fixed prices for the terms of the contracts can be negotiated. Since an assigned legal matter may extend longer than a year and require consistency in service, it is more efficient to award long-term contracts than to rebid annually.

"On September 7, 2009, RFP Inquiry No. Q09-4587LW was published seeking responses from law firms interested in providing bond, underwriter and disclosure counsel services to the Authority for a period of two years, with an option for an annual renewal for up to three additional years. On February 4, 2010, RFP Inquiry Nos. Q10-4699LW and Q10-4717LW were published seeking qualification statements from law firms interested in providing energy and general legal services.

"An aggregate amount of $6 million is requested for the general services contracts, $4 million for the energy services contracts and $3 million for the bond, underwriter and disclosure counsel. Aggregate amounts, rather than an amount per contract, are requested since it is not at this time known what contracts will be used or in what amounts. Accordingly, these contracts do not obligate the Authority to a specific level of services or expenditures.

I. Bond, Underwriter and Disclosure Counsel

"A total of 12 firms responded to the RFP. The responses were reviewed by an Evaluation Committee of Authority staff. The evaluation took into consideration costs, background and experience of the bidders with public finance, experience with public power entities and proposal quality, as well as hiring minorities or status as a Minority or Women's Business Enterprise ('M/WBE'). For bond issuances, there are three distinct roles for counsel: bond, disclosure and underwriter counsel representation. Both bond and disclosure counsels represent the interests of the issuer, the Authority; however, it is industry and Authority practice to have separate entities serve in these roles. While underwriter counsel is to represent the interests of the underwriters, it is common practice for bond issuers to recommend reputable firms for this role. The Authority will finance the services for all three roles but will only enter into contracts with the bond and disclosure counsel firms. Prequalification of multiple firms for these contracts allows the Authority flexibility in the ultimate selection of counsel depending on the Authority's needs for public finance, tax or energy experience, a bidder's conflict of interest or other unforeseen circumstances without having to rebid for each individual bond issuance. Prequalification of multiple firms also allows for the Authority to increase the number of firms familiar with its statutory framework and bond issuance characteristics.

"Of the 12 firms that responded, the following 5 firms exhibited exemplary qualifications for providing legal services relating to bond issuances:

- Fulbright & Jaworski LLP ('Fulbright & Jaworski')
- Gonzalez Saggio & Harlan LLP ('Gonzalez') [New York State-certified M/WBE]
- Hawkins Delafield & Wood LLP ('Hawkins')
- Nixon Peabody LLP ('Nixon Peabody')
- Orrick Herrington & Sutcliffe LLP ('Orrick')

"These firms all have significant experience and expertise in public finance and public power. In addition, Gonzalez is a New York State-certified M/WBE firm, and all of the other firms indicated a willingness to partner with certified firms as part of their work for the Authority. Given the overall quality of services that these firms are able to provide, and using the criteria previously noted, the Evaluation Committee recommends that these firms be prequalified to provide bond issuance services on an 'as needed' basis for legal services as follows:

1. Bond Counsel
   - Gonzalez
   - Hawkins
2. Disclosure Counsel
   - Nixon Peabody
   - Orrick
3. Underwriter Counsel
   - Fulbright & Jaworski
   - Gonzalez
   - Orrick

"It is recommended that Hawkins and Gonzalez be selected for bond counsel. Hawkins has served as bond counsel to the Authority for over 55 years. Gonzalez is also recommended, and is a MWBE certified law firm. Industry practice is to have disclosure counsel separate from bond counsel and Nixon Peabody and Orrick are recommended for that purpose. Underwriter counsel is retained by the underwriter, usually upon recommendation of the issuer, but paid by the issuer (the Authority). Gonzalez, Orrick and Fulbright & Jaworski are recommended for the pool of prequalified underwriter's counsel. All recommended firms have a vast array of public finance and tax experience and have exposure to numerous high-value bond issuances.

"The new contracts would become effective on or about June 1, 2010 for an initial term of two years with an option for an annual renewal for an additional three years, subject to the Trustees' approval, which is hereby requested.

II. Energy Services Counsel

"A total of 19 law firms submitted proposals in response to RFP Q10-4699LW to provide legal services related to energy services matters. These responses were reviewed and evaluated by Authority staff. Staff considered the experience of the bidders with energy services matters, expertise of the firm's attorneys, proposal quality, hourly rates, past Authority experience with the firm and the firm's record of hiring minorities and status as, or interest in working with, M/WBE law firms. All of the selected firms indicated a willingness to partner with New York State-certified M/WBE firms as part of their work for the Authority. As a result of this evaluation, the following firms are recommended to be retained for energy services work:

Nixon Peabody
Ruskin Moscou Faltischeck PC ('Ruskin')
Holland & Knight LLP ('Holland & Knight')
Van Ness Feldman, PC ('Van Ness Feldman')
Troutman Sanders LLP ('Troutman Sanders')
Mercer Thompson LLC ('Mercer Thompson')
Fulbright & Jaworski

"The new contracts would become effective on or about June 1, 2010 for an initial term of three years, with an option for an annual renewal for an additional two years, subject to the Trustees' approval, which is hereby requested.

III. General Services Counsel

"A total of 32 law firms submitted proposals in response to RFP Q10-4717LW for general legal services. This proposal sought information on the applicant's ability to provide support in a variety of legal areas (i.e., environmental, real estate, tax, employment, intellectual property, etc) relevant to the business of the Authority. Staff reviewed the qualification statements, taking into account the background and experience of the bidders, expertise and reputation in the various subject matters, hourly rates and billing practices and any past Authority experience with the firm, as well as their minority hiring record and qualification as, or interest in working with, M/WBE firms. In addition, the firms' locations were considered. Having outside counsel familiar with local courts in areas of the State where the Authority's facilities and offices are located is important, as the Authority may be sued or may choose to sue in such local courts. Finally, there is also a need to have firms with sufficient personnel and resources available to provide legal support in any of the varied specialized areas in which the Authority may require legal advice. Schoeman Updike & Kaufman LLP ('Schoeman') is a New York State-certified M/WBE firm, and all of the other selected firms indicated a willingness to partner with certified firms as part of their work for the Authority. As a result of the review of the proposals, the recommendation is that new contracts be entered into with the following firms for generic legal services on an 'as needed' basis:

Holland & Knight
Carter Ledyard & Milburn LLP ('Carter Ledyard')
Whiteman Osterman & Hanna LLP ('Whiteman')
Schoeman
Nixon Peabody
Ruskin
Rivkin Radler LLP ('Rivkin Radler')
Hiscock & Barclay LLP ('Hiscock & Barclay')
Reisman, Peirez & Reisman LLP ('Reisman')

"The new contracts would become effective on or about June 1, 2010 for an initial term of three years, with an option for an annual extension for an additional two years, subject to the Trustees' approval, which is hereby requested.

FISCAL INFORMATION

"Funds required to support contract services are available through the Legal Department Outside Counsel budget, which has been included in the 2010 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years, as well as from capital funding (where appropriate) as tasks are assigned. Payment will be made from the Operating Fund.

RECOMMENDATION

"The Executive Vice President and General Counsel and the Vice President – Procurement recommend the Trustees' approval of the award of multiyear procurement contracts to the law firms referenced in Exhibit '1e-A' (attached) for the purposes and in the aggregate amounts set forth above.

"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 pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement services contracts set forth in Exhibit "1e-A," attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That 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.

I. **Bond, Underwriter and Disclosure Counsel** RFP Q09-4587LW

1. Bond Counsel

Gonzalez Saggio & Harlan LLP
The Empire State Building
350 Fifth Avenue, 59th Floor
New York, NY 10118

Hawkins Delafield & Wood LLP
One Chase Manhattan Plaza
42nd Floor
New York, NY 10005-1401

2. Disclosure Counsel

Nixon Peabody LLP
677 Broadway, 10th Floor
Albany, NY 12207

Orrick Herrington & Sutcliffe LLP
51 West 52nd Street
New York, NY 10019-6142

3. Underwriter Counsel

Fulbright & Jaworski LLP
666 Fifth Avenue
New York, NY 10103-3198

Gonzalez Saggio & Harlan LLP
The Empire State Building
350 Fifth Avenue, 59th Floor
New York, NY 10118

Orrick Herrington & Sutcliffe LLP
51 West 52nd Street
New York, NY 10019-6142

II. **Energy Services Counsel** RFP Q10-4699LW

Nixon Peabody LLP
677 Broadway, 10th Floor
Albany, NY 12207

Ruskin Moscou Faltischeck PC
East Tower, 15th Floor
1425 RXR Plaza
Uniondale, NY 11556-1425

Holland & Knight LLP
31 West 52nd Street
New York, NY 10019

Van Ness Feldman, PC
1050 Thomas Jefferson Street, N.W.
Seventh Floor
Washington, DC 20007

Troutman Sanders LLP
The Chrysler Building
405 Lexington Avenue
New York, NY 10174-0700

Mercer Thompson LLC
191 Peachtree Street, N.E.
Suite 4410
Atlanta, GA 30303

III. **General Services Counsel** RFP Q10-4717LW

Holland & Knight LLP
31 West 52nd Street
New York, NY 10019

Carter Ledyard & Milburn LLP
2 Wall Street
New York, NY 10005

Whiteman Osterman & Hanna LLP
One Commerce Plaza
Albany, NY 12260

Nixon Peabody LLP
677 Broadway, 10th Floor
Albany, NY 12207

Ruskin Moscou Faltischeck PC
East Tower, 15th Floor
1425 RXR Plaza
Uniondale, NY 11556-1425

Rivkin Radler LLP
926 RXR Plaza
Uniondale, NY 11556-0926

Hiscock & Barclay LLP
50 Beaver Street
Albany, NY 12207

Reisman, Peirez & Reisman LLP
1305 Franklin Avenue
P.O. Box 119
Garden City, NY 11530

Schoeman Updike & Kaufman LLP
60 ast 42nd Street
New York, New York 10165-0006

2. Discussion Agenda

a. Report of the President and Chief Executive Officer

President Kessel said that the Power for Jobs ("PFJ") program expired on May 15, 2010, but that a few days later it was extended through June 2. He said that the Governor and Senate had agreed on a bill, also supported by the Authority, creating a new economic development power program, but that the Assembly's bill was the polar opposite.

Staff expects to present its recommendations on the awards for the 100 MW solar initiative to the Trustees in the fall.

The proposals for the Great Lakes Offshore Wind project are due by June 1. It will take staff six to eight months to evaluate the proposals, so they will present their recommendations to the Trustees late this year or early next year.

A feasibility study is being conducted for the Long Island Offshore Wind project. The participants in the project (the Authority, the Long Island Power Authority, the City of New York and Consolidated Edison Company of New York, Inc.) had hoped to be able to issue an RFP for the project in June, but had decided to proceed with the feasibility study first. Staff expects to come back to the Trustees at their June meeting with a proposal for signing the leases needed for the project, at a cost of approximately $100,000, since the Authority is the only entity that can hold such leases. Staff has met with the U. S. Department of the Interior about the leases. Mayor Bloomberg is very supportive of the project.

The Authority is in negotiations with New York City with regard to the Hudson Transmission Partners project and expects to have worked out the preliminary terms within the next couple of weeks. The Federal Energy Regulatory Commission has issued a waiver granting additional time for the project to proceed. Staff expects to present the project to the Trustees at their June or September meeting.

President Kessel's community outreach activities since the last Trustees' Meeting in March have included:

- ***Suffolk County Community College press conference and EAC luncheon (3/24).***
- ***Buffalo News editorial board, ice boom event, NiGen meeting, Niagara City Task Force (3/24).***
- ***Meeting with Congressman Steven Israel (4/1).***

- ***Rochester Institute of Technology meeting, Governor's press conference, "Get Listed!" event, Democrat & Chronicle editorial board meeting, meeting with County Executive Maggie Brooks (4/12).***
- ***Advanced Energy Research and Technology Center board meeting (4/13).***
- ***Buffalo meeting with Senator George Maziarz, NiGen meeting (4/15).***
- ***Syracuse Energy Symposium, Owl Wire news conference in Rome (4/16).***
- ***New York City meeting with Sam Natapoff, ESDC, BP (4/19).***
- ***Watertown Times, John Johnson, news conference with Watertown School District to promote the Authority's 100 MW Solar Initiative (4/20).***
- ***Earth Day, Mayor Bloomberg (4/22).***
- ***New York City Council Speaker Christine Quinn, Brooklyn Children's Museum news conference (4/23).***
- ***Albany – meetings, Governor's news conference related to the expiration of the Power for Jobs program, tours of SCA Tissue and Irving Tissue in Warren County (4/28).***
- ***Buffalo – Steuben Foods, Niagara Rotary Club speaker, news conference announcing RFP proposals for 100 MW Solar Initiative, tour of Old Falls area with Mayor Dyster, Tuscarora exhibit at Niagara Project Visitors' Center (4/29).***
- ***Massena – meetings with Alcoa executives and union (4/30).***
- ***Washington – Meetings with Senator Schumer, Secretary of Energy Salazar and others (5/4).***
- ***New York City – New York State Assembly roundtable on renewable energy opportunities (5/6).***
- ***New York City – Meeting with Governor's Deputy Secretary for Energy Tom Congdon and others about wind project, Wenner Bread (5/10).***
- ***Long Island – Long Island Press videotaping (5/11).***
- ***New York City – Meetings with Mark O'Luck and New York Building Congress (5/13).***
- ***Nature Conservancy (5/18).***
- ***Meeting with Village of Lake Placid Electric Muni Superintendent Peter Kroha, news conference with Lake Placid Green Team, keynote address at Adirondack Research Consortium (5/19).***

- ***Buffalo – Meetings with Buffalo Mayor Byron Brown, Assemblywoman Francine DelMonte, Lewiston Town Supervisor Steven Reiter, Lockport Mayor Michael Tucker and executives at Norampac Industries' Lancaster division (5/20).***
- ***Long Island – Speech at "Green-Up" conference sponsored by ACT (5/21).***
- ***Long Island – Induction into Long Island Press Hall of Fame (5/25).***

b. **Report of the Chief Operating Officer**

Mr. Gil Quiniones provided the following report:

This report includes highlights from the Operations Group over March and April. NYPA received two awards from the American Public Power Association for its work related to the relicensing of the Niagara Power Project and for its outstanding safety record. Below-average flows on the Niagara and St. Lawrence Rivers and below-average energy prices continued to negatively affect systemwide net generation and revenues through April.

POWER SUPPLY

Plant Performance

Systemwide net generation[1] in March and April was below projections. Net generation was 2,169,272 megawatts[2] (MWh) in March, compared to projected net generation of 2,332,382 MWh and net generation was 1,976,301 megawatts (MWh), compared to projected net generation of 2,075,873 MWh in April. For the year, actual net generation is 8,243,235 MWh, below the year-to-date net generation target of 8,546,097 MWh.

The fleet availability factor[3] was 90.8 percent during March, 87.6 percent in April, and is 89.0 percent for the year through April. The generation market readiness factor[4] in March was 99.8 percent and 99.6 percent in April, above the monthly targets of 99.4 percent. For the year, generation market readiness is 99.8 percent.

While there were no significant unplanned generation events[5] in March or April, a few unscheduled outages[6] did occur. The total lost opportunity cost of all unscheduled outages in March was $0.09 million, compared with generation revenue of $143 million. The total lost opportunity cost of all unscheduled outages in April was $0.03 million, compared with generation revenue of $134 million. The year-to-date lost opportunity cost is $0.23 million compared to generation revenue of $596 million.

River flows at the Niagara project were below historical averages in both March and April, and are forecasted to be well below normal for the next several months due to low precipitation in the Great Lakes Basin that has continued since December 2009. At St. Lawrence-FDR, flows were below forecast and are expected to be below historical averages for the rest of the year.

Transmission Performance

Transmission reliability[7] in March was 96.18 percent, which was above the target of 95.78 percent. The transmission reliability for April was 97.70 percent, which was below the target of 98.95 percent. The year-to-date actual reliability is 95.33 percent, below the target of 96.57 percent. This is primarily due the Long Island Sound Cable outage described in the February and March COO reports.

There were no significant unplanned transmission events[8] in March or April.

<u>Life Extension and Modernization Programs</u>

Work on the 13th of the 16 units at the St. Lawrence-FDR project was started on schedule as part of the project's Life Extension and Modernization[9] (LEM) program on December 19, 2009. The unit is currently scheduled to return to service in late July following its refurbishment. Recent inspections of the unit revealed that significant repairs will be required that could extend the outage. Staff is evaluating these findings and their impact to the overall LEM schedule. The overall LEM project is scheduled for completion in 2013.

Work on the fourth and final unit at Blenheim-Gilboa remains on course for completion in June 2010.

<u>Transmission Initiative</u>

NYPA staff is continuing to work with National Grid, Con Edison, and the Long Island Power Authority (LIPA), regarding a proposed transmission line that would deliver power from Canada and upstate renewable energy projects to New York City.

After being selected by NYPA and National Grid in March, PA Consulting continues to work on the Economic Benefits Analysis. In late April, Con Edison and LIPA approved the emissions assumptions to use in the analysis, and PA Consulting began modeling the base case scenario. Draft results are expected in late May.

<u>Moses-Adirondack Replacement</u>

Due to the age and decline of the infrastructure on the Moses-Adirondack[10] (MA1 and MA2) line, NYPA has been exploring the replacement of this section of the transmission system. As part of that effort, NYPA engaged Navigant Consulting to perform the economic analysis related to that replacement. Data for base case and contingency modeling have been provided to Navigant that will allow them to model scenarios through 2018. Navigant will use these data in the Moses-Adirondack economic analysis. NYPA staff continues to gather internal data relating to the condition assessment of MA1 and MA2.

<u>SUNY-Canton Project</u>

The State University of New York at Canton is working with NYPA to assess options to relocate the section of MA1 and MA2 on their campus to accommodate athletic fields. A draft interim report was presented to SUNY-Canton for discussion of potential routing options. SUNY-Canton recognized that utilizing the existing corridor is the least cost option and may have the shortest lead time, but they prefer using a new corridor around the athletic fields or a new corridor paralleling the Massena-Marcy[11] line. NYPA engaged Commonwealth Associates for a detailed study of these options and expects to have draft results prepared in the last week of May 2010.

<u>Organizational Realignment</u>

Preliminary results of the assessment of potential operational interfaces between the Power Generation and Transmission groups have moved to third quarter of 2010. The consultants and NYPA staff met with Ontario Power Generation to discuss their organizational structure related to plant marketing. This meeting was directly related to the review of potential organizational synergies between NYPA's Energy Control Center, Energy Resource Management, and Power Generation operations.

<u>Relicensing and Implementation</u>

At its annual conference in April, the National Hydropower Association[12] (NHA) awarded NYPA its Outstanding Steward of America's Waters award for the Common Tern Habitat Improvement Project installed as part of NYPA's relicensing commitments at the Niagara Power Project. The project enhances nesting habitat for a bird species endangered in New York State on US Army Corps of Engineers concrete breakwaters[13] located in Buffalo Harbor. A state-of-the art mobile installation consisting of a movable barge was designed to create nesting habitat which resulted in the hatching of 1,000 young birds. The population of common terns has been in decline since the 1980's and this project added significantly to the success of the bird population in the area.

<u>Environmental</u>

There were two environmental events in March. At the Astoria 500 MW Combined Cycle Plant, a loss of approximately 10,000 pounds of refrigerant from the chiller units[14] was discovered while preparing for annual maintenance. At the St. Lawrence-FDR Power Project, a State Pollutant Discharge Elimination System[15] (SPDES) permit excursion was assessed for failure to conduct a visual observation for oil sheens at three outfalls.[16]

There was one environmental event in April. A leak was discovered in a pole-mounted transformer at the St. Lawrence-FDR Visitors Center. The transformer was de-energized and the contaminated material was removed.

The total year-to date number of recordable environmental incidents is five. The 2010 maximum target for recordable environmental incidents is 25.

NYPA was honored by the American Public Power Association[17] (APPA) 2009 Safety Awards of Excellence. NYPA took second place in APPA's Group G, which includes systems that have recorded between one million and four million man hours for the year.

<u>Technical Compliance – NERC Reliability Standards</u>

As discussed in the March COO Report, NYPA reported potential non-compliance and submitted mitigation plans to the Northeast Power Coordinating Council[18] (NPCC) for two standards that apply to facility ratings methodology[19] and data for NYPA's generation and transmission assets, and one standard that applies to NYPA's Critical Infrastructure Protection[20] program. All three of these standards are in the North American Electric Reliability Corporation's[21] (NERC) top ten of the most violated standards in the industry. NYPA engaged with NPCC in March and April regarding the content of the five mitigation plans associated with these self reports. NPCC is expected to approve the mitigation plans and submit them to NERC in May. They will then be submitted to the Federal Energy Regulatory Commission.[22]

Also discussed in the March report, NYPA responded to a Compliance Inquiry letter from the NPCC in late February requesting information and documentation regarding a system event that occurred at the Niagara Power Project on February 1 that took a 345 kV transmission line to Ontario, Canada, out of service. In late April, NYPA submitted the last response to two subsequent requests for clarification that were received from the NPCC.

In April, Power Supply initiated an assessment of the organizational and staffing requirements for managing compliance to NERC's Reliability Standards. Power Supply also initiated an assessment and update of the policies, procedures, and technical manuals that are required to demonstrate compliance to the standards. These assessments will be completed in 2010. The objective of this initiative is to enhance NYPA's NERC reliability standards compliance posture.

<u>Stimulus-funded Smart Grid Projects</u>

In May, the New York Independent System Operator[23] (NYISO) signed a Subaward Agreement with NYPA and the other New York Transmission Owners to initiate its $75.7 million Smart Grid project in New York State. The project is supported by a $37.4 million grant from the US Department of Energy (DOE). The New York Transmission Owners will receive subawards to install phasor measurement units[24] and capacitor banks[25] that will enhance the reliability of the bulk electricity grid. NYPA will receive a $200,000 subaward to add to its already extensive network of phasor measurement units.

NYPA is also participating in the stimulus-funded Eastern Interconnection Planning Collaborative (EIPC), a group of transmission and generation utilities, regional transmission organizations, state representatives, and other power suppliers. The EIPC received $16 million in funding from the DOE to fund interconnection-level transmission expansion studies, and the Eastern Interconnection States' Planning Council, a sister group of the EIPC, received $14 million to identify renewable resources and other policy options to be considered by the EIPC. NYPA is participating in the formulation of the EIPC Stakeholder Steering Committee, the structure of which is expected to be finalized in May and membership selected in June. Steering Committee members will represent different sectors in the Eastern Interconnection – rather than individual company positions – so there will be significant collaboration among sector representatives prior to Steering Committee meetings. NYPA is also participating in an informal Transmission Owner Caucus, which has established a regular dialog with the EIPC Executive Committee.

ENERGY RESOURCE MANAGEMENT

NYISO Markets

For March, ERM bid more than 2,071,692 MWh of NYPA generation into the NYISO markets, netting $31.0 million in power supplier payments to the Authority. For April, ERM bid more than 1,881,915 MWh of NYPA generation, netting $29.0 million in power supplier payments to the Authority. ERM has bid more than 7,794,643 MWh year-to-date netting $145.3 million in power supplier payments.

Energy markets continue to be significantly lower than five-year historical averages. NYPA's income is expected to be below target due to these lower energy prices, and also due to lower than expected flows on the St. Lawrence River and Niagara River.

Numerous storms and heavy rains in March affected market value recovery at St Lawrence-FDR and Blenheim-Gilboa. ERM managed the upper reservoir at Blenheim-Gilboa to limit potential downstream flooding, resulting in under recovery.

The in-city capacity markets[26] continued to trend higher than historical average. Summer capacity prices were at $13/kW-mo[27] compared to last summer at $7/kW-mo, in part due to Poletti's retirement. NYPA's in-city capacity revenues will be on target while rest-of-state capacity revenues will be lower.

<u>Fuel Planning & Operations</u>

In March, NYPA's Fuels Group transacted $14 million in natural gas and oil purchases, compared with $34 million in March 2009. In April, NYPA's Fuels Group transacted $14 million in natural gas and oil purchases, compared with $27 million in April 2009. Year-to-date natural gas and oil purchases are $88 million compared with $132 million year-to-date in April 2009. The reduction is mainly attributed to the retirement of the Poletti unit.

<u>Market Issues</u>

On April 15, FERC issued an order that preserved a very valuable hedge against transmission congestion for our southeast New York customers. Last fall, ERM and Legal staff worked closely with the NYISO to formulate a FERC filing strategy to proactively ensure this hedge was retained until 2017. This joint NYISO/NYPA effort and the resulting FERC order resulted in savings to our customers of $40 million annually through 2017.

<u>Regional Greenhouse Gas Initiative</u>

On March 10, NYPA participated in Auction 7 of the Regional Greenhouse Gas Initiative[28] (RGGI) CO_2 ***Budget Trading Program. The price of RGGI allowances cleared at $2.07/ton in Auction 7, near the clearing price of $2.05/ton in Auction 6 held in December 2009 and well below the peak clearing price of $3.51/ton in Auction 3 held in March 2009. NYPA is currently preparing for Auction 8, to be conducted on June 9. The ten-state RGGI cooperative has preliminarily reviewed our application package and deemed it complete. Although qualification status will not be finalized until May 25, no issues are anticipated given NYPA's prior participation.***

<u>OFFICE OF THE CHIEF OPERATING OFFICER</u>

<u>Sustainability Action Plan</u>

NYPA employees continue to make progress on implementing the 41 action items laid out in the Sustainability Action Plan. Recent advancements include the posting of our community contribution recipients on NYPA's website and establishment of a clean energy procurement policy. In addition, a White Plains Office Green Team has been created to help organize events and activities to raise employee awareness about sustainability topics. The first two events, a green building documentary screening and an Earth Day Fair featuring twenty vendors and a battery recycling drive were well attended and positively received.

<u>Federal Energy Regulatory Commission</u>

The Federal Energy Regulatory Commission (FERC) issued a Notice of Proposed Rulemaking on March 18 regarding the definition of the Bulk Electric System (BES). The new proposed definition will include all electric transmission facilities with a rating of 100kV or higher. This proposed change in the BES definition would require NERC registration of additional entities that would be subject to the NERC Reliability Standards. NYPA participated in comments submitted to FERC on May 10 by the Large Public Power Council[29] (LPPC) and the American Public Power Association (APPA), two industry groups in which we are members.

FERC also solicited comments on two Notices of Inquiry (NOI), which is a procedure used to gather information on a specific industry issue. In March, NYPA participated in comments made by LPPC on FERC's request to assess the impact of requiring wholesale power market participants that are not under FERC jurisdiction – which includes public power entities – to file Electric Quarterly Reports, including information about market-based power sales. LPPC requested that any proposed rulemaking exclude long-term agreements between non-jurisdictional entities, and that FERC create a waiver process for specific transactions or categories of transactions, including sales in connection with statutorily mandated rates for economic development purposes.

In April, NYPA participated in LPPC's comments to a FERC NOI for information on the impact of using wholesale electricity tariff reforms or other reforms to ensure that variable energy resources[30] have non-discriminatory access to the market, and can be efficiently and reliably integrated into the power grid. LPPC asked that FERC consider holding regional technical conferences to identify current best practices prior to any rulemaking. On May 7, FERC announced a series of technical conferences aimed at improving integration of variable resources, demand resources, and other technologies through improved power system and market modeling software.

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 (MWh) – The amount of electricity needed to light ten thousand l00-watt light bulbs for one hour. A megawatt is equal to 1,000 kilowatts and can power about 800 homes, based on national averages.

[3] Availability Factor – The Available Hours of a generating unit over the Period Hours (hours in a reporting period when the unit was in an active state). Available Hours are the sum of Service Hours (hours of generation), Reserve Shutdown Hours (hours a unit was not running but was available) and Pump Hours (hours a pump storage unit was pumping water instead of generating power).

[4] Generation Market Readiness – The availability of generating facilities for bidding into the NYISO market. It factors in available hours and forced outage hours which drive the results.

[5] Significant Unplanned Generation Events – Forced or emergency outages of individual generator units of duration greater than 72 hours, or with a total repair cost of greater than $75,000, or resulting in greater than $50,000 of lost revenues.

[6] 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.

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

[8] Significant Unplanned Transmission Events –Forced or emergency outages of individual transmission lines which directly affect the reliability of the state's transmission network, or affect the availability of any component of the state's transmission network for greater than 8 hours, or that have a repair cost greater than $75,000.

[9] Life Extension and Modernization programs—Major undertakings in which all the turbines at the St. Lawrence-Franklin D. Roosevelt and Blenheim-Gilboa projects are being replaced and the generators and other components significantly refurbished. The programs are intended to ensure that the projects operate at maximum efficiency far into the future.

[10] Moses-Adirondack line – Two 230 kV circuits, MA1 and MA2, that connect the Robert Moses Power Dam at the St. Lawrence-FDR Power Project in Massea, NY, to the Adirondack substation in Lewis County.

[11] Massena-Marcy line – A 165-mile 765 kV single circuit that connects the St. Lawrence-FDR Power Project to Central New York. The line mostly parallels the Moses-Adirondack line on its way south. This line is New York's only 765 kv line and is essential to NYPA's transmission system.

[12] National Hydropower Association – The U.S. hydropower industry's national trade organization, with approximately 140 members, including NYPA. Its mission is to protect and promote hydropower development through legislative, regulatory, technical and public communication activities.

[13] Breakwaters - A barrier that protects a harbor or shore from the full impact of waves.

[14] Chiller units – At the 500-MW Combined Cycle Plant, chiller units are used to cool air as it is taken into the combustion turbine. This process optimizes performance of the units.

[15] State Pollution Discharge Elimination System (SPDES) Permit –A permit required by the New York State Department of Environmental Conservation to regulate the point source discharge of pollutants contained in process water and storm water to surface water and ground water in New York State.

[16] Outfall - The end of a river, sewer, drain, etc., from which it discharges.

[17] American Public Power Association (APPA) – A service organization for the nation's more than 2,000 community-owned electric utilities that serve more than 45 million Americans. It was created in 1940 as a non-profit, non-partisan organization. Its purpose is to advance the public policy interests of its members and their consumers, and provide member services to ensure adequate, reliable electricity at a reasonable price with the proper protection of the environment.

[18] Northeast Power Coordinating Council (NPCC) - The Northeast Power Coordinating Council, Inc. (NPCC) is the cross-border regional entity and criteria services corporation for Northeastern North America. NPCC's mission is to promote and enhance the reliable and efficient operation of the international, interconnected bulk power system in Northeastern North America pursuant to an agreement with the Electric Reliability Organization (ERO) which designates NPCC as a regional entity and delegates authority from the U.S. Federal Energy Regulatory Commission (FERC), and by Memoranda of Understanding with applicable Canadian Provincial regulatory and/or governmental authorities. The ERO to which NPCC reports is the North American Electric Reliability Corporation (NERC).

[19] Facilities ratings methodology – NERC standard FAC-008-1, titled "Facilities Ratings Methodology", ensures that Facility Ratings used in the reliable planning and operation of the Bulk Electric System are determined based on an established methodology or methodologies. The Transmission or Generator owner must document its methodology or methodologies for developing facility ratings according to NERC requirements, make these documents available to transmission operators and planners, reliability coordinators, and planning authorities, and respond to any written comments on the documents..

[20] Critical Infrastructure Protection (CIP) – The Critical Infrastructure Protection (CIP) program coordinates all of the North American Electricity Reliability Corporation's (NERC) efforts to improve physical and cyber security for the bulk power system of North America, as it relates to reliability. These efforts include standards development, compliance enforcement, assessments of risk and preparedness, disseminating critical information via alerts to industry, and raising awareness of key issues.

[21] North American Electric Reliability Corporation (NERC) – The organization that develops and enforces mandatory reliability standards for the bulk power system in the United States, issues long-term and seasonal reliability forecasts and monitors the power system. (NERC standards are also mandatory and enforceable in parts of Canada.)

[22] Federal Energy Regulatory Commission (FERC) – An independent agency that regulates the interstate transmission of electricity, natural gas, and oil. FERC also reviews proposals to build liquefied natural gas (LNG) terminals and interstate natural gas pipelines as well as licensing hydropower projects.

[23] New York Independent System Operator (NYISO) – A not-for-profit organization that operates New York State's transmission system, administers the state's wholesale electricity markets and engages in planning and forecasting to ensure the future reliability of the statewide power system.

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

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

[26] In-City Capacity Markets – The New York Independent System Operator (NYISO) must ensure that sufficient resources are available to meet projected load on a long-term basis. In order to facilitate this, the NYISO administers a capacity market. This market matches buyers and sellers of capacity using the clearing price methodology. Given the constrained nature of the transmission system, the New York State Reliability Council (NYSRC) requires loads in New York City and Long Island to buy a certain percentage of their capacity from suppliers physically located in those areas.

[27] Dollars per Kilowatts-months ($/kW-mo) – The unit of sale in capacity markets. A kilowatt-month is roughly equivalent to the capacity needed to generate one kilowatt for one month.

[28] Regional Greenhouse Gas Initiative (RGGI) – A cooperative effort by Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont. These ten states have capped CO_2 emissions from the power sector, and will require a 10 percent reduction in these emissions by 2018. RGGI is composed of individual CO_2 Budget Trading Programs in each of the ten participating states. Regulated power plants can use a CO_2 allowance issued by any of the ten participating states to demonstrate compliance with the state program governing their facility. Taken together, the ten individual state programs function as a single regional compliance market for carbon emissions, the first mandatory, market-based CO_2 emissions reduction program in the United States.

[29] Large Public Power Council (LPPC) – An organization comprised of 23 of the nation's largest locally owned and controlled, not-for-profit power systems. LPPC works to develop and advance consumer-oriented positions on national energy issues.

[30] Variable Energy Resources – In FERC's definition, renewable energy resources that are characterized by variability in the fuel source that is beyond the control of the resource operator. This includes wind and solar generation facilities and certain hydroelectric resources.

c. Report of the Chief Financial Officer

In response to a question from Vice Chairman Jonathan Foster, Ms. Elizabeth McCarthy said that the Authority's revenues are projected to be $106 million below budget at the end of the year due to lower-than-anticipated lake levels and sales and the effect of lower energy prices. She said that $67 million of that amount is attributable to the lower lake levels and sales from the hydro plants, while $39 million is due to lower energy prices. Ms. McCarthy added that an estimated 12- to 14-week outage at the Flynn Plant is projected to cost $6.3 million. She said that the Authority's hydro rates will remain the same, partially offset by lower operating expenses. Responding to another question from Vice Chairman Foster, Ms. McCarthy said that the hydro flow estimates are reasonable, but that it is possible that they could get worse. Mr. Donald Russak said that the hydro water levels were 7% below budget projections and 5% below the long-term average. He said that the first half of the year has been very dry and that if precipitation over the Great Lakes remains well below average for the second half of the year as well, another $30 million effect on the bottom line could be expected. President Kessel said that the Authority needs to take a hard look at its net revenues for the long term, especially with the spate of recent requests from New York State to contribute to the State's general fund. He said that the Authority must be vigilant about protecting its financial stability.

Ms. McCarthy said that finance staff are expanding the Authority's four-year financial projections to a 10-year horizon, layering in various ongoing and planned Authority initiatives and ranking them in terms of value in terms of how the Authority's capital is deployed. These projects the upstate transmission lines, the Hudson Transmission Partners PJM interconnection, the major solar and wind RFPs and the Power for Jobs and other economic development power programs.

Responding to a question from Trustee Nicandri, Ms. McCarthy said that the Authority is facing lower revenues for the second year in a row for those hydropower customers whose rates were temporarily frozen last year. She said that the resulting revenue shortfall is manageable but needs to be addressed. President Kessel added that Authority staff and management are looking very closely at the hydropower rate issue, which is complicated by financial, political and governmental considerations. He noted that at some point, the Authority will have to raise these rates. Mr. Russak added that the costs deferred last March when the rates were frozen are to be recouped over a period of time.

Chairman Townsend said that the Authority needs to have an active dialog with the Governor and the Legislature with regard to the financial requests that are made of the Authority. He said that it is incumbent upon the Trustees to be more involved in these matters because of their increased fiduciary responsibilities, especially since many of the Authority's plans for capital projects are being jeopardized by the trend of increasing contributions to the State's coffers. President Kessel said that he is very engaged with Governor's Office staff but that it is hard to get an audience with them right now because of the ongoing budget crisis. He said that he, too, is increasingly concerned about everyone in government looking to the Authority first when considering options for ameliorating the State's financial crisis; in fact, someone in the Assembly had been quoted as saying that the Authority could provide $1 billion toward this end. President Kessel said that many in the Governor's Office and the Legislature do not understand the Authority's finances. He said that they cannot continue along this path. Vice Chairman Foster said that he hoped the Governor's Office and Legislature realize that the Authority's Trustees have a fiduciary duty when it comes to approving Power for Jobs expenditures, as reflected in the language of the resolution, which says that the Trustees must find such expenditures "feasible and advisable." Trustee Curley said that the Trustees had conducted considerable due diligence last year with regard to the requests for contributions to the State's treasury, even bringing in nationally recognized outside experts to assist with their deliberations. He said that he does not want to be rushed when it comes to these decisions and that due diligence requires time. President Kessel said that this was a point well taken and that staff agreed, which is why there is no contribution item on today's meeting agenda.

In response to a question from Trustee Mark O'Luck, Ms. McCarthy said that the Authority is conducting a search for a Chief Risk Officer.

New York Power Authority

Report of the Chief Financial Officer

For the Four Months Ended April 30, 2010

Report of the Chief Financial Officer
For the Four Months Ended April 30, 2010
Executive Summary

Results of Operations

Net income for the four months ended April 30, 2010 was $6.9 million which was $22.8 million lower than budgeted. Results through April included lower net margins on sales ($39.3 million) partially offset by lower O&M ($9.4 million) and higher non-operating income ($6.3 million). Net margins were lower at Niagara ($37.7 million) primarily due to lower volumes of market-based sales. Generation at Niagara was 8% lower than the forecast due primarily to lower than anticipated lake levels. In addition, at Niagara, average energy prices for sales into the market were approximately 25% lower than budgeted. O&M expenses were lower primarily due to timing differences related to the 500mw outage (budget assumed April, now scheduled for October) and non-recurring projects at St. Lawrence. Non-operating income included a positive variance ($6.0 million) resulting from a mark-to-market gain on the Authority's investment portfolio due to a decrease in market interest rates as well as lower costs on variable rate debt.

Year-end Projection

Net income for year-end 2010 is projected to be $202 million, $10 million below last month's forecast and $106 million below the original budget of $308 million. Two new business issues reflected in this month's update include an unplanned outage at the Flynn project ($4 million) and a continuation of the hydro rate freeze that has been in effect since last year ($7.5 million). Overall, lower hydro flows and softer energy and capacity prices in the market continue to drive the year-end variance. The latest forecast reflects 18.9 Twh of hydro generation, well below the original forecast of 20.5 Twh. This decrease in generation, a result of several months of dry weather over the lakes, has an estimated impact on net income of $67 million. Energy prices are up slightly from last month (3%) but remain significantly below the original forecast (24%), resulting in an estimated impact of $40 million to annual net income. In the capacity markets, although this month's update reflects an increase in capacity prices, they remain considerably below budget with an estimated net income impact of $12 million. Several other forecast items continue to partially mitigate the effect of lower generation and prices. These items include: lower debt service expenses ($8 million) and an increase in the mark-to-market valuation of the portfolio ($8 million), both due to lower interest rates; as well as a timing delay in the spending plan for renewable energy program support ($5 million).

Cash & Liquidity

The Authority ended the month of April with total operating funds of $892 million as compared to $907 million at the end of 2009. The decrease of $15 million was primarily attributed to a $119.5 million voluntary contribution to New York State and scheduled debt service payments, partially offset by positive net cash provided by Operating Activities and the Value Sharing payment of $72 million received from Entergy on January 15th. Looking forward, we are anticipating the operating fund balance to generally track the lower net income results. The year-end operating fund balance is currently projected to be $1.03 billion, an increase of $126 million during the year, but approximately $103 million below budgeted level.

Energy Risk

At April 30, 2010, the fair market value of outstanding energy derivatives was an unrealized loss of $283 million for financial contracts extending through 2017. Year to date, financial energy derivative settlements resulted in a realized net loss of $27.9 million.

RESULTS OF OPERATIONS

Net Income
Four Months ended April 30, 2010
($ in millions)

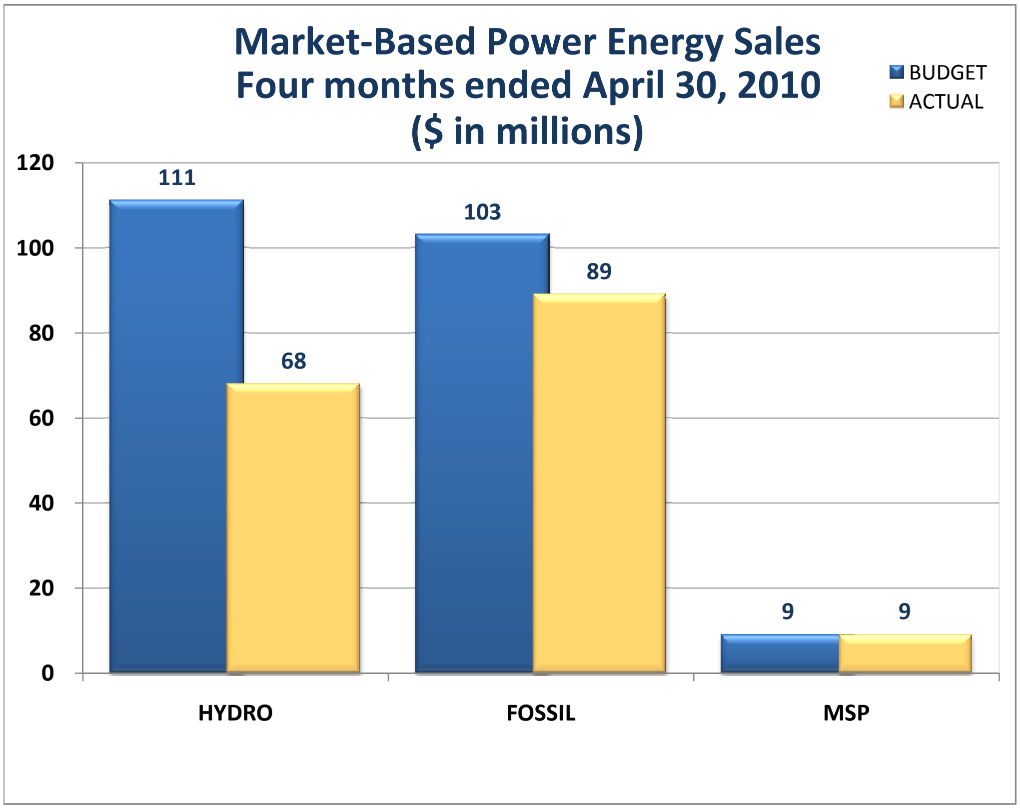
	Actual	Budget	Variance
Niagara	$36.7	$73.1	($36.4)
St. Lawrence	9.9	9.0	0.9
BG	(1.5)	1.8	(3.3)
SENY	20.1	17.5	2.6
SCPP	(2.5)	(3.2)	0.7
Market Supply Power	(11.5)	(12.3)	0.8
Flynn	8.3	5.0	3.3
Transmission	14.0	10.7	3.3
Non-facility*	(66.6)	(71.9)	5.3
Total	**$6.9**	**$29.7**	**($22.8)**

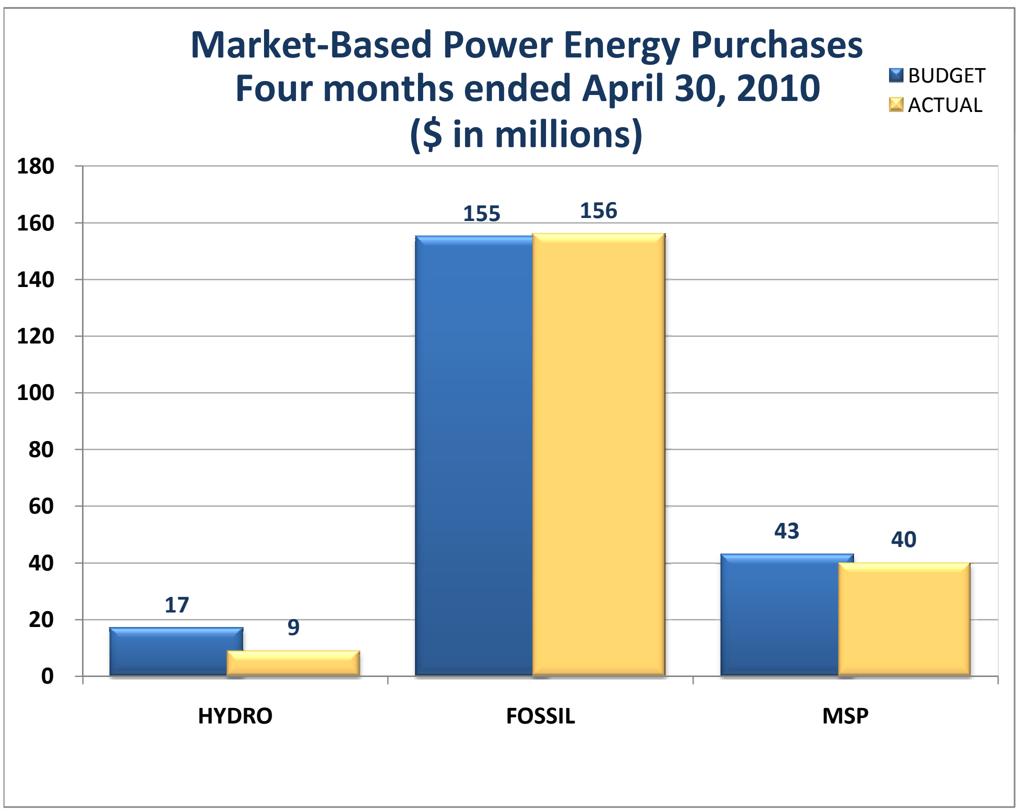
** Includes a contribution of $107 to NY State (Actual & Budget).*

Major Factors	**Better (Worse)**
Niagara Lower net margins on sales ($37.7) primarily due to lower volumes available resulting from lower generation (8%). In addition, average energy prices for sales into the market were approximately 25% lower than budgeted ($36/mwh actual vs. $47/mwh budgeted).	($36.4)
St. Lawrence Includes lower O&M due to timing differences in non-recurring projects.	0.9
B-G Lower net revenues as a result of lower volumes due to the limited price differential between peak and off-peak energy prices.	(3.3)
Flynn Higher net margin on sales primarily due to lower than anticipated fuel costs as a result of lower prices on natural gas and fuel mix.	3.3
Transmission Higher revenues (higher congestion rents due to transmission outages) combined with timing differences in O&M and other expenses.	3.3
Other facilities Includes lower O&M at SENY due to a timing difference related to 500 MW outage.	4.1
Non-facility (including investment income) Primarily positive variance related to a mark-to-market gain ($6.0) on Authority's investment portfolio due to a decrease in market interest rates.	5.3
Total	**($22.8)**

New York Power Authority

RESULTS OF OPERATIONS





REVENUES

SALES (MWH)

	BUDGET	ACTUAL
Hydro*	1,995,528	1,574,579
Fossil	1,160,449	1,210,214
MSP	193,302	252,720
TOTAL	3,349,279	3,037,513
PRICES ($/MWH)		
Hydro*	$55.68	$43.17
Fossil	$89.19	$73.42
MSP	$44.13	$37.11
AVERAGE	$66.63	$54.72

** Includes Niagara, St. Lawrence, B-G, and Small Hydro.*

REVENUES

SALES (MWH)

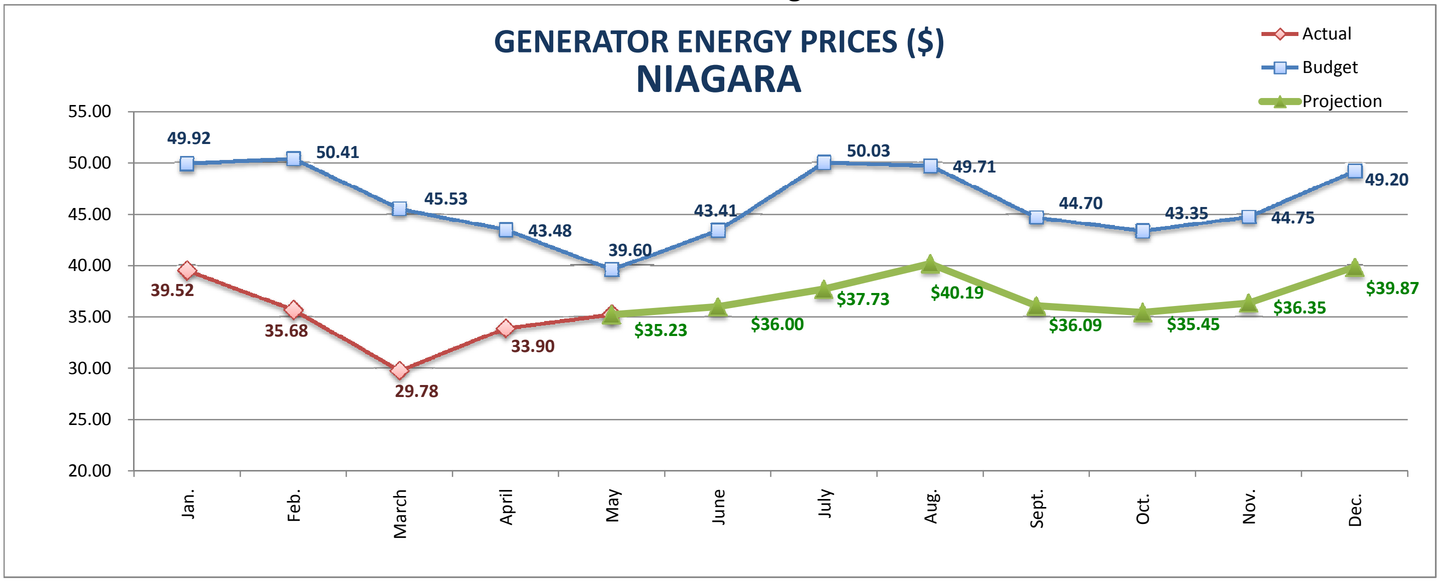
	BUDGET	ACTUAL
Niagara	1,065,300	737,858
St. Law.	626,482	706,815
PRICES ($/MWH)		
Niagara	$47.29	$35.70
St. Law.	$45.81	$34.24

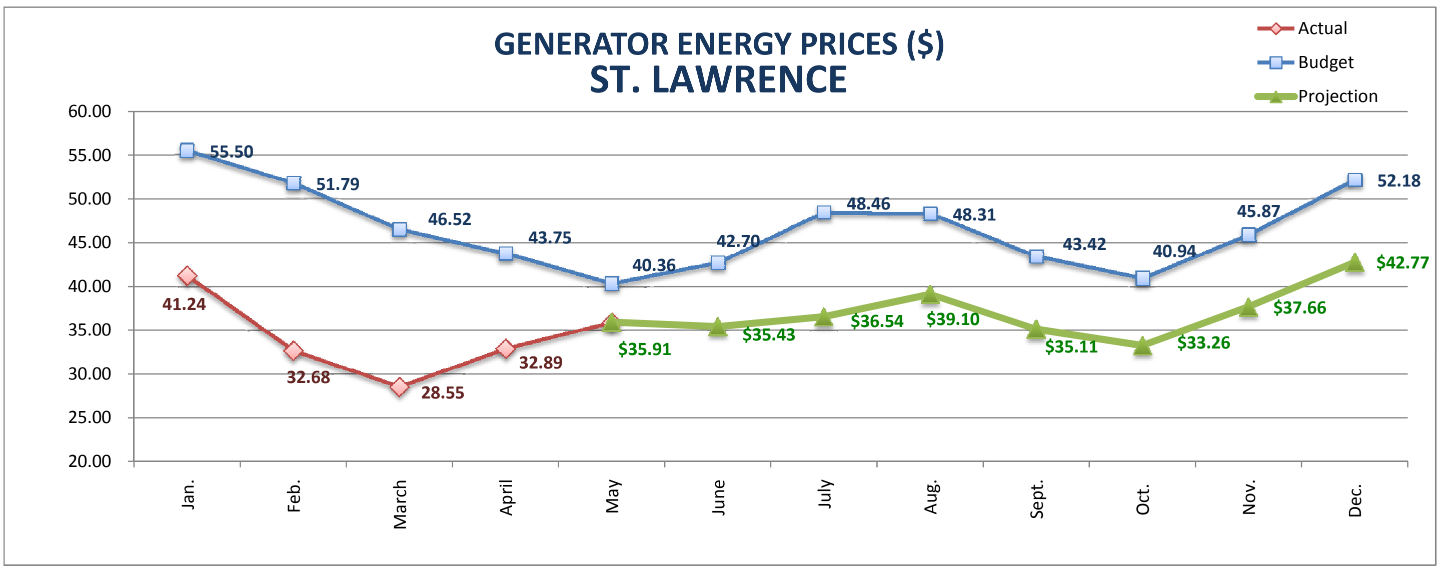
COSTS

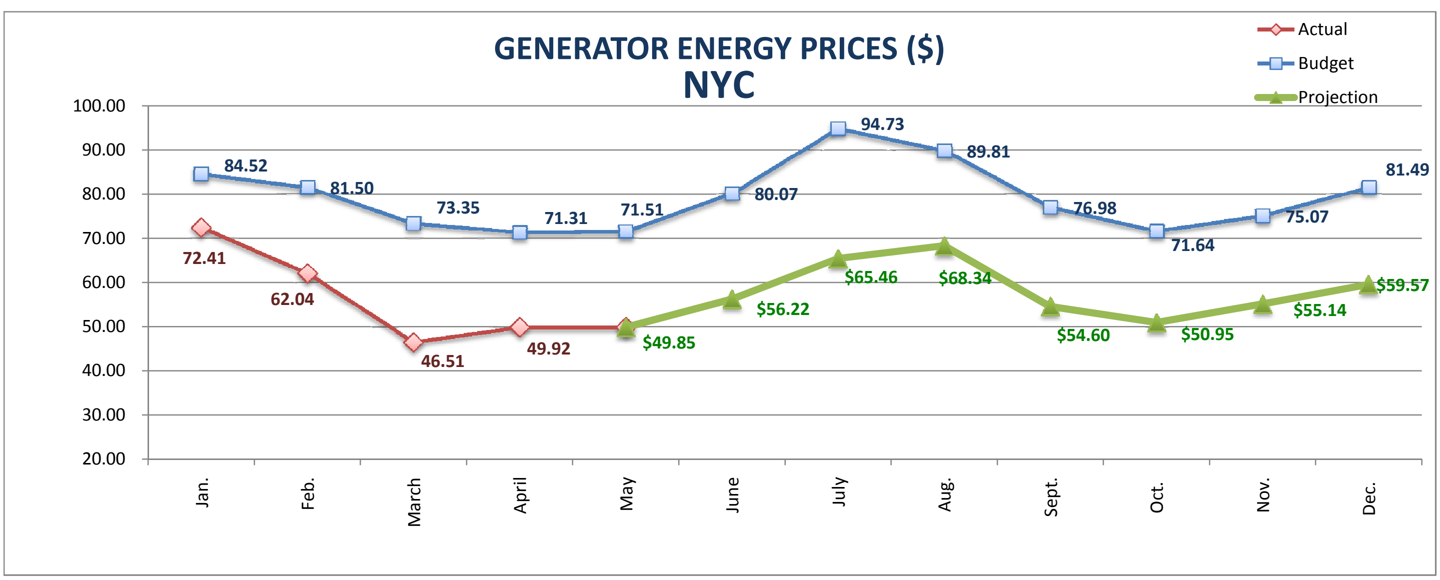
PURCHASES (MWH)

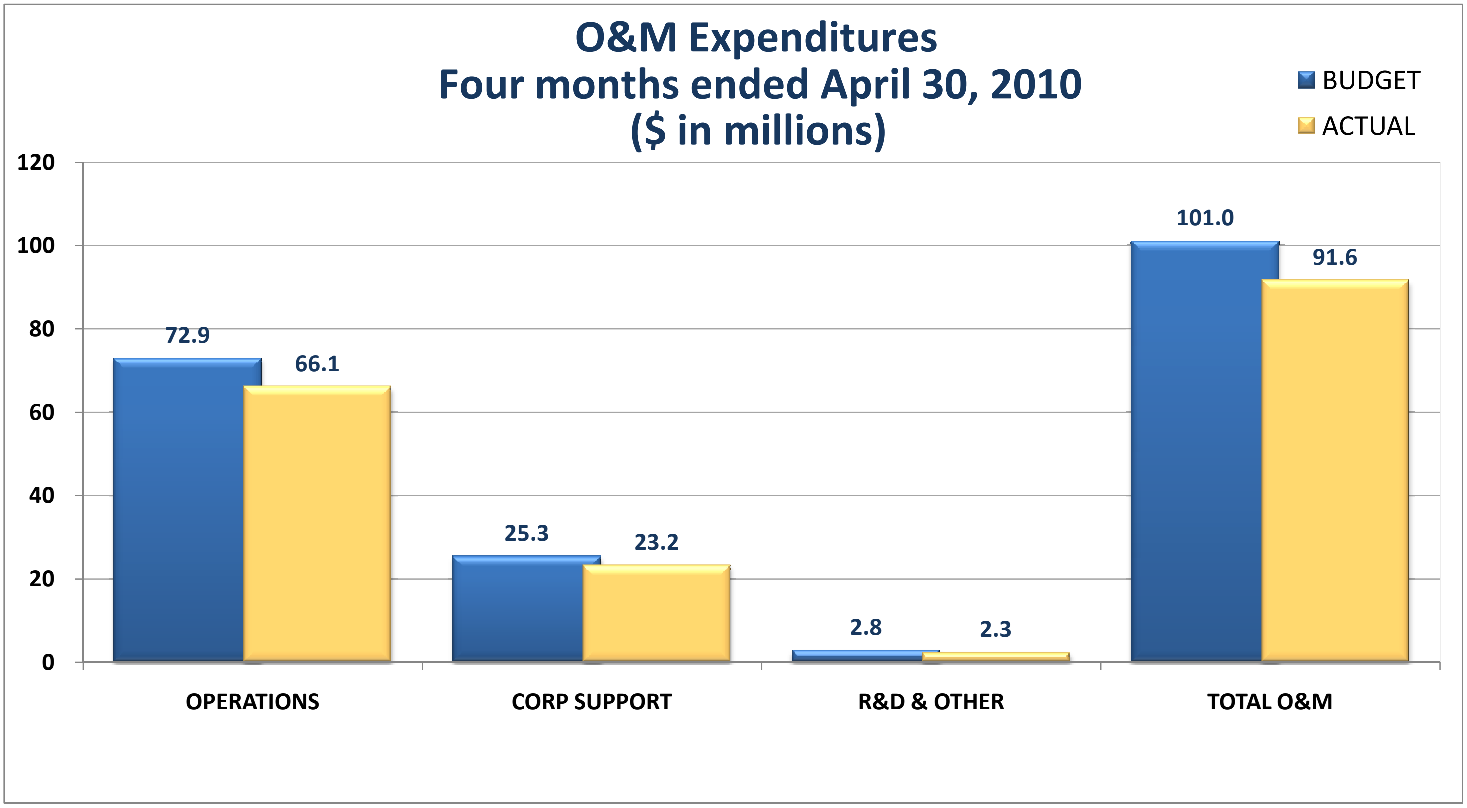
	BUDGET	ACTUAL
Hydro	517,925	354,540
SENY	2,915,117	3,059,313
MSP	953,201	1,003,371
TOTAL	4,386,243	4,417,224
COSTS ($/MWH)		
Hydro	$33.18	$24.99
SENY	$53.22	$50.83
MSP	$44.79	$40.31
AVERAGE	$49.02	$46.36

RESULTS OF OPERATIONS
Energy Prices
Actual vs Budget

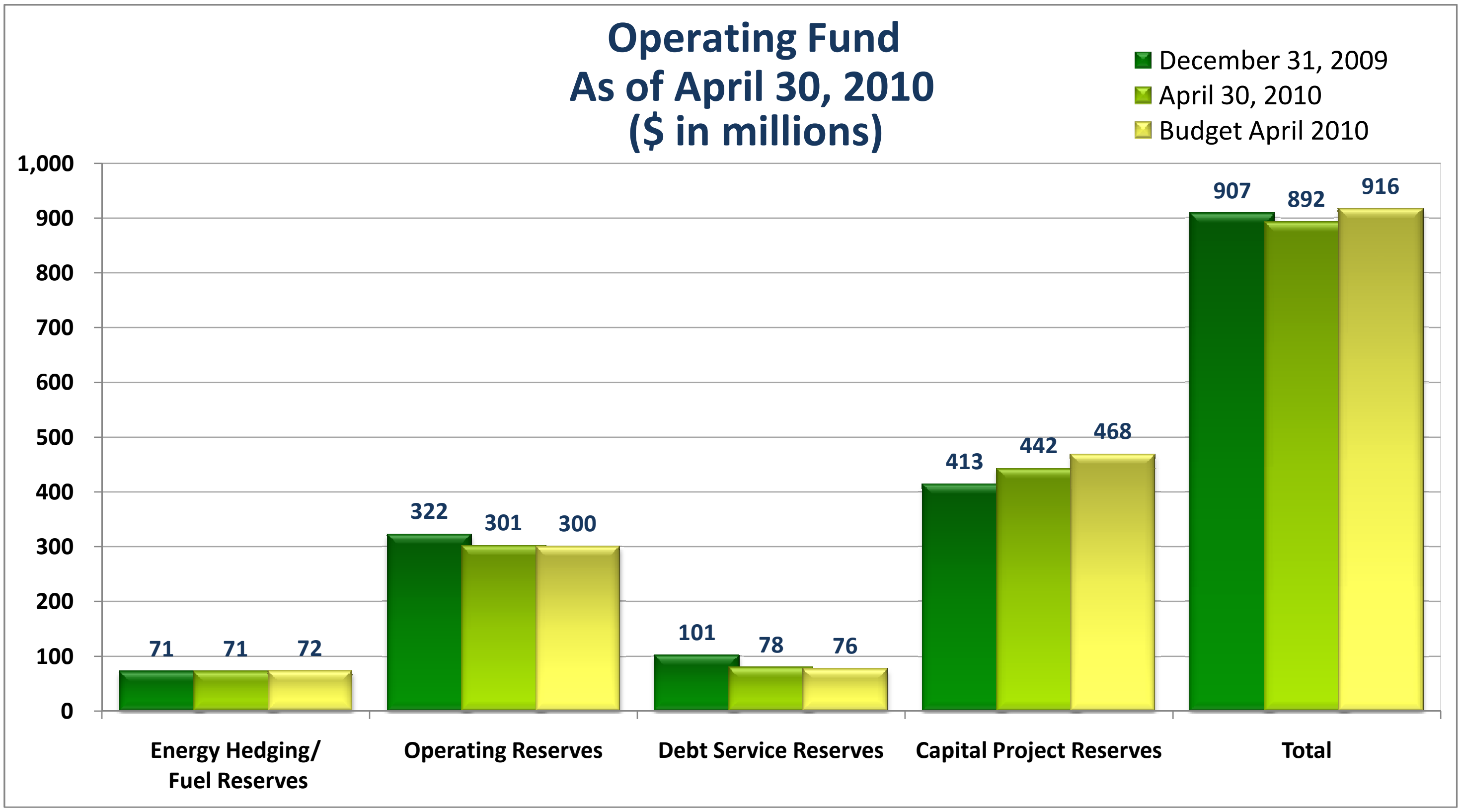






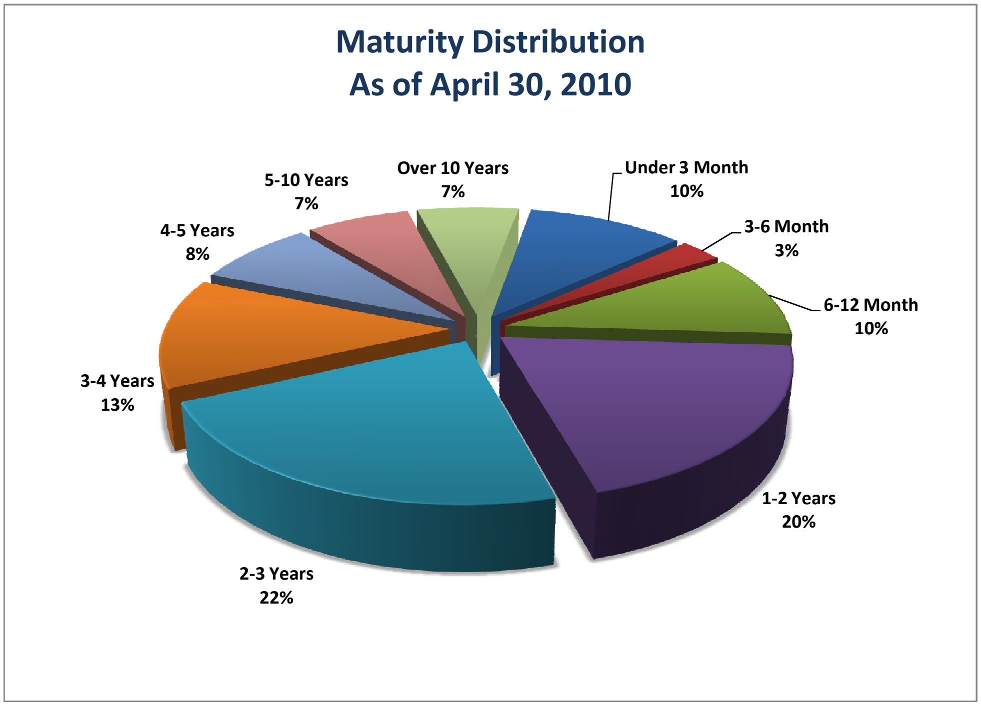


- Through April, O&M expenses were $9.4 lower than the budget.
- Operations expenditures were $6.8 lower than budgeted due primarily to timing for contractor services for the 500 MW unit. In addition, through April, there were lower than expected expenditures for non-recurring work at St. Lawrence and recurring maintenance at Flynn and the Transmission facilities.
- Corporate Support expenses were under budget by $2.1 due mostly to under spending for fuel cell maintenance, legal consultants and payroll due to unfilled vacancies, as well as higher than anticipated rental income.

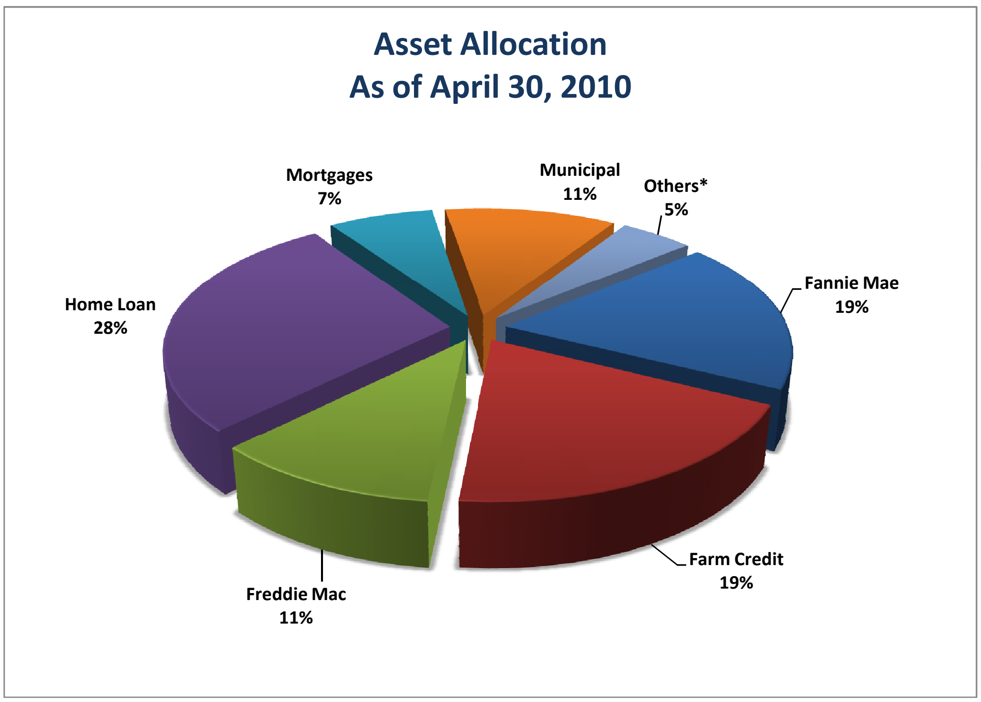


The year-to-date decrease of $15 in the Operating Fund (from $907 to $892) was primarily attributable to a $119.5 voluntary contribution to New York State and scheduled debt service payments, partially offset by positive net cash provided by Operating Activities and the Value Sharing payment of $72 received from Entergy in January. The variance from budget is a result of lower net income for the period.

CASH AND LIQUIDITY
INVESTMENT PORTFOLIO

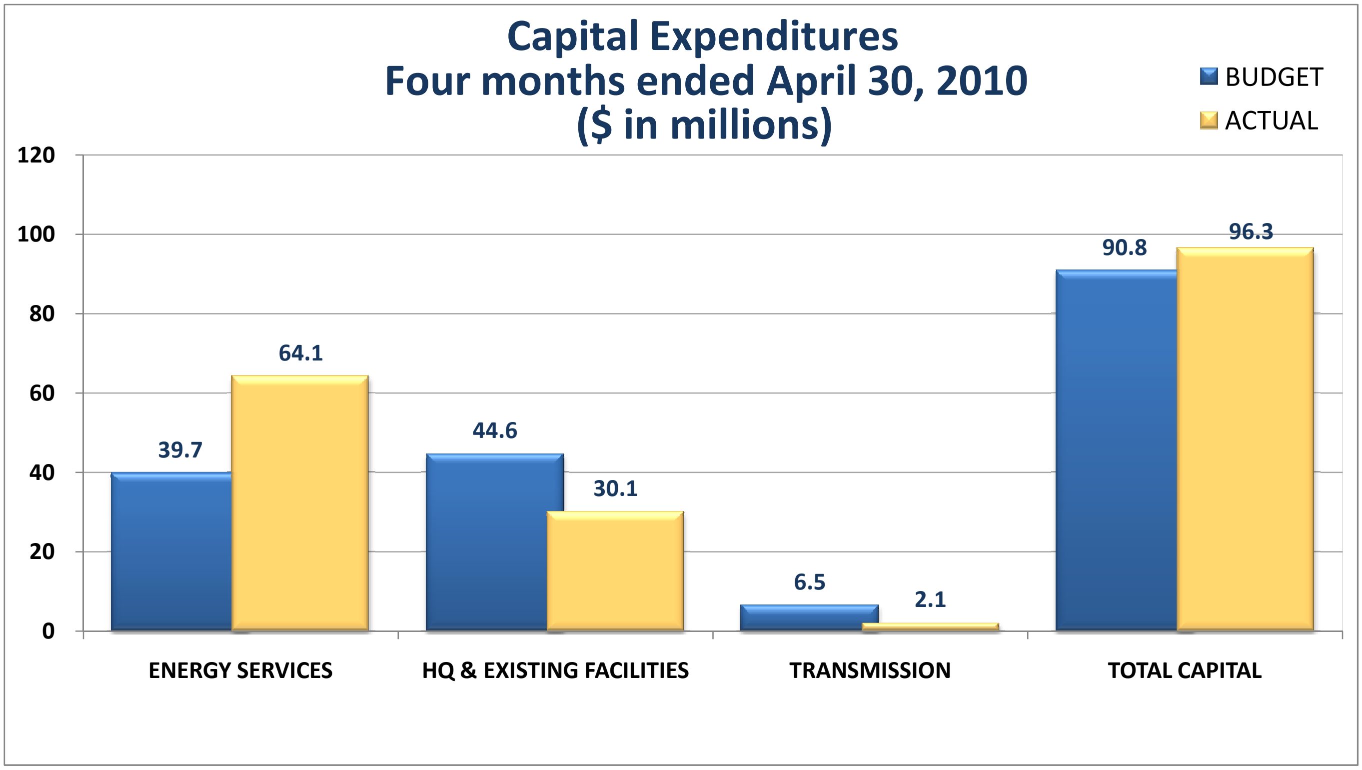


MATURITY DISTRIBUTION	
($ in millions)	
Under 3 Months	$112.8
3-6 Months	29.7
6-12 Months	107.6
1-2 Years	212.6
2-3 Years	241.0
3-4 Years	141.9
4-5 Years	85.4
5-10 Years	73.9
Over 10 Yrs	72.9
Total	$1,077.7



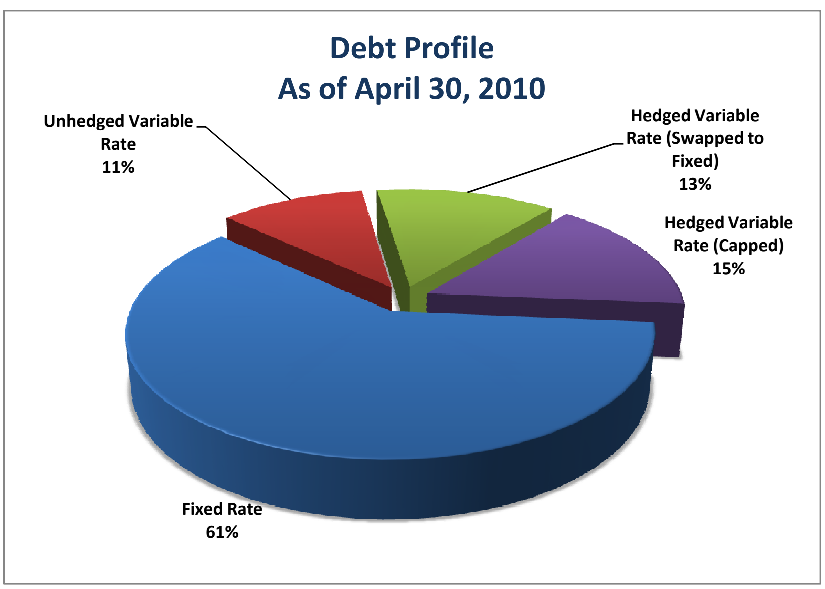
ASSET ALLOCATION	
($ in millions)	
Fannie Mae	$199.8
Farm Credit	207.1
Freddie Mac	117.1
Home Loan	301.7
Mortgages	75.2
Municipal	124.1
Others*	52.6
	$1,077.7

*Includes CDs and Repos



- Capital expenditures through April were over budget by $5.5
- Energy Services expenditures exceeded the budget by $24.4 due to accelerated construction activity related to NYCHA's Hot Water Storage Tank Replacement and CUNY Central Heating and Cooling Project.
- Lower capital expenditures at HQ and Existing Facilities were primarily due to timing differences related to B-G and St. Lawrence life extension and modernization projects.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of $15.9 for the year to date. The following new expenditures were authorized in April:

Astoria Energy Project	$0.7
Niagara Security Gates Improvements	$0.6



DEBT PROFILE	
($ in millions)	
Fixed Rate	$1,173.4
Unhedged Variable Rate	$207.7
Hedged Variable Rate (Swapped to Fixed)	$257.1
Hedged Variable Rate (Capped)	$300.0
Total	$1,938.2

ENERGY DERIVATIVES

Results

Year-to-date financial energy derivative settlements resulted in a net loss of $27.9 million that was incurred by entering into hedge positions as requested by or transacted on behalf of the Authority's Customers. Substantially all of the losses would be subject to cost recovery mechanisms where the resulting hedge settlements would be incorporated into and recovered through Customer rates.

Year-to-Date 2010 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions *($ in millions)*

	Settlements[1]	Fair Market Value			
	YTD	2010	2011	>2011	Total
NYPA	$ (0.05)	$ -	$ -	$ -	$ -
Customer Contracts	$ (27.87)	$ (77.28)	$ (73.21)	$ (132.47)	$ (282.95)
Total	**$ (27.93)**	**$ (77.28)**	**$ (73.21)**	**$ (132.47)**	**$ (282.95)**

[1] *Based on Updated Final Settlements for March & Preliminary Settlement Figures through April 2010.*

At the end of April, the fair market value of outstanding positions was valued at an unrealized loss of $282.95 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of futures contracts for the balance of 2010 (May to December 2010) and how they have traded since 2009, while Exhibit 2 illustrates the average price of futures contracts for 2011. While higher than expected natural gas storage injections resulted in bearish energy pricing throughout April, weather forecasts calling for warm temperatures during the latter part of the month resulted in increased cooling demand, thereby prompting higher prices.

Exhibit 1: Average May to December 2010 Forward Price as Traded

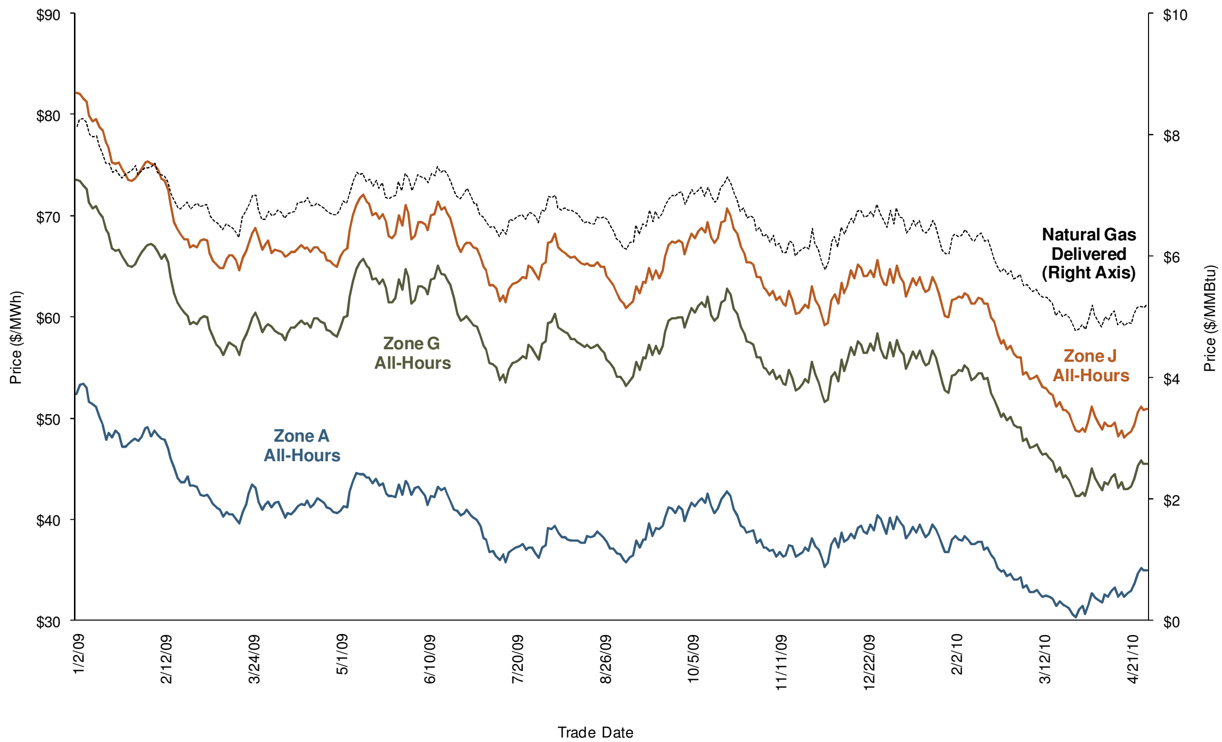
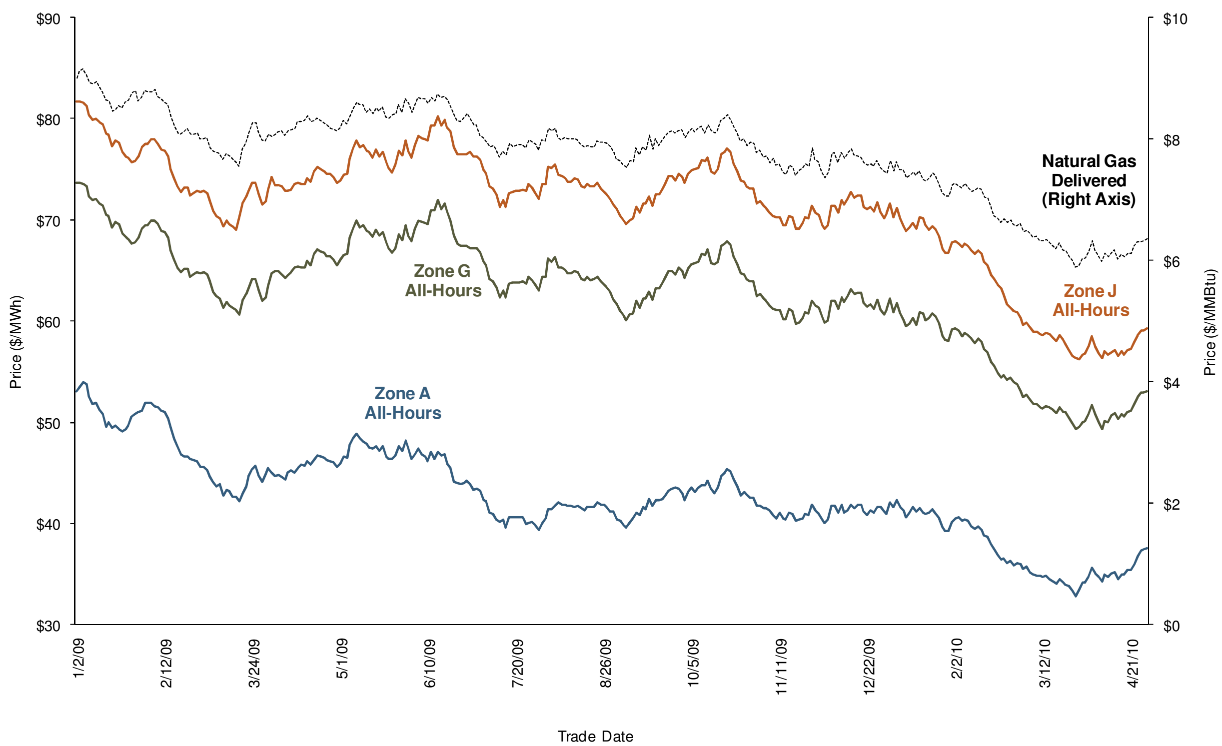


Exhibit 2: Average January to December 2011 Forward Price as Traded



STATEMENT OF NET INCOME
For the Four Months Ended April 30, 2010
($ in Millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,052.0	Customer	**$616.9**	**$643.0**	**($26.1)**
601.8	Market-based power sales	121.8	165.7	(43.9)
54.4	Ancillary services	13.0	21.7	(8.7)
102.9	NTAC and other	38.4	34.2	4.2
759.1	Total	**173.2**	**221.6**	**(48.4)**
2,811.1	**Total Operating Revenues**	**790.1**	**864.6**	**(74.5)**
	Operating Expenses			
864.8	Purchased power	252.5	255.1	2.6
340.8	Fuel consumed - oil & gas	88.0	117.3	29.3
91.0	Ancillary services	23.6	29.5	5.9
519.9	Wheeling	143.6	141.0	(2.6)
312.3	Operations and maintenance	91.6	101.0	9.4
160.3	Depreciation and amortization	53.9	53.5	(.4)
141.7	Other expenses	44.7	46.2	1.5
(10.8)	Allocation to capital	(2.6)	(2.9)	(.3)
2,420.0	**Total Operating Expenses**	**695.3**	**740.7**	**45.4**
391.10	**Net Operating Income**	**94.8**	**123.9**	**(29.1)**
	Nonoperating Revenues			
88.9	Post nuclear sale income	34.5	34.5	-
53.1	Investment income	13.9	17.6	(3.7)
(5.8)	Mark to market - investments	4.0	(1.9)	5.9
136.2	**Total Nonoperating Revenues**	**52.4**	**50.2**	**2.2**
	Nonoperating Expenses			
107.0	Contributions to New York State	107.0	107.0	-
112.3	Interest and other expenses	33.3	37.4	4.1
219.3	**Total Nonoperating Expenses**	**140.3**	**144.4**	**4.1**
(83.1)	**Net Nonoperating Income (Loss)**	**(87.9)**	**(94.2)**	**6.3**
$308.0	**Net Income**	**$6.9**	**$29.7**	**($22.8)**

COMPARATIVE BALANCE SHEETS
April 30, 2010

Assets		April 2010	April 2009	December 2009
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	905.4	691.0	913.4
	Interest receivable on investments	5.4	5.4	5.8
	Accounts receivable - customers	208.1	246.8	158.7
	Materials and supplies, at average cost:			
	Plant and general	85.0	82.9	82.3
	Fuel	17.5	30.2	21.7
	Prepayments and other	133.4	310.1	124.4
	Total Current Assets	**1,354.9**	**1,366.5**	**$1,306.4**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	984.2	783.8	942.4
	Other	94.3	99.6	94.1
	Total Restricted Funds	**1,078.5**	**883.4**	**1,036.5**
Capital Funds	Investment in securities and cash	172.4	217.6	189.2
	Total Capital Funds	**172.4**	**217.6**	**189.2**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,304.4	3,357.2	3,347.8
	Construction work in progress	165.5	138.5	144.8
	Net Utility Plant	**3,469.9**	**3,495.7**	**3,492.6**
Other Noncurrent Assets	Receivable - NY State	318.0	215.0	318.0
	Deferred charges, long-term receivables and other	683.5	429.6	545.6
	Notes receivable - nuclear plant sale	132.6	145.0	170.1
	Total other noncurrent assets	**1,134.1**	**789.6**	**1,033.7**
	Total Noncurrent Assets	**5,854.9**	**5,386.3**	**5,752.0**
	Total Assets	**$7,209.8**	**$6,752.8**	**$7,058.4**

Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	$830.8	$904.7	$776.5
	Short-term debt	293.2	268.1	289.2
	Total Current Liabilities	**1,124.0**	**1,172.8**	**1,065.7**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,191.8	1,232.1	1,192.7
	Adjustable rate tender notes	130.5	137.5	137.5
	Commercial paper	341.1	421.3	413.3
	Total Long-term Debt	**1,663.4**	**1,790.9**	**1,743.5**
Other Noncurrent Liabilities	Nuclear plant decommissioning	984.2	783.8	942.4
	Disposal of spent nuclear fuel	215.9	215.6	215.8
	Deferred revenues and other	395.0	202.1	270.5
	Total Other Noncurrent Liabilities	**1,595.1**	**1,201.5**	**1,428.7**
	Total Noncurrent Liabilities	**3,258.5**	**2,992.4**	**3,172.2**
	Total Liabilities	**4,382.5**	**4,165.2**	**4,237.9**
Net Assets	Accumulated Net Revenues - January 1	2,820.4	2,566.8	2,566.9
	Net Income	6.9	20.8	253.6
	Total Net Assets	**2,827.3**	**2,587.6**	**2,820.5**
	Total Liabilities and Net Assets	**$7,209.8**	**$6,752.8**	**$7,058.4**

SUMMARY OF OPERATING FUND CASH FLOWS
For the Four Months Ended April 30, 2010
($ in millions)

Operating Fund	
Opening	$906.8
Closing	891.6
Increase/(Decrease)	**(15.2)**
Cash Generated	
Net Operating Income	94.8
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	53.9
Net Change in Receivables, Payables & Inventory	(18.0)
Other	(1.9)
Net Cash Generated from Operations	**128.8**
(Uses)/Sources	
Utility Plant Additions	(25.5)
Debt Service	
Commercial Paper 2	(67.6)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(5.4)
ART Notes	(7.3)
Investment Income	8.9
Entergy Value Sharing Agreement	72.0
Voluntary Contribution to NY State	(119.5)
Other	.4
Total (Uses)/Sources	**(144.0)**
Net Decrease in Operating Fund	**(15.2)**

3. Charles Poletti Power Project – Program Management and Design Engineering Services for Decommissioning – Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a three-year contract to TRC Engineers, Inc. ('TRC') of New York City in the amount of $1.5 million for Program Management and Design Engineering Services (the 'Program') for the decommissioning of the Charles Poletti Power Project ('Poletti'). This requested action will authorize TRC to provide the required consulting and engineering services to assess and design potential future decommissioning activities as well as design infrastructure modifications to the 500MW and Administration Building, in anticipation of the future Poletti Decommissioning.

BACKGROUND

"In accordance with the Authority's Expenditure Authorization Procedures, the award of personal services contracts in excess of $500,000 if awarded as a sole source or to the non-low bidder requires Trustee approval.

"In order to construct the new 500 MW Combined Cycle Power Plant near Poletti, the Authority entered into a joint Stipulation Agreement ('Agreement') with the New York State ('NYS') Department of Environmental Conservation, the NYS Department of Public Service, the NYS Department of Health, the City of New York, the New York Public Interest Research Group, Inc., the Natural Resources Defense Council, Citizens Helping to Organize a Kleaner Environment and the Queens Borough President's Office to cease generation at Poletti no later than January 31, 2010. This requested Trustee action will authorize a contract for consulting and engineering services to assess and design potential future decommissioning activities for Poletti.

DISCUSSION

"The Authority issued an advertisement in the *New York State Contract Reporter* for Program Management and Design Engineering Services to perform consulting and engineering relating to the assessment and design of future potential decommissioning activities for Poletti. Bids were available as of November 16, 2009 and documents were downloaded by 26 firms. The following eight proposals were received on December 15, 2009:

Bidder	Location	Base Bid	Option 1	Option 2
LiRo Engineering, Inc.	Syosset, NY	$ 276,526	$ 100,285	$ 376,811
Edwards + Zuck	New York, NY	$ 672,850	$ 672,850	$ 134,700
CH2M HILL	Atlanta, GA	$ 952,300	not provided	not provided
TRC Engineers	New York, NY	$ 963,701	$ 25,000	$250,000
Worley Parsons	Reading, PA	$1,962,000	included in base	not provided
AECOM	New York, NY	$2,695,518	$ 148,120	$ 234,864
RCM Technologies	Parsippany, NJ	$2,760,500	$ 10,000	$ 305,000
Altran Solutions	E. Cranbury, NJ	$2,825,000	$ 300,000	$ 400,000

"The eight proposals were reviewed by an evaluation committee comprising staff from Procurement, Project Management, Engineering and Environmental Health and Safety, and Poletti site personnel.

"Based on staff's review of the proposals, it was determined that the bids from Edwards & Zuck ('E&Z') and CH2M HILL were not responsive and both took numerous technical and commercial exceptions. The apparent low bidder, LiRo Engineering, Inc. ('LiRo'), man-hour estimates were significantly lower than the other bidders and LiRo did not demonstrate a full understanding and knowledge of the complexity of this Program. Worley Parsons' proposal was not well presented, took exception to the commercial terms and included two pages of deviations to the requested work scope. The final three highest-priced bidders (AECOM, RCM Technologies and Altran Solutions) all had acceptable project approaches but their costs were not competitive.

"TRC, the fourth lowest-priced bidder, has experience with power plant deconstruction and large abatement projects. TRC provided an overview of several deconstruction and environmental abatement projects, most recently the Con Edison East Side power plant. Since the Con Edison project was very similar to the Authority's Program, TRC proposed staffing the Program with the same decommissioning team. TRC proposed a full-time Project Manager from start to finish and had adequate manpower to implement the Program (a total of 8,292 hours). TRC has been in business for more than 40 years and has successfully worked with the Authority on multiple environmental assessment projects. TRC did not have any commercial exceptions. Based on its bid, cost, experience, pre-award interview and references, TRC was determined to have the most responsive bid.

"It is recommended that the Trustees approve award of a contract for consulting and engineering services of potential future decommissioning activities for the Program to TRC for the total amount of $1.5 million. The base contract will be in the amount of $1,238,701; the balance of funding is requested to accommodate the timely approval of any required modifications to the work scope that may develop as work is performed.

<u>FISCAL INFORMATION</u>

"As part of the Southeastern New York Government Customer Agreement, beginning in 2005, a cost-of-service fee of $3.9 million has been assessed annually to customers for anticipated decommissioning activities.

"Payment associated with this contract will be made from the Authority's Operating Fund.

<u>RECOMMENDATION</u>

"The Senior Vice President – Power Supply Support Services, Vice President – Project Management, the Vice President – Procurement, the Vice President – Engineering, and the Regional Manager – Southeastern New York recommend that the Trustees approve the award of a three year contract to TRC Engineers, Inc. in the amount of $1.5 million to perform consulting and engineering services relating to the assessment and design of potential future decommissioning activities for the Charles Poletti Power Project.

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, 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 three year contract to TRC Engineers, Inc. of New York City in the amount of $1.5 million to perform consulting and engineering services to assess and design potential future decommissioning activities for the Charles Poletti Power Project, as recommended in the foregoing report of the President and Chief Executive Officer;

Contractor	**Contract Approval**
TRC Engineers	**$1.5 million**

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.

4. Niagara Power Project – Robert Moses Power Plant – Stator Cores and Windings Replacement – Capital Expenditure Authorization and Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize a Capital Expenditure Authorization Request ('CEAR') in the amount of $30.2 million and approve the award of a three-year contract to Voith Hydro, Inc. ('Voith') of York, Pennsylvania, in the amount of $22.3 million for the replacement of the stator cores and windings of the Robert Moses Power Plant ('RM') Units 1, 2 and 3 at the Niagara Power Project.

BACKGROUND

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

"In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services contracts in excess of $3 million and contracts exceeding a one-year term require the Trustees' approval.

"On September 24, 2001, an electrical failure occurred in RM Unit No. 11, which resulted in severe damage to the generator stator. This failure necessitated the total replacement of the stator's iron core assembly.

"Upon disassembly of Unit No. 11, undamaged winding sections removed from the Unit were sent to the Electric Power Research Institute ('EPRI') for testing to determine the cause of failure. EPRI's report concluded that the electrical insulation resistance of the stator windings was extremely low due to aging of the insulation. The tests also concluded that the windings were near the end of their reliable life. In addition, in 2002, Unit No. 2 failed a maintenance high-potential test. Fortunately, the stator winding was reparable and the Unit was returned to service.

"These incidents triggered the Authority's embarking on a restack and rewind program for the RM Units.

"Accordingly, between June 2002 and May 2004, the Authority awarded two, competitively bid contracts to Voith for the restack and rewind of all the stators at Niagara (13 in service and 1 spare). By February 2007, four stators had been restacked and rewound, at which time one of the rehabilitated units failed. Repairs and extended warranties were negotiated with Voith and effectuated at no additional cost to the Authority. However, the remainder of the work under the original contracts was terminated to allow the Authority to rebid the last three units for competitive pricing and a new design based on current industry standards.

"This contract and CEAR are for the rewind and restack of the three remaining units with windings manufactured by National Electrical Coil. These units will be worked on sequentially from 2010 through 2013.

DISCUSSION

"The Authority issued an advertisement to procure bids in the *New York State Contract Reporter* and bid packages were available as of November 9, 2009. The bid documents were downloaded by 42 potential bidders and 9 potential bidders participated in a site visit on December 10, 2009.

"The following four proposals were received on January 5, 2010:

Bidder	**Location**	**Lump Sum**
Voith Hydro, Inc.	York, Pennsylvania	$21,799,000
GE Energy Services	Medford, Massachusetts	$22,805,043
Alstom Hydro Canada, Inc.	Littleton, Colorado	$24,773,593
National Electric Coil Co.	Columbus, Ohio	$25,133,632

"The proposals were reviewed by an evaluation committee comprising staff from Engineering, Procurement and Project Management. Following an extensive review process, the committee recommends award of this contract to Voith, which submitted the lowest-cost bid, which was also technically acceptable.

"An additional $200,000 above the bid amount is requested to allow for escalation in site labor based on New York State Department of Labor Rates over the term of the contract. An additional $300,000 is requested for escalation of material based on the Brazilian Real to U. S. dollar at the time of award.

"Funding in the amount of $2.1 million has been included in the 2010 approved Capital Budget. Future-year funding will be included in the Capital Budget requests for those years.

"The total Project cost is estimated at $30.2 million, as follows:

Vendor Engineering and Design and Authority Engineering Support	$ 3,900,000
Procurement and Installation	$18,800,000
Authority Plant Support	$ 4,645,000
Authority Indirect and Direct Expenses	$ 2,855,000
TOTAL	$30,200,000

FISCAL INFORMATION

"Payment associated with this Project will be made from the Authority's Capital Fund.

RECOMMENDATION

"The Senior Vice President – Power Supply Support Services, the Vice President – Procurement, the Vice President – Engineering, the Regional Manager – Western New York and the Vice President – Project Management recommend that the Trustees authorize capital expenditures in the amount of $30.2 million and award of a three-year contract to Voith Hydro, Inc. of York, Pennsylvania for $22.3 million for the replacement of the stator cores and windings of the Robert Moses Power Plant ('RM') Units 1, 2 and 3 at the Niagara Power Project.

"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."

Mr. John Canale presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Mark O'Luck, Mr. Canale said that Minority/Women-Owned Business Enterprise ("M/WBE") goals were included in this project.

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

RESOLVED, That expenditures are hereby approved in accordance with the Authority's Expenditure Authorization Procedures for capital expenditures in the amount of $30.2 million and a three-year contract award to Voith Hydro, Inc. of York, Pennsylvania for $22.3 million for the replacement of the stator cores and windings of the Robert Moses Power Plant Units 1, 2 and 3 at the Niagara Power Project; 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.

5. Niagara Power Project – Lewiston Pump Generating Plant
<u>Life Extension and Modernization Program – Contract Award</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve a four-year contract to Jiangsu Huapeng Transformer Company LTD ('JSHP'), China, in the amount of $6.5 million to design and supply five generator step-up transformers ('GSU') for the Niagara Power Project's Lewiston Pump Generating Plant ('LPGP').

BACKGROUND

"In accordance with the Authority's Expenditure Authorization Procedures ('EAPs'), the award of non-personal services contracts in excess of $3 million and contracts exceeding a one-year term require the Trustees' approval.

"On February 23, 2010, staff advised the Trustees regarding the LPGP Life Extension and Modernization ('LEM') Program and anticipated award of a contract for the procurement of the GSUs in May 2010. The LPGP LEM Program and Capital Expenditure Authorization Request ('CEAR') will be presented for the Trustees' approval at their meeting on June 29, 2010.

"Included in the scope of work for the LPGP LEM is the modernization and upgrade for the LPGP pump turbines ('Units'). The result of the Unit upgrades necessitates a rating increase for the GSUs. Additionally, the Authority's Engineering department recommends replacement of the original GSUs due to the end of their useful lives. In order to support the schedule for the LEM program and because of an eight-month material lead-time, the GSU procurement is required at this time.

DISCUSSION

"In March 2010, the President and Chief Executive Officer authorized preliminary project funding in the amount of $900,000 to begin engineering and design services in order to finalize the scope and cost estimate of the LEM Program. Capital expenditures for the GSU procurement contract will not exceed $250,000 until program approval is formally requested at the June 29, 2010 Trustees' meeting, when the LPGP LEM Program and a CEAR will be presented.

GSU PROCUREMENT

"The Authority issued an advertisement for procurement of services to furnish, deliver, assemble and commission the GSUs in the *New York State Contract Reporter* and bid packages were available as of January 25, 2010. The bid documents were downloaded by 40 parties and 7 potential bidders participated in a site visit on February 4, 2010.

"The following proposals were received on February 25, 2010:

Bidder	**Location**	**Lump Sum**
Jiangsu Huapeng Transformer Co. LTD.	Jiangsu, China	$6,291,000
Hyundai Heavy Industries Co. LTD.	Ulsan, Korea	$6,872,692
GE/Prolec Inc.	Apodaca, Mexico	$6,956,409

Bidder	**Location**	**Lump Sum**
ABB Inc.	Saint Louis, MO	$6,994,632
Wesco Distribution Inc.	Hsin-Chu, Taiwan	$7,219,720
SEC Areva Shanghai Baoshan Transformers Co. LTD.	Shanghai, China	$7,754,478
Delta Star Inc.	Lynchburg, VA	$8,375,487
HICO America Inc.	Changwon, Korea	$9,054,075

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

"JSHP's bid was the lowest in price and was technically acceptable. JSHP has performed successfully on previous Authority projects, has demonstrated knowledge of the scope of work and is capable of completing the Project in accordance with the Authority's schedule.

"JSHP will design, furnish, deliver, assemble and commission four GSUs and one spare and provide Niagara staff with equipment training, technical assistance during installation and start-up and functional testing support.

"The evaluation committee recommends including $100,000 for additional site personnel training and $100,000 for supplemental field engineer assistance in the award to JSHP, for a total of $200,000 above the bid amount.

"The installation contract for the GSUs will be presented for the Trustees' approval (if required by the EAPs) after contractor proposals are received and evaluated in the first quarter of 2011.

"Funding in the amount of $4.24 million has been included in the 2010 Capital Budget for the LPGP LEM program. Expenditures for subsequent years will be budgeted in those years.

FISCAL INFORMATION

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

RECOMMENDATION

"The Senior Vice President – Power Supply Support Services, the Vice President – Procurement, the Vice President – Engineering, the Regional Manager – Western New York and the Vice President – Project Management recommend that the Trustees approve the award of a four-year contract to Jiangsu Huapeng Transformer Company LTD. of Liyang City, Jiangsu, P.R. China, in the amount of $6.5 million for services to design, furnish, deliver, assemble and commission five generator step-up transformers.

"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."

Mr. Canale presented the highlights of staff's recommendations to the Trustees. Trustee O'Luck said that he is very concerned about the inclusion of opportunities for small businesses and M/WBEs in large capital projects such as this one, so it would be helpful to see a list of the subcontractors. Responding to a question from

Vice Chairman Foster, Ms. Terryl Brown said that the Authority is obliged to see that M/WBEs are included in the procurement process, citing the Authority's considerable outreach efforts in this regard. Ms. Patricia Leto added that M/WBE goals are included in every single Authority contract, but that the contractors often decide on who the subcontractors will be after the Trustees approve the contract. President Kessel said that at that point staff could provide information on the subcontractors to the Trustees. Trustee Nicandri said that it was his recollection that the Authority is achieving its M/WBE goals. President Kessel said that the Authority is one of the leading State authorities in terms of doing business with M/WBEs. He said that among the criteria being looked at in evaluating responses to its major solar and wind RFPs was the bidder's plan to use New York State businesses, including M/WBEs, as subcontractors on the projects. He suggested that a memo to the Trustees be prepared that outlines the factors that are considered in the Authority's procurement process. Trustee O'Luck said that he wants to see the Authority's economic development programs spread out much more widely. Vice Chairman Foster pointed out that economic development was not included in the Authority's mission statement. President Kessel thanked Trustee O'Luck for his suggestions.

In response to a question from Trustee Nicandri, Mr. Gil Quiniones said that the Blenheim-Gilboa Life Extension and Modernization ("LEM") program had been completed ahead of schedule and under budget, thanking Mr. Edward Welz, Mr. Lynn Hait, Mr. Ben Wong and others from their staffs for their efforts in this regard. President Kessel said that the Authority's LEM programs were aimed at further the Authority's original mission, the production of electricity.

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 four-year contract to Jiangsu Huapeng Transformer Company LTD., China, in the amount of $6.5 million to design and supply five generator step-up transformers for the Niagara Power Project's Lewiston Pump Generating Plant, 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.

6. Authorization to Fund Statewide Energy Services Program and Implementation Contractors – Contract Awards

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize increased funding of $200 million for the Authority's Statewide Energy Services Program ('Statewide ESP'), with an emphasis on projects in upstate and Long Island communities, in support of wide-ranging energy efficiency measures that have resulted in substantial savings for public facilities from reduced electricity use and enhanced air quality. The increased funding would be in addition to the $633 million previously approved by the Trustees.

"If the increase in funding is approved, the Trustees are requested to approve contracts with the firms of Guth-DeConzo Consulting Engineers, P.C. ('Guth-DeConzo'), AECOM USA, Inc. ('AECOM'), Wendel Energy Services, LLC ('Wendel') and Einhorn Yaffee Prescott Architecture & Engineering, P.C. ('EYP') in the amount of $180 million, in aggregate, for Implementation Contractor services, Master Planning and Retro-commissioning in connection with the Statewide ESP. The terms of these contracts will be five years. All costs will be recovered from program participants.

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.

"In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personnel services or equipment contracts in excess of $3 million, as well as personnel services contracts in excess of $1 million if low bidder, or $500,000 if sole source or non-low bidder, requires the Trustees' approval.

"The Authority's mission is to provide clean, economical and reliable energy consistent with its commitment to safety, while promoting energy efficiency and innovation for the benefit of its customers and all New Yorkers. In that regard, since the late 1980s, the Authority has provided energy services programs throughout New York State ('NYS'). In aggregate, the Authority's energy services programs have been very successful and, to date, the Authority has achieved nearly $120 million in annual customer savings at about 3,315 public facilities, including schools, hospitals and municipal buildings, for a reduction of annual greenhouse gas emissions of more than 766,000 tons.

"As an outgrowth of the State's continuing efforts in the areas of energy efficiency and clean energy technologies (e.g., its 45x15 goal to meet 45% of the State's electricity needs through improved energy efficiency and renewable sources by 2015 and Executive Order No. 111, which requires agencies to reduce energy consumption while transitioning to renewable energy sources), Governor Paterson signed into law Chapter 477 of the Laws of 2009 on September 16, 2009. This new legislation amended Section 1005 of the Public Authorities Law by adding a new subsection 16 to enhance the Authority's ability to provide energy efficiency, clean energy and green building programs and services to reduce energy consumption and mitigate environmental impacts from energy usage, consistent with the State's energy and environmental policies. The legislation took effect immediately upon signature by the Governor.

"The recently enacted legislation builds on the Authority's successful energy and resource conservation programs. The amendment clarifies and expands the Authority's mandate to administer programs to reduce energy usage and air pollution, conserve scarce natural resources and facilitate the use of clean energy sources. It also provides a streamlined process for public entities and the Authority's economic development customers to access the Authority's programs, technical expertise and available low-cost financing.

"With the increased focus on energy efficiency initiatives and the ability for the Authority to offer these new services, there is a need for increased funding to implement these programs. An estimated total investment of $1.4 billion by the Authority statewide will be required to help meet the State's goals by 2015.

"The Authority provides services that include feasibility studies and energy master plans, engineering designs, life-cycle cost analyses, procuring equipment, contractor labor, hazardous waste disposal, managing projects/construction and financing projects. Measures include, but are not limited to: energy-efficient lighting and controls; building envelope-related improvements; heating ventilation and air-conditioning modernization, including energy-efficient chillers, boilers and controls; high-efficiency motors; variable-speed drives; energy management systems ('EMS'); process controls and distributed generation and a variety of beneficial electrification technologies.

DISCUSSION

"As the general contractor for the Statewide ESP, the Authority contracts for the installation of ESP measures with Implementation Contractors ('ICs'). The services provided by the ICs complement the Authority's headquarters and field office resources. The IC's scope of work generally consists of the following:

- On-site screenings of customers' facilities to determine which ones are likely candidates for clean energy technologies projects and/or for realizing significant energy and operational cost savings from energy efficiency measures.
- On-site surveys, energy audits, technical feasibility studies and energy master plans to identify potential applications for clean energy or energy efficiency measures approved for the Statewide ESP.
- Detailed engineering studies and analyses of specific ESP measures or systems.
- Design of proposed systems and/or measures.
- Preparation of project proposal documents and solicitation of competitive bids.
- Procurement of equipment and installation services.
- Construction management and oversight of proposed system and/or equipment installation and project closeout (including waste management).

"In addition, ICs are required to work directly with the customer/program participants, from facility audit to final acceptance of equipment installation. Procurement of materials and installation of the recommended ESP measures are competitively bid by the ICs, and the ICs are required to guarantee the quality of all work performed.

"In November 2009, the Authority advertised a Request for Proposals ('RFP') in the *New York State Contract Reporter* soliciting firms interested in providing implementation services for the Statewide ESP. As a result of that advertisement and invitation to bid, 144 firms received the RFP packages. A mandatory pre-bid conference was held on December 10, 2009 to explain the proposed scope of work and provide an opportunity for potential bidders to ask questions and seek clarification. Representatives of 15 firms attended the pre-bid conference. The RFP was divided into three 'all or nothing' solicitations: (i) Engineering, Design and Construction Services; (ii) Comprehensive Audit/Energy Master Planning and (iii) Retro-commissioning. The bidders could not elect to submit a proposal for only one of the services. Bidders were allowed to bid varying rates, or elect not to bid, in each of three geographic regions in NYS, broadly defined as Downstate, Northeast NYS and Western NYS (county list for each region was provided).

"On January 22, 2010, 11 firms submitted bids for the aforementioned services. The bid evaluation committee reviewed the 11 proposals and, based on the evaluation of the firms' relevant experience and fees, staff recommends that contracts for Engineering, Design and Construction Services, Comprehensive Audit/Energy Master Planning and Retro-commissioning be awarded to the three overall lowest-cost bidders in the Downstate and Western NYS regions: Guth-DeConzo, AECOM and Wendel Energy Services.

"The bid evaluation committee recommends that contracts for Engineering, Design and Construction Services, Comprehensive Audit/Energy Master Planning and Retro-commissioning be awarded to the four overall lowest-cost bidders in the Northeast NYS region: Guth-DeConzo, AECOM, Wendel and EYP. Four contracts are recommended for this region based on the anticipated level of program activity and to ensure the availability of qualified resources in the event that the performance of a contractor does not meet the Authority's expectations.

Guth-DeConzo

"The proposal submitted by Guth-DeConzo demonstrated relevant experience in the design and construction management of energy measures as described in the RFP in the Engineering, Design and Construction Services section of the Schedule of Services. Guth-DeConzo also provided the lowest overall pricing matrix over all disciplines, including Engineering and Design, Master Planning and especially, Retro-Commissioning. However, Guth-DeConzo is new to Authority programs, although certain staff has experience with the Authority. As such, the Committee decided to continue the evaluation with a conference with Guth-DeConzo. Guth-DeConzo was able to clearly and successfully demonstrate its ability to satisfy the requirements of Statewide ESP. Guth-DeConzo has offices in New York City and Albany.

AECOM

"The proposal submitted by AECOM demonstrated relevant experience in the design and construction management of energy measures as described in the Schedule of Services. AECOM, previously known as DMJM Harris, had curtailed its involvement with the Statewide ESP in 2005 so it could focus on the SENY market. The Committee met with AECOM to discuss its program implementation plan. AECOM has demonstrated its ability to implement projects through its successful work on contracts with the Authority in the SENY territory. With offices established in Albany and Syracuse, the Committee believes AECOM's work plan and management changes will enable AECOM to be effective in all three regions. AECOM has offices in Albany, Syracuse and New York City.

Wendel Energy Services ('Wendel')

"Wendel is currently under contract for design and implementation services for Statewide ESP, and, as such, its proposal clearly showcased relevant experience in design and construction management as described in the RFP. Wendel fully understands the Authority's processes and has proven program experience. Wendel's staffing and work plan are the same as those under its current contract. The evaluation committee reviewed Wendel's performance history; Wendel has demonstrated its ability to meet the requirements of the ESP and has proven program experience. Wendel has offices in Buffalo and Smithtown.

Einhorn Yaffee Prescott ('EYP')

"EYP submitted a bid for the Downstate and the Northeast NYS regions. However, EYP is recommended for only the Northeast region because that is the only region where the need for additional resources is anticipated. EYP was less competitive for the Downstate region and Nassau and Suffolk Counties were excluded from EYP's bid. EYP's staffing and work plan are the same as those in its current contract. EYP is currently under contract for design and implementation services for Statewide ESP, and as such, its proposal also highlights relevant experience in the design and construction management described in the RFP. The evaluation committee reviewed EYP's performance history; EYP has demonstrated its ability to meet ESP requirements and has proven program experience. EYP has offices in Albany, New York City and Boston.

FISCAL INFORMATION

"Additional funding of $200 million is requested to implement the Authority's energy services offered under the Statewide ESP. The funding will be provided from the proceeds of the Authority's Commercial Paper Notes and/or the Operating Fund. In addition, projects may be funded, in part, with monies from Petroleum Overcharge Restitution ('POCR') funds. An initial allocation of $20 million will be made to Guth-DeConzo, AECOM and Wendel and a $10 million allocation will be made to EYP. Additional allocations will be based on each firm's performance and subject to the approval limits for execution of commitments in the Authority's then-current Expenditure Authorization Procedures (or equivalent limits set forth in any successor procedures). All Authority costs, including Authority overheads and the costs of advancing funds, but excluding the POCR grants, will be recovered consistent with other Energy Services and Technology programs.

RECOMMENDATION

"The Senior Vice President – Energy Services and Technology and the Vice President – Energy Services recommend that the authorized funding for the Statewide Energy Services Program be increased by $200 million and that implementation contracts be awarded to Guth-DeConzo Consulting Engineers, P.C., AECOM USA, Inc., Wendel Energy Services, LLC and Einhorn Yaffee Prescott Architecture & Engineering, P.C. for $180 million, in aggregate, for a five-year term.

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

Mr. Paul Belnick presented the highlights of staff's recommendations to the Trustees. In response to a question from Chairman Townsend, Mr. Belnick said that language in the implementation contracts includes M/WBE goals and that the Authority reviews the subcontractor bids. He said that the Authority also works with the New York City Housing Authority ("NYCHA") to employ residents on its NYCHA energy services projects. In response to a question from Vice Chairman Foster, Mr. Angelo Esposito said that every dollar invested in the energy services programs (including money spent on Authority direct and indirect overheads) is returned to the Authority for reinvestment in the programs. He said that there had been no defaults on any of the $1.2 billion invested in 3,400 energy services projects to date. Chairman Townsend said that he believed the Authority's energy services programs go to the core of the Authority's mission and that the best possible program is one that reduces the use of energy. Responding to a question from Trustee O'Luck, Mr. Kessel said that the Authority has been very successful in publicizing its upstate energy services projects, but that it is much harder to get media coverage in the New York City area.

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

RESOLVED, That the Trustees authorize the President and Chief Executive Officer, the Chief Operating Officer, the Senior Vice President – Energy Services and Technology or such other officer designated by the President and Chief Executive Officer to execute agreements and other documents between the Authority and Statewide Energy Services Program ("Statewide ESP") participants and to execute agreements and other documents with Implementation Contractors, such agreements having such terms and conditions as the executing officer may approve, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to facilitate the development of the Statewide ESP, and that the authorized funding level for the Statewide ESP be raised to $833 million from the $633 million previously authorized, as listed below:

Commercial Paper Program/ Operating Fund/ POCR	**Statewide ESP Authorization**
Previously Authorized	**$633 million**
Additional Funding	**$200 million**
Total Amount Authorized	**$833 million**

AND BE IT FURTHER RESOLVED, That in accordance with the Guidelines for Procurement Contracts adopted by the Authority and the approved limits for execution of commitments in the Authority's then-current Expenditure Authorization Procedures (or equivalent limits set forth in any successor procedures), $180 million of the foregoing amount be allocated in aggregate to the approved contracts with Guth-DeConzo Consulting Engineers, P.C., AECOM USA, Inc., Wendel Energy Services, LLC and Einhorn Yaffee Prescott Architecture & Engineering, P.C. for a five-year term in the amount and for the purpose listed below:

Commercial Paper Program/ Operating Fund/ POCR	**Ceiling**	**Date**
	Up to	
Guth-Deconzo	**$180 million (aggregate)***	**5/25/2015**
AECOM	***Funds will be allocated**	
Wendel Energy Services	**based on contractor**	
Einhorn Yaffe Prescott	**performance and areas**	
	of specialization. Initial	
	allocations of $20 million	
	each will be made to	
	Guth-DeConzo, AECOM	
	and Wendel and $10 million	
	will be allocated to EYP	

AND BE IT FURTHER RESOLVED, That the Authority's Commercial Paper Notes, Series 1, Series 2 and Series 3, may be issued and Operating Fund monies may be used to finance Statewide ESP costs; and be it further

RESOLVED, That the Senior Vice President – Energy Services and Technology is authorized to determine which projects in the Statewide ESP will be deemed to be energy services projects within the meaning of Section (7) of Part P of Chapter 84 of the Laws of 2002 (the "Section (7) POCR Legislation") to be funded in part with Petroleum Overcharge Restitution ("POCR") Funds allocated pursuant to the Section (7) POCR Legislation; and be it further

RESOLVED, That POCR funds allocated to the Authority by the Section (7) POCR Legislation may be used to the extent authorized by such legislation, in such amounts as may be deemed necessary or desirable by the Senior Vice President – Energy Services and Technology to finance Statewide ESP projects; 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.

7. Agreement for Economic Development Funds in St. Lawrence County and Proposed Power Contract with the Town of Massena – Massena Electric Department

The President and Chief Executive Officer submitted the following report:

SUMMARY:

"The Trustees are requested to authorize (1) the President and Chief Executive Officer, and his designees, to enter into an agreement with the St. Lawrence River Valley Redevelopment Agency ('Board') and the St. Lawrence County Industrial Development Agency Local Development Corporation ('LDC') whereby the Authority will provide $16 million (the 'Fund') to the Board and LDC and certain other monies to be used for economic development purposes in St. Lawrence County; and (2) a public hearing, pursuant to Section 1009 of the Public Authorities Law, on a contract ('Power Contract') for the sale of 20 MW of hydropower to the Town of Massena, Massena Electric Department.

BACKGROUND

"As part of the St. Lawrence/FDR Project relicensing, the Authority in 2001 entered into a funding agreement with the St. Lawrence Aquarium and Ecological Center ('SLAEC') by which it agreed to invest approximately $20 million (plus certain interest) in the construction of an aquarium and other facilities so long as SLAEC raised a specified amount of matching funds. Because SLAEC failed to raise the matching funds to meet this condition, the agreement with SLAEC was cancelled on July 1, 2005. However, the Authority made clear at that time that the $20 million (which, with the accrued interest through June 30, 2005, amounted to approximately $26 million) would be made available in that area for economic development purposes.

"In September 2005, the Trustees approved the Authority's entering into an agreement with a non-profit, local development corporation (now named Seaway Private Equity Corporation) pursuant to which the Authority agreed to provide $10 million of the $26 million for investment in new technology businesses in St. Lawrence County. The remaining $16 million is the subject of the Agreement currently under consideration.

"Also as part of the St. Lawrence/FDR Project relicensing, the Authority successfully negotiated a return to New York State of 33.5 MW of the 68 MW of the Project power that under the prior license had been sold to Neighboring States. The Authority has since the conclusion of relicensing supported the use of some of this 'recaptured' power to provide 20 MW of hydropower for economic development purposes in the vicinity of the Project; 17.2 MW of the 'recaptured' power is available for this purpose. With 2.8 MW of St. Lawrence/FDR power available for withdrawal from the three upstate investor-owned utilities, the Authority can provide the promised 20 MW to the North Country to be used for economic development under the Power Contract.

DISCUSSION

"The Board comprises St. Lawrence County; the towns of Lisbon, Waddington, Louisville and Massena, and the villages of Waddington and Massena, with the Authority serving as a non-voting member. The LDC is an existing economic development agency in St. Lawrence County with extensive experience in administering economic development programs.

"The Board and the LDC are in the process of finalizing a separate agreement between them ('Board-LDC Agreement') pursuant to which the $16 million to be provided by the Authority will be administered and used. Under the Board-LDC Agreement, the monies to be provided by the Authority will be used for economic development purposes, including, for example, loans or grants to businesses in St. Lawrence County as determined by the Board and the LDC, payment of related administrative expenses and providing up to 5% on an annual basis of the unrestricted fund balance for community development and improvement projects in St. Lawrence County, including environment-related projects. The Board-LDC Agreement also sets forth project eligibility criteria, application and approval procedures, project documentation and monitoring procedures and the administrative and financial services to be performed by the LDC on behalf of the Board in administering the Fund.

"In addition to providing for the transfer of $16 million to the Board and the LDC to establish the Fund for economic development purposes, the Agreement under consideration (a draft of which is attached as Exhibit '7-A') requires the Board and the LDC to have performed annually a financial audit of the Fund and to prepare an annual report concerning the use and disposition of the monies in the Fund. These audits and annual reports will be available to the public.

"The Agreement also provides that the Authority will maintain a non-interest-bearing internal account to accrue the net value of power available under the Power Contract that is not yet sold to ultimate users. The net value will be based on the difference between the Authority's cost-based rate for St. Lawrence/FDR hydropower and the higher, prevailing wholesale market prices in the electric energy market administered by the New York Independent System Operator. The accruals in this account will apply to up to 20 MW of any unallocated power for the first five years of the Power Contract term; after five years, the accruals will be based on no more than 10 MW of any unallocated power. This account will exist for the term of the initial Power Contract through 2025, and thereafter under a successor Power Contract through the remaining term of the current St. Lawrence/FDR license, which ends in 2053.

"The Agreement authorizes the Board and the LDC jointly or the Board separately to request disbursements from the account for the purpose of funding economic development projects and activities within St. Lawrence County. The annual reports to be filed by the Board and the LDC with the Authority will contain a detailed reconciliation of all disbursements from the account for the preceding year. The Authority will not execute a final version of the Agreement until such time as the Board-LDC Agreement has been finalized and executed by those parties.

"The proposed Power Contract is in a standard form and is attached as Exhibit '7-B,' along with the accompanying proposed Service Tariff No. HC-2. The Power Contract provides for the sale of up to 20 MW of hydropower at the Authority's cost-based rate to the Town of Massena, Massena Electric Department, which is authorized by New York law to engage in the purchase from the Authority and resale of St. Lawrence/FDR power for economic development purposes. The Town of Massena, Massena Electric Department currently purchases Niagara Project preference hydropower to serve all classes of retail customers in the Town of Massena and surrounding areas comprising its service area. Under the Power Contract, the Town of Massena, Massena Electric Department will separately purchase and distribute the 20 MW of power for economic development purposes within its service area and, through means to be determined, to businesses outside its service area but within St. Lawrence County. The initial term of the Power Contract is through 2025 with a commitment to negotiate a new contract with a term through the end of the current St. Lawrence/FDR license in 2053.

<u>FISCAL INFORMATION</u>

"A portion of the proceeds of the Authority's Series 2003A Revenue Bonds, which were issued principally to finance costs associated with the relicensing and modernization of the St. Lawrence/FDR Project, was set aside in the St. Lawrence Construction Fund for the SLAEC pledge. Accordingly, the $16 million will be provided from the Authority's St. Lawrence Construction Fund. The power sale will be at the Authority's cost-based rates and thus will recover the Authority's cost of production.

<u>RECOMMENDATION</u>

"The Senior Vice President – Public, Government and Regulatory Affairs, recommends that the President and Chief Executive Officer be authorized to execute an agreement with the St. Lawrence River Valley Redevelopment Agency and the St. Lawrence County Industrial Development Agency Local Development Corporation as discussed above. The Senior Vice President – Marketing and Economic Development recommends that the Trustees approve a public hearing on the Power Contract with the Town of Massena, Massena Electric Department. 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 contract to the Governor and legislative leaders, and to arrange for the publication of a notice of public hearing in six newspapers throughout the State in accordance with the Public Authorities Law.

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

Trustee Nicandri presented the highlights of staff's recommendations to the other Trustees. He said that some people in the North Country were not happy with what had been negotiated, but that they were prepared to move forward in spite of that fact. President Kessel thanked Trustee Nicandri, Ms. Brown and the legal team and Mr. Paul Finnegan for their efforts to negotiate this agreement.

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

RESOLVED, That the President and Chief Executive Officer and his designees are authorized to execute the final version of the agreement between the Authority, the St. Lawrence River Valley Redevelopment Agency and the St. Lawrence County Industrial Development Agency Local Development Corporation discussed in the foregoing report of the President and Chief Executive Officer, subject to the approval of the form thereof by the Executive Vice President and General Counsel; and be it further

RESOLVED, That the Trustees hereby authorize a public hearing on the terms of the proposed contract for the sale of hydropower to the Town of Massena, Massena Electric Department; and be it further

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

RESOLVED, That the Corporate Secretary be, and hereby is, authorized to arrange for the publication of a notice of public hearing in six newspapers throughout the State, all done in accordance with the provisions of Section 1009 of the Public Authorities Law; and be it further

RESOLVED, That the President and Chief Executive Officer and the Chief Operating Officer or their designees are, and each of them hereby is, authorized, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to enter into such agreements, and to do such other things, as may be necessary or desirable to implement the contract with the Town of Massena, Massena Electric Department 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 resolutions, subject to the approval of the form thereof by the Executive Vice President and General Counsel.

May 26, 2010
Exhibit "7-A"

DRAFT

AGREEMENT REGARDING FUNDING OF THE ST. LAWRENCE RIVER VALLEY REDEVELOPMENT AGENCY

This **AGREEMENT** ("Agreement"), dated as of May __, 2010, by and between the **POWER AUTHORITY OF THE STATE OF NEW YORK** ("Power Authority"), having an office at 123 Main Street, White Plains, NY 10601, the **ST. LAWRENCE RIVER VALLEY REDEVELOPMENT AGENCY**, a joint service board ("Board") established by and between the County of St. Lawrence, the Towns of Lisbon, Waddington, Louisville, and Massena, and the Villages of Waddington and Massena, with the Power Authority serving as a non-voting member, having an address of 80 State Highway 310, Suite 6, Canton, NY 13617, and the **ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY LOCAL DEVELOPMENT CORPORATION**, a domestic, not-for-profit local development corporation ("Corporation"), having an address of 80 State Highway 310, Suite 6, Canton, New York 13617, with the three entities being referred to collectively herein as the "Parties".

WITNESSETH:

WHEREAS, the Power Authority owns and operates the St. Lawrence-FDR Power Project ("Project") located on the St. Lawrence River in St. Lawrence County, New York; and

WHEREAS, the Power Authority was issued a new 50-year license for the Project by the Federal Energy Regulatory Commission, effective November 1, 2003; and

WHEREAS, as set forth below, the Power Authority is desirous of providing $16 million, which was part of the monies agreed to be provided by the Power Authority in the Comprehensive Relicensing Settlement Accord (dated January 15, 2003) for use in connection with development of a proposed Aquarium and Great Rivers Center ("Center") on the St.

Lawrence River in the Town of Massena, which development efforts for the Center have ceased; and

WHEREAS, the Board and the Corporation have entered into a definitive agreement, dated as of __________, 2010 ("Board-Corporation Agreement"), pursuant to which the $16 million to be provided by the Power Authority hereunder shall be administered and utilized for economic development purposes in St. Lawrence County; and

WHEREAS, pursuant to its mission of providing low cost hydroelectric power within New York State, the Power Authority also is desirous of providing to the Town of Massena, Massena Electric Department 20 megawatts of such power ("Allocation") in accordance with the requirements of the NYPA Act (Public Authorities Law, §§ 1000 <u>et seq</u>); and

WHEREAS, the Parties agree that the provision of such power by the Power Authority shall be the subject of a separate agreement ("Power Agreement") which will effectuate the Allocation and be subject to review by the Power Authority's Trustees as well as notice, hearing and other requirements of the NYPA Act;

NOW, THEREFORE, in consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

I. Representations and Covenants

Each of the Parties represents and covenants that they each have the legal power and authority to execute this Agreement and duly perform their respective obligations hereunder, and that each of them has taken all actions and received all authorizations required by law to execute this Agreement and duly perform their respective obligations hereunder.

II. Establishment of the St. Lawrence River Valley Redevelopment Agency Fund ("RVRDA Fund")

A. Within 30 days of the date of this Agreement, the Power Authority shall make an initial payment of $8 million into the RVRDA Fund account designated by the Board. Within 180 days following the Power Authority's first payment, the Power Authority shall make a final payment into the RVRDA Fund of $8 million.

B. The RVRDA Fund monies, including the interest earned thereon, shall be used exclusively for economic development in St. Lawrence County. The parties agree that such purposes include without limitation the making of loans or grants to businesses, payment of administrative expenses and fees of the Board and the Corporation relating to economic development in the County, and use of up to 5% on an annual basis of the unrestricted cash assets in the RVRDA Fund as of January 1 of each year for community development and improvement projects including environmental-related projects, all as set forth in the Board-Corporation Agreement.

III. Annual Financial Audit

The Board and Corporation shall ensure that a financial audit of the RVRDA Fund is performed annually by a certified public accountant, and that the results of each such audit shall be available to the public and submitted to the Power Authority.

IV. Certain Account

A. The Power Authority seeks to provide for use within St. Lawrence County certain financial benefits of the energy associated with the Allocation in order to promote economic development. As such, the Power Authority shall establish and maintain internally an account ("Account") that will contain amounts equal to the product of the following factors: (1) that portion, if any, of the Allocation that is not allocated to and taken by the Town of Massena, Massena Electric Department's economic development customers, which on and after the date five years from the effective date of the Power Agreement shall not exceed ten (10) megawatts,

(2) 70% (.70) or the actual capacity factor of the Project whichever is lower, and (3) the "net value" of the power for each monthly period, such "net value" being the difference between the Power Authority's cost-based hydroelectric rate for power and energy and the prevailing wholesale market price at the Project in the market administered by the New York Independent System Operator ("NYISO") or its successor. The Account shall not accrue interest. The Power Authority will commence accruals in the Account on the effective date of the Power Agreement.

B. The Power Authority shall make disbursements from the Account upon receipt in writing of a request which shall include: (1) the amount requested, (2) a detailed description of the intended use of the funds, and (3) the anticipated economic development benefits resulting therefrom. Requests may be submitted (1) by the Board for disbursements to be made to the account of a municipality or (2) by the Board and Corporation jointly for disbursements to be made to the account of the Corporation. The Power Authority shall make reasonable efforts to remit payment within 30 days of receipt of the request. In no event will the Power Authority be obligated to disburse payments in excess of the amount available in the Account. The Account shall terminate upon termination of the Power Agreement or of any new or modified agreement entered into by the Power Authority and the Town of Massena, Massena Electric Department to provide Project power and energy for the remaining duration of the current Project license from FERC, whichever is later. There shall be no obligation of the Power Authority to make any disbursements from the Account after such termination.

V. Annual Report

The Board and Corporation shall prepare an annual report each year which shall be available to the public and submitted to the Power Authority by March 1. The annual report, at a minimum, shall include: (a) a summary of all active projects funded in whole or in part by the RVRDA Fund; (b) a project-by-project listing of all expenditures from the RVRDA Fund during the previous year; (c) a detailed listing of all planned expenditures from the RVRDA Fund during the current year in which the report is issued; (d) an updated balance sheet and other financial reports for the RVRDA Fund which includes expenditures, administrative expenses and fees, and accrued interest; and (e) regarding the previous year: a listing of the monies disbursed from the Account by the Power Authority, the stated purpose of each such disbursement from the Account, and a detailed reconciliation with the actual expenditures made. Regarding any annual report filed pursuant to this Section V., the Board and Corporation agree to promptly provide such additional information as the Power Authority may reasonably request.

VI. Miscellaneous

A. This Agreement shall be governed and construed in accordance with the laws of the State of New York.

B. This Agreement may not be amended without the written consent of all the Parties hereto and may not be assigned by any party without the written consent of all the Parties hereto.

C. The Board and Corporation agree that any amendment to the Board-Corporation Agreement which would materially affect control or use of either the RVRDA Fund monies or monies disbursed from the Account shall not be effective without the prior written consent of the Power Authority.

D. In the event the Board-Corporation Agreement is terminated and not replaced with an arrangement to continue the economic development purposes of such agreement on terms accepted in writing by the Power Authority: (1) the balance of any unused monies in the RVRDA Fund, including interest, shall be refunded to the Power Authority; provided, however, that any monies already duly encumbered by binding agreements relating to economic development at the time of such termination shall not be so refunded; (2) any monies so refunded to the Power Authority shall be used for economic development purposes in St. Lawrence County; and (3) accruals and disbursements from the Account shall cease.

E. In the event of any dispute arising from this Agreement, the Parties agree to engage in good faith consultation and discussion in an attempt to resolve such dispute.

F. None of the Parties shall be liable in damages or have the right to terminate this Agreement for any delay or default in performing hereunder if such delay or default is caused by conditions beyond its reasonable control including, but not limited to Acts of God, governmental restrictions, severe weather events, earthquakes, or acts of the public enemy.

G. Nothing in this Agreement, express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person, firm, corporation, or any other entity except the Parties hereto.

H. Each Party consents to the exclusive jurisdiction and venue of the New York State Supreme Court, Albany County, for adjudication of any claim, suit, action, or any other proceeding in law or equity arising under or relating to this Agreement.

I. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first above written.

POWER AUTHORITY OF THE STATE OF NEW YORK

By: ____ Date:

COUNTY OF ST. LAWRENCE

By: ____ Date:

TOWN OF LISBON

By: ____ Date:

TOWN OF WADDINGTON

By: ____ Date:

TOWN OF LOUISVILLE

By: ____ Date:

TOWN OF MASSENA

By: ____ Date:

VILLAGE OF WADDINGTON

By: ____ Date:

VILLAGE OF MASSENA

By: ____ Date:

THE ST. LAWRENCE COUNTY INDUSTRIAL
DEVELOPMENT AGENCY LOCAL
DEVELOPMENT CORPORATION

By: ____ Date:

May 26, 2010
Exhibit "B"

DRAFT

POWER AUTHORITY

OF THE

STATE OF NEW YORK

30 South Pearl Street
Albany, New York

AGREEMENT FOR THE SALE

OF ST. LAWRENCE-FDR PROJECT POWER AND ENERGY

TO THE TOWN OF MASSENA, MASSENA ELECTRIC DEPARTMENT

Service Tariff No. HC-2 - Firm Hydroelectric Power and Energy

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May 2010

The Town of Massena, Massena Electric Department("Customer" or "MED"), with offices at 71 E. Hatfield Street, Massena, New York 13662, hereby enters into this Agreement for the Sale of St. Lawrence -FDR Project Power and Energy ("Agreement") with the POWER AUTHORITY OF THE STATE OF NEW YORK ("Authority"), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title 1 of Article 5 of the New York Public Authorities Law ("PAL"), having offices and its principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425. The Authority and the Customer are from time to time referred to in this Agreement individually as a "Party" or collectively as the "Parties" and agree follows:

I. Definitions

a. **Agreement** means this Agreement including the Appendices.

b. **Allocation** shall mean the amount of Project Power and Energy allocated to the Customer by the Authority hereunder. Neither Ancillary Services nor Green Attributes are included in the Allocation.

c. **Ancillary Services** shall be as defined by the NYISO in its rules, tariffs, manuals and procedures.

d. **Authority** is the Power Authority of the State of New York, as described in the preamble to this Agreement.

e. **Commencement Date** is the date of the Agreement's execution.

f. **Contract Demand** shall be the sum of the amounts of power allocated and sold by the Customer to Ultimate Users, which amounts shall not exceed the Allocation.

g. **Customer** is the authorized recipient of the Allocation identified above and is a municipality or other political subdivision of the State of New York authorized to engage in the distribution of electric power pursuant to Public Authorities Law §1005(5) and General Municipal Law §360, et. seq.

h. **Customer's Agent** is defined in Article VIII.

i. **Customer's Costs** include direct administrative and services costs incurred by the Customer; compensation for use of third-party facilities and services furnished to the Customer in the transmission and distribution of the Allocation; all costs associated with negotiating the Agreement and the establishment of mechanisms to accept and distribute the Allocation. Such costs shall be approved by the Authority as required by New York Public Authorities Law §1005.

j. **Electric Service** is power and energy available to the Customer in accordance with applicable Service Tariffs, Rules and other contract documents.

k. **FERC** means the Federal Energy Regulatory Commission (or any successor agency).

l. **FERC License** means the first new license issued by FERC on October 23, 2003, to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act.

m. **Firm Hydroelectric Power and Energy** are firm power and associated energy from the Authority's St. Lawrence Power Project, intended to be available at all times except for limitations provided in this Agreement, the Rules, applicable Service Tariff or in other contract documents.

n. **Green Attributes** (sometimes referred to as Renewable Attributes or Renewable Energy Credits) are attributes associated with renewable energy power production facilities as may be defined by law or administrative action now or in the future, including but not limited to the Renewable Portfolio Standard proceeding of the New York Public Service Commission.

o. **Load Serving Entity** is an entity authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply Energy, Capacity and/or Ancillary Services to retail customers under the rules, tariffs, manuals and procedures of the NYISO.

p. **NYISO** means the New York Independent System Operator (or any successor organization).

q. **Project** means the St. Lawrence-FDR Power Project, FERC Project 2000.

r. **Project Power and Energy** means Firm Hydroelectric Power and Energy produced by the Project.

s. **Project Switchyard** is the St. Lawrence Project switchyard.

t. **Rules** are the applicable provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by the Authority.

u. **Service Tariff** means the Authority's Service Tariff No. HC-2, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to the Customer under this Agreement.

v. **Ultimate Users** are entities within St. Lawrence County who will receive the benefit of or to whom the Customer will resell Project Power and Energy purchased from the Authority for economic development purposes as provided in Article IX of this Agreement.

w. **Unforced Capacity** is the capacity required to be provided by Load Serving Entities to serve load as defined by the NYISO in its rules, tariffs, manuals and procedures.

All other terms not defined in this Agreement, the Service Tariff, or the Rules shall have the meanings ascribed to them in the electric industry.

II. Electric Service to be Provided

a. The Authority shall provide Electric Service pursuant to Service Tariff HC-2 for Power and/or Energy to enable the Customer to receive the Allocation from the Project in accordance with the provisions of the FERC License in the amount set forth below:

> Firm Hydroelectric Power and Energy Service pursuant to Service Tariff No. HC-2: [20,000] kilowatts ("Allocation")

The Authority shall provide Unforced Capacity in amounts necessary to meet the Customer's NYISO Unforced Capacity obligations associated with the foregoing Allocation in accordance with the rules and tariffs of the NYISO.

b. The Allocation may be modified by the Authority if the amounts of such Project Power and Energy available for sale from the Project are modified as required to comply with any law, ruling, order or decision of any regulatory or judicial body having jurisdiction. The Authority shall provide reasonable notice to the Customer of any such action that would result in modification of Allocation and nothing herein shall be construed as limiting the Customer's rights to challenge any proposed reduction of the Allocation.

III. Rules, Service Tariff and Conflicts

The Rules and the Service Tariff are hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts, or differences between the provisions of Service Tariff and the Rules, the provisions of the Service Tariff shall govern. In the event of any inconsistencies, conflicts or differences between the Service Tariff and any other provisions of this Agreement, the provisions of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to the Customer of any proposed change in the Rules or the Service Tariff, but in no event shall the Authority provide less notice than that required to be provided to similarly affected Authority customers within New York State.

IV. Transmission and Delivery of Power and Energy

The Customer shall have the responsibility to act as the Load Serving Entity ("LSE"), arrange for one or more other entities to do so on its behalf or make other arrangements for conveying the Allocation to Ultimate Users. The Customer, or the entity acting as LSE or the Customer's Agent shall arrange for the transmission of the Project Power and Energy supplied hereunder from the Project Switchyard to the Customer's points of delivery. Such delivery shall be consistent with Article VI of this Agreement and the terms of the NYISO's Open Access Transmission Tariff (OATT) or other applicable tariff of the NYISO. The Customer shall be responsible for all costs associated with the transmission and delivery of the allocation.

V. Rates

Project Power and Energy shall be sold to the Customer hereunder at cost-based rates equivalent to rates charged to the Authority's in-state preference customers receiving preference power under the NRA.

The Customer waives any challenges to any of the following methodologies and principles[1] to the extent that one or more of such methodologies and principles are used by the Authority to set rates different than those adopted by the Authority's Trustees in their meeting on April 29, 2003 based on the "January 2003 Report on Hydroelectric Production Rates" and 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).

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1 These methodologies and principles were employed in and explained by the Authority's January 2003 Report on Hydroelectric Production Rates and the Staff Analysis of Public Comments and Recommendations adopted by the Authority's Trustees on April 29, 2003.

(vii) Rate Stabilization Reserve (RSR) methodology as supplemented by the explanatory statement attached hereto as Appendix A

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Customer 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. Nothing contained herein shall preclude the Customer from participating in the rate setting process and raising issues as to whether such methodologies and principles have been correctly employed.

VI. Use and Resale of Project Power and Energy

In reselling and/or distributing the Allocation the Customer shall: (1) distribute such Allocation only to the Ultimate Users designated pursuant to Article IX of this Agreement; (2) not permit such Ultimate Users to sell any of such Allocation for resale without prior approval by the Authority; (3) not recover from an Ultimate User more than the Allocation cost and the Customer's Costs; (4) otherwise transfer the benefits of the transactions contemplated hereunder with the concurrence of the Authority, which shall not be unreasonably withheld; and (5) comply with the FERC License, the Rules, the Power Authority Act (to the extent such Power Authority Act is not inconsistent with the FERC License) and all other applicable laws of the State of New York.

The Customer or the Customer's Agent shall keep its books, accounts and records pertaining to the purchase, delivery and sale of the Allocation according to procedures reasonably deemed necessary by the Authority to ensure compliance with this Agreement, applicable statutes, licenses, the Rules. The Customer shall provide such information and permit such inspection of its books and records as the Authority may reasonably request and shall require the Customer's Agent and/or Ultimate Users to agree to do likewise.

The distribution of the Allocation to Ultimate Users shall, where feasible, be accompanied by a statement indicating the total savings in dollars realized by the individual Ultimate User for the particular billing period as a result of the purchase of hydroelectric power and energy by the Customer from the Authority. The form and content of such statement shall be coordinated between the Customer and the Authority.

VII. Availability of Energy

Subject to any other limitations set forth in the Rules or the Service Tariff (including low-flow conditions), the Authority will supply each Ultimate User's demand and energy usage, at the Ultimate User's actual load factor in a mutually agreed upon manner.

VIII. Appointment of Customer's Agent

Upon reasonable prior written notice to the Authority, the Customer shall have the right to delegate to an agent any or all duties under this Agreement ("Customer's Agent") and the Authority acknowledges that such duties may be performed by the Customer's Agent. Such duties delegated to the Customer's Agent may include the keeping of all records required by the Authority, the payment of any or all amounts due to the Authority under this Agreement and any or all such other duties contained in this Agreement as may be specified by the Customer; provided that the Customer may choose to assume and perform any or all of the duties previously delegated to the Customer's Agent and provided further that nothing herein, including the Customer's designation of such an agent, shall be deemed to be approval by the Authority of an assignment of any of the Customer's duties and obligations under its Agreement with the Authority. The Customer may, on reasonable prior written notice to the Authority (consistent with the Authority's and the NYISO's scheduling and business process requirements), designate a different party as the Customer's Agent at any time during the term of this Agreement.

The Customer's Agent may include, without limitation, a public utility, LSE, Municipal Distribution Agency, or load aggregator.

IX. Ultimate Users

The Customer will distribute power and energy associated with the Allocation to Ultimate Users in accordance with the Agreement and the Customer's economic development program. The economic development program description, allocation criteria and methodology shall be submitted to and approved by the Authority which approval shall not be unreasonably withheld and the Parties acknowledge and agree that such program shall be consistent with the principals for approving economic development proposals established under the multi-party agreement between the St. Lawrence River Valley Redevelopment Agency ("RVRDA") members, NYPA and the St. Lawrence County Industrial Development Agency.

The Customer shall notify the Authority of each Ultimate User it has selected to receive a portion of the Allocation. Each notification must contain: (1) the identity of the Ultimate User(s); and (2) the amount of the allocation.

The Agreement does not mandate or otherwise require the Customer to provide any portion of the Allocation to any specific Ultimate User and the Customer shall not be precluded from denying a portion of the Allocation to any such Ultimate User.

X. Term and Termination of Service

Service under the Agreement shall begin on the Commencement Date and shall continue until the earliest of: (a) termination by the Customer with respect to all of its Allocation upon ninety (90) days prior written notice; (b) termination by the Authority pursuant to the Rules upon required notice; or (c) September 1, 2025, at which time a new or modified agreement will be entered between the Authority and the Customer to provide the Customer with Project Power and Energy for the remaining effective duration of the FERC License. If such a new or modified agreement is not in place to take effect after September 1, 2025, service will be continued under the terms and conditions of this Agreement on a year-to-year basis or until a new or modified agreement takes effect between the Parties.

The Authority may cancel service hereunder or modify the quantities of Project Power and Energy allocated to the Customer only: (a) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency): or (b) as otherwise provided herein or in the Rules.

XI. Notification

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

To Authority:

Director-Marketing Analysis & Administration New York Power Authority
123 Main Street
White Plains, NY 10601

To Customer:
General Manager
Massena Electric Department
71 E. Hatfield Street
P.O. Box 209
Massena, NY 13662

With a copy to:

XII. Applicable Law and Venue

This Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License. Any action or proceeding arising out of or relating to this Agreement shall be brought in state courts located in Albany County, New York.

XIII. Successors and Assigns

This Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the legal successors and assigns of either Party hereto; provided, however, that no assignment by either Party or any successor or assignee of such Party of its rights and obligations hereunder shall be made or become effective without the prior written consent of the other Party in each case obtained, which consent shall not be unreasonably withheld.

XIV. Previous Agreements and Communications

This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the matters herein set forth. This Agreement supersedes all previous communications between the Parties hereto, either oral or written, with reference to the subject matter hereof.

No modifications of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

XV. Acceptance and Approvals

Upon approval of the Governor of the State of New York pursuant to Public Authorities Law §1009, and upon execution by the Parties, this Agreement, the provisions of which shall survive for the term hereof, together with the Service Tariff and Rules both as they may be amended, shall constitute the contract between the Parties for Electric Service hereunder.

XVI. Severability and Voidability

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

XVII. Effectiveness of Agreement

This Agreement shall take effect the date of the Agreement's execution.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

CUSTOMER

BY ____

Title ____

Date ____

POWER AUTHORITY OF THE STATE OF NEW YORK

BY ____

Title____

Date ____

Appendix A

NEW YORK POWER AUTHORITY RATE STABILIZATION RESERVE METHODOLOGY

The Rate Stabilization Reserve (RSR) is calculated consistent with Service Tariff provisions regarding the Flow Adjustment Computation (FAC), which was not altered in the January 2003 Report on Hydroelectric Production Rates or the Staff Analysis of Public Comments and Recommendations adopted by the Trustees of the Power Authority on April 29, 2003. The calculation is described below:

1. Calculate the total cost of service (CoS) for the Niagara/St. Lawrence projects. Costs include: Operations and Maintenance, amortized roadwork, Indirect Overheads (Shared Services, Research and Development, debt service) and Capital Costs (using TOC for equity funded and OC for debt funded).

2. Credit the CoS by any excess capacity (ICAP) sales to the NYISO.

3. Allocate costs to the demand function by multiplying the sum of the Customers' billed demands by the preference demand charge, which has been inflated to include Ancillary Services production costs. This larger demand charge is used only for the purposes of the RSR.

4. Calculate the cost-based energy rate by dividing the remaining energy assigned costs by the annual metered generation.

5. Calculate the difference between the cost-based energy rate and the billed preference energy rate.

6. Multiply the difference in the rates by the actual annual billed preference energy sales to determine the annual change in the RSR.

7. Add the annual change to the RSR balance from the prior year-end to get the current year-end RSR balance.

8. If the current year-end balance is in excess of +/- $25 million, the excess would be subject to a credit or a surcharge in the subsequent rate year.

NewYorkPower Authority

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

Electric Service Tariff for Host Communities
Firm Hydroelectric Power Service

Service Tariff No. HC-2

Table of Contents

Issued by James F. Pasquale, Senior Vice President
Power Authority of the State of New York
30 South Pearl Street, Albany, NY 12207

Schedule of Rates for Firm Hydroelectric Power and Energy Service

I. Applicability

To sale of St. Lawrence-FDR Hydroelectric Project firm power and energy to the Host Communities customers in the vicinity of the St. Lawrence-FDR Power Project in St. Lawrence County.

II. Abbreviations and Terms

A. The following abbreviations are used:

kW	kilowatt(s)
kWh	kilowatt-hour(s)
NYPA	New York Power Authority
NYISO	New York Independent System Operator

B. The term "Agreement" means contract for the Sale of St. Lawrence-FDR Project Power and Energy between Authority and Customer.

C. The term "Authority" means New York Power Authority, an alternative name for the Power Authority of the State of New York.

D. The term "Customer" means "Customer" as defined in the Agreement. Where the context indicates, "Customer" shall also mean "Customer's Agent" as defined herein.

E. The term "Customer's Agent" may include, without limitation, a public utility, Load Service Entity, Municipal Distribution Agency, load aggregator or other entity authorized to purchase, sell and/or deliver or cause to be delivered electric power and/or energy on behalf of the Customer.

F. The term "Power" or "Firm Hydroelectric Power" means capacity (kW) from Project, intended to be available at all times except for limitations provided in the Agreement, the Rules, this Service Tariff or in other contract documents. Firm Power shall not include peaking power.

G. The term "Energy" or "Firm Hydroelectric Energy" means energy (kWh) associated with Firm Hydroelectric Power.

H. The term "Project" means the Authority's St. Lawrence-FDR Hydroelectric Project.

I. The term "Rules" means Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York, 21 NYCRR § 454) as now in effect and as may be later amended from time to time by Authority.

J. The term "Service Tariff" means this Service Tariff No. HC-2.

III. Monthly Rates and Charges

A. Monthly Base Rates

The monthly demand and energy charges paid by Customer to Authority shall be based on the preference power rates charged by Authority, as shown below.

Effective Date	Demand Rate $/kW-month	Energy Rate Mills/kWh
5/1/2008	2.96	4.92

The demand and energy rates set forth above shall apply at the Project switchyard and the energy rate shall be subject to a monthly adjustment in accordance with a Flow Adjustment Computation (FAC) as described in Section V.

B. Minimum Monthly Charge

The product of the demand rate set forth above and the contract demand.

C. Billing Energy

Energy provided by Authority under this Service Tariff.

D. Billing Period

Any period of approximately thirty (30) days, generally ending with the last day of each calendar month.

E. Contract Demand

The amounts set forth in the applicable Agreement between Authority and Customer.

F. NYISO Transmission and Related Charges ("NYISO Charges")

The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority, if any, for services provided by the NYISO or any successor organization pursuant to its Open Access Transmission Tariff ("OATT") or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) which are associated with

Customer's purchase of hydro power and energy under its contract for the sale of hydro power and energy with Authority:

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

2. Marginal losses;

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

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

5. Any and all other charges, assessments or other amounts associated with deliveries to Customer that are assessed on the Authority by the NYISO or any successor organization under the provisions of its OATT or under other applicable tariffs; and

6. Any charges assessed on the Authority with respect to service to Customers for facilities needed to maintain reliability and incurred in connection with the NYISO's Comprehensive System Planning Process (or similar reliability-related obligations incurred by NYPA with respect to service to Customers), applicable tariffs or required to be paid by the Authority in accordance with law, whether charged by the NYISO or some other third party.

The NYISO Charges in this section are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

G. Taxes and Other Charges

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

IV. General Provisions

General Provisions for service supplementing or modifying the Rules and Regulations for Power Service and this Service Tariff with regard to deliveries to Customer are as follows:

A. Character of Service

Alternating current, 60 hertz, three-phase.

B. Availability of Energy

Unless otherwise agreed upon by the parties, Authority shall normally provide in any billing period Firm Hydroelectric Energy to Customer in an amount equal to the product of (a) the number of hours in such billing period, (b) the contract demand applicable in such billing period and (c) the load factor specified in the Agreement. The Authority will have the right to reduce on a pro rata basis the amount of Firm Hydroelectric Energy provided to Customer 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. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Customer in later billing periods. The offer of Firm Hydroelectric Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Firm Hydroelectric Energy is taken by Customer.. The Authority shall provide reasonable notice, to the extent possible, to Customer 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.

Unless otherwise specified in the Agreement, where Customer is taking service solely from Authority, the billing energy shall be the total number of kilowatt-hours recorded on Customer's meter or the meters of entities served by Customer during the billing period, adjusted for losses.

Unless otherwise specified in the Agreement, where Customer takes service from other sources in addition to service supplied hereunder, the billing energy shall be determined by multiplying (a) the number of hours in such billing period, (b) the contract demand applicable in such billing period and (c) the load factor specified in the Agreement.

C. Adjustment of Rates

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

D. Adjustment of Charges

Power Factor

Not less than 95% lagging or leading, except as otherwise specified in the Agreement.

E. Delivery

For the purpose of this Service Tariff, Firm Hydroelectric Power and Energy shall be delivered by Authority at the Project switchyard to the transmission facilities under the control of the NYISO for delivery to Customer.

For the purpose of this Service Tariff, Firm Hydroelectric Power and Energy shall be deemed to be offered when Authority is able to supply Firm Hydroelectric Power and Energy and NYISO transmits it to the Project switchyard. The offer of Firm Hydroelectric Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Firm Hydroelectric Energy is taken by Customer. If, despite such offer, there is a failure of delivery by Customer or Customer's Agent, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

F. Scheduling Procedures

1. Authority will advise Customer or Customer's Agent by the tenth (10^{th}) Business Day of the preceding month of the estimated quantity of Firm Hydroelectric Energy expected to be made available from the Project.

2. Authority may require that such Firm Hydroelectric Energy from the Project be scheduled in general accordance with the individual system load shapes of the Customer or as otherwise agreed upon by the Customer and Authority.

3. Customer or Customer's Agent shall file with Authority pursuant to procedures established by Authority, a daily schedule setting forth the Customer's requested amounts from the Project on a clock hour basis.

4. Subsequent to Authority approval of schedules for any day, Authority and Customer or Customer's Agent may agree on changes in such schedules subject to NYISO scheduling requirements and procedures Authority shall establish such that an efficient dispatch of Authority facilities will be accomplished.

G. Payment by Customer or Customer's Agent for Firm Hydroelectric Power and Energy

1. Customer or Customer's Agent shall pay for Firm Hydroelectric Power and Energy during any billing period the sum of a) and b) below:

   a. The demand rate per kW for Firm Hydroelectric Power specified in this Service Tariff or any modification thereof applied to Customer's contract demand for the billing period; and

   b. The energy rate specified in this Service Tariff or any modification thereof applied to the amount of Firm Hydroelectric billing energy delivered by Authority to Customer or Customer's Agent during such billing period.

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

H. Supplementary Provision

Sections 454.2 (c) and 454.5 of the Rules are inapplicable to this Service Tariff.

I. Alternate Arrangements

Notwithstanding general provisions E, F and G above, Authority, Customer or Customer's Agent may make alternate arrangements regarding Delivery, Scheduling Procedures and Payment by Customer for Firm Hydroelectric Power and Energy consistent with the terms of the Agreement or other contract documents.

J. Conflicts

In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern.

V. Flow Adjustment Computation ("FAC")

The energy charges under this Service Tariff, and the applicable service tariffs associated with both the Project and the Niagara Hydroelectric Project, in the aggregate, are subject to a credit or surcharge pursuant to a FAC in any rate year following a calendar year for which the Hydroelectric Project Rate Stabilization Reserve ("RSR") is greater than $+25 million, or less than $-25 million, respectively. The RSR will be used to ensure rate stability and cost recovery and its level will be determined and any credit or surcharge for the succeeding rate year will be calculated after the prior calendar year's costs and generation levels are known. Any credit or surcharge will be applied on a uniform basis to the monthly billing statements rendered pursuant to this Service Tariff during the succeeding rate year.

The FAC is inapplicable in any rate year succeeding a calendar year at the end of which the RSR is within the $+25 million to $-25 million range. If at the end of any calendar year, the RSR is determined to exceed $+25 million, such excess amount will be credited pro-rata to Customer during the succeeding rate year pursuant to the FAC. If the RSR at the end of any calendar year is determined to be less than $-25 million, the difference below $-25 million will be surcharged pro-rata to Customer during the succeeding rate year pursuant to the FAC.

To the extent that there is a balance in the RSR (positive or negative) on the effective date of service under the applicable Agreement, arising out of service under a prior agreement for the sale of Project power and energy, that RSR balance shall be carried forward and maintained as the balance as of the effective date of service under such applicable Agreement.

8. 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. On motion made and seconded, an Executive Session was held.

9. Motion to Resume Meeting in Open Session

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

10. Next Meeting

Chairman Townsend said that the next meeting of the Trustees would be held at a location to be determined in Buffalo on Tuesday, June 29, 2010.

Closing

On motion made and seconded, the meeting was adjourned by the Chairman at approximately 1:40 p.m.

Karen Delince
Corporate Secretary