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BY-LAWS
of the
POWER AUTHORITY
OF THE STATE OF NEW YORK [DRAFT]
Statutory Authority
Public Authorities Law §1004

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Power Authority of the State of New York
30 South Pearl Street
Albany, New York 12207

BY-LAWS Of the POWER AUTHORITY OF THE STATE OF NEW YORK

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ARTICLE I – Offices

Section 1. Principal Office

The principal office of the Power Authority of the State of New York (hereinafter referred to as the "Authority") shall be its Albany, New York office.

Section 2. Other Offices

The Authority may also have offices at such other places as the Trustees may from time to time determine or the business of the Authority may require.

Section 3. Books And Records

Except as otherwise determined by the Trustees or as the business of the Authority may require, all books and records of the Authority shall be kept at its White Plains, New York office.

ARTICLE II – Trustees

Section 1. Number, Term, Appointment And Vacancies

The number and term of Trustees and the appointment and process of filling vacancies shall be governed by Title 1 of Article 5 of the Public Authorities Law (hereinafter referred to as the "Power Authority Act").

Section 2. Powers And Duties

The powers and duties of the Trustees shall be governed by the Power Authority Act and other applicable provisions of the Public Authorities Law. To implement these powers and duties, the Trustees shall, among other things, oversee the Authority's chief executive and other management in the effective and ethical management of the Authority; understand, review and monitor financial, management and operational decisions of the Authority and review and approve annually the policies and procedures governing: (i) the salary, (ii) compensation, (iii) benefits and (iv) time and attendance of the chief executive and management.

ARTICLE III - Trustees' Meetings

Section 1. Place Of Meetings

Meetings of the Trustees shall be held at the principal office of the Authority or at such other place as the Trustees may from time to time designate.

Section 2. Annual Meeting

The annual meeting of the Trustees shall be held in March of each year, unless otherwise determined by them and at such time and place as the Trustees may from time to time designate.

Section 3. Regular Meetings

Regular meetings of the Trustees shall be held in accordance with a schedule adopted annually by the Trustees for that purpose and may be changed from time to time within that year by the Chair in consultation with the Trustees.

Section 4. Special Meetings

Special meetings of the Trustees may be called by the Chair or Vice Chair or upon the request of any three Trustees. The Corporate Secretary shall give notice of the time, place and purpose or purposes of each special meeting by mail at least three days before the meeting or in person or by telephone or facsimile or by other electronic communication at least two days before the meeting to each Trustee. The notice required to be given under this section may be waived by the Trustee to whom such notice is required to be given.

Section 5. Quorum

At all Trustees' meetings, the presence of four Trustees shall be necessary to constitute a quorum and shall be sufficient for the transaction of business. Any act shall be sufficient for the transaction of business if such four Trustees are in agreement and any act of such four Trustees present at a meeting and which constitutes a quorum shall be an act of the Trustees.

ARTICLE IV – Officers

Section 1. Officers

The statutory officers of the Authority shall be a Chair and a Vice Chair, whose offices are created by and named in Section 1004 of the Public Authorities Law and who shall be chosen from among the Trustees; the non-statutory officers of the Authority shall be a President and Chief Executive Officer, a Chief Operating Officer, one or more Executive Vice Presidents, an Executive Vice President and General Counsel, a Corporate Secretary, a Treasurer, a Controller and such other officers as may be deemed necessary by the Trustees upon recommendation of the Governance Committee to transact the business and exercise the general and special powers of the Authority, all of whom shall be employees of the Authority.

Section 2. Election Of Non-Statutory Officers

The President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Engineer – Power Supply, the Executive Vice President – Chief Administrative Officer and Chief of Staff, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Energy Marketing and Business Development, the Corporate Secretary and all other non-statutory officers shall be elected by the Trustees upon the recommendation of the Governance Committee at the annual meeting of the Trustees, except that the Vice President-Internal Audits shall be appointed by and serve at the pleasure of the Audit Committee.

Section 3. Term Of Office

The President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Corporate Secretary, the Executive Vice President and Chief Engineer - Power Supply, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Energy Marketing and Business Development and the Executive Vice President – Chief Administrative Officer and Chief of Staff and all other non-statutory officers shall each hold office until his or her successor is chosen and qualified or until his or her earlier removal, resignation or death.

Section 4. Vacancies

The Trustees may leave unfilled any office except those of Chair, Vice Chair, President and Chief Executive Officer, Chief Operating Officer, Executive Vice President and General Counsel or Corporate Secretary.

Section 5. Removal

Any officer elected by the Trustees herein shall be subject to removal at any time by the Trustees with or without cause.

Section 6. Powers And Duties

A. CHAIR

The Chair shall preside at all meetings of the Trustees, shall be responsible for developing and supervising the communication and implementation of the strategic vision and mission of the Authority and shall on behalf of the Trustees oversee the Authority's chief executive and management in the effective and ethical management of the Authority. The Chair may appoint such assistants and employees as he or she may deem necessary in order to perform such function and may fix their power, duties and compensations. The Chair may delegate to the Vice Chair, President and Chief Executive Officer or other officer or officers such of the Chair's powers and functions in

the general supervision of the business of the Authority to the extent such delegation is consistent with the Power Authority Act and other applicable provisions of law.

B. VICE CHAIR

The Vice Chair shall possess such powers and shall perform such duties as may be assigned to him or her from time to time by the Trustees. The Vice Chair shall be Acting Chair in the absence or incapacity of the Chair and shall assume the powers and perform all duties of the Chair if the Chair is unable to perform such duties for any reason. The Vice Chair, when acting in the capacity of Acting Chair under this section, may delegate the powers or duties of Chair to another Trustee or the President and Chief Executive Officer during the period of disability or incapacity of the Chair.

C. PRESIDENT AND CHIEF EXECUTIVE OFFICER

The President, when elected by the Trustees, shall be the Chief Executive Officer of the Authority and, subject to such supervision as the Chair or the Trustees may from time to time exercise, shall have such duties and powers as hereinafter described. The President and Chief Executive Officer shall be responsible for the supervision of all of the Authority's operations. Except for activities or business units under the supervision of officers reporting to the Chair or the Trustees, he or she shall have primary responsibility for the activities of all Authority business units. Subject to the Authority's expenditure authorization procedures, the President and Chief Executive Officer may sign, execute and deliver in the name of the Authority powers of attorney, contracts, agreements, leases, notes, checks, drafts, bonds, obligations and such documents other than those required by these By-laws, law or resolution to be executed by the Chair and/or the Corporate Secretary. The President and Chief Executive Officer may, as deemed appropriate, delegate his or her powers and responsibilities to any non-statutory officers of the Authority.

D. CHIEF OPERATING OFFICER

The Chief Operating Officer, when elected by the Trustees, shall have such duties and powers as hereinafter described. The Chief Operating Officer shall manage and monitor the day-to-day operations of the Authority and shall report on same to the President and Chief Executive Officer. Except as may be prescribed by the Chair or the Trustees, the Chief Operating Officer shall have primary responsibility for the operation and maintenance of all of the Authority's generation and transmission facilities; energy resource management; generation and transmission planning and development; licensing and construction; technical and operational compliance; and environment, health and safety. Subject to the Authority's expenditure authorization procedures, the Chief Operating Officer may sign, execute and deliver in the name of the Authority powers of attorney, contracts, agreements, leases, notes, checks, drafts, bonds, obligations and such documents other than those required by these By-laws, law or resolution to be executed by the Chair and/or the Corporate Secretary. The Chief

Operating Officer may, as deemed appropriate, delegate his or her powers and responsibilities to any non-statutory officers of the Authority.

E. EXECUTIVE VICE PRESIDENT AND CHIEF ENGINEER – POWER SUPPLY

The Executive Vice President and Chief Engineer – Power Supply shall be responsible for the safe, reliable and cost-effective operation and maintenance of all Authority generating and transmission facilities; all engineering, construction, maintenance and project management services and staff functions of business development and asset management, environment, health and safety, technical training and project development and licensing.

F. EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL

There shall be an Executive Vice President and General Counsel of the Authority, who shall report to both the Trustees and the Chair and be the chief legal officer of the Authority. In that capacity, he or she shall advise and represent the Authority generally in all legal matters and proceedings, including legislative proceedings; shall designate those employees who shall be eligible to accept service of process on behalf of the Authority and possess such powers; and shall have general supervision over the property, business and affairs of the Office of the General Counsel. In addition, the Executive Vice President and General Counsel, together with the Chair and the Board of Trustees, shall supervise and direct the activities of the Office of the Corporate Secretary and the Vice President – Labor Relations and Chief Ethics and Compliance Officer.

G. EXECUTIVE VICE PRESIDENT – CHIEF ADMINISTRATIVE OFFICER AND CHIEF OF STAFF

The Executive Vice President – Chief Administrative Officer and Chief of Staff, shall oversee the day-to-day administration of the Authority and report to and advise the President and Chief Executive Officer on all administrative matters. The Executive Vice President -- Chief Administrative Officer and Chief of Staff shall coordinate the activities of the various business units, except for those under the supervision of officers reporting to the Chair or the Trustees, and the activities and projects of the President and Chief Executive Officer. In addition, the Executive Vice President – Chief Administrative Officer and Chief of Staff shall ensure that assignments are carried out for and reported to the President and Chief Executive Officer and provide operational and strategic support to the Chair and the Board of Trustees.

H. EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

The Executive Vice President and Chief Financial Officer shall report to the Chair and the Trustees and shall supervise and direct the activities of the Business Services Division, give advice to the Chair and the Trustees regarding financial and investment

policies of the Authority, supervise the Authority's investment program, recommend and implement financial policies of the Authority and participate in the preparation of the financial reports of the Authority required by applicable law.

I. EXECUTIVE VICE PRESIDENT – ENERGY MARKETING AND BUSINESS DEVELOPMENT

The Executive Vice President – Energy Marketing and Business Development shall manage and direct the Authority's client-based programs; its economic development, energy services and technology, and power resource planning and acquisition activities; and the development of new products and programs.

J. CORPORATE SECRETARY

The Corporate Secretary shall report to the Chair and the Board of Trustees and to the Executive Vice President and General Counsel and attend all meetings of the Trustees and record all votes and shall keep a record of the proceedings of the Trustees in a Minutes Book to be kept for that purpose. The Corporate Secretary shall cause notice to be given of all meetings of the Trustees and shall be custodian of the records of the actions of the Trustees and shall keep in safe custody the seal of the Authority and shall have the authority to affix such seal to all documents and papers authorized to be executed by the Trustees or officers of the Authority requiring such seal to be affixed. The Corporate Secretary shall attest to the signatures of the Trustees and officers of the Authority and shall have the authority to cause copies to be made of all minutes, resolutions, records and documents of the Authority and to deliver certificates under seal to the effect that such copies are true and accurate and that all persons dealing with the Authority may rely on same.

K. TREASURER

The Treasurer shall have general custody of all funds and securities of the Authority and have general supervision of the collection and disbursement of Authority funds and shall endorse on behalf of the Authority for collection checks, notes and other obligations, and shall deposit the same to the credit of the Authority in such bank or banks or depositories as the Trustees may designate. The Treasurer may sign with the Chair, or such other person or persons as may be designated for such purpose by the Trustees, all bills of exchange or promissory notes of the Authority.

L. CONTROLLER

The Controller shall be in charge of the accounting operations, the preparation of fiscal accounts and the coordination of all external audits of the Authority.

M. VICE PRESIDENT - INTERNAL AUDITS

There shall be a separate Office of Internal Audits which shall report to the Audit Committee and shall have such other powers and perform such other duties as customarily pertain to such office[+] and as may be assigned to it by the Chair or the Board of Trustee. The Vice President – Internal Audits shall meet at least three times per year with the Audit Committee.

N. SUCCESSION – ABSENCE OR VACANCY OF OFFICE OF PRESIDENT AND CHIEF EXECUTIVE OFFICER

In the event of the incapacity or absence of the President and Chief Executive Officer, the Chief Operating Officer shall perform the duties of the President and Chief Executive Officer. If the office of Chief Operating Officer is vacant or the incumbent is absent, then the Executive Vice President and Chief Engineer – Power Supply shall perform the duties of the President and Chief Executive Officer. If the offices of Chief Operating Officer and Executive Vice President and Chief Engineer – Power Supply are vacant or the respective incumbents are absent, then the Executive Vice President and General Counsel shall perform the duties of the President and Chief Executive Officer. If the offices of Chief Operating Officer, Executive Vice President and Chief Engineer – Power Supply and Executive Vice President and General Counsel are vacant or the respective incumbents are absent, then the Executive Vice President and Chief Financial Officer shall perform the duties of the President and Chief Executive Officer.

ARTICLE V – Committees

Section 1. Executive Management Committee

The Chair, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Engineer - Power Supply, the Executive Vice President – Chief Administrative Officer and Chief of Staff , the Executive Vice President and Chief Financial Officer, the Executive Vice President – Energy Marketing and Business Development and such other officers as the Trustees may from time to time designate shall be members of an Executive Management Committee which shall periodically review and propose Authority corporate strategies, policies and programs and shall report on and make recommendations, with the Chair's concurrence, to the Trustees. Any officer so designated shall serve on the Executive Management Committee at the pleasure of the Trustees. The President and Chief Executive Officer, or in whose absence or disability his or her designee, shall preside at Executive Management Committee meetings, which shall be held quarterly or more often as the Trustees may designate.

Section 2. Audit Committee

The Audit Committee shall consist of not less than three nor more than five members of the Board of Trustees. At least three members of the Committee shall be independent

members of the Board of Trustees. All the members of the Audit Committee shall possess the necessary skills to understand the duties and functions of the Audit Committee and shall be familiar with corporate financial and accounting practices. It shall be the responsibility of the Audit Committee to recommend to the Trustees the hiring of a certified independent accounting firm for the Authority; establish the compensation to be paid to the accounting firm; provide direct oversight of the performance of the independent audit performed by the accounting firm hired for such purpose[s] ; and perform such other responsibilities as the Trustees shall from time to time assign to it.

Section 3. Governance Committee

The Governance Committee shall consist of not less than three nor more than five members of the Board of Trustees. At least three members of the Committee shall be independent members of the Board of Trustees. All the members of the Governance Committee shall possess the necessary skills to understand the duties and functions of the Governance Committee. It shall be the responsibility of the Governance Committee to keep the Trustees informed of current best governance practices; review corporate governance trends; recommend updates to the Authority's corporate governance principles; advise appointing authorities on the skills and experience required of potential Trustees; examine ethical and conflict of interest issues; perform Trustee self-evaluations; recommend By-laws which include rules and procedures for conduct of Trustee business; make recommendations to the Board of Trustees on the election of statutory and non-statutory officers and their compensation; and perform such other responsibilities as the Trustees shall from time to time assign to it.

Section 4. Finance Committee

The Finance Committee shall consist of not less than three nor more than five members of the Board of Trustees. At least three members of the Committee shall be independent members of the Board of Trustees. All the members of the Finance Committee shall possess the necessary skills to understand the duties and functions of the Finance Committee. It shall be the responsibility of the Finance Committee to review proposals for the issuance of debt by the Authority and make appropriate recommendations to the Board of Trustees and perform such other responsibilities as the Trustees shall from time to time assign to it.

Section 5. Other Committees

The Trustees or the Chair may appoint other committees which shall have and may exercise such powers as shall be authorized by the Trustees or by actions of the Chair or President and Chief Executive Officer.

ARTICLE VI - Corporate Seal

Section 1. Seal

The seal of the Authority shall be a design symbolizing its activities and shall be surrounded by the words "Power Authority of the State of New York" as shown by the



following impression of such seal:

ARTICLE VII - Fiscal Management

Section 1. Fiscal Year

The Trustees shall have the power to fix, and may, from time to time, change by resolution, the fiscal year of the Authority. Unless otherwise fixed by the Trustees, the calendar year shall be the fiscal year.

Section 2. Strategic Plan

The Trustees shall annually review a strategic plan developed by the Executive Management Committee under the supervision of the Chair, which shall become the basis for the development of departmental plans, the annual budget and the capital expenditure plan.

Section 3. Annual Budgets

The Trustees shall annually adopt an operation and maintenance budget and a capital budget for the Authority's operating facilities and support departments.

Section 4. Capital Expenditure Plan

The Trustees shall review an annual capital expenditure plan which shall summarize all present and proposed capital projects.

Section 5. Expenditure Authorization Procedures

The Trustees shall adopt expenditure authorization procedures which shall govern the annual budget, capital expenditure plan, contract executions and all approval authorizations.

Section 6. Disbursement Of Funds

The Trustees, except as otherwise provided in these By-laws, may authorize any officer or other employee to execute any requisition, voucher, draft or check for the disbursement or transfer of funds of the Authority.

ARTICLE VIII - Execution of Instruments

Section 1. Execution Of Instruments

The Trustees, except as otherwise provided in these By-laws, may authorize any officer, employee or agent, pursuant to the expenditure authorization procedures or otherwise, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Authority, and such power to execute and deliver may be general or specific; unless so authorized, no officer, employee or agent shall have any power or authority to bind the Authority by any contract or engagement or pledge of its credit or to render it liable pecuniarily for any purpose or in any amount.

ARTICLE IX – Amendment

Section 1. Amendment

The Trustees shall have the power to amend, alter or repeal any provision or provisions of these By-laws at any regular or special meeting.

ARTICLE X – Miscellaneous

Section 1. Additional Appointments

The Chief Operating Officer shall appoint all regional managers and site executive officers. The Trustees may extend employment contracts to one or more officers of the Authority in order to insure continuity of senior management.

Section 2. Annual Reports

The Trustees shall submit and publish an annual report, as prescribed by the Public Authorities Law, within ninety days after the close of the Authority’s fiscal year. The annual report shall be certified by the Chair, the President and Chief Executive Officer and the Chief Financial Officer to the extent required by the Public Authorities Law. The

annual report shall be accompanied by such other documents and information as the Public Authorities Law requires.

Section 3. Defense And Indemnification Of Trustees And Employees

The provisions of the Defense and Indemnification Policy ("Policy") of the Authority as amended and adopted on April 26, 1994, and the provisions of the resolution as amended and adopted by the Authority on April 26, 1994, conferring the benefits of Section 18 of the New York Public Officers Law ("POL § 18") on the Authority's Trustees and employees and agreeing to be held liable for the costs thereof, shall constitute a contract between the Authority and each of its Trustees and employees, as such persons are defined in the Policy, and the Authority agrees that the benefits thereof shall be made available to each Trustee or employee with respect to any act or omission which has occurred or may in the future occur during the period such Policy and the resolution conferring the benefits of POL § 18 are in effect, and no amendment to such Policy or such resolution which modifies the provisions thereof shall take effect with respect to any act or omission of a Trustee or employee which occurred prior to the effective date of such amendment unless the effect of such amendment is to increase the defense and indemnification protection afforded to such Trustee or employee prior to such effective date.

Section 4. Corporate Policies And Procedures

Unless otherwise provided by law, regulation or these By-laws, every officer or employee of the Authority shall be subject to the Authority's corporate policies and procedures as embodied in its corporate policies program.

Section 5. Disposal Of Authority Property For Below Fair Market Value

The Trustees shall approve disposals of Authority property for less than fair market value and make such determinations regarding such disposals as the Public Authorities Law requires. Any request to the Trustees for such approval shall be accompanied by the information prescribed by the Public Authorities Law and such other information as the Trustees may require.