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

September 24, 2013

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Minutes of the Regular Meeting of the Power Authority of the State of New York held via videoconference at the following participating locations at approximately 11:30 a.m.

1) New York Power Authority, Niagara Power Project, 5777 Lewiston Road, Lewiston, NY
2) New York Power Authority, 123 Main Street, White Plains, NY

Members of the Board present were:

John R. Koelmel, Chairman
Eugene Nicandri, Trustee
Jonathan Foster, Trustee
R. Wayne LeChase, Trustee
Terrance P. Flynn, Trustee
Joanne M. Mahoney, Trustee

Chairman John Koelmel presided over the meeting. Corporate Secretary Delince kept the Minutes.
Introduction

Chairman John Koelmel welcomed the Trustees and staff members who were present at the meeting. He said the meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to the Authority’s Bylaws, Article III, Section 3.
1. **Adoption of the September 24, 2013 Proposed Meeting Agenda**

   *Chairman Koelmel indicated that there would be an addition to the Agenda, “Appointment of Vice Chair of the Authority.”* Upon motion made and seconded the meeting Agenda was adopted, as amended.
2. Consent Agenda:

Upon motion made and seconded, the Consent Agenda was approved. Trustee LeChase was recused from the vote on Items #2I (Procurement Awards, Extensions and/or Additional Funding) as it pertains to CHA Consulting, Inc. and #4a (Power Allocations Under the Recharge New York Program) as it pertains to Corning, Incorporated.
a. **Approval of the Minutes**

*The Minutes of the Regular Meeting held on July 23, 2013 were unanimously adopted.*
b. Decrease in New York City Governmental Customers Fixed Costs – Notice of Proposed Rulemaking

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to authorize a Notice of Proposed Rulemaking (‘NOPR’) to decrease the Fixed Costs component of the production rates by $8.1 million or 5.3%, not including Astoria Energy II (‘AE II’) plant expenses to be charged in 2014 to the New York City Governmental Customers (‘Customers’). AE II plant expenses, although part of the Fixed Costs component, are not subject to this NOPR proceeding as recovery of such costs has been agreed to by contract. The proposal is based on Authority staff’s Preliminary 2014 Cost-of-Service (‘COS’).

In addition, the Trustees are requested to direct the Corporate Secretary to file a NOPR with the New York State Department of State for publication in the New York State Register in accordance with the requirements of the State Administrative Procedure Act (‘SAPA’). Upon closure of the 45-day statutory comment period concerning this proposed rate action, Authority staff will take into consideration concerns that have been raised and return to the Trustees at their meeting on December 17, 2013, to seek final adoption of this proposal.

BACKGROUND

In 2005, the Authority and the Customers entered into supplemental agreements for the purchase of electric service through December 31, 2017. These agreements (the 2005 ‘Long-Term Agreements,’ or ‘LTAs’) replaced prior agreements entered into during the mid-1990s with these Customers. The LTAs established a new relationship between the Authority and the Customers that reflects the costs of procuring electricity in the marketplace managed by the New York Independent System Operator (‘NYISO’). The LTAs define specific cost categories with respect to providing electric service, and prescribe a collaborative process for acquiring resources, managing risk and selecting a cost-recovery mechanism.

The LTAs separate all costs into two distinct categories: Fixed Costs and Variable Costs. Fixed Costs include Operation and Maintenance (‘O&M’), Shared Services, Capital Cost, Other Expenses (i.e., certain directly assignable costs) and a credit for investment and other income. Under the LTAs, the Authority must establish Fixed Costs based on COS principles and make changes based on a filing in accordance with SAPA requirements. In addition, the LTAs contemplate that year-to-year changes in Fixed Costs will be reviewed by the Customers in advance of the filing made under SAPA; Authority staff must consider the Customers’ concerns before presenting any proposed changes to the Fixed Costs to the Trustees or issuing proposed changes for public comment.

Also, pursuant to the LTAs, the Authority develops the Variable Costs on an annual basis. These are costs the Authority expects to incur to serve the Customers in the upcoming Rate Year; specifically for fuel and purchased power, risk management, NYISO ancillary services and O&M reserve, less a credit for NYISO revenues from NYPA generation dedicated to these Customers. The Variable Costs are subject to the Customers’ review and comment. The cost-recovery mechanisms for the upcoming year’s Variable Costs are selected by the Customers from among the choices set forth in the LTAs. These cost-recovery mechanisms were previously approved by the Trustees and therefore do not require further approval.

On July 10, 2008, the Authority and the Customers entered into an agreement (‘Agreement’) that implemented Article XI of the LTAs concerning the acquisition of long-term resources under a request for proposal (‘RFP’) process. The RFP resulted in NYPA contracting with Astoria Energy II LLC for the full product toll of a 500 MW combined-cycle unit over a twenty-year period. The full product toll allows NYPA to capture all energy, capacity and ancillary services output of the generating unit for the benefit of the Customers. Under the Agreement, the costs incurred by NYPA are to be included as part of the COS based rate, and in order to ensure full recovery of all costs related to the full product toll, NYPA may use a true-up mechanism to assess charges for under-recovery and apply credits for over-recovery of costs. The 2014 costs related to the AE II service are $139.2 million and have been included in the Fixed Costs component of the Preliminary 2014 COS.
DISCUSSION

Based on the Preliminary 2014 COS, the decreases in Fixed Costs are $8.1 million, or 5.3% lower than the Fixed Costs included in the Final 2013 COS. These Fixed Costs are the subject of review under this SAPA proceeding. Although AE II costs are included in the Preliminary 2014 COS, they are outside this NOPR because recovery of NYPA’s AE II costs has been separately agreed to through contracts between NYPA and the Customers. Contributing to the reduction in Fixed Costs of 5.3% is a projected decrease in Capital Cost of $15.6 million. The reduction in Capital Costs is largely due to the retirement of the Poletti debt in 2013.

Variable Costs are projected to increase by a total of $17.8 million, or 3.4% compared to the Final 2013 COS. Based on preliminary analyses, Authority staff projects that the 2014 production rate, combining the Fixed and Variable Costs, will increase by about 1.7% compared to the Final 2013 COS.

Under the LTAs, any change in the Fixed Costs component of the Customers’ production rates must be done in accordance with a SAPA proceeding. Thus, the Customers will have an opportunity to file comments upon the issuance of the NOPR. After closure of the 45-day statutory comment period concerning the proposal, Authority staff will take into consideration the concerns raised and will return to the Trustees at their meeting on December 17, 2013 to seek final adoption of an appropriate Fixed Costs rate. Subsequent to such final adoption, staff will incorporate the approved Fixed Costs and the final Variable Costs that are determined in the rate-setting process with the Customers into new production rates to become effective with the January 2014 billing period.

FISCAL INFORMATION

The adoption of this proposal concerning the decrease in Fixed Costs applicable to the Customers under the LTAs would result in the Authority continuing to recover the appropriate Fixed Costs associated with serving these Customers.

RECOMMENDATION

The Director – Market Analysis and Administration recommends that the Trustees authorize the Corporate Secretary to file a Notice of Proposed Rulemaking in the New York State Register for the adoption of a decrease in the Fixed Costs component of the production rates (comprising non-AE II costs) by $8.1 million to be charged in 2014 to the New York City Governmental Customers.

It is also recommended that the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be authorized to issue written notice of the proposed action to the affected Customers under the provisions of the Authority’s tariffs.

For the reasons stated above, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

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

RESOLVED, That the Authority projects a decrease in the Fixed Costs of serving the New York City Governmental Customers when comparing those costs contained in current rates to 2014 projected costs; and be it further

RESOLVED, That the Authority has entered into supplemental Long-Term Agreements with the New York City Governmental Customers and those agreements provide for the recovery of additional Fixed Costs through a rate filing under the State Administrative Procedure Act; and be it further
RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be, and hereby is, authorized to issue written notice of this proposed action by the Trustees to the affected customers; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file such notices as may be required with the Secretary of State for publication in the New York State Register and to submit such other notice as may be required by statute or regulation concerning the proposed rate decrease; 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 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.
c. Increase in Westchester County Governmental Customers Rates – Notice of Proposed Rulemaking

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to approve a Notice of Proposed Rulemaking (‘NOPR’) to increase the production rates by 12.67% as compared to 2013 rates for the Westchester County Governmental Customers (‘Customers’).

In addition, the Trustees are requested to direct the Corporate Secretary to file a NOPR with the New York State Department of State for publication in the New York State Register in accordance with the requirements of the State Administrative Procedure Act (‘SAPA’).

BACKGROUND

The Authority provides electricity to 103 governmental customers in Westchester County, which includes the County of Westchester, school districts, housing authorities, cities, towns and villages. The County of Westchester is the largest single customer, accounting for about one-third of sales.

The basis of providing service is contained in the Supplemental Electricity Agreements (‘Agreements’) with the Customers. The Agreements were approved by the Trustees at their December 19, 2006 meeting, and were signed by each of the 103 Customers. Among other things, the Agreements: permit the Authority to modify the Customers’ rates (for Rate Years subsequent to 2007) at any time based on a fully supported pro forma cost-of-service (‘COS’) subject to customer review and comment and compliance with the SAPA process; permit the Customers to fully terminate service on one year’s written notice, which, if given, could be effective no earlier than January 1, 2015; and allow the Authority to apply an Energy Charge Adjustment (‘ECA’) mechanism to the Customers’ bills each month.

The current 2013 base production rates were adopted by the Trustees at their February 26, 2013 meeting, when they approved a 3.21% decrease over 2012 rates. Staff is now proposing a 2014 rate increase, over the 2013 rates, which is largely due to expected increases in energy prices for electricity purchased from the New York Independent System Operator (‘NYISO’) market to serve these customers.

DISCUSSION

Consistent with the Authority’s past rate-making practices and with the rate-setting process set forth in the Agreements, the proposed production rate increase is based on a pro forma COS for next year. The Preliminary 2014 COS for the Westchester Customers is $38.67 million. The primary cost element, energy purchases, is $30.83 million and accounts for 79.7% of the total production costs. Even though these Customers receive a pro-rated share of energy from the small hydro generation facilities, most of their energy requirements are purchased from the market (in NYISO Zones ‘G’ (Hudson Valley) and ‘A’ (Western New York)). The projected 2014 prices for these two zones are expected to be higher than those that were projected for 2013 and incorporated into the rates that are currently in effect. Further analysis shows that under current rates, combined with the 2014 Customer sales forecast, the projected revenues would be $34.32 million, resulting in an under-collection of $4.35 million from Customers. Therefore, staff is proposing a 12.67% increase in base production rates to reflect the rise in the purchased energy costs as contained in the currently effective 2013 rates.

Under the Agreements, the Authority must provide at least 30 days’ notice to the Customers of any proposed modification of rates and the proposed modification is subject to their review and comment. Notification of the rate action was transmitted to the Customers on August 14, 2013. Subsequent to the approval of this proposed action by the Trustees, the Customers will be mailed the Staff Report containing the Preliminary 2014 COS.
Under SAPA, there is a 45-day comment period. After written comments are filed, Authority staff will review them and address any concerns raised. Staff will make any necessary changes to the proposed rates and return to the Trustees at their December 17, 2013 meeting to request approval of the final rate modification for 2014.

FISCAL INFORMATION

The proposed production rates are cost-based, and with the application of the ECA mechanism, staff anticipates that the Authority will recover all costs incurred in serving the Customers.

RECOMMENDATION

The Director – Market Analysis and Administration recommends that the Trustees authorize the Corporate Secretary to file a Notice of Proposed Rulemaking in the New York State Register for the adoption of a production rate increase applicable to the Westchester County Governmental Customers.

It is also recommended that the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be authorized to issue written notice of the proposed action to the affected Customers under the provisions of the Authority’s tariffs.

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

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

RESOLVED, That the Authority proposes an increase in the production rates applicable to the Westchester County Governmental Customers as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be, and hereby is, authorized to issue written notice of this proposed action to the affected Customers; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file such notice as may be required with the New York State Department of State for publication in the New York State Register and to submit such other notice as may be required by statute or regulation concerning the proposed rate increase and proposed tariff modification; 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 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.
d. Firm Market Power Service Tariff and Western New York Service Tariff Amendments – Notice of Adoption

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to take final action to approve: (1) the replacement of the Authority’s two current direct firm power service tariffs, Service Tariff Nos. 1 and 1B (‘ST 1’ and ‘ST 1B’) applicable to certain market power customers with the proposed ‘Schedule of Rates for Sale of Firm Market Power,’ Service Tariff No. 1C (‘ST 1C’); and (2) amend the current Western New York (‘WNY’) service tariff, Service Tariff No. WNY-1 (‘ST WNY-1’) which is applicable to the Authority’s Expansion Power (‘EP’) and Replacement Power (‘RP’) customers. The proposed ST 1C and ST WNY-1 are attached as Exhibits ‘2d-A’ and ‘2d-B,’ respectively. As proposed, these tariff revisions would become effective with the October 2013 billing period.

BACKGROUND

At their May 21, 2013 meeting, the Trustees directed the publication in the New York State Register (‘State Register’) of a notice that the Authority proposed to make several administrative changes to the Authority’s current market tariffs and WNY tariff. The State Register notice was published on June 12, 2013 in accordance with the State Administrative Procedure Act (‘SAPA’). The public comment period closed on July 29, 2013.

As explained in the May 21st memorandum to the Trustees, the Authority proposed these tariff changes in order to:

- Provide consistency with the Authority’s other tariffs;
- Improve clarity and organization;
- Clarify the Authority’s role with direct service billing by adding provisions addressing estimated billing, adjustments to charges, rendition and payment of bills, late payment charges, and deposits;
- Add provisions that have been included in other Authority tariffs and are applicable to the service provided to these customer groups; and
- Eliminate provisions that are no longer relevant.

In addition to the changes proposed at the May 21st meeting, the Authority proposes to make some ministerial formatting changes to the WNY tariff to further improve the tariff’s organization and make it more consistent with the Authority’s other service tariffs. Such additional changes are administrative in nature, do not affect production rates or billing procedures, and make no substantive change to the original proposal in this SAPA proceeding.

DISCUSSION

No comments were received in relation to the proposed ST-1C applicable to certain market power customers. Timely written comments were submitted by Power for Economic Prosperity (‘PEP’) concerning the proposed ST WNY-1 changes, which are attached as Exhibit ‘2d-C.’ PEP is an organization that represents several large industrial consumers in New York State, many of whom purchase EP or RP from the Authority. A summary of the comments received, along with Authority staff’s analysis and recommendations are set forth below. Revisions consistent with such recommendations are incorporated in the service tariffs for which approval is requested today.

Issue 1: Agreement References in Load Split Methodology Definition

PEP commented that the proposed definition of the term ‘Load Split Methodology (‘LSM’)’ in the tariff revisions for ST WNY-1 excludes reference to ‘an Agreement between the Authority and the Customer, or an Agreement between the Authority, the Customer and the Customer’s local electric utility, or such utility’s tariff…’
In addition, PEP expressed that this clarification should be incorporated into all sections of the tariff referencing the Agreements as they relate to the term LSM.

Staff Analysis:

The Authority accepts PEP’s proposed changes to the LSM’s definition in ST WNY-1. Staff has clarified the definition of the term Load Split Methodology in ST WNY-1 to include references to Customer Agreements involving the Authority and/or the Customer’s local electric utility.

Issue 2: ‘Liquidated Damages’ Term

PEP commented that the inclusion of the term ‘liquidated damages’ in Section IV.G. of the WNY tariff, pertaining to the rendition and payment of bills, is inappropriate and should be deleted from the tariff. PEP states that ‘liquidated damages’ is a legal term that references monetary compensation ‘awarded by a court judgment or by contract stipulation.’ PEP argues that the interest provision in ST WNY-1 is a penalty to the customer and should not be deemed as liquidated damages. PEP proposed that all references to the term liquidated damages in ST WNY-1 should be deleted from the tariff.

Staff Analysis:

The Authority disagrees with PEP’s request to delete the ‘liquidated damages’ term. The Authority currently employs this term in its other service tariffs where it performs direct billing, most notably in its Recharge New York tariff, Service Tariff No. RNY-1. In addition, the Authority’s service tariffs are incorporated into its power sales contracts, so this liquidated damages provision operates like a contractual stipulation. Black’s Law Dictionary defines liquidated damages as ‘an amount contractually stipulated as a reasonable estimation of actual damages to be recovered by one party if the other breaches.’ There has been no suggestion that assessing interest charges in the manner described is an unreasonable way to be compensated for the harm resulting from late payments. Accordingly, the Authority declines to make the requested change.

FISCAL INFORMATION

Adoption of the proposed ST WNY-1 and ST 1C will have no financial impact. The changes proposed are administrative in nature and will have no effect on current production rates.

RECOMMENDATION

The Director – Market Analysis and Administration recommends that the attached amended WNY tariff, applicable to the Authority’s Expansion Power and Replacement Power customers, and the proposed market power tariff, applicable to certain Authority market power customers, be approved and that the Trustees authorize the Corporate Secretary to file a Notice of Adoption for publication in the New York State Register in accordance with the State Administrative Procedure Act. The requested effective date of these tariffs is October 1, 2013.

It is also recommended that the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be authorized to issue written notice of adoption and the revised tariff leaves, as necessary, to the affected customers.

For the reason stated above, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

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

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency or his designee be, and hereby is, authorized to issue written notice of this final action by the Trustees to the affected Customers as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file such notices as may be required with the New York State Department of State for publication in the *New York State Register*; 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 delivery any and all certificates, agreements and other documents to effectuates the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.
e. Direct Sale Contracts for the Sale of Western New York Hydropower – Transmittal to the Governor

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to: (1) approve proposed final contracts for two Replacement Power (‘RP’) customers, Advance 2000, Inc. and Niagara Refining LLC; and (2) authorize transmittal to the Governor of the proposed final contracts for his approval and authorization for the Authority to execute the contracts pursuant to Public Authorities Law (‘PAL’) §1009. The proposed final contracts to each customer are attached as Exhibits ‘2e-A-1’ and ‘2e-A-2.’

BACKGROUND

Under PAL §1005(13), the Authority may allocate and sell directly or by sale for resale, 250 MW of Expansion Power (‘EP’) and 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.

At their May 21, 2013 meeting, the Trustees awarded allocations of RP to Advance 2000, Inc. and Niagara Refining LLC in return for job creation and capital expansion commitments. The final proposed contracts would enable the Authority to sell these customers their allocations under a direct sale arrangement for the approved seven-year term of the allocations. Transmission and delivery service for these allocations would be provided by National Grid in accordance with its Public Service Commission-filed delivery service tariffs.

The following is a summary of some pertinent provisions of these contracts:

- The contracts would provide for the direct billing of all production charges (i.e. demand and energy) as well as all New York Independent System Operator, Inc. (‘NYISO’) charges, plus taxes or any other required assessments, as set forth in the Trustee approved Service Tariff WNY-1 (‘ST WNY-1’).

- The contracts include each customer’s agreed-upon commitments with respect to employment, power utilization and capital investment. The Authority would retain the right to reduce or terminate customers’ allocations if employment, power utilization, or capital investment commitments are not met.

- The contracts include the ability to award additional allocations of EP or RP to the customers at the same facility, which would be incorporated into Schedule A of the contracts. The Trustees approved this convention in the 2010 long-term extension contracts, which simplifies contract administration.

- To accommodate non-payment risk that could result from a direct billing arrangement with the Authority, the contracts include commercially reasonable provisions concerning, among other things, the ability to require deposits in the event of the customer’s failure to make payment for any two monthly bills. This is consistent with recent Authority contracts that incorporate direct billing, including the Authority’s Recharge New York sales contracts.

The Authority has discussed each contract with the relevant customer and in each case has received the customer’s consent to the proposed contract. The customers acknowledge that ST WNY-1 rates will apply to their allocations consistent with all allocations of EP and RP as of July 1, 2013.

As required by PAL §1009, when the Authority has reached agreement with its co-party on such a contract, it is required to transmit the proposed contract to the Governor and other elected officials and hold a public hearing on the proposed contracts. At least 30-days’ notice of the hearing must be given by publication once in each week
during such period in each of six selected newspapers. Following the public hearing, the contract may be modified, if advisable.

Upon approval of the final proposed contract by the Authority, the Authority must ‘report’ the proposed contract, along with its recommendations and the public hearing records, to the Governor and other elected officials. Upon approval by the Governor, the Authority may execute the contract.

**DISCUSSION**

At their May 21, 2013 meeting, the Trustees authorized the Corporate Secretary to transmit the proposed contracts to the Governor and legislative leaders and schedule a public hearing on the contracts. A public hearing on the contracts was held on July 25, 2013 at the Niagara Power Project’s Power Vista Visitors’ Center in Lewiston, New York. There were no oral statements made at the public hearing and no written statements were submitted. The official transcript of the public hearing is attached as Exhibit ‘2e-B.’

**RECOMMENDATION**

The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the proposed contracts to Advance Inc. and Niagara Refining, as detailed in Exhibit ‘2e-A-1 and 2e-A-2,’ for the sale of Replacement Power and authorize the transmittal of the contracts to the Governor for approval.

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

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

RESOLVED, That the contracts for the sale of Replacement Power (“RP”) to Advance 2000, Inc. and Niagara Refining, LLC, are in the public interest and should be submitted to the Governor for his approval and that copies of the contracts, along with the record of the public hearing thereon, be forwarded to 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; and be it further

RESOLVED, That the Chairman and the Corporate Secretary be authorized and directed to execute such contracts in the name of, and on behalf of, the Authority after the contracts have been approved by the Governor; and be it further

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be, and hereby is, authorized, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to negotiate and execute any and all documents necessary or desirable to implement the contracts with the companies as set forth in the foregoing report of the President and Chief Executive Officer; and be it further
RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.
f. **Transfer of Business Power Allocations**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

The Trustees are requested to approve the transfer of Recharge New York (‘RNY’) Power and Replacement Power (‘RP’) allocations for four existing customers, Avery Dennison Information Systems, APP Pharmaceuticals, LLC, ESCO Turbine Technologies Syracuse, and Syracuse Castings Sales Corporation, which have requested such transfers due to changes of corporate ownership.

**BACKGROUND**

This is an administrative item brought to the Trustees at regular intervals. All four of the companies are requesting that the Trustees approve a transfer of their existing power allocation to a new corporate entity. The power allocation and/or benefits for these four customers will continue to be delivered to the same location. All of the customers will continue to provide the same products and/or services as they did prior to the transfers. The reasons for such transfer requests are described below.

The transfer of RNY Power allocations involved in this item were approved by the Economic Development Power Allocation Board (‘EDPAB’) at its September 24, 2013 meeting, as required by Economic Development Law § 188-a(g).

The EDPAB and the Trustees have approved transfers of this nature in the past.

**DISCUSSION**

**Avery Dennison Information Systems** (‘Avery’), located in Buffalo, Erie County, has a 250-kilowatt (‘kW’) RP allocation most recently extended by the Trustees on May 26, 2010 as part of the comprehensive Western New York hydropower extensions. Avery is currently in compliance with its contractual obligations. Avery and all of its assets and liabilities were acquired by CCL Label Inc. (‘CCL’) on July 1, 2013 and CCL has requested the transfer of the RP allocation from Avery to CCL. The Authority has been advised that the transferee will commit to honor all of the terms and conditions that pertain to the RP allocation including commitments related to jobs and capital investment.

**APP Pharmaceuticals** (‘APP’), located in Grand Island, Erie County, has four RP allocations totaling 4,500 kW, consisting of two active allocations totaling 2,000 kW extended as part of the comprehensive Western New York hydropower extensions, and two pending allocations totaling 2,500 kW not yet in service. In 2008 APP’s parent company, Fresenius Kabi Pharmaceuticals Holding, Inc. (‘Fresenius’), completed an asset and liability acquisition of APP. Fresenius decided to keep APP as the corporate subsidiary until August 2012, when Fresenius dissolved APP as a corporate entity and completed the business transition. The company is requesting to transfer the four allocations to Fresenius Kabi USA, LLC. The Authority has been advised that the transferee will commit to honor all of the terms and conditions that pertain to the RP allocations including commitments related to jobs and capital investment.

**ESCO Turbine Technologies Syracuse** (‘ESCO’), with facilities located in Chittenango, Madison County, was recommended for and received a 906 kW RNY Power allocation on April 24, 2012. Due to the sale of the company’s assets and liabilities, ESCO is now named Consolidated Precision Products Syracuse. The company has requested that the allocation be transferred to a new corporate entity named ‘Consolidated Precision Products Syracuse’ and has indicated that the new entity will commit to honor all of the terms and conditions of the company’s existing RNY Power contract, including those related to jobs and capital investment.

**Syracuse Castings Sales Corporation** (‘Syracuse Castings’), with facilities located in Cicero, Onondaga County, was recommended for and awarded a 146-kW RNY Power allocation on April 24, 2012. Due to the sale of the company’s assets and liabilities, Syracuse Castings is now East Jordan Iron Works, Inc., d/b/a EJ USA, Inc. The
company has requested that the allocation be transferred to a new corporate entity named ‘East Jordan Iron Works, Inc.’ The Authority has not yet executed a contract with the customer as it awaits the formal transfer approval. The Authority has been advised that the transferee will commit to honor all of the terms and conditions that pertain to the RNY Power allocation, including commitments related to jobs and capital investment.

RECOMMENDATION

The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the transfer of the power allocations for four existing customers, Avery Dennison Information Systems, APP Pharmaceuticals, LLC, ESCO Turbine Technologies Syracuse, and Syracuse Castings Sales Corporation, which have undergone changes in corporate ownership. All of the transferees are maintaining the same industry operations and agree to meet contractual commitments associated with the power allocations.

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

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

RESOLVED, That the Authority hereby authorizes the transfers of Recharge New York and Replacement Power allocations to four companies in accordance with the terms described in the foregoing report of the President and Chief Executive Officer; and be it further

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

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to approve the award of a contract to Talisen Technologies, Inc., (‘Talisen’) of St. Louis, Missouri for services related to the development and implementation of the Authority’s Energy Management Center (‘EMC’), including software and licensing fees, for a term of up to five years and an amount not to exceed $1.79 million.

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 proposes to develop a centralized EMC that will provide real-time energy management services to its customers. The EMC will serve as a virtual hub for continuous monitoring, analysis, forecasting and management of facility energy (electricity and gas) supply, consumption and costs. The EMC will help participating customers reduce energy use and expenses by identifying operation and maintenance improvements and cost-effective energy efficiency measures and also reducing peak demand, where possible. Similar monitoring services have been proven to reduce energy consumption by at least five percent through the identification of no-cost and low-cost measures. As an ongoing resource, the EMC will help ensure customers achieve significant and sustained energy and cost savings.

The EMC will be used to support the implementation of Build Smart NY, Governor Andrew Cuomo’s initiative authorized under New York State Executive Order 88 requiring all state agencies and authorities to reduce their source energy utilization intensity by 20% within seven years. The Authority serves as the manager and implementer of the Build Smart NY initiative. The EMC will also provide effective measurement and verification (‘M&V’) tools for energy efficiency projects as well as additional tools and services to support the Authority’s demand response program. The Authority expects to see increased activity in its energy efficiency and demand response programs as a result of this program.

Eligible customers for the EMC will include all public sector entities (electricity and energy efficiency customers) and businesses that participate in the Authority’s economic development programs. Target buildings will include office buildings, university campuses, healthcare facilities (including hospitals), transit facilities, garages and warehouses.

A qualified vendor will oversee management of the EMC for the first year and will train NYPA staff in the use of the data system and tools. Thereafter, daily management of the EMC will be transferred to NYPA. The Authority will dedicate two full-time equivalent staff to oversee the implementation of the EMC in the first year and management of the EMC in subsequent years, including day-to-day customer analytical support. The Authority envisions charging a fee per energy meter monitored and estimates the costs for the service will be more than paid for by the savings customers will realize from the EMC.

DISCUSSION

The Authority solicited proposals from qualified vendors for the EMC through a Request for Proposals (‘RFP’), Q13-5487FS, advertised in the New State Contract Reporter on June 6, 2013. One hundred and twenty (120) companies downloaded the RFP. On July 3, 2013, the proposal due date, thirteen (13) proposals were received.
A cross-departmental Evaluation Committee reviewed the 13 proposals for technical capability to fulfill the requirements of the RFP. The Committee evaluated the qualifications and experience of each vendor, the functionality of the proposed system, and the range and quality of services offered to support the system, as further discussed in the award recommendation documents.

After a thorough evaluation of the proposals, proposed costs and subsequent interviews, the Evaluation Committee determined that Talisen is the most technically qualified bidder. Talisen’s solution is being effectively used in its current form by numerous customers. Talisen has extensive experience with complex government projects, including work for the State of Missouri and United States Department of Agriculture, and these projects are comparable to the work The Authority will require. The company successfully helped the State of Missouri achieve a planned ten-year 20% energy reduction target in four years. The proposed team has demonstrated its ability to manage the Authority’s project effectively and be responsive to both Authority and customer needs.

The services provided by Talisen will include:

1. Centralized Data System - Establish a centralized data system that will collect and maintain data from local data collection devices at each participating customer site.

2. Local Data Collection Software - Provide vendor neutral software for customer local data collection devices to connect with customer data measurement tools (meters, data loggers, building management systems) and the centralized data system. Data at each customer site will be aggregated by the local data collection devices which will transmit the data regularly to the centralized data system.

3. Analysis and Reporting Tools - Provide software for analytical and reporting functions, including monitoring of electricity and thermal (gas) energy use, basic energy analysis (comparisons, trends), advanced analysis (anomaly detection, alarms, monitoring and verification support), financial analysis (rate assessment, bill verification), and support for demand response programs. Functionality will also include configurable dashboards and reports that can be customized by user profile.

4. System Upgrades - Develop system enhancements, functionality and interfaces, as needed, to support Build Smart NY, Energy Efficiency M&V, Demand Response and other Authority programs.

5. Data Analysis, Training and Technical Support - During the first twelve months of implementation, analyze energy consumption data for all buildings connected to the EMC and make recommendations for customer energy usage reduction; train Authority staff on the management of the system and use of the analytical and reporting tools; train customers in use of dashboard and interpretation of reports. Provide on-going technical support to Authority staff after the first twelve months, as needed.

6. Customer Outreach - Assist Authority in developing plans to market EMC services to other potential customers.

7. Pilot Project and EMC Roll-Out - Connect the Authority’s White Plains office building and three to four additional pilot sites at customer facilities to the EMC. Connect additional facilities to the EMC as more customers enroll.

FISCAL INFORMATION

The total award amount of up to $1.79 million will be made from the Operating Fund. This award includes funds for EMC data system design and implementation, assistance with EMC management, Authority staff training, and on-going technical support.

RECOMMENDATION

The Chief of Staff to the President and Chief Executive Officer, the Senior Vice President – Economic Development and Energy Efficiency, the Senior Vice President – Strategic Planning, and the Director of Energy Policy recommend that the Trustees approve the award of a contract to Talisen Technologies, Inc. for services
related to the development and implementation of the Energy Management Center, including software and licensing fees, for up to a five-year term and an amount not to exceed $1.79 million.

For the reasons stated, I recommend the approval of the above-requested actions by adoption of a resolution in the form of the attached draft resolution.”

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

RESOLVED, That in accordance with the Guidelines for Procurement Contracts adopted by the Authority and the Authority’s Expenditure Authorization Procedures, approval is hereby granted to award a contract in the amount of up to $1.79 million for the development and launch of an Energy Management Center to the firm listed below, as recommended in the foregoing report of the President and Chief Executive Officer;

<table>
<thead>
<tr>
<th>Consultant</th>
<th>Contract Approval</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talisen Technologies, Inc.</td>
<td>$1.79 million</td>
<td>on or about 10/15/2018</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(or five years after the actual effective date)</td>
</tr>
</tbody>
</table>

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.
h. Niagara Power Project –
Robert Moses South Access Gate
Security Enhancements –
South Access Road Improvements

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to approve the award of a two-year contract in the amount of $3,646,000 to Edbauer Construction, Inc. (‘Edbauer’) of West Seneca, NY for the modifications and upgrades required for the Niagara Power Project Robert Moses South Access Gate Security Enhancements, South Access Road Improvements.

In order to provide the additional time necessary to complete season-critical construction operations for the road improvements prior to the winter weather, in accordance with the Authority’s Guidelines for Procurement Contracts, interim approval in the amount of $600,000 was authorized in July 2013 by the Chief Operating Officer for Edbauer to commence with the initial construction activities.

The Capital Expenditure Authorization Request (‘CEAR’) for the Niagara Power Project Robert Moses South Access Gate Security Enhancements (the ‘Project’) in the amount of $7,769,000 was approved at the Trustees’ July 23, 2013 meeting. This project consists of two individual contracts, one for the Guard House Replacement and the other for the South Access Road Improvements. The contract for the Guard House Replacement was subsequently awarded and construction has commenced; it is scheduled to be completed by December 2013.

BACKGROUND

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.

The South Access Road (the ‘Road’), a steep inclined road, serves as the main entrance into the Robert Moses Niagara Power Project (‘RMNPP’). The Road extends along the Niagara River leading to the security guardhouse and main gate at the base of the Niagara River gorge. Additionally, the Road provides public access to the fishing pier and associated parking lots, one at the top and another at the base of the Road.

Over the last several years, there have been three incidents involving vehicles crashing through the main security gate. As a result, the gate was modified and reinforced to prevent vehicle intrusion. Additionally, a highway consultant was contracted to study and propose roadway modifications and enhancements for the Road. Based on the consultant’s study, the proposed enhancements include:

- An emergency stopping area at the base of the Road to assist drivers with stopping their vehicle;
- Realignment at the base of the Road to include an ‘S’ curve to prevent vehicles intentionally trying to breach the security gate at high speed;
- Construction of a 400 ft. long retaining wall to accommodate the Road realignment;
- Relocation of the lower public parking area near the fishing pier to improve security, public safety and accommodate the new road configuration;
- Construction of a dedicated pedestrian path from the upper parking lot to the fishing pier;
- Installation of radar speed signs and rumble strips to promote slower vehicle speeds;
- Construction of a vehicle ‘check-in’ point and turnaround area at the top of the Road to prevent unauthorized vehicles from continuing down the Road.
DISCUSSION

The Authority issued an advertisement (Q13-5494JDM) in the New York State Contract Reporter and bid packages were available as of June 14, 2013. Seventy (70) companies downloaded the bid documents via the Authority’s website. A bid walk-down at the Niagara Project was conducted on June 25, 2013 and nine (9) companies attended.

Three (3) proposals were received on July 17, 2013. The bidders’ pricing summary is as follows:

- Edbauer Construction $3,646,000
- Yarussi Construction $3,955,599
- Scrufari Construction $4,051,500
- NYPA Fair Cost Estimate $3,943,343

Edbauer’s bid was the lowest in price and was also technically acceptable. Edbauer, having extensive experience in general construction, has demonstrated knowledge of the scope-of-work and is capable of completing this project in accordance with the required schedule. In addition, Edbauer has performed to the Authority’s satisfaction on previous projects.

FISCAL INFORMATION

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

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Vice President – Procurement, the Project Manager and the Regional Manager – Western New York recommend that the Trustees award a contract to Edbauer Construction of West Seneca, NY in the amount of $3,646,000 for the modifications and upgrades required at the Niagara Power Project, Robert Moses South Access Gate Security Enhancements, South Access Road Improvements.

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

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 two-year contract to Edbauer Construction, Inc., of West Seneca, NY in the amount of $3,646,000 for construction services for implementation of the Niagara Power Project Robert Moses South Access Gate Security Enhancements, South Access Road Improvements, as recommended in the foregoing report of the President and Chief Executive Officer;

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Contract Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edbauer Construction, Inc.</td>
<td>$3,646,000</td>
</tr>
<tr>
<td>West Seneca, N.Y.</td>
<td></td>
</tr>
</tbody>
</table>
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.
The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to authorize capital expenditures in the total amount of $11.45 million to design and construct a new security building, including a new power supply to the spillway and security buildings, at the Blenheim-Gilboa (‘B-G’) Power Project. In addition, approval is requested to award a contract, in the amount of $3.62 million, to Beebe Construction Services, Inc. (‘Beebe’) of Utica, N.Y. to construct a new security building and associated site development. The work is scheduled to commence in 2013 and be completed in 2014.

The President and Chief Executive Officer has already authorized $1,000,000 for preliminary engineering.

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. Also, in accordance with the Authority’s Expenditure Authorization Procedures, the award of non-personal services or equipment purchase contracts exceeding $3 million require the Trustees’ approval.

This funding request includes design and construction of site developments, a new security building at the north gate and a new power supply to the spillway and security buildings. The proposed location of the new security building optimizes its location outside the north gate enhancing functionality of the security staff and improving the overall security of the B-G Power Project. In addition to supplying electricity and communications to the new security building, the new power supply will provide highly reliable electric service from the powerhouse station service system to the spillway flood gates, resulting in additional redundancy to operate the tainter gates in extreme emergencies.

The project will be constructed in multiple phases, including installation of a 1.3 mile underground duct bank to bring station service electricity and fiber optic communications from the powerhouse to the spillway and new security buildings. Also included in this funding request are significant upgrades in site fiber optic network and security monitoring equipment that will satisfy present and future North American Electric Reliability Corporation (‘NERC’) requirements.

DISCUSSION

The new Security Building and Power Supply Project includes the following tasks:

1. Engineering and architectural design of site development of the new security building.
2. Engineering and architectural design of new security building.
3. Engineering and design of new power supply to spillway and new security buildings.
4. Engineering and design of fiber optic communications to spillway and security buildings.
5. Engineering and design to upgrade the access road guardrail along spillway embankment.
7. Construction of power supply to spillway and new security buildings.
8. Construction of upgraded access road guardrail along spillway embankment.
9. Procurement and installation of security monitoring equipment upgrades

The Authority issued a Request for Quotation (‘RFQ’) (Q125504RH) in the New York State Contract Reporter and bid packages for the New Security Building and Site Development were available as of July 17, 2013. Seven (7) proposals were received on August 21, 2013.
The proposals were reviewed by an evaluation committee comprising of staff from C&S Engineers (Engineer of Record), B-G plant, Engineering, Procurement, and Project Management.

The Evaluation Committee reviewed in detail the three lowest bids initially submitted and determined that the bid from Beebe was the lowest evaluated technically acceptable bid. Beebe has extensive experience in construction of this magnitude, has demonstrated knowledge of the scope-of-work and is capable of completing this project in a timely manner. The Authority’s experience with Beebe on past projects has been satisfactory. The contract work will be performed from 2013 to 2014.

The total project cost is estimated to be $11.45 million as follows:

<table>
<thead>
<tr>
<th>Task</th>
<th>Capital Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering</td>
<td>$ 1,102,500</td>
</tr>
<tr>
<td>Procurement</td>
<td>$ 1,207,500</td>
</tr>
<tr>
<td>Construction</td>
<td>$ 6,924,000</td>
</tr>
<tr>
<td>Authority Direct Expense</td>
<td>$ 666,800</td>
</tr>
<tr>
<td>Authority Indirect Expense</td>
<td>$ 545,000</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>$11,445,800</strong></td>
</tr>
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FISCAL INFORMATION

Payments associated with this project will be made from the Authority’s Capital Fund.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Vice President – Procurement, the Vice President – Engineering, the Project Manager, and the Regional Manager – Central New York recommend that the Trustees authorize capital expenditures in the amount of $11.45 million and approve the award of a contract to Beebe Construction Services, Inc. of Utica, N.Y., in the amount of $3.62 million for the new security building and power supply project at Blenheim-Gilboa Power Project.

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

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

RESOLVED, That pursuant to the Authority’s Expenditure Authorization Procedures, approval is hereby granted to authorize capital expenditures in the amount of $11.45 million for a new security building and power supply system at the Blenheim-Gilboa Power Project as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to Beebe Construction Services, Inc. in the amount of $3.62 million to furnish all labor, materials, and equipment to construct a new security building and site development for the Blenheim-Gilboa Power Project.
CONTRACTOR CONTRACT APPROVAL

Beebe Construction Services, Inc. $3.62 million
Utica, N.Y.

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.
j. **Procurement (Services) Contract –**  
**Blenheim-Gilboa Pumped-Storage Project**  
Relicensing – Lead Relicensing Consultant –  
**Contract Award**

The President and Chief Executive Officer submitted the following report:

“**SUMMARY**

The Trustees are requested to approve the award of a procurement contract to Kleinschmidt Associates, P.A., P.C. (‘KA’) of Pittsfield, ME to provide consulting services in support of the second phase of the relicensing of the Blenheim-Gilboa Pumped-Storage Project (the ‘B-G Project’). The term of the contract will be for five years. The amount for which authorization is requested is $5.6 million.

**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 non-personal services, construction, equipment purchase or non-procurement contracts in excess of $3 million, as well as personal services contracts in excess of $1 million if low bidder, or $500,000 if sole-source or non-low bidder.

On December 13, 2010, the Trustees authorized the capital expenditure of up to $8.7 million to conduct the first phase of the relicensing of the B-G Project. This request seeks to award a multiyear contract for the Lead Consultant to assist the Authority in this effort.

**DISCUSSION**

In 1969, The Federal Power Commission (now the Federal Energy Regulatory Commission (‘FERC’)), issued a 50-year license for the B-G Project. This license expires in April 2019. In addition to the St. Lawrence and Niagara projects, the B-G Project represents the core of the Authority’s generation system. The Authority needs to obtain a new license for the B-G Project to continue to operate it after the original license expires.

The Authority has considerable experience with relicensing its large hydroelectric projects, but FERC’s relicensing process is long and complicated. To assist the Authority in this important effort, the Authority is proposing to engage a Lead Relicensing Consultant who will provide a broad range of services through either its own resources, or, as appropriate, through the use of subcontractors.

Previously, a Lead Consultant was engaged to support the Authority in the first phase that involved assembling and researching information, preparation of documents and support for informal consultation with stakeholders. The contract for the first phase was awarded to KA and this work is now largely completed.

The second phase will involve the formal FERC relicensing process including issue scoping, study selection and planning, study field work and reporting and preparing the license application. The second phase is, by regulation, a highly structured schedule driven process and is triggered by the filing of the documents prepared in the first phase.

To address the need for a Lead Relicensing Consultant to support the FERC process, the Authority solicited proposals (Q13-5498FS) from qualified consultants, and received one proposal from KA which had provided Lead Consultant Services for the first phase of the B-G relicensing.

KA is well known to the Authority, has extensive hydroelectric relicensing experience and is technically qualified. KA has proposed to continue a team approach which would combine the resources of Gomez & Sullivan
Engineers and TRC Solutions with their own resources. This is the same team that had satisfactorily supported the first phase of the B-G Project relicensing and is very similar to the team currently implementing the Niagara Project new license Compliance and Implementation program.

The evaluation team agreed that the KA team is very capable of providing a quality work product, and have proven this with their performance in first phase and in other Authority projects. These organizations have been working together successfully on Authority projects for years. Their experience in relicensing pumped-storage projects is unparalleled. The KA team has firsthand knowledge of B-G and the relicensing effort to date, and have a clear understanding of the steps necessary to advance this effort. The KA team has extensive experience with the New York State regulatory agencies such as the New York State Department of Environmental Conservation that will play a pivotal role in the relicensing. The KA team has extensive staff resources which addresses the concern that the departure of key personnel would reduce the consultant’s ability to assist the Authority.

The proposed contract would be a time and materials contract. The KA team proposal should completely meet the Authority’s needs in this effort in light of their extensive experience with pumped-storage project relicensing and New York regulatory agencies, as well as the extent of their staff resources.

FISCAL INFORMATION

Since these expenditures are related to the relicensing of the Blenheim-Gilboa Project, they will be treated as a capital expense and payments will be made from the Capital Fund. There are sufficient funds remaining from the $8.7 million authorization to cover the cost of this contract; therefore, no additional authorization is being sought at this time. It is possible that additional funding may be necessary after the scope and nature of the studies necessary to support the relicensing are better known.

RECOMMENDATION

The Vice President – Project Development and Licensing, the Vice President – Procurement, the Regional Manager – Central New York and the Director – Relicensing and Implementation recommend that the Trustees authorize award of a contract to Kleinschmidt Associates P.A., P.C. for $5.6 million to provide consulting services in support of the second phase of the relicensing of the Blenheim-Gilboa Pumped-Storage Project.

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

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

RESOLVED, That pursuant to the Authority’s Expenditure Authorization Procedures and the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to Kleinschmidt Associates P.A., P.C. for five years, in an amount of $5.6 million to provide consulting services in support of the second phase of the relicensing of the Blenheim-Gilboa Pumped-Storage Project, as recommended in the foregoing report of the President and Chief Executive Officer;

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Contract Approval</th>
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<tbody>
<tr>
<td>Kleinschmidt Associates P.A., P.C.</td>
<td>$5,600,000</td>
</tr>
</tbody>
</table>
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.
k. Procurement (Services) Contract –
St. Lawrence/FDR Project –
Environmental Services Consultant – Award

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to approve the award of a procurement contract to Kleinschmidt Associates, P.A., P.C. (‘KA’) to provide consulting services in support of ongoing Federal Energy Regulatory Commission (‘FERC’) environmental commitments as part of the relicensing of the St. Lawrence/FDR Project. The term of the contract will be for two years with an option to extend for one year. The amount for which authorization is requested is $800,000.

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 issued a New License for the St. Lawrence/FDR Project on October 23, 2003. The Trustees accepted the New License at their meeting of November 25, 2003. As part of the New License, the Authority is required to construct ten Habitat Improvement Projects (‘HIPs’), perform a substantial rehabilitation of the Wilson Hill Wildlife Management Area (‘WHWMA’) and provide safe passage for migrating American eel.

Substantial progress has been made in fulfilling these commitments; however there are three large projects currently being completed at Nichols Hill Island, Little Sucker Brook and in the WHWMA. Further, several of the smaller HIPs that require providing additional opportunities for Osprey and Common Tern nesting and Sturgeon spawning remain to be completed. The Authority has fulfilled its commitments to provide upstream passage for American eel, but continues to partner with other agencies to research and develop a solution to provide for safe passage of out-migrating American eel.

To fulfill ongoing environmental relicensing commitments, on July 17, 2013 the Authority issued a Request for Proposal (‘RFP’) (Q13-5503JF) for the above services, including placement of a notice in the New York State Contract Reporter. Proposals were received from two firms: Kleinschmidt Associates and Barton & Loguidice, P.C. (‘BL’).

Staff from the Authority’s Relicensing and Implementation and Procurement groups evaluated the proposals for technical qualifications and pricing. The KA team was judged superior in several technical areas. Because KA was the successful bidder in a previous competitive bidding process for the subject services, they have firsthand knowledge of the development and design of the St. Lawrence/FDR Project HIPs and experience in assisting the Authority with obtaining the regulatory permits for their construction. The KA proposal demonstrated a clearer understanding of the tasks being undertaken in this project and working with the Authority.

Although the hourly rates for each bidder were comparable, the KA proposal provided a precise delineation of the tasks to be performed and their associated costs to be completed. The company’s familiarity with the tasks and the technical ability of its proposed subcontractors provided a level of assurance to the evaluation team that the proposed costs were reasonable and reliable.

The competing bidder, BL, did not provide itemized costs for the tasks as the company is not currently familiar with the projects. BL did not propose an approach or cost estimate of how the development of a working knowledge of the ongoing projects would be addressed. The evaluation team concluded that the amount of time and effort required to develop a working knowledge of the projects posed a risk and the overall costs would ultimately be significantly higher than KA’s.
FISCAL INFORMATION

Since these expenditures are related to the relicensing of the St. Lawrence/FDR Project, they will be treated, generally, as capital expenses and payments will be made from the Capital Fund. As some of these tasks are transitioning from implementation to an operational mode, a small amount (~20%) will be funded from budgeted O&M funds.

RECOMMENDATION

The Vice President – Project Development and Licensing, the Vice President – Procurement and the Director – Relicensing and Implementation recommend that the Trustees authorize the award of a contract to Kleinschmidt Associates P.A., P.C. for $800,000 to provide environmental consulting services in support of fulfilling commitments of the New License for the St. Lawrence/FDR Project.

For the reasons stated, I recommend the approval of the above-requested actions by adoption of a resolution in the form of the attached draft resolution.”

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

RESOLVED, That pursuant to the Guidelines for
Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to Kleinschmidt Associates P.A., P.C. for two years, with an option to extend for one year, in the amount of $800,000, to provide consulting services in support of fulfilling environmental commitments of the New License for the St. Lawrence/FDR Project, as recommended in the foregoing report of the President and Chief Executive Officer;

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<thead>
<tr>
<th>Contractor</th>
<th>Contract Approval</th>
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<td>Kleinschmidt Associates P.A., P.C.</td>
<td>$800,000</td>
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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.
1. **Procurement (Services) Contracts – Business Units and Facilities – Awards, Extensions and/or Additional Funding**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY”**

The Trustees are requested to approve the award and funding of the multiyear procurement (services) contracts listed in Exhibit ‘2l-A,’ as well as the continuation of the procurement (services) contracts listed in Exhibit ‘2l-B,’ in support of projects and programs for the Authority’s Business Units/Departments and Facilities. Detailed explanations of the recommended awards and extensions, including the nature of such services, the bases for the new awards if other than to the lowest-priced bidders and the intended duration of such contracts, or the reasons for extension and the projected expiration dates, are set forth in the discussion below.

**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 non-personal services, construction, equipment purchase or non-procurement contracts in excess of $3 million, as well as personal services contracts in excess of $1 million if low bidder, or $500,000 if sole-source or non-low bidder.

The Authority’s EAPs also require the Trustees’ approval when the cumulative change-order value of a personal services contract exceeds the greater of $500,000 or 25% of the originally approved contract amount not to exceed $500,000, or when the cumulative change-order value of a non-personal services, construction, equipment purchase or non-procurement contract exceeds the greater of $1 million or 25% of the originally approved contract amount not to exceed $3 million.

**DISCUSSION**

**Awards**

The terms of these contracts will be more than one year; therefore, the Trustees’ approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority’s convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, which range in estimated value from $55,000 to $3 million. Except as noted, these contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

The issuance of multiyear contracts is recommended from both cost and efficiency standpoints. In many cases, reduced prices can be negotiated for these long-term contracts. Since these services are typically required on a continuous basis, it is more efficient to award long-term contracts than to rebid these services annually.

**Extensions**

Although the firms identified in Exhibit ‘2l-B’ have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing these contracts. The Trustees’ approval is required because the terms of these contracts will exceed one year including the extension, the term of extension of these contracts will exceed one year and/or because the cumulative change-order limits will exceed the levels authorized by the EAPs in forthcoming change orders. The subject contracts contain provisions allowing the Authority to terminate the services at the Authority’s convenience, without liability other than paying...
for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

Extension of the contracts identified in Exhibit ‘21-B’ is requested for one or more of the following reasons: (1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; (2) to accommodate an Authority or external regulatory agency schedule change that has delayed, reprioritized or otherwise suspended required services; (3) the original consultant is uniquely qualified to perform services and/or continue its presence and rebidding would not be practical or (4) the contractor provides a proprietary technology or specialized equipment, at reasonable negotiated rates, that the Authority needs to continue until a permanent system is put in place.

The following is a detailed summary of each recommended contract award and extension.

**Contract Awards in Support of Business Units/Departments and Facilities:**

**Business Services**

*Energy Risk Assessment and Control*

The Authority’s Enterprise Risk Management program (‘ERM program’) provides a coordinated approach to identifying, assessing and managing risks across the organization, in the areas of finance, as well as infrastructure, operational reliability, safety, workforce management, customer and legal and regulatory compliance. The Authority enlisted the services of risk management consultants to assist with program implementation and to advise staff on various risk-related matters, as needed. The Authority’s Risk Management group now plans to further develop and mature the ERM program, with the continued assistance of such consultants, to support activities that include, but are not limited to: review of governance, corporate culture and communication materials; recommendations for incident response initiatives; identification, assessment, modeling and quantification of key risks; defining the process and development of risk tolerances and thresholds; and development of key risk mitigation strategies. Staff also intends to advance the Authority’s Energy Commodity and Credit Risk Management program, with continued consulting support for tasks involving risk modeling and quantification, credit risk evaluation and energy derivative fair market valuation and/or validation. Since the existing competitively bid contracts for such services are expiring at the end of 2013, and the need for these services is ongoing, staff developed a new Request for Quotations (‘RFQ’ No. Q13-5471). Bid documents were downloaded electronically from the Authority’s Procurement website by 78 firms, including those that may have responded to a notice in the New York State Contract Reporter. Eight proposals were received and evaluated. A thorough technical review of the proposals, as more fully discussed in the Award Recommendation documents, indicated that no single firm was fully responsive to all requirements set forth in the RFQ. A number of firms demonstrated specific expertise, experience, skills and qualifications in different areas that complement each other and, which taken as a whole, would provide the Authority with the ability to award specific well-defined tasks to the best-qualified firm that can complete each task most efficiently and at competitive rates. Based on the foregoing, staff recommends the award of contracts to the following five firms: The Brattle Group, Inc. (‘Brattle’), Deloitte & Touche LLP (‘Deloitte’), KEMA, Inc. (‘KEMA’), PA Consulting Group, Inc. (‘PA Consulting’) and RMG Financial Consulting, Inc. (‘RMG’) (PO#s TBA), which meet the bid requirements and are the most technically qualified to provide such risk management consulting services, on an ‘as needed’ basis. Additionally, some of these firms have provided satisfactory services under existing contracts for such work. The new contracts would become effective on or about January 1, 2014 for an intended term of up to three years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contracts, $3 million. Total commitments and expenditures for the contracts will also be tracked against the approved aggregate total. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures.
Energy Resource Management

Fuel Operations

The contract with Saybolt LP (‘Saybolt’) (PO# TBA) would provide for independent petroleum inspection and other related services in connection with the delivery, transfer and storage of various types of distillate fuel oil within the New York Harbor and Long Island areas. Such services include, but are not limited to, the inspection, measurement and testing of bulk oil deliveries and transfers made via barge, tanker, pipeline or truck to the Authority’s electric generating stations and/or oil storage facilities situated within the aforementioned areas for the Richard M. Flynn, 500 MW and Astoria Energy II power plants. The resulting data on oil quantity and quality provides the basis for both paying for oil delivered and assessing penalties for non-conforming oil, as well as for providing evidence of compliance with environmental quality regulations. Since the existing contract for such services expires at the end of the year, and the need for such services is ongoing, staff developed a new Request for Proposals (QFS-2013-03). Bids were solicited from seven firms, including those that may have responded to a notice in the New York State Contract Reporter. Five proposals were received and evaluated. Based on each firm’s unit pricing for the required services and forecasted demand / projected usage, staff calculated the total costs for providing such services (including a mixture of delivery modes and quantities for each mode of delivery or activity) for each of the bidders. Based on the foregoing and as further set forth in the Award Recommendation documents, staff recommends the award of a contract to Saybolt, the lowest-priced evaluated bidder, which is qualified to perform the services, is fully responsive to the Authority’s bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on or about January 1, 2014 for an intended term of up to three years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $55,000.

Enterprise Shared Services

Human Resources

The Authority provides a comprehensive benefits program to its employees and retirees, and retains the services of a benefits consultant to review and analyze its current program, recommend alternative benefits design in response to emerging plan costs or benefits practices, perform the requisite actuarial testing and valuations, and ensure the program is in compliance with federal and state laws and regulations. The contract with Buck Consultants LLC (‘Buck’) (Q13-5442; PO# TBA) would provide for such benefits consulting and actuarial services to assist the Authority in the following areas: compliance, health care reform / benefits plan design and cost management, Request for Proposals (‘RFP’) process for health care plans, retiree benefits reporting and additional consulting services, as needed. Specific tasks/services include, but are not limited to: providing expert guidance on legislation and regulations that impact the Authority’s retirement savings and health plans to ensure that our plans are in compliance with all applicable laws; conducting required annual coverage and nondiscrimination testing for the Authority’s dependent care flexible spending account and providing an annual actuarial attestation regarding prescription drug coverage for Authority retirees; assisting Authority staff with formulating a benefits action plan to respond to health care reform mandates and to determine their financial impact on the Authority; analyzing and evaluating the costs and funding of various plans and options; managing the RFP process for health care plans, including RFP preparation and bid evaluation and analysis; preparing biennial actuarial valuations/reports of retiree benefits (Other Post-Employment Benefits other than pensions, ‘OPEB’), in accordance with Governmental Accounting Standards Board (‘GASB’) requirements, and additional consulting services for emergent issues, on an ‘as needed’ basis. Bid documents were developed by staff and were downloaded electronically from the Authority’s Procurement website by 78 firms, including those that may have responded to a notice in the New York State Contract Reporter. Seven proposals were received and evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of a contract to Buck, the lowest-priced bidder, which is qualified to provide such services, meets the bid requirements and has performed satisfactory services under a prior contract for such work. The new contract would become effective on or about October 1, 2013 for an intended term of up to five years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $530,000.
Information Technology

The contract with Ricoh USA, Inc. (‘Ricoh’) (Q13-5457; PO# TBA) would provide for maintenance services for approximately 135 departmental class Multi-Function Devices (‘MFDs’) that provide Managed Print Services (‘MPS,’ including document printing, copying, scanning and faxing) to support business functions at the Authority’s offices and facilities, as well as a dedicated on-site service manager in the White Plains Office. Bid documents were developed by staff and were downloaded electronically from the Authority’s Procurement website by 29 firms, including those that may have responded to a notice in the New York State Contract Reporter. One proposal was received and evaluated. Reasons provided by some of the other firms that did not submit a proposal include, but are not limited to, they are not an authorized Ricoh dealer and therefore lack access to replacement parts and cannot service Ricoh MFDs or they downloaded the bid documents for information purposes only. As the original equipment manufacturer of the vast majority of the Authority’s MFDs, Ricoh is uniquely qualified to provide such maintenance services, replacement parts and on-site support services for this equipment, including fully integrated software for MFD and MPS tracking and analysis for maintenance and management reporting. Additionally, Ricoh is an authorized service provider for several other major manufacturers of such equipment also covered under this contract. Based on the foregoing, as well as its reasonable pricing, staff recommends the award of a contract to Ricoh, which is technically qualified to perform such work, meets the bid requirements and has provided satisfactory services under the existing contract for such work. Based on past utilization history and usage projections, staff recommends that the contract be funded for a total of $1.1 million. The new contract would become effective on or about October 1, 2013 for an intended term of up to five years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $1.1 million.

Operations - Support Services and - Power Generation

The contract with Applied Ecological Services, Inc. (‘AES’) (Q13-5470; PO# TBA) would provide for planting services in connection with the Frog Island Wetland Restoration Habitat Improvement Project (Phase II), as part of the implementation of the New License and associated Settlement Agreement commitments for the Niagara Power Project. Services include all labor and services, supervision, materials and equipment necessary to perform the work, as set forth in the bid documents. The planting contractor will supply (cultivate or procure) the specified plant species for subsequent installation of the plant material, including plants in shrub, plug and tuber form, within a newly restored wetland area in the upper Niagara River known as Frog Island. Since some of the native plant species may not be readily available, it is anticipated that such plants will need to be procured or cultivated well in advance of the scheduled planting periods, expected to be between May and July of 2014 and 2015, respectively. (It should be noted that the restoration of Frog Island (Phase I -- dredging and excavation work) is currently in progress; such work is being performed by another contractor under a separate competitively bid contract, as approved by the Trustees at their meeting of May 21, 2013.) Bid documents for Phase II services were developed by staff and were downloaded electronically from the Authority’s Procurement website by 31 firms, including those that may have responded to a notice in the New York State Contract Reporter. Two proposals were received and evaluated. Staff recommends the award of a contract to AES, the lower-priced bidder, which is qualified to perform such services, fully meets the bid requirements, has demonstrated relevant experience and a thorough understanding of the work scope, and has provided satisfactory service under prior and existing contracts for such work. The new contract would become effective on or about October 1, 2013 for an intended term of up to two years and three months, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $542,505. It should be noted that AES’s proposed supplier of all plant material for this project, including herbaceous plants, riparian shrubs and submerged aquatic vegetation, is located in New York State and is a New York State-certified Women-owned Business Enterprise (‘WBE’).

The contract with BRG Machinery Consulting (‘BRG’) (Q13-5466; PO# TBA) would provide for consulting services to support all major rotating machinery and the Nuovo Pignone centrifugal gas compressors at the Authority’s plants in the Southeastern New York (‘SENY’) region. Such services include, but are not limited to,
providing highly specialized technical expertise on- and off-site, as needed, during scheduled periodic maintenance of such equipment (performed by another contractor under a separate competitively bid contract), as well as troubleshooting, making recommendations, diagnosing and resolving or repairing equipment failures on an emergency or other ‘as needed’ basis. Bid documents were developed by staff and were downloaded electronically from the Authority’s Procurement website by 38 firms, including those that may have responded to a notice in the New York State Contract Reporter; one proposal was received and evaluated. Reasons why some of the other firms did not submit a proposal include, but are not limited to, their key personnel / expertise were unavailable at this time, it was not their scope of work or they downloaded the bid documents for information purposes only. Based on its strong analytical expertise and technology coupled with practical experience, staff recommends award of a contract to BRG, the technically qualified bidder, which is capable of performing the work, compliant with the bid requirements and has provided satisfactory services under previous contracts for such work. The new contract would become effective on or about October 1, 2013 for an intended term of up to five years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $450,000.

In 2001, the Authority initiated a project with the Electric Power Research Institute (‘EPRI’) to utilize acoustic emissions for the detection of electrical / thermal fault sources within transformers at various Authority facilities and locations. Since the project’s inception, 12 Authority transformers have been tested employing this technology. Valuable condition assessment / evaluation reports, generated from the data obtained via this method of monitoring, have provided important information for operational and maintenance decisions regarding these transformers, resulting in greater reliability and safety. Since some faults within a transformer may not be revealed during short-term monitoring, the Authority is now pursuing a five-year contract to allow for the application of this technology and long-term monitoring over an extended timeframe. The proposed contract with MISTRAS Group, Inc. (‘MISTRAS’ (Q13-5462; PO# TBA) would provide for such monitoring and analysis of acoustic emission data on transformers, reactors and other power system equipment to identify and locate the source of abnormal electrical behavior within such equipment. Services also include, but are not limited to, installation and use of leased instrumentation / equipment to conduct such testing, as well as system maintenance, data downloading and analysis, and preparation of monthly and final reports including recommendations for maintenance solutions. To that end, bid documents were developed by staff and were downloaded electronically from the Authority’s Procurement website by 28 firms, including those that may have responded to a notice in the New York State Contract Reporter. Three proposals were received and evaluated. Based primarily on its experience utilizing acoustic emission technology on large power apparatus, and as further set forth in the Award Recommendation documents, staff recommends the award of a contract to MISTRAS, the technically qualified bidder that fully meets the bid requirements and technical specification, has demonstrated extensive relevant work experience within the electrical utility industry, and has provided satisfactory service under previous contracts for such work. The new contract would become effective on or about January 1, 2014 for an intended term of up to five years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $300,000.

The contract with Quintal Contracting Corp. (‘Quintal’) (RFQ 6000140180; PO# TBA) would provide for algae removal and disposal services for the Richard M. Flynn Power Plant. Services include the removal (scraping) of algae buildup from the bottom and sides of the North and South Reinjection Basins (on an ‘as needed’ basis, approximately seven times per year) and the addition of duct bank material (coarse sand) to the bottom of the basins to maintain basin depth within 12 inches of the top of the water inlet vault, as well as the removal of all such excavated material and proper disposal off-site. Bid documents were developed by staff and were downloaded electronically from the Authority’s Procurement website by 26 firms, including those that may have responded to a notice in the New York State Contract Reporter. Two proposals were received and evaluated. Staff recommends the award of a contract to Quintal, the lower-priced bidder, which is qualified to perform such work, meets the bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on or about October 1, 2013 for an intended term of up to five years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $200,000. It should be noted that Quintal is a Small Business Enterprise.
Contract Extensions:

Enterprise Shared Services

Information Technology

At their meeting of September 28, 2010, the Trustees approved the award of competitively bid contracts to a maximum of twelve prequalified firms to provide for the services of specialized SAP temporary programming personnel, on an ‘as needed’ basis, for an intended term of up to two years, in the aggregate amount of $3 million. Staff indicated that contracts would only be awarded to those firms that successfully placed a candidate and all such contracts would expire on the same date, regardless of their duration. Contracts have been awarded to four of the prequalified firms: BayForce Technology Solutions, Inc. (‘BayForce’) (4600002707), Carlyle Consulting Services, Inc. (‘Carlyle’) (4600002705), Mitchell / Martin, Inc. (4600002335) and Sapta Global, Inc. dba Zen4IT (‘Sapta’) (4600002367). An extension of services through September 30, 2013 was authorized in accordance with the Authority’s Guidelines for Procurement Contracts and Expenditure Authorization Procedures. These services have been rebid and an evaluation of the proposals received in response to the Authority’s Request for Quotations is in progress. Staff now requests a three-month extension of the subject contracts through December 31, 2013 to allow sufficient time to complete a thorough evaluation process; the Trustees’ approval for the new awards will be sought at the December meeting. The current aggregate ‘Target Value’ allocated to date is $957,800 (of the originally approved $3 million); there is sufficient funding to cover services provided during the extended term. The Trustees are requested to approve a three-month extension of the subject contracts, with no additional funding requested. It should be noted that Sapta Global is a New York State-certified Minority and Women-owned Business Enterprise (‘M/WBE’).

Operations Support Services

Project Management

At their meeting of January 23, 2013, the Trustees approved the award of competitively bid contracts to three firms, CH2M HILL, Inc. (‘CH2M’) (4600002626), CHA Consulting, Inc. (‘CHA’) (4600002640) and RCM Technologies, Inc. (‘RCM’) (4600002627), to provide for on-call engineering, project and construction management services to support the Authority’s Transmission Life Extension and Modernization (‘T-LEM’) program and various other projects at Authority facilities throughout the state as needed, for a term of up to five years, in the initial aggregate total award amount of $10 million. T-LEM is a multiyear program that will upgrade the Authority’s existing transmission system to maintain availability, increase reliability and ensure regulatory compliance. The Program, which encompasses Authority transmission assets in the Central, Northern and Western regions, has been divided into several projects, including: upgrades, refurbishments and replacements associated with switchyards and substations; transmission line structures or towers and associated hardware, including tower painting; replacement of the submarine cable on PV-20; and work along rights-of-way, including access roads. The work scope is a result of internal and external assessments and recommendations. Funding is requested in a tiered approach for each project as the complete plan of work is developed. Based on equipment condition and senior management’s decision to accelerate switchyard equipment replacements associated with T-LEM, additional support from the aforementioned firms is now required. The additional engineering and project management services will supplement the Authority’s existing resources and ensure the proper implementation of T-LEM. Based on the foregoing, staff recommends that additional funding in the amount of $10 million be approved. The current aggregate ‘Target Value’ is $10 million. The Trustees are requested to approve the additional funding requested for the subject contracts, thereby increasing the aggregate total amount to $20 million, in accordance with the aforementioned tiered approach. Total commitments and expenditures for these contracts will continue to be tracked against the approved aggregate total. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures, including travel and living expenses.
FISCAL INFORMATION

Funds required to support contract services for various Business Units/Departments and Facilities have been included in the 2013 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the project’s Capital Expenditure Authorization Request.

RECOMMENDATION

The Senior Vice President – Enterprise Shared Services, the Senior Vice President – Operations Support Services and Chief Engineer, the Senior Vice President – Power Generation, the Senior Vice President – Energy Resource Management, the Senior Vice President and Chief Risk Officer, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Environment, Health and Safety, the Vice President – Procurement, the Vice President – Information Technology and Chief Information Officer, the Vice President – Project Development, Licensing and Compliance, the Vice President – Human Resources, the Director – Asset and Maintenance Management, the Regional Manager – Northern New York, the Regional Manager – Western New York, the Regional Manager – Central New York and the Regional Manager – Southeastern New York recommend that the Trustees approve the award of multiyear procurement (services) contracts to the companies listed in Exhibit ‘2l-A’ and the extension and/or funding of the procurement (services) contracts listed in Exhibit ‘2l-B,’ for the purposes and in the amounts discussed within the item and/or listed in the respective exhibits. For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

The following resolution, as submitted by the President and Chief Executive Officer, was adopted with Trustee LeChase being recused from the vote as it pertains to CHA Consulting, Inc.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement services and other contracts set forth in Exhibit “2l-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 pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the contracts listed in Exhibit “2l-B,” attached hereto, are hereby approved and extended 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, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.
Discussion Agenda:

3. Report of the President and Chief Executive Officer

a. Corporate Performance

President Quiniones welcomed the Trustees to the Niagara Project. He stated that his report would include the summary of the reports of the Chief Operating Officer, Chief Financial Officer, and the Chief Risk Officer, after which, the Trustees can ask questions on the respective reports. He said a panel of Authority staff will summarize all of the activities by the Authority in Western New York. Also, Mr. Robert Lurie, Senior Vice President of Strategic Planning, will provide a progress report on the Authority’s strategic planning process, after which the Trustees can engage in dialogue with him and the executive management team on its content. President Quiniones continued that based on the Performance Scorecard, the Authority is doing extremely well, to date.

Responding to a question from Chairman Koelmel, President Quiniones said the Authority continues to address the transmission system reliability which result, as indicated in the Performance Scorecard, is a function of the failure of one of the Authority’s lines that connects Westchester to Long Island. He said although it remains in the performance metrics, the Authority is still ahead of its performance.

Summary of Summer Events

President Quiniones highlighted some of the events during summer 2013 as follows:

1. The Authority issued its Sustainability Report which outlined the Authority’s progress with the thirty-nine (39) specific actions outlined in the original Report issued in 2010.
2. As required by Legislation, the Authority issued its Report on Energy Efficiency in Schools;
3. The Authority issued its Build Smart NY Benchmarking Report which creates the baseline on energy performance on all state-owned buildings under Build Smart NY.
4. ALCOA conducted the ground-breaking of its East Plant in Massena, NY;
5. The Authority celebrated the 40th anniversary of the operations at the Blenheim-Gilboa Plant;
6. President Quiniones attended the 75th anniversary celebration of GM’s Tonawanda Engine Plant.

b. Operations Report

President Quiniones said the Authority did extremely well in July and August and this trend continues year-to-date. He said the failure of the Y-49 transmission line affected the performance metrics, but, overall, operationally, including environmental and safety, the Authority is trending positively and doing well.
c. **Financial Report**

President Quiniones said financially, the Authority is ahead of its budget with Net Income $43 million higher than the budget. The year-end projections remain above the budget and this is due in large part to higher capacity and energy prices in the market. He continued that, as outlined in Mr. Concadoro's mid-year financial report, the Balance Sheet and liquidity are very strong. He ended by saying that, from a financial perspective, all the key indicators are showing positive performance.

d. **Enterprise Risk Report**

President Quiniones said the utility industry is changing and enterprise risk will be very important as a result of those changes. He said enterprise risk will be very important during this time and the utilities have to adapt to these changes. To that end, the Authority will incorporate enterprise risk in all aspects of its operations, both operationally and financially, and the Trustees will be provided with updates and reports on its enterprise risk.

In response to a question from Chairman Koelmel, President Quiniones said optimization of the Authority’s position of strength both operationally and financially is part of the core focus of the Authority’s strategic planning process which will be completed by the end of the year. Also, the Trustees will be provided an update on the process prior to its completion. Responding to further questioning from Chairman Koelmel, Mr. Russak said the year 2014 is projected to be a positive year for the Authority financially. He said the areas that drive the Authority’s earnings are performing well. Gas prices are expected to continue to be low and this will translate into low energy prices, which will benefit customers. There is a firming up on the capacity market side and this trend is expected to continue next year. He continued that there has been an increase in the amount of water available during the course of this year, another positive sign, and this will further support the solid position of the Authority. Mr. Russak also said the Authority does have opposing issues, for example the HTP project and the residential discounts for the Recharge New York program; however, those payments are handled well within the construct of the Authority’s financial picture. Responding to further questioning from Chairman Koelmel, Mr. Russak said the Authority is in the process of developing its proposed four-year plan and O&M Budget for 2014 which will be presented to the Trustees for consideration at the meeting in December.
In response to a question from Chairman Koelmel, Mr. Welz said the Authority is aggressively investing in its infrastructure. The Operations Business Unit is proposing an increase in its capital budget for 2014 over 2013 and is working with Finance in order to manage its very significant budget.

Responding to a question from Trustee Flynn, Mr. Welz said the Authority is making significant investments at the Niagara Project. Some of the investments include a $460 million Life Extension and Modernization (“LEM”) Program at Lewiston -- the first of 12 units to be overhauled has just been successfully completed; LEM of 13 units at the Robert Moses Plant; and a preliminary investment of replacing the control systems at the Moses Plant. In response to further questioning from Trustee Flynn, Mr. Welz said the Authority uses a significant amount of local contractors and labor in the area for its projects, for example the dam face project; upgrade of the switchyard breakers at Niagara and modernization of the road at Niagara University. President Quiniones added that as industry regulations change, it will be necessary for the Authority to make its assets more reliable. Therefore, as part of its long-term view of investing capital into its assets, by upgrading the Authority’s power plants, such as LPGP, the Authority will actually increase the efficiency of the plants, and by upgrading the controls, add the flexibility required to support the integration of more variable resources into the entire system.

Responding to a question from Trustee Nicandri, Mr. Welz said that since Mr. Francois’ promotion as Regional manager at the Niagara Project he has made management changes with the staffing. He has also identified projects that can be undertaken by the internal workforce instead of by contractors, adding to the Authority’s productivity. He continued that with regard to staffing, although the Authority conducts internal training of its staff, it has been very successful in employing qualified people from outside, when necessary. He added that more trouble-shooters are needed on staff and, to that end, they are now in the process of developing this skill set internally.
4. **Power Allocations:**

a. **Power Allocations Under the Recharge New York Program**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY”**

The Trustees are requested to approve an allocation of Recharge New York (‘RNY’) Power available for ‘expansion’ purposes to Corning Incorporated (‘Corning’) as listed in Exhibit ‘4a-A.’ This action was recommended by the Economic Development Power Allocation Board (‘EDPAB’) at its July 22, 2013 meeting.

**BACKGROUND**

On April 14, 2011, Governor Andrew M. Cuomo signed into law the RNY Power Program as part of Chapter 60 (Part CC) of the Laws of 2011 (‘Chapter 60’). The program makes available 910 megawatts (‘MW’) of ‘RNY Power,’ 50% of which will be provided by the Authority’s hydropower resources and 50% of which will be procured by the Authority from other sources. RNY Power contracts can be for a term of up to seven years in exchange for job and capital investment commitments.

RNY Power is available to businesses and not-for-profit corporations for job retention and business expansion and attraction purposes. Specifically, Chapter 60 provides that at least 350 MW of RNY Power shall be dedicated to facilities in the service territories served by the New York State Electric and Gas, National Grid and Rochester Gas and Electric utility companies; at least 200 MW of RNY Power shall be dedicated to the purpose of attracting new businesses and encouraging expansion of existing businesses statewide; and up to 100 MW shall be dedicated for eligible not-for-profit corporations and eligible small businesses statewide.

The basic application for the RNY Power Program was approved by EDPAB at its meeting on September 26, 2011. Applications for RNY Power are subject to a competitive evaluation process and are evaluated based on the following criteria set forth in the statutes providing for the RNY Power Program (the ‘RNY Statutes’):

‘(i) the significance of the cost of electricity to the applicant's overall cost of doing business, and the impact that a recharge New York power allocation will have on the applicant's operating costs;

(ii) the extent to which a recharge New York power allocation will result in new capital investment in the state by the applicant;

(iii) the extent to which a recharge New York power allocation is consistent with any regional economic development council strategies and priorities;

(iv) the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed if the applicant were to receive an allocation;

(v) the applicant's payroll, salaries, benefits and number of jobs at the facility for which a recharge New York power allocation is requested;

(vi) the number of jobs that will be created or retained within the state in relation to the requested recharge New York power allocation, and the extent to which the applicant will agree to commit to creating or retaining such jobs as a condition to receiving a recharge New York power allocation;

(vii) whether the applicant, due to the cost of electricity, is at risk of closing or curtailing facilities or operations in the state, relocating facilities or operations out of the state, or losing a significant number of jobs in the state, in the absence of a recharge New York power allocation;

(viii) the significance of the applicant's facility that would receive the recharge New York power allocation to the economy of the area in which such facility is located;
(ix) the extent to which the applicant has invested in energy efficiency measures, will agree to participate in or perform energy audits of its facilities, will agree to participate in energy efficiency programs of the authority, or will commit to implement or otherwise make tangible investments in energy efficiency measures as a condition to receiving a recharge New York power allocation;

(x) whether the applicant receives a hydroelectric power allocation or benefits supported by the sale of hydroelectric power under another program administered in whole or in part by the authority;

(xi) the extent to which a recharge New York power allocation will result in an advantage for an applicant in relation to the applicant’s competitors within the state; and

(xii) in addition to the foregoing criteria, in the case of a not-for-profit corporation, whether the applicant provides critical services or substantial benefits to the local community in which the facility for which the allocation is requested is located.

Based on the evaluation of these criteria, the applications are scored and ranked. Evaluations also consider input provided by the relevant Regional Economic Development Council under the third and eighth criteria.

In arriving at recommendations for RNY Power for EDPAB’s consideration, staff, among other things, attempted to maximize the economic benefits of low-cost NYPA hydropower, the critical state asset at the core of the RNY Power Program, while attempting to ensure that each recipient receives a meaningful RNY Power allocation.

RNY Power allocations have been awarded by the Trustees on six prior occasions – in April, June, September and December of 2012, and March and July of this year. There is currently 38.1 MW of unallocated RNY Power of the 710 MW available for business ‘retention’ purposes. Of that 710 MW retention block, 100 MW was set aside for not-for-profit corporations and small businesses, of which 5.4 MW is available to allocate to such entities. Lastly, there is 140.9 MW of unallocated RNY Power of the 200 MW available for business ‘expansion’ purposes. These figures include allocations that were awarded, modified, declined and/or withdrawn prior to today’s recommendation.

DISCUSSION

At its July 22, 2013 meeting, EDPAB recommended that a 6,300 kW RNY Power allocation (expansion-based) be made to Corning to support a proposed business expansion as described in the company’s application for RNY. The recommended allocation would be for a term of seven years. At its July 23, 2013 meeting, the Trustees were unable to act on the recommendation due to the lack of a quorum resulting from a potential conflict of interest raised by one or more Board members. This item brings EDPAB’s original recommendation back to the Trustees for approval.

Applications for the expansion-based RNY Power are scored based on the statutory criteria, albeit with a focus on information regarding each applicant’s specific project to expand or create their new facility or business (e.g., the expansion project’s cost, associated job creation, and new electric load due to the expansion). Corning has proposed to invest $260 million of capital to expand business operations while creating 250 new jobs above a base employment level of 500 employees at its Addison, Steuben County facility. The company requested 9,000 kW of RNY Power to serve the estimated new electric load that the expansion project would create.

The recommended 6,300 kW expansion-related allocation as listed in Exhibit ‘4a-A’ is intended to provide approximately 70% of the individual expansion project’s estimated new electric load, consistent with previously approved expansion-based RNY Power allocations. Because the recommended amount is based on new electric load estimates, and to ensure that an applicant’s overestimation of the amount needed would not cause that applicant to receive a higher proportion of RNY Power to new load, the allocation is recommended on an ‘up to’ amount basis. In addition to other commitments, Corning, like all previous RNY expansion-based awardees, would be required to add the new electric load as stated in its application, and would be allowed to use up to the amount of
their RNY Power allocation in the same proportion of the RNY Power allocation to the requested load as stated in Exhibit ‘4a-A.’

RECOMMENDATION

The Manager – Business Power Allocations and Compliance recommends that the Trustees approve an allocation of 6,300 kW of RNY Power for expansion purposes to Corning Incorporated as listed in Exhibit ‘4a-A.’

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

The following resolution, as submitted by the President and Chief Executive Officer, was adopted with Trustee LeChase being recused from the vote.

WHEREAS, the Economic Development Power Allocation Board (“EDPAB”) has recommended that the Authority approve a Recharge New York (“RNY”) Power allocation for expansion purposes to Corning Incorporated as described in Exhibit “4a-A”;

NOW THEREFORE BE IT RESOLVED, That the Authority hereby authorizes an allocation of RNY Power for expansion purposes to Corning Incorporated in accordance with the terms described in the foregoing report of the President and Chief Executive Officer; and be it further

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

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

The Trustees are requested to approve an allocation of available hydropower totaling 4,000 kilowatts (‘kW’) to Alita USA Holdings, Inc. (‘Alita’) as further described herein and in Exhibit ‘4b-A.’ This allocation will support capital expansion valued at more than $101.85 million and the creation of 172 jobs. The Trustees are also requested to authorize a public hearing pursuant to Public Authorities Law (‘PAL’) §1009 on the proposed direct sale contract for the allocation to Alita, the current form of which is attached as Exhibit ‘4b-B.’

**BACKGROUND**

In summary, under PAL §1005(13), the Authority may contract to allocate up to 250 megawatts (‘MW’) of firm hydroelectric power as Expansion Power (‘EP’) and up to 445 MW of Replacement Power (‘RP’) to businesses in the State located within 30 miles of the Niagara Power Project, provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

Each application for an allocation of EP and RP must be evaluated under criteria that include but need not be limited to, those set forth in PAL §1005(13)(a). Among the factors to be considered when evaluating a request for an allocation of hydropower are the number of jobs created as a result of the allocation; the business’ long-term commitment to the region as evidenced by the current and/or planned capital investment in the business’ facilities in the region; the ratio of the number of jobs to be created to the amount of power requested; the types of jobs created, as measured by wage and benefit levels, security and stability of employment and the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed.

The Authority works closely with business associations, local distribution companies and economic development entities to garner support for the projects to be recommended for allocations of Authority hydropower. Discussions routinely occur with National Grid, Empire State Development Corporation (‘ESD’), the Buffalo Niagara Enterprise, the Niagara County Center for Economic Development and Erie County Industrial Development Agency (‘ECIDA’) to coordinate other economic development incentives that may help bring projects to New York State. Staff confers with these entities to help maximize the value of hydropower to improve the economy of WNY and the State of New York. The following recommendation has been discussed with each of these entities and each has expressed support for the proposed recommendation.

At this time, there is 6,895 kW of unallocated EP and 38,053 kW of unallocated RP available for eligible businesses under the criteria set forth in PAL §1005(13)(a).

**DISCUSSION**

**Alita USA Holdings, Inc.**

Alita is a start-up company out of Dubai that plans to build a high frequency, electric resistance weld oil country tubular goods pipe mill. Alita has narrowed its list of potential locations for this mill to a vacant industrial site in Buffalo, and another in Houston, a location being considered due to its proximity to potential customers.

Alita has submitted an application requesting 6.5 MW of hydropower with a proposal to construct a 324,000-square-foot pipe mill and a 16,000-square-foot facility dedicated to a lab, storage and an office area on Rittling Boulevard in Buffalo. Once fully operational in the summer of 2015, Alita would operate three shifts at four separate production centers at its mill with the goal of producing 150,000 tons of pipes annually. It should be noted that while Alita’s application requests 6.5 MW, it also indicates that when the mill is fully operational the maximum amount of power it would use is 5 MW.

Alita would commit to creating 172 new jobs, of which 157 positions would be located at the new pipe mill and 15 more located either on site or elsewhere in New York State, as a result of this project and proposed
allocation. The calculated job creation ratio for 157 new jobs in Western New York and a 4 MW proposed allocation is 39 jobs per MW. This ratio is above the historic average of 18.6 new jobs per MW for the last four years. The total capital investment of $101.85 million committed by Alita would result in a capital investment ratio of $25.4 million per MW. This ratio is above the four-year historic average of $20.8 million per MW.

Because the majority of Alita’s potential customers are located closer to Houston, Alita estimates that locating the mill in Buffalo would add approximately $9 million annually to its shipping and logistical costs. A low-cost hydropower allocation could help offset some of this expense and make this project much more financially palatable.

ESD, ECIDA and other state and local agencies are contributing to an incentive package to Alita in support of this project.

In summary, staff recommends that a RP allocation totaling 4,000 kW be awarded to Alita in exchange for a total of $101.85 million of capital investment and the creation of 172 new jobs. The recommendation is described in Exhibit ‘4b-A’ showing, among other things, the amount of power requested by the applicant, the recommended allocation amount, and the applicant’s proposed commitment to job creation and capital investment. Additional information on the project is contained in the application summary attached as Exhibit ‘4b-A-1.’

CONTRACT INFORMATION

The Authority is in the process of discussing the proposed contract with Alita and anticipates receiving customer approval of a contract form substantially similar to that attached as Exhibit ‘4b-B.’ Accordingly, the Trustees are requested to authorize a public hearing pursuant to PAL §1009 on the contract form attached as Exhibit ‘4b-B.’

As required by PAL §1009, when the Authority believes it has reached agreement with its prospective coparty on a contract for the sale of EP or RP, it will transmit the proposed form of contract to the Governor and other elected officials, and hold a public hearing on the contract. At least 30-days’ notice of the hearing must be given by publication once in each week during such period in each of six selected newspapers. Following the public hearing, the form of contract may be modified, if advisable. Upon approval of the final proposed contract by the Authority, the Authority must ‘report’ the proposed contract, along with its recommendations and the public hearing records, to the Governor and other elected officials. Upon approval by the Governor, the Authority may execute the contract.

The general form of the proposed contract is consistent with recently approved contracts for the sale of EP and RP. Some pertinent provisions of the proposed form of contract include the provision for direct billing of all production charges (i.e., demand and energy) as well as all New York Independent System Operator, Inc. (‘NYISO’) charges, plus taxes or any other required assessments, all as set forth in the Authority’s Service Tariff No. WNY-1. The proposed form of contract would also include (i) commercially reasonable provisions relating to financial security to reflect a direct billing arrangement between the Authority and its EP/RP customers, and (ii) provisions authorizing data transfers and addressing other utility-driven requirements which are necessary for efficient program implementation. Such provisions have been used in other Authority contracts forms, including the Authority’s Recharge New York Power Program contracts.

As is typical, the provision of electric service for this hydropower allocation is subject to enforceable employment and usage commitments. The standard contract form includes annual job reporting requirements and a job compliance threshold of 90%. Should Alita’s actual jobs reported fall below the compliance threshold, the Authority has the right to reduce the allocation on a pro-rata basis. We anticipate that the allocation would be sold to Alita pursuant to the Authority’s Service Tariff No. WNY-1, which applies to all allocations of EP and RP commencing July 1, 2013. Transmission and delivery service for this allocation would be provided by National Grid in accordance with its Public Service Commission-filed service tariffs.

RECOMMENDATION

The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocation of Replacement Power totaling 4,000 kW to Alita USA Holdings, Inc. as detailed in Exhibit ‘4b-A.’
also recommended that the Trustees authorize the Corporate Secretary to convene a public hearing on the form of
the proposed contract finally negotiated with this company, the current form of which is attached as Exhibit ‘4b-B,’
and transmit copies of such proposed form of contract to the Governor and legislative leaders pursuant to PAL
§1009. Staff will report to the Board of Trustees on the public hearing and the contract and at that time make
additional recommendations regarding the proposed contract.

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution
in the form of the attached draft resolution.”

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

RESOLVED, That an allocation totaling 4,000 kW of
Authority hydropower to Alita USA Holdings, Inc. (“Alita”) as
detailed in Exhibit “4b-A,” be, and hereby is, approved on the
terms set forth in the foregoing report of the President and
Chief Executive Officer; and be it further

RESOLVED, That the Trustees hereby authorize a
public hearing on the terms of the proposed form of direct sale
contract for the sale of hydropower and energy finally
negotiated with Alita (the “Contract”), subject to rates
previously approved by the Trustees; 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
Public Authorities Law (“PAL”) §1009; 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 PAL §1009 of the
Public Authorities Law; 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.
c. **Hydropower Allocation – Contract Extension to Citigroup Technology, Inc.**

The President and Chief Executive Officer submitted the following report:

“The Trustees are requested to approve a five-year extension of the 1,100 kW allocation of Replacement Power (‘RP’) and associated contract previously provided to Citigroup Technology, Inc. (‘Citigroup’), whose current direct sale contract for the sale of hydropower expires September 30, 2013.

**SUMMARY**

The Trustees are requested to approve a five-year extension of the 1,100 kW allocation of Replacement Power (‘RP’) and associated contract previously provided to Citigroup Technology, Inc. (‘Citigroup’), whose current direct sale contract for the sale of hydropower expires September 30, 2013.

**BACKGROUND**

Under PAL §1005(13), the Authority may allocate and sell directly or by sale for resale, 250 MW of Expansion Power (‘EP’) and 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.

Since the late 1980s, the Authority’s sales of EP and RP had been handled almost exclusively under contracts that the Authority entered into with Niagara Mohawk Power Corporation d/b/a National Grid (‘National Grid’) and New York State Electric and Gas Corporation (‘NYSEG’), both of which facilitated the provision of Authority hydropower to end-use customers on a sale-for-resale basis. These contractual arrangements expired on June 30, 2013, and the Authority has made arrangements to continue the sale of the EP and RP allocations under a direct sale contract with each of the customers having remaining or extended terms beyond June 30, 2013.

On January 30, 2007, the Trustees awarded Citigroup an allocation of RP to support an expansion plan that would create 500 jobs in Amherst, New York. Citigroup constructed, via a third-party developer, a 150,000 square-foot facility at 580 Cross Point Parkway in Amherst at a cost of more than $35 million. The expansion created 500 new jobs with an average salary in excess of $45,000. The RP allocation was awarded for a term of five years and electric service commenced October 1, 2007 upon completion of the facility.

Citigroup did not receive a long-term contract extension, having declined the offer made as part of the Authority’s Western New York contract extension initiative in 2010. Because the allocation’s original term extends beyond the June 30, 2013 expiration of the sale-for-resale arrangements with the local utility, Citigroup received a direct sale contract to finish the remaining term of the allocation. The new direct sale contract, set to expire September 30, 2013, received all necessary authorizations earlier this year pursuant to PAL §1009, including a public hearing on April 25th, Trustee approval at their May 21st meeting, and approval by the Governor on June 28, 2013.

**DISCUSSION**

Citigroup has formally requested an extension of the RP allocation beyond the September 30, 2013 expiration date. The company stated that the Amherst operations continue to be very cost-effective and that a key component of the continued cost effectiveness of the Amherst operations is the 1,100 kW of RP awarded by the Authority. The company maintains that continuance of this benefit upon the expiration of Citigroup’s current agreement, September 30, 2013, is critical to maintaining the attractiveness of Amherst as a low-cost center for Citigroup’s operations.

As a condition of the extension of Citigroup’s RP allocation, the customer is willing to commit to maintaining the 500 jobs created as a result of the construction of the 580 Cross Point Parkway facility. Additionally, the customer will commit to making additional capital investments of at least $7,500 per year at the leased facility.

Staff has evaluated the request for an extension including comparing Citigroup’s commitment to maintain 500 employees and to continue investing in the Amherst facility to the commitments made by other hydropower customers during the Western New York contract extension initiative. Additionally, staff reviewed the recently
Trustee-approved allocation extensions to three customers in similar circumstances. Citigroup has a history of contract compliance having created and maintained the 500 employment level through the initial term of the award. Staff recommends the Trustees approve a five-year extension to the 1,100 kW RP allocation to Citigroup as detailed in Exhibit ‘4c-A.’

RECOMMENDATION

The Manager – Business Power Allocations and Compliance recommends that the Trustees approve a five-year extension to the term of Citigroup Technology, Inc.’s 1,100 kW Replacement Power allocation and associated contract as described in Exhibit ‘4c-A.’

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

Mr. Michael Huvane provided highlights of staff’s recommendation to the Trustees. In response to a question from Trustee Foster, Mr. Huvane said the general approach recommending extensions such as this is to make sure the company is still a substantial player in the community from an economic perspective; that it is compliant with its job commitment and continue to invest in its facility. He said Citigroup’s facility is leased, so it is not expected that the company will do a lot of investment at the facility; however, this is one of the many back offices that has recently been located to Western New York. Staff generally recommends the extension for this type of operation as long as the company was committing to jobs and makes a positive contribution to the local economy.

In response to a question from Trustee Nicandri, Mr. Huvane said the Authority is hopeful that Citigroup will continue to develop this Data Center in Western New York. However, if and when the Authority can leverage Citigroup for additional investment and job growth, it will.

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

RESOLVED, That the Trustees hereby authorize the extension of the direct sale contract for the sale of hydropower and energy generated by the New York Power Authority for Citigroup Technology, Inc. for a term of five years, subject to rates previously approved by the Trustees; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.
5. **Awards of Fund Benefits from the Western New York Economic Development Fund Recommended by the Western New York Power Proceeds Allocation Board**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY”**

The Trustees are requested to accept the recommendations of the Western New York Power Proceeds Allocation Board (‘WNYPPAB’) and approve the award of Fund Benefits from the Western New York Economic Development Fund to the eligible applicants, Field & Fork Network, Global Outreach Mission, Inc., Michigan Street African American Heritage Corridor Commission, Inc., and the Aquarium of Niagara listed in Exhibit ‘5-A,’ and authorize the other actions described herein with respect to such applicants and awards.

For informational purposes, Exhibit ‘5-B’ lists: (1) projects and applicants the WNYPPAB has determined are ineligible for Fund Benefits; (2) projects the WNYPPAB has determined are not being recommended for an award of Fund Benefits; (3) applications that have been withdrawn; (4) applications that were deferred for future consideration; and (5) projects that have been preliminarily recommended for an award of Fund Benefits but which are not being forwarded to the Board at this time pending a determination of whether the projects must satisfy additional legal requirements before an award decision can be made by the Trustees.

**BACKGROUND**

1. **Western New York Power Proceeds Allocation Act**

   On March 30, 2012, Governor Cuomo signed into law the Western New York Power Proceeds Allocation Act (the ‘Act’). The Act provides for the creation, by the Authority, of the Western New York Economic Development Fund. The Fund consists of the aggregate excess of revenues received by the Authority from the sale of Expansion Power (‘EP’) and Replacement Power (‘RP’) produced at the Niagara Power Project that was sold in the wholesale energy market over what revenues would have been received had such energy been sold on a firm basis to an eligible EP or RP customer under the applicable tariff or contract.

   Under the Act, an ‘eligible applicant’ is a private business, including a not-for-profit corporation. ‘Eligible projects’ is defined to mean ‘economic development projects by eligible applicants that are physically located within the State of New York within a thirty-mile radius of the Niagara power project located in Lewiston, New York that will support the growth of business in the state and thereby lead to the creation or maintenance of jobs and tax revenues for the state and local governments.’ Eligible projects include, for example, capital investments in buildings, equipment, and associated infrastructure owned by an eligible applicant for fund benefits; transportation projects under state or federally approved plans; the acquisition of land needed for infrastructure; research and development where the results of such research and development will directly benefit New York state; support for tourism and marketing and advertising efforts for western New York state tourism and business; and energy-related projects.

   Eligible projects do not include public interest advertising or advocacy; lobbying; the support or opposition of any candidate for public office; the support or opposition to any public issue; legal fees related to litigation of any kind; expenses related to administrative proceedings before state or local agencies; or retail businesses as defined by the board, including without limitation, sports venues, gaming and gambling or entertainment-related establishments, residential properties, or places of overnight accommodation.

   Fund Benefits have been provided to successful eligible applicants in the form of grants. It is anticipated that Fund Benefits will be disbursed as reimbursement for expenses incurred by an Eligible Applicant for an Eligible Project.

   At least 15% percent of Fund Benefits must be dedicated to eligible projects which are ‘energy-related projects, programs and services,’ which is ‘energy efficiency projects and services, clean energy technology projects and services, and high performance and sustainable building programs and services, and the construction,
installation and/or operation of facilities or equipment done in connection with any such projects, programs or services.’

Allocations of Fund Benefits may only be made on the basis of moneys that have been deposited in the Fund. No award may encumber future funds that have been received but not deposited in the Fund.

2. Western New York Power Proceeds Allocation Board

Under the Act, the WNYPPAB is charged with soliciting applications for Fund Benefits, reviewing applications, making eligibility determinations, and evaluating the merits of applications for Fund Benefits. WNYPPAB uses the criteria applicable to EP, RP and PP, and for revitalization of industry as provided in Public Authorities Law §1005. Additionally, WNYPPAB is authorized to consider the extent to which an award of Fund Benefits is consistent with the strategies and priorities of the Regional Economic Development Council having responsibility for the region in which an eligible project is proposed. A copy of these criteria (collectively, ‘Program Criteria’), adapted from WNYPPAB’s ‘Procedures for the Review of Applications for Fund Benefits,’ is attached as Exhibit ‘5-C.’

The WNYPPAB met on March 4, 2013 and, in accordance with the Act, adopted by-laws, operating procedures, guidelines related to the application, and a form of application. At that time, WNYPPAB defined ‘retail business’ to mean a business that is primarily used in making retail sales of goods or services to customers who personally visit such facilities to obtain goods or services.

WNYPPAB also designated the Western New York Regional Director of Empire State Development Corporation (‘ESD’) to be its designee (‘Designee’) to act on its behalf on all administrative matters. Among other things, the Designee was authorized to preform analyses of the applications for Fund Benefits and make recommendations to WNYPPAB on the applications.

3. Application Process

In an effort to provide for the efficient review of applications and disbursement of Fund Benefits, the WNYPPAB established a series of application due dates coupled with a schedule of dates through the end of 2013 on which the WNYPPAB would meet to consider applications. In addition, the application process was promoted through a media release and with assistance from state and local entities, including the Western New York and Finger Lakes Regional Economic Development Councils, the Empire State Development Corporation and other local and regional economic development organizations within the State. A webpage was created that is hosted on WWW.NYPA.GOV/WNYPPAB with application instructions, a link to the approved application form and other program details including a contact phone number and email address staffed by the Western New York Empire State Development regional office. Additionally, ESD and NYPA hosted a meeting on June 25, 2013 in Buffalo with a plethora of Western NY economic development agencies to further educate them on the Fund and how they can continue to market the Fund to their constituents.

As of July 2, 2013, the third application due date, the WNYPPAB had received 16 applications seeking more than $18 million in Fund Benefits. WNYPPAB’s staff analyzed the applications and made recommendations to WNYPPAB concerning each of the applications based on eligibility requirements and Program Criteria. Copies of the recommendations from WNYPPAB staff to the WNYPPAB can be found in ‘Exhibit ‘5-D.’

At its September 10, 2013 meeting, the WNYPPAB took the following actions on applications for Fund Benefits:

1. Recommendations for Awards of Fund Benefits

The WNYPPAB is recommending to the Trustees that the applications listed on Exhibit ‘5-A,’ each receive an award of Fund Benefits in the amount indicated. The applicants have indicated that the proposed projects would directly create or retain approximately 71 jobs in Western New York. The total to be expended on the proposed projects is expected to exceed $5.8M. These are the recommendations that are presently before the Trustees for consideration.

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2. **Other Determinations**

For your information, Exhibit ‘5-B’ lists: (1) projects and applicants the WNYPPAB has determined are ineligible for Fund Benefits; (2) projects the WNYPPAB has determined are not being recommended for an award of Fund Benefits; (3) applications that have been withdrawn; (4) applications that were deferred for future consideration; and (5) projects that have been preliminarily recommended for an award of Fund Benefits but which are not being forwarded to the Board at this time pending a determination of whether the projects must satisfy additional legal requirements, such as review under the State Environmental Quality Review Act (‘SEQRA’), before an award decision is made by the Trustees. The Authority is subject to SEQRA. Under SEQRA, the Authority must review the environmental impacts of projects that it funds, approves or undertakes which change the use or appearance of any natural resource or structure, as well as planning activities that commit the Authority to a future course of action. The Authority’s decision to award Fund Benefits to an ‘eligible applicant’ is often an action subject to SEQRA. As such, the Authority must review each application to determine if it is subject to SEQRA and, if so, what must be done in order to comply with SEQRA.

This information is being provided to the Trustees for their information only. No action by the Trustees is required with respect to these matters. With respect to projects that have received recommendations for awards, but which have not yet been forwarded to the Trustees for action (item (5) above), WNYPPAB staff will keep NYPA apprised on the determinations and the status of the underlying projects.

**DISCUSSION**

Under the Act, a recommendation for Fund Benefits by WNYPPAB is a prerequisite to an award of Fund Benefits by the Authority, and the Act authorizes the Authority to award Fund Benefits to an applicant upon a recommendation of the WNYPPAB. Upon a showing of good cause, the Authority has discretion as to whether to adopt the WNYPPAB’s recommendation, or to award benefits in a different amount or on different terms and conditions than proposed by the WNYPPAB. In addition, the Authority is authorized to include within the contract covering an award (‘Award Contract’) such other terms and conditions the Authority deems appropriate.

Given the nascent stage of the proposed projects, it was not possible at this time to identify all of the terms and conditions that would be applicable to each award and memorialized in an Award Contract. With the Trustees’ authorization, it is anticipated that the Authority, in consultation with ESD, will negotiate final terms and conditions with successful applicants after receipt of more detailed information concerning the projects and proposed schedules. In addition to appropriate business terms, staff anticipates that Award Contracts will contain provisions for periodic audits of the successful applicant for the purpose of determining contract and program compliance, and where appropriate, terms providing for the partial or complete recapture of Fund Benefits disbursements if the applicant fails to maintain agreed-upon commitments, relating to, among other things, employment levels and/or project element due dates.

**RECOMMENDATION**

The Vice President, Marketing recommends that:

(1) the Trustees accept the recommendations of the WNYPPAB and make awards of Fund Benefits to the applicants and in the amounts listed in Exhibit ‘5-A,’ conditioned upon an agreement to be negotiated with each applicant on the final terms and conditions that would be applicable to each award to be contained in an Award Contract approved by the President and Chief Executive Officer and approved by the Executive Vice President and General Counsel as to form;

(2) the Senior Vice President – Economic Development and Energy Efficiency, or his designee(s), in consultation with ESD, be authorized to negotiate with the applicants concerning such final terms and conditions that will be applicable to the awards; and
(3) the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be authorized to execute on behalf of the Authority Award Contracts for each of the awards listed on Exhibit ‘5-A’ subject to the forgoing conditions.

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

Mr. Michael Huvane provided highlights of staff’s recommendation to the Trustees. In response to a question from Trustee Nicandri, Mr. Huvane said the African American Heritage Corridor Commission is a historic corridor in Western New York which is responsible for the restoration of some of the landmark buildings in the area. The goal is to make this one of the major inner city attractions for tourism in the area.

In response to a question from Chairman Koelmel, Mr. Huvane said the Trustees are not authorized to approve any application relative to grants until the State Environmental Quality Review Act (“SEQRA”) requirements are met. Staff is evaluating the companies listed in Exhibit “5-B” titled “Applications being recommended for an award but not transmitted to NYPA” to ensure that the SEQRA requirements are met before recommending them to the Board for approval. Responding to further questioning from Chairman Koelmel, Mr. Huvane said the SEQRA process is now included in the initial evaluations of applications and, providing there are no time sensitive issues with the companies listed in Exhibit “B,” staff will bring them to the Board in December for approval.

Responding to a question from Trustee Nicandri, Ms. McCarthy said an agency in the state of New York would be the lead agency for SEQRA review of the grants; that agency will provide a notice to the Authority when it is completed. She said no final action will be taken by the Authority until all environmental reviews are completed. The WNYPPAB will recommend that the NYPA Board make awards from the fund; however, that recommendation is contingent upon SEQRA review, if necessary, and the other requirements. After the WNYPPAB makes a recommendation, Authority staff holds it in abeyance and will not bring it to the NYPA Board for approval until all concerns are satisfied and staff can assure the NYPA Board that there are no issues with the project.

Responding to a question from Chairman Koelmel, Mr. Huvane said the aquarium project indirectly stimulates jobs. He said Niagara Falls gets more than six million visitors per year and the aquarium would get only a small portion of those tourists. They hope to make this a world class destination; so, in addition to the recent investment in the state park, it is anticipated that this investment will create a world class environment in Niagara Falls.
The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

    WHEREAS, the Western New York Power Proceeds Allocation Board (“WNYPPAB”) has recommended that the Authority make awards of Fund Benefits from the Western New York Economic Development Fund (“Fund”) to the eligible applicants listed in Exhibit “5-A”;

    NOW THEREFORE BE IT RESOLVED, That the Authority hereby accepts the recommendations of the WNYPPAB and authorizes the awards of Fund Benefits to the applicants and in the amounts listed in Exhibit “5-A,” conditioned upon an agreement between the Authority and each applicant on the final terms and conditions that would be applicable to each award and set forth in a written award contract (“Award Contract”) between the Authority and each applicant approved by the President and Chief Executive Officer and approved by the Executive Vice President and General Counsel as to form; and be it further

    RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency, or his designee, in consultation with the Empire State Development Corporation, is authorized to negotiate with successful applicants concerning such final terms and conditions that will be applicable to the awards; and be it further

    RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency, or his designee, is authorized to execute on behalf of the Authority Award Contracts for each of the awards listed on Exhibit “5-A” subject to the forgoing conditions; 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.
6. **Charge NY Program – Expenditure Authorization and Contract Award**

The President and Chief Executive Officer submitted the following report:

“**SUMMARY**

The Trustees are requested to authorize up to $15 million over a five-year term to implement the Charge NY Program (‘Charge NY’ or the ‘Program’). Charge NY would fund electric vehicle charging station deployment and research, outreach and education projects. The program would be developed in support of the Governor’s Charge NY Program announced in his 2013 State of the State Address. Program funding will be used for the installation of electric vehicle charging stations at state and local government sites, a pilot deployment of state of the art rapid chargers, and for public education and research programs related to electric vehicles and their interactions with the grid. The Trustees are also requested to authorize the first contract award under this new program to EV Connect, Inc. of Los Angeles, CA in the amount of $1,568,108 for the installation of charging stations in 100 parking spaces throughout New York State.

**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 non-personal services, construction, equipment purchase or non-procurement contracts in excess of $3 million, as well as personal services contracts in excess of $1 million if low bidder, or $500,000 if sole-source or non-low bidder.

The Authority’s mission includes the supply of clean, economical, reliable and safe energy while promoting energy efficiency and innovation for the benefit of its customers and all New Yorkers. The Authority has worked to help the State reach the goals of Executive Order No. 111 (which requires agencies to reduce energy consumption while transitioning to renewable energy sources) and ‘45x15’ (which aims for 45% of the State’s electricity needs to be met through improved energy efficiency and renewable sources by 2015). In that regard, the Authority has provided energy services projects throughout New York State resulting in nearly $139 million in annual customer savings at about 3,800 public facilities, including schools, hospitals and municipal buildings, for a reduction of annual greenhouse gas emissions of more than 830,000 tons.

The Authority has also played a role in developing and expanding electric vehicle technology in New York State. These efforts started in 1995, resulting in the placement of over 1,200 electric vehicles in government fleets. These vehicles have driven over eleven million miles in total and have benefited the people of New York by improving air quality, reducing greenhouse gases and minimizing the use of imported fossil fuels. In partnership with the Electric Power Research Institute, the Authority has engaged the major automakers in the development of new vehicle technologies such as the plug-in hybrid drivetrain and the standardization of vehicle charging hardware.

The 2013 State of the State Address included the Charge NY program, which goal is to expand the market for electric vehicles from government fleets to the general public. The Program is designed to play an integral role by targeting the issues where the vehicles and the utility grid interact. By clarifying and optimizing these issues early in the development of the technology, the Program will establish New York as a technology leader in this important emerging market.

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**DISCUSSION**

The Charge NY Program requires $50 million in funding to meet these goals. The plan outlines roles for the New York Public Service Commission (‘PSC’), the Investor-Owned Utilities (‘IOUs’), New York State Energy and Research Development Authority (‘NYSERDA’) and the Authority. The PSC has been requested to review regulatory issues and electric rates that can incentivize the use of electric vehicles by consumers and the IOUs has been requested to provide $30 million in funding for electric vehicle incentive programs. NYSERDA allocated funding of $5 million for the existing research efforts including local permitting issues and the early rollouts of public charging station installations. The Authority has been requested to fund $15 million of the Program, consisting primarily of charging station installations throughout the State. These installations will be at state and local government sites and will address the electric charging needs of the general public and government employees.

If authorized by the Trustees, the Charge NY Program would consist of a non-recoverable fund of up to $15 million to be available for expenditures over a five-year period commencing September 24, 2013. The funding would enable research and project activity in four main areas: public and workplace charging station deployment; rapid charging equipment deployment; charging equipment research and development; and public outreach efforts.

The first area, public and workplace charging station deployment, would engage state and local government sites to host $10 million in electric vehicle charging equipment funded by the Authority. Some sites, such as train stations, municipal parking lots and airports, would have charging stations available for use by the general public. Other sites, such as State University campuses, may have charging stations installed in their employee parking lots for use by faculty and staff. These sites will be selected through a competitive solicitation seeking state and local government entities, non-profit colleges and the Authority’s energy customers interested in hosting electric vehicle charging stations on their property.

The second area, rapid charging equipment deployment, will target a limited number of sites to host state-of-the-art hardware capable of charging a vehicle battery in minutes instead of hours. Possible host sites would be airports and highway rest stops. Funding allocated for this second area would be $2.5 million.

The third area, charging equipment research and development, will consist of technical studies, analysis and demonstrations of new charging technologies. Smart metering and battery swapping are two possible technologies for study. Funding allocated for this third area would be $1.5 million.

The last area, public outreach and education, would endeavor to raise awareness of the technology among members of the general public. Studies have shown that the majority of individuals are unaware or ill-informed about electric vehicles, their costs and perceived limitations. An educational campaign targeting the Authority’s municipal and rural cooperative utility customers will be developed. Funding allocated for this final area would be $1 million.

The Trustees are also requested to authorize the first contract award under this new program to deploy electric vehicle chargers at public locations. In March 2012, the Authority was awarded a grant of $989,920 from NYSERDA to install electric vehicle chargers at public locations, such as commuter railroad parking lots. Subsequently, Authority staff issued a Request for Proposals (‘RFP’) for the charging equipment, installation and maintenance service in March 2013 and received proposals in July 2013. After completing their review of the proposals, Authority staff recommends an award of $1,568,108 be made to EV Connect, Inc. The NYSERDA grant will be used to reimburse a portion of the Authority’s expenses in implementing this project. Under this contract the vendor will install charging stations in 100 parking spaces throughout New York State.

The Charge NY Program will be conducted through an additional series of competitive solicitations, either independently or in collaboration with NYSERDA. A steering committee will be formed within the Authority to review all competitive solicitations to be issued under the Program, as well as all resulting contract and grant award recommendations. Additional Trustee authorization for contract awards will be sought according to the Authority’s expenditure authorization procedures.
Staff will coordinate with NYSERDA and other industry stakeholders to develop program priorities and share expertise and results. Collaboration and additional co-funding will also be sought from the US Department of Energy, the Electric Power Research Institute, National Research Labs, and others, to secure additional research funding for New York.

FISCAL INFORMATION

The Charge NY Program will be funded from the Authority’s Operating Fund.

RECOMMENDATION

The Senior Vice President – Strategic Planning recommends that the Trustees formally approve the Charge NY Program as described above.”

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

Mr. John Markowitz provided highlights of staff’s recommendation to the Trustees. Responding to a question from Trustee Foster, Mr. Markowitz said the charging equipment would be deployed to various public host sites; this funding is non-refundable, therefore the Authority will not be recovering any of the money. Mr. Russak added that funding for this program was included in this year’s budget and it is also part of the Authority’s four-year budget plan. President Quiniones also added that the recommendation is for funding up to $15 million; if the growth rate of electric cars is not as anticipated, the Authority will not expend the funds.

Responding to a question from Chairman Koelmel, Mr. Markowitz said the Authority has been tracking the registration of electric vehicles that would use these charging stations in the state. The Authority anticipates that the Governor’s target of electric vehicles registrations of 40,000 within the five-year timeframe is realistic and supports the recommendation. The Authority plans to launch the installations in phases and at each phase track the registration data. Also, the Authority will be installing the charging equipment at host sites where there is a high concentration of electric cars.

In response to further questioning from Trustee Foster, Mr. Markowitz said it is not the Authority’s intention to charge for the use of charging on the units; the host sites will be able to charge the end-user for using the equipment in order to recoup their electric cost. In response to further questioning from Trustee Foster Mr. Markowitz said this is a traditional grant program and part of the Authority’s R&D efforts to expand this technology throughout the state. The host site will contribute towards the cost of installing the equipment and the Authority would be donating the cost of the hardware.

Responding to still further questioning from Trustee Foster, President Quiniones said that part of the Authority’s role is to advance new technology in the state. NYSERDA is also investing in this program which the
Governor expects will be catalytic through its rate of adoption. He said the rate of adoption is as projected by the Authority, and reiterated that the Authority is tracking this very closely so that it does not expend money ahead of the demand.

Responding to further questioning from Chairman Koelmel, President Quiniones said the Trustees can approve the request of $1.5 million and staff can make recommendations to the Trustees for additional funding on an ongoing basis.

The Trustees agreed to amend the resolution authorizing the amount of up to $2 million of the $15 million Charge NY program.

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

WHEREAS, the Governor has announced the Charge NY Program to increase the adoption of electric vehicle technology among both government fleets and the general public of New York State; and

WHEREAS, the Authority has an extensive history of developing and implementing programs in the area of electric vehicle technology;

BE IT RESOLVED, That pursuant to the Authority’s Expenditure Authorization Procedures the Trustees hereby authorize up to $2 million in total available funds to be used for electric vehicle charging station deployment, rapid charger equipment deployment, charging station research and development, and public outreach and education, with such funds being utilized over a five-year period for the Charge NY Program as described in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to EV Connect, Inc., in the amount of $1,568,108, for the installation of charging stations throughout New York State; and be it further

RESOLVED, That Operating Fund monies will be used to fund such studies, training programs and grants in the amount and for the purposes listed below:

<table>
<thead>
<tr>
<th>Expenditure Authorization (not to exceed)</th>
<th>Authorization Expires</th>
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<tr>
<td>Deployment Projects, Research Studies, Public Outreach Programs</td>
<td>$2 million</td>
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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. Informational Item: NYPA Benefits to Western New York

Chairman Koelmel said that at the Board’s request Mr. Harry Francois, Regional Manager of Western New York, Mr. Michael Huvane, Vice President of Marketing and Ms. Katherine Rougeux from the Strategic Planning department will make a presentation on the benefits the Authority provides to Western New York (“WNY”).

Mr. Harry Francois, provided a summary of some of the benefits that the Authority provides to Western New York as follows:

NYPA provides many direct and indirect benefits to the region including relicensing benefits, economic development power programs and other initiatives, energy efficiency, and many other projects and benefits.

Niagara Power Project

The Niagara Power Project is the largest electricity producer in New York State, generating 2.6 million kilowatts—enough power to light 26 million 100-watt bulbs at once. This low-cost electricity saves the state’s residents and businesses millions of dollars per year. In addition, approximately half of the project’s total power generation produced at the plant stays in the region.

NYPA is a major employer in the region, providing a direct economic impact through employing about 300 workers, with an annual payroll of more than $29 million at the Niagara Power Project.

In 2006, a $298 million upgrade and modernization at the Robert Moses Niagara Power Project was completed. This was a 15-year project to upgrade all 13 generators from 150 MW to 215 MW. As part of the upgrade, all 13 turbines were replaced and other improvements were made to generating equipment in the power dam, enabling the project to operate at maximum efficiency well into the 21st century. In 2012, the Authority began a $460 million, multi-year life extension and modernization of the Lewiston Pump-Generating Plant which is still underway. In fact, the first unit has just been completed with eleven more to go.

Relicensing

As part of the federal relicensing process required in order to maintain operations of the Niagara Power Project, NYPA engaged the public to address local concerns. This process resulted in settlement agreements that reflect issues that are important to the stakeholder groups and include both license-related and non-license related commitments made by NYPA to provide benefits to the communities near the project. The total value of these relicensing benefits will be more than $1 billion for the 50-year license (which was granted in 2007) – as of August 2013, $217 million has been spent towards this commitment. Host communities – which include Niagara County, the City of Niagara Falls, the Town of Niagara, Town of Lewiston, and the Lewiston-Porter, Niagara Wheatfield and Niagara Falls school districts – received $250 million, and 28 megawatts of low-cost power. Erie County and the City of Buffalo will receive $179 million as part of the relicensing agreement. The Settlement Agreements provide hundreds of millions of dollars for capital improvements and economic development along with millions in savings from power allocations for these entities over the 50 year term of the license.
Additional relicensing benefits include 4 MW of low-cost power and more than $30 million allocated to the Tuscarora Nation and Niagara University. Funding has been provided to Niagara University for capital investments in the campus, landscaping, and athletic field upgrades. Ecological improvements account for $48.2 million of funding in the region, in addition to the $450 million in support of the establishment of the Niagara River Greenway. For example, one Habitat Improvement Project currently under construction is the Frog Island project, a $3.8 million project to restore 4 acres of historic wetland in the Niagara River to attract and benefit fish and wildlife. Recreational enhancements account for an additional $18.6 million in spending in the region over the term of the license. Examples of recent recreational enhancements include the recently completed $6 million renovation and upgrade of Reservoir State Park featuring new and refurbished ball fields, basketball and tennis courts, and a new Winter Pavilion and ice rink. Along the lower Niagara River, NYPA has enhanced a pair of outdated overlooks at the gorge rim and along the water’s edge that feature wonderful views of the Niagara Falls, and connected the two overlook sites with an award-winning stone stairway.

Mr. Michael Huvane provided highlights of the Authority’s Economic Development and Energy Efficiency efforts in Western New York as follows:

Western New York Economic Development Power Programs

More than one-third of the project’s output is tied to two low-cost power programs for businesses within a 30-mile radius of the Niagara Power Project, with a small amount set aside for businesses in nearby Chautauqua County, at a price that is currently more than 40 percent lower than wholesale market electricity in the region. The 30-mile radius also covers a small piece of both Genesee and Orleans County.

The hydropower programs, otherwise known as Expansion Power and Replacement Power, have allocations that are directly linked to roughly 30,000 jobs at 127 Niagara Frontier businesses.

In addition, most recently added to the Authority’s portfolio of economic development power programs is Recharge New York. NYPA administers this statewide program and utilizes some of the Niagara project’s low-cost power as part of a mix of hydropower and market-purchased power.

Currently, 93 WNY companies have been awarded ~48 MW of Recharge NY power, supporting more than 27,000 jobs in the region.

Western New York Economic Development Fund

The Western New York Economic Development Fund is new and a very innovative way to assist economic development projects in WNY. Essentially, the Authority uses the net earnings it receives from the marketplace from any unused Expansion or Replacement Power sold into the market at higher rates. Proceeds from the fund can be used to fund economic development projects within a 30-mile radius of the Niagara Power project. Prior to today’s action on the Fund, a total of $7 million was awarded by the NYPA Board to five businesses. Approximately $23 million is now in escrow.

Niagara Economic Development Fund

NYPA Capitalized the Niagara Economic Development Fund (“NEDF”), providing low-interest loans to businesses locating or expanding in Niagara County. Currently, 13 loans have assisted 11 businesses in expanding and helped to create more than 650 jobs. Some beneficiaries of the Fund are USA Niagara Development Corporation, the Niagara County...
Center for Economic Development and the Niagara Frontier Transportation Authority have been past beneficiaries.

It is important to note that NYPA has a strong working relationship with the Economic Development Professionals in WNY and enjoys being a part of the team.

Energy Efficiency

NYPA has robust Energy Efficiency Programs throughout the state. Over the last two-and-a-half decades, NYPA has financed more than $95 million in completed energy efficiency and clean energy projects at 475 sites in Western New York. These improvements save taxpayers nearly $5.5 million per year and reduce greenhouse gas emissions by approximately 38,000 tons annually.

Some examples of NYPA’s energy efficiency efforts are:

- **Williamsville Central Schools:** NYPA worked with this suburban school district for an energy-saving makeover at the district’s 13 elementary, middle and high schools. Efficiency measures include new lighting, cooling, heating and ventilation upgrades and other measures to enhance comfort levels for the nearly 11,000-student body.

- **University at Buffalo:** NYPA performed multiple phases of major energy efficiency upgrades throughout the campus. These improvements include ventilation and air-conditioning system upgrades, along with lighting retrofits and new and improved field lighting at University at Buffalo’s Stadium.

- **City of Niagara:** NYPA is currently working with the City for a LED lighting upgrade at the Niagara Falls Veterans Memorial Monument.

Ms. Katherine Rougeux provided highlights of the Authority’s Economic Development and Energy Efficiency efforts in Western New York as follows:

The Power Authority marked its 50th anniversary at the Niagara Power Vista’s admission-free visitor’s center, hosting nearly seven million visitors from around the world since it opened in 1963. The Power Vista is proud to provide free family fun to area residents and tourists alike, seven days per week, year-round. Also, NYPA will be hosting the annual Wildlife Festival this upcoming weekend.

Electric Vehicles

NYPA has also helped to make New York State a leader in electric-drive and clean transportation technologies, and to put more than 75 electric and hybrid-electric vehicles into service in Niagara and Erie counties at various public entities, including the City of Niagara Falls, the Town of Niagara, the Town of Grand Island, and Niagara Falls State Park. NYPA also utilizes approximately 24 electric vehicles and hybrids for use at the Niagara project. These vehicles help improve air quality and reduce our carbon footprint.

Ice Boom Relocation

In recognition of the importance and significance of the Buffalo waterfront, NYPA enabled the creation of two new public waterfront parks. NYPA relocated the site of its ice boom storage facility, previously stored on Buffalo’s Outer Harbor, to a new site two miles up the Buffalo River at 100 Katherine Street, in the Old First Ward of Buffalo. NYPA invested nearly $24 million into the new ice boom storage facility and Mutual Riverfront Park. In addition, a New Outer Harbor Park – named Wilkeson Pointe - was created at the previous storage location.
Grain Elevators

NYPA also recently completed an extensive reconstruction effort on the connecting terminal grain elevators located at the First Buffalo River Marina along the Buffalo River. NYPA implemented measures to protect and secure the elevators including stabilizing the structure and remediation work. NYPA relicensing funding is also enabling Erie Canal Harbor Development Corporation to move forward with a plan to illuminate and activate grain elevators and bridges to revitalize the Buffalo waterfront. This project is part of an effort to highlight Buffalo’s powerful industrial history and support future improvements along the waterfront.

Maid of the Mist

NYPA has entered into an agreement between the Maid of the Mist, an iconic Western New York company, and the New York State Office of Parks, Recreation and Historic Preservation which will allow the company to stay in business, create and save jobs, and offer better access on the American side of Niagara Falls. NYPA is issuing permits after technical review and comment on the drawings and specifications, and is closely monitoring the construction of the facility at the former Schoellkopf Power Station No. 3 site, located only minutes away from the Falls. November 2013 has been targeted as the completion date for a functional dry dock, with full completion and restoration expected in summer 2014. Construction is progressing at the site - the crane needed to take the boats out of the water arrived at the site from Europe earlier this month, on track, to be able to begin operation by winter. NYPA is the driving force behind the site’s historic preservation and interpretation. Schedule of interpretation of the site is still in the discussion phases, but will be a collaborative effort with local stakeholders, State Parks and the National Park Service. The expectation is to have interpretive signage in place when the site reopens to the public in 2014.

Workforce Development

NYPA has undertaken an initiative in response to the Energy Highway recommendation to support workforce development for the energy industry and has partnered with Empire State Development as part of the Buffalo Billion strategy to support advanced manufacturing workforce training. Both the energy and manufacturing industries are facing a high percentage of employees nearing retirement age and a deficiency of young members of the workforce – creating a need to hire and train an unprecedented number of new employees to fill the gaps. NYPA has been working closely with Empire State Development, New York State electric utilities, local educational providers and labor organizations to formulate and implement a strategy to address the workforce development needs and challenges in Western New York.

In response to a question from Trustee Foster, Mr. Russak said that as part of the relicensing settlement agreements, the Authority is providing $9 million per year to various parts of the Niagara Greenway over the course of the 50-year license. Also, as part of the relicensing, the Authority has amended the Greenway agreement with the state parks in order to accelerate some of the investments to the park; as a result, the state parks are able to make a one-time investment instead of having to wait yearly for the funds.

Chairman Koelmel thanked staff for the presentations. He said the Authority should continue to work on raising the level of clarity regarding what the Authority does in WNY with the goal of making others aware of
the economic impact the Authority is making across the state. President Quiniones agreed that the Authority should work on communicating to the people of Western New York the benefits it provides to the region. As an example, the major investments in the infrastructure of the Niagara Project also create jobs and stimulate economic activity in the region. The Authority has also been fulfilling the significant commitments it made during the relicensing of the project. The Authority has done a lot in terms of economic development, providing low-cost hydropower and Recharge New York power and energy efficiency initiative, and number of other projects that are being planned, for the counties, municipals, villages and towns all within the Governors economic development plans for the region. He ended by saying that these significant activities need to be communicated within and outside the Authority and he will take it as a challenge to work on a plan to indicate how the Authority can better communicate this message.
8. **Informational Item: Strategic Planning Process and Content**

Mr. Robert Lurie provided an update of the status of the Authority’s strategic planning process and discussed some of the content and issues being studied and how they may affect the Authority in the future.

**Strategic Planning Process**

Mr. Lurie provided an overview of the timeline of the major steps in the strategic planning process which began in June. He said during the summer, strategic planning staff did a scan of the Authority’s external business environment, focusing on the business drivers and trends that are affecting the state, its customers and the industry. That scan was then inputted to the three off-site management planning sessions, the first of which took place on September 9 and 10, with the others to be completed in October. Staff will then meet with the Trustees in November to review the content of the plan and make any revisions necessary. Staff hopes to complete the draft plan by the end of December, and use the plan as the basis for the Business Unit planning in 2014.

The external scan included reports, surveys, and interviews with more than 30 stakeholders and experts. The stakeholders include customers, state agencies, academics, think tanks, financial experts and other experts and NGOs.

NYPA’s senior management was also interviewed to get their views of the external and internal issues facing the Authority.

Staff is now engaged in management planning workshops as follows:

1. The first workshop, “understanding the now,” was dedicated to understanding the current environment, trends affecting NYPA, and discussing its mission statement.

2. The second workshop will focus on the future, questioning “what are various scenarios of what the future might look like” and “what should the Authority’s goals be in shaping that future.” Staff will be establishing quantifiable targets associated with those goals.

3. The third workshop will focus entirely on the action plan, starting with identifying the key long-term risks and opportunities that can be agreed upon based on all the previous work. From that basis, staff will decide on and prioritize strategies and projects that they want to propose to meet those long-term goals.

Several experts were invited to the first workshop. The themes identified at the workshop include:

1. The opportunity for NYPA, as it has in the past, to exercise a leadership role in helping the state navigate a future of great change in the energy industry, one that is likely to include many new energy technologies and choices for customers;

2. The need for the grid to become more flexible, resilient, and connected in order to accommodate these new technologies and choices; and

3. Talent management strategies which are changing across many industries, including the utility industry, due to the combination of pending retirements and much greater employee mobility and increasing retention challenges.

The themes were presented to the management team by a cross-functional group of NYPA employees, called the Core Team, who gathered the information from all of the external and internal sources and distilled it into themes and sub-themes to make it understandable.
Of the themes identified, management discussed and agreed upon a top 10 list of trends that are likely to impact NYPA and its customers the most. Some of these could be viewed as risks, some as opportunities, but most are both risks and opportunities. These include, but are not limited to:

- The urgent issue of retirements and turnover among employees, which is creating the need for improved knowledge transfer and more strategic workforce planning;
- System reliability which is increasingly threatened by factors including extreme weather, cyber-terrorism, and aging infrastructure;
- Other trends which include the need for a smarter grid, increasing demand from customers for services that help them reduce the cost or increase the quality of their electric power, and the reduced availability of governmental resources for energy, requiring greater leveraging of private capital.

At the first workshop, staff also discussed NYPA’s mission, and worked to separate the “ends” NYPA is trying to achieve, versus the “means” of what it could do to accomplish those ends. Both the ends and means are informed by NYPA’s enabling statute.

Among the “ends” discussed were: providing economic benefits to the citizens of New York State; fulfilling NYPA’s role as “stewards” of its energy and financial assets; and contributing to the achievement of NY State energy policy goals.

The means, as defined by the Authority’s statute, include providing low-cost power, expanding new clean energy technologies such as renewables that benefit the environment, and maintaining or increasing reliability of the system.

Mr. Lurie ended by saying staff has prioritized the drivers and trends that are likely to affect NYPA, its customers, and the state in the future and will focus on those trends at the other workshops. Staff will then formulate goals and strategies that would provide tremendous benefits for the state and further NYPA’s legacy of building the energy infrastructure that New York will need in the 21st century.

In response to a question from Trustee Foster, President Quiniones said the upgrades being undertaken at the Authority’s power plants will result in increased output; also, as part of the Governor’s Blueprint on the Energy Highway initiative, the Authority will participate in some of the energy initiatives which will benefit the state, consistent with its mission and the statutory requirements.

In response to a question from Chairman Koelmel, Mr. Lurie said the top ten list of trends is intended to capture opportunities for the Authority to play leadership roles in the future of the transmission system and also in potential initiatives it could consider undertaking to make the grid more effective. Responding to further questioning from Chairman Koelmel, President Quiniones said the Authority is viewed as one of the leaders in the utility industry, therefore, as part of its strategic planning process, the Authority will assess generational type projects that it can take the lead on that will benefit the state over time.
Responding to a question from Trustee Nicandri, Mr. Lurie said because identifying risks that are part of the Enterprise Risk report and that of the strategic plan are an interactive process there is communication/feedback between Risk Management and the office of Strategic Planning. They are in the early stages of developing the Enterprise Risk Management and Strategic Planning reports, and these will show how they integrate with each other.

Chairman Koelmel suggested, and it was agreed, that since the Authority collaborates with other agencies in its initiatives, Richard Kauffman, Chairman of Energy Policy, NYSERDA and the PSC be invited to a meeting of the Board as part of the discussions on the Authority’s strategic plan.
9. **Appointment of Vice Chair of the Authority**

The Chairman submitted the following report:

**“SUMMARY”**

In accordance with Section 1004 of the Public Authorities Law (the ‘Power Authority Act’), the Trustees are requested to select Joanne M. Mahoney as Vice Chair of the Authority, effective immediately.

**DISCUSSION**

Section 1004 of the Power Authority Act, provides that the Trustees may select from their own, a Trustee to hold the position of Vice Chair of the Authority.

**RECOMMENDATIONS**

Based on her outstanding record of service, it is recommended that Joanne M. Mahoney be selected to fill the vacancy of Vice Chair created by the resignation of John S. Dyson.

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.”

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

**RESOLVED, That Joanne M. Mahoney of Syracuse, New York be, and is hereby selected as Vice Chair of the Power Authority of the State of New York, effective immediately.**
10. **Motion to Conduct an Executive Session**

   *Mr. Chairman, I move that the Authority conduct an executive session pursuant to the Public Officers Law of the State of New York section §105 (d)(e) and (f) to discuss matters leading to the promotion or demotion of a particular person.* Upon motion made and seconded an Executive Session was held.
11. **Motion to Resume Meeting in Open Session**

   *Mr. Chairman, I move to resume the meeting in Open Session.* Upon motion made and seconded, the meeting resumed in Open Session.
12. **Next Meeting**

The Regular Meeting of the Trustees will be held on **December 17, 2013, at 11:00 a.m., at the Clarence D. Rappleyea Building, White Plains, New York**, unless otherwise designated by the Chairman with the concurrence of the Trustees.
Closing

Upon motion made and seconded, the meeting was adjourned by the Chairman at approximately 2:00 p.m.

Karen Delince
Corporate Secretary
EXHIBITS

For

September 24, 2013

Regular Trustees’ Meeting
POWER AUTHORITY OF THE STATE OF NEW YORK
30 SOUTH PEARL STREET
ALBANY, NY 12207

Schedule of Rates for Sale of Firm Market Power

Service Tariff No. 1C
(Supersedes ST-1 & ST-1B)
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Schedule of Rates for Sale of Firm Market Power

I. **Applicability**

To direct sales of Firm Market Power in total or in part to a Customer for firm Electric Service.

II. **Frequently Used Abbreviations and Terms**

- **kW**: kilowatt(s)
- **kWh**: kilowatt-hour(s)
- **NYISO**: New York Independent System Operator, Inc. or any successor organization
- **OATT**: NYISO Open Access Transmission Tariff
- **PAL**: New York Public Authorities Law
- **ROS**: Rest of State
- **RY**: Rate Year
- **UCAP**: Unforced Capacity

**Adjusted Energy Usage**: This term has the meaning provided for in Section IV.B of this Service Tariff.

**Allocation**: The amount of Market Power allocated to the Customer by the Authority.

**Agreement**: An executed agreement between the Authority and a Customer setting forth the terms and conditions applicable to the allocation and sale of Market Power to the Customer, including any amendments made to the agreement.

**Authority**: 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” and “NYPA.”

**Billing Demand**: The Contract Demand.

**Billing Energy**: This term has the meaning provided for in Section III.A.2. of this Service Tariff.

**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 Facility receiving the Firm Market Power allocation is located.

**Contract Demand**: The amount of Firm Market Power allocated to the Customer which the Customer agrees to take and pay for in accordance with the Agreement. The Contract Demand shall equal the Allocation.

**Customer**: A customer that has received an Allocation and who purchases such Allocation from the Authority.

**Electric Service**: The power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.
**Facility:** The Customer’s place of business specified in the Agreement that will receive or is receiving the Allocation.

**Firm Market Energy:** Firm energy (kWh) associated with Firm Market Power supplied by Authority to the Customer.

**Firm Market Power:** Firm capacity (kW) supplied by Authority to the Customer from market sources and/or the Authority’s non-Hydro Project-based resources as determined to be available for such use by the Authority.

**Market Capacity Charge:** This term has the meaning provided for in Section III.A.1 of this Service Tariff.

**Market Energy Charge:** This term has the meaning provided for in Section III.A.2 of this Service Tariff.

**Minimum Demand Charge:** This term has the meaning provided for in Section III.B.7 of this Service Tariff.

**NYISO Day-Ahead Market:** This term has the meaning provided for in the NYISO Tariffs.

**NYISO Tariffs:** The tariffs of the NYISO, including the NYISO OATT, as such tariffs are amended and in effect from time to time.

**NYP A Administrative Charge:** This term has the meaning provided for in Section III.A.3 of this Service Tariff.

**Real Time Market:** This term has the meaning provided for in the NYISO Tariffs.

**Rate Year: Rate Year** or **RY:** The July Billing Period through the June Billing Period of the following year, beginning July 2012, subject to change based on the Authority’s sole discretion.

**Rules:** The Authority’s rules and regulations set forth in 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.

**Service Tariff:** This service tariff, denominated as “Schedule of Rates for Sale of Firm Market Power,” as amended from time to time by the Authority.

**Takedown:** The portion of an Allocation the Customer requests to be scheduled for a specific period as provided for in the Agreement.

**Taxes:** This term has the meaning provided for in Section III.C.2 of this Service Tariff.

**Zone:** Geographical regions within New York State (sometimes referred to as “load zones” or “energy regions”) designated by the NYISO and identified by letter (A-K) that are used to facilitate energy transactions and administration of the State’s power grid.
Additional terms are defined in the text of this Service Tariff.

Unless otherwise indicated, all other capitalized terms and abbreviations used but not defined in this Service Tariff shall have the meaning as set forth in the Agreement.

III. Monthly Rates and Related Charges

A. Monthly Rates and Charges
Subject to the other provisions of this Service Tariff, the monthly rates and charges to be charged to the Customer by the Authority will be set as follows:

1. Market Capacity Charge
The Market Capacity Charge will be based on the following:

a) The amount of capacity (kW) the Authority needs to secure on the Customer’s behalf as required by the NYISO’s rules. This is currently expressed by the NYISO as the Unforced Capacity or “UCAP” obligation. The UCAP obligation is inclusive of any locational requirements and adjustments for reserves needed to meet the installed reserve margin.

Capacity can be secured through a combination of sources consisting of the bilateral contracts, NYISO auctions, or any other means as determined to be most appropriate by the Authority in its sole discretion.

b) The market capacity rate based on the actual monthly capacity price paid by the Authority in securing the NYISO UCAP obligation for the capacity (kW) or any other market capacity rate determined to be the most applicable by the Authority in its sole discretion.

c) The market capacity rate multiplied by the monthly capacity (kW) quantity will yield the applicable Market Capacity Charge.

2. Market Energy Charge
The Market Energy Charge will be based on the following:

a) Billing Energy. 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.

If there is more than Firm Market Power being billed to the Customer, the authority will determine the apportionment of the kilowatt-hours on a case by case basis. Generally, the total number of kilowatt-hours recorded on the meter shall be multiplied by a percentage based on

1. The methodology provided for in any agreement between the Authority and the Customer’s local electric utility for delivery of Firm Market Energy and/or
2. The methodology provided for in Section IV.B of this Service Tariff.
The Authority may procure Firm Market Energy using short and long-term purchases, including purchases from the NYISO Day-Ahead Market and/or Real-Time Market, and/or through a purchase power agreement to the extent the Authority deems them appropriate. Financial hedging instruments may be used for the purposes of mitigating the risk in price movements. Any purchases of Firm Market Energy will be made in whichever portfolio combination the Authority deems to be appropriate in its sole discretion.

b) Market Energy rate based on the monthly average of the NYISO Day-Ahead Market energy price and the NYISO Real-Time Market energy price based on the location (i.e., Zone) of Customer’s Facility determined to be the most applicable by the Authority in its sole discretion.

c) The Market Energy rate multiplied by the Billing Energy will yield the applicable Market Energy Charge.

3. **NYPA Administrative Charge**
   The NYPA Administrative Charge will be based on the following:
   
a) The amount of the highest interval integrated demand (kW) during each Billing Period recorded on the Customer’s meter multiplied by a percentage based on the methodology provided for in any agreement between the Authority and the Customer’s local electric utility for delivery of Market Power. Demand (kW) may not exceed the amount of the Contract Demand.

b) Monthly NYPA Administrative rate set by the Authority each Rate Year based on any associated overhead and other assigned costs as determined appropriate by the Authority.

c) The NYPA Administrative rate multiplied by the demand (kW) allocated to the Customer will yield the applicable NYPA Administrative Charge.

**B. Other Charges**

The Customer shall be responsible for payment of such other charges (collectively, “Other Charges”) as a separate charge from the monthly rates and charges to the extent they apply to such Customer.

1. **NYISO Transmission Related Charges (“NYISO Charges”)**

NYISO Charges for services associated with the Authority’s responsibilities as load serving entity for the Customer, provided by the NYISO pursuant to NYISO Tariffs, NYISO-related agreements and NYISO procedures associated with the Authority’s provision of Electric Service to the Customer. NYISO Charges to be charged to the Customer by the Authority include:

   a. Charges for Ancillary Services 1 through 6 and any new ancillary services as may be provided in accordance with NYISO Tariffs;

   b. Transmission Usage Charges (“TUC”) which are Marginal Losses and Congestion costs;

   c. The New York Power Authority “Transmission Adjustment Charge” or “NTAC”;

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Issued by James F. Pasquale, Senior Vice President
Power Authority of the State of New York
30 South Pearl Street, Albany, NY 12207
d. Congestion costs, less any associated grandfathered Transmission Congestion Contracts (“TCCs”) as provided in Attachment K of the OATT NYISO wide uplift as provided for in the NYISO Tariffs;

e. Any and all other charges, assessments, or other amounts associated with delivery of Market Power sold to Customers by the Authority, or otherwise associated with the Authority’s responsibilities as a load serving Entity for Customers, that the NYISO assesses on the Authority under the provisions of the OATT or under other applicable NYISO Tariffs; and

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.

f. When the Authority is not serving as the load serving entity for any of the power or energy that is sold to the Customer under this Service Tariff and the Agreement, should the Authority for any reason incur any such NYISO Charges, the Customer shall reimburse the Authority for all such NYISO Charges.

2. Taxes
The Authority will charge and collect from the Customer all local, state and federal taxes, assessments or other charges mandated by local, state or federal agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer (“Taxes”) if and to the extent such Taxes are not recovered by the Authority pursuant to another provision of this Service Tariff.

3. Market Transaction Charges
The Authority based on its sole discretion will pass through to the Customer any costs incurred from procuring any financial products described in Sections III.A.1 and III.A.2 of this tariff if applicable.

4. Transmission, Wheeling and Delivery Charges
Generally, transmission, wheeling and delivery charges are billed directly to the Customer by the local electric utility.

If there are any charges for transmission, wheeling and delivery made applicable to the Customer under other Authority’s tariffs and contracts, they will be charged to the Customer by the Authority as provided for in those documents.

5. Local Electric Utility Charges
The Customer shall reimburse the Authority for all charges, assessments, fees and other amounts, if any, the local electric utility imposes on the Authority in any way related to the provision of data and other information the Authority requires from the local electric utility in connection with providing Electric Service to the Customer. In the event that the local electric utility seeks to impose any such charges, assessments, fees and other amounts on the Authority for the provision of data and other information required by the Authority in order to
provide Electric Service to the Customer, the Authority shall provide prior notice thereof to
the Customer, and the Customer and the Authority will discuss (i) the nature and amount of
such charges, assessments, fees and other amounts, and (ii) whether there are alternative
means for obtaining and providing such required data and information which are acceptable
to the parties, provided that no party shall be required to agree to any alternative means for
obtaining and providing such required data and information.

6. New Charges
The Customer shall be responsible for payment of any and all new costs or charges incurred
by the Authority in connection with its provision of Electric Service to the Customer,
including but not limited to, charges and costs incurred for supplying Firm Market Power,
and any new NYISO Charges as may be defined and applied in any NYISO Tariffs, NYISO-
related agreements and NYISO procedures from time to time (collectively, “New Charges”).
The Authority, in its sole discretion, may include any such New Charges in the monthly rates
or the NYPA Administrative rate, or bill the Customer separately for such New Charges.

7. Minimum Demand Charge
In the Authority’s sole discretion, the Customer shall be subject to a monthly minimum
billing demand charge calculated as follows. If in any given month Customer’s monthly
demand usage is less than 75 percent of its Contract Demand, a minimum demand charge
equal to 75 percent of the Customer’s Contract Demand, times the applicable NYPA
Administrative Charge rate shall apply for that month. Such minimum monthly charge shall
be in addition to all other charges provided for in this Service Tariff, including but not limited
to Market Energy Charge, Market Capacity Charge and Other Charges as provided for in this
Service Tariff.

8. Estimated Billing
If the Authority, in its sole discretion, determines that it lacks reliable data on the Customer’s
actual demand and/or energy usage for a Billing Period during which the Customer receives
Electric Service from the Authority, the Authority shall have the right to render a bill to the
Customer for such Billing Period based on estimated demand and estimated usage
(“Estimated Bill”).

For the purpose of calculating demand (kW) for an Estimated Bill, the demand (kW) will be
calculated based on an average of the Customer’s allocated demand (kW) values for the
previous three (3) consecutive Billing Periods. If such historical data is not available, then the
estimated demand (kW) value for the Estimated Bill will equal the Customer’s Contract
Demand (kW) amount, based on the Authority’s sole discretion.

For the purpose of calculating energy (kWh) for an Estimated Bill, the energy (kWh) will be
calculated based on an average of the Customer’s allocated energy (kWh) values for the
previous three (3) consecutive Billing Periods. If such historical data is not available, then the
estimated energy value (kWh) will be equal to the Contract Demand (kW) amount at 75
percent load factor for that Billing Period, based on the Authority’s sole discretion.

If data indicating the Customer’s actual demand and usage for any Billing Period in which an
Estimated Bill was rendered is subsequently provided to the Authority, the Authority will
make necessary adjustments to the corresponding Estimated Bill in accordance with Section
III.B.9 of this Service Tariff and, as appropriate, render a revised bill (or provide a credit) to the Customer.

The provisions of Section IV.D of this Service Tariff shall apply to Estimated Bills.

The Authority’s discretion to render Estimated Bills is not intended to limit the Authority’s rights under the Agreement.

9. Adjustments to Charges
In addition to any other adjustments provided for in this Service Tariff, in any Billing Period, the Authority may make appropriate adjustments to billings and charges to address such matters as billing and payment errors, the receipt of actual, additional, or corrected data concerning Customer meter data.
IV. General Provisions

A. Scheduling of Firm Market Energy and Firm Market Power

In each Billing Period the Authority shall, in accordance with the NYISO Tariffs, NYISO manuals and NYISO procedures, schedule and provide to the Customer Firm Market Energy associated with Firm Market Power in an amount equal to the product of: (i) Contract Demand; (ii) the number of hours in the Billing Period; and (iii) Estimated Load Factor. Such Firm Market Energy shall be scheduled to the load bus established by the NYISO for the Facility or any successor load bus thereto established by the NYISO.

With respect to each month in which Electric Service is provided to the Customer by the Authority, the Authority shall, in accordance with the NYISO Tariffs, NYISO manuals and NYISO procedures, ensure that it does not schedule to the Customer in any hour more energy than the lesser of Customer’s load in such hour, or Customer’s Contract Demand.

With respect to each month in which Electric Service is provided to the Customer by the Authority, the Authority shall, in accordance with the NYISO Tariffs, NYISO manuals and NYISO procedures, schedule and provide UCAP in an amount equal to the applicable value calculated pursuant to Section III.A.1 of this Service Tariff.

The Customer and Authority shall reasonably cooperate and coordinate, as necessary, to effectuate the required scheduling and provision of Firm Market Energy and Firm Market Power as required by this Service Tariff and the Agreement. The Authority acknowledges and agrees that the Customer may, from time to time, utilize the services of a third party agent, authorized by the NYISO, to assist the Customer with respect to such scheduling activities. In the event that the Customer appoints such a third party agent, the Authority shall reasonably cooperate and coordinate with such agent, and the Customer shall ensure that its agent reasonably cooperates and coordinates with the Authority, in the same manner as the Parties are required to cooperate in connection with such scheduling activities.

B. Reconciliation of Adjusted Energy Usage and Billing Energy

Where Firm Market Energy is delivered under this Service Tariff in conjunction with other firm energy, including but not limited to firm hydro energy, the amounts supplied by the Authority hereunder shall be reconciled as following.

In any Billing Period in which the Customer’s Adjusted Energy Usage is less than the amount of Firm Energy scheduled in accordance with firm hydro power service tariff and/or Agreement applicable to the Customer (hereinafter referred to as an “Under Consumption”), the Authority will bill the Customer and the Customer shall pay an additional charge (i.e., in addition to any other amounts due under this Service Tariff and/or the Agreement) in an amount equal to the amount of the Under Consumption (measured in kWh) multiplied by the positive difference, if any, between (i) the average of the applicable NYISO day-ahead market locational based marginal price for the Zone for the Billing Period and (ii) the monthly base rate for Billing Energy applicable to the Customer under the firm hydro power service tariff.
For purposes of this provision, “Adjusted Energy Usage” means the product of (i) the Contract Demand (or, if applicable and less than the Contract Demand, the Takedown), (ii) the Load Factor for the Billing Period, and (iii) the number of hours in the Billing Period (i.e., Adjusted Energy Usage (kWh) = Contract Demand [or, if applicable and less than the Contract Demand, the Takedown] (kW) x Load Factor for the Billing Period (a percentage) x hours in the Billing Period).

The Authority will perform reconciliations for each Billing Period in accordance with this Section after the Authority obtains actual metered demand and energy data recorded on the Facility’s meter from the local electric utility or as otherwise provided for in any Agreement.

C. Delivery of Market Power
The Customer’s local electric utility shall be responsible for delivering Firm Market Power to the Customer. The Authority shall have no responsibility for delivering any Firm Market Power to the Customer.

For the purpose of this Service Tariff, Firm Market Power and Firm Market Energy will be deemed to be offered when the Authority is able to supply Firm Market Power and Firm Market 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 will not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Rendition and Payment of Bills

1. Specific Customer billed dates will be determined by the Authority on a case by case basis. Generally the Authority will render bills to the Customer for Electric Service no later than the 20th calendar day of the month for charges due for the previous Billing Period. Bills will reflect the amounts due and owing, and are subject to adjustment as provided for in this Service Tariff and the Rules. Unless otherwise agreed to by the Authority and the Customer in writing, the Authority shall render bills to the Customer electronically.

2. Specific Customer payment dates will be determined by the Authority on a case by case basis. Generally the payment of bills by the Customer shall be due and payable by the Customer no later than the 1st business day of the following month.

3. Except as otherwise agreed by the Authority in writing, if the Customer fails to pay any bill when due an interest charge of two percent of the amount unpaid will be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent of the sum unpaid shall be added on the first day of each succeeding Billing Period until the amount due, including interest, is paid in full.

4. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of a bill rendered by Authority, the Customer shall pay such bill in the time provided for by this Service Tariff, and adjustments, if necessary, will be made thereafter.

5. If at any time after commencement of Electric Service the Customer fails to make complete payment of any two (2) bills for Electric Service when such bills become due pursuant to this Service Tariff, the Authority shall have the right to require that the Customer deposit with the Authority a sum of money in an amount equal to all charges that would be due under this
Service Tariff for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit will be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. The failure or refusal of the Customer to provide the deposit within thirty (30) days of a request for such deposit will be grounds for the Authority in its sole discretion to suspend Electric Service to the Customer or terminate this Service Tariff.

E. Conflicts
In the event of any inconsistencies, conflicts, or differences between the provisions of this Service Tariff and the Rules, the provisions of the Service Tariff will govern. In the event of any inconsistencies, conflicts or differences between the Service Tariff and any provisions of the Customer Agreement, the provisions of the Agreement will govern.

F. Resale
No customer shall resell any of the power supplied by Authority under this Service Tariff.
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

Date of Issue:  September 24, 2013  Date Effective:  October 2013 Billing Period

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

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Date of Issue: September 24, 2013

Date Effective: October 2013 Billing Period

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 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

- 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

**Agreement**: An executed “Agreement for the Sale of Expansion and/or Replacement Power and Energy” between the Authority and the Customer (each as defined below).

**Annual Adjustment Factor** or **AAF**: This term shall have the meaning set forth in Section V herein.

**Authority**: 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 I of Article 5 of the PAL, also known as the “New York Power Authority.”

**Customer**: 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.

**Electric Service**: The power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

**Expansion Power** and/or **Replacement Power**: 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).

**Firm Power**: 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.
**Firm Energy:** Energy (kWh) associated with Firm Power.

**Load Serving Entity** or **LSE:** This term shall have the meaning set forth in the Agreement.

**Load Split Methodology** or **LSM:** A load split methodology applicable to a Customer’s allocation. It is usually provided for in an agreement between the Authority and the Customer’s local electric utility, an agreement between the Authority and the Customer, or an agreement between the Authority, the Customer and the Customer’s local electric utility, or such local utility’s tariff, regarding the delivery of WNY Firm Power. The load split methodology is often designated as “Load Factor Sharing” or “LFS”, “First through the Meter” or “FTM”, “First through the Meter Modified” or “FTM Modified”, or “Replacement Power 2” or “RP 2”.

**Project:** The Authority’s Niagara Power Project, FERC Project No. 2216.

**Rate Year** or **RY:** The period from July 1 through June 30 starting July 1, 2013, and for any year thereafter.

**Rules:** The Authority’s rules and regulations set forth in 21 NYCRR § 450 et seq., as they may be amended from time to time.

**Service Tariff:** This Service Tariff No. WNY-1.

**Target Rate:** This term 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. Estimated Billing

If the Authority, in its sole discretion, determines that it lacks reliable data on the Customer’s actual demand and/or energy usage for a Billing Period during which the Customer receives Electric Service from the Authority, the Authority shall have the right to render a bill to the Customer for such Billing Period based on estimated demand and estimated usage (“Estimated Bill”).

For the purpose of calculating a Billing Demand charge for an Estimated Bill, the demand charge will be calculated based on the Customer’s Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated demand (kW) will be calculated based on an average of the Customer’s Billing Demand (kW) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated demand (kW) value for the Estimated Bill will equal the Customer’s Takedown (kW) amount.

- For Customers whose allocation is subject to a First through the Meter/FTM, FTM Modified, or RP 2 LSM, the estimated demand (kW) value will equal the Customer’s Takedown (kW) amount.

For the purpose of calculating a Billing Energy charge for an Estimated Bill, the energy charge will be calculated based on the Customer’s Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated energy (kWh) will be based on the average of the Customer’s Billing Energy (kWh) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated energy value (kWh) will be equal to the Takedown (kW) amount at 70 percent load factor for that Billing Period.
For Customers whose allocation is subject to a First through the Meter/FTM, FTM Modified, or RP 2 LSM, the estimated energy (kWh) will be equal to the Takedown (kW) amount at 100 percent load factor for that Billing Period.

If data indicating the Customer’s actual demand and usage for any Billing Period in which an Estimated Bill was rendered is subsequently provided to the Authority, the Authority will make necessary adjustments to the corresponding Estimated Bill and, as appropriate, render a revised bill (or provide a credit) to the Customer.

The Minimum Monthly Charge provisions of Section III B.D. shall apply to Estimated Bills.

The Authority’s discretion to render Estimated Bills is not intended to limit the Authority’s rights under the Agreement.

F. Adjustments to Charges

In addition to any other adjustments provided for in this Service Tariff, in any Billing Period, the Authority may make appropriate adjustments to billings and charges to address such matters as billing and payment errors, the receipt of actual, additional, or corrected data concerning Customer energy or demand usage.

G. 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.

H. 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.

I. 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.

J. 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. Billing Methodology and Billing

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 –The Billing Demand charged by the Authority to each Customer will be the highest 15 or 30-minute integrated demand, as determined by the local utility, during each Billing Period recorded on the Customer’s meter multiplied by a percentage based on the Load Split Methodology provided for in any contract between the Authority and the Customer’s local electric utility, any contract between the Authority and the Customer, or any contract between the Authority, the Customer and the Customer’s local electric utility for delivery of WNY Power. Billing Demand may not exceed the amount of the Contract Demand.

3. Billing Energy –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 the methodology provided for in any contract between the Authority and the Customer's local electric utility for delivery of WNY Power.

F. Payment by Customer to Authority

1. Demand and Energy Charges, Taxes

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. Transmission Charge

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. NYISO Transmission and Related Charges (“NYISO Charges”)

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.

The method of billing NYISO charges to the Customer will be based on Authority’s discretion.

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. **Rendition and Payment of Bills**

1. The Authority will render bills to the Customer for Electric Service on or before the tenth (10th) business day of the month for charges due for the previous Billing Period. Bills will reflect the amounts due and owing, and are subject to adjustment as provided for in the Agreement, Service Tariff No. WNY-1 and the Rules. Unless otherwise agreed to by the Authority and the Customer in writing, the Authority shall render bills to the Customer electronically.

2. Payment of bills by the Customer shall be due and payable by the Customer within twenty (20) days of the date the Authority renders the bill.

3. Except as otherwise agreed by the Authority in writing, if the Customer fails to pay any bill when due an interest charge of two percent of the amount unpaid will be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent of the sum unpaid shall be added on the first day of each succeeding Billing Period until the amount due, including interest, is paid in full.

4. If at any time after commencement of Electric Service the Customer fails to make complete payment of any two (2) bills for Electric Service when such bills become due pursuant to Agreement, the Authority shall have the right to require that the Customer deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit will be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. The failure or refusal of the Customer to provide the deposit within thirty (30) days of a request for such deposit will be grounds for the Authority in its sole discretion to suspend Electric Service to the Customer or terminate this Agreement.

H. **Adjustment of Charges**

1. **Distribution Losses**

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

I. **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.

J. **Customer Resales Prohibited**

   The Customer may not resell any quantity of Expansion Power and/or Replacement Power.
V. **Annual Adjustment Factor**

A. **Adjustment of Rates**

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.”

   **Index 1, “BLS Industrial Power Price” (35% weight):** 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.

   **Index 2, “EIA Average Industrial Power Price” (40% weight):** 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.

   **Index 3, “BLS Industrial Commodities Price Less Fuel” (25% weight):** 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

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<thead>
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<th>Measuring Year</th>
<th>Measuring Year - 1</th>
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<tbody>
<tr>
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<tr>
<td>February</td>
<td>172.8</td>
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<tr>
<td>November</td>
<td>172.2</td>
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<td>December</td>
<td>171.8</td>
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Average: 177.2 / 172.8 = 1.03

Ratio of MY/MY-1: 1.03
- **Index 2 – EIA Industrial Rate**

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<tr>
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| **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
### Index 3 – Producer Price Index, Industrial Commodities Less Fuel

<table>
<thead>
<tr>
<th>Measuring Year</th>
<th>Measuring Year -1</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>190.1</td>
</tr>
<tr>
<td>February</td>
<td>190.9</td>
</tr>
<tr>
<td>March</td>
<td>191.6</td>
</tr>
<tr>
<td>April</td>
<td>192.8</td>
</tr>
<tr>
<td>May</td>
<td>194.7</td>
</tr>
<tr>
<td>June</td>
<td>195.2</td>
</tr>
<tr>
<td>July</td>
<td>195.5</td>
</tr>
<tr>
<td>August</td>
<td>196.0</td>
</tr>
<tr>
<td>September</td>
<td>196.1</td>
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<tr>
<td>October</td>
<td>196.2</td>
</tr>
<tr>
<td>November</td>
<td>196.6</td>
</tr>
<tr>
<td>December</td>
<td>196.7</td>
</tr>
</tbody>
</table>

Average  194.4             191.5

Ratio of MY/MY-1  

1.02

**STEP 2**

Determine AAF by Summing the Weighted Indices

<table>
<thead>
<tr>
<th>Index</th>
<th>Ratio of MY to MY-1</th>
<th>Weight</th>
<th>Weighted Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPI Industrial Power</td>
<td>1.03</td>
<td>0.35</td>
<td>0.361</td>
</tr>
<tr>
<td>EIA Industrial Rate</td>
<td>1.00</td>
<td>0.40</td>
<td>0.400</td>
</tr>
<tr>
<td>PPI Industrial Commodities less fuel</td>
<td>1.02</td>
<td>0.25</td>
<td>0.255</td>
</tr>
<tr>
<td>AAF</td>
<td></td>
<td></td>
<td><strong>1.016</strong></td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
<th></th>
<th>Demand</th>
<th>Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Rate Year Base Rate</td>
<td>7.56</td>
<td>12.91</td>
</tr>
<tr>
<td>New Rate Year Base Rate</td>
<td>7.68</td>
<td>13.12</td>
</tr>
</tbody>
</table>
POWER FOR ECONOMIC PROSPERITY’S COMMENTS ON THE PROPOSED RULEMAKING OF THE POWER AUTHORITY OF THE STATE OF NEW YORK  I.D. NO. PAS-24-12-00013-P

Preliminary Statement

In accordance with the Notice of Proposed Rulemaking published in the New York State Register on June 12, 2013, the Power for Economic Prosperity (“PEP”) group hereby files its comments requesting modifications to the proposed amendments to the tariff WNY-1. PEP is a coalition of manufacturing companies that purchase Replacement Power (“RP”) and Expansion Power (“EP”) pursuant to certain agreements and WNY-1. As set forth below, PEP urges the Power Authority to revise its proposed amendments to the tariff to: (1) include a reference to the Customer’s agreements with the Authority and the Customer’s agreements with the local electric utility in the provisions relating to “Load Split Methodology;” and (2) remove the reference to “liquidated damages” in the provisions relating to the payment of bills.

Load Split Methodology

The proposed tariff amendments include a definition of the term “Load Split Methodology” or “LSM” which states that the load split methodology applicable to a Customer’s allocation “…is usually provided for in an agreement between the Authority and the Customer’s local electric utility or such utility’s tariff regarding the delivery of WNY Firm Power.” (WNY-1, Section II J). This definition is incomplete because the LSM is also provided for in agreements between the Customer and the Authority and three way agreements executed by the Customer, the Authority and the local electric utility. For National Grid customers, the LSM is provided for in the “Agreement Regarding Treatment of Allocations of New York Power Authority Expansion Power and Replacement Power Beginning January 1, 2012 and Thereafter” which was executed by the Authority, National Grid, PEP, and Multiple Intervenors. Consequently, in order to ensure that the definition is accurate, PEP proposes that the definition reference agreements
between the Customer and the Authority and the Customer and the local electric utility.

PEP recommends that the definition be revised to state that the LSM “is usually provided for in an agreement between the Authority and the Customer’s local electric utility, an Agreement between the Authority and the Customer, or an Agreement between the Authority, the Customer and the Customer’s local electric utility, or such utility’s tariff…” This clarification should track through to other sections of the proposed tariff in which there is a reference to the agreements as they pertain to the term LSM.

Liquidated Damages

Section IV G pertains to the rendition and payment of bills. Subsection 3 provides that interest charges resulting from the late payment of bills will “be added thereto [to the amount due] as liquidated damages, and thereafter, as further liquidated damages…” The use of the term “liquidated damages” is inappropriate in a tariff and should be deleted. This is a legal term referencing monetary compensation that is awarded by a court judgment or by a contract stipulation. The interest provision in the tariff is a penalty and should not be denominated as liquidated damages. The references to liquidated damages should be deleted from the tariff.

Conclusion

For the reasons stated above, PEP’s proposed amendments to WNY-1 should be incorporated into the final tariff.

Respectfully,

Barbara S. Brenner (bbrenner@whitebrenner.com)

On behalf of Power for Economic Prosperity
<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Company Name</th>
<th>Program</th>
<th>City</th>
<th>County</th>
<th>Original Trustee Approval Date</th>
<th>Allocation (kW)</th>
<th>New Jobs (1)</th>
<th>Total Job Commitment</th>
<th>Estimated Capital Investment</th>
<th>Contract Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-1</td>
<td>Advance 2000, Inc.</td>
<td>RP</td>
<td>Amherst</td>
<td>Erie</td>
<td>5/21/2013</td>
<td>2,900</td>
<td>67</td>
<td>160</td>
<td>$21,350,000</td>
<td>7 Years</td>
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<tr>
<td>A-2</td>
<td>Niagara Refining LLC</td>
<td>RP</td>
<td>Depew</td>
<td>Erie</td>
<td>5/21/2013</td>
<td>2,700</td>
<td>50</td>
<td>50</td>
<td>$29,583,900</td>
<td>7 Years</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5,600</td>
<td>117</td>
<td>210</td>
<td>$50,933,900</td>
<td></td>
</tr>
</tbody>
</table>

(1) Contract allows 3 years from start of electric service to create the new jobs.
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 POWER AND/OR REPLACEMENT POWER

TO ADVANCE 2000, INC.
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 I of Article V 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, hereby enters into this Agreement for the Sale of Expansion Power and/or Replacement Power ("Agreement") with Advance 2000, Inc. ("Customer"), with offices at 1140 Wehrle Drive, Williamsville, New York, 14221-7748. The Authority and the Customer are from time to time referred to in this Agreement as "Party" or collectively as "Parties" and agree follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, Federal Energy Regulatory Commission ("FERC") Project No. 2216, known as "Expansion Power" (or "EP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, FERC Project No. 2216, known as "Replacement Power" (or "RP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

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

WHEREAS, RP consists of 445 MW of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, the Authority is authorized pursuant to PAL § 1005(13)(a) to award EP and/or 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, PAL § 1005(11) provides that the Authority is authorized to “[t]o exercise all the powers necessary or convenient to carry out and effectuate the purposes and provisions of … title [1 of article 5 of the PAL] … and as incidental thereto to . . . sell … electric power, and generally to do any and every thing necessary or convenient to carry out the purposes of … title [1 of article 5 of the PAL] . . .”;

WHEREAS, the Customer applied to the Authority for an allocation of hydropower to support the operation of the Facility it proposes to build and operate;

WHEREAS, on May 21, 2013, the Authority’s Board of Trustees (“Trustees”) approved a 2,900 kilowatt ("kW") allocation of RP to the Customer for a seven (7) year term in connection with the construction and operation of the Facility (defined in Section I of this Agreement as the “Allocation”) as further described in this Agreement;
WHEREAS, on September 24, 2013, the Trustees authorized the Authority to, among other things, take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate its approval of the Allocation;

WHEREAS, the provision of Electric Service associated with the Allocation is an unbundled service separate from the transmission and delivery of power and energy to the Customer, and delivery service will be performed by the Customer’s local electric utility in accordance with the Utility Tariff;

WHEREAS, the Parties have reached an agreement on the sale of the Allocation to the Customer on the terms and conditions provided for in this Agreement;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for contracts negotiated by the Authority; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3).

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

NOW THEREFORE, the Parties hereto agree as follows:

I. Definitions

A. Agreement means this Agreement.

B. Allocation refers to the allocation of EP and/or RP awarded to the Customer as specified in Schedule A.

C. Contract Demand is as defined in Service Tariff No. WNY-1.

D. Electric Service is the Firm Power and Firm Energy associated with the Allocation and sold by the Authority to the Customer in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules.

E. Expansion Power (or EP) is 250 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

F. Facility means the Customer’s facilities as further described in this Agreement.

G. Firm Power is as defined in Service Tariff No. WNY-1.

H. Firm Energy is as defined 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 became effective September 1, 2007 after expiration of the Project’s original license which became effective in 1957.

K. **Hydro Projects** is a collective reference to the Project and the Authority’s St. Lawrence-FDR Project, FERC Project No. 2000.

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

M. **NYISO** means the New York Independent System Operator or any successor organization.

N. **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.

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

P. **Replacement Power (or RP)** is 445 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

Q. **Rules** are the applicable provisions of Authority’s rules and regulations (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.

R. **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.

S. **Schedule A** refers to the Schedule A entitled “Expansion Power and/or Replacement Power Allocations” which is attached to and made part of this Agreement.

T. **Schedule B** refers to the Schedule B entitled “Expansion Power and/or Replacement Commitments” which is attached to and made part of this Agreement.

U. **Schedule C** refers to the Schedule C entitled “Takedown Schedule” which is attached to and made part of this Agreement.

V. **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. Unless otherwise agreed upon by the Parties, Substitute
Energy refers to energy purchased by the Authority for the Customer from markets administered by the NYISO.

W. **Taxes** is as defined in Service Tariff No. WNY-1

X. **Unforced Capacity (or “UCAP”)** means the electric capacity required to be provided by LSEs to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

Y. **Utility Tariff** means the retail tariff(s) of the Customer’s local electric utility filed and approved by the PSC applicable to the delivery of EP and/or RP.

II. **Electric Service**

A. The Authority shall make available Electric Service to enable the Customer to receive the Allocation in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules. The Customer shall not be entitled to receive Electric Service under this Agreement for any EP and/or RP allocation unless such EP and/or RP allocation is identified on Schedule A.

B. The Authority will provide, and the Customer shall pay for, Electric Service with respect to the Allocation specified on Schedule A. If Schedule C specifies a Takedown Schedule for the Allocation, the Authority will provide, and the Customer shall take and pay for, Electric Service with respect to the Allocation in accordance with such Takedown Schedule.

C. The Authority shall provide UCAP in amounts necessary to meet the Customer’s NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs. The Customer shall be responsible to pay the Authority for such UCAP in accordance with Service Tariff No. WNY-1.

D. The Customer acknowledges and agrees that Customer’s local electric utility shall be responsible for delivering the Allocation to the Facility specified in Schedule A, and that the Authority has no responsibility for delivering the Allocation to the Customer.

E. The Contract Demand for the Customer’s Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as EP or RP from the Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. 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.

F. The Contract Demand may not exceed the Allocation.
III. Rates, Terms and Conditions

A. Electric Service shall be sold to the Customer based on the rates, terms and conditions provided for in this Agreement, Service Tariff No. WNY-1 and the Rules.

B. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates for Electric Service shall be subject to increase by Authority at any time upon 30 days prior written notice to Customer if, after consideration by Authority of its legal obligations, the marketability of the output or use of the Project and Authority’s competitive position with respect to other suppliers, 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 Authority’s bond and note resolutions and covenants with the holders of its financial obligations. Authority shall use its best efforts to inform Customer at the earliest practicable date of its intent to increase the power and energy rates pursuant to this provision. Any rate increase to 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, Authority shall forward to Customer with the notice of increase, an explanation of all reasons for the increase, and shall also identify the sources from which Authority will obtain the total of increased revenues and the bases upon which Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

IV. Expansion and/or Replacement Power Commitments

A. Schedule B sets forth the Customer’s specific “Expansion and/or Replacement Power Commitments.” The commitments agreed to in Schedule B are in addition to any other rights and obligations of the Parties provided for in the Agreement.

B. The Authority’s obligation to provide Electric Service under this Agreement, and the Customer’s obligation to take and pay for such Electric Service, are expressly conditioned upon the Customer’s timely completion of the commitments described in Schedule B.

C. In the event of partial completion of the Facility which has resulted in such Facility being partly operational and the partial attainment of the Base Employment Level, the Authority may, upon the Customer’s request, provide Electric Service to the Customer in an amount determined by the Authority to fairly correspond to the completed portion of the Facility, provided that the Customer demonstrates that the amount of requested Electric Service is needed to support the operations of the partially completed Facility.

D. The Customer shall give the Authority not less than ninety (90) days’ advance notice in writing of the anticipated date of partial or full completion of the Facility. The Authority will inspect the Facility for the purpose of verifying the completion status of the Facility and notify Customer of the results of the inspection. The Authority will thereafter
commence Electric Service within a reasonable time after verification based on applicable operating procedures of the Authority, the Customer’s local electric utility and the NYISO.

E. In the event the Customer fails to complete the Facility by May 21, 2016 (i.e., within three (3) years of the Authority’s award of the Allocation), the Allocation, at the option and discretion of the Authority, may be canceled or reduced by the total amount of kilowatts determined by the Authority to fairly correspond to the uncompleted portion of the Facility, provided that in such event, and upon request of the Customer, such date may be extended by the Authority in its sole discretion.

V. Rules and Service Tariff

Service Tariff No. WNY-1, as may be modified or superseded from time to time by the Authority, is 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 provisions of this Agreement and Service Tariff No. WNY-1, the provisions of this Agreement shall govern.

VI. Transmission and Delivery of Firm Power and Firm Energy; Responsibility for Charges

A. The Customer shall be responsible complying with all requirements of its local electric utility that are necessary to enable the Customer to receive delivery service for the Allocation. Delivery of the Allocation shall be subject to the Utility Tariff.

B. The Customer shall be solely responsible for paying its local electric utility for delivery service associated with the Allocation in accordance with the Utility Tariff. Should the Authority incur any charges associated with such delivery service, the Customer shall reimburse the Authority for all such charges.

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 LSE 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 the Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO Tariff, or other applicable tariff ("NYISO Charges"), as set forth in Service Tariff No. WNY-1 or any successor service tariff, regardless of whether such NYISO Charges are transmission-related. Such NYISO Charges shall be in addition to the charges for power and energy.

D. By entering into this Agreement, the Customer consents to the exchange of information between the Authority and the Customer’s local electric utility pertaining to the Customer that the Authority and the local electric utility determine is necessary to provide for the Allocation, sale and delivery of EP and/or RP to the Customer, the proper and efficient implementation of the EP and/or RP programs, billing related to EP and/or RP, and/or the performance of such parties’ obligations under any contracts or other arrangements
between them relating to such matters.

E. The provision of Electric Service by the Authority shall be dependent upon the existence of a written agreement or other form of understanding between the Authority and the Customer’s local electric utility on terms and conditions that are acceptable to the Authority.

F. The Customer understands and acknowledges that the Authority may from time to time require the Customer to complete forms, provide documentation, execute consents and provide other information (collectively, “Information”) which the Authority determines is necessary for the provision of Electric Service, the delivery of EP and/or RP, billing related to the EP and/or RP program, the effective and proper administration of the EP and/or RP program, and/or the performance of contracts or other arrangements between the Authority and the Customer’s local electric utility. The Customer’s failure to provide such Information shall be grounds for the Authority in its sole discretion to withhold or suspend Electric Service to the Customer.

VII. Billing and Billing Methodology

A. The billing methodology for the Allocation shall be determined on a “load factor sharing” basis in a manner consistent with the Utility Tariff and any agreement between the Authority and the Customer’s local electric utility. An alternative basis for billing may be used provided the Parties agree in writing and the local electric utility provides its consent if such consent is deemed necessary.

B. The Authority will render bills by the 10th business day of the month for charges due for the previous month. Such bills shall include charges for Electric Service, NYISO Charges associated with the Allocation (subject to adjustment consistent with any later NYISO re-billings to the Authority), and other applicable charges.

C. The Authority may render bills to the Customer electronically.

D. The Authority and the Customer may agree in writing to an alternative method for the rendering of bills and for the payment of bills, including but not limited to the use of an Authority-established customer self-service web portal.

E. The Authority will charge and collect from the Customer all Taxes (including local, state and federal taxes) the Authority determines are applicable, unless the Customer furnishes the Authority with proof satisfactory to the Authority that (i) the Customer is exempt from the payment of any such Taxes, and/or (ii) the Authority is not obligated to collect such Taxes from the Customer. If the Authority is not collecting Taxes from the Customer based on the circumstances described in (i) or (ii) above, the Customer shall immediately inform the Authority of any change in circumstances relating to its tax status that would require the Authority to charge and collect such Taxes from the Customer.

F. Unless otherwise agreed to by the Authority and the Customer in writing, if the Customer fails to pay any bill when due, an interest charge of two percent (2%) of the amount unpaid shall be added thereto as liquidated damages, and thereafter, as further liquidated
damages, an additional interest charge of one and one-half percent (1 1/2%) of the sum unpaid shall be added on the first day of each succeeding billing period until the amount due, including interest, is paid in full.

G. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of any bill rendered by Authority, the Customer shall pay such bill in full within the time provided for by this Agreement, and adjustments, if appropriate, will be made thereafter.

H. If at any time after commencement of Electric Service the Customer fails to make complete and timely payment of any two (2) bills for Electric Service, the Authority shall have the right to require the Customer to deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit shall be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. If the Customer fails or refuses to provide the deposit within thirty (30) days of a request for such deposit, the Authority may, in its sole discretion, suspend Electric Service to the Customer or terminate this Agreement.

I. All other provisions with respect to billing are set forth in Service Tariff No. WNY-1 and the Rules.

J. The rights and remedies provided to the Authority in this Article are in addition to any and all other rights and remedies available to Authority at law or in equity.

VIII. Hydropower Curtailments and Substitute Energy

A. 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 by the Authority from the Hydro Projects, curtailments (i.e. reductions) in the amount of Firm Power and Firm Energy associated with the Allocation 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, consistent with Service Tariff No. WNY-1 as applicable.

B. The Authority shall provide reasonable notice to Customer of any curtailments referenced in Section VIII.A of this Agreement that could impact Customer’s Electric Service under this Agreement. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the Firm Power and Firm Energy that would otherwise have been supplied pursuant to this Agreement.

C. 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 Rules
(Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

D. 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. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days’ prior written notice.

IX. Effectiveness, Term and Termination

A. This Agreement shall become effective and legally binding on the Parties upon execution of this Agreement by the Authority and the Customer.

B. Once commenced, Electric Service under the Agreement shall continue until the earliest of: (1) termination by the Customer with respect to its Allocation upon ninety (90) days prior written notice to the Authority; (2) termination by the Authority pursuant to this Agreement, Service Tariff No. WNY-1, or the Rules; or (3) expiration of the Allocation by its own term as specified in Schedule A.

C. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days’ notice 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.

D. The Authority may cancel service under this Agreement or modify the quantities of Firm Power and Firm Energy associated with the Allocation: (1) 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 (2) as otherwise provided in this Agreement, Service Tariff No. WNY-1, or the Rules.

X. Additional Allocations

A. Upon proper application by the Customer, the Authority may in its discretion award additional allocations of EP or RP to the Customer at such rates and on such terms and conditions as the Authority establishes. If the Customer agrees to purchase Electric Service associated with any such additional allocation, the Authority will (i) incorporate any such additional allocations into Schedule A, or in its discretion will produce a supplemental schedule, to reflect any such additional allocations, and (ii) produce a modified Appendix to Schedule B, as the Authority determines to be appropriate. The Authority will furnish the Customer with any such modified Schedule A, supplemental schedule, and/or a modified Appendix to Schedule B, within a reasonable time after commencement of Electric Service for any such additional allocation.

B. In addition to any requirements imposed by law, the Customer hereby agrees to furnish such documentation and other information as the Authority requests to enable the Authority to evaluate any requests for additional allocations and consider the terms and conditions that should be applicable of any additional allocations.
XI. Notification

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

To: The Authority

New York Power Authority
123 Main Street
White Plains, New York 10601
Email: ______
Facsimile: ______
Attention: Manager – Business Power Allocations and Compliance

To: The Customer

Advance 2000, Inc.
1140 Wehrle Drive
Williamsville, New York 14221-7748
Email: ______
Facsimile: ______
Attention: ______

The foregoing notice/notification information pertaining to either Party may be changed by such Party upon notification to the other Party pursuant to Section XI.B of this Agreement.

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.

XII. Applicable Law

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 the Niagara Redevelopment Act (16 USC §§836, 836a).
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.

XIV. Successors and Assigns; Resale of Hydropower

A. The Customer may not assign or otherwise transfer an interest in this Agreement.

B. The Customer may not resell or allow any other person to use any quantity of EP and/or RP it has purchased from the Authority under this Agreement.

C. Electric Service sold to the Customer pursuant to this Agreement may only be used by the Customer at the Facility specified in Schedule A.

XV. Previous Agreements and Communications

A. This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the subject matter hereof, and supersedes all prior negotiations, representations, warranties, commitments, offers, contracts and writings, written or oral, with respect to the subject matter hereof.

B. Except as otherwise provided in this Agreement, no modification 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.

XVI. 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 be deemed to 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.
XVII. 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.

XVIII. 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:

ADVANCE 2000, INC.

By: _____________________________________________
Title: _____________________________________________
Date: _____________________________________________

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: ______________________________________________
    John R. Koelmel, Chairman
Date: _____________________________________________
Customer: ADVANCE 2000, INC.

<table>
<thead>
<tr>
<th>Type of Allocation</th>
<th>Amount (kW)</th>
<th>Facility</th>
<th>Trustee Approval Date</th>
<th>Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replacement Power</td>
<td>2,900 kW</td>
<td>155 Pineview Drive, Amherst, NY 14228</td>
<td>May 21, 2013</td>
<td>Seven (7) years from commencement of Electric Service of any portion of this Allocation.</td>
</tr>
</tbody>
</table>
SCHEDULE B TO AGREEMENT FOR THE SALE OF EXPANSION POWER
AND/OR REPLACEMENT POWER TO CUSTOMER

EXPANSION POWER AND/OR REPLACEMENT POWER COMMITMENTS

I. Employment Commitments

A. Employment Levels

The provision of EP and/or RP 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 the Appendix 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 Facility identified in the Appendix to this Schedule, and (2) individuals who are contractors or who are employed by contractors of the Customer and assigned to the Facility identified in such Appendix (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 Facility 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 Facility identified in the Appendix 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.

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 Facility receiving the power covered by the Agreement. If the average of the Customer’s six (6) highest Billing Demands (as such term is described in Service Tariff No. WNY-1) for Expansion 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

The Customer agrees to undertake the capital investment set forth in the Appendix to this Schedule.

Notwithstanding any other provision of the Agreement, the Customer shall provide the Authority with such access to the Facility, and such documentation, as the Authority deems necessary to determine the Customer’s compliance with the Customer’s obligations provided for in this Schedule B.
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 Facility upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

III. Energy Efficiency Audits; Information Requests

Unless otherwise agreed to by the Authority in writing, the Customer shall undergo an energy efficiency audit of its Facility 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 Facility.

The Customer agrees to cooperate to make its Facility 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.

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.

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.
APPENDIX TO SCHEDULE B

BASE EMPLOYMENT LEVEL

Within three (3) years of commencement of Electric Service, the Customer shall employ in aggregate at least one-hundred and sixty (160) full-time employees (“Base Employment Level”) at the Customer’s Facility and at Customer’s headquarters facility at 1140 Wehrle Drive, Williamsville, New York (“Headquarters”). The Base Employment Level shall be maintained thereafter for the term of the Allocation in accordance with Article I of Schedule B. The Base Employment Level is derived from (1) a stipulation by the Customer that there exist ninety-three (93) jobs at Headquarters at the time of the award of the Allocation by the Authority, and (2) a commitment by the Customer to create sixty-seven (67) new jobs at the Facility.

CAPITAL INVESTMENT

The Customer shall purchase, renovate and upgrade the Facility and make a total capital investment of at least $21,350,000 for the Facility (the “Capital Investment). The Capital Investment for the Facility is expected to consist of the following specific expenditures:

Year 1 Expenditures:
Building Purchase, Improvements, Cooling, Generators, Other -- $7,250,000

Year 2 Expenditures:
Software, Servers/Storage, Improvements, Cooling, Other -- $6,700,000

Year 3 Expenditures:
Software, Servers/Storage, Cooling, Generators, Other -- $7,400,000

Total Capital Investment: $21,350,000

The Capital Investment shall be made and the Facility shall be completed and fully operational, no later than May 21, 2016 (i.e., within three (3) years of the Authority’s award of the Allocation). Upon request of the Customer, such date may be extended at the discretion of the Authority.
SCHEDULE C TO AGREEMENT FOR THE SALE OF EXPANSION POWER
AND/OR REPLACEMENT POWER TO CUSTOMER

TAKEDOWN SCHEDULE

N/A
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

Date of Issue:  December 20, 2010
Date Effective:  July 1, 2013

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

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. Payment by Customer to Authority

1. Demand and Energy Charges, Taxes

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. Transmission Charge

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. NYISO Transmission and Related Charges (“NYISO Charges”)

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.
V. **Annual Adjustment Factor**

A. **Adjustment of Rates**

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."

**Index 1, “BLS Industrial Power Price” (35% weight):** 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.

**Index 2, “EIA Average Industrial Power Price” (40% weight):** 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.

**Index 3, “BLS Industrial Commodities Price Less Fuel” (25% weight):** 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

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>171.2</td>
</tr>
<tr>
<td>February</td>
<td>172.8</td>
</tr>
<tr>
<td>March</td>
<td>171.6</td>
</tr>
<tr>
<td>April</td>
<td>173.8</td>
</tr>
<tr>
<td>May</td>
<td>175.1</td>
</tr>
<tr>
<td>June</td>
<td>185.7</td>
</tr>
<tr>
<td>July</td>
<td>186.4</td>
</tr>
<tr>
<td>August</td>
<td>184.7</td>
</tr>
<tr>
<td>September</td>
<td>185.5</td>
</tr>
<tr>
<td>October</td>
<td>175.5</td>
</tr>
<tr>
<td>November</td>
<td>172.2</td>
</tr>
<tr>
<td>December</td>
<td>171.8</td>
</tr>
</tbody>
</table>

Average: 177.2 \( \text{MY} \) \( \text{MY-1} \) = 1.03

Ratio of \( \text{MY} / \text{MY-1} \)
### Index 2 – EIA Industrial Rate

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

Ratio of MY/MY-1 1.00
• Index 3 – Producer Price Index, Industrial Commodities Less Fuel

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>January 190.1</td>
<td>187.2</td>
</tr>
<tr>
<td>February 190.9</td>
<td>188.0</td>
</tr>
<tr>
<td>March 191.6</td>
<td>188.7</td>
</tr>
<tr>
<td>April 192.8</td>
<td>189.9</td>
</tr>
<tr>
<td>May 194.7</td>
<td>191.8</td>
</tr>
<tr>
<td>June 195.2</td>
<td>192.3</td>
</tr>
<tr>
<td>July 195.5</td>
<td>192.3</td>
</tr>
<tr>
<td>August 196.0</td>
<td>193.1</td>
</tr>
<tr>
<td>September 196.1</td>
<td>193.2</td>
</tr>
<tr>
<td>October 196.2</td>
<td>193.8</td>
</tr>
<tr>
<td>November 196.6</td>
<td>193.7</td>
</tr>
<tr>
<td>December 196.7</td>
<td>194.0</td>
</tr>
<tr>
<td><strong>Average</strong> 194.4</td>
<td><strong>191.5</strong></td>
</tr>
</tbody>
</table>

Ratio of MY/MY-1 1.02

**STEP 2**

Determine AAF by Summing the Weighted Indices

<table>
<thead>
<tr>
<th>Index</th>
<th>Ratio of MY to MY-1</th>
<th>Weight</th>
<th>Weighted Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPI Industrial Power</td>
<td>1.03</td>
<td>0.35</td>
<td>0.361</td>
</tr>
<tr>
<td>EIA Industrial Rate</td>
<td>1.00</td>
<td>0.40</td>
<td>0.400</td>
</tr>
<tr>
<td>PPI Industrial Commodities less fuel</td>
<td>1.02</td>
<td>0.25</td>
<td>0.255</td>
</tr>
<tr>
<td><strong>AAF</strong></td>
<td></td>
<td></td>
<td><strong>1.016</strong></td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
<th></th>
<th>Demand $/kW-mo.</th>
<th>Energy $/MWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Rate Year Base Rate</td>
<td>7.56</td>
<td>12.91</td>
</tr>
<tr>
<td>New Rate Year Base Rate</td>
<td>7.68</td>
<td>13.12</td>
</tr>
</tbody>
</table>
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 POWER AND/OR REPLACEMENT POWER

TO NIAGARA REFINING LLC
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 I of Article V 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 12207-3325, hereby enters into this Agreement for the Sale of Expansion Power and/or Replacement Power ("Agreement") with Niagara Refining LLC ("Customer"), with offices at 5661 Transit Road, Depew, New York 14043. The Authority and the Customer are from time to time referred to in this Agreement as “Party” or collectively as “Parties” and agree follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, Federal Energy Regulatory Commission ("FERC") Project No. 2216, known as “Expansion Power” (or “EP”), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, FERC Project No. 2216, known as “Replacement Power” (or “RP”), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, EP consists of 250 megawatts (“MW”) of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, RP consists of 445 MW of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, the Authority is authorized pursuant to PAL § 1005(13)(a) to award EP and/or 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, PAL § 1005(11) provides that the Authority is authorized to “[t]o exercise all the powers necessary or convenient to carry out and effectuate the purposes and provisions of … title [1 of article 5 of the PAL] … and as incidental thereto to . . . sell … electric power, and generally to do any and every thing necessary or convenient to carry out the purposes of … title [1 of article 5 of the PAL] …”;

WHEREAS, the Customer applied to the Authority for an allocation of hydropower to support the operation of the Facility it proposes to build and operate;

WHEREAS, on May 21, 2013, the Authority’s Board of Trustees ("Trustees") approved a 2,700 kilowatt ("kW") allocation of RP to the Customer for a seven (7) year term in connection with the construction and operation of the Facility (defined in Section I of this Agreement as the “Allocation”) as further described in this Agreement;
WHEREAS, on September 24, 2013, the Trustees authorized the Authority to, among other things, take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate its approval of the Allocation;

WHEREAS, the provision of Electric Service associated with the Allocation is an unbundled service separate from the transmission and delivery of power and energy to the Customer, and delivery service will be performed by the Customer’s local electric utility in accordance with the Utility Tariff;

WHEREAS, the Parties have reached an agreement on the sale of the Allocation to the Customer on the terms and conditions provided for in this Agreement;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for contracts negotiated by the Authority; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3).

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

NOW THEREFORE, the Parties hereto agree as follows:

I. Definitions

A. Agreement means this Agreement.

B. Allocation refers to the allocation of EP and/or RP awarded to the Customer as specified in Schedule A.

C. Contract Demand is as defined in Service Tariff No. WNY-1.

D. Electric Service is the Firm Power and Firm Energy associated with the Allocation and sold by the Authority to the Customer in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules.

E. Expansion Power (or EP) is 250 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

F. Facility means the Customer’s facilities as further described in this Agreement.

G. Firm Power is as defined in Service Tariff No. WNY-1.

H. Firm Energy is as defined 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 became effective September 1, 2007 after expiration of the Project’s original license which became effective in 1957.

K. **Hydro Projects** is a collective reference to the Project and the Authority’s St. Lawrence-FDR Project, FERC Project No. 2000.

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

M. **NYISO** means the New York Independent System Operator or any successor organization.

N. **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.

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

P. **Replacement Power (or RP)** is 445 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

Q. **Rules** are the applicable provisions of Authority’s rules and regulations (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.

R. **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.

S. **Schedule A** refers to the Schedule A entitled “Expansion Power and/or Replacement Power Allocations” which is attached to and made part of this Agreement.

T. **Schedule B** refers to the Schedule B entitled “Expansion Power and/or Replacement Commitments” which is attached to and made part of this Agreement.

U. **Schedule C** refers to the Schedule C entitled “Takedown Schedule” which is attached to and made part of this Agreement.

V. **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. Unless otherwise agreed upon by the Parties, Substitute
Energy refers to energy purchased by the Authority for the Customer from markets administered by the NYISO.

W. **Taxes** is as defined in Service Tariff No. WNY-1

X. **Unforced Capacity (or “UCAP”)** means the electric capacity required to be provided by LSEs to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

Y. **Utility Tariff** means the retail tariff(s) of the Customer’s local electric utility filed and approved by the PSC applicable to the delivery of EP and/or RP.

II. **Electric Service**

A. The Authority shall make available Electric Service to enable the Customer to receive the Allocation in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules. The Customer shall not be entitled to receive Electric Service under this Agreement for any EP and/or RP allocation unless such EP and/or RP allocation is identified on Schedule A.

B. The Authority will provide, and the Customer shall pay for, Electric Service with respect to the Allocation specified on Schedule A. If Schedule C specifies a Takedown Schedule for the Allocation, the Authority will provide, and the Customer shall take and pay for, Electric Service with respect to the Allocation in accordance with such Takedown Schedule.

C. The Authority shall provide UCAP in amounts necessary to meet the Customer’s NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs. The Customer shall be responsible to pay the Authority for such UCAP in accordance with Service Tariff No. WNY-1.

D. The Customer acknowledges and agrees that Customer’s local electric utility shall be responsible for delivering the Allocation to the Facility specified in Schedule A, and that the Authority has no responsibility for delivering the Allocation to the Customer.

E. The Contract Demand for the Customer’s Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as EP or RP from the Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. 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.

F. The Contract Demand may not exceed the Allocation.
III. Rates, Terms and Conditions

A. Electric Service shall be sold to the Customer based on the rates, terms and conditions provided for in this Agreement, Service Tariff No. WNY-1 and the Rules.

B. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates for Electric Service shall be subject to increase by Authority at any time upon 30 days prior written notice to Customer if, after consideration by Authority of its legal obligations, the marketability of the output or use of the Project and Authority’s competitive position with respect to other suppliers, 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 Authority’s bond and note resolutions and covenants with the holders of its financial obligations. Authority shall use its best efforts to inform Customer at the earliest practicable date of its intent to increase the power and energy rates pursuant to this provision. Any rate increase to 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, Authority shall forward to Customer with the notice of increase, an explanation of all reasons for the increase, and shall also identify the sources from which Authority will obtain the total of increased revenues and the bases upon which Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

IV. Expansion and/or Replacement Power Commitments

A. Schedule B sets forth the Customer’s specific “Expansion and/or Replacement Power Commitments.” The commitments agreed to in Schedule B are in addition to any other rights and obligations of the Parties provided for in the Agreement.

B. The Authority’s obligation to provide Electric Service under this Agreement, and the Customer’s obligation to take and pay for such Electric Service, are expressly conditioned upon the Customer’s timely completion of the commitments described in Schedule B.

C. In the event of partial completion of the Facility which has resulted in such Facility being partly operational and the partial attainment of the Base Employment Level, the Authority may, upon the Customer’s request, provide Electric Service to the Customer in an amount determined by the Authority to fairly correspond to the completed portion of the Facility, provided that the Customer demonstrates that the amount of requested Electric Service is needed to support the operations of the partially completed Facility.

D. The Customer shall give the Authority not less than ninety (90) days’ advance notice in writing of the anticipated date of partial or full completion of the Facility. The Authority will inspect the Facility for the purpose of verifying the completion status of the Facility and notify Customer of the results of the inspection. The Authority will thereafter
commence Electric Service within a reasonable time after verification based on applicable operating procedures of the Authority, the Customer’s local electric utility and the NYISO.

E. In the event the Customer fails to complete the Facility by May 21, 2016 (i.e., within three (3) years of the Authority’s award of the Allocation), the Allocation, at the option and discretion of the Authority, may be canceled or reduced by the total amount of kilowatts determined by the Authority to fairly correspond to the uncompleted portion of the Facility, provided that in such event, and upon request of the Customer, such date may be extended by the Authority in its sole discretion.

V. Rules and Service Tariff

Service Tariff No. WNY-1, as may be modified or superseded from time to time by the Authority, is 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 provisions of this Agreement and Service Tariff No. WNY-1, the provisions of this Agreement shall govern.

VI. Transmission and Delivery of Firm Power and Firm Energy; Responsibility for Charges

A. The Customer shall be responsible complying with all requirements of its local electric utility that are necessary to enable the Customer to receive delivery service for the Allocation. Delivery of the Allocation shall be subject to the Utility Tariff.

B. The Customer shall be solely responsible for paying its local electric utility for delivery service associated with the Allocation in accordance with the Utility Tariff. Should the Authority incur any charges associated with such delivery service, the Customer shall reimburse the Authority for all such charges.

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 LSE 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 the Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO Tariff, or other applicable tariff (“NYISO Charges”), as set forth in Service Tariff No. WNY-1 or any successor service tariff, regardless of whether such NYISO Charges are transmission-related. Such NYISO Charges shall be in addition to the charges for power and energy.

D. By entering into this Agreement, the Customer consents to the exchange of information between the Authority and the Customer’s local electric utility pertaining to the Customer that the Authority and the local electric utility determine is necessary to provide for the Allocation, sale and delivery of EP and/or RP to the Customer, the proper and efficient implementation of the EP and/or RP programs, billing related to EP and/or RP, and/or the performance of such parties’ obligations under any contracts or other arrangements
between them relating to such matters.

E. The provision of Electric Service by the Authority shall be dependent upon the existence of a written agreement or other form of understanding between the Authority and the Customer’s local electric utility on terms and conditions that are acceptable to the Authority.

F. The Customer understands and acknowledges that the Authority may from time to time require the Customer to complete forms, provide documentation, execute consents and provide other information (collectively, “Information”) which the Authority determines is necessary for the provision of Electric Service, the delivery of EP and/or RP, billing related to the EP and/or RP program, the effective and proper administration of the EP and/or RP program, and/or the performance of contracts or other arrangements between the Authority and the Customer’s local electric utility. The Customer’s failure to provide such Information shall be grounds for the Authority in its sole discretion to withhold or suspend Electric Service to the Customer.

VII. Billing and Billing Methodology

A. The billing methodology for the Allocation shall be determined on a “load factor sharing” basis in a manner consistent with the Utility Tariff and any agreement between the Authority and the Customer’s local electric utility. An alternative basis for billing may be used provided the Parties agree in writing and the local electric utility provides its consent if such consent is deemed necessary.

B. The Authority will render bills by the 10th business day of the month for charges due for the previous month. Such bills shall include charges for Electric Service, NYISO Charges associated with the Allocation (subject to adjustment consistent with any later NYISO re-billings to the Authority), and other applicable charges.

C. The Authority may render bills to the Customer electronically.

D. The Authority and the Customer may agree in writing to an alternative method for the rendering of bills and for the payment of bills, including but not limited to the use of an Authority-established customer self-service web portal.

E. The Authority will charge and collect from the Customer all Taxes (including local, state and federal taxes) the Authority determines are applicable, unless the Customer furnishes the Authority with proof satisfactory to the Authority that (i) the Customer is exempt from the payment of any such Taxes, and/or (ii) the Authority is not obligated to collect such Taxes from the Customer. If the Authority is not collecting Taxes from the Customer based on the circumstances described in (i) or (ii) above, the Customer shall immediately inform the Authority of any change in circumstances relating to its tax status that would require the Authority to charge and collect such Taxes from the Customer.

F. Unless otherwise agreed to by the Authority and the Customer in writing, if the Customer fails to pay any bill when due, an interest charge of two percent (2%) of the amount unpaid shall be added thereto as liquidated damages, and thereafter, as further liquidated
damages, an additional interest charge of one and one-half percent (1 1/2%) of the sum unpaid shall be added on the first day of each succeeding billing period until the amount due, including interest, is paid in full.

G. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of any bill rendered by Authority, the Customer shall pay such bill in full within the time provided for by this Agreement, and adjustments, if appropriate, will be made thereafter.

H. If at any time after commencement of Electric Service the Customer fails to make complete and timely payment of any two (2) bills for Electric Service, the Authority shall have the right to require the Customer to deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit shall be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. If the Customer fails or refuses to provide the deposit within thirty (30) days of a request for such deposit, the Authority may, in its sole discretion, suspend Electric Service to the Customer or terminate this Agreement.

I. All other provisions with respect to billing are set forth in Service Tariff No. WNY-1 and the Rules.

J. The rights and remedies provided to the Authority in this Article are in addition to any and all other rights and remedies available to Authority at law or in equity.

VIII. Hydropower Curtailments and Substitute Energy

A. 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 by the Authority from the Hydro Projects, curtailments (i.e. reductions) in the amount of Firm Power and Firm Energy associated with the Allocation 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, consistent with Service Tariff No. WNY-1 as applicable.

B. The Authority shall provide reasonable notice to Customer of any curtailments referenced in Section VIII.A of this Agreement that could impact Customer’s Electric Service under this Agreement. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the Firm Power and Firm Energy that would otherwise have been supplied pursuant to this Agreement.

C. 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 Rules.
(Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

D. 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. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days’ prior written notice.

IX. Effectiveness, Term and Termination

A. This Agreement shall become effective and legally binding on the Parties upon execution of this Agreement by the Authority and the Customer.

B. Once commenced, Electric Service under the Agreement shall continue until the earliest of: (1) termination by the Customer with respect to its Allocation upon ninety (90) days prior written notice to the Authority; (2) termination by the Authority pursuant to this Agreement, Service Tariff No. WNY-1, or the Rules; or (3) expiration of the Allocation by its own term as specified in Schedule A.

C. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days’ notice 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.

D. The Authority may cancel service under this Agreement or modify the quantities of Firm Power and Firm Energy associated with the Allocation: (1) 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 (2) as otherwise provided in this Agreement, Service Tariff No. WNY-1, or the Rules.

X. Additional Allocations

A. Upon proper application by the Customer, the Authority may in its discretion award additional allocations of EP or RP to the Customer at such rates and on such terms and conditions as the Authority establishes. If the Customer agrees to purchase Electric Service associated with any such additional allocation, the Authority will (i) incorporate any such additional allocations into Schedule A, or in its discretion will produce a supplemental schedule, to reflect any such additional allocations, and (ii) produce a modified Appendix to Schedule B, as the Authority determines to be appropriate. The Authority will furnish the Customer with any such modified Schedule A, supplemental schedule, and/or a modified Appendix to Schedule B, within a reasonable time after commencement of Electric Service for any such additional allocation.

B. In addition to any requirements imposed by law, the Customer hereby agrees to furnish such documentation and other information as the Authority requests to enable the Authority to evaluate any requests for additional allocations and consider the terms and conditions that should be applicable of any additional allocations.
XI. Notification

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

To: The Authority

New York Power Authority
123 Main Street
White Plains, New York 10601
Email: ______
Facsimile: 
Attention: Manager – Business Power Allocations and Compliance

To: The Customer

Niagara Refining LLC
5661 Transit Road
Depew, NY 14043
Email: ______
Facsimile: ______
Attention: ______

The foregoing notice/notification information pertaining to either Party may be changed by such Party upon notification to the other Party pursuant to Section XI.B of this Agreement.

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.

XII. Applicable Law

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 the Niagara Redevelopment Act (16 USC §§836, 836a).
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.

XIV. Successors and Assigns; Resale of Hydropower

A. The Customer may not assign or otherwise transfer an interest in this Agreement.

B. The Customer may not resell or allow any other person to use any quantity of EP and/or RP it has purchased from the Authority under this Agreement.

C. Electric Service sold to the Customer pursuant to this Agreement may only be used by the Customer at the Facility specified in Schedule A.

XV. Previous Agreements and Communications

A. This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the subject matter hereof, and supersedes all prior negotiations, representations, warranties, commitments, offers, contracts and writings, written or oral, with respect to the subject matter hereof.

B. Except as otherwise provided in this Agreement, no modification 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.

XVI. 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 be deemed to 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.
XVII. 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.

XVIII. 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:

NIAGARA REFINING LLC

By: ________________________________

Title: ______________________________

Date: ________________________________

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: ________________________________

   John R. Koelmel, Chairman

Date: ________________________________
Customer: NIAGARA REFINING LLC

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<th>Trustee Approval Date</th>
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<td>Replacement Power</td>
<td>2,700 kW</td>
<td>5661 Transit Road, Depew, NY 14043</td>
<td>May 21, 2013</td>
<td>Seven (7) years from commencement of Electric Service of any portion of this Allocation.</td>
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SCHEDULE B TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER TO CUSTOMER

EXPANSION POWER AND/OR REPLACEMENT POWER COMMITMENTS

I. Employment Commitments

A. Employment Levels

The provision of EP and/or RP 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 the Appendix 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 Facility identified in the Appendix to this Schedule, and (2) individuals who are contractors or who are employed by contractors of the Customer and assigned to the Facility identified in such Appendix (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 Facility 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 Facility identified in the Appendix 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.

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 Facility receiving the power covered by the Agreement. If the average of the Customer’s six (6) highest Billing Demands (as such term is described in Service Tariff No. WNY-1) for Expansion 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**

The Customer agrees to undertake the capital investment set forth in the Appendix to this Schedule.

Notwithstanding any other provision of the Agreement, the Customer shall provide the Authority with such access to the Facility, and such documentation, as the Authority deems necessary to determine the Customer’s compliance with the Customer’s obligations provided for in this Schedule B.
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 Facility upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

III. Energy Efficiency Audits; Information Requests

Unless otherwise agreed to by the Authority in writing, the Customer shall undergo an energy efficiency audit of its Facility 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 Facility.

The Customer agrees to cooperate to make its Facility 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.

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.

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.
APPENDIX TO SCHEDULE B

BASE EMPLOYMENT LEVEL

Within three (3) years of commencement of Electric Service, the Customer shall employ at least fifty (50) full-time employees (“Base Employment Level”) at the Customer’s Facility. The Base Employment Level shall be maintained thereafter for the term of the Allocation in accordance with Article I of Schedule B.

CAPITAL INVESTMENT

The Customer shall build the Facility and make a capital investment of at least $29.58 million for the Facility (the “Capital Investment”). The Capital Investment for the Facility is expected to consist of the following specific expenditures:

1. Process Equipment $8.38 million
2. Platforms $0.75 million
3. Concrete $1.61 million
4. Environmental Equipment $2.85 million
5. Utilities $0.79 million
6. Laboratory $0.40 million
7. Electrical $2.09 million
8. Piping & Valves $5.53 million
9. Instrumentation & Controls $1.52 million
10. Building Modifications $2.09 million
11. Design & Engineering $1.16 million
12. Office & Computers $0.08 million
13. Process Technology $2.33 million

Total $29.58 million

The Capital Investment shall be made, and the Facility shall be completed and fully operational, not later than May 21, 2016 (i.e., within three (3) years of the Authority’s award of the Allocation). Upon request of the Customer, such date may be extended at the sole discretion of the Authority.
SCHEDULE C TO AGREEMENT FOR THE SALE OF EXPANSION POWER
AND/OR REPLACEMENT POWER TO CUSTOMER

TAKE-DOWN SCHEDULE

N/A
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
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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. Billing Methodology and Billing

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. Payment by Customer to Authority

1. Demand and Energy Charges, Taxes

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. **Transmission Charge**

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

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.
V. Annual Adjustment Factor

A. Adjustment of Rates

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.”

Index 1, “BLS Industrial Power Price” (35% weight): 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.

Index 2, “EIA Average Industrial Power Price” (40% weight): 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.

Index 3, “BLS Industrial Commodities Price Less Fuel” (25% weight): 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

<table>
<thead>
<tr>
<th>Measuring Year</th>
<th>Measuring Year - 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>171.2</td>
</tr>
<tr>
<td>February</td>
<td>172.8</td>
</tr>
<tr>
<td>March</td>
<td>171.6</td>
</tr>
<tr>
<td>April</td>
<td>173.8</td>
</tr>
<tr>
<td>May</td>
<td>175.1</td>
</tr>
<tr>
<td>June</td>
<td>185.7</td>
</tr>
<tr>
<td>July</td>
<td>186.4</td>
</tr>
<tr>
<td>August</td>
<td>184.7</td>
</tr>
<tr>
<td>September</td>
<td>185.5</td>
</tr>
<tr>
<td>October</td>
<td>175.5</td>
</tr>
<tr>
<td>November</td>
<td>172.2</td>
</tr>
<tr>
<td>December</td>
<td>171.8</td>
</tr>
<tr>
<td>Average</td>
<td>177.2</td>
</tr>
</tbody>
</table>

Ratio of MY/MY-1: **1.03**
**Index 2 – EIA Industrial Rate**

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

**Ratio of MY/MY-1**  
1.00
**Index 3 – Producer Price Index, Industrial Commodities Less Fuel**

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>January 190.1</td>
<td>187.2</td>
</tr>
<tr>
<td>February 190.9</td>
<td>188.0</td>
</tr>
<tr>
<td>March 191.6</td>
<td>188.7</td>
</tr>
<tr>
<td>April 192.8</td>
<td>189.9</td>
</tr>
<tr>
<td>May 194.7</td>
<td>191.8</td>
</tr>
<tr>
<td>June 195.2</td>
<td>192.3</td>
</tr>
<tr>
<td>July 195.5</td>
<td>192.3</td>
</tr>
<tr>
<td>August 196.0</td>
<td>193.1</td>
</tr>
<tr>
<td>September 196.1</td>
<td>193.2</td>
</tr>
<tr>
<td>October 196.2</td>
<td>193.8</td>
</tr>
<tr>
<td>November 196.6</td>
<td>193.7</td>
</tr>
<tr>
<td>December 196.7</td>
<td>194.0</td>
</tr>
</tbody>
</table>

Average 194.4 191.5

Ratio of MY/MY-1 1.02

**STEP 2**

Determine AAF by Summing the Weighted Indices

<table>
<thead>
<tr>
<th>Index</th>
<th>Ratio of MY to MY-1</th>
<th>Weight</th>
<th>Weighted Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPI Industrial Power</td>
<td>1.03</td>
<td>0.35</td>
<td>0.361</td>
</tr>
<tr>
<td>EIA Industrial Rate</td>
<td>1.00</td>
<td>0.40</td>
<td>0.400</td>
</tr>
<tr>
<td>PPI Industrial Commodities less fuel</td>
<td>1.02</td>
<td>0.25</td>
<td>0.255</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Demand $/kW-mo.</th>
<th>Energy $/MWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Rate Year Base Rate</td>
<td>7.56</td>
<td>12.91</td>
</tr>
<tr>
<td>New Rate Year Base Rate</td>
<td>7.68</td>
<td>13.12</td>
</tr>
</tbody>
</table>
New York State Power Authority

Thursday, July 25th, 2013
2:30 p.m. - 6:30 p.m.

Niagara Power Project Visitors' Center
5777 Lewiston Road
Lewiston, New York 14092

Amy Campobello, Notary Public
SPEAKERS

MS. DELINCE.........................................................3
MR. PASQUALE.......................................................6
MS. DELINCE.........................................................10
MS. DELINCE: Good afternoon. This is a public hearing required by law and authorized by the New York Power Authority Board of Trustees on the proposed direct sale contracts for the sale of hydropower to Advance 2000, Inc. and Niagara Refining LLC.

My name is Karen Delince and I'm the Corporate Secretary of the New York Power Authority. As required by the hearing procedures set forth in the New York State Public Authorities Law, Section 1009, a notice of the hearing was published in six newspapers once a week for the four weeks leading up to this hearing.

The notice of the hearing appeared in the following newspapers:

1. Niagara Gazette
2. Buffalo News
3. Buffalo Business First
4. Lewiston Porter Sentinel
5. Albany Times Union
6. Dunkirk Observer.
Also, pursuant to the Public Authorities Law, notice of this hearing and a copy of the proposed contract were sent to Governor Andrew Cuomo and the following legislative leaders:

1. President Pro Temp of the New York State Senate
2. Speaker of the Assembly
3. Chairman of the Senate Finance Committee
4. Chairman of the Assembly Ways and Means Committee
5. Senate Minority Leader
6. Assembly Minority Leader.

During the 30 days prior to today's hearing, a copy of the proposed contracts were made available for inspection at the Authority's White Plains office, as well as on the Authority's website.

If you plan to make an oral statement at this hearing, I ask that you please see Lorna Johnson at the sign-in table and fill out a card.

Also, if you have a written statement, please give a copy to Ms. Johnson and one to the reporter.

Your written statement may be of any length.
and will appear in the record of the hearing in
addition to your oral statement.

Record of this hearing will remain open for
additional comments through close of business,
Friday, July 26.

Any additional submissions should be mailed
to the Authority's Corporate Secretary at:
123 Main Street, 11-P
White Plains, New York 10601;
or
faxed to 914-390-8040;
or
e-mail to secretarys.office@nypa.gov.

A complete transcript of the hearing, along
with all written submissions, will be submitted to
the Authority's Trustee, who shall reconsider the
terms of the proposed contracts and make changes as
they deem necessary or advisable in light of
comments received.

The transcript of this hearing will also be
made available for the public to review at the
Authority's White Plains office and on the
Authority's website (www.nypa.gov).
After the Trustees' final review, the contracts will be forwarded to the Governor for his consideration and approval.

If you have additional questions, please see Ms. Johnson at the sign-in table.

At this point, I would like to introduce Mr. James Pasquale, Senior Vice President of Economic Development and Energy Efficiency at the Authority who will provide additional details on the proposed direct sale contracts. Thank you.

Mr. Pasquale?

MR. PASQUALE: Thank you, Ms. Delince. Good afternoon. My name is James F. Pasquale and I am the Senior Vice President of Economic Development and Energy Efficiency at the New York Power Authority.

I am here today to present a summary of the proposed contracts to two companies, Advance 2000, Inc. and Niagara Refining LLC, for the direct sale of Replacement Power -- hydropower that is generated here at the Authority's Niagara Power Project.

Under the Public Authorities Law, Section 1005, Subsection 13, the Authority may allocate and
sell directly or by sale-for-resale, 250 Megawatts of Expansion Power, known as EP, and 445 Megawatts of replacement power, known as 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 1st, 1987 shall continue to be allocated in Chautauqua County.

On May 21st, 2013, Advance 2000 and Niagara Refining were awarded hydropower allocations by the Authority's Trustees in return for commitments made to create or expand their businesses in Western New York.

Specifically:

* Advance 2000, Inc. is planning to purchase a 74,000-square-foot building in Amherst to expand operations due to increased demand for hosted voice, data services and cloud computing for various companies nationwide.

    In return for the 2.9 megawatts of Replacement Power, the company commits to spending $21.3 million and creating 67 jobs.

* Niagara Refining LLC plans to create a new tungsten refining plant in Depew by refurbishing and
upgrading a 100,000-square-foot existing facility.

In return for 2.7 megawatts of Replacement Power, the company commits to spending $29.6 million and creating 50 jobs.

In aggregate, the companies have committed to capital spending of over $50 million in their Western New York facilities while creating 117 new jobs.

To summarize some of the pertinent provisions of the proposed contracts, first, the contracts provide for the direct billing of all hydropower supply charges and all New York Independent System Operator, Inc., as known as "NYISO", charges and taxes.

Each contract includes the customer's agreed-upon commitments with respect to employment and capital investment.

The contract retains the Authority's right to reduce or terminate customers' allocations if employment, power utilization or capital investment commitments are not met.

For example, the contracts include an annual job reporting requirement and a job compliance
threshold of 90 percent.

Should a company's average annual employment fall below the compliance threshold of 90 percent of the employment commitment, the Authority has the right to reduce the allocation on a pro rata basis.

Additionally, to accommodate non-payment risk that could result from the direct billing arrangement, the contract includes commercially reasonable provisions concerning the Authority's ability to charge late payment fees and to require deposits in the event of customer failure to make payment for any two monthly bills.

These contract provisions are consistent with recent Authority direct sale contracts, including the Authority's Recharge New York sales contracts.

The contracts will serve the allocations in accordance with the Authority's Service Tariff WNY-1, which specifies the rates and which is applicable to all EP and RP allocations effective July 1, 2013.

The Service Tariff specifies a three-year rate phase-in to a target rate based on the rate of the Authority's other hydropower program --
Preservation Power -- to ultimately ensure consistency among the Authority's three hydropower programs.

The transmission and delivery service for these allocations will be provided by National Grid in accordance with the utilities' Public Service Commission approved delivery service tariffs.

As Ms. Delince stated earlier, the Authority will accept your comments on the proposed contract until the close of business Friday, July 26th.

I will now turn the hearing back to Ms. Delince.

MS. DELINCE: Thank you, Mr. Pasquale.

We will wait for speakers.

(There was a recess.)

MS. DELINCE: The hearing is now closed.
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Gazette (1) 3:17
generated (1) 6:20
Good (2) 3:1;6:12
Governor (2) 4:3;6:2
Grid (1) 10:5

Min-U-Script®

METSCHL & ASSOCIATES
Buffalo: 716-856-1906 Rochester: 585-697-0969

(1) $21.3 - Grid
| H | hearing (14) | 3:2,9,11,13,14;4:2, 14,19:5:1,3,14,20; 10:11,16 | | | 8:22 | non-payment (1) | 9:6 | notice (3) | 3:11,14;4:2 | NYISO (1) | 8:13 |
| I | Inc (4) | 3:5;6:19;7:14;8:13 | include (1) | 8:22 | includes (2) | 8:15;9:8 | including (1) | 9:14 | increased (1) | 7:16 | Independent (1) | 8:12 | inspection (1) | 4:16 | introduce (1) | 6:6 | investment (2) | 8:17,20 |
| K | Karen (1) | 3:7 | known (3) | 7:2;3;8:13 |
| L | late (1) | 9:10 | law (4) | 3:2;10;4:1;6:22 | Leader (2) |
NYPA Hearing
July 25, 2013

set (1) 3:9 shall (2) 5:16;7:7 sign-in (2) 4:20;6:5 six (1) 3:12 Speaker (1) 4:7 speakers (1) 10:14
Specifically (1) 7:13 specifies (2) 9:18,21 spending (3) 7:20;8:3,6 State (2) 3:10;4:6 stated (1) 10:8 statement (4) 4:18,21;3:5;2:2
Street (1) 5:8 submissions (2) 5:6,15 submitted (1) 5:15 Subsection (1) 6:23 summarize (1) 8:9 summary (1) 6:17 supply (1) 8:12 System (1) 8:12

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table (2) 4:20;6:5 target (1) 9:22 Tariff (2) 9:17,21 tariffs (1) 10:7 taxes (1) 8:14 Temp (1) 4:6
terminate (1) 8:19 terms (1) 5:17 three (1) 10:2 three-year (1) 9:21 threshold (2) 9:1,3 Times (1) 3:21
today (1) 6:17 today's (1) 4:14 transcript (2) 5:14,20 transmission (1) 10:4 Trustee (1) 5:16
Trustees (2) 3:3;7:10 Trustees' (1) 6:1 tungsten (1) 7:23 turn (1) 10:11 two (2) 6:18;9:12

U

ultimately (1) 10:1 Under (1) 6:22 Union (1) 3:21 up (1) 3:13 upgrading (1) 8:1 utilities' (1) 10:6 utilization (1) 8:20

V

various (1) 7:17 Vice (2) 6:7,14 voice (1) 7:16

W

wait (1) 10:14 Ways (1) 4:9 website (2) 4:17;5:23 week (1) 3:12 weeks (1) 3:12

Western (2) 7:11;8:7 White (3) 4:16;5:9,22 within (1) 7:4

WNY-1 (1) 9:18 written (3) 4:21,23;5:15 wwnypagov (1) 5:23

York (10) 3:3,8,10;4:6;5:9; 6:15;7:12;8:7,12; 9:15

74,000-square-foot (1) 7:15

2000 (4) 3:5;6;18;7:8,14 2013 (2) 7:8;9:20

21st (1) 7:8 250 (1) 7:1

26 (1) 5:5

26th (1) 10:10
## Proc Awards Exh A

**Procurement (Services) Contracts – Awards**

*(For Description of Contracts See “Discussion”)*

**EXHIBIT “2I-A”**

**September 24, 2013**

<table>
<thead>
<tr>
<th>Plant Site</th>
<th>Company</th>
<th>Contract #</th>
<th>Start of Contract</th>
<th>Description of Contract</th>
<th>Closing Date</th>
<th>Award Basis</th>
<th>Contract Type</th>
<th>Amount Expended To Date</th>
<th>Authorized Expenditures For Life Of Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUSINESS SERVICES - ERAC</td>
<td>Q13-5471; 5 awards:</td>
<td></td>
<td>01/01/14</td>
<td>(on or about) Provide for risk management consulting services to support the following: enterprise risk management program, risk modeling and quantification, credit risk and energy derivative fair market valuation and/or validation</td>
<td>12/31/16</td>
<td>B/P</td>
<td></td>
<td></td>
<td>$3,000,000*</td>
</tr>
</tbody>
</table>

1. **DELOITTE & TOUCHE LLP**
   New York, NY

2. **KEMA, INC.**
   Burlington, MA

3. **PA CONSULTING GROUP, INC.**
   New York, NY

4. **RMG FINANCIAL CONSULTING, INC.**
   Colbert, WA

5. **THE BRATTLE GROUP, INC.**
   Cambridge, MA
   (PO#s TBA)

| ENERGY RESOURCE MGMT - FUEL OPERATIONS | SAYBOLT LP | 01/01/14 | Provide for independent petroleum inspection and other related services | 12/31/16 | B/P | $55,000* |

*Note: represents total for up to 3-year term*
<table>
<thead>
<tr>
<th>Plant Site</th>
<th>Company</th>
<th>Contract #</th>
<th>Start of Contract</th>
<th>Description of Contract</th>
<th>Closing Date</th>
<th>Award Basis¹</th>
<th>Contract Type²</th>
<th>Compensation Limit</th>
<th>Amount Expended To Date</th>
<th>Authorized Expenditures For Life Of Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENTERPRISE SHARED SERVICES - HUMAN RESOURCES</td>
<td>BUCK CONSULTANTS LLC</td>
<td>10/01/13</td>
<td>Provide for consulting and actuarial services in connection with the Authority's employee benefits program</td>
<td>09/30/18</td>
<td>B/P</td>
<td>$530,000*</td>
<td>*Note: represents total for up to 5-year term</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ENTERPRISE SHARED SERVICES - IT</td>
<td>RICOH USA, INC.</td>
<td>10/01/13 (on or about)</td>
<td>Provide for maintenance of the Authority's Multi-Function Devices that provide Managed Print Services (document printing, copying, scanning &amp; faxing) to support business functions at Authority offices &amp; facilities + a dedicated on-site service manager at WPO</td>
<td>09/30/18</td>
<td>B/S</td>
<td>$1,100,000*</td>
<td>*Note: represents total for up to 5-year term</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPERATIONS SUPPORT SERVICES - PROJECT DEV., LICENSING &amp; COMPLIANCE</td>
<td>APPLIED ECOLOGICAL SERVICES, INC.</td>
<td>10/01/13 (on or about)</td>
<td>Provide for planting services for Phase II of the Frog Island Wetland Restoration Habitat Improvement Project, in accordance with the New License and Settlement Agreement commitments for the Niagara Project</td>
<td>12/31/15</td>
<td>B/C</td>
<td>$542,505*</td>
<td>*Note: represents total for up to 2.25-year term</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Award Basis: B= Competitive Bid; S= Sole Source; Si= Single Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; A= Architectural & Engineering Service; L= Legal Service

M / WBE: New York State-certified Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)
<table>
<thead>
<tr>
<th>Plant Site</th>
<th>Company Name</th>
<th>Contract #</th>
<th>Start of Contract</th>
<th>Description of Contract</th>
<th>Closing Date</th>
<th>Award Basis¹</th>
<th>Compensation Limit</th>
<th>Amount Expended To Date</th>
<th>Authorized Expenditures For Life Of Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATIONS - POWER GEN - SENY Plants</td>
<td>BRG MACHINERY CONSULTING</td>
<td>10/01/13 (on or about)</td>
<td>Provide consulting services to support all major rotating machinery and NP centrifugal gas compressors at SENY plants</td>
<td>09/30/18</td>
<td>B/P</td>
<td></td>
<td>$450,000*</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Charlottesville, VA</td>
<td>(Q13-5466; PO# TBA)</td>
<td></td>
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<td></td>
<td></td>
<td>Note: represents total for up to 5-year term</td>
<td></td>
</tr>
<tr>
<td>OPERATIONS SUPPORT SERVICES - ASSET &amp; MAINTENANCE MANAGEMENT</td>
<td>MISTRAS GROUP, INC.</td>
<td>01/01/14 (on or about)</td>
<td>Provide monitoring and analysis of acoustic emission data on transformers, reactors and other power equipment</td>
<td>12/31/18</td>
<td>B/P</td>
<td></td>
<td>$300,000*</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Princeton Junction, NJ</td>
<td>(Q13-5462; PO# TBA)</td>
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<td></td>
<td></td>
<td></td>
<td>Note: represents total for up to 5-year term</td>
<td></td>
</tr>
<tr>
<td>OPERATIONS - POWER GEN - FLYNN</td>
<td>QUINTAL CONTRACTING CORP.</td>
<td>10/01/13 (on or about)</td>
<td>Provide algae removal and disposal services for the Flynn Plant</td>
<td>09/30/18</td>
<td>B/S</td>
<td></td>
<td>$200,000*</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Islip, NY</td>
<td>(RFQ 6000140180; PO# TBA)</td>
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<td></td>
<td></td>
<td></td>
<td>Note: represents total for up to 5-year term</td>
<td></td>
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Proc Ext Exh B

Procurement (Services) Contracts – Extensions and/or Additional Funding
(For Description of Contracts See “Discussion”) September 24, 2013

EXHIBIT “2I-B”

Page 1 of 2

Company

Start of Contract

Description of Contract

Closing Date

Award Basis

Contract Type

Compensation Limit

Authorized Expenditures For Life Of Contract

Plant Site/ Bus. Unit

Contract #

Contract of Contract

ENTERPRISE SHARED SERV - IT

4 related contracts:

1. BAYFORCE TECHNOLOGY SOLUTIONS, INC.
   Tampa, FL
   4600002707
   06/25/13
   Provide for services of temporary SAP programming personnel
   12/31/13
   B/S
   $957,800
   (Aggregate Target Value allocated to date)
   $3,000,000*

   *Note: represents originally approved aggregate total amount;
   NO ADDITIONAL FUNDING requested

2. CARLYLE CONSULTING SERVICES, INC.
   New York, NY
   4600002705
   07/14/13
   IT

3. MITCHELL / MARTIN INC.
   New York, NY
   4600002335
   10/01/10
   ENTERPRISE

4. SAPTA GLOBAL, INC.♦
   dba ZEN4IT
   Woodbridge, NJ
   4600002367
   01/10/11
   OPERATIONS

OPERATIONS SUPP SERV - PROJECT MANAGEMENT

3 related contracts:

1. CH2M HILL INC.
   Englewood, CO
   4600002626
   01/23/13
   Provide for on-call engineering, project and construction management services for the Authority’s T-LEM program and various other projects to support all facilities, as needed
   12/29/17
   B/P
   $10,000,000
   (Aggregate Target Value allocated)
   $20,000,000*

   *Note: includes originally approved initial aggregate total award amount of $10M + CURRENT INCREASE of $10 million

2. CHA CONSULTING INC.
   Albany, NY
   4600002640
   [continued on next page]

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1 Award Basis: B= Competitive Bid; C= Competitive Search; S= Sole Source; Si = Single Source

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### Procurement (Services) Contracts – Extensions and/or Additional Funding

(For Description of Contracts See “Discussion”)  
September 24, 2013

<table>
<thead>
<tr>
<th>Plant Site/Bus. Unit</th>
<th>Company</th>
<th>Contract #</th>
<th>Start of Contract</th>
<th>Description of Contract</th>
<th>Award Basis</th>
<th>Contract Type</th>
<th>Compensation Limit</th>
<th>Amount Expended To Date</th>
<th>Authorized Expenditures For Life Of Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>3. RCM TECH-NOLOGIES INC.</td>
<td>Pennsauken, NJ 4600002627</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Balanced Scorecard for August 2013

<table>
<thead>
<tr>
<th>Goal</th>
<th>Measure</th>
<th>Year-to-Date 2013</th>
<th>Year 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Status</td>
<td>Trend</td>
</tr>
<tr>
<td>Maintain Infrastructure</td>
<td>Generation Market Readiness (%)</td>
<td>99.40</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transmission System Reliability (%)</td>
<td>96.54</td>
<td></td>
</tr>
<tr>
<td>Financial Management</td>
<td>Debt Coverage (Ratio)</td>
<td>2.40</td>
<td></td>
</tr>
<tr>
<td></td>
<td>O&amp;M Budget Performance ($ Millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MMBTU’s Saved</td>
<td>242.3</td>
<td></td>
</tr>
<tr>
<td>Energy Services</td>
<td>Energy Efficiency Investment in State Facilities ($ Millions)</td>
<td>36.6</td>
<td></td>
</tr>
<tr>
<td>Workforce Management</td>
<td>Retention (Touchpoints)</td>
<td>280</td>
<td></td>
</tr>
<tr>
<td>Safety Leadership</td>
<td>DART Rate (Index)</td>
<td>0.78</td>
<td></td>
</tr>
<tr>
<td>Environmental Responsibility</td>
<td>Environmental Incidents (Units)</td>
<td>22</td>
<td></td>
</tr>
</tbody>
</table>

*Updated quarterly; these are 2nd quarter submissions
Highlights

- Sustainability 2012 Annual Report
- Energy Efficiency in Schools Report
- Build Smart NY Benchmarking Report
- Summary of Summer Events
- Operations Report
- Financial Report
Summer 2013

Sustainability Report
- Measures progress on 39 action items

Energy Efficiency in Schools Report
- Best Practices for energy cost savings in schools

BuildSmart NY Benchmarking Report
- Provides the baseline of NY State energy use

Events
- Alcoa Groundbreaking
- B-G 40th Anniversary
- Yonkers-$1.5 million Energy Efficiency Project
- GM’s Tonawanda Plant 75 Anniversary
Chief Operating Officer Report--Performance Measures

Corporate-Level Performance Summary

- Generation Market Readiness is above projections.
- There were no significant generation events in July; two occurred in August:
  - Stator problems occurred at LPGP Unit 1. Unit was out for 8 days.
  - A phase reversal switch failure occurred at LPGP Unit 3. Unit was out for one month.
- No significant transmission events occurred in July or August.

<table>
<thead>
<tr>
<th></th>
<th>July/August 2013</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NYPAA OVERALL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation Market Readiness (%)</td>
<td>99.71</td>
<td>99.40</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>Target</td>
</tr>
<tr>
<td>Transmission Reliability (%)</td>
<td>99.90</td>
<td>98.71</td>
</tr>
<tr>
<td>Environmental Incidents</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>DART Rate</td>
<td>0.00</td>
<td>0.78</td>
</tr>
</tbody>
</table>

Corporate-Level Performance Summary

- Generation Market Readiness is above projections.
- There were no significant generation events in July; two occurred in August:
  - Stator problems occurred at LPGP Unit 1. Unit was out for 8 days.
  - A phase reversal switch failure occurred at LPGP Unit 3. Unit was out for one month.
- No significant transmission events occurred in July or August.
Chief Financial Officer – Summary Report

Year-to-Date Results

- Net income through August, prior to the recognition of the State contribution was $205.5 million, which was $43 million higher than the budget.
  - Results due to higher net margin on sales ($49.9 million) and lower other operating expenses ($8.7 million), partially offset by lower non-operating income ($17.5 million).

Year-End Projection

- Net Income is expected to remain at levels above budget for the year with higher hydro generation and prices, partially offset by a decline in the mark-to-market value of the Authority’s investment portfolio.
  - At the projected levels, the business requirements for cash flow and liquidity are expected to be met.

Enterprise Risk Report

- Was drafted and reviewed with the Audit Committee.
- The development of response/action plans will commence in the 4th quarter as prioritized by the Executive Risk Management Committee.
- The Enterprise Risk team, working with Deloitte LLP, will begin expanding on key risk indicators to monitor top risks.
This report covers performance of the Operations group in July 2013.

**Operations**

*Plant Performance*

Systemwide net generation\(^1\) was 2,306,804 megawatt-hours\(^2\) (MWh) for July 2013 which is above the projected net generation of 2,018,024 MWh. For the year, net generation was 14,266,920 MWh which is above the projected target of 13,783,024 MWh.

The fleet availability factor\(^3\) was 89.71 percent in July 2013 and 87.90 percent for the year. Generation market readiness factor\(^4\) was 99.52 percent in July, which is better than the monthly target of 99.40 percent. Year-to-date generation market readiness factor was at 99.46 percent, which is above the annual target of 99.40%.

There were no significant forced outages in July.

Generation net revenue in July was $46.3 million with a loss of revenue of $0.2 million. For the year, net revenue was $186.0 million while revenue loss was $1.6 million.

Niagara River flows in July 2013 were near the historical average and are expected to be near normal levels for the next two years. St. Lawrence River flows during July 2013 were slightly above forecast. River flows are expected to be near historical levels by the end of 2013.
Transmission Performance

Transmission reliability\[i\] in July was 99.84 percent, which was above the target of 98.55 percent. Year-to-date transmission reliability is 95.71 percent, below the target of 96.20 percent.

There were no significant unplanned transmission events in July to report.

Safety

The NYPA DART (Days Away, Restricted or Transferred) Rate for July 2013 is 0.00 compared to the target of 0.78. For the year, the DART Rate is 0.66.

The Operations DART Rate for July 2013 is 0.00 compared to the target of 1.08. For the year, the DART Rate is 0.81.

There were no lost time incidents in July that met the DART criteria. For the year, there have been 6 injuries that resulted in lost time and meet the DART criteria.

Environmental

There were four reportable incidents in July 2013.

1. At Flynn, a SPDES permit exceedance on Nitrate levels occurred.
2. At Astoria 500MW, a minor oil leak spilled into the East River.
3. Refrigerant leakage occurred at the Poletti Administration Building.
4. Pothead structural oil leakage was found at the Astoria Annex.

For the year, there have been seventeen incidents. The annual target is 32 incidents.

Relicensing – Niagara Power Project

Construction of the Frog Island Habitat Improvement Project (HIP) has commenced. Bids for the vegetation planting phase are under evaluation. Preliminary studies to support design work on the Strawberry Island HIP, which is the last of the Niagara HIPs, continue.

Support continues to be provided for the Maid of the Mist project. Planning and coordination is being provided to minimize the disturbance and interruption of use of NYPA recreational facilities that will be impacted by this undertaking.

Relicensing – St. Lawrence-FDR Power Project

Construction of the Nichols Island Controlled Level Pond HIP was delayed this Spring due to high water levels. Work is back underway with finish work being completed at the eastern end of the project.
Construction on the Little Sucker Brook HIP is back underway. Construction of the new water control structure across Rt. 37 in Waddington will begin soon.

The new Coles Creek Marina building has been completed and is open. This is the last major Relicensing project at the State Park-operated facilities.

Relicensing – Blenheim-Gilboa Project

Preparation of the preliminary licensing documents continues. At this time, no significant regulatory issues that would impact relicensing have been identified.

Life Extension and Modernization Programs

St. Lawrence LEM Upgrade

The Life Extension & Modernization has been completed on all of the generating units. Miscellaneous activities continue to close-out the project.

Transmission LEM

T-LEM is a multiyear program that will upgrade the Authority’s existing transmission system to maintain availability, increase reliability, and ensure regulatory compliance. The Program encompasses Authority transmission assets in the Central, Northern, and Western Regions and has been divided into several projects. The Program is estimated to cost $726 million and is comprised of several projects:

- St. Lawrence Breaker & Relay Replacement:
  - Breaker Installation: Engineering issued a design package for installation of the new circuit breakers.
  - Breaker Procurement: Contract issued to HVB for procurement of circuit breakers.
  - Massena Substation Relay Replacement: Engineering is designing the relay installation packages; project management and site staff are coordinating equipment outages.
  - Alcoa Communications: Engineering issued new communications systems for three transmission lines MRG 1, MRG 2 & MR3.
  - 100MVAR Capacitor Banks: CH2M continues to work on the conceptual design.

- CEC Autotransformer Refurbishment:
  - The first autotransformer refurbishment is scheduled to conclude in August 2013.
  - ABB is preparing submittals to begin the first reactor refurbishment.

- Massena Substation Reactor Refurbishment:
  - A kickoff with ABB Inc. for the reactor refurbishments was conducted in June 2013.

- ADK Substation Spare Autotransformer Procurement:
The project team is continuing to review the proposals for the procurement of the spare auto-transformer.

- **NIA, BG & CEC Relay Replacements:**
  - The project team continues to design, procure equipment and install relays.

- **Massena Substation Autotransformer Replacement:**
  - Replacement of the spare auto-transformer at Massena Substation is in progress with equipment delivery expected in the fall of 2013.
  - Remaining auto-transformers are scheduled for delivery and installation in 2014.

- **Tower Modeling:**
  - Tower modeling of the weathering steel structures and gillage is in progress.

- **Tower Painting:**
  - Tower painting will be rebid to include work on NATL starting in 2014.

- **NIA, STL, CEC & BG Switchyard LEM & STL Substation LEM:**
  - The project team continues to assess switchyard and substation equipment and determine the priority of equipment replacements.

- **PV-20 Submarine Cable Replacement:**
  - Discussions ongoing with VELCO. Scope of work for preliminary engineering has been developed. Meeting conducted with VELCO to review proposal received. A Memorandum of Understanding (MOU) has also been drafted and is being reviewed. Preliminary engineering activities will commence once the MOU is executed.

**LPGP LEM**

The fabrication and the factory acceptance testing of the spare GSU was successfully completed and is scheduled to be delivered in October 2013. The assembly of the second turbine is well underway and the fabrication of the third turbine components were completed and are in transit to Hitachi’s facility located in Japan for assembly. The components for the fourth turbine are in various stages of fabrication and portions of the fifth and sixth turbine components were released for fabrication.

The commissioning of the first unit commenced, however high vibrations at “speed no load” was detected in the unit. The project team is presently investigating this issue with the turbine fabricator, Hitachi, and we are trying to maintain the August 16, 2013 return to service date. The LPGP LEM program is scheduled to be completed in 2020.

**RMNPP Unit 13 Standardization**

The outage for the standardization work commenced on September 14th, 2012 and the unit was returned to service on July 15, 2013 – four days ahead of schedule; project completed.
In July, Technical Compliance continued to oversee compliance enforcement actions related to several of the NERC Reliability Standards that are applicable to NYPA’s NERC registrations. Two new self-reports were submitted to the Northeast Power Coordinating Council (NPCC) in July. There are now a total eight active enforcement actions in progress. The mitigations plans for six of the self-reports have been completed. Three of the six mitigation plans are under review by NPCC and the supporting documentation for the remaining three is being assembled for submission to NPCC. NYPA requested of NPCC that the two recent self-reports be processed under the “Find Fix and Track” (FFT) process as a remediated issue. NPCC enforcement staff are reviewing NYPA’s FFT request.

In July, staff submitted one new reliability standards possible violation concern to Technical Compliance. The compliance concern was related to the NERC Critical Information Protection (CIP) reliability standards. Also in July, Technical Compliance completed four open investigations, two of which resulted in the submittal of self-reports to NPCC. This internal process is viewed by the regulator as evidence that NYPA has a strong internal compliance program.

On June 7, NYPA received a spot check audit notice from NPCC. The off-site spot check audit will be for the NERC reliability standard PRC-001-1.1 – System Protection Coordination for NYPA’s registration as a Generator Operator (GOP). The requested documentation was submitted to NPCC on July 29, 2013 and is currently under review.

The Federal Energy Regulatory Commission (FERC) approved the new Bulk Electric System (BES) definition in an order dated December 20, 2012 and further reaffirmed its order on April 18, 2013. The new definition will require transmission assets above 100 kV to be subject to the NERC Reliability Standards. In July, NYPA staff continued to engage with National Grid, Con Edison, LIPA, and New York State Electric and Gas to address projected gaps in compliance for the Transmission Owner (TO) standards for NYPA assets that either reside in other TO’s substations or for substations owned by NYPA but that are operated and maintained by other TOs. In addition, NYPA continued to have discussions with these TOs regarding the Transmission Operator (TOP) and Transmission Planning (TP) responsibilities for NYPA’s newly identified BES assets. NYPA continues to participate in meetings with the NYISO and the NY TOs to assess new functional registration and compliance management impacts and actions pursuant to the new BES definition.

FERC issued a Notice of Proposed Rulemaking (NOPR) regarding Critical Infrastructure Protection (CIP) Version 5 standards on April 18, 2013. Industry comments were submitted to FERC in June. Based on the NOPR, Version 4 of the CIP standards will not be enforced. Version 3 will be replaced with Version 5, which will become effective July 1, 2015. The pending approval and adoption of Version 5 of the Critical Infrastructure Protection (CIP) standards will have substantive impacts on NYPA’s CIP compliance program. In July, staff continued its classification assessment of NYPA’s
cyber assets. In July, site assessments were conducted at the Clark Energy Center, the Niagara Power Project, the Astoria Annex Substation to identify cyber assets that will be affected by the revised standards. The results will be used to determine the scope and costs of the implementation plan that will ensure NYPA’s compliance with the revised standards.

**Energy Resource Management**

**NYISO Markets**

In July, Energy Resource Management (ERM) bid 2.51 million MWh of NYPA generation into the NYISO markets, netting $77.7 million in power supplier payments to the Authority. Year-to-date net power supplier payments are $369.14 million.

**Fuel Planning & Operations**

In July, NYPA’s Fuels Group transacted $31.2 million in natural gas and oil purchases, compared with $23.1 million in July 2012. Year-to-date natural gas and oil purchases are $213.8 million, compared with $118.3 million at this point in 2012. The total $95.5 million increase is mainly due to the higher cost of fuel and fuel consumption at the Astoria Energy II Plant ($37.2 million), Small Clean Power Plants ($15.3 million), Richard M. Flynn Power Plant ($6.4 million), and the 500-MW Combined Cycle Plant ($36.6 million).
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. Preliminary data in the COO report is provided by Accounting and subject to revision.

2 **Megawatt-hour (MWh)** – The amount of electricity needed to light ten thousand 100-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 pumped storage unit was pumping water instead of generating power).

4 **Generation Market Readiness Factor** – The availability of generating facilities for bidding into the New York Independent System Operator (NYISO) market. It factors in available hours and forced outage hours that drive the results.

5 **Regional Greenhouse Gas Initiative (RGGI)** – A cooperative effort by Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont. These nine states have capped CO₂ emissions from the power sector, and will require a 10 percent reduction in these emissions by 2018. RGGI is composed of individual CO₂ Budget Trading Programs in each of the nine participating states. Regulated power plants can use a CO₂ allowance issued by any of the nine participating states to demonstrate compliance with the state program governing their facility. Taken together, the nine individual state programs function as a single regional compliance market for carbon emissions, the first mandatory, market-based CO₂ emissions reduction program in the United States. New Jersey was a tenth state within the RGGI program but New Jersey’s governor pulled the state out of the program in 2011.

[i] **Transmission Reliability** – A measurement of the impact of forced and scheduled outages on the statewide system’s ability to transmit power.
TO: NYPA BOARD OF TRUSTEES
FROM: EDWARD WELZ, CHIEF OPERATING OFFICER
DATE: SEPTEMBER 10, 2013
SUBJECT: MONTHLY REPORT FOR THE BOARD OF TRUSTEES

This report covers performance of the Operations group in August 2013.

**Operations**

*Plant Performance*

Systemwide net generation\(^1\) was 2,173,255 megawatt-hours\(^2\) (MWh) for August which is above the projected net generation of 1,936,369 MWh. For the year, net generation was 16,440,186 MWh which is above the projected target of 15,719,393 MWh.

The fleet availability factor\(^3\) was 89.94 percent in August and 88.23 percent for the year. Generation market readiness factor\(^4\) was 99.95 percent in August, which is better than the monthly target of 99.40 percent. Year-to-date generation market readiness factor was at 99.52 percent, which is above the annual target of 99.40%.

There were two significant forced outages in August:

1. Stator ground problems occurred on LPGP Unit 1. The unit was out of service for 8 days.
2. LPGP Unit 3 underwent a Phase Reversal Switch failure. The unit was out of service for one month.

Generation net revenue in August was $27.8 million with a loss of revenue of $0.01 million. For the year, net revenue was $213.8 million while the revenue loss was $1.64 million.
Niagara River flows in August were at the historical average and are expected to be near normal levels for the next two years. St. Lawrence River flows during August were above forecast. River flows are expected to be near historical levels by the end of 2013.

Transmission Performance

Transmission reliability\[1\] in August was 99.95 percent, which was above the target of 98.86 percent. Year-to-date transmission reliability is 96.25 percent, below the target of 96.54 percent.

There were no significant unplanned transmission events in August to report.

Safety

The NYPA DART (Days Away, Restricted or Transferred) Rate for August is 0.00 compared to the target of 0.78. For the year, the DART Rate is 0.67.

The Operations DART Rate for August is 0.00 compared to the target of 1.08. For the year, the DART Rate is 0.84.

There were no lost time incidents in August that met the DART criteria. For the year, there have been 7 injuries that resulted in lost time and meet the DART criteria.

Environmental

There were four reportable incidents in August.

1. At Niagara, a SPDES permit exceedance occurred due to a leak at a turbine oil heat exchanger.
2. At St. Lawrence, gasoline leakage was discovered at the former site of an underground storage tank.
3. At Clark Energy Center, a monthly SPDES sampling was missed. This has been reported as a non-compliance event.
4. A hydraulic hose line on an all-terrain Fleet vehicle released 2 gallons of oil into the environment.

For the year, there have been twenty-one incidents. The annual target is 32 incidents.

Relicensing – Niagara Power Project

Construction of the Frog Island Habitat Improvement Project (HIP) continues with good progress. A contract award recommendation for the vegetation planting phase will be considered at the September Trustees meeting. Preliminary studies to support design work on the Strawberry Island HIP, which is the last of the Niagara HIPs, continue.

Support continues to be provided for the Maid of the Mist project which is progressing very well. Planning and coordination is being provided to minimize the disturbance and
interruption of use of NYPA recreational facilities that will be impacted by this undertaking.

**Relicensing – St. Lawrence-FDR Power Project**

Construction of the Nichols Island Controlled Level Pond HIP has moved quickly. Work on 3 of 4 dikes is now completed. Preparations are underway to place the second and last water control structure. Once that is in place, the last dike will be finished. Project completion should be readily accomplished this Fall.

**Relicensing – Blenheim-Gilboa Project**

Preparation of the preliminary licensing documents continues. At this time, no significant regulatory issues that would impact relicensing have been identified. Careful consideration is being given to optimizing the time of the initial filing which will commence the formal FERC process.

**Life Extension and Modernization Programs**

**St. Lawrence LEM Upgrade**

The Life Extension & Modernization has been completed on all of the generating units. Miscellaneous activities continue to close-out the project.

**Transmission LEM**

T-LEM is a multiyear program that will upgrade the Authority’s existing transmission system to maintain availability, increase reliability, and ensure regulatory compliance. The Program encompasses Authority transmission assets in the Central, Northern, and Western Regions. The Program is estimated to cost $726 million and is comprised of several projects:

- **St. Lawrence Breaker & Relay Replacement:**
  - Breaker Installation: Engineering issued a design package for installation of the new circuit breakers. Development of the bid package is in progress.
  - Breaker Procurement: Contract issued to HVB for procurement of circuit breakers.
  - Massena Substation Relay Replacement: Engineering has designed the relay installation packages. Development of the bid package is in progress.
  - Alcoa Communications: Engineering issued new communications systems for three transmission lines MRG 1, MRG 2 & MR3. RFQ is currently advertised.
  - 100MVAR Capacitor Banks: CH2M continues to work on the conceptual design.
• CEC Autotransformer/Reactor Refurbishment:
  o The first autotransformer refurbishment is scheduled to conclude in September 2013.
  o ABB is preparing submittals to begin the first reactor refurbishment (#1A).
• Massena Substation Reactor Refurbishment:
  o ABB is preparing submittals to begin the first reactor refurbishment (#1A).
• ADK Substation Spare Autotransformer Procurement:
  o The project team is continuing to review the proposals for the procurement of the spare auto-transformer. Award is pending resolution of MA1&2 upgrade as to whether substation will remain 230kV or be upgraded to 345kV.
• NIA, BG & CEC Relay Replacements:
  o The project team continues to design, procure equipment and install relays.
• Massena Substation Autotransformer Replacement:
  o Replacement of the spare auto-transformer at Massena Substation is in progress with equipment delivery expected in the fall of 2013.
  o Remaining auto-transformers are scheduled for delivery and installation in 2014.
• Tower Modeling:
  o Tower modeling of the weathering steel structures and grillage is in progress.
• Tower Painting:
  o Tower painting RFQ is currently advertised and includes work at STL and NATL starting in 2014.
• NIA, STL, CEC & BG Switchyard LEM & STL Substation LEM:
  o The project team continues to assess switchyard and substation equipment and determine the priority of equipment replacements.
  o A kick-off meeting is scheduled at CEC to commence development of the CEC Switchyard LEM project plan.
  o Kick-off meetings are being coordinated for the other remote substations.
• PV-20 Submarine Cable Replacement:
  o Discussions ongoing with VELCO. Scope of work for preliminary engineering has been developed. A Memorandum of Understanding (MOU) is being finalized. Preliminary engineering activities will commence once the MOU is executed.

LPGP LEM
The spare GSU is in transit from China and is scheduled to be delivered in October 2013. The assembly of the second turbine is nearing completion and is scheduled to arrive at LPGP in January 2014 as scheduled. The third turbine components arrived in Hitachi’s facility located in Japan and assembly will commence. The components for the fourth
turbine are in various stages of fabrication and portions of the fifth and sixth turbine components were released for fabrication.

The commissioning of the first unit continued however there were several issues that delayed the unit return to service. NYPA staff continue to investigate and resolve these issues with the equipment vendors and the new return to service date is September 14, 2013. The LPGP LEM program is scheduled to be completed in 2020.

Technical Compliance – NERC Reliability Standards

In August, Technical Compliance continued to oversee compliance enforcement actions related to several of the NERC Reliability Standards that are applicable to NYPA’s NERC registrations. No new possible violations of the standards were identified either through audits or self-reports submitted to the Northeast Power Coordinating Council (NPCC) in August. The number of active enforcement actions remains at eight (8). The mitigation plans for six (6) of the self-reports have been completed. Three (3) of the six mitigation plans are under review by NPCC and the supporting documentation for the remaining three (3) is being assembled for submission to NPCC. NYPA requested of NPCC that NYPA’s two most recent self-reports be processed under the “Find Fix and Track” (FFT) process as remediated issues. NPCC is reviewing NYPA’s FFT request.

In August, NYPA staff submitted one new reliability standards possible violation concern to Technical Compliance. The compliance concern is related to NERC Critical Information Protection (CIP) reliability standards. The investigation of the concern will commence in September.

On June 7, NYPA received a spot check audit notice from NPCC for the NERC reliability standard PRC-001-1.1 – System Protection Coordination as applied to NYPA’s registration as a Generator Operator (GOP). All requested documentation was submitted to NPCC on July 29, 2013 and is currently under review.

The Federal Energy Regulatory Commission (FERC) approved the new Bulk Electric System (BES) definition in an order dated December 20, 2012 and further reaffirmed its order on April 18, 2013. The new definition will require transmission assets above 100 kV to be subject to the NERC Reliability Standards. In August, NYPA staff continued to engage with National Grid, Con Edison, LIPA, and New York State Electric and Gas to address projected gaps in compliance for the Transmission Owner (TO) standards for NYPA assets that either reside in other TO’s substations or for substations owned by NYPA, but that are operated and maintained by other TOs. In addition, NYPA continued to have discussions with these TOs and the NYISO regarding the Transmission Operator (TOP) and Transmission Planning (TP) responsibilities for NYPA’s newly identified BES assets.

FERC issued a Notice of Proposed Rulemaking (NOPR) regarding Critical Infrastructure Protection (CIP) Version 5 standards on April 18, 2013. Version 3 will be replaced with Version 5, which will become effective on or about July 1, 2015. The pending approval
and adoption of Version 5 of the Critical Infrastructure Protection (CIP) standards will have substantive impacts on NYPA’s CIP compliance program. In August, staff continued its focus on identifying cyber assets that will be affected by the revised standards. The results will be used to firm up staff’s initial estimates of the scope and costs of the implementation plan that will ensure NYPA’s compliance with the revised standards.

Energy Resource Management

*NYISO Markets*

In August, Energy Resource Management (ERM) bid 2.3 million MWh of NYPA generation into the NYISO markets, netting $41.02 million in power supplier payments to the Authority. Year-to-date net power supplier payments are $410.2 million.

*Fuel Planning & Operations*

In August, NYPA’s Fuels Group transacted $21.7 million in natural gas and oil purchases, compared with $21.2 million in August 2012. Year-to-date natural gas and oil purchases are $235.6 million, compared with $139.6 million at this point in 2012. The total $96.0 million increase is mainly due to the higher cost of fuel and fuel consumption at the Astoria Energy II Plant ($36.6 million), Small Clean Power Plants ($14.7 million), Richard M. Flynn Power Plant ($6.0 million), and the 500-MW Combined Cycle Plant ($38.7 million).
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. Preliminary data in the COO report is provided by Accounting and subject to revision.

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5 **Regional Greenhouse Gas Initiative (RGGI)** – A cooperative effort by Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont. These nine states have capped CO₂ emissions from the power sector, and will require a 10 percent reduction in these emissions by 2018. RGGI is composed of individual CO₂ Budget Trading Programs in each of the nine participating states. Regulated power plants can use a CO₂ allowance issued by any of the nine participating states to demonstrate compliance with the state program governing their facility. Taken together, the nine individual state programs function as a single regional compliance market for carbon emissions, the first mandatory, market-based CO₂ emissions reduction program in the United States. New Jersey was a tenth state within the RGGI program but New Jersey’s governor pulled the state out of the program in 2011.

[i] **Transmission Reliability** – A measurement of the impact of forced and scheduled outages on the statewide system’s ability to transmit power.
New York Power Authority

Report of the Chief Financial Officer

For the Eight Months Ended August 31, 2013
Report of the Chief Financial Officer
For the Eight Months Ended August 31, 2013
Executive Summary

Results of Operations

Net income through August, prior to the recognition of the State contribution, was $205.5 million, which was $43 million better than the budget due to a higher net margin on sales ($49.9 million) and lower other operating expenses ($8.7 million) partially offset by lower non-operating income ($17.5 million). Net margins on sales were higher than anticipated at Niagara ($6.1 million), Blenheim-Gilboa ($11.6 million), and at the SCPP’s ($12.1 million) due to higher market-based sales resulting from higher capacity and energy prices. Higher market-based sales resulted in higher margins at St. Lawrence ($14.5 million) due to higher volumes sold (10% higher generation). Other operating expenses reflected lower than anticipated costs, due to the timing of Industrial Incentive awards and certain economic development fund and Solar and Energy Efficiency Market Acceleration program expenditures. Non-operating income included a higher than anticipated mark-to-market loss on the Authority’s investment portfolio ($20.3 million) due to a sharp increase in market interest rates. Cash losses will not be realized as long as investments are held to maturity, which is generally the case. With the inclusion of the State contribution ($65 million budget, $40 million actual), the Authority had net income of $165.5 million for the eight months ended August 31 compared to a budget of $97.5 million. In July, the Board approved an additional $25 million contribution, which the Authority expects to pay in September 2013.

Net income for the eight months ended August 31, 2013 ($165.5 million) was $24.7 million higher than the comparable period last year ($140.8 million). Current year results reflect a lower voluntary contribution to New York State ($35 million) and a higher net margin on sales ($41.9 million), partially offset by lower non-operating income ($29.8 million) and expenses related to the HTP project ($17.6 million). Voluntary contributions to the State were $40 million through August 2013 compared to $75 million through August 2012. Net margins on sales were higher at Blenheim-Gilboa and the SCPP’s primarily due to higher market based sales resulting from higher prices. Higher net margins at the transmission facilities resulted from higher revenues earned by the Authority’s FACTS project. These positives were partially offset by lower net margins at St. Lawrence due to lower generation. Non-operating income in 2013 included a $24.8 million mark-to-market loss on the Authority’s investment portfolio (due to higher market interest rates), compared to a slight loss in 2012, and lower income from Entergy (The final payment related to Entergy’s purchase of IP2 was made in 2012).

Cash & Liquidity

The Authority ended the month of August with total operating funds of $1,400 million as compared to $1,350 million at the end of 2012. The increase ($50 million) is primarily attributable to net cash from operations ($271 million) and payment received from Entergy of $72 million substantially offset by interconnection and related costs associated with the HTP project ($139 million), the $40 million State contribution, plant additions and debt service payments.
Year-end Projection

The Authority’s net income is expected to remain above budget for the year primarily due to increased hydro generation and firmer capacity prices, partially offset by a decline in the mark-to-market value of the Authority’s investment portfolio.

- **Hydro Flows** – The 19.41 Twh current projection for the combined net generation at the Niagara and St. Lawrence hydroelectric facilities is essentially unchanged from last month, and remains above the 18.45 Twh estimate in the budget, positively impacting the Authority’s net income.

- **Capacity Prices** – With higher than expected capacity prices, Staff took steps to lock in these revenues by selling approximately half of the surplus capacity in the NYISO 6-month summer strip auction, thereby protecting these revenues from any potential downturn in the market.

- **Mark-to-Market Valuation** – The current environment of rising interest rates is having a negative effect on the mark-to-market value of the Authority’s fixed rate investments in its portfolio, decreasing net income on an accrual basis. However, cash losses will not be realized as long as the individual investments are held to maturity, which is generally the case.

At currently projected levels, the Authority’s business requirements for cash flow (debt service coverage) and liquidity are expected to be met.

Risk Management

The drafting of the September 2013 Enterprise Risk Report has been nearing completion and is scheduled to be reviewed with the Audit Committee on September 24. Where applicable, the development of response/action plans will commence in the 4th quarter as prioritized by the Executive Risk Management Committee. Additionally, the Enterprise Risk team, working with Deloitte LLP, will begin expanding the forward looking Key Risk Indicators (KRIs) to monitor top risks.
RESULTS OF OPERATIONS

Net Income

Eight months ended August 31, 2013

($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
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<tbody>
<tr>
<td>Niagara</td>
<td>$99.6</td>
<td>$82.9</td>
<td>$16.7</td>
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<tr>
<td>St. Lawrence</td>
<td>37.9</td>
<td>22.6</td>
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<tr>
<td>Blenheim-Gilboa</td>
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<td>10.7</td>
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<td>SENY</td>
<td>28.7</td>
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<td>Market Supply Power</td>
<td>(75.2)</td>
<td>(71.7)</td>
<td>(3.5)</td>
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<td>Flynn</td>
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<td>9.3</td>
<td>6.4</td>
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<tr>
<td>Transmission</td>
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<td>20.1</td>
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<tr>
<td>Non-facility</td>
<td>0.3</td>
<td>(8.7)</td>
<td>9.0</td>
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<tr>
<td>Total</td>
<td>$165.5</td>
<td>$97.5</td>
<td>$68.0</td>
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Major Factors

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<thead>
<tr>
<th></th>
<th>Better</th>
<th>(Worse)</th>
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<tbody>
<tr>
<td>Niagara</td>
<td>$16.7</td>
<td></td>
</tr>
<tr>
<td>St. Lawrence</td>
<td>15.3</td>
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<tr>
<td>Blenheim-Gilboa</td>
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<tr>
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<td>Transmission</td>
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<tr>
<td>Non-facility</td>
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<tr>
<td>Other facilities</td>
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Niagara
Higher net margin on sales ($6.1) resulting from higher capacity prices, lower expenses related to the timing of the industrial incentive awards Western NY Economic Dev. Fund ($7.4) and lower O&M ($2.2, timing, non-recurring projects).

St. Lawrence
Primarily higher net margin on sales ($14.5, 10% higher generation)

Blenheim-Gilboa
Higher capacity and energy revenues due to higher prices.

SCPP
Higher volumes and price spreads on market-based sales

Transmission
Higher revenues (primarily related to FACTS) partially offset by higher expenses (HTP Project). Proportionally higher energy prices in downstate markets increased congestion costs which had a positive impact on FACTS revenues. Additional expenses resulted from the HTP line being put into service one month ahead of schedule.

Other facilities
Includes higher net margin at Flynn due to higher energy prices.

Non-facility (including investment income)
Primarily due to budgeted $25 million State contribution, which the Authority expects to make in September and lower costs related to Solar and Energy Efficiency Programs ($3.6); partially offset by higher market-to-market loss on the Authority's investment portfolio ($20.3) due to sharp increase in market interest rates.

$68.0
RESULTS OF OPERATIONS

### REVENUES

#### SALES (MWH)

<table>
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<tr>
<th></th>
<th>BUDGET</th>
<th>ACTUAL</th>
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<tr>
<td>Hydro*</td>
<td>2,123,476</td>
<td>3,027,309</td>
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<tr>
<td>Fossil</td>
<td>4,674,450</td>
<td>5,118,414</td>
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<tr>
<td>MSP</td>
<td>-</td>
<td>268,989</td>
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<td><strong>TOTAL</strong></td>
<td><strong>6,797,926</strong></td>
<td><strong>8,414,712</strong></td>
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#### PRICES ($/MWH)

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<th></th>
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<th>ACTUAL</th>
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<tr>
<td>Hydro*</td>
<td>$41.07</td>
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<tr>
<td>Fossil</td>
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<td>$60.35</td>
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<tr>
<td>MSP</td>
<td>-</td>
<td>$41.42</td>
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<tr>
<td><strong>AVERAGE</strong></td>
<td><strong>$50.12</strong></td>
<td><strong>$53.13</strong></td>
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* Includes Niagara, St. Lawrence, B-G, and Small Hydro.

### COSTS

#### PURCHASES (MWH)

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<td>Hydro</td>
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<td>SENY</td>
<td>5,933,321</td>
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<td>MSP</td>
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<td><strong>TOTAL</strong></td>
<td><strong>7,881,792</strong></td>
<td><strong>8,390,225</strong></td>
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#### PRICES ($/MWH)

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<th>ACTUAL</th>
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<tbody>
<tr>
<td>Hydro</td>
<td>$22.45</td>
<td>$28.26</td>
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<tr>
<td>SENY</td>
<td>$46.47</td>
<td>$49.89</td>
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<td>MSP</td>
<td>$42.71</td>
<td>$50.74</td>
</tr>
<tr>
<td><strong>AVERAGE</strong></td>
<td><strong>$42.47</strong></td>
<td><strong>$46.62</strong></td>
</tr>
</tbody>
</table>
RESULTS OF OPERATIONS
Market Energy Prices

GENERATOR ENERGY PRICES ($)  
NIAGARA

January: $43.69
February: $38.30
March: $37.44
April: $36.11
May: $34.95
June: $35.69
July: $37.03
August: $38.34
September: $36.55
October: $35.33
November: $36.05
December: $39.25

GENERATOR ENERGY PRICES ($)  
ST. LAWRENCE

January: $37.55
February: $34.13
March: $34.96
April: $33.07
May: $36.18
June: $33.42
July: $39.36
August: $35.59
September: $33.09
October: $38.90
November: $38.32
December: $44.23

GENERATOR ENERGY PRICES ($)  
NYC

January: $65.62
February: $64.09
March: $49.72
April: $46.66
May: $48.38
June: $49.28
July: $58.06
August: $55.64
September: $45.36
October: $41.60
November: $39.47
December: $54.58
RESULTS OF OPERATIONS

O&M Expenditures
Eight months ended August 31, 2013
($ in millions)

- For the eight months ended August 31, 2013, O&M expenses were $3.5 million lower than budgeted.

- Operations expenditures were $1.0 million lower than budgeted through August. Under-runs at Niagara ($2.2 million) and St. Lawrence ($2.1 million) were substantially offset by higher expenses at the transmission facilities ($1.9 million) and the SCPP’s ($1.2 million). Niagara was under budget due to timing for the Dam Face Repair and the Robert Moses Upper Headgate Rail Inspection and Repair. The underrun at St. Lawrence included less than expected recurring maintenance and a delay in the Unit 27 Stay Ring Crack Repairs. The transmission facilities reflected additional costs associated with the HTP line, which went into service a month ahead of schedule, partially offset by timing differences related to Massena Reactors Refurbishment and St. Lawrence Region Line Clearance Remediation projects. Higher expenses at the SCPP's were due to greater than expected spending for the Kent and Pouch outages, timing for the Gowanus Bulkhead repairs and emergent work for Brentwood Combustion Turbine repair.

- R&D and Other was below budget due to timing for Power Generation Technology, Transmission Technology and Electric Vehicle projects.
The $50 increase in the Operating Fund (from $1,350 to $1,400) was primarily attributable to positive net cash provided by operating activities ($271) and a payment of $72 received from Entergy, substantially offset by interconnection and related costs associated with the HTP project ($139), the State contribution ($40), plant additions and debt service payments.

CASH AND LIQUIDITY
INVESTMENT PORTFOLIO

Maturity Distribution
As of August 31, 2013

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Distribution ($ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 3 Month</td>
<td>253.0</td>
</tr>
<tr>
<td>3-6 Month</td>
<td>101.9</td>
</tr>
<tr>
<td>6-12 Month</td>
<td>101.2</td>
</tr>
<tr>
<td>1-2 Years</td>
<td>205.3</td>
</tr>
<tr>
<td>2-3 Years</td>
<td>241.1</td>
</tr>
<tr>
<td>3-4 Years</td>
<td>296.9</td>
</tr>
<tr>
<td>4-5 Years</td>
<td>220.1</td>
</tr>
<tr>
<td>5-10 Years</td>
<td>25.8</td>
</tr>
<tr>
<td>Over 10 Years</td>
<td>17.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,462.7</strong></td>
</tr>
</tbody>
</table>

ASSET ALLOCATION
As of August 31, 2013

<table>
<thead>
<tr>
<th>Asset</th>
<th>Distribution ($ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fannie Mae</td>
<td>464.5</td>
</tr>
<tr>
<td>Farm Credit</td>
<td>93.0</td>
</tr>
<tr>
<td>Freddie Mac</td>
<td>348.5</td>
</tr>
<tr>
<td>Home Loan</td>
<td>338.2</td>
</tr>
<tr>
<td>Mortgages</td>
<td>18.3</td>
</tr>
<tr>
<td>Municipal</td>
<td>142.9</td>
</tr>
<tr>
<td>Others*</td>
<td>53.7</td>
</tr>
<tr>
<td>Treasury</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,462.7</strong></td>
</tr>
</tbody>
</table>

*Includes CDs and Repos
• Generating Facilities were under budget by $16.3 primarily due to scheduling delays for the Lewiston Pump Generation Plant-LEM.

• Transmission expenditures were under budget by $19.7 primarily due to delays for the St. Lawrence and Niagara relay replacement projects.

• Headquarters expenditures were under budget primarily due to delays and timing differences related to IT Initiative Projects.

• Energy Services expenditures were over budget by $14.1 due to greater than expected spending in the Governmental Services program.

• Under the expenditure authorization procedure, the President authorized new expenditures on budgeted capital projects of $21.2 through August. There were no expenditures authorized in August.

As of August 31, 2013
DEBT PROFILE

<table>
<thead>
<tr>
<th>DEBT PROFILE</th>
<th>($ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Rate</td>
<td>$1,065.4</td>
</tr>
<tr>
<td>Unhedged Variable Rate</td>
<td>506.8</td>
</tr>
<tr>
<td>Hedged Variable Rate (Swapped to Fixed)</td>
<td>146.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,718.3</strong></td>
</tr>
</tbody>
</table>
ENERGY DERIVATIVES

Results

Year-to-date, preliminary energy derivative settlements have resulted in a net loss of $24 million. Gains and losses on these positions are substantially passed through to customers as resulting hedge settlements are incorporated into and recovered through customer rates.

Year-to-Date 2013 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions
($ in Millions)

<table>
<thead>
<tr>
<th>Settlements</th>
<th>YTD(^1)</th>
<th>2013</th>
<th>2014</th>
<th>&gt;=2015</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>NYPA</td>
<td>$ (0.19)</td>
<td>$ (0.03)</td>
<td>$ 0.00</td>
<td>- $</td>
<td>$ (0.03)</td>
</tr>
<tr>
<td>Customer Contracts</td>
<td>$ (23.82)</td>
<td>$ (18.99)</td>
<td>$ (51.95)</td>
<td>$ (19.12)</td>
<td>$ (90.06)</td>
</tr>
<tr>
<td>Total</td>
<td>$ (24.01)</td>
<td>$ (19.03)</td>
<td>$ (51.95)</td>
<td>$ (19.12)</td>
<td>$ (90.10)</td>
</tr>
</tbody>
</table>

\(^1\)Reflects August preliminary settlements.

At the end of August, the fair market value of outstanding positions was at an unrealized loss of $90.10 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of futures contracts for October to December 2013 and how they have traded since November 30, 2010. Exhibit 2 shows the average price of futures contracts for entire year 2014 since November 30, 2011.
Exhibit 1: Average October to December 2013 Forward Price

Exhibit 2: Average January to December 2014 Forward Price
# New York Power Authority
## Financial Reports

### STATEMENT OF NET INCOME
**For the Eight Months Ended August 31, 2013**

<table>
<thead>
<tr>
<th>Annual Budget</th>
<th>Actual</th>
<th>Budget</th>
<th>Variance Favorable/ (Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,114.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer</td>
<td>$1,408.9</td>
<td>$1,410.4</td>
<td>$(1.5)</td>
</tr>
<tr>
<td>520.3 Market-based power sales</td>
<td>544.4</td>
<td>380.2</td>
<td>164.2</td>
</tr>
<tr>
<td>27.9 Ancillary services</td>
<td>20.5</td>
<td>19.0</td>
<td>1.5</td>
</tr>
<tr>
<td>131.9 NTAC and other</td>
<td>91.4</td>
<td>87.1</td>
<td>4.3</td>
</tr>
<tr>
<td>680.1 Total</td>
<td>656.4</td>
<td>486.4</td>
<td>170.0</td>
</tr>
<tr>
<td>2,794.3 Total Operating Revenues</td>
<td>2,065.3</td>
<td>1,896.8</td>
<td>168.5</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>693.8 Purchased power</td>
<td>588.7</td>
<td>473.8</td>
<td>(114.9)</td>
</tr>
<tr>
<td>322.9 Fuel consumed - oil &amp; gas</td>
<td>235.6</td>
<td>228.0</td>
<td>(7.6)</td>
</tr>
<tr>
<td>76.1 Ancillary services</td>
<td>41.0</td>
<td>50.9</td>
<td>9.9</td>
</tr>
<tr>
<td>583.0 Wheeling</td>
<td>400.3</td>
<td>394.3</td>
<td>(6.0)</td>
</tr>
<tr>
<td>426.4 Operations and maintenance</td>
<td>263.0</td>
<td>266.5</td>
<td>3.5</td>
</tr>
<tr>
<td>227.8 Depreciation and amortization</td>
<td>151.5</td>
<td>151.9</td>
<td>0.4</td>
</tr>
<tr>
<td>201.1 Other expenses</td>
<td>125.8</td>
<td>134.6</td>
<td>8.8</td>
</tr>
<tr>
<td>(13.0) Allocation to capital</td>
<td>(6.4)</td>
<td>(8.6)</td>
<td>(2.2)</td>
</tr>
<tr>
<td>2,518.1 Total Operating Expenses</td>
<td>1,799.5</td>
<td>1,691.4</td>
<td>(108.1)</td>
</tr>
<tr>
<td>276.2 Net Operating Income</td>
<td>265.8</td>
<td>205.4</td>
<td>60.4</td>
</tr>
<tr>
<td>Nonoperating Revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>75.8 Post nuclear sale income</td>
<td>60.2</td>
<td>60.2</td>
<td>-</td>
</tr>
<tr>
<td>37.4 Investment income</td>
<td>24.5</td>
<td>24.9</td>
<td>(0.4)</td>
</tr>
<tr>
<td>(9.0) Mark to market - investments</td>
<td>(24.7)</td>
<td>(4.5)</td>
<td>(20.2)</td>
</tr>
<tr>
<td>104.2 Total Nonoperating Revenues</td>
<td>60.0</td>
<td>80.6</td>
<td>(20.6)</td>
</tr>
<tr>
<td>Nonoperating Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65.0 Contributions to New York State</td>
<td>40.0</td>
<td>65.0</td>
<td>25.0</td>
</tr>
<tr>
<td>185.0 Interest and other expenses</td>
<td>120.3</td>
<td>123.5</td>
<td>3.2</td>
</tr>
<tr>
<td>250.0 Total Nonoperating Expenses</td>
<td>160.3</td>
<td>188.5</td>
<td>28.2</td>
</tr>
<tr>
<td>$130.4 Net Income</td>
<td>$165.5</td>
<td>$97.5</td>
<td>$68.0</td>
</tr>
</tbody>
</table>
## New York Power Authority
### Financial Reports

#### COMPARATIVE BALANCE SHEETS

**August 31, 2013**

($ in millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$0.1</td>
<td>$0.1</td>
<td>$0.1</td>
</tr>
<tr>
<td>Investments in government securities</td>
<td>1,403.2</td>
<td>1,422.5</td>
<td>1,370.7</td>
</tr>
<tr>
<td>Interest receivable on investments</td>
<td>6.5</td>
<td>7.1</td>
<td>5.7</td>
</tr>
<tr>
<td>Accounts receivable - customers</td>
<td>266.7</td>
<td>250.3</td>
<td>223.0</td>
</tr>
<tr>
<td>Materials and supplies, at average cost:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant and general</td>
<td>85.2</td>
<td>82.0</td>
<td>83.2</td>
</tr>
<tr>
<td>Fuel</td>
<td>21.4</td>
<td>22.6</td>
<td>18.3</td>
</tr>
<tr>
<td>Prepayments and other</td>
<td>116.2</td>
<td>116.8</td>
<td>135.9</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,899.3</td>
<td>1,901.4</td>
<td>1,836.9</td>
</tr>
<tr>
<td><strong>Noncurrent Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in decommissioning trust fund</td>
<td>1,231.2</td>
<td>1,170.0</td>
<td>1,186.1</td>
</tr>
<tr>
<td>Investment in securities and cash</td>
<td>61.0</td>
<td>73.5</td>
<td>62.1</td>
</tr>
<tr>
<td><strong>Total Restricted Funds</strong></td>
<td>1,292.2</td>
<td>1,243.5</td>
<td>1,248.2</td>
</tr>
<tr>
<td>Capital Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Funds</td>
<td>58.5</td>
<td>88.9</td>
<td>58.0</td>
</tr>
<tr>
<td><strong>Total Capital Funds</strong></td>
<td>58.5</td>
<td>88.9</td>
<td>58.0</td>
</tr>
<tr>
<td>Net Utility Plant</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electric plant in service, less accumulated depreciation</td>
<td>3,250.6</td>
<td>3,354.7</td>
<td>3,331.4</td>
</tr>
<tr>
<td>Capital lease, less accumulated amortization</td>
<td>1,030.3</td>
<td>1,088.0</td>
<td>1,068.8</td>
</tr>
<tr>
<td>Construction work in progress</td>
<td>229.3</td>
<td>144.8</td>
<td>177.8</td>
</tr>
<tr>
<td><strong>Net Utility Plant</strong></td>
<td>4,510.2</td>
<td>4,587.6</td>
<td>4,578.0</td>
</tr>
<tr>
<td>Other Noncurrent Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivable - NY State</td>
<td>318.0</td>
<td>318.0</td>
<td>318.0</td>
</tr>
<tr>
<td>Deferred charges, long-term receivables and other</td>
<td>793.5</td>
<td>594.9</td>
<td>615.9</td>
</tr>
<tr>
<td>Notes receivable - nuclear plant sale</td>
<td>112.8</td>
<td>138.7</td>
<td>124.4</td>
</tr>
<tr>
<td><strong>Total other noncurrent assets</strong></td>
<td>1,224.3</td>
<td>1,051.6</td>
<td>1,058.2</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>8,984.5</td>
<td>8,873.0</td>
<td>8,779.4</td>
</tr>
</tbody>
</table>

| Liabilities and Net Assets | | | |
| Deferred Outflows | | | |
| Accumulated decrease in fair value of hedging derivatives | 72.0 | 171.1 | 107.4 |
| **Total Assets and Deferred Outflows** | $ 9,056.5 | $ 9,044.1 | $ 8,886.8 |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | 867.2 | 941.7 | 853.8 |
| Short-term debt | 335.6 | 331.4 | 330.3 |
| **Total Current Liabilities** | 1,202.8 | 1,273.1 | 1,184.1 |
| Noncurrent Liabilities | | | |
| Long-term Debt | | | |
| Revenue bonds | 1,058.5 | 1,105.0 | 1,060.7 |
| Adjustable rate tender notes | 131.1 | 114.7 | 139.9 |
| Commercial paper | 211.4 | 265.5 | 235.4 |
| **Total Long-term Debt** | 1,401.0 | 1,485.2 | 1,436.0 |
| Other Noncurrent Liabilities | | | |
| Nuclear plant decommissioning | 1,231.2 | 1,170.0 | 1,186.1 |
| Disposal of spent nuclear fuel | 216.5 | 216.3 | 216.4 |
| Capital lease obligation | 1,231.4 | 1,238.5 | 1,236.4 |
| Deferred revenues and other | 137.7 | 224.7 | 157.4 |
| **Total Other Noncurrent Liabilities** | 2,816.8 | 2,849.5 | 2,796.3 |
| **Total Liabilities** | 5,420.6 | 5,607.8 | 5,416.4 |
| Net Position | | | |
| | 3,635.8 | 3,436.3 | 3,470.4 |
| **Total Liabilities and Net Position** | $ 9,056.5 | $ 9,044.1 | $ 8,886.8 |
New York Power Authority  
Financial Reports

SUMMARY OF OPERATING FUND CASH FLOWS  
For the Eight Months Ended August 31, 2013  
($ in millions)

<table>
<thead>
<tr>
<th>Operating Fund</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening</td>
<td>$1,349.7</td>
</tr>
<tr>
<td>Closing</td>
<td>1,399.5</td>
</tr>
<tr>
<td>Increase</td>
<td>49.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Generated</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Operating Income</td>
<td>265.8</td>
</tr>
<tr>
<td>Adjustments to Reconcile to Cash Provided from Operations</td>
<td></td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>151.6</td>
</tr>
<tr>
<td>Net Change in Receivables, Payables &amp; Inventory</td>
<td>(142.1)</td>
</tr>
<tr>
<td>Other</td>
<td>(3.9)</td>
</tr>
</tbody>
</table>

| Net Cash Generated from Operations | 271.4 |

<table>
<thead>
<tr>
<th>(Uses)/Sources</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility Plant Additions</td>
<td>(101.3)</td>
</tr>
<tr>
<td>Debt Service</td>
<td></td>
</tr>
<tr>
<td>Commercial Paper 2</td>
<td>(24.6)</td>
</tr>
<tr>
<td>ART Notes</td>
<td>(8.9)</td>
</tr>
<tr>
<td>Investment income</td>
<td>16.7</td>
</tr>
<tr>
<td>Entergy Payment (Value Sharing Agreement)</td>
<td>71.7</td>
</tr>
<tr>
<td>Voluntary Contributions to NY State</td>
<td>(40.0)</td>
</tr>
<tr>
<td>HTP- Interconnection costs</td>
<td>(115.1)</td>
</tr>
<tr>
<td>HTP-Security deposit - tax gross-up</td>
<td>(23.9)</td>
</tr>
<tr>
<td>Other</td>
<td>3.8</td>
</tr>
</tbody>
</table>

| Total (Uses)/Sources | (221.6) |

<p>| Net Increase in Operating Fund | $49.8  |</p>
<table>
<thead>
<tr>
<th>Line</th>
<th>Company</th>
<th>City</th>
<th>County</th>
<th>Economic Development Region</th>
<th>IOU</th>
<th>Description</th>
<th>kW Request</th>
<th>kW Recommendation (1)</th>
<th>Existing Employment</th>
<th>Job Creation Commitment</th>
<th>Project Capital Investment ($)</th>
<th>Contract Term (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Corning Incorporated</td>
<td>Addison</td>
<td>Steuben</td>
<td>Southern Tier</td>
<td>NYSEG</td>
<td>Manufacturer of diesel exhaust filter</td>
<td>9,000</td>
<td>6,300</td>
<td>500</td>
<td>250</td>
<td>$260,000,000</td>
<td>7</td>
</tr>
</tbody>
</table>

(1) Expansion-based Allocations are recommended to be up to the amount indicated based on fulfillment of capital spending, job creation, and new electric load consistent with the ratio of recommended to requested amount.
<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Company Name</th>
<th>Program</th>
<th>City</th>
<th>County</th>
<th>Power Requested (kW)</th>
<th>Existing NYS Jobs</th>
<th>WNY New Jobs</th>
<th>Other NYS Jobs</th>
<th>Total Job Commitment</th>
<th>Estimated Capital Investment</th>
<th>New Jobs Average Wages (1)</th>
<th>Power Recommended (kW)</th>
<th>Contract Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-1</td>
<td>Alita USA Holdings, Inc.</td>
<td>RP</td>
<td>Buffalo</td>
<td>Erie</td>
<td>6,500</td>
<td>0</td>
<td>157</td>
<td>15</td>
<td>172</td>
<td>$101,850,000</td>
<td>$58,000</td>
<td>4,000</td>
<td>7 Years</td>
</tr>
<tr>
<td><strong>Total Hydropower Recommended</strong></td>
<td></td>
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<td>172</td>
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<td>$101,850,000</td>
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<td>4,000</td>
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</table>

(1) Average wages represents average annual salary per job excluding benefits.
APPLICATION SUMMARY
Replacement Power

Company: Alita USA Holdings, Inc.
Project Location: Buffalo
County: Erie
IOU: National Grid
Business Activity: Production of steel piping for the oil and gas industry
Project Description: Plans to construct a 340,000-square-foot pipe mill at a vacant lot on Rittling Blvd. in Buffalo to manufacture oil country tubular goods. Operations would eventually include three daily shifts at four separate production centers within the mill with the goal of producing 150,000 tons of piping annually.

Existing Allocation(s): None
Power Request: 6,500 kW
Power Recommended: 4,000 kW

Job Commitment:
Existing: 0 jobs
New: 172 jobs (157 jobs in Buffalo + 15 in Buffalo or elsewhere in NYS)

New Jobs/Power Ratio: 39/ MW (based on 157 WNY job creation)
New Jobs - Avg. Wage: $58,000 (excludes benefits)
Capital Investment: $101.85 million
Capital Investment/MW: $25.4 million/ MW

Other ED Incentives: About $10.4 million in grants and tax credits from ESD, the Western New York Power Proceeds Allocation Board and the Erie County IDA. Alita has also applied for additional incentives.

Summary: Alita is a start-up company currently looking at one of two potential locations (Houston and Buffalo) to begin manufacturing electric resistance weld oil country tubular goods by the summer of 2015. While the majority of its customer base is located in Texas, Alita is considering Buffalo for its new facility based on the availability of low cost hydropower and other state and local incentives. If the Buffalo site is chosen, Alita’s plans include developing a brownfield site with a new manufacturing facility, investing over $100 million and creating 157 new jobs in Western NY.
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 POWER AND/OR REPLACEMENT POWER

to
ALITA USA HOLDINGS, INC.
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 I of Article V 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, hereby enters into this Agreement for the Sale of Expansion Power and/or Replacement Power ("Agreement") with Alita USA Holdings, Inc. ("Customer"), with offices at _____Rittling Boulevard, Buffalo, New York 14220. The Authority and the Customer are from time to time referred to in this Agreement as "Party" or collectively as "Parties" and agree follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, Federal Energy Regulatory Commission ("FERC") Project No. 2216, known as "Expansion Power" (or "EP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, FERC Project No. 2216, known as "Replacement Power" (or "RP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

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

WHEREAS, RP consists of 445 MW of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, the Authority is authorized pursuant to PAL § 1005(13)(a) to award EP and/or 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 Customer applied to the Authority for an allocation of hydropower to support operations at a new facility to be constructed and operated by the Customer (defined in Section I of this Agreement as the "Facility");

WHEREAS, on September 24, 2013, the Authority’s Board of Trustees ("Trustees") approved a 4,000 kilowatt ("kW") allocation of RP to the Customer for a seven (7) year term (defined in Section I of this Agreement as the “Allocation”) in connection with the construction and operation of the Facility as further described in this Agreement;

WHEREAS, on September 24, 2013, the Trustees authorized the Authority to, among other things, take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate its approval of the Allocation;
WHEREAS, the provision of Electric Service associated with the Allocation is an unbundled service separate from the transmission and delivery of power and energy to the Customer, and delivery service will be performed by the Customer’s local electric utility in accordance with the Utility Tariff;

WHEREAS, the Parties have reached an agreement on the sale of the Allocation to the Customer on the terms and conditions provided for in this Agreement;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for contracts negotiated by the Authority; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3).

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

NOW THEREFORE, the Parties hereto agree as follows:

I. Definitions

A. **Agreement** means this Agreement.

B. **Allocation** refers to the allocation of EP and/or RP awarded to the Customer as specified in Schedule A.

C. **Contract Demand** is as defined in Service Tariff No. WNY-1.

D. **Electric Service** is the Firm Power and Firm Energy associated with the Allocation and sold by the Authority to the Customer in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules.

E. **Expansion Power** (or **EP**) is 250 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

F. **Facility** means the Customer’s facilities as described in Schedule A to this Agreement.

G. **Firm Power** is as defined in Service Tariff No. WNY-1.

H. **Firm Energy** is as defined 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 became effective September 1, 2007 after expiration of the Project’s original license which became effective in 1957.

K. **Hydro Projects** is a collective reference to the Project and the Authority’s St. Lawrence-FDR Project, FERC Project No. 2000.

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

M. **NYISO** means the New York Independent System Operator or any successor organization.

N. **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.

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

P. **Replacement Power** (or **RP**) is 445 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

Q. **Rules** are the applicable provisions of Authority’s rules and regulations (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.

R. **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.

S. **Schedule A** refers to the Schedule A entitled “Expansion Power and/or Replacement Power Allocations” which is attached to and made part of this Agreement.

T. **Schedule B** refers to the Schedule B entitled “Expansion Power and/or Replacement Commitments” which is attached to and made part of this Agreement.

U. **Schedule C** refers to the Schedule C entitled “Takedown Schedule” which is attached to and made part of this Agreement.

V. **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. Unless otherwise agreed upon by the Parties, Substitute Energy refers to energy purchased by the Authority for the Customer from markets administered by the NYISO.

W. **Taxes** is as defined in Service Tariff No. WNY-1
X. **Unforced Capacity (or “UCAP”)** means the electric capacity required to be provided by LSEs to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

Y. **Utility Tariff** means the retail tariff(s) of the Customer’s local electric utility filed and approved by the PSC applicable to the delivery of EP and/or RP.

II. **Electric Service**

A. The Authority shall make available Electric Service to enable the Customer to receive the Allocation in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules. The Customer shall not be entitled to receive Electric Service under this Agreement for any EP and/or RP allocation unless such EP and/or RP allocation is identified on Schedule A.

B. The Authority will provide, and the Customer shall pay for, Electric Service with respect to the Allocation specified on Schedule A. If Schedule C specifies a Takedown Schedule for the Allocation, the Authority will provide, and the Customer shall take and pay for, Electric Service with respect to the Allocation in accordance with such Takedown Schedule.

C. The Authority shall provide UCAP in amounts necessary to meet the Customer’s NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs. The Customer shall be responsible to pay the Authority for such UCAP in accordance with Service Tariff No. WNY-1.

D. The Customer acknowledges and agrees that Customer’s local electric utility shall be responsible for delivering the Allocation to the Facility specified in Schedule A, and that the Authority has no responsibility for delivering the Allocation to the Customer.

E. The Contract Demand for the Customer’s Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as EP or RP from the Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. 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.

F. The Contract Demand may not exceed the Allocation.

III. **Rates, Terms and Conditions**

A. Electric Service shall be sold to the Customer based on the rates, terms and conditions provided for in this Agreement, Service Tariff No. WNY-1 and the Rules.

B. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates for Electric Service shall be subject to increase by Authority at any time upon 30
days prior written notice to Customer if, after consideration by Authority of its legal
obligations, the marketability of the output or use of the Project and Authority’s
competitive position with respect to other suppliers, 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 Authority’s bond and note resolutions and covenants with the holders of its
financial obligations. Authority shall use its best efforts to inform Customer at the
earliest practicable date of its intent to increase the power and energy rates pursuant to
this provision. Any rate increase to 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, Authority shall forward to Customer with the notice of increase, an explanation
of all reasons for the increase, and shall also identify the sources from which Authority
will obtain the total of increased revenues and the bases upon which Authority will
allocate the increased revenue requirements among its customers. Any such increase in
rates shall remain in effect only so long as Authority determines such increase is
necessary to provide revenues for the purposes stated in the preceding sentences.

IV. Expansion and/or Replacement Power Commitments

A. Schedule B sets forth the Customer’s specific “Expansion and/or Replacement Power
Commitments.” The commitments agreed to in Schedule B are in addition to any other
rights and obligations of the Parties provided for in the Agreement.

B. The Authority’s obligation to provide Electric Service under this Agreement, and the
Customer’s obligation to take and pay for such Electric Service, are expressly conditioned
upon the Customer’s timely completion of the commitments described in Schedule B.

C. In the event of partial completion of the Facility which has resulted in such Facility being
partly operational and the partial attainment of the Base Employment Level, the Authority
may, upon the Customer’s request, provide Electric Service to the Customer in an amount
determined by the Authority to fairly correspond to the completed portion of the Facility,
provided that the Customer demonstrates that the amount of requested Electric Service is
needed to support the operations of the partially completed Facility.

D. The Customer shall give the Authority not less than ninety (90) days’ advance notice in
writing of the anticipated date of partial or full completion of the Facility. The Authority
will inspect the Facility for the purpose of verifying the completion status of the Facility
and notify Customer of the results of the inspection. The Authority will thereafter
commence Electric Service within a reasonable time after verification based on applicable
operating procedures of the Authority, the Customer’s local electric utility and the NYISO.

E. In the event the Customer fails to complete the Facility by September 24, 2016 (i.e.,
within three (3) years of the Authority’s award of the Allocation), the Allocation, at the
option and discretion of the Authority, may be canceled or reduced by the total amount of
kilowatts determined by the Authority to fairly correspond to the uncompleted portion of
the Facility, provided that in such event, and upon request of the Customer, such date may be extended by the Authority in its sole discretion.

V. Rules and Service Tariff

Service Tariff No. WNY-1, as may be modified or superseded from time to time by the Authority, is 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 provisions of this Agreement and Service Tariff No. WNY-1, the provisions of this Agreement shall govern.

VI. Transmission and Delivery of Firm Power and Firm Energy; Responsibility for Charges

A. The Customer shall be responsible complying with all requirements of its local electric utility that are necessary to enable the Customer to receive delivery service for the Allocation. Delivery of the Allocation shall be subject to the Utility Tariff.

B. The Customer shall be solely responsible for paying its local electric utility for delivery service associated with the Allocation in accordance with the Utility Tariff. Should the Authority incur any charges associated with such delivery service, the Customer shall reimburse the Authority for all such charges.

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 LSE 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 the Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO Tariff, or other applicable tariff (“NYISO Charges”), as set forth in Service Tariff No. WNY-1 or any successor service tariff, regardless of whether such NYISO Charges are transmission-related. Such NYISO Charges shall be in addition to the charges for power and energy.

D. By entering into this Agreement, the Customer consents to the exchange of information between the Authority and the Customer’s local electric utility pertaining to the Customer that the Authority and the local electric utility determine is necessary to provide for the Allocation, sale and delivery of EP and/or RP to the Customer, the proper and efficient implementation of the EP and/or RP programs, billing related to EP and/or RP, and/or the performance of such parties’ obligations under any contracts or other arrangements between them relating to such matters.

E. The provision of Electric Service by the Authority shall be dependent upon the existence of a written agreement or other form of understanding between the Authority and the Customer’s local electric utility on terms and conditions that are acceptable to the Authority.
F. The Customer understands and acknowledges that the Authority may from time to time require the Customer to complete forms, provide documentation, execute consents and provide other information (collectively, “Information”) which the Authority determines is necessary for the provision of Electric Service, the delivery of EP and/or RP, billing related to the EP and/or RP program, the effective and proper administration of the EP and/or RP program, and/or the performance of contracts or other arrangements between the Authority and the Customer’s local electric utility. The Customer’s failure to provide such Information shall be grounds for the Authority in its sole discretion to withhold or suspend Electric Service to the Customer.

VII. Billing and Billing Methodology

A. The billing methodology for the Allocation shall be determined on a “load factor sharing” basis in a manner consistent with the Utility Tariff and any agreement between the Authority and the Customer’s local electric utility. An alternative basis for billing may be used provided the Parties agree in writing and the local electric utility provides its consent if such consent is deemed necessary.

B. The Authority will render bills by the 10th business day of the month for charges due for the previous month. Such bills shall include charges for Electric Service, NYISO Charges associated with the Allocation (subject to adjustment consistent with any later NYISO re-billings to the Authority), and other applicable charges.

C. The Authority may render bills to the Customer electronically.

D. The Authority and the Customer may agree in writing to an alternative method for the rendering of bills and for the payment of bills, including but not limited to the use of an Authority-established customer self-service web portal.

E. The Authority will charge and collect from the Customer all Taxes (including local, state and federal taxes) the Authority determines are applicable, unless the Customer furnishes the Authority with proof satisfactory to the Authority that (i) the Customer is exempt from the payment of any such Taxes, and/or (ii) the Authority is not obligated to collect such Taxes from the Customer. If the Authority is not collecting Taxes from the Customer based on the circumstances described in (i) or (ii) above, the Customer shall immediately inform the Authority of any change in circumstances relating to its tax status that would require the Authority to charge and collect such Taxes from the Customer.

F. Unless otherwise agreed to by the Authority and the Customer in writing, if the Customer fails to pay any bill when due, an interest charge of two percent (2%) of the amount unpaid shall be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent (1 1/2%) of the sum unpaid shall be added on the first day of each succeeding billing period until the amount due, including interest, is paid in full.

G. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of any bill rendered by Authority, the Customer shall pay
such bill in full within the time provided for by this Agreement, and adjustments, if appropriate, will be made thereafter.

H. If at any time after commencement of Electric Service the Customer fails to make complete and timely payment of any two (2) bills for Electric Service, the Authority shall have the right to require the Customer to deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit shall be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. If the Customer fails or refuses to provide the deposit within thirty (30) days of a request for such deposit, the Authority may, in its sole discretion, suspend Electric Service to the Customer or terminate this Agreement.

I. All other provisions with respect to billing are set forth in Service Tariff No. WNY-1 and the Rules.

J. The rights and remedies provided to the Authority in this Article are in addition to any and all other rights and remedies available to Authority at law or in equity.

VIII. Hydropower Curtailments and Substitute Energy

A. 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 by the Authority from the Hydro Projects, curtailments (i.e. reductions) in the amount of Firm Power and Firm Energy associated with the Allocation 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, consistent with Service Tariff No. WNY-1 as applicable.

B. The Authority shall provide reasonable notice to Customer of any curtailments referenced in Section VIII.A of this Agreement that could impact Customer’s Electric Service under this Agreement. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the Firm Power and Firm Energy that would otherwise have been supplied pursuant to this Agreement.

C. 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 Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

D. 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. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days’ prior written notice.

IX. Effectiveness, Term and Termination

A. This Agreement shall become effective and legally binding on the Parties upon execution of this Agreement by the Authority and the Customer.

B. Once commenced, Electric Service under the Agreement shall continue until the earliest of: (1) termination by the Customer with respect to its Allocation upon ninety (90) days prior written notice to the Authority; (2) termination by the Authority pursuant to this Agreement, Service Tariff No. WNY-1, or the Rules; or (3) expiration of the Allocation by its own term as specified in Schedule A.

C. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days’ notice 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.

D. The Authority may cancel service under this Agreement or modify the quantities of Firm Power and Firm Energy associated with the Allocation: (1) 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 (2) as otherwise provided in this Agreement, Service Tariff No. WNY-1, or the Rules.

X. Additional Allocations

A. Upon proper application by the Customer, the Authority may in its discretion award additional allocations of EP or RP to the Customer at such rates and on such terms and conditions as the Authority establishes. If the Customer agrees to purchase Electric Service associated with any such additional allocation, the Authority will (i) incorporate any such additional allocations into Schedule A, or in its discretion will produce a supplemental schedule, to reflect any such additional allocations, and (ii) produce a modified Appendix to Schedule B, as the Authority determines to be appropriate. The Authority will furnish the Customer with any such modified Schedule A, supplemental schedule, and/or a modified Appendix to Schedule B, within a reasonable time after commencement of Electric Service for any such additional allocation.

B. In addition to any requirements imposed by law, the Customer hereby agrees to furnish such documentation and other information as the Authority requests to enable the Authority to evaluate any requests for additional allocations and consider the terms and conditions that should be applicable of any additional allocations.
XI. Notification

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

To: The Authority

New York Power Authority
123 Main Street
White Plains, New York 10601
Email: ______
Facsimile: ______
Attention: Manager – Business Power Allocations and Compliance

To: The Customer

Alita USA Holdings, Inc.
_______
_______
Email: ______
Facsimile: ______
Attention: ______

The foregoing notice/notification information pertaining to either Party may be changed by such Party upon notification to the other Party pursuant to Section XI.B of this Agreement.

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.

XII. Applicable Law

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 the Niagara Redevelopment Act (16 USC §§836, 836a).
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.

XIV. Successors and Assigns; Resale of Hydropower

A. The Customer may not assign or otherwise transfer an interest in this Agreement.

B. The Customer may not resell or allow any other person to use any quantity of EP and/or RP it has purchased from the Authority under this Agreement.

C. Electric Service sold to the Customer pursuant to this Agreement may only be used by the Customer at the Facility specified in Schedule A.

XV. Previous Agreements and Communications

A. This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the subject matter hereof, and supersedes all prior negotiations, representations, warranties, commitments, offers, contracts and writings, written or oral, with respect to the subject matter hereof.

B. Except as otherwise provided in this Agreement, no modification 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.

XVI. 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 be deemed to 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.
XVII. 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.

XVIII. 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:

**ALITA USA HOLDINGS, INC.**

By: _____________________________________________

Title: _____________________________________________

Date: _____________________________________________

AGREED:

**POWER AUTHORITY OF THE STATE OF NEW YORK**

By: ______________________________________________

   John R. Koelmel, Chairman

Date: _____________________________________________
## SCHEDULE A TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER TO CUSTOMER

### EXPANSION POWER AND/OR REPLACEMENT POWER ALLOCATIONS

Customer: ALITA USA HOLDINGS, INC.

<table>
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<tr>
<th>Type of Allocation</th>
<th>Allocation Amount (kW)</th>
<th>Facility</th>
<th>Trustee Approval Date</th>
<th>Expiration Date</th>
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<td>Replacement Power</td>
<td>4,000 kW</td>
<td>Rittling Boulevard, Buffalo, NY 14220</td>
<td>September 24, 2013</td>
<td>Seven (7) years from commencement of Electric Service of any portion of this Allocation.</td>
</tr>
</tbody>
</table>
I. Employment Commitments

A. Employment Levels

The provision of EP and/or RP 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 the Appendix 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 the Facility or as otherwise provided for in the Appendix to this Schedule, and (2) individuals who are contractors or who are employed by contractors of the Customer and assigned to the Facility (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 Facility 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 Facility identified in the Appendix 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.
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 Facility receiving the power covered by the Agreement. If the average of the Customer’s six (6) highest Billing Demands (as such term is described in Service Tariff No. WNY-1) for Expansion 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**

The Customer agrees to undertake the capital investment set forth in the Appendix to this Schedule.

Notwithstanding any other provision of the Agreement, the Customer shall provide the Authority with such access to the Facility, and such documentation, as the Authority deems necessary to determine the Customer’s compliance with the Customer’s obligations provided for in this Schedule B.
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 Facility upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

III. Energy Efficiency Audits; Information Requests

Unless otherwise agreed to by the Authority in writing, the Customer shall undergo an energy efficiency audit of its Facility 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 Facility.

The Customer agrees to cooperate to make its Facility 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.

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.

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.
APPENDIX TO SCHEDULE B

BASE EMPLOYMENT LEVEL

Within three (3) years of commencement of Electric Service, the Customer shall employ at least (i) one hundred fifty-seven (157) full-time employees at the Facility and (ii) an additional fifteen (15) new full-time employees at either the Facility and/or at other Customer facilities located in the State of New York. Collectively, these one hundred seventy-two (172) employees shall constitute the “Base Employment Level.” The Base Employment Level shall be maintained thereafter for the term of the Allocation in accordance with Article I of Schedule B.

CAPITAL INVESTMENT

The Customer shall make a total capital investment of at least $101,850,000 to purchase, build and furnish the Facility (the “Capital Investment”). The Capital Investment for the Facility is expected to consist of the following specific expenditures:

- Real Estate Acquisition: $1,500,000
- Construction/Renovation: $28,700,000
- Furniture & Fixtures: $500,000
- Machinery and Equipment Acquisition: $70,400,000
- Employee Training Costs: $50,000
- Utilities: $700,000

Total Capital Investment: $101,850,000

The Capital Investment shall be made, and the Facility shall be completed and fully operational, no later than September 24, 2016 (i.e., within three (3) years of the date of the Authority’s award of the Allocation). Upon request of the Customer, such date may be extended in the sole discretion of the Authority.
SCHEDULE C TO AGREEMENT FOR THE SALE OF EXPANSION POWER
AND/OR REPLACEMENT POWER TO CUSTOMER

TAKEDOWN SCHEDULE

N/A
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

Date of Issue: December 20, 2010
Date Effective: July 1, 2013
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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 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)
   MW-h   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. Billing Methodology and Billing

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. Payment by Customer to Authority

1. Demand and Energy Charges, Taxes

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. **Transmission Charge**

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

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.
V. **Annual Adjustment Factor**

A. **Adjustment of Rates**

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.”

**Index 1, “BLS Industrial Power Price” (35% weight):** 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.

**Index 2, “EIA Average Industrial Power Price” (40% weight):** 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.

**Index 3, “BLS Industrial Commodities Price Less Fuel” (25% weight):** 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

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Average 177.2  172.8

Ratio of MY/MY-1 1.03
### Index 2 – EIA Industrial Rate

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<th>Sales (MWh)</th>
<th>Avg. Rate (cents/kWh)</th>
</tr>
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#### 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**
- Index 3 – Producer Price Index, Industrial Commodities Less Fuel

<table>
<thead>
<tr>
<th>Measuring Year</th>
<th>Measuring Year -1</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>190.1</td>
</tr>
<tr>
<td>February</td>
<td>190.9</td>
</tr>
<tr>
<td>March</td>
<td>191.6</td>
</tr>
<tr>
<td>April</td>
<td>192.8</td>
</tr>
<tr>
<td>May</td>
<td>194.7</td>
</tr>
<tr>
<td>June</td>
<td>195.2</td>
</tr>
<tr>
<td>July</td>
<td>195.5</td>
</tr>
<tr>
<td>August</td>
<td>196.0</td>
</tr>
<tr>
<td>September</td>
<td>196.1</td>
</tr>
<tr>
<td>October</td>
<td>196.2</td>
</tr>
<tr>
<td>November</td>
<td>196.6</td>
</tr>
<tr>
<td>December</td>
<td>196.7</td>
</tr>
<tr>
<td>Average</td>
<td>194.4</td>
</tr>
</tbody>
</table>

Ratio of MY/MY-1: 1.02

**STEP 2**

Determine AAF by Summing the Weighted Indices

<table>
<thead>
<tr>
<th>Index</th>
<th>Ratio of MY to MY-1</th>
<th>Weight</th>
<th>Weighted Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPI Industrial Power</td>
<td>1.03</td>
<td>0.35</td>
<td>0.361</td>
</tr>
<tr>
<td>EIA Industrial Rate</td>
<td>1.00</td>
<td>0.40</td>
<td>0.400</td>
</tr>
<tr>
<td>PPI Industrial Commodities less fuel</td>
<td>1.02</td>
<td>0.25</td>
<td>0.255</td>
</tr>
<tr>
<td>AAF</td>
<td></td>
<td></td>
<td>1.016</td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
<th></th>
<th>Demand $/kW-mo.</th>
<th>Energy $/MWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Rate Year Base Rate</td>
<td>7.56</td>
<td>12.91</td>
</tr>
<tr>
<td>New Rate Year Base Rate</td>
<td>7.68</td>
<td>13.12</td>
</tr>
</tbody>
</table>
## New York Power Authority
### Replacement Power
#### Recommendations for Allocation Extensions

<table>
<thead>
<tr>
<th>Line</th>
<th>Customer Name</th>
<th>Location</th>
<th>County</th>
<th>IOU</th>
<th>Program</th>
<th>Allocation (kW)</th>
<th>Current Job Commitment</th>
<th>Extension Job Commitment</th>
<th>Annual Capital Investment Commitment ($) (1)</th>
<th>Current Allocation End Date</th>
<th>Extended Allocation End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Citigroup Technology, Inc.</td>
<td>Amherst</td>
<td>Erie</td>
<td>NGRID</td>
<td>RP</td>
<td>1,100</td>
<td>500</td>
<td>500</td>
<td>7,500</td>
<td>9/30/2013</td>
<td>9/30/2018</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>1,100</strong></td>
<td><strong>500</strong></td>
<td><strong>500</strong></td>
<td><strong>7,500</strong></td>
<td><strong>9/30/2013</strong></td>
<td><strong>9/30/2018</strong></td>
</tr>
</tbody>
</table>

(1) Represents an annual investment commitment for each year of the extended term of the allocation for a total of $37,500 over five years.
<table>
<thead>
<tr>
<th>Line</th>
<th>Business</th>
<th>City</th>
<th>County</th>
<th>Economic Development Region</th>
<th>Project Description</th>
<th>Project Type</th>
<th>Recommended Award Amount</th>
<th>Total Project Cost</th>
<th>Jobs Retained</th>
<th>Jobs Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Field &amp; Fork Network</td>
<td>Williamsville</td>
<td>Erie</td>
<td>Western NY</td>
<td>The “Ready to Grow” project proposes to take the first and most fundamental step in establishing a Regional Food Hub in the Western New York Region</td>
<td>Agricultural Business Development</td>
<td>$ 166,912</td>
<td>$ 174,912</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>Global Outreach Mission, Inc.</td>
<td>Niagara Falls</td>
<td>Niagara</td>
<td>Western NY</td>
<td>In collaboration with O/N BOCES, the project provides a FREE four hundred (400) hour job training program in the construction trades for the unemployed and under-employed.</td>
<td>Workforce Development</td>
<td>$ 154,500</td>
<td>$ 292,000</td>
<td>0</td>
<td>67</td>
</tr>
<tr>
<td>3</td>
<td>Michigan Street African American Heritage Corridor Commission, Inc.</td>
<td>Buffalo</td>
<td>Erie</td>
<td>Western NY</td>
<td>Develop Corridor programming and a long term goal to attract public-private financing for the re-development of historic buildings in the Corridor</td>
<td>Tourism/Marketing</td>
<td>$ 250,000</td>
<td>$ 290,000</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Aquarium of Niagara</td>
<td>Niagara Falls</td>
<td>Niagara</td>
<td>Western NY</td>
<td>The Aquarium will begin work on Phase I of the organization’s six phase Master Plan, which will significantly enhance the Aquarium as a key attraction for visitors to Niagara Falls</td>
<td>Tourism/Marketing</td>
<td>$ 1,750,000</td>
<td>$ 5,058,771</td>
<td>3</td>
<td>0</td>
</tr>
</tbody>
</table>

Total: $ 2,321,412  $ 5,815,685  3  68
### Projects Deemed Ineligible

<table>
<thead>
<tr>
<th>Line</th>
<th>Business</th>
<th>City</th>
<th>County</th>
<th>Economic Development Region</th>
<th>Project Description</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>St. John Fruitbelt CDC</td>
<td>Buffalo</td>
<td>Erie</td>
<td>Western NY</td>
<td>Developing a 14,000 sq. ft. multi-purpose facility which will house an urban grocer, a health and wellness center and a pharmacy</td>
<td>Retail ¹</td>
</tr>
<tr>
<td>2</td>
<td>Mount St. Mary's Hospital &amp; Health Center</td>
<td>Lewiston</td>
<td>Niagara</td>
<td>Western NY</td>
<td>Equipment and capital improvements on the second floor of the hospital</td>
<td>Retail ¹</td>
</tr>
<tr>
<td>3</td>
<td>Lockport Main Street, Inc.</td>
<td>Lockport</td>
<td>Niagara</td>
<td>Western NY</td>
<td>The mission to restore the historic “Flight of Five” locks and to make them the centerpiece of the revitalization of Lockport</td>
<td>See footnote ²</td>
</tr>
</tbody>
</table>

¹ In accordance with EDL § 189-a(5), the Board defines “retail business” to mean a business that is primarily used in making retail sales of goods or services to customers who personally visit such facilities to obtain goods or services.

² The Act defines “ eligible projects” in relevant part as “economic development projects by eligible applicants…” and further provides that an eligible project “may include capital investments in buildings, equipment, and associated infrastructure (collectively, “infrastructure”) owned by an eligible applicant for fund benefits.” EDL § 189-a(5) (emphasis added).

Lockport Main Street, Inc.’s (“LMS”) funding request relates to restoration of the so-called “Flight of Five” historic locks and associated infrastructure (collectively, the “Locks”) which is owned by the Canal Corporation, a New York State entity. The Locks project is a joint restoration effort being undertaken by the Canal Corporation and the City of Lockport. Although LMS supports the Locks project, it does not own or have any property interest in the Locks, has no obligation to fund any portion of the Locks project, and has no obligation to pay for any costs (e.g., goods and services) associated with the Locks restoration project. Indeed, it appears that were LMS to receive Fund proceeds, it would simply give the money to the Canal Corporation or the City – neither of which is an “eligible applicant” – to help defray the costs of their project.

### Applicants Not Recommended for an Award

<table>
<thead>
<tr>
<th>Line</th>
<th>Business</th>
<th>City</th>
<th>County</th>
<th>Economic Development Region</th>
<th>Project Description</th>
<th>Project Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Burgio Health Alliance, LLC</td>
<td>East Amherst</td>
<td>Erie</td>
<td>Western NY</td>
<td>Developing cancer imaging and therapeutic agents for use in tumor detection, monitoring tumor response, assessing disease and image-guided therapy</td>
<td>Business Investment</td>
</tr>
<tr>
<td>5</td>
<td>Photolitec</td>
<td>Buffalo</td>
<td>Erie</td>
<td>Western NY</td>
<td>The mission to restore the historic “Flight of Five” locks and to make them the centerpiece of the revitalization of Lockport</td>
<td>Innovation/Entrepreneur Development</td>
</tr>
<tr>
<td>6</td>
<td>Lockport Main Street, Inc.</td>
<td>Lockport</td>
<td>Niagara</td>
<td>Western NY</td>
<td></td>
<td>Infrastructure/Downtown Development</td>
</tr>
</tbody>
</table>

### Withdrawn Applications

<table>
<thead>
<tr>
<th>Line</th>
<th>Business</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Western New York Technology Development Center, Inc. d/b/a Insyte Consulting</td>
<td>Withdrawn by applicant</td>
</tr>
<tr>
<td>8</td>
<td>Trek, Inc.</td>
<td>Withdrawn by applicant</td>
</tr>
<tr>
<td>9</td>
<td>Eden Valley Growers, Inc.</td>
<td>Withdrawn by applicant</td>
</tr>
</tbody>
</table>

### Applications Deferred for Further Analysis

<table>
<thead>
<tr>
<th>Line</th>
<th>Business</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>ENTECCO, LLC</td>
<td>Deferred for further analysis</td>
</tr>
<tr>
<td>11</td>
<td>Buffalo Maritime Center</td>
<td>Deferred for further analysis</td>
</tr>
<tr>
<td>12</td>
<td>Humble Pie Group, LLC</td>
<td>Deferred for further analysis</td>
</tr>
</tbody>
</table>

### Applications Recommended for An Award but Not Transmitted to NYPA

<table>
<thead>
<tr>
<th>Line</th>
<th>Business</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Niagara Label Company</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Alia Holdings, Inc.</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Vance's Fancy, Inc./D&amp;Y Cheese, Inc.</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>OSC Manufacturing &amp; Equipment Services, Inc.</td>
<td></td>
</tr>
</tbody>
</table>
Western NY Power Proceeds Allocation Board
Exhibit C

Criteria adapted from the Western NY Power Proceeds Allocation Board’s “Procedures for the Review of Applications for Fund Benefits”

1. The extent to which an award of Fund Benefits would be consistent with the strategies and priorities of the Regional Economic Development Council ("REDC") having responsibility for the region in which an Eligible Project is located.¹ The Western New York Regional Economic Development Council which is responsible for Eligible Projects in Erie and Niagara Counties Strategies & Priorities are:

   ▪ Promote “Smart Growth” by investing in areas that infrastructure already exists and achieves certain goals, such as: preserving historic buildings; reviving downtowns; reviving main streets; investing in existing neighborhoods; and investing in former industrial sites. A project consistent with Smart Growth will also focus on: enhancing walkability; enhancing multiple modes of transportation; connecting disadvantaged communities to employment clusters; spurring mixed-use private investment in existing communities and preserving/enhancing natural lands and or resources.
   ▪ Promote workforce development by increasing diversity in the labor force, developing and cultivating that includes workers with advancement potential, underemployed, unemployed and special population; align education and skills training to job market for current and future industry needs.
   ▪ Foster entrepreneurship and new business formation and growth. Designing a plan that brings new technologies and/or products to the marketplace, increases new start ups in strategic industries and facilitates the commercialization of products that can lead to job growth in the Region.
   ▪ Increase the industry profile of agriculture in WNY by: creating better access to markets; creating new products; creating new more efficient processes; creating strong regional brands; creating programs that promote careers in agriculture.
   ▪ Utilize Western New York’s proximity to Canadian and U.S. population centers to advance economic development in WNY. Bi-national projects will: utilize cross-border planning to create transportation and logistical infrastructure; improve operational relationships; promote the attractiveness of WNY as a hub for global trade.

¹ As provided for in EDL § 189-c(4), criteria 2-15 are adapted from the criteria for eligibility for Expansion Power, Replacement Power and Preservation Power under Public Authorities Law § 1005. The specific criteria identified in PAL § 1005(13)(b)(4)-(5) are relevant to power allocations under these programs but do not have any logical application to allocations of Fund Benefits. Therefore, the Board does not expect to use these criteria to evaluate applications for Fund Benefits. Additionally, in accordance with PAL § 1005(13), criteria 13-15 listed herein will only be used in the case of Eligible Projects which are proposed by Applicants as, and determined by the Board to be, “revitalization” projects.
- Position the WNY region as a global energy hub through new sources of clean energy, energy efficiency and energy efficient transportation.
- Support growth of advanced manufacturing by making research more available to manufacturers to help them innovate.
- Spur growth in the health and life sciences industry through improved commercialization, recruit high profile research talent and reducing the cost burden of healthcare while improving health outcomes.
- Expand the scope of higher education by increasing accessibility to Higher Education for communities that currently have limited access to educational opportunities; better aligning education with the industry needs and creating support structures for start-ups which will assist start-ups with commercialization, business planning, workforce preparation, facilities, etc.
- Grow visitors and visitor spending by raising the profile of WNY as a national and international destination; connect multiple tourist destinations in WNY; improve the profile of the WNY Gateway to the United States.

For more information on the Western New York Regional Economic Development Council please go to [http://regionalcouncils.ny.gov/content/western-new-york](http://regionalcouncils.ny.gov/content/western-new-york).

2. The extent to which an award of Fund Benefits would be consistent with the strategies and priorities of the Regional Economic Development Council (“REDC”) having responsibility for the region in which an Eligible Project is located.?

2 The Finger Lakes Regional Economic Development Council which is responsible for Eligible Projects in Orleans and Genesee Counties Strategies & Priorities can be found at: [http://regionalcouncils.ny.gov/content/finger-lakes](http://regionalcouncils.ny.gov/content/finger-lakes).

3. The number of jobs that would be created as a result of an award of Fund Benefits.

4. The applicant’s long term commitment to the region as evidenced the current and/or planned capital investment in applicant’s facilities in the region.

5. The ratio of the number of jobs to be created to the amount of Fund Benefits requested.

6. The types of jobs that would be created, as measured by wage and benefit levels, security and stability of employment.

7. The amount of capital investment, including the type and cost of buildings, equipment and facilities, proposed to be constructed, enlarged or installed.

8. The extent to which an award of Fund Benefits would affect the overall productivity or competitiveness of the applicant and its existing employment.

9. The extent to which an award of Fund Benefits may result in a competitive disadvantage for other business in the State.

---

2 As provided for in EDL § 189-c(4), criteria 2-15 are adapted from the criteria for eligibility for Expansion Power, Replacement Power and Preservation Power under Public Authorities Law § 1005. The specific criteria identified in PAL § 1005(13)(b)(4)-(5) are relevant to power allocations under these programs but do not have any logical application to allocations of Fund Benefits. Therefore, the Board does not expect to use these criteria to evaluate applications for Fund Benefits. Additionally, in accordance with PAL § 1005(13), criteria 13-15 listed herein will only be used in the case of Eligible Projects which are proposed by Applicants as, and determined by the Board to be, “revitalization” projects.
10. The growth potential of the applicant’s facilities and the contribution of economic strength to the area in which the applicant’s facilities are or would be located.

11. The extent of the applicant’s willingness to satisfy affirmative action goals.

12. The extent to which an award of Fund Benefits is consistent with state, regional and local economic development strategies and priorities and supported by local units of government in the area in which the business is located.

13. The impact of an award of Fund Benefits on the operation of any other facilities of the applicant, and on other businesses within the region.

14. That the business is likely to close, partially close or relocate resulting in the loss of a substantial number of jobs.

15. That the applicant is an important employer in the community and efforts to revitalize the business are in long-term interests of both employers and the community.

16. That a reasonable prospect exists that the proposed award of Fund Benefits will enable the applicant to remain competitive and become profitable and preserve jobs for a substantial period of time.
Recommended Award: Exhibit “D-1”

<table>
<thead>
<tr>
<th>Applicant Name:</th>
<th>Field &amp; Fork Network</th>
<th>REDC Region:</th>
<th>Western New York</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Type:</td>
<td>Agricultural Business Development</td>
<td>County:</td>
<td>Erie</td>
</tr>
<tr>
<td>Industry:</td>
<td>Agriculture</td>
<td>Locality:</td>
<td>Williamsville</td>
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<tr>
<td>Amount Requested:</td>
<td>$166,912</td>
<td>Start Date:</td>
<td>8/1/13</td>
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<tr>
<td></td>
<td></td>
<td>Finish Date:</td>
<td>4/1/14</td>
</tr>
</tbody>
</table>

RECOMMENDED OFFER

- Recommended Total Award: $166,912
- Total Project Cost: $174,912
- % of Project Cost Recommended: 95%

REGIONAL IMPACT MEASUREMENTS

- Number of Jobs Retained: N/A
- Number of Jobs Created: N/A
- Average Salary of Jobs: N/A
- Indirect Jobs Created
- Other Impact

PROJECT DESCRIPTION

Across the State and across the Country, Regional Food Hubs are being established in an effort to connect local growers to Regional wholesale markets. The agricultural footprint of every Region is unique and for that reason there is not a one size fits all blue print for Regional Food Hubs.

The “Ready to Grow” project proposes to take the first and most fundamental step in establishing a Regional Food Hub in the Western New York Region. Field & Fork Network will execute the “Ready to Grow” project by leading a market analysis and feasibility study for the establishment of a Food Hub in the Western New York Region. Following this study and analysis Field & Fork will take the lead on establishing a business plan that will be used to create the path to a Western New York Food Hub.

The Central focus of this Regional Food Hub effort will be on Erie and Niagara Counties, however, Chautauqua, Cattaraugus, Allegany, Wyoming, Genesee and Orleans Counties will experience a great benefit as well.

OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED

- ESD: $0
- NYPA: $0
- IDA: $0
- Farm Credit Northeast: $8,000

PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED

<table>
<thead>
<tr>
<th>TYPE</th>
<th>AMOUNT</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
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</tr>
</tbody>
</table>
Western New York Economic Development Fund
Recommendation Memo

BASIS FOR RECOMMENDATION

The applicant has provided extensive evidence backing the economic impact of a Regional Food hub in Western New York and has also shown why Field &Fork is the most capable organization to lead the Region in taking the first step toward a Regional Food Hub.

The applicant has provided this Board with a study done by the USDA which shows that fruit and vegetable farms utilizing Food Hubs to sell into local markets hire 13 people for every 3 that farms not selling into local markets hire. The applicant has also provided background on 5 different Regional Food Hubs in other Regions of New York State that are currently yielding very positive results.

A perfect example, provided by the applicant, of a comparable Region now realizing the benefits of a Regional Food Hub, is that of the “Finger Lakes Fresh, Food Hub”. Finger Lakes Fresh is a Regional Food Hub procuring locally grown food from Central New York for Regional distribution. With the support of Senator Kirsten Gillibrand, Finger Lakes Fresh broke ground on June 27, 2013. Finger Lakes Fresh now employs 14 people and is projecting increasing employment to 40 people in the short term. Finger Lakes Fresh is also projecting revenues of $2.4 million by the time they enter their third year in operation. With very similar weather patterns and a very similar agricultural footprint, Finger Lakes Fresh is a very strong example of the positive economic impact a Food Hub can have on the WNY Region.

This application has been further strengthened by the tremendous local support it has received. This Board has received letters of support from notable Regional Agriculture experts like Dr. Samina Raja from the University at Buffalo Department of Urban and Regional Planning. Dr. Raja is considered an authority on local food supply and she has endorsed Field & Fork as a very capable agent for the initiation of a WNY Food Hub. This project has also been supported by Assembly Member Crystal Peoples-Stokes. Assembly Member Peoples-Stokes has been a strong advocate of the buy local food movement as a sponsor of the “Buy from the Backyard Act” which mandates State Agencies to purchase at least 20% of all of their food products from New York State producers and/or processors. Assembly Member Peoples-Stokes has also given her endorsement to Field & Fork to lead the charge in this necessary endeavor. Field & Fork has also enjoyed the support of Farm Credit North East in the form of an $8,000 grant to help get this project off the ground.

The Western New York Regional Economic Development Council has made the WNY agricultural industry a priority in its strategic plan for the economic advancement of the WNY Region. This applicant has provided extensive evidence that taking the first and most fundamental step toward a Regional Food Hub in WNY will have an enormous impact on the Agricultural footprint of Western New York.

This project also plays a big part in State and Regional Smart Growth goals which call for the preservation of farmland throughout the State and the Region. This project will lead to long term sustainability of the farms currently operating in the Region.
Western New York Economic Development Fund
Recommendation Memo

As stated in the project description, it is important to remember that this project will provide great benefits to Chautauqua, Cattaraugus, Allegany, Wyoming, Genesee and Orleans Counties along with the two Counties of central focus, Erie and Niagara.
Recommended Award: Exhibit “D-2”

<table>
<thead>
<tr>
<th>Applicant Name:</th>
<th>Global Outreach Mission, Inc.</th>
<th>REDC Region:</th>
<th>WNY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Type:</td>
<td>Workforce Development</td>
<td>County:</td>
<td>Niagara</td>
</tr>
<tr>
<td>Industry:</td>
<td>Job Training</td>
<td>Locality:</td>
<td>Niagara Falls</td>
</tr>
<tr>
<td>Amount Requested:</td>
<td>$219,000</td>
<td>Start Date:</td>
<td>In progress</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Finish Date:</td>
<td>Ongoing</td>
</tr>
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</table>

RECOMMENDED OFFER

<table>
<thead>
<tr>
<th>Recommended Total Award:</th>
<th>$ 154,500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Project Cost:</td>
<td>$ 292,000</td>
</tr>
<tr>
<td>% of Project Cost Recommended:</td>
<td>71%</td>
</tr>
</tbody>
</table>

REGIONAL IMPACT MEASUREMENTS

<table>
<thead>
<tr>
<th>Number of Jobs Retained:</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Jobs Created:</td>
<td>67</td>
</tr>
<tr>
<td>Average Salary of Jobs:</td>
<td>NA</td>
</tr>
<tr>
<td>Indirect Jobs Created</td>
<td></td>
</tr>
<tr>
<td>Other Impact</td>
<td></td>
</tr>
</tbody>
</table>

PROJECT DESCRIPTION

The goal of the Isaiah 61 Project is to respond to and provide for the unmet and under-met needs of low income households of Niagara Falls. In collaboration with O/N BOCES, the project provides a FREE four hundred (400) hour job training program in the construction trades for the unemployed and under-employed. The program includes both classroom theory/instruction as well as hands-on training by way of rehabilitating vacant homes. As an extension of the program, vacant homes in the City of Niagara Falls will be rehabbed. These homes, once rehabilitated, will then be made available to low/moderate income families to purchase.

This program has been successfully running for approximately a year during which time they have successfully rehabbed dilapidated homes and placed previously unemployed residents into skilled labor jobs backed by the education being provided to them. The program now hopes receive funding that will allow them to increase capacity by bring on more instructors, increasing classroom space and equipment and purchasing more distressed houses from the City. To achieve this expansion of the program the Isaiah 61 Project requires assistance.

OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED

<table>
<thead>
<tr>
<th>ESD:</th>
<th>$</th>
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</thead>
<tbody>
<tr>
<td>NYPA:</td>
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</tr>
<tr>
<td>IDA:</td>
<td>$</td>
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<tr>
<td>Other:</td>
<td>$</td>
</tr>
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</table>

PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED

<table>
<thead>
<tr>
<th>TYPE</th>
<th>AMOUNT</th>
<th>STATUS</th>
</tr>
</thead>
</table>


<table>
<thead>
<tr>
<th>BASIS FOR RECOMMENDATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Western New York Regional Economic Development Council has placed priority status on workforce development in the Region. Some of the unemployment numbers which are largely isolated in the City of Niagara Falls and the City of Buffalo are startling. This applicant proposes to chip away at the unemployed community in the City of Niagara Falls by giving them the chance to learn skills that are easily transferred to the needs of the local workforce. The project achieves moving the unemployed in Niagara Falls to work at the same time that it reclaims the long suffering neighborhoods of the City, a job which is paramount to the future of our Region.</td>
</tr>
<tr>
<td>This program has already shown a propensity for success which is evidenced by the great deal of support the program has already received. This program is openly supported by Mayor Paul Dyster, the City of Niagara Falls which has supported this program through financial donations and the below market rate sale of real estate, New York State Senator George Maziarz and most recently Key Bank who made a financial contribution to the program.</td>
</tr>
<tr>
<td>Grant assistance will allow the applicant to triple the amount of students served per year by the program. The class is currently being offered three (3) times a year to approximately 10 students per class (30 students per year). Funding will allow the organization to offer an additional six (6) classes per year to an additional 60 students per year. An award of Fund Benefits would allow two additional teachers to be hired for one year, and allow the organization to purchase hand tools, power tools and classroom equipment.</td>
</tr>
<tr>
<td>This project has the potential to transform not only the neighborhoods of Niagara Falls but the workforce as well.</td>
</tr>
</tbody>
</table>
**Recommended Award: Exhibit “D-3”**

<table>
<thead>
<tr>
<th>Applicant Name</th>
<th>Aquarium of Niagara</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REDC Region:</strong></td>
<td></td>
</tr>
<tr>
<td>Project Type:</td>
<td>Tourism/Marketing</td>
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<tr>
<td><strong>Industry:</strong></td>
<td>Tourism/Education</td>
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<tr>
<td><strong>Amount Requested:</strong></td>
<td>$2,325,700</td>
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<td><strong>Start Date:</strong></td>
<td>11/01/2013</td>
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<td><strong>Finish Date:</strong></td>
<td>06/01/2014</td>
</tr>
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</table>

**RECOMMENDED OFFER**

| **Recommended Total Award:**   | $1,750,000          |
| **Total Project Cost:**        | $5,058,773          |
| **% of Project Cost Recommended:** | 40 %               |

**REGIONAL IMPACT MEASUREMENTS**

| **Number of Jobs Retained:**   | 3                   |
| **Number of Jobs Created:**    |                     |
| **Average Salary of Jobs:**    |                     |
| **Indirect Jobs Created**      |                     |
| **Other Impact**               | Increase visitors to the Aquarium and the surrounding area. |

**PROJECT DESCRIPTION**

The Aquarium will begin work on Phase I of the organization’s six phase Master Plan, which will significantly enhance the Aquarium as a key attraction for visitors to Niagara Falls. The project to be undertaken in Phase I is the construction of a new Penguin Exhibit for the Aquarium’s colony of Humboldt Penguins. This project will allow the Aquarium to double the amount of Penguin’s housed and increase the exhibit size from 500 sf. to approx. 2,500 sf.

The completion of Phase I of this project will give the Aquarium the momentum it needs to leverage the financing of the next 4 phases of the Master Plan which will ultimately provide visitors of the Aquarium with a world class experience. The phases which will be implemented following this exhibit include: renovated classrooms, lavatory facilities, ticket booths, and gift shops; site work including new parking lots, picnic areas, statues, trees etc.; renovating the lobby; and other interior renovations.

**OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED**

<table>
<thead>
<tr>
<th>ESD:</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>NYPA:</td>
<td>$</td>
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</table>

**PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED**

<table>
<thead>
<tr>
<th>TYPE</th>
<th>AMOUNT</th>
<th>STATUS</th>
</tr>
</thead>
</table>

**BASIS FOR RECOMMENDATION**
A $25 million investment is being made in the Niagara Falls State Park to create a world class destination. The Aquarium of Niagara sits at the foot of this park that is about to become a true tourist destination and in turn will bring increased numbers of visitors to the surrounding attractions. Due to the prominent placement of the Aquarium at the foot of the Park, the Aquarium will have the opportunity to capitalize on these new generations of tourists. However, for the Aquarium to be successful in giving these new tourists an experience that will make them extend their stay in the American Niagara Falls, the Aquarium will have to provide state-of-the-art facilities and state-of-the-art programming.

In its current state the applicant is able to maintain its average annual attendance of approx. 250,000 guests which already puts them in the top 5 destinations. Presently, Niagara Falls sees 6.2 million domestic visitors who spend approximately $711 million dollars. For the applicant to capitalize on the visitors who come to Niagara Falls by getting them to increase their stay in the region the applicant must execute Phase I of their Master Plan. Phase I will create a new penguin exhibit for the Humboldt Penguins, the premier species located at the Aquarium.

The organization has already invested $750,000 of its own resources into pre-construction capital improvements and repairs to get the much needed facility renovation underway. Phase I will be the first step in a fundraising campaign that will ultimately lead to the completion of the Aquarium Master Plan, which will in-turn create a true tourist destination in Niagara Falls.

Each tourist destination in the Buffalo Niagara Region is an important piece of the puzzle of why this Region has failed to capitalize on the tourists that pass through this Region for so many years. The Aquarium is in a unique position, not only because of its physical location but because the State has made no real investment in enhancing the Aquarium experience for tourists, the way it has for some other prominent tourist destinations.

This project has been identified as a priority project by members of the State, County and City Legislatures. Letters of support of this project have been filed by Mayor Paul Dyster of Niagara Falls, Chairman William L. Ross of the Niagara County Legislature, Chairman Frank Strangio of Niagara USA, New York State Assembly Member John D. Ceretto and New York State Senator George D. Maziarz.

This project is a fundamental step in escalating the Aquarium of Niagara to a world-class destination. This is also a great opportunity for New York State and the WNYPPAB to show their support for tourism in Niagara Falls and the future of the Aquarium.
**Recommended Award: Exhibit “D-4”**

<table>
<thead>
<tr>
<th>Applicant Name:</th>
<th>Michigan Street African American Heritage Corridor Commission, Inc.</th>
<th>REDC Region:</th>
<th>WNY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Type:</td>
<td>Tourism/Marketing</td>
<td>County:</td>
<td>Erie</td>
</tr>
<tr>
<td>Industry:</td>
<td>Tourism Planning</td>
<td>Locality:</td>
<td>Buffalo</td>
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<tr>
<td>Amount Requested:</td>
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<td>Start Date:</td>
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<td></td>
<td></td>
<td>Finish Date:</td>
<td>07/01/2015</td>
</tr>
</tbody>
</table>

**RECOMMENDED OFFER**

- **Recommended Total Award:** $250,000
- **Total Project Cost:** $290,000
- **% of Project Cost Recommended:** 86%

**REGIONAL IMPACT MEASUREMENTS**

<table>
<thead>
<tr>
<th>Number of Jobs Retained:</th>
<th>0</th>
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</thead>
<tbody>
<tr>
<td>Number of Jobs Created:</td>
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</tr>
<tr>
<td>Average Salary of Jobs:</td>
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</tr>
<tr>
<td>Indirect Jobs Created</td>
<td></td>
</tr>
<tr>
<td>Other Impact</td>
<td></td>
</tr>
</tbody>
</table>

**PROJECT DESCRIPTION**

The Heritage Area Commission seeks funding to hire/contract a project manager and some staff to develop a detailed implementation plan and to raise funds to achieve improved programming which creates true tourist destinations in the Corridor. The Area Management Plan has been sent for approval by New York State Parks Recreation and Historic Preservation. There is a short term goal to develop Corridor programming and a long term goal to attract public-private financing for the re-development of historic buildings in the Corridor.

The project deliverables are as follows:
- Establishment of a Project Management Team
- Development of an Implementation Strategy
- Development of a Comprehensive Fund Raising Strategy
- Restoration Design of 509 Michigan Street site
- Development of a Comprehensive Marketing and Branding Campaign

**OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED**

<table>
<thead>
<tr>
<th>ESD:</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDA:</td>
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**PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED**

<table>
<thead>
<tr>
<th>TYPE</th>
<th>AMOUNT</th>
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<tbody>
<tr>
<td>NYSDOS Grant</td>
<td>$120,000</td>
<td>Complete</td>
</tr>
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</table>

**BASIS FOR RECOMMENDATION**
A long overlooked asset in both tourism and cultural education in the Western New York Region is its African American Heritage. As a City with a history rooted in things like the Underground Railroad and the earliest forms of American Jazz Music to hit the Northeast, Buffalo, a City still boasting a significant African American population has failed to both emphasize and capitalize on its rich African American History.

Promoting Buffalo’s African American Heritage has begun thanks to the formation of the applicant Commission. The first steps taken by the Commission were to apply to the Department of State in New York for a grant that would enable this Commission to develop a plan of attack to change the way African American Heritage is consumed in Western New York.

Having experienced success in this first endeavor this organization went under contract with the NYS Department of State for grant funding to develop a comprehensive Master Plan for the African American Heritage Corridor, which includes four anchor sites and will include many future sites in the area. This $120,000 was granted to develop the master plan which was done and submitted to the New York State Office of Parks, Recreation & Historic Preservation.

Now that the plan has been completed and submitted, this Commission is in need of organization for implementation of the plan. The Commission is at its most important crossroads as it needs a leader to organize the four existing sites into one cohesive working unit and to develop programming that will transform the four sites into a cultural learning experience and a tourist destination.

As a condition of this award it is recommended that there be clear milestones set forth for the drawdown of grant funding. Some of those conditions should include:

- A fair and open selection process of Corridor management and staff which will require unanimous support of the stakeholders that currently represent the existing Corridor entities.
- A management plan to be approved by the administrator of the WNYPPAB.
- Recruitment of experts from cultural tourism institutions that have had success in designing programming for like assets, so that they can provide advice and feedback on Corridor strategic planning.

When the Western New York Regional Council prioritized building up the WNY tourism industry, it called for the utilization of existing assets to enhance the tourist experience. The African American Heritage Corridor has been established to capitalize on a long undervalued asset in WNY. This Corridor and the Commission’s plan to raise the profile of this corridor has been endorsed not only by the WNYREDC but also Assembly Member Crystal Peoples-Stokes, Mayor Byron Brown, State Senator Tim Kennedy and the New York State Department of State.
Recommended Award: Exhibit “D-5”

<table>
<thead>
<tr>
<th>Applicant Name:</th>
<th>Niagara Label Company, Inc.</th>
<th>REDC Region:</th>
<th>WNY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Type:</td>
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<td>County: Erie</td>
<td></td>
</tr>
<tr>
<td>Industry:</td>
<td>Print Manufacturing/Pressure Sensitive Labels</td>
<td>Locality: Akron</td>
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</tr>
<tr>
<td>Amount Requested:</td>
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<td>Start Date: 6/24/2013</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Finish Date: 12/31/2013</td>
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</tr>
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</table>

RECOMMENDED OFFER

Recommended Total Award: $150,000
Total Project Cost: $938,880.00
% of Project Cost Recommended: 15%

REGIONAL IMPACT MEASUREMENTS

Number of Jobs Retained: 36
Number of Jobs Created: 17
Average Salary of Jobs: $50,000
Indirect Jobs Created
Other Impact

PROJECT DESCRIPTION

Niagara Label is an advanced label design and manufacturing company that currently employs 36 people in the rural community of Akron, NY. Niagara Label makes brand labels for everything from the most notable East Coast wineries to the major U.S. amusement parks. The company is currently experiencing a growth in demand from its customers that its current production capabilities cannot keep pace with. The company has determined that it needs to upgrade its equipment and hire and train 17 new employees in order to keep pace with demand. The company has extended its debt financing of this project to the maximum amount allowed by its bank under its current lending agreements and the company still has a funding gap for which it needs assistance to close.

The project scope includes: the purchase of a printing press finishing unit; software; hardware; and quality module increasing production capacity and product offerings. A 2100 sq. ft. expansion is also needed to complete project in its entirety.

Niagara Label is seeking assistance from the Power Proceeds Fund to complete the second phase in this two phase project. The first phase was to purchase the Digital Finishing Unit which was $625,840.00 of the total project and was put into motion by a grant awarded from Empire State Development.

OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED

<table>
<thead>
<tr>
<th>ESD:</th>
<th>$100,000</th>
<th>NYPA:</th>
<th>$</th>
</tr>
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<tr>
<td>IDA:</td>
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PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED

<table>
<thead>
<tr>
<th>TYPE</th>
<th>AMOUNT</th>
<th>STATUS</th>
</tr>
</thead>
</table>
**BASIS FOR RECOMMENDATION**

Niagara Label is applying to this Board for assistance in completing the $938,880.00 second phase of a two phase project totaling $1,564,720.00.

Since March of this year, this project has gained the support of the Western New York Regional Council, the Erie County Industrial Development Agency, Empire State Development, and New York State Assembly Member Jane Corwin.

As an advanced manufacturing company Niagara Label is in an industry cluster which has been prioritized by the WNYREDC. The Council has shown support for this particular project by endorsing a $100,000 grant given to the company by ESD. This project proposes to increase production to meet demand, thereby increasing employment with the creation of 17 new jobs in the rural Village of Akron. The new jobs this project will create will pay employees an average of $50,000, which is well over the Regional average. This kind of job growth at the rates the company will pay is significant for a place like the Village of Akron.

The path to a grant from ESD for this company was extensive. Initially Niagara Label was instructed to investigate all potential lending for this project and they met with the ECIDA and applied for a loan through them. They were approved for a loan with the ECIDA, however, their primary bank lender instructed them that they could not take on any additional debt, as they already borrowed $1 million from their primary lender. At this point the company came back to ESD and showed evidence of maximum debt financing and the largest equity investment the company could safely make. Maxed out on loans and equity investment the company was still left with a $250,000 gap in financing for this 2 part project. ESD awarded the company a $100,000 grant so that they would be able to move forward with phase 1 of the project. A $150,000 grant from the WNY Economic Development Fund will allow the company to fully execute the project in its entirety.

Assembly Member Jane Corwin has also identified this project as a major win for the Village of Akron. The Assembly Member’s office has been in contact with ESD all along the way on this project and they have emphasized that this is a family owned and operated company that has a long history in Akron, NY and has remained steadfast in its commitment to grow in WNY. The Assembly Member’s office also called attention to the fact that this company has always been community conscious, which is evidenced by the fact that they always look for local companies to fill their needs before they look outside the Region.
Recommended Award: Exhibit “D-6”

<table>
<thead>
<tr>
<th>Applicant Name:</th>
<th>Yancey’s Fancy, Inc./D&amp;Y Cheeses, Inc.</th>
<th>REDC Region:</th>
<th>WNY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Type:</td>
<td>Business Investment</td>
<td>County:</td>
<td>Genesee</td>
</tr>
<tr>
<td>Industry:</td>
<td>Agriculture</td>
<td>Locality:</td>
<td>Corfu</td>
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<tr>
<td>Amount Requested:</td>
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<td>Start Date:</td>
<td>9/24/13</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Finish Date:</td>
<td>6/30/14</td>
</tr>
</tbody>
</table>

**RECOMMENDED OFFER**

- Recommended Total Award: $500,000
- Total Project Cost: $20,000,000
- % of Project Cost Recommended: 2.5%

**REGIONAL IMPACT MEASUREMENTS**

- Number of Jobs Retained: 65
- Number of Jobs Created: 50+
- Average Salary of Jobs: 
- Indirect Jobs Created
- Other Impact

**PROJECT DESCRIPTION**

Yancey’s Fancy, a New York artisan cheese production and packaging company, is planning to either buy an existing building in Wisconsin or expand their plant at their current location in Pembroke, NY.

The company needs to increase production, expand operations, allow for the development of new specialty cheeses and create employee meeting space.

At the Pembroke location, the company would extend the existing footprint to 70,000 sq. ft. for the first level and add an additional 42,000 sq. ft. second floor for dry goods inventory, corporate offices, employees meeting space, and employee lockers and facilities. In total the NY project will be a 112,000 sq. ft. expansion to the existing 29,000 sq. ft. building for a new total 141,000 sq. ft. facility. The company currently employess 110 FTE's and pledges an addition of 50 new jobs within 3 years of the completion of the expansion.

This project which totals $20 million will also include a $2 million reverse osmosis system for the recovery of whey waste, $2 million in new equipment and the creation of 50 new jobs.

**OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED**

- ESD: $500,000
- GCEDC Loan: $200,000
- IDA: $500,000
- National Grid: $250,000

**PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED**

<table>
<thead>
<tr>
<th>TYPE</th>
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<tbody>
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**Western New York Economic Development Fund**  
**Recommendation Memo**

<table>
<thead>
<tr>
<th>ESD Capital Grant</th>
<th>$75,000</th>
<th>Complete</th>
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</thead>
</table>

**BASIS FOR RECOMMENDATION**

D&W Cheese/Yancey’s Fancy is a fast growing manufacturer of specialty and artisan cheeses. It has grown in Pembroke to where it now employs 108 people and is in need of substantially larger facilities. The company has several options including the purchase of an existing dairy operation in Wisconsin or to invest substantially in expanded facilities and capacity at its plant in Pembroke. Just two months ago ground broke on a new sewer line that will run down right by the plant and this is also allowing for the substantial new capacity in manufacturing this project will bring.

Should a Pembroke site be chosen, YF would add 112,000 sf of production space, distribution, offices, and employee facilities to its existing 29,000 sf plant. The total investment of over $20 million would retain 65 and create 50 new jobs. Should YF choose the Wisconsin option, YF would maintain its artisan business but transfer the work for 65 existing jobs from Pembroke to Wisconsin.

Ancillary to the project is the fact that YF will build a $2M reverse osmosis system for their whey waste. This is a very positive environmental investment as YF has been simply spreading their whey over a landfill with a DEC Monitor. This project takes this environmental cost and concern away.

The Finger Lakes Regional Economic Development Council has identified both food processing as well as tourism development as key industry clusters for the region. This project will create a substantial number of new jobs for a rural area and will increase the tourism traffic.

This project is clearly high priority for the Finger Lakes Region as evidenced in the collaborative efforts of ESD and the IDA to incentivize the growth of Yancey’s Fancy here in Western New York. The Western New York Economic Development Fund now has the opportunity to give an award to this project and secure the commitment of this company’s future growth in the the Finger Lakes Region of WNY.
### Recommended Award: Exhibit “D-7”

<table>
<thead>
<tr>
<th>Applicant Name</th>
<th>Alita Holdings, Inc.</th>
<th>REDC Region:</th>
<th>Western New York</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Type:</td>
<td>Business Investment</td>
<td>County:</td>
<td>Erie</td>
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<tr>
<td>Industry:</td>
<td>Steel Manufacturing</td>
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<td>Amount Requested:</td>
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<td>Start Date:</td>
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<tr>
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**RECOMMENDED OFFER**

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<tbody>
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</tr>
<tr>
<td>% of Project Cost Recommended:</td>
<td>.02 %</td>
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</table>

**REGIONAL IMPACT MEASUREMENTS**

| Number of Jobs Retained: |          |
| Number of Jobs Created:  | 172       |
| Average Salary of Jobs:  | $58,000   |

**PROJECT DESCRIPTION**

Alita USA Holdings, Inc. plans to build a high frequency, electric resistance weld oil country tubular goods (OCTG) pipe mill with an annual capacity of 150,000 fully finished, high strength (alloy) OCTG tons. The disadvantage to a WNY location compared to a Texas site is the additional freight costs needed to ship the product to end users.

**OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED**

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<thead>
<tr>
<th>ESD: Tax Credits</th>
<th>$6,400,000</th>
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<td>IDA:</td>
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**PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED**

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<tr>
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**BASIS FOR RECOMMENDATION**
Alita USA Holdings, Inc. ("Alita") is a manufacturer of specialized pipes for use in the extraction of natural gas and oil. The company plans to build a pipe mill that will be approximately 340,000 square feet, consisting of 16,000 square feet dedicated to a lab, storage and office area with the remaining 324,000 square feet being dedicated to manufacturing. Most of the pipes will be used for domestic consumption.

Alita has identified a Brownfield Site in the City of Buffalo to build this new facility on, if they determine that they will bring this project to Western New York. As it currently stands Alita is also considering doing this project in Houston, Texas. Although Alita has great interest in the Western New York Region, the bulk of their customers are in and around the Texas area. As a result of the final destination of the finished product the company will put out, WNY must be competitive with not only the reduced cost of shipping the company will enjoy if they manufacture in Texas but also an incentive package that Texas has offered to Alita in addition to the already reduced cost of doing business.

Both New York State and Erie County have already made aggressive moves towards solidifying a commitment from Alita to do the project in WNY. In an effort to bring 172 new jobs to WNY at almost twice the average wage for the Region and $102 million in new investment, ESD has offered Alita $6.4 million in Excelsior Tax Benefits. The ECIDA has offered them $1,382,500 in sales tax exemptions, $4,949,342 in Property Tax Abatements over 10 years, $2 million in forgivable loans and a $244,800 Mortgage Recording Tax Exemption. NYPA is pursuing 4 megawatts of power allocations for Alita as well. After several months of working with this company on making this project happen in WNY, it is the sense of the participating Economic Development Agencies that this deal is close to being closed and with the help of the Power Proceeds fund this project can be brought to WNY.
**Recommended Award: Exhibit “D-8”**

<table>
<thead>
<tr>
<th>Applicant Name:</th>
<th>OSC Manufacturing &amp; Equipment Services, Inc.</th>
<th>REDC Region:</th>
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<tbody>
<tr>
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<td>Industry:</td>
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<td>Amount Requested:</td>
<td>$3,000,000</td>
<td>Start Date:</td>
<td>7/15/13</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Finish Date:</td>
<td>3/31/14</td>
</tr>
</tbody>
</table>

**RECOMMENDED OFFER**

Recommended Total Award: Up to $750,000 000 pending pursuit of other economic development assistance first and securing remaining project financing.

Total Project Cost: $17,539,473

% of Project Cost Recommended: 8%

**REGIONAL IMPACT MEASUREMENTS**

| Number of Jobs Retained: | 20 |
| Number of Jobs Created:  | 26 |
| Average Salary of Jobs:  | $25,000 - $90,000+ |
| Indirect Jobs Created:   | |
| Other Impact:            | |

**PROJECT DESCRIPTION**

OSC Manufacturing & Equipment Services Inc., is moving into the site of the former American Axle facility where it will build out the Manufacturing space for the OSC Green Machine, Mini Excavator, Solar Tree & Power Stations, along with Heavy Equipment Rental and Service, Metal Manufacturing & Attachment Fabrication.

The OSC all electric Mini Excavators are run by a robust lithium ion battery that reduces fossil fuels & greenhouse emissions. These machines have been tested by industry partners who attest to the fact that they bring more power at a significantly lower operating cost. OSC’s goal is to start the mass marketing and sales of these machines which will provide manufacturing jobs and growth in the advanced manufacturing industry cluster to WNY.

**OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED**

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>IDA: Loan</td>
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</tr>
<tr>
<td>NYPBA:</td>
<td>$</td>
</tr>
<tr>
<td>Other:</td>
<td>$</td>
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**PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED**

<table>
<thead>
<tr>
<th>TYPE</th>
<th>AMOUNT</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>S485-b, S485-e, or PILOT</td>
<td>Not specified</td>
<td>Not specified</td>
</tr>
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</table>

**BASIS FOR RECOMMENDATION**
This project offers the WNY Region a chance to be on the cutting edge of Clean Technology by participating in the manufacture of excavation machines with zero emissions.

As State and Federal guidelines continue to demand lower emissions on construction sites the industry is searching for ways to reduce emissions with driving up costs in excess of their budgets. This applicant has provided evidence that the machine they will be manufacturing will have zero emission, equal power and much lower operating costs which quickly make up for the additional expense of purchasing this machine.

The Western new York Regional Economic Development Council as well as the New York Power Authority has made it a priority to develop projects that capitalize on the Region’s penchant for advanced manufacturing as well as projects that use alternative energy sources to reduce emissions. This applicant has demonstrated that this project will create advanced manufacturing jobs while improving the environmental outlook in the commercial construction industry.
Informational Item on NYPA in Western New York

Harry Francois, Regional Manager, Western New York
Michael J. Huvane, Vice President, Marketing & Economic Development
Katherine M. Rougeux, Office of Strategic Planning

September 24, 2013
Board of Trustees Meeting
Summary of NYPA in Western New York

- Niagara Power Project Overview
- Relicensing Benefits
- WNY Economic Development Power Programs
- Other WNY Economic Development Initiatives
- Energy Efficiency
- Additional Projects & Benefits
Niagara Power Project Overview

- **Power**
  Roughly half of the project’s power generation – 947 megawatts (MW) out of 1,912 MW total – stays in the region.

- **Employment**
  NYPA’s Niagara Project employs about 300 workers, with an annual payroll of more than $29 million.

- **Upgrades and Maintenance**
  A $298 million upgrade of the main Moses plant was completed in 2006. A $460 million, multi-year life extension of the Lewiston Pump-Generating Plant is now underway. Those upgrades and other maintenance work undertaken at the Niagara project have led to tens of millions of dollars in contracts to local firms.
Relicensing Benefits

- **Total Value:** $1 billion over 50 years and 32 MW
  - $217 million has been spent as of August 2013

- **Host Communities Fund:** $250 million and 28 MW of low-cost power for Niagara County, City of Niagara Falls, Town of Niagara, Lewiston, and school districts of Lewiston-Porter, Niagara-Wheatfield and Niagara Falls.

- **Erie County / City of Buffalo:** $179 million
  - In 2009, NYPA agreed to accelerate payments to $4.7 million per year for 20 years rather than $3.5 million for remainder of the 50 years.
  - An Industrial Incentive Award provides another $3.7 million per year till 2029 to support revitalization.
Relicensing Benefits

- **Tuscarora Nation**: $21.8 million and 1 MW of low-cost power

- **Niagara University**: $10.5 million and 3 MW of low-cost power

- **Ecological Improvements**: $48.2 million

- **Greenway Funds**: $450 million

- **Recreational Enhancements**: $18.6 million
WNY Economic Development Power Programs

- More than one-third of the project’s output is tied to two low-cost power programs for businesses within a 30-mile radius of the hydroelectric project, or for businesses in nearby Chautauqua County, at a price that is currently more than 40 percent lower than wholesale market electricity in the region.

- The hydropower programs (*Expansion Power and Replacement Power*) allocations are directly linked to roughly 30,000 jobs at 127 Niagara Frontier businesses.

- NYPA administers the Governor’s statewide ReCharge NY program, which utilizes some of the Niagara project’s power as part of a mix of hydropower and market-purchased power.
  - Currently, 93 WNY companies have been awarded ~48 MW of Recharge NY power, supporting more than 27,000 jobs in the region
Other WNY Economic Development Initiatives

- **Proceeds Legislation**
  Takes the net earnings from any unused Expansion or Replacement Power sold into the market at higher rates. Proceeds from the fund can be used to fund economic development projects within a 30 mile radius of the Niagara Power project. $7 million awarded to five businesses as of July 23, 2013. Approximately $23 million now in escrow.

- **Niagara Economic Development Fund**
  Capitalized the Niagara Economic Development Fund (NEDF), providing low-interest loans to businesses locating or expanding in Niagara County. Currently, 13 loans have assisted 11 businesses expand and helped to create more than 650 jobs. USA Niagara Development Corporation, the Niagara County Center for Economic Development and the Niagara Frontier Transportation Authority have been past beneficiaries.
Energy Efficiency

Over the last two-and-a-half decades, NYPA has financed more than $95 million in completed energy efficiency and clean energy projects at 475 sites in Western New York. These improvements save taxpayers nearly $5.5 million a year and reduce greenhouse gas emissions by approximately 38,000 tons annually.

- **Williamsville Central Schools**: An energy-saving makeover at the suburban Buffalo school district’s 13 elementary, middle and high schools which includes new lighting, cooling, heating and ventilation upgrades and other measures to enhance comfort levels for the nearly 11,000-student body.

- **University at Buffalo**: Multiple phases of major energy efficiency upgrades throughout the campus. These improvements include ventilation and air-conditioning system upgrades, along with lighting retrofits and a new and improved field lighting at UB Stadium.

- **City of Niagara**: Niagara Falls Veterans Memorial Monument LED Lighting currently underway.
Additional Projects & Benefits

- **Power Vista Visitors Center**
  NYPA operates the Power Vista, the Niagara project’s admission-free visitors center, which is a major tourist attraction in the region, playing host to nearly seven million visitors since it opened in 1963.

- **Electric Vehicles**
  NYPA has helped to put more than 75 electric and hybrid-electric vehicles into service in Niagara and Erie counties at various public entities, including the City of Niagara Falls, the Town of Niagara, the Town of Grand Island and Niagara Falls State Park. Roughly two dozen electric vehicles and hybrids are in use at the Niagara project.
Additional Projects & Benefits

- **Ice Boom Relocation**
  NYPA relocated the site of its ice boom storage facility to assist in the revitalizing of the Buffalo waterfront. As part of the agreement, NYPA constructed the 1.3-acre Mutual Riverfront Park, in Buffalo’s Old First Ward, adjacent to the new ice boom storage facility.

- **Grain Elevators**
  NYPA completed an extensive reconstruction effort on the connecting terminal grain elevators located at the First Buffalo River Marina, along the Buffalo River. Measures were implemented to protect and secure the elevators in an effort to prevent any further deterioration. NYPA relicensing funding is enabling Erie Canal Harbor Development Corporation to move forward with a plan to illuminate and activate grain elevators and bridges to revitalize the Buffalo waterfront.
Additional Projects & Benefits

- **Maid of the Mist**
  - NYPA is providing permits and technical advice on construction of a winter mooring site for this iconic Western New York company in collaboration with NYS Parks.
  - Targeted completion of the functional dry dock is November 2013 with full completion and restoration of the upper gorge area in Summer 2014.
  - Schedule of interpretation of the site is still in the discussion phase, but will be a collaborative effort with local stakeholders.
Additional Projects & Benefits

- Workforce Development
  NYPA is working closely with Empire State Development, New York State utilities, local educational providers and labor organizations to formulate and implement a strategy to address the energy, and advanced manufacturing industries workforce development needs and challenges in Western New York.
New York Power Authority
Generating more than electricity
NYPA 2013 Strategic Planning Process

Offsite I
- Trends, Competition, Technology
- External Scan
- Stakeholder Outreach, Expert Opinion
- Identify Mission, Vision, Values

Offsite II
- Conduct Scenario Analysis
- Identify Goals, Targets

Offsite III
- Identify Strategies, Measures

Board Planning Session
- Review and Revise Plan
- Complete and Release Strategic Plan
- Cascade to Business Plans

Timeline:
- July/Aug
- Sept
- Oct
- Nov
- Dec
- 2014
### External Scan: Input to the offsite workshops…

<table>
<thead>
<tr>
<th>TWO GROUPS OF DATA TO INFORM KEY THEMES</th>
<th>NYPA staff</th>
<th>NYS government</th>
<th>Policy</th>
<th>Energy agencies</th>
<th>IOU&amp;Public Power</th>
<th>Renewables</th>
<th>NYPRA customers</th>
<th>Economic development</th>
<th>ISOs</th>
<th>Energy research</th>
<th>Energy experts</th>
<th>Scenario planning</th>
<th>Energy investors</th>
<th>Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXTERNAL</strong></td>
<td>Internal interviews</td>
<td>Integrated Resource Plan</td>
<td>In-flight projects</td>
<td>Annual Report</td>
<td>Sustainability plan</td>
<td>State Energy Plan</td>
<td>Environmental scan</td>
<td>External Interviews</td>
<td>External survey</td>
<td>Market / global reports</td>
<td>PA SME input</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
At its simplest, the strategic planning journey encompasses three key steps...

Step 1: Current operating environment
- Strengths
- Weaknesses

Step 2: Most likely future operating environment
- Opportunities
- Threats

Step 3: Initiatives
- Short term initiatives
- Medium term initiatives
- Long term initiatives
How each workshop contributes to the process…

**Understand The Now**
Workshop One: Trends & Mission

- Develop a clear understanding of the current environment and future trends
- Review the Mission Statement and agree on concepts to be included

**Discuss The Future**
Workshop Two: Scenarios & Goals

- Explore what the future world might look like using scenarios
- Agree the role that NYPA wants to play in that world
- Develop future goals, objectives, metrics

**Outline The Journey**
Workshop Three: Initiatives

- Agree and prioritize strategic initiatives
Understand the Now: Expert speakers provide context and key trends…

- Gil Quiniones, NYPA President and CEO: *NYPA history; vision for NYPA planning process*
- Richard Kauffman, NYS Chairman of Energy Policy: *New York State Energy Plan*
- Matt Mooren, PA Consulting: *Overview of NY State Energy Markets*
- Jon Jacobs, PA Consulting: *Role of Renewables*
- Arshad Mansour, EPRI Senior VP of R&D: *Technology and the Need for Grid Transformation*
- Joe Johnson and Julie Redfield, PA Consulting: *Talent Management in Utilities*

**THEMES:**
- NYPA has done great things when others would or could not, and we must again
- Tremendous change forecast for utility industry, driven by new customer choices
- There is a need for the grid to become more flexible, connected and resilient
- Energy markets are creating new opportunities and risks
- Talent management strategies are changing in light of mobility trends
Understand the Now: Analysis of inputs was conducted by core team

Data grouped into themes and sub-themes to make it manageable…

<table>
<thead>
<tr>
<th>Generation</th>
<th>Transmission</th>
<th>Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel diversity</td>
<td>Grid modernization</td>
<td>Energy management</td>
</tr>
<tr>
<td>Asset Operations &amp; Maintenance</td>
<td>Congestion</td>
<td>Clean Energy &amp; Resiliency Technologies</td>
</tr>
<tr>
<td>Industry direction</td>
<td>Transco</td>
<td>Economic development</td>
</tr>
<tr>
<td></td>
<td>Integration of renewables &amp; DG</td>
<td>Customer service</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reliability</th>
<th>Policy drivers</th>
<th>Internal</th>
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<tbody>
<tr>
<td>Severe weather</td>
<td>Climate change &amp; Sustainability</td>
<td>Workforce management</td>
</tr>
<tr>
<td>Reliability</td>
<td>Renewables &amp; Energy Efficiency</td>
<td>Finance</td>
</tr>
<tr>
<td>Resiliency</td>
<td>State Energy Plan</td>
<td>Strategy</td>
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<tr>
<td>Emergency management</td>
<td>Econ. Dev. &amp; Markets</td>
<td>Communication</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Organization</td>
</tr>
</tbody>
</table>
Top 10 list of trends as voted by 32-member NYPA planning group...

<table>
<thead>
<tr>
<th>Trend</th>
<th>Bar Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirements and turnover create need for knowledge transfer and strategic workforce planning</td>
<td>Long</td>
</tr>
<tr>
<td>System reliability increasingly affected by many factors e.g. weather, cyber terrorism, aging…</td>
<td>Medium</td>
</tr>
<tr>
<td>Smart Grid: need for more flexible grid and industry leadership</td>
<td>Medium</td>
</tr>
<tr>
<td>Increasing customer demand for energy management services</td>
<td>Medium</td>
</tr>
<tr>
<td>Gas driven retirements / aging generation assets</td>
<td>Medium</td>
</tr>
<tr>
<td>Increasingly stringent environmental rules</td>
<td>Medium</td>
</tr>
<tr>
<td>Increasing complexity of emerging energy markets including products and participants</td>
<td>Medium</td>
</tr>
<tr>
<td>Transmission congestion (1. Upstate v Downstate, 2. Renewables, 3. In-city)</td>
<td>Short</td>
</tr>
<tr>
<td>Need for clarity of NYPA role in state policy and finances</td>
<td>Short</td>
</tr>
<tr>
<td>Using government resources to leverage private sector investment</td>
<td>Short</td>
</tr>
</tbody>
</table>
### Mission Statement

An effective mission statement
- Outlines the organization’s aspiration
- Provides a unifying concept for the whole organization to embrace
- Guides everything the business does
- Addresses both the ends to be achieved and the means that will be used

### Key concepts identified for NYPA’s Mission Statement

**Ends**
- Provide economic benefit to New York State
- Fulfill our role as stewards of NYPA’s physical and financial assets
- Contribute to the achievement of New York State energy policy goals

**Means**
- Reliability
- Value-added services
- Renewables
- Environmental responsibility
- Customer focus
- Delivering where others don’t
Summary of workshop 1: scan themes, trends and mission discussion...

**Key workshop learnings...**
- NYPA has done great things when others would or could not, and we must again
- Tremendous change forecast for utility industry, driven by new customer choices
- There is a need for grid to become more flexible, connected & resilient
- Energy markets creating new opportunities and risks
- Talent management strategies are changing in light of mobility trends

**Key workshop outputs...**
- Alignment around mission
- Trends
- Uncertainties
- Focus areas for scenarios

**NEXT STEPS**
- Draft revised mission statement
- Develop the scenarios
- Articulate the Vision
- Identify Goals

Let’s build the next great legacy for NYPA....