

2011 Amendment to and Extension of Service Agreement of Niagara Mohawk Power Corporation under Service Tariff No. 41 and ST No. 42

This 2011 Amendment to 1990 Hydropower Contract, dated this ___ day of _____, 2011 is made between Niagara Mohawk Power Corporation, d/b/a National Grid ("Company") and the Power Authority of the State of New York ("Authority").

WHEREAS, the Company and the Authority are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority's Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the "Service Agreement under ST No. 41 and ST No. 42").

WHEREAS, Company and Authority have previously modified and extended the Service Agreement under ST No. 41 and ST No. 42, most recently by the "2010 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42" (the "2010 Amendment").

WHEREAS, by letter dated June 29, 2011, Authority withdrew all 189 MW of Firm Hydroelectric Power and Energy allocated under Service Tariff No. 41 and terminated service under the Company's Service Agreement under ST No. 41 and ST No. 42 with respect to all 189 MW of Firm Hydroelectric Power and Energy, effective August 1, 2011, for use in the Recharge New York Power Program created pursuant to Chapter 60 (Part CC) of the Laws of 2011 (the "Firm Power and Energy Withdrawal/Termination").

WHEREAS, Company and Authority agree to further modify and extend certain terms of the Company's Service Agreement under ST No. 41 and ST No. 42 as follows:

- 1) As a result of the Authority's Firm Power and Energy Withdrawal/Termination, the amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 is zero (0). The Firm Peaking Power allocation of 175 MW under Service Tariff No. 42 will remain unchanged.
- 2) Article E - Rates. The current text is deleted in its entirety and is replaced with the following text.

"The rates charged by the Authority under this Agreement shall be established in accordance with this Article.

The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on November 15, 2011, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on November 15, 2011, except as otherwise provided for below.

Company waives any challenges to any of the following methodologies and principles used by the Authority to set future preference power rates, numbers (i) through (vii) as set forth in the "January 2003 Report on Hydroelectric Production

Rates” as modified by the April 2003 “Staff Analysis of Public Comments and Recommendations”:

- (i) The principles set forth in the March 5, 1986 Settlement Agreement settling *Auer v. Dyson*, No. 81-124 (Sup. Ct. Oswego Co.), *Auer v. Power Authority*, index No. 11999-84 (Sup. Ct. N.Y. Co.) and *Delaware County Electric Cooperative, Inc. v. Power Authority*, 82 Civ. 7256 (S.D.N.Y.) (the “*Auer* Settlement”).
- (ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.
- (iii) Treatment of sales to third parties, including the New York independent System Operator.
- (iv) Allocation of Indirect Overheads.
- (v) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.
- (vi) Post-employment benefits other than pensions (i.e., retiree health benefits).
- (vii) Rate Stabilization Reserve (RSR) methodology.

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

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

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

- 4) Article G - Notification. In the contact address for Authority replace “10 Columbus Circle, New York, NY 10019” with 123 Main Street, White Plains, NY 10601”.
- 5) Article K - Restoration of Withdrawn Power and/or Energy is deleted in its entirety.

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

“Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the “Withdrawals of Power and/or Energy” or the “Cancellation or Reduction” provisions until December 31, 2012, subject to earlier termination by the Authority with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days’ prior written notice to Company.”

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

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

- 8) This amendment shall be referred to as the “2011 Amendment to the Company’s Service Agreement under ST No. 41 and ST No. 42”.
- 9) Continuation of service under this 2011 Amendment to the Company’s Service Agreement under ST No. 41 and ST No. 42 shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law. If the Governor disapproves this 2011 Amendment to the 1990 Hydropower Contract, service will cease on the last day of the month following the month during which the Governor disapproved this 2011 Amendment to the 1990 Hydropower Contract. If the Governor takes no action within the time frame provided for in Section 1009, service will cease on the last day of the month following the month during which such timeframe expired.

Except as expressly provided in this 2011 Amendment to the Company’s Service Agreement under ST No. 41 and ST No. 42, the Service Agreement under ST No. 41 and ST No. 42 shall remain unchanged and in full force and effect.

This 2011 Amendment to the Company’s Service Agreement under ST No. 41 and ST No. 42

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

This 2011 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42 may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law, and upon execution by the Chairman of the Authority, this 2011 Amendment shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2011 Amendment shall take effect upon the expiration of the 2010 Amendment and continue on a month to month basis.

AGREED:

Niagara Mohawk Power Corporation, d/b/a National Grid

By: _____

Title: _____

Date: _____

Power Authority of the State of New York

By: _____

Title: _____

Date: _____

ACCEPTED:

By: _____

Date: _____

2011 Amendment to 1990 Hydropower Contract

This 2011 Amendment to 1990 Hydropower Contract, dated this ___ day of _____, 2011 is made between New York State Electric and Gas Corporation ("Company") and the Power Authority of the State of New York ("Authority").

WHEREAS, the Company and the Authority are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority's Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the "1990 Hydropower Contract").

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

WHEREAS, Company and Authority have previously modified and extended the 1990 Hydropower Contract, most recently by the "2010 Amendment to 1990 Hydropower Contract" (the "2010 Amendment").

WHEREAS, by letter dated June 29, 2011, Authority withdrew all 167 MW of Firm Hydroelectric Power and Energy allocated under Service Tariff No. 41 and terminated service under the 1990 Hydropower Contract with respect to all 167 MW of Firm Hydroelectric Power and Energy, effective August 1, 2011, for use in the Recharge New York Power Program created pursuant to Chapter 60 (Part CC) of the Laws of 2011 (the "Firm Power and Energy Withdrawal/Termination").

WHEREAS, Company and Authority agree to further modify and extend certain terms of 1990 Hydropower Contract as follows:

- 1) As a result of the Authority's Firm Power and Energy Withdrawal/Termination, the amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 is zero (0). The Firm Peaking Power allocation of 150 MW under Service Tariff No. 42 will remain unchanged.
- 2) Article E - Rates. The current text is deleted in its entirety and is replaced with the following text.

"The rates charged by the Authority under this Agreement shall be established in accordance with this Article.

The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on November 15, 2011, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on November

15, 2011, except as otherwise provided for below.

Company waives any challenges to any of the following methodologies and principles used by the Authority to set future preference power rates, numbers (i) through (vii) as set forth in the "January 2003 Report on Hydroelectric Production Rates" as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

- (i) The principles set forth in the March 5, 1986 Settlement Agreement settling *Auer v. Dyson*, No. 81-124 (Sup. Ct. Oswego Co.), *Auer v. Power Authority*, index No. 11999-84 (Sup. Ct. N.Y. Co.) and *Delaware County Electric Cooperative, Inc. v. Power Authority*, 82 Civ. 7256 (S.D.N.Y.) (the "Auer Settlement").
- (ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.
- (iii) Treatment of sales to third parties, including the New York independent System Operator.
- (iv) Allocation of Indirect Overheads.
- (v) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.
- (vi) Post-employment benefits other than pensions, (i.e., retiree health benefits).
- (vii) Rate Stabilization Reserve (RSR) methodology.

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

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

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

- 4) Article G - Notification. In the contact address for Authority replace "10 Columbus Circle, New York, NY 10019" with 123 Main Street, White Plains, NY 10601". For Company, delete the current reference in its entirety and replace with the following "Dave Kimiecik, Vice President, Energy Supply, New York State Electric & Gas Corporation, 18 Link Drive, P.O. Box 5224, Binghamton, New York 13902-5224".
- 5) Article K - Restoration of Withdrawn Power and/or Energy is deleted in its entirety.
- 6) Article L - Term of Service, is revised to read as follows:

"Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the "Withdrawals of Power and/or Energy" or the "Cancellation or Reduction" provisions until December 31, 2012, subject to earlier termination by the Authority with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days' prior written notice to Company."

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

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

- 8) This amendment shall be referred to as the "2011 Amendment to the 1990 Hydropower Contract".
- 9) Continuation of service under this 2011 Amendment to the 1990 Hydropower Contract shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law. If the Governor disapproves this 2011 Amendment to the 1990 Hydropower Contract, service will cease on the last day of the month following the month during which the Governor disapproved this 2011 Amendment to the 1990 Hydropower Contract. If the Governor takes no action within the time frame provided for in Section 1009, service will cease on the last day of the

month following the month during which such timeframe expired.

Except as expressly provided in this 2011 Amendment to the 1990 Hydropower Contract, the 1990 Hydropower Contract as modified by the February 14, 2008 Letter Agreement shall remain unchanged and in full force and effect.

This 2011 Amendment to the 1990 Hydropower Contract shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2011 Amendment to the 1990 Hydropower Contract may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law, and upon execution by the Chairman of the Authority, this 2011 Amendment to the 1990 Hydropower Contract shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2011 Amendment to the 1990 Hydropower Contract shall take effect upon the expiration of the 2010 Amendment and continue on a month to month basis.

AGREED:

New York State Electric & Gas Corporation

By: _____

Name: Joseph J. Syta

Title: Vice President, Controller and Treasurer

Date: _____

By: _____

Name: Mark S. Lynch

Title: President

Date: _____

Power Authority of the State of New York

By: _____

Title: _____

Date: _____

ACCEPTED:

By: _____

Date: _____

2011 Amendment to 1990 Hydropower Contract

This 2011 Amendment to 1990 Hydropower Contract, dated this ___ day of _____, 2011 is made between Rochester Gas and Electric Corporation ("Company") and the Power Authority of the State of New York ("Authority").

WHEREAS, the Company and the Authority are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority's Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the "1990 Hydropower Contract").

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

WHEREAS, Company and Authority have previously modified and extended the 1990 Hydropower Contract, most recently by the "2010 Amendment to 1990 Hydropower Contract" (the "2010 Amendment").

WHEREAS, by letter dated June 29, 2011, Authority withdrew all 99 MW of Firm Hydroelectric Power and Energy allocated under Service Tariff No. 41 and terminated service under the 1990 Hydropower Contract with respect to all 99 MW of Firm Hydroelectric Power and Energy, effective August 1, 2011, for use in the Recharge New York Power Program created pursuant to Chapter 60 (Part CC) of the Laws of 2011 (the "Firm Power and Energy Withdrawal/Termination").

WHEREAS, Company and Authority agree to further modify and extend certain terms of 1990 Hydropower Contract as follows:

- 1) As a result of the Authority's Firm Power and Energy Withdrawal/Termination, the amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 is zero (0). The Firm Peaking Power allocation of 35 MW under Service Tariff No. 42 will remain unchanged.
- 2) Article E - Rates. The current text is deleted in its entirety and is replaced with the following text.

"The rates charged by the Authority under this Agreement shall be established in accordance with this Article.

The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on November 15, 2011, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on November

15, 2011, except as otherwise provided for below.

Company waives any challenges to any of the following methodologies and principles used by the Authority to set future preference power rates, numbers (i) through (vii) as set forth in the "January 2003 Report on Hydroelectric Production Rates" as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

- (i) The principles set forth in the March 5, 1986 Settlement Agreement settling *Auer v. Dyson*, No. 81-124 (Sup. Ct. Oswego Co.), *Auer v. Power Authority*, index No. 11999-84 (Sup. Ct. N.Y. Co.) and *Delaware County Electric Cooperative, Inc. v. Power Authority*, 82 Civ. 7256 (S.D.N.Y.) (the "Auer Settlement").
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- (vi) Post-employment benefits other than pensions (i.e., retiree health benefits).
- (vii) Rate Stabilization Reserve (RSR) methodology.

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

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

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

- 4) Article G - Notification. In the contact address for Authority replace "10 Columbus Circle, New York, NY 10019" with 123 Main Street, White Plains, NY 10601". For Company, delete the current reference in its entirety and replace with the following "Dave Kimiecik, Vice President, Energy Supply, New York State Electric & Gas Corporation, 18 Link Drive, P.O. Box 5224, Binghamton, New York 13902-5224".
- 5) Article K - Restoration of Withdrawn Power and/or Energy is deleted in its entirety.
- 6) Article L - Term of Service, is revised to read as follows:

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

"The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Company under Service Tariff No. 42 if such reductions are necessary due to low flow (i.e. hydrologic) conditions at the Authority's Niagara Project hydroelectric generating station. In the event that hydrologic conditions require the Authority to reduce the amount of energy provided to Company, reductions as a percentage of the otherwise required, energy deliveries will be the same for all firm Niagara Project customers. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Company in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Company. The Authority shall provide reasonable notice to Company of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers."
- 8) This amendment shall be referred to as the "2011 Amendment to the 1990 Hydropower Contract".
- 9) Continuation of service under this 2011 Amendment to the 1990 Hydropower Contract shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law. If the Governor disapproves this 2011 Amendment to the 1990 Hydropower Contract, service will cease on the last day of the month following the month during which the Governor disapproved this 2011 Amendment to the 1990 Hydropower Contract. If the Governor takes no action within the time frame provided for in Section 1009, service will cease on the last day of the

month following the month during which such timeframe expired.

Except as expressly provided in this 2011 Amendment to the 1990 Hydropower Contract, the 1990 Hydropower Contract as modified by the February 14, 2008 Letter Agreement shall remain unchanged and in full force and effect.

This 2011 Amendment to the 1990 Hydropower Contract shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2011 Amendment to the 1990 Hydropower Contract may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law, and upon execution by the Chairman of the Authority, this 2011 Amendment to the 1990 Hydropower Contract shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2011 Amendment to the 1990 Hydropower Contract shall take effect upon the expiration of the 2010 Amendment and continue on a month to month basis.

AGREED:

Rochester Gas and Electric Corporation

By: _____
Name: Joseph J. Syta
Title: Vice President, Controller and Treasurer

Date: _____

By: _____
Name: Mark S. Lynch
Title: President

Date: _____

Power Authority of the State of New York

By: _____

Title: _____

Date: _____

ACCEPTED:

By: _____

Date: _____

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POWER AUTHORITY OF THE STATE OF NEW YORK
PUBLIC HEARING
IN THE MATTER OF HYDROPOWER CONTRACTS WITH
UPSTATE INVESTOR-OWNED UTILITIES FOR RESALE
TO RURAL AND DOMESTIC CONSUMERS

DATE: February 7, 2012

TIME: 3:00 p.m. to 7:00 p.m.

LOCATION: Syracuse University
Goldstein Student Center
Room 201A
401 Skytop Road
Syracuse, NY 13244

REPORTED BY:
SUSAN M. BYRNE

SUSAN M. BYRNE
(315) 243-7560

APPEARANCES

FOR NEW YORK POWER AUTHORITY:

KAREN DELINCE, ESQ.
Corporate Secretary, Law Department
JAMES F. PASQUALE
Senior Vice President
Marketing & Economic Development
MS. LORNA JOHNSON
NEW YORK POWER AUTHORITY
123 Main Street
White Plains, New York 10601

MARIO ROEFARO
Clark Energy Center
6520 Glass Factory Road
P.O. Box 191
Marcy, NY 13403

SUSAN M. BYRNE
(315) 243-7560

1 MS. DELINCE: Good afternoon. This is
2 a public hearing required by law on the
3 proposed hydropower contract extensions
4 with: Niagara Mohawk Power Corporation,
5 d/b/a National Grid; New York State
6 Electric and Gas Corporation; and Rochester
7 Gas and Electric.

8 My name is Karen Delince, and I'm the
9 Corporate Secretary of the New York Power
10 Authority. I am conducting this hearing on
11 behalf of the NYPA Board of Trustees who adopted
12 a resolution on December 15, 2011 authorizing me
13 to convene a public hearing on the proposed
14 contract extensions in accordance with the
15 procedures set forth in the New York State
16 Public Authorities Law.

17 As required by Public Authorities Law,
18 Section 1009(1), a notice of the hearing was
19 published in six newspapers once a week for the
20 four weeks leading up to this hearing. The
21 notice of this hearing appeared in the following
22 newspapers: Buffalo News, Massena Daily
23 Courier-Observer, Syracuse Post Standard,
24 Rochester Democrat & Chronicle, Albany Times
25 Union, Utica Observer Dispatch.

1 Also, pursuant to the Public Authorities
2 Law, notice of this hearing and copies of the
3 proposed contracts were sent to Governor Andrew
4 Cuomo and the following legislative leaders:
5 President Pro Tem of the New York State Senate,
6 Dean G. Skelos; Speaker of the Assembly, Sheldon
7 Silver; Chairman of the Senate Finance
8 Committee, John A. DeFrancisco; Chairman of the
9 Assembly Ways and Means Committee, Herman D.
10 Farrell, Jr.; Senate Minority Leader, John L.
11 Sampson; Assembly Minority Leader, Brian M.
12 Kolb.

13 During the 30-day period prior to today's
14 hearing, copies of the proposed contracts were
15 made available for inspection at the Authority's
16 office in White Plains, as well as on the
17 Authority's Website.

18 Anyone making an oral statement at the
19 hearing should fill out a card. Also, anyone
20 who has written copies of their statement,
21 please hand a copy over to the reporter and also
22 Lorna Johnson.

23 Written statements may be of any length.
24 If an oral statement summarizes a written
25 statement, both will appear in the record of the

1 hearing. The record of the hearing will remain
2 open for additional comments or statements
3 through close of business, Wednesday, February
4 8. Any additional submission should be
5 addressed to the Authority's Corporate Secretary
6 at: 123 Main Street, 11-P, White Plains, NY
7 10601; or may be faxed to (914) 390-8040; or
8 e-mailed to secretarys.office@nypa.gov.

9 A complete transcript of the hearing, along
10 with all written submissions, will be submitted
11 to the Authority's Trustees, who shall
12 reconsider the terms of the proposed contracts
13 and make changes as they deem necessary or
14 advisable in light of public comment. The
15 contracts will then be sent to the Governor for
16 final approval. The transcript of this hearing
17 will also be made available to the public for
18 review at the Authority's office in White Plains
19 and on the Authority's Website, www.nypa.gov.

20 At this point, I would like to introduce
21 Mr. James Pasquale, Senior Vice President of
22 Marketing and Economic Development at NYPA, who
23 will provide additional details on the proposed
24 contract extensions.

25 MR. PASQUALE: Ms. Delince, good

1 afternoon. As Ms. Delince stated, my name
2 is James Pasquale. I am the Senior Vice
3 President of Marketing and Economic
4 Development at the New York State Power
5 Authority.

6 I am here today to present an overview
7 of extensions of contracts for the sale of
8 hydropower to three upstate investor-owned
9 utilities for resale to rural and domestic, or
10 R&D, consumers.

11 Due to legislation enacted in 2011, the
12 proposed contract extensions would continue the
13 sale of firm peaking hydropower to the utilities
14 for resale to rural and domestic consumers but
15 will no longer include the sale of firm
16 hydropower.

17 These three utilities: National Grid
18 (formerly Niagara Mohawk Power Corporation),
19 New York State Electric & Gas Corporation (or
20 NYSEG), and Rochester Gas and Electric
21 Corporation (or RG&E) have been receiving firm
22 peaking hydropower from the Niagara Project for
23 resale to R&D consumers since 1990, with
24 subsequent annual renewals since 2007.

25 Pursuant to Section 1009 of the Public

1 Authorities law, this contract extension process
2 is subject to public notice, hearing and
3 approval by the Governor. The contract
4 extensions are for 360 MW of firm peaking
5 hydropower to be sold to the three utilities.

6 The power is purchased by the utilities at
7 the Authority's cost-based hydropower rate, and
8 these rates are passed on to the utilities'
9 residential and small farm customers without
10 markup under the Public Service Commission
11 tariffs.

12 Specifically, the proposed contracts
13 continue the sale of 175 MW of firm peaking to
14 National Grid, 150 MW of firm peaking to NYSEG,
15 and 35 MW of firm peaking to RG&E. These
16 peaking power allocations would continue to
17 allow the Authority to pass on the benefits of
18 the firm peaking power to the utilities' R&D
19 consumers.

20 These amounts would be sold to the
21 utilities through December 31, 2012, subject to
22 withdrawal upon 30 days' written notice by the
23 Authority for reallocation as may be authorized
24 by law or as otherwise may be determined by the
25 Authority's Trustees. The short-term and

1 withdrawal provisions of the proposed contracts
2 will allow the consideration of the use of the
3 subject block of power for economic development
4 or other purposes.

5 As Ms. Delince stated earlier, the Power
6 Authority will accept your comments on the
7 proposed contracts until close of business
8 Wednesday, February 8, 2012.

9 I will now turn the forum back over to
10 Ms. Delince.

11 MS. DELINCE: Okay. There being no
12 witnesses at this time who wish to testify,
13 we will adjourn and reconvene when
14 witnesses arrive.

15 (Hearing adjourned from 3:09 until 7:00)

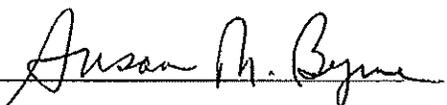
16 MS. DELINCE: The hearing on
17 Hydropower Contract extensions is closed at
18 7:00 p.m.)
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CERTIFICATION

STATE OF NEW YORK
COUNTY OF ONONDAGA

I, SUSAN M. BYRNE, do certify that as a Notary Public in the State of New York, I attended and reported the above-entitled proceedings; that I have compared the foregoing with my original minutes taken therein, and that it is a true and correct transcript of the testimony thereof.


SUSAN M. BYRNE
Notary Public in and for the
State of New York

My Commission Expires
July 31, 2014