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

July 25, 2006

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the Hawkins Point Visitors' Center – St. Lawrence Power Project – Massena, New York, at 11:00 a.m.

Present: Frank S. McCullough, Jr., Chairman
Elise M. Cusack, Trustee
Robert E. Moses, Trustee
Thomas W. Scozzafava, Trustee
Leonard N. Spano, Trustee

Michael J. Townsend, Vice Chairman – Excused
Joseph J. Seymour, Trustee – Excused

Timothy S. Carey	President and Chief Executive Officer
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer
Thomas J. Kelly	Executive Vice President and General Counsel
Vincent C. Vesce	Executive Vice President – Corporate Services and Administration
Steven J. DeCarlo	Senior Vice President - Transmission
Angelo S. Esposito	Senior Vice President – Energy Services and Technology
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Brian Vattimo	Senior Vice President – Public and Governmental Affairs
Edward A. Welz	Senior Vice President and Chief Engineer – Power Generation
Anne B. Cahill	Corporate Secretary
Tom H. Warmath	Vice President and Chief Risk Officer
Angela D. Graves	Deputy Corporate Secretary
Paul Finnegan	Executive Director – Public and Governmental Affairs
John Suloway	Executive Director – Licensing, Implementation and Compliance
Daniel Wiese	Inspector General and Director – Corporate Security
Richard Turner	Regional Manager – Northern New York
Mary Jean Frank	Associate Corporate Secretary
Jeffrey Carey	Special Assistant to President and Chief Executive Officer
Karen White	Reporter – *Courier-Observer*
W. Gary Edwards	Supervisor – Town of Massena
Mike Almasion	Lawyer
Josie Catanzorite	Town of Massena
Carol Anderson	Citizen
Shane M. Liesblen	Reporter – *Watertown Times*
Bob McVail	Treasurer – St. Lawrence County
Wes Oberholzer	General Manager – ALCOA
Mike Gayfield	Power Manager – ALCOA
Ron McDougall	Union Representative – General Motors
Andrew Szarka	Trustee, Village of Massena

Chairman McCullough presided over the meeting. Secretary Cahill kept the Minutes.

Chairman McCullough welcomed the people in the audience to the Trustees' Meeting and thanked Mr. Turner for the tours he had helped arrange for the Trustees, as well as the St. Lawrence/FDR Power Project staff's efforts in hosting the meeting.

1. Approval of the Minutes

The Minutes of the Regular Meeting of June 27, 2006 were unanimously adopted.

2. **Financial Reports for the Six Months Ending June 30, 2006**

Mr. Bellis presented an overview of the reports to the Trustees.

3. Report from the President and Chief Executive Officer

No report.

4. Power for Jobs Program - Extended Benefits

The President and Chief Executive Officer submitted the following report.

SUMMARY

"The Trustees are requested to approve extended benefits for 67 Power for Jobs ('PFJ') customers as listed in Exhibit '4-A.' In addition, the Trustees are requested to approve modifications to the benefits for one customer that has applied to have its PFJ benefits reinstated after they were reduced by the Economic Development Power Allocation Board ('EDPAB') for non-compliance with the customer's job commitments as detailed in Exhibit '4-B.' EDPAB has recommended that these customers receive such extended benefits and modifications.

BACKGROUND

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

"The PFJ program originally made 400 megawatts ('MW') of power available. The program was to be phased in over three years, with approximately 133 MW made available each year. In July 1998, as a result of the initial success of the program, the Legislature and Governor Pataki amended the PFJ statute to accelerate the distribution of the power, making a total of 267 MW available in Year One. The 1998 amendments also increased the size of the program to 450 MW, with 50 MW to become available in Year Three.

"In May 2000, legislation was enacted that authorized another 300 MW of power to be allocated under the PFJ program. The additional MW were described in the statute as 'phase four' of the program. Customers that received allocations in Year One were authorized to apply for reallocations; more than 95% reapplied. The balance of the power was awarded to new applicants.

"In July 2002, legislation was signed into law by Governor Pataki that authorized another 183 MW of power to be allocated under the program. The additional MW were described in the statute as 'phase five' of the program. Customers that received allocations in Year Two or Year Three were given priority to reapply for the program. Any remaining power was made available to new applicants.

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

"PFJ customers whose contracts expired on or prior to November 30, 2004 were eligible for a rebate to the extent funded by the Authority from the date their contract expired through December 31, 2005. As an alternative, such customers could choose to receive a rebate to the extent funded by the Authority from the date their contract expired as a bridge to a new contract extension, with the contract extension commencing December 1, 2004. The new contract would be in effect from a period no earlier than December 1, 2004, through the end of the PFJ program on December 31, 2005.

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

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

"In 2005, provisions of the approved State budget extended the period PFJ customers could receive benefits until December 31, 2006, the program's new sunset date.

"Section 189 of the New York State Economic Development Law, which was also amended by Chapter 59 of the Laws of 2004, provided the statutory authorization for the extended benefits that could be provided to PFJ customers with contracts that expired before December 31, 2005. The statute stated that an applicant could receive extended benefits '*only if it is in compliance with and agrees to continue to meet the job retention and creation commitments set forth in its prior power for jobs contract.'*

"Chapter 313 of the Laws of 2005 amended the above language to allow EDPAB to consider continuation of benefits on such terms as it deems reasonable. The statutory language now reads as follows:

> *An applicant shall be eligible for such reimbursements and/or extensions only if it is in compliance with and agrees to continue to meet the job retention and creation commitments set forth in its prior power for jobs contract**, or such other commitments as the board deems reasonable**.* (emphasis supplied)

"At its meeting of October 18, 2005, EDPAB approved criteria under which applicants whose extended benefits EDPAB had reduced for non-compliance with their job commitments could apply to have their PFJ benefits reinstated in whole or in part. EDPAB authorized staff to create a short-form application, notify customers of the process, send customers the application and evaluate reconsideration requests based on the approved criteria. To date, staff has mailed 200 applications, received 109 and completed review of 108.

DISCUSSION

"At its meeting on July 21, 2006, EDPAB recommended that the Authority's Trustees approve electricity savings reimbursement rebates to the 67 businesses listed in Exhibit '4-A.' Collectively, these organizations have agreed to retain more than 68,000 jobs in New York State in exchange for rebates. The rebate program will be in effect until December 31, 2006, the program's sunset. The power will be wheeled by the investor-owned utilities as indicated in the Exhibit.

"Also, at its meeting on July 21, 2006, based on the reconsideration criteria, EDPAB recommended that the Authority's Trustees approve modifications to the benefits for one customer that has applied to have its PFJ benefits reinstated after they were reduced by EDPAB for non-compliance with the customer's job commitments.

"The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit '4-A' in a total amount currently not expected to exceed $4,100,000. Staff recommends that the Trustees authorize a withdrawal of monies from the Operating Fund for the payment of such amount, provided that such amount is not needed at the time of withdrawal for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. Staff expects to present the Trustees with requests for additional funding for rebates to the companies listed in the Exhibits in the future.

FISCAL INFORMATION

"Funding of rebates for the companies listed on Exhibit '4-A' is not expected to exceed $4,100,000. Payments will be made from the Operating Fund. To date, the Trustees have approved $44.4 million in rebates.

RECOMMENDATION

"The Executive Vice President and Chief Financial Officer and the Director – Business Power Allocations and Regulation recommend that the Trustees approve the payment of electricity savings reimbursements to the Power for Jobs customers listed in Exhibit '4-A.' It is also recommended that the Trustees approve modifications to the benefits for one customer that has applied to have its Power for Jobs benefits reinstated after they were reduced by the Economic Development Power Allocation Board for non-compliance with the customer's job commitments as detailed in Exhibit '4-B.'

"The Executive Vice President and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Vice President – Major Account Marketing and Economic Development, the Senior Vice President – Public and Governmental Affairs and I concur in the recommendation."

Ms. Morman presented the highlights of staff's recommendations to the Trustees. Chairman McCullough noted that with this authorization the Trustees have approved the payment of $44.4 million in electricity reimbursement rebates. He noted that these rebates would continue to be paid only through the Power for Jobs' programs' current sunset date of December 31, 2006.

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

WHEREAS, the Economic Development Power Allocation Board ("EDPAB") has recommended that the Authority approve electricity savings reimbursements to the 67 Power for Jobs ("PFJ") customers listed in Exhibit "4-A"; and

WHEREAS, EDPAB has recommended that the Authority approve modifications to one allocation for a customer that has applied to have its PFJ benefits reinstated after they were reduced by EDPAB for non-compliance with the customer's job commitments as detailed in Exhibit "4-B";

NOW THEREFORE BE IT RESOLVED, That to implement such EDPAB recommendations, the Authority hereby approves the payment of electricity savings reimbursements to the companies listed in Exhibit "4-A," as submitted to this meeting, and that the Authority finds that such extensions and payments for electricity savings reimbursements are in all respects reasonable, consistent with the requirements of the PFJ program and in the public interest; and be it further

RESOLVED, That to implement such EDPAB recommendations, the Authority hereby approves modifications to the benefits for one customer that has applied to have its PFJ benefit reinstated after they were reduced by EDPAB for non-compliance with the customer's job commitments as detailed in Exhibit "4-B"; and be it further

RESOLVED, That based on staff's recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to $4.1 million, and it is hereby found that amounts may properly be withdrawn from the Operating Fund to fund such payments; and be it further

RESOLVED, That such monies may be withdrawn pursuant to the foregoing resolution upon the certification on the date of such withdrawal by the Vice President – Finance or the Treasurer that the amount to be withdrawn is not then needed for any of the purposes specified in Section 503 (1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That this approval shall expire on December 31, 2006; and be it further

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

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

July 25, 2006

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

Exhibit "4-A"
July 25, 2006

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended KW	Jobs/MW	Type	Service
1	AT&T	White Plains	Westchester	Con Ed	650	600	515	-85	-14%	No	560	920	Large	Telecommunications
2	Bank of New York	New York	New York	Con Ed	4,700	6,831	6,917	86	1%	Yes	4,700	1,472	Large	Banking Services
3	Charmer Industries, Inc.	Astoria	Queens	Con Ed	750	732	810	78	11%	Yes	750	1,080	Large	Distributors of wines and spirits
4	Columbia University - Trustees	New York	New York	Con Ed	750	719	723	4	1%	Yes	750	964	NFP	Educational and Student Services
5	Home for Contemporary Theater & Art	New York	New York	Con Ed	30	18	17	-1	-6%	Yes	30	567	NFP	Arts venue
6	Kingsbrook Jewish Medical Center	Brooklyn	Kings	Con Ed	1,200	2,091	2,081	-10	0%	Yes	1,200	1,734	NFP	Medical and Research Institution
7	Long Island Jewish Medical Center	Manhasset	Nassau	Con Ed	2,000	6,143	6,009	-134	-2%	Yes	2,000	3,005	NFP	Healthcare Center
8	Manhattan School of Music	New York	New York	Con Ed	200	176	343	167	95%	Yes	200	1,715	NFP	International conservatory of music
9	Marymount College	Tarrytown	Westchester	Con Ed	400	187	279	92	49%	Yes	400	698	NFP	Independent liberal arts college
10	New York Presbyterian Hospital	New York	New York	Con Ed	5,000	6,958	7,765	807	12%	Yes	5,000	1,553	NFP	Medical care
11	Norampac New York City, Inc.	Maspeth	Queens	Con Ed	600	267	195	-72	-27%	No	600	325	Large	Manufacturers' of corrugated paper packaging
12	NYU Medical Center	New York	New York	Con Ed	4,000	9,867	10,455	588	6%	Yes	4,000	2,614	NFP	Medical Center
13	The Brooklyn Historical Society	Brooklyn	Kings	Con Ed	30	16	17	1	6%	Yes	30	567	NFP	Community Services
14	The Joyce Theater Foundation, Inc.	New York	New York	Con Ed	150	43	41	-2	-5%	Yes	150	273	NFP	Dance Performance
15	Verizon	New York	New York	Con Ed	5,000	2,061	4,829	2,768	134%	Yes	5,000	966	Large	Local and wireless phone service provider
	Con Ed		**Subtotal**	**15**	**25,460**	**36,709**	**40,996**				**25,370**			
16	American Technical Ceramics	Huntington Station	Suffolk	LIPA	200	331	406	75	23%	Yes	200	2,030	Small	Ceramic Capacitor
17	Augros, Inc.	Ronkonkoma	Suffolk	LIPA	500	150	132	-18	-12%	No	440	300	Large	Manufacturer of molded plastic container caps
18	Good Samaritan Hospital	West Islip	Suffolk	LIPA	800	2,651	2,914	263	10%	Yes	800	3,642	NFP	Healthcare Center
19	North Shore Health System	Manhasset	Nassau	LIPA	2,600	5,840	6,444	604	10%	Yes	2,600	2,478	NFP	Medical Services
	LIPA		**Subtotal**	**4**	**4,100**	**8,972**	**9,896**				**4,040**			
20	Albany Molecular Research, Inc.	Albany	Albany	Nat Grid	600	143	348	205	143%	Yes	600	580	Large	Provider of pharmaceutical & manufacturing
21	Applied Energy Solutions	Caledonia	Livingston	Nat Grid	300	121	64	-57	-47%	No	300	213	Small	Electronics
22	Bank of New York	Oriskany	Oneida	Nat Grid	500	651	748	97	15%	Yes	500	1,496	Large	Banking Services
23	Bison Foods - Div. of Upstate Farm	Buffalo	Erie	Nat Grid	500	124	134	10	8%	Yes	500	268	Large	Dairy Products
24	Cascades Tissue Group	Waterford	Saratoga	Nat Grid	600	110	159	49	45%	Yes	600	265	Large	Large Industrial towel manufacturer
25	Clarkson University	Potsdam	St. Lawrence	Nat Grid	1,500	621	652	31	5%	Yes	1,500	435	NFP	Higher education
26	Cooper Industries	Syracuse	Onondaga	Nat Grid	3,000	958	529	-429	-45%	No	2,350	225	Small	Manufacturer of electrical equipment
27	Corning, Inc.	Canton	St. Lawrence	Nat Grid	1,500	272	260	-12	-4%	Yes	1,500	173	Large	Manufacturer of optical fiber & glass products
28	CWM Chemical Services, LLC	Model City	Niagara	Nat Grid	400	100	83	-17	-17%	No	330	252	Small	Waste
29	Delphi Automotive Systems	Amherst	Erie	Nat Grid	150	180	177	-3	-2%	Yes	150	1,180	Small	Injection Molding and Tooling
30	Dodge-Graphic Press Inc	Utica	Herkimer	Nat Grid	300	100	66	-34	-34%	No	300	220	Small	Printing Company
31	Edward John Noble Hospital	Gouverneur	St. Lawrence	Nat Grid	100	252	258	6	2%	Yes	100	2,580	NFP	Healthcare center
32	Fiber Glass Industries Inc.	Amsterdam	Herkimer	Nat Grid	700	142	137	-5	-4%	Yes	700	196	Large	Produces high strength woven fabrics
33	Fitzpatrick & Weller, Inc.	Ellicottville	Cattaraugus	Nat Grid	1,000	230	107	-123	-53%	No	1,000	107	Large	Lumber & wood components
34	General Electric Plastics	Selkirk	Albany	Nat Grid	5,000	545	515	-30	-6%	Yes	5,000	103	Large	Plastic materials & resins
35	Kilian Manufacturing Corporation	Syracuse	Onondaga	Nat Grid	400	345	214	-131	-38%	No	400	535	Large	Mfr. ball bearings
36	Lewis County General Hospital	Lowville	Lewis	Nat Grid	200	382	389	7	2%	Yes	200	1,945	NFP	Medical Center
37	McLane Eastern	Baldwinsville	Onondaga	Nat Grid	1,000	1,040	783	-257	-25%	No	875	895	Large	Wholesale grocery distributor of food
38	Mohawk Paper Mills	Cohoes	Albany	Nat Grid	2,250	389	426	37	10%	Yes	2,250	189	Large	Manufacturer of text and cover papers
39	Natrium Products, Inc.	Cortland	Cortland	Nat Grid	90	20	20	0	0%	Yes	90	222	Small	Manufacturer of sodium bicarbonate
40	Oldcastle Precast Inc	South Bethlehem	Albany	Nat Grid	350	113	53	-60	-53%	No	160	331	Small	Precast products and installation
41	Revere Copper Products	Rome	Oneida	Nat Grid	2,000	452	425	-27	-6%	Yes	2,000	213	Large	Copper & brass products
42	Robison & Smith, Inc.	Gloversville	Fulton	Nat Grid	384	176	190	14	8%	Yes	384	495	Small	Linen & Laundry Supply
43	Snyder Industries, Inc.	N. Tonawanda	Niagara	Nat Grid	350	94	96	2	2%	Yes	350	274	Small	Machinery
44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

37	McLane Eastern	Baldwinsville	Onondaga	Nat Grid	1,000	1,040	783	-257	-25%	No	875	895	Large	Wholesale grocery distributor of food
38	Mohawk Paper Mills	Cohoes	Albany	Nat Grid	2,250	389	426	37	10%	Yes	2,250	189	Large	Manufacturer of text and cover papers
39	Natrium Products, Inc.	Cortland	Cortland	Nat Grid	90	20	20	0	0%	Yes	90	222	Small	Manufacturer of sodium bicarbonate
40	Oldcastle Precast Inc	South Bethlehem	Albany	Nat Grid	350	113	53	-60	-53%	No	160	331	Small	Precast products and installation
41	Revere Copper Products	Rome	Oneida	Nat Grid	2,000	452	425	-27	-6%	Yes	2,000	213	Large	Copper & brass products
42	Robison & Smith, Inc.	Gloversville	Fulton	Nat Grid	384	176	190	14	8%	Yes	384	495	Small	Linen & Laundry Supply
43	Snyder Industries, Inc.	N. Tonawanda	Niagara	Nat Grid	350	94	96	2	2%	Yes	350	274	Small	Machinery
44	Sorrento Lactalis, Inc.	Buffalo	Erie	Nat Grid	1,500	358	464	106	30%	Yes	1,500	309	Large	Produces cheese as well as whey products
45	St. Joseph's Hospital Health Center	Syracuse	Onondaga	Nat Grid	1,000	2,997	3,071	74	2%	Yes	1,000	3,071	NFP	Healthcare Center
46	Standard Manufacturing Co., Inc.	Troy	Rensselaer	Nat Grid	160	152	30	-122	-80%	No	30	1,000	Small	Apparel
47	Syracuse Plastics, Inc.	Liverpool	Onondaga	Nat Grid	400	123	57	-66	-54%	No	400	143	Large	Maker of plastic parts and components
48	Syroco, Inc. - A Subsidiary of Vassallo Ind	Baldwinsville	Onondaga	Nat Grid	550	427	183	-244	-57%	No	550	333	Large	Plastic injection molding manufacturer
49	Turbine Components Technologies	Whitesboro	Oneida	Nat Grid	1,200	395	225	-170	-43%	No	1,200	188	Large	Precision forging plant
	National Grid		**Subtotal**	**30**	**27,984**	**12,012**	**10,863**				**26,819**			
50	Agri-Mark, Inc	Chateauguay	Franklin	NYSEG	500	106	116	10	9%	Yes	500	232	Large	Cheese Manufacturer
51	Air-Flo Manufacturing	Prattsburgh	Steuben	NYSEG	130	110	117	7	6%	Yes	130	900	Small	Mfr. of ice control equipment and truck bodies
52	Consumers Beverages, Inc.	Buffalo	Erie	NYSEG	240	60	69	9	15%	Yes	240	288	Small	Beverage Producer
53	Corning (Erwin Plant)	Corning	Steuben	NYSEG	1,500	439	1,047	608	138%	Yes	1,500	698	Large	Mft of optical fiber, glass and ceramic products
54	Corning, Inc.- (Big Flats)	Big Flats	Chemung	NYSEG	500	143	131	-12	-8%	Yes	500	262	Large	Mft of optical fiber, glass and ceramic products
55	Corning, Inc. (Northside)	Corning	Steuben	NYSEG	2,500	1,035	783	-252	-6%	Yes	2,500	313	Large	Mft of optical fiber, glass and ceramic products
56	Corning, Inc. (Oneonta -Costar Plant)	Oneonta	Otsego	NYSEG	900	200	188	-12	-6%	Yes	900	209	Large	Mft of optical fiber, glass and ceramic products
57	Corning, Inc.- (Southside)	Corning	Steuben	NYSEG	1,500	647	798	151	-6%	Yes	1,500	532	Large	Mft of optical fiber, glass and ceramic products
58	Corning, Inc. (Sullivan Park)	Corning	Steuben	NYSEG	3,000	1,147	1,207	60	5%	Yes	3,000	402	Large	Mft of optical fiber, glass and ceramic products
59	Manitoba Corporation	Lancaster	Erie	NYSEG	250	45	39	-6	-13%	No	250	156	Small	Metal Recycling for non-ferrous metals
60	Merritt Plywood Machinery, Inc.	Lockport	Niagara	NYSEG	75	19	19	0	0%	Yes	75	253	Small	Makes machinery for hardwood, veneer and plywood
61	Seneca Foods Corporation	Geneva	Ontario	NYSEG	1,000	278	271	-7	-3%	Yes	1,000	271	Large	Canned fruits & vegetables
62	Upstate Farms Cooperative	LeRoy	Erie	NYSEG	600	160	151	-9	-6%	Yes	600	252	Large	Processes milk into a variety of milk products
63	Vail Ballou Press, Inc.	Binghamton	Broome	NYSEG	1,800	500	426	-74	-15%	No	1,800	237	Large	Book printer and distributor
	NYSEG		**Subtotal**	**14**	**14,495**	**4,889**	**5,362**				**14,495**			
64	International Business Machines - Sterling	Poughkeepsie	Orange	O&R	1,350	1,087	566	-521	-48%	No	700	809	Large	Computer Manufacturer
	Orange & Rockland		**Subtotal**	**1**	**1,350**	**1,087**	**566**				**700**			
65	Flower City Printing, Inc.	Rochester	Monroe	RGE	650	245	257	12	5%	Yes	650	395	Large	Commercial printer
66	International Business Machines - Roches	Rochester	Monroe	RGE	2,800	1,495	610	-885	-59%	No	1,150	530	Large	Computer Manufacturer
67	Seneca Foods Corporation	Marion	Wayne	RGE	1,100	246	115	-131	-53%	No	1,100	105	Large	Canned fruits & vegetables
	RG&E		**Subtotal**	3	**4,550**	**1,986**	**982**				**2,900**			
			Total	**67**	**77,939**	**65,655**	**68,665**				**74,324**	**924**		

Note: some of the non compliant customers listed above have had part or all of their allocation restored through the reconsideration process

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

Exhibit "4-A"
July 25, 2006

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended KW	Jobs/MW	Type	Service
46	Standard Manufacturing Co., Inc.	Troy	Rensselaer	Nat Grid	160	152	30	-122	-80%	No	30	1,000	Small	Apparel
47	Syracuse Plastics, Inc.	Liverpool	Onondaga	Nat Grid	400	123	57	-66	-54%	No	400	143	Large	Maker of plastic parts and components
48	Syroco, Inc. - A Subsidiary of Vassallo Ind	Baldwinsville	Onondaga	Nat Grid	550	427	183	-244	-57%	No	550	333	Large	Plastic injection molding manufacturer
49	Turbine Components Technologies	Whitesboro	Oneida	Nat Grid	1,200	395	225	-170	-43%	No	1,200	188	Large	Precision forging plant
	National Grid		**Subtotal**	**30**	**27,984**	**12,012**	**10,863**				**26,819**			
50	Agri-Mark, Inc	Chateauguay	Franklin	NYSEG	500	106	116	10	9%	Yes	500	232	Large	Cheese Manufacturer
51	Air-Flo Manufacturing	Prattsburgh	Steuben	NYSEG	130	110	117	7	6%	Yes	130	900	Small	Mfr. of ice control equipment and truck bodies
52	Consumers Beverages, Inc.	Buffalo	Erie	NYSEG	240	60	69	9	15%	Yes	240	288	Small	Beverage Producer
53	Corning (Erwin Plant)	Corning	Steuben	NYSEG	1,500	439	1,047	608	138%	Yes	1,500	698	Large	Mft of optical fiber, glass and ceramic products
54	Corning, Inc.- (Big Flats)	Big Flats	Chemung	NYSEG	500	143	131	-12	-8%	Yes	500	262	Large	Mft of optical fiber, glass and ceramic products
55	Corning, Inc. (Northside)	Corning	Steuben	NYSEG	2,500	1,035	783	-252	-6%	Yes	2,500	313	Large	Mft of optical fiber, glass and ceramic products
56	Corning, Inc. (Oneonta -Costar Plant)	Oneonta	Otsego	NYSEG	900	200	188	-12	-6%	Yes	900	209	Large	Mft of optical fiber, glass and ceramic products
57	Corning, Inc.- (Southside)	Corning	Steuben	NYSEG	1,500	647	798	151	-6%	Yes	1,500	532	Large	Mft of optical fiber, glass and ceramic products
58	Corning, Inc. (Sullivan Park)	Corning	Steuben	NYSEG	3,000	1,147	1,207	60	5%	Yes	3,000	402	Large	Mft of optical fiber, glass and ceramic products
59	Manitoba Corporation	Lancaster	Erie	NYSEG	250	45	39	-6	-13%	No	250	156	Small	Metal Recycling for non-ferrous metals
60	Merritt Plywood Machinery, Inc.	Lockport	Niagara	NYSEG	75	19	19	0	0%	Yes	75	253	Small	Makes machinery for hardwood, veneer and plywood
61	Seneca Foods Corporation	Geneva	Ontario	NYSEG	1,000	278	271	-7	-3%	Yes	1,000	271	Large	Canned fruits & vegetables
62	Upstate Farms Cooperative	LeRoy	Erie	NYSEG	600	160	151	-9	-6%	Yes	600	252	Large	Processes milk into a variety of milk products
63	Vail Ballou Press, Inc.	Binghamton	Broome	NYSEG	1,800	500	426	-74	-15%	No	1,800	237	Large	Book printer and distributor
	NYSEG		**Subtotal**	**14**	**14,495**	**4,889**	**5,362**				**14,495**			
64	International Business Machines - Sterling	Poughkeepsie	Orange	O&R	1,350	1,087	566	-521	-48%	No	700	809	Large	Computer Manufacturer
	Orange & Rockland		**Subtotal**	**1**	**1,350**	**1,087**	**566**				**700**			
65	Flower City Printing, Inc.	Rochester	Monroe	RGE	650	245	257	12	5%	Yes	650	395	Large	Commercial printer
66	International Business Machines - Roches	Rochester	Monroe	RGE	2,800	1,495	610	-885	-59%	No	1,150	530	Large	Computer Manufacturer
67	Seneca Foods Corporation	Marion	Wayne	RGE	1,100	246	115	-131	-53%	No	1,100	105	Large	Canned fruits & vegetables
	RG&E		**Subtotal**	**3**	**4,550**	**1,986**	**982**				**2,900**			
			Total	**67**	**77,939**	**65,655**	**68,665**				**74,324**	**924**		

Note: some of the non compliant customers listed above have had part or all of their allocation restored through the reconsideration process

New York Power Authority
Power for Jobs Extended Benefits
Recommendation for Full or Partial Reinstatement of
Electricity Savings Reimbursement

"Exhibit 4-B"
July 25, 2006

Line	Company	City	Original KW	Jobs in Application 2005	Approved Reduction KW	Reduced Allocation KW	Reconsideration Full/Partial KW	Recommended Reinstated KW	Recommended Allocation After Reinstatement KW	Final Commitment Jobs	Service
1	Welch Allyn Data Collection Inc.	Skaneateles Falls	2,000	1,257	1,100	900	Full	900	2,000	1257	Medical/ dental diagnostic equipment manufacturer
		Total	**2,000**	**1,257**	**1,100**	**900**		**900**	**2,000**	**1,257**	

5. PURPA – Compliance with Ratemaking Standard

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize a public hearing for the purpose of commencing consideration of a Demand Response and Smart Metering Standard ('Standard') as required by the federal Energy Policy Act of 2005 ('EPACT'). The Authority, as a non-regulated electric utility under the requirements of EPACT, must complete consideration of the Standard and make a determination as to whether to adopt the Standard by August 8, 2007. The Standard has to do with time-of-use rates and the metering equipment used to implement the rates. The public hearing will provide interested parties with an opportunity to provide comments to the Authority with respect to whether and how the Standard should be adopted.

BACKGROUND

"The Public Utility Regulatory Policies Act ('PURPA') is a federal statute first enacted in 1978 for the purposes of encouraging: (1) conservation of energy supplied by electric utilities; (2) optimization of the efficient use of facilities and resources by electric utilities and (3) equitable rates to electric consumers. The Authority is a non-regulated electric utility with respect to the Federal Energy Regulatory Commission ('FERC'), the agency that implements PURPA.

"In August 2005, PURPA was amended by Congress via the Energy Policy Act of 2005. Under EPACT, the Authority is required to provide public notice and conduct a hearing with respect to consideration of the new ratemaking Standard. While not required to adopt the Standard, the Authority must consider the Standard in good faith, and issue a determination as to whether it will be adopted. The law requires the Authority to publicly announce the date of the hearing before August 8, 2006, and to make its consideration and determination by August 8, 2007. The Standard at issue concerns Time-Based Metering and Communications.

DISCUSSION

"The new Standard contains two requirements that only apply to *retail* sales. Approximately half of the Authority's customers, in terms of loads, are defined as *wholesale* using FERC criteria. For example, sales to utilities (National Grid, New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation) including Replacement Power, Expansion Power, Niagara/St. Lawrence Rural and Domestic Power, Economic Development Power and Power for Jobs, are not subject to the Standard. The retail sales affected by the Standard primarily include the downstate government customers, High Load Factor customers and aluminum companies. The first requirement under the Standard requires the Authority to provide all these retail customers with a time-based rate schedule in which the rates reflect the cost of generating and purchasing the power at the wholesale level. Second, the Standard requires the Authority to provide the customer, upon request, a time-based meter enabling the customer to receive such a rate. The statute provides four allowable time-based rate schedules:

1. Time-of-use pricing whereby prices are set for a specific time period on an advance or forward basis;
2. Critical peak pricing whereby time-of-use prices are in effect except for certain peak days, when prices reflect the costs of generating and/or purchasing electricity at the wholesale level and when consumers may receive additional discounts for reducing peak period energy consumption;
3. Real-time pricing, reflecting the utility's generating costs; and
4. Credits for loads that participate in peak load reduction programs.

"The Authority's staff will prepare a report that advises the Trustees as to whether the Authority should adopt the Standard. Staff will consider the views of interested parties, in particular the Authority's customers, which will be afforded an opportunity to provide comments at the public hearing and in writing. Staff's recommendation will be made available to the public upon request.

FISCAL INFORMATION

"There is no anticipated fiscal impact.

RECOMMENDATION

"The Manager – Power Contracts, Wholesale and Electric Systems Marketing recommends that a public hearing on the ratemaking standard be held at the Jaguar Room at 123 Main Street, White Plains, New York, at 10:30 a.m. on Wednesday, January 10, 2007, and that, on or before August 8, 2006, notice of the public hearing be issued in a news release and published on the Authority's web site. The notice will also be published in the New York State Register on November 15, 2006.

"The Executive Vice President and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Vice President – Major Account Marketing and Economic Development and I concur in the recommendations."

Ms. Morman presented the highlights of staff's recommendations to the Trustees. In response to questions from Chairman McCullough, Ms. Morman said that the public hearing mandated by the legislation relating to this standard would be held on January 10, 2007, and that following the hearing, staff would report back to the Trustees on its outcome, with a final report due to the Federal Energy Regulatory Commission by August 2007.

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

WHEREAS, by August 8, 2006, the Authority must set a public hearing date for the consideration of the Time-Based Metering and Communications ratemaking standard under the Public Utility Regulatory Policies Act:

NOW THEREFORE BE IT RESOLVED, That the Trustees direct the Public and Governmental Affairs office to issue a news release for a public hearing on the ratemaking standard, such hearing to be held in the Jaguar Room at 123 Main Street, White Plains, New York, on Wednesday, January 10, 2007, at 10:30 a.m.; and be it further

RESOLVED, That the Trustees direct the Corporate Secretary to arrange to have a notice of such public hearing published in the November 15, 2006, issue of the *New York State Register*; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all 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. Statewide Energy Services Program – Engineering Services in Support of Energy Efficiency Projects

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of engineering support contracts to DMJM Harris, Genesys Engineering P.C. and Wendel Duchscherer for engineering and construction management services in support of Energy Services Program ('ESP') projects Statewide. The intended term of the contracts is up to four years. The total aggregate funding for these contracts is $3 million. This funding will be part of the funding of the ESP programs previously authorized by the Trustees at their meetings on December 16, 1997 and June 28, 2005, so no new funding is requested at this time. All costs associated with these services will be recovered directly from ESP program participants.

BACKGROUND

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

DISCUSSION

"Since 2004, the Authority has been ramping up its efforts to increase investment in energy efficiency, clean energy and improved system reliability projects via its ESP programs Statewide. These efforts have been very fruitful, with investment increasing from the 2004 level of $66.4 million to the budgeted 2006 investment target of $102 million, a 53% increase. It is projected that annual investment will continue at the $100 million level for the foreseeable future.

"During this period of intensely increased investment, the Authority has kept its staffing levels associated with the ESP essentially flat. This has allowed the Authority to offer program participants services at an improved cost, since the cost allocated by the Authority to these programs is being spread across a larger investment in projects. This in turn makes the projects more economical and attractive for program participants to implement, leading to additional projects.

"With the increased volume of projects, there is an increased need for engineering and field support of the projects being developed and implemented. This includes audit, design and construction management, along with other work that ensures the Authority's ability to maintain a high level of customer service. The most cost-effective way to engage these resources is to contract for them on a temporary basis, rather than adding full-time staff. This allows the Authority's full-time staff to be fully engaged, handling peaks in work by directing the efforts of its contractors. The cost of these resources will be recovered from each program participant in the Authority's ESP via a fee applied to each project.

"In June 2006, staff solicited bids from consulting and engineering firms recognized for their experience in providing engineering and construction management services. A total of 79 bid packages were either sent to potential bidders or downloaded from the Authority's web site. Of the 79 potential bidders, 73 bidders declined to bid. Of the remaining 6 bidders, Authority staff selected the three lowest-priced qualified bidders: DMJM Harris, Genesys Engineering P.C. and Wendel Duchscherer. The following is a brief description of these companies.

DMJM HARRIS

"DMJM Harris is a full-service energy management company with strong in-house engineering and project management capabilities with offices in New York City. DMJM Harris has provided design and implementation services for the Authority in the past on various programs, and the Authority has been pleased with their efforts in other programs. Harris understands Authority processes and has proven utility program experience in all facility types (schools, municipal water treatment, hospitals, universities, government buildings, etc.).

GENESYS ENGINEERING P.C.

"Genesys Engineering ('Genesys') focuses on energy and utility infrastructure with offices in White Plains, Kingston and Albany, New York. Genesys provides mechanical and electrical engineering services to clients in the public sector with in-house resources and staff. Genesys specializes in the study, design, construction, and commissioning of energy conservation projects.

WENDEL DUCHSCHERER

"Wendel Duchscherer ('Wendel') is an architectural and engineering/design-build firm with offices in Buffalo, Albany, and Long Island. Wendel has provided design-build services for the Authority in the past on various programs. Wendel understands the Authority's processes and has proven experience under the Clean Air For Schools Program ('CASP') and Statewide Energy Services Program ('ESP').

FISCAL INFORMATION

"Funding will be provided through the previously approved funding of the Authority's ESP. This funding will be provided through Commercial Paper Notes, Series 1, 2 and 3 and/or operating funds. No new funding is requested at this time.

"All Authority costs, including Authority overheads and the costs of advancing funds, will be recovered from the program participants.

RECOMMENDATION

"The Senior Vice President – Energy Services and Technology recommends that the Trustees authorize up to $3 million to fund three engineering support contracts to support Energy Services and Technology staff implementing the various Energy Services Program projects. These funds will be collected from program participants in the Energy Services Program.

"The Executive Vice President and General Counsel, the Executive Vice President Corporate Services and Administration, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Senior Vice President – Public and Governmental Affairs, the Senior Vice President – Power Generation and I concur in the recommendation."

Mr. Esposito presented the highlights of staff's recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Esposito said that the $3 million being requested in this item was budgeted as part of the Authority's $100 million capital program for 2006. Responding to a question from Trustee Cusack, Mr. Esposito said that the types of projects carried out under the Statewide Energy Services Program ("Statewide ESP) include lighting, boiler and chiller plant upgrades, as well as the implementation of energy management systems. He said that the Authority oversees the design, engineering and installation of the energy efficiency improvements and then bills the participant for all of the Authority's direct and indirect costs, allowing them to be repaid over an extended period of time. At the request of President Carey, Mr. Esposito mentioned that the Authority has completed several projects with SUNY Buffalo, as well as Erie County, citing

the Erie County Office Building as an example. Mr. Esposito said he would e-mail Trustee Cusack a listing of all of the Statewide ESP projects the Authority has sponsored in Erie County.

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

RESOLVED, That the Trustees hereby authorize the award of engineering services contracts to DMJM Harris, Genesys Engineering P.C. and Wendel Duchscherer in support of the Authority's Energy Services Program ('ESP') for a period of up to four years; and be it further.

RESOLVED, That funding for these contracts be provided in the amount below:

Contractors		**Expenditure Authorization (Not to Exceed)**
DMJM Harris		
Genesys Engineering P.C.		
Wendel Duchscherer		
	Total:	**$3 million**

Exact funding for each contract will be determined based on the project support needs of Energy Services and Technology staff; and be it further

RESOLVED, That the Authority's Commercial Paper Notes, Series 1, 2 and 3 and/or operating funds may be used to finance program costs; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all 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.

7. Statewide Energy Services Program – Inclusion of Certain Business Customers and Not-for-profit Organizations as Eligible Participants

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the inclusion, as eligible participants in the Statewide Energy Services Program ('Statewide ESP'), certain of the Authority's business customers that responded to an appeal made by the Authority last autumn that business customers mount aggressive energy conservation efforts in order to combat high energy costs and reduce the State's dependence on foreign oil. These business customers include entities that receive power from the Authority under its Power for Jobs, Economic Development, High Load Factor, Municipal Distribution Agency, Expansion Power, Replacement Power and Preservation Power programs. Additionally, the Trustees are requested to authorize the inclusion of not-for-profit organizations as eligible participants in Statewide ESP. No new program funding is being requested at this time and all costs of work performed will be recovered directly from each participant in the program.

BACKGROUND

"The Authority's mission is to provide clean, economical and reliable energy consistent with its commitment to safety, while promoting energy efficiency and innovation for the benefit of its customers and all New Yorkers. In that regard, the Authority has provided energy services programs across the State to reduce energy consumption and peak demand. To date, the Authority's programs have reduced the demand for electricity by 195 MW, resulting in savings of more than $93 million annually.

"Statewide ESP is an energy efficiency program that provides a turnkey approach to identifying, procuring and implementing energy-saving solutions for participants outside what has been traditionally referred to as the Authority's Southeastern New York ('SENY') territory. Statewide ESP and the market segments covered by the program have evolved over time. The initial program, launched in the early 1990s, was called the Statewide High Efficiency Lighting Program ('HELP'). This program was offered to facilities owned and operated by New York State and served by investor-owned utilities outside the SENY service territory. As the name implies, the technologies installed were relatively simple lighting retrofits. As demand for the program expanded, new HELP initiatives were launched that targeted different sectors. These include Long Island HELP, which targeted public schools on Long Island; Public Schools HELP, which targeted the remaining schools across the State and County and Municipal HELP, which targeted county and local facilities. During this time, the energy-saving measures offered by the programs were expanded to allow for more comprehensive projects. Ultimately, to streamline the budgeting process and provide a single fully integrated program to all these sectors, the Trustees, at their meeting of December 16, 1997, approved the consolidation of all these programs into Statewide ESP, a single program available to all public entities served by investor-owned utilities outside the SENY service territory. At their meeting of December 14, 2004, the Trustees authorized the inclusion of publicly operated facilities served by municipal and cooperative electric systems in Statewide ESP, and in May 2006, municipal and cooperative systems themselves were added.

DISCUSSION

"With the recent spike in energy prices, the Authority proactively issued communications to its customers and others in the late fall of 2005 offering assistance to those entities that were struggling with the increased cost of energy. Over the past several months, the Authority has received requests from a number of business customers about the programs the Authority offers. Staff has met with these customers and it appears that some of them can benefit from Statewide ESP as it is now configured. It would be especially helpful for these entities to be able to participate in Statewide ESP because, by receiving power from the Authority, they are not currently eligible for programs offered by the New York State Energy Research and Development Authority that are funded by the Systems Benefit Charge.

"In addition, not-for-profit organizations ('NFPs') throughout the State have been requesting assistance from the Authority in the area of energy efficiency. However, these NFPs are presently not eligible for Statewide ESP. Staff has found that certain NFPs, such as public hospitals and colleges, are a good fit for the Statewide ESP. If the Trustees authorize the eligibility of NFPs, staff expects that Statewide ESP will serve this new sector very well.

"If approved by the Trustees, the above-described business customers (i.e., those that responded to the Authority's outreach in the fall of 2005) and NFPs would be added as eligible market sectors of Statewide ESP. The previously approved funding for this program is sufficient for these new market sectors at this time, and the program will continue to be implemented to take into account the Authority's regulatory requirements associated with supporting these types of projects.

FISCAL INFORMATION

"Funding will be provided through the previously approved funding of Statewide ESP. This funding is provided from the proceeds of the Authority's Commercial Paper Notes, Series 1, 2 and 3 and/or the Operating Fund. In addition, projects may be funded, in part, with monies from POCR (Petroleum Overcharge Restitution) funds. All Authority costs, including overheads and the costs of advancing funds, but excluding any grant of POCR funds, will be recovered consistent with other Energy Services and Technology programs.

RECOMMENDATION

"The Senior Vice President – Energy Services and Technology recommends that the Trustees authorize the inclusion of the above-described business customers and not-for-profit organizations as eligible participants in the Authority's previously authorized Statewide Energy Services Program.

"The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Senior Vice President – Power Generation, the Senior Vice President- Public and Governmental Affairs and I concur in the recommendation."

Mr. Esposito presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Cusack, Mr. Esposito said that most of the Statewide ESP work is from repeat customers, such as SUNY. President Carey added that Mr. Esposito and his staff have worked very hard to promote this program to potential customers. Chairman McCullough said that the Authority is bringing terrific benefits to these customers. President Carey then said that the Authority has spent more than $900 million on energy efficiency programs over the years, saying that the Authority itself had cut energy use at the Clarence D. Rappleyea Building in White Plains by 50% thanks to Statewide ESP.

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

RESOLVED, That the Trustees hereby authorize the inclusion of certain of the Authority's business customers as described in the foregoing report of the President and Chief Executive Officer as eligible participants in the Statewide Energy Services Program ('Statewide ESP'). Such customers include entities that receive power from the Authority via the Power for Jobs, Economic Development, High Load Factor, Municipal Distribution Agency, Expansion Power, Replacement Power and Preservation Power programs; and be it further

RESOLVED, That the Trustees hereby authorize the inclusion of not-for-profit organizations throughout the State as eligible participants in Statewide ESP; and be it further

RESOLVED, That the Authority's Commercial Paper Notes, Series 1, 2, and 3, and/or Operating Fund monies may be used to finance program costs; and be it further

RESOLVED, That Petroleum Overcharge Restitution ('POCR') funds may be used to finance program costs to the extent authorized by the POCR legislation, in such amounts as may be deemed necessary and desirable by the Senior Vice President - Energy Services and Technology; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all 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.

8. Authorization to Enter into One or More Interest Rate Swap Agreements Relating to Adjustable Rate Tender Notes

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the execution of one or more forward-starting, floating-to-fixed interest rate swap agreements relating to up to $156,145,000 in principal amount of the Authority's Adjustable Rate Tender Notes ('ART Notes'), with such swap agreement(s) having a term not to exceed 10 years, an effective date of not earlier than September 1, 2006, nor later than March 1, 2008 and a fixed rate to be paid by the Authority of no greater than 4%.

BACKGROUND

"Pursuant to a resolution adopted by the Trustees on April 30, 1985, the Authority issued $200 million of ART Notes to pay for a portion of the cost of construction of its Marcy-South Project, of which $156,145,000 in principal amount is currently outstanding. Goldman Sachs & Company serves as Remarketing Agent for the ART Notes, which are subject to tender by the holders of such Notes or call by the Authority on any rate reset date. The interest rate on the ART Notes resets each March 1 and September 1. Accordingly, the next rate reset date is September 1, 2006. In September 2003, the Authority entered into a floating-to-fixed interest rate swap agreement that will expire on September 1, 2006. If approved by the Trustees and executed, the proposed swap agreement(s) would replace the expiring 2003 swap agreement. The ART Notes mature on March 1, 2007, March 1, 2016 and March 1, 2020.

DISCUSSION

"Staff proposes to enter into one or more forward-starting, floating-to-fixed interest rate swap agreements with one or more counterparties to be selected through a competitive bid process that will be managed by the Authority's swap advisor, PFM-Asset Management. The aggregate notional amount of the swap will not exceed $156,145,000 (the amount of ART Notes currently outstanding) and will have a term not to exceed 10 years. The proposed swap agreement(s) would hedge interest rate volatility relating to the ART Notes over that period.

"Under the proposed agreement(s), during the term of the swap the Authority will pay a fixed rate of no greater than 4% on the notional amount of the swap. The counterparty(ies), in turn, will pay the Authority during each six-month interest rate period payments of not less than 66% of the six-month London Interbank Offered Rate ('LIBOR') in effect on the date the new ART Note interest rate is set for the six-month period. The swap agreement(s), which would not be executed unless the fixed rate to be paid by the Authority is 4% or less, shall have a term of not more than 10 years.

"Staff may deem it advisable in connection with the proposed swap agreement(s) to execute credit support annexes ('CSAs'). The CSAs would obligate the Authority and the counterparty(ies) to provide collateral to support the swap agreement(s) if the Authority's or the counterparty(ies)' credit ratings were downgraded. Staff proposes that the aggregate amount of collateral to be transferred without further approval by the Trustees in connection with the swap agreement(s) be limited to $25 million. If additional collateral were required and the Trustees were to decline to approve such addition collateral, the counterparty(ies) to the swap agreement(s) would have the option to terminate the swap agreement(s), with payment to be made in accordance with whether market conditions favored the Authority or the counterparty(ies).

"As discussed in prior Trustees' meetings, the use of interest rate swaps entails acceptance of certain risks, such as (i) basis risk (e.g., where the variable rate paid by the Authority on its debt is higher than the variable rate paid to it under the swaps), (ii) tax risk (e.g., a change in tax law which results in an adverse movement in the trading ratios of short-term tax-exempt securities to short-term taxable securities generally, decreasing or eliminating the anticipated savings to the Authority if the change in law causes the variable rate on the debt to rise faster than a LIBOR–based floating rate on the swap), (iii) counterparty risk (e.g., a default by the other party to the swaps that may result in additional cost to the Authority), (iv) termination risk, including the costs to the Authority of any termination of the swaps, either by the Authority or the counterparty, and (v) the risk that the swaps no longer would extend for the full period of time during which the Authority desires to maintain a net fixed rate exposure. Staff has analyzed these risks and after consultation with the Authority's Financial Advisor, has concluded that such risks (i) are manageable and (ii) are reasonable in relation to the benefits achievable by entering into interest rate swap agreements in the manner contemplated.

"Since 1985, the interest rates on the ART Notes have averaged 3.83%, which on average during this same period was approximately 66% of the six-month LIBOR. Consequently, if this relationship continues, the floating payments received by the Authority should offset the payments to be made by the Authority to its ART Note holders, resulting in the Authority effectively paying a maximum fixed rate of no greater than 4% on its ART Notes. However, historical performance is not a guaranty of future performance. Consequently, there is no guaranty that payments received, based on a percentage of the six-month LIBOR rate, will be sufficient to offset the payments made by the Authority to the ART Note holders. The correlation between the ART Notes and the six-month LIBOR may vary going forward, and the actual rate paid on the ART Notes may in fact be higher than 66% of the six-month LIBOR rate. In such a case, the Authority would in effect be paying the fixed rate of no greater than 4% plus the difference between the ART Notes rate and 66% of the LIBOR rate. If the ART Notes rate were less than 66% of the LIBOR rate, the Authority would be paying the fixed rate minus the difference between the ART Notes rate and 66% of the LIBOR rate.

"Staff has been advised that Hawkins Delafield & Wood LLP, bond counsel to the Authority, will provide an unqualified opinion in connection with the interest rate swap agreement(s).

RECOMMENDATION

"The Treasurer recommends that the Trustees authorize the execution of one or more forward starting floating-to-fixed interest rate swap agreements related to the Authority's Adjustable Rate Tender Notes, with a duration not to exceed 10 years commencing on or after September 1, 2006, in an aggregate notional amount not to exceed $156,145,000, with the fixed payment by the Authority of not greater than 4%, and with a floating payment to be paid by the counterparty(ies) of not less than 66% of the six-month London Interbank Offered Rate, as discussed above.

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

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

RESOLVED, That the Executive Vice President and Chief Financial Officer, the Vice President – Finance and the Treasurer be, and each of them hereby is, authorized on behalf of the Authority to enter into one or more forward-starting floating-to-fixed rate interest rate swap agreement(s), provided that: (1) the aggregate notional amount of such agreement(s) shall not exceed $156,145,000; (2) such agreement(s) shall provide for the Authority making payments to the counterparty(ies) for the term of the swap period a fixed rate of no greater than 4%, and for the counterparty(ies) to make payments to the Authority for each six-month ART Notes interest rate period of not less than 66% of the six-month LIBOR rate in effect on the date the new interest rate is set for the six-month period in question; (3) the term of such agreement(s) shall not exceed 10 years, commencing on or after September 1, 2006, but not later than March 1, 2008; (4) such agreement(s) shall have such terms and conditions, not inconsistent with the requirements set forth in clauses (1)-(3) above, as such officer executing such agreement shall deem necessary or advisable, such execution to be conclusive evidence of such approval and (5)

any collateral transferred by the Authority to support the swap agreement(s), in accordance with the terms of the applicable credit support annex,(es) shall not exceed $25 million in the aggregate without further approval by the Trustees; and be it further

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

9. Capital Expenditure Authorization Request – Billing Systems Implementation

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve a Capital Expenditure Authorization Request ('CEAR') for $18,745,000 to implement the replacement of the Authority's current multiple billing systems, which in some cases are more than 20 years old. These existing billing systems no longer meet the current demands of the Authority's business requirements.

"The new billing system will be implemented as an expansion of the current SAP R/3 environment and will replace four existing systems: governmental billing, wholesale billing, World Trade Center billing and a loan ledger to support energy efficiency initiatives.

"The new billing system will significantly reduce manual data entry and provide the Authority with greater flexibility in meeting changing business requirements.

BACKGROUND

"In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services or equipment purchase 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, requires Trustees' approval.

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

"The current governmental and wholesale billing systems were custom developed more than 20 years ago. These billing systems are mainframe based and written in a programming language that is no longer widely used. These billing systems use an older-technology database structure. The governmental and wholesale systems have separate computer applications, separate databases and separate programming processes as well.

"Since these systems are large and very complex, it is very difficult to make programming changes to this kind of environment quickly. Any change must be extensively tested to ensure that it will not introduce any unforeseen anomalies in another part of the system. The difficulties in keeping the billing systems operational while responding to change have forced staff to work around the system at times. Numerous external systems have been developed over the past five years to meet new requirements rather then attempt to change the core billing systems.

"The billing systems are run on leased services provided by the New York State Office for Technology in Albany. The mainframe leased services cost the Authority more than $800,000 annually. The application support staff who maintain the applications are part of the Authority's Information Technology team.

DISCUSSION

"In late 2004, a team was assembled to begin the process of evaluating alternatives to the current billing system environment. This team developed a list of necessary functional requirements based on a series of cross-functional meetings. The team then reviewed software alternatives available in the marketplace. Systems used by other utilities were also assessed. A Request for Proposals ('RFP') was developed and submitted to the top software vendors. Their responses led to a short list and the software vendors were brought in to demonstrate their solutions and prove their products could meet the Authority's business requirements. In the fall of 2005, the team selected a suite of modules from SAP America to be added to the Authority's existing SAP R/3 environment as the right choice to meet the Authority's billing system. SAP billing and marketing modules represented world class functional processes which could be adopted by the Authority and an expansion of our existing system would eliminate a number of existing interfaces.

"Based on size and complexity of this project, it was decided that this type of implementation would require the use of a consultant system integrator ('SI'). An RFP was developed and issued in the fall of 2005 to find a vendor to act as SI on the Authority's behalf. Four vendors have responded to the RFP and detailed evaluations of the four proposals have been completed.

"The project is now at a critical juncture and we seek Trustee approval of the capital expenditures before proceeding with the project. The new billing system implementation will begin this fall and take up to 18 months to complete. It is expected that the new billing system will be in place by the start of 2008. The expense identified for the SI is the projected cost prior to further negotiations with the vendor. The award of a contract for consultant SI services will be submitted for the Trustees' approval at their September 26, 2006 meeting.

"The capital expenditure request includes funding as follows:

Hardware additions	-	$ 100,000
Software	-	450,000
NYPA staff in support of project with some temp help	-	4,900,000
Consultant System Integrator (SI)	-	11,500,000
Contingency	-	900,000
NYPA Overhead		895,000
		$ 18,745,000

FISCAL INFORMATION

"Payments will be made from the Capital Fund.

RECOMMENDATION

"The Chief Information Officer – Information Technology recommends that the Trustees approve the Capital Expenditure Authorization Request in the amount of $18,745,000 for implementation of a new billing system, including the services of a system integrator to assist the Authority with such implementation.

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

Mr. Del Sindaco presented the highlights of staff's recommendations to the Trustees and outlined the budgeted costs associated with the proposal. He noted that $4.9 million of the $18.745 million requested for the billing systems implementation project was for Authority staff salaries. President Carey said that this project was very much needed. In response to a question from Chairman McCullough, Mr. Del Sindaco said that it is anticipated that, at the September 26th Trustees' Meeting, staff will recommend that the Trustees approve a contract with the System Integrator ("SI") consultant selected through the competitive solicitation process. Responding to a question from Trustee Cusack, Mr. Del Sindaco said that the field of potential SI consultants had been narrowed down to three finalists. In response to another question from Trustee Cusack, Mr. Del Sindaco said that one of the goals for the long term was to build flexibility into the billing systems, but that the bulk of the expense associated with this project was associated with the SI consultant, not the software needed to implement the new systems.

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

RESOLVED, That pursuant to the Expenditure Authorization Procedures adopted by the Authority, the Capital Expenditure Authorization Request for Billing System Implementation services be, and hereby is, approved in the amounts and for the purposes listed below:

Description	Current Estimate	Previously Authorized	Current Request	Total Authorized Amount
Billing System Implementation	$18,745,000		$18,745,000	$18,745,000
Totals	$18,745,000		$18,745,000	$18,745,000

AND BE IT FURTHER RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all 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.

10. INFORMATIONAL ITEM: FERC Order on Annual Charges

The President and Chief Executive Officer submitted the following report:

SUMMARY

"On June 28, 2006, the Federal Energy Regulatory Commission ('FERC') issued its order ('Order') on appeals relating to annual charges. As a result of this Order, it is estimated that the Authority will be credited with approximately $1,650,000 towards the annual bills from FERC for the administration of the Federal Power Act ('FPA') in relation to the St. Lawrence/FDR, Niagara and Blenheim-Gilboa power projects. This credit stems from the Authority's payments under protest for FERC FY 1998-2001 for charges of other federal agencies ('OFA') that help in the implementation of the FPA and that FERC passes along to licensees under the FPA. (The Authority received initial credits of approximately $1.4 million in 2001 for prior FERC fiscal years.) In addition, FERC's Order sets rigorous requirements in terms of the kinds of documentation and support OFAs must provide in the future if they seek cost recovery, which should result in lower OFA charges.

DISCUSSION

"In 1992, Congress amended the FPA to allow FERC to pass along to its licensees 'any reasonable and necessary costs incurred by Federal and State fish and wildlife agencies and other natural and cultural resource agencies in connection with studies or other reviews carried out by such agencies….' At first, FERC simply passed along the costs claimed by the OFAs without any scrutiny. As a result, the OFA charges sharply escalated from $3.8 million in FY 1992 to $14.8 million by FY 1999. Some public utilities, including the Authority, formed a group in the mid-1990s to challenge the FERC process. The law firm of Van Ness Feldman is the group's counsel. The firm has been diligent in prosecuting the group's objections to the FERC process and in suggesting an appropriate standard of review. The group initiated a series of proceedings at FERC challenging FERC's methodology for passing along the charges. The group's activities included extensive discovery of the detail of the OFAs' cost submissions to FERC for all years, hearings before FERC administrative law judges, the filing of several appeals within FERC from FERC staff determinations filed and one appeal to the United States Court of Appeals, District of Columbia, which resulted in a direction to FERC that it must scrutinize the OFA costs for compliance with the statute.

"The FERC Order of June 28, 2006 is a final ruling on the appeals of the FY 1998-2004 period. For the group, FERC directed refunds of 95-99% of the charges. The Order allowed only some $16 million out of a total of more than $112 million in total costs reported by other federal agencies to FERC. FERC never issued bills containing OFA costs for FY 2002 through 2004 as protests were pending and with each passing year the process was becoming more complicated with the addition of another year under protest. OFA charges for these years will be submitted by FERC but should be a fraction of what would be billed before this Order.

"The ordered refunds do not reflect potential longer-term savings to the Authority as the FERC Order announced a rigid standard that will be required in order for OFA charges to be passed along to utilities.

"To date, the Authority has expended approximately $200,000 on counsel fees upon which it received $3 million in refunds and anticipated lower annual bills."

Mr. Kelly presented the highlights of staff's report to the Trustees. Chairman McCullough said that the $1.65 million credit realized by Authority staff efforts was a significant accomplishment. Responding to a question from Chairman McCullough, President Carey said that there are still ongoing cases being appealed with FERC that should result in additional credits to the Authority next year. Chairman McCullough thanked President Carey for bringing results such as these to the Trustees' attention. President Carey said that it is

important for the Trustees to know about the innovative ways that Authority staff is looking out for the Authority's best interests.

11. Chairman – Retirement System – Time Reporting

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the time to be reported to the New York State and Local Employees' Retirement System ('System') for the services provided to the Authority by the Chairman.

BACKGROUND

"Because the Chairman is a member of the System and receives compensation for his services, the Authority is required, pursuant to advice from the System, to approve the time to be reported to the System for services provided to the Authority by the Chairman. Approval can be based on sample-month recording by the Chairman.

RECOMMENDATION

"The Executive Vice President and General Counsel recommends, based on the Chairman's schedule of activities and sample-month record keeping submitted to the Trustees for review, that the number of days to be reported to the Retirement System for each four-week reporting period for services rendered to the Authority by the Chairman shall be 20 days.

"The Executive Vice President – Corporate Services and Administration and I concur in the recommendation."

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

WHEREAS, pursuant to a requirement of the New York State and Local Employees' Retirement System it is appropriate for the Authority, on the basis of schedule review and sample-month record keeping, to approve the time to be reported to the Retirement System for services provided by the Chairman to the Authority during each four-week reporting period:

NOW THEREFORE BE IT RESOLVED, That based on schedule review and sample-month record keeping by the Chairman, and the length of the standard work day for Trustees as determined at their meeting of October 31, 1991, the number of days to be reported to the Retirement System for the Chairman for each four-week reporting period shall be 20 days; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all 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.

12. Motion to Conduct an Executive Session

"***Mr. Chairman, I move that the Authority conduct an Executive Session for the purpose of discussing matters relating to litigation and potential litigation."*** Upon motion moved and seconded, an Executive Session was held.

13. Motion to Resume Meeting in Open Session

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

14. Appropriation - Land Under the Richard M. Flynn Power Plant and Adjacent Property for the Long Island Power Authority

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the acquisition in fee simple by eminent domain of two real property parcels located in Holtsville, New York:

1. The land situated under and the land necessary for the operation of the Richard M. Flynn Power Plant. The parcel should include such additional areas, permanent easements or other rights necessary or desirable to secure, operate and maintain the Flynn Plant ('Flynn Plant') into the indefinite future. This includes a parcel of sufficient size to support periodic overhauls, repairs and life extension projects; and

2. As requested by the Long Island Power Authority ('LIPA'), lands contiguous and adjacent to the Flynn property currently used by LIPA as a site for mobile generators.

"These proposed parcels are as generally set out in Exhibit '14-A' and consist of approximately eleven and eight acres, respectively. The purposes of these appropriations are to secure the Authority's Flynn Plant to support the Authority's Long Island customers through 2020 and thereafter and to assist LIPA in securing the land adjacent to the Flynn Plant needed to operate LIPA's mobile generators.

BACKGROUND

FLYNN PARCEL

"In the late 1980s, the Public Service Commission ordered the Long Island Lighting Company ('LILCO') to solicit proposals for new generating capacity on Long Island. After a competition, in 1990 LILCO chose the Authority to build that capacity.

"After extensive and difficult negotiations with LILCO, the Authority and LILCO executed a Lease (the 'Lease') and a Capacity Supply Agreement ('CSA') in December 1991, which provided for:

- A lease, for the 20-year term of the CSA, of LILCO property to the Authority as a power plant site;
- Construction, and thereafter operation, of a 150 MW combined cycle power plant; and
- Sale of all products from the power plant to LILCO at a set price as outlined in the CSA.

"The Lease and the CSA were integrated documents with termination dates 20 years from the commercial operation date of the new generator, a termination date later determined to be April 30, 2014.

LILCO LEASE

"On August 13, 2004, LIPA entered into a Lease License Agreement with KeySpan Gas East Corporation ('KeySpan') that allowed LIPA to enter upon and access KeySpan property immediately adjacent to and contiguous to the Flynn Plant for the purpose of operating trailer-mounted mobile generators and associated equipment. The property was initially a heavily treed green field with no manmade improvements. LIPA cleared the land and installed necessary improvements, including six inches of recycled concrete aggregate on the entire site, a grounding system to support its TM-2500s, a 13.8kV/138kV transformer, area lighting, cable trays and cable and a chain link fence. Currently, 24 diesel generators supply temporary power to the LIPA transmission grid when necessary to avoid voltage reduction and/or power blackouts. The License Agreement is set to terminate on November 30, 2008.

LIPA PURCHASE OF LILCO

"On May 28, 1998, LIPA acquired the stock, electric assets and certain other assets of LILCO and became the successor in interest to the CSA between LILCO and the Authority. The Authority agreed to assign the CSA to LIPA. On the same date, MarketSpan Gas Corporation ('MarketSpan,' subsequently renamed KeySpan) acquired certain gas and other assets from LILCO, including, for some reason, the property situated under the Flynn Plant and the Lease. The indenture for this property from LILCO to MarketSpan is dated May 27, 1998, and was recorded in February 1999. The assignment of the CSA from LILCO to LIPA was part of the closing transaction and the day before the closing, the property under the Flynn Plant had been conveyed by LILCO to MarketSpan. With this May 27, 1998 conveyance, the structure of the original Authority/LILCO agreement was destroyed, the landlord of the premises situated under the Flynn Plant and the party taking all the production from the Flynn Plant under the CSA were split, LIPA owning the output and KeySpan owning the land. For purposes of the Lease, the Authority now pays rent to KeySpan. For purposes of the CSA, the Authority now transacts power sales with LIPA.

DISCUSSION

FLYNN PARCEL

"The Lease, which is subject to the terms and conditions of the CSA, also terminates or expires on the date the CSA terminates. In the absence of further agreement between LIPA and the Authority, the current termination date is April 30, 2014. Upon termination or expiration the Lease provides:

> '. . . Tenant, at its sole cost and expense, shall restore the Premises to the condition the Premises were in prior to the execution of this Lease by (i) removing all Tenant-installed improvements, (ii) removing and disposing in accordance with federal, state and local law all hazardous or toxic substances or wastes which Tenant brought onto the Premises or disposed of during the period of occupancy by the Tenant, including without limitation, any spill, discharge or release of any such substance or waste into or upon any of its soils, surface waters, ground waters or improvements located thereon; and (iii) restore the grading and replace such removed improvements with grass as required by Landlord.'

"The CSA can also be terminated early under any number of circumstances such as an event of default or upon the occasion of any increase, by the Authority, in the price of electricity supplied to LIPA by the Flynn Plant. Early termination would cause the Lease to expire, which would activate the Lease provision requiring the dismantling of the Flynn Plant and restoration of the Flynn property to its original state.

"With the signing of the latest amendment ('Amendment No. 6'), the CSA now has new pricing terms, which are in effect until April 30, 2020. However, the new pricing terms can be rejected by LIPA as early as 2009, resulting in a reversion back to the pricing terms within the original 1991 CSA. Additionally, negotiations for a new pricing provision are scheduled to begin November 1, 2011, and agreement on this new pricing is a precondition to extension of the CSA.

"On March 20, 2003, and again on May 25, 2004, the Trustees authorized and approved Amendment No. 6 to the CSA and further, authorized the appropriation of the Flynn property to secure the Flynn Plant for the future. As a result of ongoing negotiations, the Authority delayed action in connection with these earlier appropriation authorizations. Recently, those negotiations have concluded and it is time to proceed with the acquisition. This item updates the Trustees on the status of the appropriation and seeks authorization to proceed with the acquisition under the present circumstances.

LIPA PARCEL

"Pursuant to Public Authorities Law § 1020-f(h), LIPA has requested the Authority's assistance in acquiring by appropriation the real property necessary to support its Long Island customers.

"The currently effective License Agreement between KeySpan and LIPA for the mobile generator site can be terminated on 30 days' prior written notice by KeySpan if in its sole and absolute judgment, reasonably exercised, KeySpan determines that it requires the use of the whole or any part of the Licensed Area for core business purposes.

SUMMARY

"In 1991, when the Authority entered into agreements with LILCO to build and operate generation capacity on Long Island, no party contemplated that:

- The owner of the land underlying the plant to be constructed would not be the utility purchasing the output under the CSA;
- There would be wholesale markets for electricity and transmission to any customer under Open Access Tariffs; or
- LILCO's electric business would be taken over by a public authority and Brooklyn Union Gas would acquire all LILCO gas assets.

"But for the existing ownership structure, early termination of the CSA would leave the Authority operating in the wholesale marketplace in support of its Long Island customers. However, the effect of any early termination or expiration of the CSA under the existing ownership structure results in the termination of the Lease, and triggers the obligation, under the Lease, to disassemble the Flynn Plant.

"It has been a little more then 10 years since the Flynn Plant went into commercial operation, and it remains the most efficient generator on Long Island by a margin of almost 20%. It is an important producer of electricity in the southeastern New York market and key to supporting Authority customers on Long Island. In order to avoid the uncertainties brought about by developments in Long Island utility ownership, and to ensure an adequate long-term supply of electricity in this market for Authority customers, the property described in Exhibit '14-A' and the Lease should be acquired by the Authority. The acquisition of the land would extinguish the Lease.

"Under the terms of the Authority's State Environmental Quality Review Act (SEQRA) regulations, the 'acquisition, sale or other transfer of less than 25 contiguous acres of land' is considered a Type II action [21 NYCRR Part 461.17(v)], and no additional environmental assessment is required. LIPA's use of the property as a temporary generation site was the subject of an environmental assessment and negative declaration in March 2004, and LIPA holds all the necessary permits from the New York State Department of Environmental Conservation to operate the temporary generators at the site.

FISCAL INFORMATION

"The cost of acquiring the land described in Exhibit '14-A' will be offset by LIPA's agreement to return the Operating Security Deposit of the CSA to the Authority 30 days before filing the map. The balance in the escrow account should be sufficient to complete the appropriation.

"Additionally, all costs incurred in connection with services provided by the Authority's staff and the appropriation of real property in support of LIPA will be recovered pursuant to a memorandum of understanding between the Authority and LIPA.

RECOMMENDATION

"The Deputy General Counsel, the Senior Vice President – Power Generation and the Vice President – Procurement and Real Estate recommend that the Trustees authorize the acquisition by eminent domain of the area upon which the Richard M. Flynn Power Plant is located, including any permanent easements or other rights necessary or desirable to secure, operate and maintain the Flynn Plant into the foreseeable future, and to acquire by appropriation for the use and benefit of LIPA an adjacent and contiguous area necessary to support the siting of mobile generators, as more particularly shown on Exhibit '14-A.'

"The Executive Vice President and General Counsel, the Executive Vice President – Corporate Services and Administration, the Executive Vice President and Chief Financial Officer, the Vice President – Controller and I concur in the recommendation."

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

RESOLVED, that the Richard M. Flynn Power Plant ("Flynn Plant") plays a significant role in the Authority's ability to provide low-cost adequate electricity to the (formal name of Brookhaven Federal customer), Suffolk County and all of Long Island; and, that the Flynn Plant, even though built in 1992, continues to have the lowest heat rate on Long Island by a 20% margin (7,800 Btu/kWh); and, that the Flynn Plant runs 24 hours a day, 7 days a week for significant periods at a time; and, that the Flynn Plant provides many public benefits and that it is the Authority's intention that the Flynn Plant will provide electrical generation well into the future; and be it further

RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds and determines that it is necessary or convenient to acquire the real property surrounding the Flynn Plant, generally shown as Parcel I in Exhibit "14-A" attached hereto, and that such real property is required for public use; and it is hereby determined that such real property is reasonably necessary for securing, maintaining and operating of the Flynn Plant into the future; and be it further

RESOLVED, That the Vice President – Procurement and Real Estate be, and hereby is, authorized to take all necessary steps to acquire, by appropriation, the fee area generally shown in Exhibit "14-A", including areas, easements and/or other interests necessary or convenient for the full enjoyment of the Flynn Plant property (collectively, the "Flynn Property"); and be it further

RESOLVED, That the Chairman and the President and Chief Executive Officer be, and hereby are, authorized to approve payments to be made for the appropriation of the Flynn Property; and be it further

RESOLVED, That the Trustees authorize assistance to the Long Island Power Authority ("LIPA") in appropriating certain real property in Holtsville adjacent to and contiguous with the Flynn Property through real estate services as proposed, with the full cost of such services to be reimbursed by LIPA; and be it further

RESOLVED, That the Trustees authorize the use in the first instance of operating fund monies to establish a revolving fund, not to exceed in the aggregate the amount of $2,000,000, for procurement, real estate and other services to be rendered by the Authority in connection with the appropriation of real estate for LIPA; and be it further

RESOLVED, That the Trustees authorize the President and Chief Operating Officer and/or the Executive Vice President and General Counsel to: (i) enter into a memorandum of understanding with LIPA under which he would allocate the requested funding at his discretion as services are performed for or at LIPA's request; (ii) establish and enter into

such contracts for services and assistance as necessary in relation to such work and having such terms and conditions as he deems necessary or advisable in support of LIPA and/or; (iii) authorize increases in the compensation ceilings of any contracts by the amounts necessary to cover such work as requested by LIPA; and be it further

RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds it necessary or convenient to acquire, by appropriation, the real property requested by LIPA generally shown as Parcel II in Exhibit "14-A" attached hereto, and any permanent or temporary easements or other interests that are necessary or convenient for the use of such property, and hereby finds and determines that such real property is required for a public use; and hereby determines that such real property is reasonably necessary to secure, operate and maintain the mobile generators so as to supply electric capacity to Long Island and southeastern New York; and be it further

RESOLVED, That the Chairman and/or the President and Chief Executive Officer, the Vice President – Procurement and Real Estate or their designees be, and hereby are, authorized to take all steps necessary to acquire certain real property interests in Holtsville, New York, by appropriation as may be necessary or advisable to assist LIPA and to approve the payments to be made for the acquisition of the sites; and be it further

RESOLVED, That the President and Chief Executive Officer, the Executive Vice President and General Counsel and the Vice President – Procurement and Real Estate be, and hereby are, authorized and directed to execute on behalf of the Authority such certificates, requests, agreements, documents and directions, and to take all other actions as are necessary for the appropriation of such real property, subject to approval of the form thereof by the Executive Vice President and General Counsel; and be it further

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

RESOLVED, That the foregoing resolutions supersede the resolutions adopted by the Trustees on this matter on March 20, 2003 and May 25, 2004.

New York Power Authority
Richard M. Flynn Power Plant
Exhibit A

Holtsville_071906.PDF
JGW - July 19, 2006
Aerial Photo Date
Spring of 2004

15. Commission on the Future of New York State Power Programs for Economic Development – Power Authority Staff and Other Support

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the use of Power Authority staff and offices and to provide such other material and financial support as is deemed appropriate by the President and Chief Executive Officer to support the work of the Commission on the Future of New York State Power Programs for Economic Development.

BACKGROUND

"Provisions of New York State law implementing the 2006-07 State Budget (Chapter 59 of the Laws of 2006) authorized the creation of an 11-member Commission on the Future of New York State Power Programs for Economic Development ('Commission') 'to develop recommendations on future uses for the economic development power resources' and to report their recommendations by December 1, 2006. The legislation states:

> *'On or before December first, two thousand six, the commission shall make recommendations to the governor and the legislature on whether to continue, modify, expand or replace the state's economic development power programs, including but not limited to the power for jobs program and the energy cost savings benefit program, and shall recommend legislative language necessary to implement its recommendations.'*

"On July 19, 2006, Governor George E. Pataki announced the appointment of Commission members, including Charles Gargano, Chairman and Chief Executive Officer of the Empire State Development Corporation ('ESDC'), as chairman. In making the announcement, the Governor said: 'Economic growth requires competitive electricity prices, and we must continue to seek ways to ensure that industries in the Empire State have access to affordable power...The commission will examine the effectiveness of Power for Jobs and other State power programs and make recommendations on how we can best provide low-cost electricity to energize the economy of the Empire State.'

DISCUSSION

"The Authority administers an array of nine separate power programs for economic development that supply power to businesses and not-for-profit institutions in New York State. Currently, more than 400,000 jobs across the Empire State are linked to these power programs. With the pending expiration of the Power for Jobs and Energy Cost Savings Benefit programs and the need to find the means to support these and other Authority power programs for economic development, the Commission's work and its recommendations are important to the State's sustained economic vitality and the Authority's role in attracting and retaining jobs in New York State.

"While the legislation creating the Commission did not specify a source of funding for it, because the Authority's power programs for economic development are the focus of the Commission's work, it is appropriate that the Authority provide such staff, office, financial and other support as the Commission reasonably requires to complete its work in the time set forth in the legislation. In addition to providing staff, office and logistical support, the Authority would reimburse Commission members and staff for their reasonable and necessary travel, living and other out-of-pocket costs incurred in connection with their work, consistent with the Authority's own travel and business expense policies. Moreover, it would be appropriate for the Authority to reimburse the Commission for the reasonable costs it incurs for its non-Authority staffing requirements and outside independent consultants.

"The economic development responsibilities of the Authority were first laid out in the original Power Authority Act in 1931 (Chapter 772 of the Laws of 1931). Listed among the powers of the Authority was the duty '*To study the desirability and means of attracting industry to the state of New York…'* (Public Authorities Law

§1005 11th undesignated ¶ sub. 4). Support for the work of the Commission is thus consistent with this important part of the Authority's statutory mission.

FISCAL IMPLICATIONS

"In addition to the use of Authority staff and facilities, the out-of-pocket costs associated with providing the foregoing support to the Commission are expected to total up to $250,000 and would be paid out of the Operating Fund.

RECOMMENDATION

"It is recommended that the Trustees authorize the use of Power Authority staff and offices and such other material and financial support as is deemed appropriate by the President and Chief Executive Officer to support the work of the Commission on the Future of New York State Power Programs for Economic Development."

Mr. Kelly presented the highlights of staff's recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Kelly said that the Commission is a temporary one and is expected to complete its work by December 2006. Responding to other questions from Chairman McCullough, Mr. Kelly said that the Authority would be providing the Commission with staff and offices, and that at this time the Authority is the only entity providing financial support to the Commission.

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

RESOLVED, That the Trustees authorize the use of Power Authority staff and offices and the provision of such other material and financial support as is deemed appropriate by the President and Chief Executive Officer to support the work of the Commission on the Future of New York State Power Programs for Economic Development, as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the costs of such support, up to $250,000, shall be paid from the Operating Fund upon a certification by the Vice President – Finance or the Treasurer that such amounts are not needed for any of the purposes set forth in Section 503 (1) (a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That the President and Chief Executive Officer is hereby authorized to take such actions as are necessary or desirable to effectuate the foregoing; and be it further

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

16. Next Meeting

The next meeting of the Trustees will be held on **Tuesday, September 26, 2006, 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

On motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 11:50 a.m.

Anne B. Cahill
Corporate Secretary