

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

May 22, 2007

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May 22, 2007

Minutes of the Regular Meeting of the Power Authority of the State of New York held at the Niagara Power Project, Lewiston, New York, at 11:00 a.m.

Present: Frank S. McCullough, Jr., Chairman
Michael J. Townsend, Vice Chairman
Joseph J. Seymour, Trustee
Elise M. Cusack, Trustee
Robert E. Moses, Trustee
Thomas W. Scozzafava, Trustee
Leonard N. Spano, Trustee

Timothy S. Carey	President and Chief Executive Officer
Thomas J. Kelly	Executive Vice President and General Counsel
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer
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 and Economic Development
Brian Vattimo	Senior Vice President – Public and Governmental Affairs
Edward A. Welz	Senior Vice President and Chief Engineer – Power Generation
Daniel Wiese	Inspector General and Vice President – Corporate Security
Anne B. Cahill	Corporate Secretary
Angela D. Graves	Deputy Corporate Secretary
Frederick E. Chase	Executive Director – Hydro Relicensing
James F. Pasquale	Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing
Keith G. Silliman	Director – Hydro Relicensing
Horace Horton	Regional Manager – Western New York
Daniel J. Elmer	Staff Sargeant
Mary Jean Frank	Associate Corporate Secretary
Jamie Gilbert	School Coordinator – Niagara Wheatfield/Tuscarora Nation
Brooke Patterson	Tuscarora Nation – Scholarship Winner
Mrs. Smiedala	Tuscarora Nation – Mother of Nicholas Smiedala
Nicholas Smiedala	Tuscarora Nation – Scholarship Winner
Judith Patterson	Tuscarora Nation – Grandmother of Brooke Patterson
Leander (Rusty) Patterson	Tuscarora Nation – Father of Brooke Patterson
Kay Brayley	Community Health Coordinator – Tuscarora Nation
Aaron Besecker	Reporter – Niagara Gazette
Jim Heaney	Reporter – Buffalo News
Bill Michelmore	Reporter – Buffalo News
Al Vaughters	Reporter – WIVB Buffalo
John Carroll	Photographer – WIVB-TV
Charles Lewis	Photographer – Buffalo News
James Neiss	Photographer – Niagara Gazette

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

May 22, 2007

1. **Approval of the Minutes**

The Minutes of the Annual Meeting of April 24, 2007 were unanimously adopted

2. Presentation to Scholarship Winners

Chairman McCullough introduced Brooke Patterson and Nicholas Smiedala, winners of the first Niagara Power Project Relicensing Scholarships for Members of the Tuscarora Nation. He said that he and President Carey had been privileged to meet with Ms. Patterson, Mr. Smiedala and their parents and grandparents prior to the Trustees' Meeting. Chairman McCullough said that Ms. Patterson and Mr. Smiedala had been chosen as the first recipients of the annual full-tuition scholarships to any school in the State University of New York system by the Tuscarora Scholarship Committee. The scholarship awards are based on the students' academic excellence and community service.

Ms. Patterson graduated from Niagara Wheatfield High School in 2001. She was inspired to study radiology at Niagara County Community College by her mother, who died of cancer earlier this year and encouraged her to apply for the scholarship. Ms. Patterson works with the Community Health Workers Program, a health clinic, making deliveries from the clinic to the community.

Mr. Smiedala, who is about to graduate from Niagara Wheatfield High School, will major in digital media at Niagara County Community College. His community project will involve developing a web page and brochures for the Tuscarora Nation.

After Ms. Patterson and Mr. Smiedala were given an ovation by everyone in attendance at the meeting, Chairman McCullough wished them every success. He also thanked Ms. Jean Gilbert, chairperson of the Tuscarora Scholarship Committee, for all of her help and said that the Authority greatly appreciated the Tuscarora Nation's constructive participation in the Niagara relicensing process.

May 22, 2007

3. **Financial Reports for the Four Months Ended April 30, 2007**

Mr. Del Sindaco provided the Financial Reports for the four months ended April 30, 2007.

NEW YORK POWER AUTHORITY
FINANCIAL REPORTS
FOR THE FOUR MONTHS ENDED APRIL 30, 2007

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**NEW YORK POWER AUTHORITY
FINANCIAL REPORT
FOR THE FOUR MONTHS ENDED APRIL 30, 2007**

(\$ in millions)

<u>Financial Summary</u>	<u>2007 YTD</u>		<u>April 2007</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Net operating revenues	\$96.3	\$73.4	\$19.7	\$15.1
Net revenues (loss)	89.0	53.6	18.4	10.2
O&M (incl. administrative)	82.1	92.1	19.1	25.3
Generation (gwh's)	9,165	8,832	2,073	1,968
		<u>Prior</u>	<u>December</u>	
	<u>Current</u>	<u>Month</u>	<u>2006</u>	
Reserves	\$375	\$377	\$348	

Net revenues through April 30, 2007 were \$89.0 which was \$35.4 higher than budgeted including higher net operating revenues (\$22.9) and higher non-operating income (\$12.5). Net operating revenues were higher primarily at the hydro (\$11.4) and transmission (\$8.7) facilities. The positive results at the hydro facilities were due to higher than expected water flows resulting in 7% higher production. Transmission revenues included higher than anticipated congestion payments to the Authority due to a higher level of congestion across the central-east interface (assigned to FACTS project TCC's). Non-operating income included a year-to-date mark-to-market gain on the Authority's investment portfolio, higher earnings on investments due to higher balances, and lower than anticipated costs on variable rate debt.

Net revenues for the month of April were \$18.4 which was \$8.2 higher than budgeted resulting from higher net operating revenues (\$4.6) and higher non-operating income (\$3.6). Net operating revenues were higher primarily at the transmission facilities (\$4.0, higher congestion payments). During the month, lower O&M was substantially offset by higher fuel costs and higher ISO ancillary service expenses. O&M was lower primarily due to a postponement of a scheduled Poletti outage and less than expected contractor support for routine right-of-way maintenance at the transmission facilities. Non-operating income included a mark-to-market gain on the Authority's investment portfolio, higher investment earnings and lower costs on variable rate debt. Production for April (2,073 gwh) was 5% higher than anticipated (1,968 gwh) including higher generation at the hydro facilities (80 gwh) and higher fossil production (25 gwh). Operating reserve activity in April included the receipt of a \$28.6 recovery from SENY customers based on the sharing plan elected for 2006 (LT Supplemental Energy Supply Agreement). This was more than offset by additional money earmarked for debt retirement and additions to other reserves.

NYPA
Net Revenues
For The Four Months ended April 30, 2007
(\$ in 000'S)

	<u>Annual Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
Operating Revenues				
Customer	\$1,826,711	\$596,090	\$583,851	\$12,239
Market-Based Power Sales	737,570	270,980	216,042	54,938
Ancillary Services	67,499	23,601	25,633	(2,032)
NTAC and Other	81,763	31,563	27,129	4,434
Total Market-Based and ISO	<u>886,832</u>	<u>326,144</u>	<u>268,804</u>	<u>57,340</u>
	2,713,543	922,234	852,655	69,579
Operating Expenses				
Purchased Power:				
Entergy	155,370	44,759	47,621	2,862
Other	809,217	302,621	260,403	(42,218)
Ancillary Services	73,733	29,254	23,968	(5,286)
Fuel Consumed - Oil & Gas	519,480	178,691	168,883	(9,808)
Wheeling	325,869	84,178	82,923	(1,255)
Operations & Maintenance	281,152	82,062	92,133	10,071
Other expenses	142,609	49,063	47,543	(1,520)
Depreciation & Amortization	176,451	57,899	58,252	353
Allocation to Capital	(12,681)	(2,551)	(2,465)	86
	<u>2,471,200</u>	<u>825,976</u>	<u>779,261</u>	<u>(46,715)</u>
Net Operating Revenues	242,343	96,258	73,394	22,864
Interest Income and Realized Gains	56,743	23,496	18,665	4,831
Mark to Market Adjustment	1,000	2,786	-	2,786
Investment Income	<u>57,743</u>	<u>26,282</u>	<u>18,665</u>	<u>7,617</u>
Interest and Other Expenses	124,192	33,587	38,482	4,895
Net Revenues	<u><u>175,894</u></u>	<u><u>88,953</u></u>	<u><u>53,577</u></u>	<u><u>35,376</u></u>

New York Power Authority
Net Revenues by Facility
For the Four Months ended April 30, 2007
(\$ in 000's)

	Niagara/ St. Lawrence	B-G	SENY	SCPP	Market Supply Power	Flynn	Transmission	Eliminations & Adjmts	Total
Operating Revenues									
Customer	\$ 102,656	\$ 3,242	\$ 362,907	\$ 231	\$ 76,978	\$ 31,606	\$ 29,985	\$ (11,515)	\$ 596,090
Market-Based Power Sales	55,043	30,401	173,522	31,549	18,844			(38,379)	270,980
Ancillary Services	19,974	986	2,368	273					23,601
NTAC and Other							31,563		31,563
Total Market-Based and ISO	75,017	31,387	175,890	31,822	18,844	-	31,563	(38,379)	326,144
Operating Expenses									
Purchased Power:									
Entergy			44,759						44,759
Other	30,733	20,319	214,531	1,600	87,243		16	(51,821)	302,621
Ancillary Services	9,714	104	15,944	28	3,464				29,254
Fuel Consumed - Oil & Gas			139,822	17,857		21,012			178,691
Wheeling	3,533		77,501		3,029	115			84,178
Operations & Maintenance	31,093	8,245	16,074	4,299	473	2,776	19,102		82,062
Other expenses	8,405	1,182	5,330	388	16,832	277	4,458	12,191	49,063
Depreciation & Amortization	11,751	2,040	19,590	9,323	286	1,751	13,158		57,899
Allocation to Capital	(1,099)	(309)	(432)	(11)	(84)		(616)		(2,551)
	94,130	31,581	533,119	33,484	111,327	25,847	36,118	(39,630)	825,976
Net Operating Revenues	83,543	3,048	5,678	(1,431)	(15,505)	5,759	25,430	(10,264)	96,258
Investment and Other Income	2		1,538				13	24,729	26,282
Interest and Other Expenses	(6,693)	513	(11,100)	(9)	(18)	(860)	(9,074)	(6,346)	(33,587)
Net Revenues (loss)	76,852	3,561	(3,884) *	(1,440)	(15,523)	4,899	16,369	8,119	88,953
Budget	64,408	1,320	(4,256)	(1,954)	(18,203)	4,523	7,252	487	53,577
Variance	\$ 12,444	\$ 2,241	\$ 372	\$ 514	\$ 2,680	\$ 376	\$ 9,117	\$ 7,632	\$ 35,376

* Revenues for SENY include \$21.3 million from the application of an energy charge adjustment to recover variable costs under the LT Supplemental Energy Supply Agreement.

NEW YORK POWER AUTHORITY
VARIANCE FROM BUDGET
MAJOR FACTORS
For the Four Months Ended April 30, 2007
(Millions)

		<u>Better/(Worse) than budget</u>	
Niagara/St. Lawrence	o Higher revenues (primarily a higher volume of market-based sales)	\$ 18.5	
	o Higher purchased power costs (primarily higher congestion)	(7.9)	
	o Other (includes lower interest costs)	<u>1.9</u>	\$ 12.5
Blenheim-Gilboa	o Higher market-based revenues (higher volumes & prices)	9.4	
	o Higher purchased power costs (higher volumes)	(7.0)	
	o Other	<u>(0.2)</u>	2.2
SENY	o Higher customer revenues (higher than anticipated ECA revenue)	16.2	
	o Higher market-based sales (higher volumes & prices)	24.3	
	o Higher purchased power costs (higher volumes)	(30.6)	
	o Higher fuel costs (higher prices)	(12.8)	
	o Lower Poletti site O&M (scheduled maintenance outage delayed)	2.2	
	o Other (including lower interest costs)	<u>1.1</u>	0.4
SCPP	o Higher revenues (higher volumes & prices on market-based sales)	7.6	
	o Higher fuel costs (higher generation & higher prices)	(6.8)	
	o Other	<u>(0.3)</u>	0.5
Market Supply Power	o Higher revenues (primarily a higher volume of market-based sales)	4.7	
	o Higher purchased power costs (higher prices & volumes)	(1.5)	
	o Other	<u>(0.5)</u>	2.7
Flynn	o Lower revenues	(9.7)	
	o Lower fuel costs (primarily lower generation - rotor failure)	9.9	
	o Other	<u>0.2</u>	0.4
Transmission	o Higher revenues (primarily TCC revenues for the FACTS project)	6.4	
	o Lower site O&M (primarily right-of-way maintenance)	1.0	
	o Lower allocated administrative expenses	1.4	
	o Other	<u>0.3</u>	9.1
	Consolidating adjustments (includes mark-to-market gain on NYPA's investment portfolio)		<u>7.6</u>
Net Revenues		<u>\$ 35.4</u>	

NYPA
Operations & Maintenance
For the Four Months Ended April 30, 2007

	(\$'s in millions)	
	<u>Actual</u>	<u>Budget</u>
Power Generation		
Headquarters Support	\$3.7	\$2.9
Blenheim-Gilboa	4.4	4.8
Charles Poletti	4.9	7.1
500 MW	4.0	4.4
R.M. Flynn	1.9	1.8
SCPP	3.9	5.1
Small Hydros	0.7	1.3
Niagara	12.2	11.7
St. Lawrence	<u>5.7</u>	<u>6.2</u>
	41.4	45.3
Transmission		
ECC/Headquarters	3.0	3.2
Transmission Facilities	<u>10.8</u>	<u>11.8</u>
	13.8	15.0
Corporate Support		
Executive Office	3.2	3.7
Business Services	10.0	11.1
HR & Corporate Support	7.7	9.2
Marketing & Econ. Devel.	1.9	2.2
Energy Services	<u>1.0</u>	<u>1.3</u>
	23.8	27.5
Research & Development & Other	3.1	4.3
Total	<u>\$82.1</u>	<u>\$92.1</u>

Through April, O&M expenses were \$10.0 million under budget. Power Generation expenditures were \$3.9 million under budget. Poletti was under budget by \$2.2 million primarily due to a delay in the start of the scheduled outage (from 4/1 to 4/17). The SCPP's were under budget (\$1.2 million) due to the delayed start of the Mini Overhaul project (Hell Gate) partially offset by emergency repair work at Hell Gate and Brentwood. St. Lawrence was under budget by \$0.5 million due to less than expected direct charges for recurring maintenance and the non-recurring Robert Moses Power Dam Foundation Grouting. The Blenheim-Gilboa underrun reflected greater than expected payroll charged to the LEM capital project. The 500 MW plant was underrunning due to a delay of the second planned outage. These underruns were partially offset by overruns at Power Generation HQ and Niagara. The Power Generation HQ overrun was due to lower than expected labor charged to capital and facility support. Niagara spending was over budget by \$0.5 million due to overruns in recurring projects and less than anticipated labor charged to the capital Unit #4 Standardization project.

Transmission spending was under budget by \$1.2 million primarily due to less than expected routine contractor support for right-of-way maintenance and aircraft services, and underruns in non-recurring work associated with the Transformer #10 Failure and the ECC Fire Suppression System.

HQ Corporate Support expenses were under budget by \$3.7 million mostly due to under spending for the public awareness program, legal consultants, HQ communications, IT contract services and fuel cell maintenance.

R&D was under budget due to a significant delay in procurement of Electric Hybrid school Buses, and a delay in spending for the Phase II of PHEV Sprinter Van Project

**NEW YORK POWER AUTHORITY
COMPARATIVE STATEMENT OF NET ASSETS
(IN THOUSANDS)**

	<u>APRIL</u> <u>2007</u>	<u>DECEMBER</u> <u>2006</u>	<u>NET CHANGE</u>
ASSETS:			
Electric Plant In Service, Less Accumulated Depreciation	\$3,059,531	\$3,078,037	(18,506)
Construction Work In Progress	163,127	163,034	93
Net Utility Plant	<u>\$3,222,658</u>	<u>\$3,241,071</u>	<u>(18,413)</u>
Restricted Funds	89,832	67,487	22,345
Construction Funds	104,389	105,648	(1,259)
Investment In Decommissioning Trust Fund	936,231	922,778	13,453
Current Assets:			
Cash	72	72	-
Investments In Government Securities	855,484	749,988	105,496
Interest Receivable On Investments	15,590	15,114	476
Receivables-Customers	191,490	205,471	(13,981)
Materials & Supplies-Plant & General	66,349	66,297	52
-Fuel	30,880	32,793	(1,913)
Prepayments And Other	48,438	62,902	(14,464)
Notes Receivable-Nuclear Sale	199,935	192,001	7,934
Deferred Charges And Other Assets	<u>503,521</u>	<u>497,301</u>	<u>6,220</u>
TOTAL ASSETS	<u>\$6,264,869</u>	<u>\$6,158,923</u>	<u>\$105,946</u>
LIABILITIES AND OTHER CREDITS:			
Long-Term Debt - Bonds	\$1,700,528	\$1,735,262	(34,734)
Notes	150,000	156,145	(6,145)
Short-Term Notes Payable	283,534	272,282	11,252
Accounts Payable And Accrued Liabilities	662,945	636,683	26,262
Spent Nuclear Fuel Disposal	204,986	201,575	3,411
Decommissioning Of Nuclear Plants	936,231	922,778	13,453
Deferred Revenue	<u>204,200</u>	<u>200,706</u>	<u>3,494</u>
TOTAL LIABILITIES AND OTHER CREDITS	4,142,424	4,125,431	16,993
ACCUMULATED NET REVENUES-JANUARY 1	2,033,492	1,896,548	136,944
NET REVENUES	<u>88,953</u>	<u>136,944</u>	<u>(47,991)</u>
TOTAL LIABILITIES AND CAPITAL	<u>\$6,264,869</u>	<u>\$6,158,923</u>	<u>\$105,946</u>

NYPA
SUMMARY OF NET GENERATION (MWH'S)
FOR THE FOUR MONTHS ENDED APRIL 30, 2007

Facility	Year-to-date April			Month of April 2007				
	Actual	Budget	Variance (Actual vs Budget)	% Variance from Budget	Actual	Budget	Variance (Actual vs Budget)	% Variance from Budget
Niagara	4,920,133	4,670,000	250,133	5.36%	1,052,280	1,030,000	22,280	2.16%
St. Lawrence	2,310,513	2,090,000	220,513	10.55%	611,384	550,000	61,384	11.16%
Combined	7,230,646 (2)	6,760,000	470,646	6.96%	1,663,664	1,580,000	83,664	5.30%
Poletti	635,241 (3)	560,139	75,102	13.41%	123,866 (3)	-	123,866	
500MW	927,844	995,185	(67,341)	-6.77%	229,206	255,774	(26,568)	-10.39%
SCPP	172,022	124,003	48,019	38.72%	70,416	44,313	26,103	58.91%
Blenheim Gilboa	(126,909)	(92,880)	(34,029)	36.64%	(36,245)	(32,744)	(3,501)	10.69%
Small Hydro	72,522	70,590	1,932	2.74%	21,876	22,701	(825)	-3.63%
R. M. Flynn	253,787 (1)	414,766	(160,979)	-38.81%	0	98,012	(98,012)	-100.00%
Total	9,165,153	8,831,803	333,350	3.77%	2,072,783	1,968,056	104,727	5.32%

(1) Unscheduled outage began March 12, 2007. It is estimated that the plant will be out of service for 8 to 12 weeks. A portion of work planned to be completed during the scheduled Fall 2007 outage will be accelerated into this current outage.

(2) Higher water flows resulting from higher than anticipated level of snow and rainfall.

(3) Scheduled maintenance outage began April 17, 2007. Outage was originally scheduled to begin April 1, 2007 but was delayed at the request of Con Ed and the NYISO for in-city reliability.

**NYPA
Capital Expenditures
For the Four Months Ended April 30, 2007**

(\$'s in millions)

	<u>Actual</u>	<u>Budget</u>
New Generation	\$0.5	\$0.6
Energy Services	39.8	27.3
Existing Facilities	22.3	23.0
Transmission	9.4	13.3
Headquarters	5.4	7.2
General Plant and Minor Additions	<u>3.9</u>	<u>4.5</u>
	<u>\$81.3</u>	<u>\$75.9</u>

Capital expenditures for 2007 were 7.1% higher than the budget. **Energy Services** was \$12.5 million over budget primarily due to overruns in the Long Term Agreements and other programs due to accelerated construction activity at various planned projects. In addition, there were unplanned expenditures for the Red Hook Waste Water Treatment Program. The underrun in **Transmission** of \$3.9 million was primarily due to timing differences on the procurement of equipment for the Gowanus-Greenwood 138 KV, Static Var Compensator and Tri Lakes Reliability projects. **Existing Facilities** were under running the budget by \$0.7 million due to timing differences for payments required for procurement of various equipment for the St. Lawrence LEM and consultant costs for the New License and Comprehensive Settlement Agreement projects.

Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$6.2 million for 2007. There were no new expenditures this month.

**Demand Side Management
Cost Summary (Inception to Date)
April 30, 2007
(\$ in 000's)**

(A) DSM Projects

Authorized	Program	Prog	(A) Projects In-Progress	(B) Completed Projects	(C) Cumulative Cost	(D) Recoveries to Date	(E) Net Investment (C-D)
\$13,000	Distributed Generation	ES-DGN	\$347	\$1,440	\$1,787	\$350	\$1,437
183,050	Electrotechnologies LTEPA	ES-EPN	9,312	74,534	83,846	48,535	35,311
433,000	NYPA Energy Services Program	ES-ESN	61,208	99,086	160,294	53,704	106,590
530,000	SENY Govt Cust Energy Serv	ES-GSN	61,250	10,096	71,346	17,542	53,804
130,000	SENY HELP LTEPA	ES-LTN	12,059	75,667	87,726	62,010	25,716
1,200	MUNI Vehicle Program	ES-MVN		458	458	252	206
140,000	Non-Elect End Use LTEPA	ES-NEN	31,690	57,634	89,324	27,645	61,679
35,000	Peak Load Mgmt	ES-PLN	5,716	165	5,881		5,881
Completed Programs							
5,000	Coal Conversion LTEPA	ES-CCN		5,000	5,000	3,466	1,534
5,000	County & Muni's	ES-CMN		1,919	1,919	1,879	40
14,600	Industrial	ES-IPN		6,875	6,875	6,754	121
51,000	LI HELP	ES-LIN		47,505	47,505	47,130	375
15,000	SENY New Constr	ES-NCN		2,992	2,992	2,992	0
75,000	Public Housing LTEPA	ES-PHN		72,081	72,081	72,081	0
40,000	Public Schools	ES-PSN		38,941	38,941	38,817	124
130,000	SENY HELP	ES-SEN		134,305	134,305	134,305	0
60,000	Statewide	ES-SWN		56,733	56,733	55,094	1,639
4,085	Other			746	746	746	0
7,500	Wattbusters			5,441	5,441	5,441	0
<u>\$1,872,435</u>			<u>\$181,582</u>	<u>\$691,618</u>	<u>\$873,200</u>	<u>\$578,743</u>	<u>\$294,457</u>

(B) POCR Funding

LOANS

Authorized	Program	Loans Issued	Repayments	Outstanding Balance
\$ 16,390	Colleges & Universities	\$ 16,390	\$ 16,037 (1)	\$ 353

GRANTS

Authorized	Program	Issued
\$9,105	Coal Conversion Pilot	\$9,105
4,558	Hybrid Bus Program	4,558
663	Solar Grants	663
3,000	NYSERDA	3,000
25,825 (1)	Energy Services Programs	14,974
30,618 (1)	POCR Grants	12,904
<u>\$ 73,769</u>		<u>\$ 45,204</u>

(C) CASP Funding

Authorized	Program	Issued
\$132,823 (2)	Coal Conversion	\$118,819

(D) Board of Ed Funding

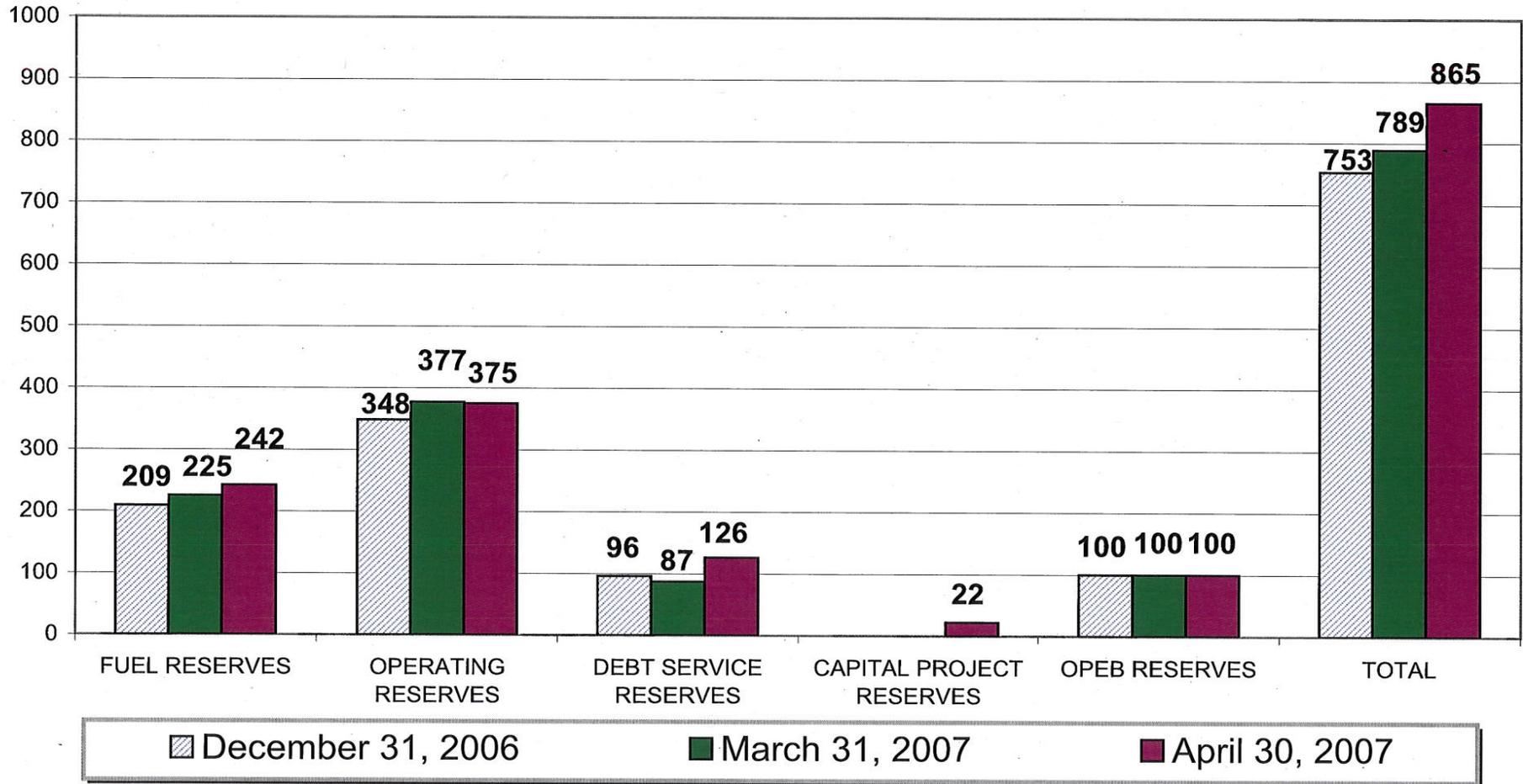
Authorized	Program	Issued
\$38,893 (2)	Climate Controls (NYC BOE)	\$35,077

(D) NYC Housing Auth Funding

Authorized	Program	Issued
\$25,591 (2)	NYCHA Hot Water Heaters	\$11,877

- (1) Funds recovered via loan repayments are available and assigned to be used as grants in the Energy Services Program and for POGR Grant Program.
(2) Authorized funds reflect both principal received and the interest earned on such principal.

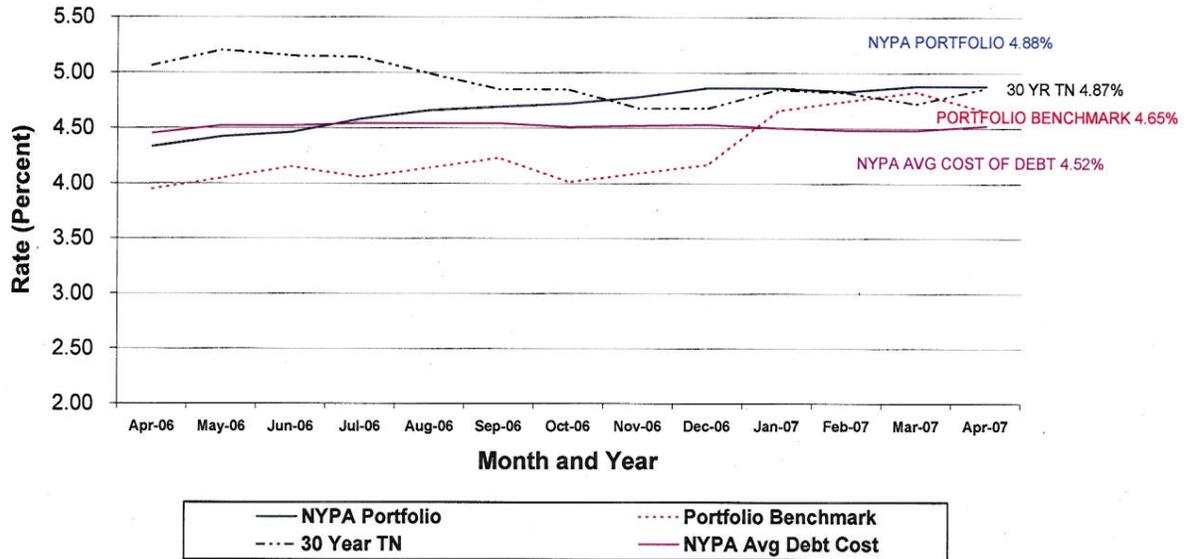
**NEW YORK POWER AUTHORITY
OPERATING FUND
(\$ MILLIONS)**



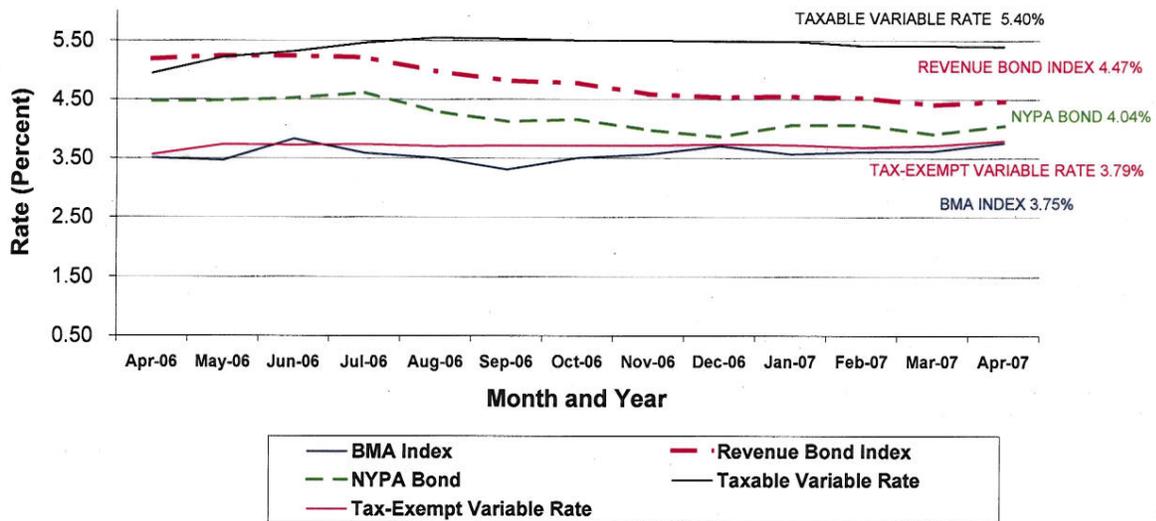
Fuel Reserves include \$205 million for Nuclear Spent Fuel and \$37 million for Energy Hedging Reserve Fund.

OPEB (Other Post Employment Benefits): The Authority's Trustees have authorized staff to initiate the establishment of a trust for its OPEB obligations and have designated \$100 million as a reserve within the Operating fund for this purpose.

Portfolio Performance



Financing Rates



4. Report from the President and Chief Executive Officer

President Carey said that a report on the Authority's sustainability efforts would be presented at the June Trustees' Meeting, along with a thorough briefing on the strategic planning process, which is progressing well. He said that the warehouse plan is moving forward and that the consultants are working with Power Generation staff to implement it by the end of the year.

Chairman McCullough said that all of the Trustees were encouraged to attend the strategic planning session in June on the afternoon of and the day following the Trustees' Meeting. He praised the terrific effort being made by President Carey and staff on this process, which has been much different from previous strategic planning efforts, particularly with its focus on long-term goals.

5. **Allocation of 2,350 kW of Hydro Power**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve six allocations of available Replacement Power (‘RP’) or Expansion Power (‘EP’) totaling 2,350 kW to six industrial companies.

BACKGROUND

“Under the RP Settlement Agreement, National Grid (‘Grid’) (formerly Niagara Mohawk Power Corporation), with the approval of the Authority, identifies and selects certain qualified industrial companies to receive delivery of RP. Qualified companies are current or future industrial customers of Grid that have or propose to have manufacturing facilities for the receipt of RP within 30 miles of the Authority’s Niagara Switchyard. RP is up to 445,000 kW of firm hydro power generated by the Authority at its Niagara Power Project that has been made available to Grid, pursuant to the Niagara Redevelopment Act (through December 2005) and Chapter 313 of the 2005 Laws of the State of New York.

“Under Section 1005 (13) of the Power Authority Act, as amended by Chapter 313, the Authority may contract to allocate or reallocate directly, or by sale for resale, 250 MW of firm hydroelectric power as EP and up to 445 MW of RP to businesses in the State located within 30 miles of the Niagara Power Project, provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

DISCUSSION

“On October 22, 2003, the Authority, Grid, Empire State Development Corporation and the Buffalo Niagara Enterprise signed a Memorandum of Understanding (‘MOU’) that outlines the process to coordinate marketing and allocating Authority hydro power. The entities noted above have formed the Western New York Advisory Group (‘Advisory Group’) with the intent of better using the value of this resource to improve the economy of Western New York and the State of New York. Nothing in the MOU changes the legal requirements applicable to the allocation of hydro power.

“Based on the Advisory Group’s discussions, staff recommends that the available power be allocated to six companies as set forth in Exhibits ‘5-A’ and ‘5-B.’ The Exhibits show, among other things, the amount of power requested, the recommended allocations and additional employment and capital investment information. These projects will help maintain and diversify the industrial base of Western New York and provide new employment opportunities. It is projected to result in the creation of 79 jobs.

RECOMMENDATION

“The Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommends that the Trustees approve the allocation of 2,350 kW of hydro power to the companies listed in Exhibits ‘5-A’ and ‘5-B.’

“The Executive Vice President and General Counsel, the Senior Vice President – Marketing and Economic Development, the Vice President – Major Accounts Marketing and Economic Development and I concur in the recommendation.”

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

RESOLVED, That the allocation of 1,950 kW of Replacement Power and 400 kW of Expansion Power, as detailed in Exhibits “5-A” and

May 22, 2007

“5-B,” be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the 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, 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.

New York Power Authority
 Replacement Power
 Recommendations for Allocations

Exhibit "5-A"
 May 22, 007

Exhibit Number	Company Name	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term
A-1	Allegheny Technologies, Inc	Lockport	Niagara	1,400	3	\$4,000,000	\$82,200	300	Five Years
A-2	Noble Metal Processing - New York, Inc	Tonawanda	Erie	260	14	\$1,500,000	\$55,000	250	Five Years
A-3	Precious Plate, Inc.	Niagara Falls	Niagara	800	19	\$1,395,000	\$44,000	400	Five Years
A-4	Saint Gobain, Inc - Advanced Ceramics	Niagara Falls	Niagara	1,600	<u>17</u>	<u>\$3,000,000</u>	\$55,000	<u>1,000</u>	Five Years
	Total RP Recommended				53	\$9,895,000		1,950	

New York Power Authority
Expansion Power
Recommendations for Allocations

Exhibit "5-B"
May 22, 2007

Exhibit Number	Company Name	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term
B-1	Enidine, Inc	Orchard Park	Erie	200	20	\$2,550,000	\$43,400	200	Five Years
B-2	Mayer Brothers Apple Products, Inc.	West Seneca	Erie	226	6	\$525,000	\$30,250	200	Five Years
	Total EP Recommended				26	\$3,075,000		400	

APPLICATION SUMMARY

Replacement Power

Company: Allegheny Technologies Inc. (Allvac)

Location: Lockport
County: Niagara

IOU: New York State Electric and Gas Corporation

Business Activity: Specialty steel melting facility

Project Description: The project will increase primary melting capacity by installing a new 36" Vacuum Arc Remelt furnace and associated equipment, including vacuum and water pumps and controls. The project includes building out steel mezzanine structure and foundation work to accommodate new furnace and process equipment.

Prior Application: Yes
Existing Allocations: 1,200 kW Expansion Power (200 kW - March 2005; 1,000 kW - January 2006)

Power Request: 1,400 kW
Power Recommended: 300 kW

Job Commitment:
Existing 60 jobs
Prior Allocation 6 jobs still to be added from prior recent allocation
New 5 jobs

New Jobs/Power Ratio: 17 jobs/ MW
Total Jobs/Power Ratio 47 jobs/MW (all allocations)

New Jobs - Avg. Wage and Benefits \$82,200

Capital Investment: \$4 million investment includes \$0.75 million in structure and foundation and \$3.25 million in engineering and equipment

Capital Investment per MW \$13.3 million/MW

Summary: The project will bring more capital investment to Lockport instead of to sister plants that are out of state or in England, solidifying the plant's existence in Western New York and enhancing the outlook for future growth opportunities. This new hydro allocation will have an immediate impact on the plant, enabling the company to add melt capacity to meet the growing demand for rotating grade steel used by aerospace engine manufacturers. The overall Authority allocations and job commitments will bring the company to 47 jobs per MW.

APPLICATION SUMMARY

Replacement Power

Company: Noble Metal Processing – New York, Inc.

Location: Tonawanda
County: Erie

IOU: National Grid

Business Activity: Laser welding automobile parts

Project Description: The project will include purchasing and installing a laser welding system entry at a Tonawanda site. This would include welding machinery, semi-automated laser weld system, air compressor, facility lighting, HVAC, air-makeup system and offices.

Prior Application: None

Existing Allocation: None

Power Request: 260 kW

Power Recommended: 250 kW

Job Commitment:
Existing: 0 jobs
New: 14 jobs

New Jobs/Power Ratio: 56 jobs/MW

New Jobs - Avg. Wage and Benefits: \$55,000

Capital Investment: \$1.5 million

Capital Investment Per MW: \$6 million/MW

Summary: This allocation would make it cost effective for Noble to locate and set up its first facility in New York State. The company is the world's leading laser weld and auto part solution provider. The company's primary business is providing laser-welded blanks to automotive original equipment. Noble's process allows steel blanks of different thicknesses to be welded together without the brittleness or lack of strength that occurs with traditional welding methods. The process allows automobiles to use less steel, creating lighter, more fuel-efficient vehicles. The company has applied for Empire Zone tax incentives from the Town of Tonawanda. The company's Stow, Ohio facility is also under consideration for this expansion.

APPLICATION SUMMARY

Replacement Power

Company: Precious Plate, Inc.

Location: Niagara Falls

County: Niagara

IOU: National Grid

Business Activity: Electroplating services

Project Description: The project will include adding a new power room to the facility. In addition, the company will be procuring and installing three new electroplating machines and various ancillary equipment such as exhaust systems and wastewater treatment equipment for its various electroplating machines.

Prior Application: Yes

Existing Allocation: 800 kW of Replacement Power and 235 kW of Power for Jobs

Power Request: 800 kW

Power Recommended: 400 KW

Job Commitment:

Existing:	145 jobs
New:	19 jobs

New Jobs/Power Ratio: 48 jobs/MW

New Jobs - Avg. Wage and Benefits: \$44,000

Capital Investment: \$1.395 million

Capital Investment Per MW: \$3.48 million/MW

Summary: Precious Plate produces electroplated connectors, lead frames and solid strips used in the telecom, datacom, automotive and aerospace industries. This investment is needed to enable the company to expand and stay competitive with electroplaters in other states, Mexico and Canada. Approximately 60% of the equipment the company will be installing for this expansion project will be purchased from companies located in New York State. The allocation will help the company retain its job base and create new jobs. If this allocation goes forward, the company's overall Authority hydro allocations and job commitments will be at 137 jobs per MW.

APPLICATION SUMMARY
Replacement Power

Company: Saint-Gobain, Inc. - Advanced Ceramics
(Structural Ceramics Group)

Location: Niagara Falls

County: Niagara

IOU: National Grid

Business Activity: Manufacturer of silicon carbide products

Project Description: The project will create the facility's capability to produce performance-advantaged products for the armor market segment, specifically to satisfy a large near-term and growing opportunity for the military. The company will purchase and install a new furnace, controls, loaders, pre-mixers and other equipment.

Prior Application: Yes

Existing Allocation: 5,156 kW of Replacement Power, 1,400 kW of which was allocated in January 2007

Power Request: 1,600 kW

Power Recommended: 1,000 kW

Job Commitment:

Existing: 172 jobs

Prior Allocation: 10 jobs still to be added from prior recent allocation

New: 17 jobs

New Jobs/Power Ratio: 17 jobs/MW

Total Jobs/Power Ratio: 32 jobs/MW (all allocations)

New Jobs - Avg. Wage and Benefits: \$55,000

Capital Investment: \$3 million

Capital Investment Per MW: \$2.5 million/MW

Summary: This investment is needed to enable the company to satisfy a near-term and growing opportunity for military armored products. Saint-Gobain's material has been identified as superior for this application. The hydro allocation is critical to this facility's ability to bring the project to Niagara Falls.

APPLICATION SUMMARY

Expansion Power

Company:	Enidine, Inc.
Location:	Orchard Park
County:	Erie
IOU:	New York State Electric and Gas Corporation
Business Activity:	Designs and manufactures shock absorption and vibration isolation devices for aerospace and industrial applications
Project Description:	This project would add a 12,500-sq.-ft. building expansion. Existing finished goods and warehousing areas would be moved to the new building, freeing up floor space for new manufacturing equipment to be installed. The new equipment would include lathes, pumps, HVAC and multitasking machine tools.
Prior Application:	None
Existing Allocation:	None
Power Request:	200 kW
Power Recommended:	200 kW
Job Commitment - Existing:	290 jobs
New:	20 jobs
New Jobs/ MW Ratio:	100 jobs/MW
New Jobs Avg. Wage and Benefits:	\$43,400
Capital Investment:	\$2.55 million investment includes \$1.5 million for a building expansion and \$1.05 for machinery and equipment
Capital Investment / MW:	\$12.8 million/MW
Summary:	Space limitations are hindering the growth potential Enidine needs to stay competitive. The company has the option of expanding at its sister operation in South Carolina or in Orchard Park. Enidine expects that the hydro allocation for this project will reduce its cost of doing business, enabling it to add jobs and grow in Western New York rather than relocating work out of the area. The company applied for and received economic development assistance from the Empire State Development Corporation and the Erie County Industrial Development Agency.

APPLICATION SUMMARY
Expansion Power

Company: Mayer Brothers Apple Products, Inc.

Location: West Seneca

County: Erie

IOU: New York State Electric and Gas Corporation

Business Activity: Processing, bottling and distribution of fresh fruit juices, filtered waters and related beverage products

Project Description: The project involves installing new distillation equipment to produce bottled water with specialty ingredients. A Bottled Water Vapor Compressor Distillation Unit will be installed to meet growing demand for bottled water products. The project will be able to tap into currently unused capacity of the company's five bottling lines.

Prior Application: Power for Jobs

Existing Allocation: 400 kW Power for Jobs (expiring 6/30/07)

Power Request: 226 kW

Power Recommended: 200 kW

Job Commitment - Existing: 107 jobs
New: 6 jobs

New Jobs/ MW Ratio: 30 jobs/MW

New Jobs
Avg. Wage and Benefits: \$30,250

Capital Investment: \$525,000

Capital Investment / MW: \$2.6 million/MW

Summary: Mayer Brothers Apple Products' principal services include processing, bottling and distribution of fresh fruit juices, filtered water and related beverage products. The company is looking to increase its bottled water capacity by purchasing new distillation processing equipment. The project also increases overall plant efficiency by taking up the slack in its existing bottling line capacity. This project will enable Mayer Brothers to meet the growing demand from a major customer that the company supply located in Whitestone, New York, rather than have the customer buy its supply from an out-of-state vendor.

6. 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 40 Power for Jobs (‘PFJ’) customers as listed in Exhibit ‘6-A.’ These customers have been recommended to receive such extended benefits by the Economic Development Power Allocation Board (‘EDPAB’).

BACKGROUND

“In July 1997, the New York State Legislature approved a program to provide low-cost power to businesses and not-for-profit corporations that agree to retain or create jobs in New York State. In return for commitments to create or retain jobs, successful applicants 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 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 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. In 2006, a new law (chapter 645 of the Laws of 2006) included provisions extending program benefits until June 30, 2007.

“Section 189 of the New York State Economic Development Law, which was amended by Chapter 59 of the Laws of 2004, provided the statutory authorization for the extended benefits that could be provided to PFJ customers. 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 May 21, 2007, EDPAB recommended that the Authority’s Trustees approve electricity savings reimbursement rebates to the 40 businesses listed in Exhibit ‘6-A.’ Collectively, these organizations have agreed to retain more than 60,000 jobs in New York State in exchange for rebates. The rebate program will be in effect until June 30, 2007, the program’s sunset.

“The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit ‘6-A’ in a total amount currently not expected to exceed \$5,300,000. 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 Exhibit in the future.

FISCAL INFORMATION

“Funding of rebates for the companies listed on Exhibit ‘6-A’ is not expected to exceed \$5,300,000. Payments will be made from the Operating Fund. To date, the Trustees have approved \$76.5 million in rebates.

RECOMMENDATION

“The Executive Vice President and Chief Financial Officer and the Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommend that the Trustees approve the payment of electricity savings reimbursements to the Power for Jobs customers listed in Exhibit ‘6-A.’

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

Mr. Pasquale presented the highlights of staff’s recommendations to the Trustees. Chairman McCullough said that the Power for Jobs (“PFJ”) program is scheduled to end on June 30, 2007. He said that bills to extend the program are pending in both houses of the State Legislature, but that no action has been taken yet. Chairman McCullough said that staff is prepared to implement a program extension as soon as it is enacted into law, but that the program is likely to lapse for at least a month due to the 30-day notice requirements for the

customers' investor-owned utilities. President Carey said that he had sent letters to the Governor, the legislative leaders and the PFJ customers alerting them to this concern.

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

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve electricity savings reimbursements to the Power for Jobs customers listed in Exhibit "6-A";

NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves the payment of electricity savings reimbursements to the companies listed in Exhibit "6-A," and that the Authority finds that such payments for electricity savings reimbursements are in all respects reasonable, consistent with the requirements of the Power for Jobs program and in the public interest; and be it further

RESOLVED, That based on staff's recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to \$5.3 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 the Senior Vice President – Marketing and Economic Development 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.

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

Exhibit "6-A"
 May 22, 2007

Line	Company	City	County	IOU	KW	Jobs Committed	Jobs in Application	Over/ (Under)	% Over/ (Under)	Compliance	Recommended KW	Jobs/MW	Type	Service
1	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
2	Edison Price Lighting, Inc.	New York	New York	Con Ed	400	160	157	-3	-2%	Yes	400	393	Large	Manufacturer and sales of lighting fixtures
3	Elaine Kaufman Cultural Center	New York	New York	Con Ed	60	54	73	19	35%	Yes	60	1,217	NFP	Multi-arts center
4	Greater Jamaica Development Corp.	Jamaica	Queens	Con Ed	375	136	139	3	2%	Yes	375	371	NFP	Urban & Community Development
5	Long Island Jewish Medical Center	Manhasset	Nassau	Con Ed	2,000	6,009	6,143	134	2%	Yes	2,000	3,072	NFP	Healthcare Center
6	Memorial Sloan-Kettering Cancer Cen	New York	New York	Con Ed	5,000	8,472	8,801	329	4%	Yes	5,000	1,760	NFP	Medical Center
7	Mount Sinai Medical Center	New York	New York	Con Ed	2,000	10,787	11,261	474	4%	Yes	2,000	5,631	NFP	Medical Center
8	New York Presbyterian Hospital	New York	New York	Con Ed	5,000	7,765	8,540	775	10%	Yes	5,000	1,708	NFP	Medical care
9	Norampac New York City, Inc	Maspeth	Queens	Con Ed	600	195	213	18	9%	Yes	600	355	Large	Manufacturers of corrugated paper packaging
10	Verizon	New York	New York	Con Ed	5,000	4,829	4,901	72	1%	Yes	5,000	980	Large	Local and wireless phone service provider
11	American Ballet Theater	New York	New York	Con Ed	25	175	288	113	65%	Yes	25	11,520	NFP	Performing arts organization
12	Bakers Pride Oven Company	New Rochelle	Westchester	Con Ed	250	130	119	-11	-8%	Yes	250	476	Small	Commercial cooking equipment
13	Whitney Museum of American Art	New York	New York	Con Ed	400	203	182	-21	-10%	Yes	400	455	NFP	Museum
	Total Con Ed		Subtotal	13	25,810	45,746	47,734				25,810			
14	Ametek Hughes-Treitler	Garden City	Suffolk	LIPA	500	181	183	2	1%	Yes	500	366	Large	Manufacturer of heat exchangers
15	John Hassall, Inc.	Westbury	Nassau	LIPA	450	106	116	10	9%	Yes	450	258	Large	Manufacturer of metal fasteners
	Total LIPA		Subtotal	2	950	287	299				950			
16	Borg Warner Morse Tech Corp	Cortland	Cortland	N. Grid	1,500	242	236	-6	-2%	Yes	1,500	157	Large	Manufacturer of Auto Components
17	Clarkson University	Potsdam	St. Lawrence	N. Grid	1,500	652	665	13	2%	Yes	1,500	443	NFP	Higher education
18	CWM Chemical Services, LLC	Model City	Niagara	N. Grid	330	83	80	-3	-4%	Yes	330	242	Small	Treatment & disposal of Industrial Waste
19	Kilian Manufacturing Corporation	Syracuse	Onondaga	N. Grid	400	214	166	-48	-22%	No	400	415	Large	Mfr. ball bearings
20	Lewis County General Hospital	Lowville	Lewis	N. Grid	200	389	379	-10	-3%	Yes	200	1,895	NFP	Medical Center
21	OAB Holdings, Inc.	Buffalo	Erie	N. Grid	5,000	335	674	339	101%	Yes	5,000	135	Large	Metal manufacturing
22	Queensboro Farm Products, Inc. - Canastota	Canastota	Madison	N. Grid	500	81	79	-2	-2%	Yes	500	158	Large	Milk manufacturing and processing plant
23	Robison & Smith, Inc.	Gloversville	Fulton	N. Grid	384	190	193	3	2%	Yes	384	503	Small	Linen & Laundry Supply
24	Syracuse China Company	Syracuse	Onondaga	N. Grid	460	371	324	-47	-13%	No	460	704	Large	Manufactures restaurant china
25	Syracuse Label Co., Inc.	Liverpool	Onondaga	N. Grid	200	89	86	-3	-3%	Yes	200	430	Small	Printing labels for consumer and industrial use
26	Syracuse Plastics, Inc.	Liverpool	Onondaga	N. Grid	400	57	55	-2	-4%	Yes	400	138	Large	Maker of plastic parts and components
27	Syroco, Inc. - A Subsidiary of Vassallo Industrie	Baldwinsville	Onondaga	N. Grid	550	183	188	5	3%	Yes	550	342	Large	Plastic injection molding manufacturer
28	Turbine Engine Components Technologies	Whitesboro	Oneida	N. Grid	1,200	225	268	43	19%	Yes	1,200	223	Large	Precision forging plant
29	Vicks Lithograph & Printing	Yorkville	Oneida	N. Grid	750	165	153	-12	-7%	Yes	750	204	Large	Book printer & distribution
30	Albany Molecular Research, Inc.	Albany	Albany	N. Grid	600	143	348	205	143%	Yes	600	580	Large	Pharmaceutical & organic research
31	Bison Products Company, Inc.	Buffalo	Erie	N. Grid	150	44	31	-13	-30%	No	110	282	Small	Manufacturers primarily dry sausage products
32	Delphi Automotive Systems (Par)	Amherst	Erie	N. Grid	150	180	177	-3	-2%	Yes	150	1,180	Small	Manufactures' parts for auto industry
33	Syracuse University	Syracuse	Onondaga	N. Grid	2,000	4,360	4,592	232	5%	Yes	2,000	2,296	NFP	Institution of Higher Education
	Total National Grid		Subtotal	18	16,274	8,003	8,694				16,234			
34	A. T. Reynolds & Sons, Inc.	Kiamasha Lake	Sullivan	NYSEG	250	59	56	-3	-5%	Yes	250	224	Small	Spring water and Ice Mfr.
35	Audio Sears	Stamford	Delaware	NYSEG	187	105	74	-31	-30%	No	190	389	Small	Makes audio equipment
36	Borg Warner Automotive Morse TEC	Ithaca	Tompkins	NYSEG	4,000	1,416	1,422	6	0%	Yes	4,000	356	Large	Manufacture of automotive components
37	Coming, Inc. (Northside)	Coming	Steuben	NYSEG	2,500	1,035	1,581	546	-2%	Yes	2,500	632	Large	Manufact. optical fiber, glass & ceramic products
38	IEC Electronics Corp.	Newark	Wayne	NYSEG	1,000	700	120	-580	-83%	No	170	706	Large	Assembly of printed circuit boards
39	Vail Ballou Press, Inc.	Binghamton	Broome	NYSEG	1,800	426	412	-14	-3%	Yes	1,800	229	Large	Book printer and distributor
	Total NYSEG		Subtotal	6	9,737	3,741	3,665				8,910			
40	Flower City Printing, Inc.	Rochester	Monroe	RGE	1,150	257	275	18	7%	Yes	1,150	239	Large	Commercial printer
	Total RG&E		Subtotal	1	1,150	257	275				1,150			

Total 40 53,921 58,034 60,667

53,054 1,143

Note: Some of the companies listed above have had part or all of their allocation restored through the reconsideration process.

7. Petroleum Overcharge Restitution (“POCR”) Funds – Transfer of Funds to the State of New York and Authorization of POCR Programs

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the transfer of up to \$700,000 to the State of New York (‘State’) in exchange for an equal amount in Petroleum Overcharge Restitution (‘POCR’) funds from the State, upon execution of an agreement between the State and the Authority memorializing the understandings between the State and the Authority concerning such transfer.

“The Trustees are also requested to authorize the Senior Vice President – Energy Services and Technology to develop and implement the various programs using POCR funds authorized by the 2007 legislation discussed below.

BACKGROUND

“The SFY 2006-07 State budget bill enacted in June 2006 provided for, among other things, the State to transfer \$700,000 of POCR monies to the Authority and the Authority to transfer an equal amount of funds to the State. At their meeting of September 26, 2006, the Trustees authorized such transfer together with the development and implementation of programs using the POCR funds.

“Because of a technical deficiency in the SFY 2006-07 budget bill language, the State was unable to transfer the \$700,000 in POCR funds to the Authority and the Authority did not transfer the like amount by the end of SFY 2006-07. As a consequence, the Legislature passed, and on April 9, 2007 the Governor approved, new language in the SFY 2007-08 State Budget legislation, Chapter 59 of the Laws of 2007 (‘Chapter 59’; Exhibit ‘7-A’) which corrected this deficiency. Sections 2 and 3 of Chapter 59 authorize the Authority to transfer \$700,000 to the State and the State to transfer to the Authority a like amount of POCR funds. The monies will be used by the Authority as specified in Sections 4-6 of Chapter 59.

“Section 4 of Chapter 59 authorizes the Authority to use \$233,333 in POCR funds for existing programs of the Authority that are eligible under federal guidelines to use POCR funds.

“Section 5 of Chapter 59 authorizes the Authority to use \$233,333 in POCR funds to implement energy service projects. Section 6 of Chapter 59 authorizes the Authority to use \$233,333 in POCR funds to implement energy projects that are eligible under POCR guidelines and that include, but are not limited to, energy conservation, energy efficiency, weatherization, alternative fuels, other non-electric energy projects, flexible technical assistance, technology transfer and/or renewable or innovative energy projects. Under Sections 5 and 6, the Authority may supplement the POCR funds with any or all monies available from the Authority’s Energy Services Program to implement projects.

“At their meeting of January 30, 1996, the Trustees approved five POCR-funded programs: a Solar Electric Grant Program, an MTA Hybrid Bus Program, a Pilot Coal Conversion Program, an Independent College and University Energy Assistance Loan Program and a High Efficiency Lighting Program (‘HELP’) Revolving Loan Program.

“At their meetings of December 17, 1996 and December 16, 1997, the Trustees approved the continuation of these programs and several new POCR-funded grant initiatives, including a statewide energy efficiency program for primary and secondary public schools and public facilities and the reinstatement of the furnace and boiler demonstration program established by Section 21 of Chapter 598 of the Laws of 1993.

“At their meeting of December 15, 1998, the Trustees approved the continuation of: (a) the independent college and university energy assistance loan program; (b) the HELP programs of the Authority; and (c) several new POCR-funded grant initiatives, including energy efficiency improvements in public facilities.

“At their meeting of December 14, 1999, the Trustees approved various energy-related programs established by Sections 1-9 of Chapter 413 of the Laws of 1999.

“At their meeting of December 20, 2000 and September 17, 2002, the Trustees approved the continuation of various energy-related programs established by Sections 1-8 of Chapter 61 of the Laws of 2000 and Sections 1-9 of Chapter 84 of the Laws of 2002.

DISCUSSION

“Before the State can disburse the POCR funds, the Authority is required to develop the various energy-related programs that would use the POCR funds. With the assistance of the New York State Energy Research and Development Authority, the Authority must apply to the U. S. Department of Energy (‘DOE’) for approval of the programs. POCR funds cannot be used for purposes or programs that DOE does not approve.

“Judicial decisions and federal regulations that apply to POCR funds (both principal and interest) require that the funds not be used for general Authority purposes; they must ultimately be used for consumer restitution through energy-related programs. The use of any interest earned from POCR funds can only be used for approved POCR programs and for the administration of these programs.

“If approved by the Trustees, the payment by the Authority of the \$700,000 in funds matching the POCR funds identified in Chapter 59 would be reasonable and consistent with the Authority’s mission and statute.

“The POCR funds that the Authority receives as a part of the understanding with the State will be used for energy efficiency projects throughout the State. Accordingly, the Trustees are also requested to authorize the Senior Vice President – Energy Services and Technology to develop and implement the various programs using POCR funds authorized by the 2007 legislation.

FISCAL INFORMATION

“The funds to be paid to the State, as described above, will be disbursed from the Operating Fund, 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.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology recommends that the Trustees authorize the payment to the State of New York for the purposes, and under the conditions, described above, and that the Trustees authorize the implementation of Petroleum Overcharge Restitution programs as described above.

“The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Marketing and Economic Development, the Senior Vice President and Chief Engineer – Power Generation, the Senior Vice President – Public and Governmental Affairs and I concur in the recommendation.”

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

RESOLVED, That the payment to the State of New York of up to \$700,000 for the purpose described in the foregoing report of the President and Chief Executive Officer, is hereby authorized, contingent on the execution of an agreement between the Authority and the State relating to such payment, and that the Chairman, the President and Chief Executive Officer, the Treasurer or such other officer designated by the President and Chief Executive Officer, are, and each hereby is, authorized to execute such agreement with the State having such terms and conditions as such officer

deems necessary or desirable, subject to the approval of the form thereof by the Executive Vice President and General Counsel; and be it further

RESOLVED, That it is hereby authorized that up to \$700,000 of the Operating Fund monies be withdrawn from such Fund and used for making the payment specified in the foregoing report of the President and Chief Executive Officer, provided, however, that such withdrawal be conditioned on a certification by the Executive Vice President and Chief Financial Officer, the Vice President – Finance, the Treasurer or Deputy Treasurer that such amounts to be withdrawn from the Operating Fund are not then required for any of the purposes specified in Paragraphs (a)-(c) of Section 503 (1) of the General Resolution Authorizing Revenue Obligations adopted on February 24, 1998, as supplemented; and be it further

RESOLVED, That the Senior Vice President – Energy Services and Technology is hereby authorized to develop and implement the various programs using Petroleum Overcharge Restitution funds authorized by the 2007 legislation discussed in the foregoing report of the President and Chief Executive Officer, including the use of such funds to finance programs under the Authority's Energy Services Program, provided that such programs shall be implemented only upon approval by the U. S. Department of Energy and by any other agency or court having jurisdiction over such programs; 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.

**POCR PROVISIONS OF CHAPTER 59
OF THE LAWS OF 2007**

§ 1. Funds appropriated from the statewide energy improvement account, special revenue fund - other, for services and expenses of the power authority of the state of New York, shall be available for the implementation of restitutionary programs. The use of these funds is not intended to limit the right or obligation of the power authority of the state of New York to comply with the provisions of any contract, including any existing contract with or for the benefit of the holders of any obligations of the power authority.

§ 2. The power authority of the state of New York shall transfer \$700,000 to New York State on or before March 31, 2008.

§ 3. Notwithstanding section 1010-a of the public authorities law, the comptroller is hereby authorized and directed to transfer to the power authority of the state of New York \$700,000, constituting monies appropriated to the statewide energy improvement account for the power authority of the state of New York pursuant to a chapter 55 of the laws of 2007 and the power authority of the state of New York is authorized to hold such monies for the purposes specified in a chapter of the laws of 2007.

§ 4. The power authority of the state of New York is authorized to use \$233,333 in petroleum overcharge restitution funds made available to the authority in fiscal year beginning April 1, 2007 for programs of the power authority of the state of New York which are eligible under federal guidelines governing petroleum overcharge restitution funds; and which also may include a suballocation to the energy research and development authority or other public authority or public benefit corporation for energy conservation purposes.

§ 5. The power authority of the state of New York is authorized to use \$233,333 in petroleum overcharge restitution funds made available to the authority in fiscal year beginning April 1, 2007 to implement energy service projects. The authority may supplement these funds with any or all monies available from the power authority's Energy Service Program to implement projects.

§ 6. The power authority of the state of New York is authorized to use \$233,334 in petroleum overcharge restitution funds made available to the authority in the fiscal year beginning April 1, 2007 to implement energy projects, which are eligible under federal guidelines governing petroleum overcharge restitution funds and which include, but are not limited to, energy conservation, energy efficiency, weatherization, alternative fuels, other non-electric energy projects, flexible technical assistance, technology transfer and/or renewable or innovative energy projects. The authority may supplement these funds with any or all monies available from the power authority's Energy Service Program to implement projects.

§ 7. This act shall take effect immediately and shall be deemed to have been in full force and effect on and after April 1, 2007.

8. Proposed Hydropower Contracts for Niagara Power Project Relicensing Settlements – Transmittal to the Governor

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the attached hydroelectric power contracts (the ‘Proposed Contracts’) with seven Host Communities¹, Niagara University (the ‘University’) and the Tuscarora Nation (the ‘Nation’) and authorize their transmittal to the Governor for his approval. The Proposed Contracts will take effect on September 1, 2007 and will expire on September 1, 2025.

BACKGROUND

“The Authority’s existing 50-year license for the Niagara Power Project, originally issued under the Federal Power Act, expires on August 31, 2007. In 2002, pursuant to Federal Energy Regulatory Commission (‘FERC’) regulations, the Authority commenced the Alternative Licensing Process (‘ALP’). At a meeting held on June 28, 2005, the Trustees authorized the President and Chief Executive Officer (and his designees) to: file an Application for a New License with FERC, file related applications with the New York State Departments of State and Environmental Conservation and an Offer of Settlement with FERC (‘Offer of Settlement’), enter into and execute settlement agreements and execute such other documents and take such other actions as may be necessary or convenient in connection with such actions. On August 18, 2005, the Authority filed its Application for a New License with FERC.

“The Offer of Settlement, filed at FERC on August 19, 2005, included four separate settlement agreements reached by the Authority with parties participating in the ALP. Two of these agreements were with the Host Communities and the Tuscarora Nation and are described in more detail below. The Offer of Settlement was supplemented by two more agreements, one of which is with the University, also described in more detail below.

“In 2004, the Authority began negotiations with the Host Communities, which raised a number of issues relating to the loss of taxable land as a result of the Project. These negotiations resulted in the Host Communities Relicensing Settlement Agreement (‘HCRSA’), which includes an allocation of 25 MW of Project power to the Host Communities. The HCRSA represents complete settlement of all issues raised by the Host Communities during the relicensing proceeding. In accordance with the HCRSA, the Authority negotiated contracts for the sale of hydroelectric power from the Project with each individual Host Community. These contracts were approved by the Trustees at their meetings on February 27 and March 27, 2007. The amount of hydroelectric power allocated to each Host Community is listed in Exhibit ‘8-A’ and the contracts themselves are attached hereto as Exhibits ‘8-B’ through ‘8-H.’

“During the course of the ALP, the University raised a number of issues generally arising out of the proximity of the campus to the Project, and settlement negotiations between it and the Authority commenced in December 2004. These negotiations resulted in the Niagara University Relicensing Settlement Agreement (‘NURSA’) which includes an allocation of up to 3 MW of Niagara Project power to the University. The NURSA, which was filed at FERC on May 23, 2006, represents complete settlement of all issues raised by the University during the relicensing proceeding. Pursuant to the NURSA, the Authority negotiated an agreement with the University for the sale of 3 MW of hydroelectric power from the Project. This contract was approved by the Trustees on December 19, 2006 and is attached hereto as Exhibit ‘8-I.’

“The Authority commenced negotiations with the Nation in 2004 in response to a number of issues raised by the Nation regarding the proximity of its land to the Project. These negotiations resulted in the Tuscarora Nation

¹ The Host Communities consist of the following seven municipal entities: City of Niagara Falls, Town of Niagara, City of Niagara Falls School District, Niagara Wheatfield School District, Lewiston-Porter School District, Town of Lewiston and County of Niagara.

Agreement ('TNA'), which includes an allocation of 1 MW of Project power to the Nation. The TNA represents complete settlement of all issues raised by the Nation during the relicensing proceeding. Accordingly, the Authority negotiated a contract with the Nation for the sale of 1 MW of hydroelectric power from the Project. This agreement was approved by the Trustees on March 27, 2007 and is attached hereto as Exhibit '8-J.'

"The Project power for the Proposed Contracts will come largely from the block of Niagara Project power now sold to the three upstate investor-owned utilities (National Grid, New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation) for the benefit of their domestic and rural consumers under contracts that expire on August 31, 2007. The remainder of the power will come from the non-preference part of the power produced by the Niagara Project upgrade. The Proposed Contracts contemplate delivery of power and energy at the Project switchyard. It will be the responsibility of the Host Communities, the University and the Nation to arrange for delivery of the power or the benefits of the power to the ultimate users.

"Consistent with current local laws and other legal requirements, the contracts with the Town of Niagara, the Niagara Wheatfield School District and the Lewiston-Porter School District will be administered in conjunction with the County of Niagara, which will be a party to the contracts with these entities. Likewise, the contract with the City of Niagara Falls School District will be administered in conjunction with the City of Niagara Falls, which will be a party to the contract with the School District. The agreements reflect these arrangements and allow for changes in the way the contracts are administered in the future depending on local law and other legal requirements.

"The Authority's obligation to sell hydroelectric power pursuant to the terms of the Proposed Contracts becomes effective on September 1, 2007. The Proposed Contracts will expire on September 1, 2025. Successor contracts will be required to meet the terms of their respective settlement agreements and will be provided for the remainder of the 50-year term of the new Niagara license.

DISCUSSION

"At their meeting on March 27, 2007, the Trustees authorized the holding of a public hearing, pursuant to Section 1009 of the Public Authorities Law, on the Proposed Contracts. Copies of the proposed form of the contracts were transmitted to the Governor and the leaders of the State Legislature. In accordance with Section 1009, notice of such public hearing was published once each week for at least 30 days in at least six newspapers throughout the State. During that period, copies of the form of the contracts were made available for public inspection in the offices of the Authority and at other places throughout the State designated by the Authority, as well as on the Authority's website.

"The public hearing on May 7, 2007 was held at the Project. At the hearing, representatives from the Town of Lewiston, the Niagara Power Coalition and Niagara University presented statements in support of the Proposed Contracts. No party expressed opposition to the Proposed Contracts. The final transcript of the hearing is attached hereto as Exhibit '8-K.'

"Subsequent to the public hearing, the Proposed Contracts were modified slightly to clarify the method of distributing the benefits of the Authority's allocations. Staff believes that the Proposed Contracts are in the public interest and should be forwarded to the Governor with the recommendation that they be approved.

FISCAL INFORMATION

"All costs associated with the hydroelectric power allocated in the Proposed Contracts will be recovered and therefore will have no revenue impact on the Authority.

RECOMMENDATION

"The Director – Supply Planning, Pricing and Power Contracts and the Executive Director of Hydropower Relicensing recommend that the Trustees authorize the transmittal of the Proposed Contracts to the Governor for his approval.

“The Executive Vice President and General Counsel, the Senior Vice President and Chief Engineer – Power Generation, the Senior Vice President – Marketing and Economic Development and I concur in the recommendation.”

WHEREAS, on March 15, 2007, the Federal Energy Regulatory Commission (“FERC”) issued the Authority a new 50-year license for the Niagara Project that will take effect on September 1, 2007; and

WHEREAS, in connection with its application to FERC for the new license for the Niagara Project, the Authority has negotiated nine Proposed Contracts under which hydro power from the Niagara Project would be sold and delivered, beginning September 1, 2007, to Niagara University, the Tuscarora Nation and each of the following seven municipal entities known as the Host Communities: City of Niagara Falls, Town of Niagara, City of Niagara Falls School District, Niagara Wheatfield School District, Lewiston-Porter School District, Town of Lewiston and County of Niagara; and

WHEREAS, copies of such proposed contracts have been transmitted to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee and have been made available for public inspection during a 30-day period at the offices of the Authority, at other locations throughout the State and on the Authority’s website; and

WHEREAS, on May 7, 2007, the Authority held a public hearing on the terms of the Proposed Contracts upon 30 days’ notice given by publication once each week during such period in at least six newspapers within the State of New York; and

WHEREAS, no party expressed opposition to the Proposed Contracts at the May 7, 2007 public hearing; and

WHEREAS, the terms of the Proposed Contracts were modified to clarify the method of distribution of the benefits of Authority’s allocations; and

NOW, THEREFORE, BE IT RESOLVED, That the Proposed Contracts are in the public interest and should be forwarded together with a recommendation that they be approved, along with the record of the public hearings thereon, to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee; and be it further

RESOLVED, That the Chairman and the Corporate Secretary be authorized and directed to execute such proposed contracts in the name of and on behalf of the Authority whenever the agreements shall be approved by the Governor; and be it further

RESOLVED, That the Senior Vice President – Marketing and Economic Development or her designee, be, and hereby is, authorized to

May 22, 2007

negotiate and execute any and all documents necessary or desirable to effectuate such Proposed Contracts; 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, 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.

Host Communities

1.	City of Niagara Falls	5.5 MW
2.	City of Niagara Falls School District	3.5 MW
3.	County of Niagara	9.0 MW
4.	Lewiston-Porter School District	1.5 MW
5.	Niagara Wheatfield School District	1.5 MW
6.	Town of Lewiston	3.5 MW ²
7.	Town of Niagara	0.5 MW

EXHIBITS "8B" – "8K" VOLUMINOUS DOCUMENTS UNDER SEPARATE COVER

² According to the terms of the HCRSA, if certain market conditions are met, the Town of Lewiston may receive an additional allocation of up to 3MW.

9. **Motion to Conduct an Executive Session**

“Mr. Chairman, I move that the Authority conduct an Executive Session for the purpose of discussing matters regarding the GE and Entergy litigation.” On motion duly made and seconded, an Executive Session was held.

May 22, 2007

10. **Motion to Resume Meeting in Open Session**

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

11. Operations and Maintenance Payments for New York State Parks

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize payments totaling up to \$8 million from the Operating Fund for expenditures of the New York State Office of Parks, Recreation and Historic Preservation (‘OPRHP’) in New York State fiscal year (‘SFY’) 2007-08. The funds are to be used for operation and maintenance of Robert Moses State Park (‘Robert Moses’), Coles Creek State Park (‘Coles Creek’), Art Park and Niagara Reservation (including Reservoir, Whirlpool, DeVeaux Woods and Devil’s Hole State Parks and the Niagara Gorge Trails) (‘Niagara Reservation’). Robert Moses and Coles Creek are directly associated with the St. Lawrence/ FDR Power Project and have been incorporated into the Federal Energy Regulatory Commission (‘FERC’) project license issued in October 2003. Art Park and Niagara Reservation, although not part of the FERC-licensed project, are associated with the Niagara Power Project.

“The Trustees are further requested to authorize the President and Chief Executive Officer, or his designee, to sign any documents or enter into any agreements necessary to effectuate such payment, subject to approval as to the form thereof by the Executive Vice President and General Counsel.

BACKGROUND

“Commencing with the SFY 2003-04 Executive Budget, the Authority agreed to a special Revenue-Other State Operations appropriation of up to \$8 million, reflecting the Authority’s assumption of responsibility for operations expenses at four New York State parks, including Art Park, Robert Moses, Coles Creek and Niagara Reservation. The approved New York State Budget for SFY 2003-04 adopted the Governor’s recommendations. At their meeting of June 24, 2003, the Trustees were advised that such annual payments were expected to continue through the end of the current federal license for the Niagara Power Project in August 2007¹.

“The Trustees have annually authorized payments of up to \$8 million to the OPRHP Patron Services Account for SFY 2003-04, SFY 2004-05, SFY 2005-06, and SFY 2006-07. Payments were subsequently made in conformance with such authorizations.

“Provisions of the enacted SFY 2007-08 State Budget (Chapter 55 of the Laws of 2007) include a special Revenue-Patrons Fund account appropriation of \$69.404 million, which contemplates an \$8 million contribution from the Authority for operations expenses at Art Park, Robert Moses, Coles Creek and Niagara Reservation.

DISCUSSION

“Payments made by the Authority would be used for OPRHP operating costs including, but not limited to, personal services, fringe benefits and non-personal services costs directly related to the operation of Art Park, Robert Moses, Coles Creek and Niagara Reservation.

“Payments would be made to the OPRHP Patron Services Account in three installments. An initial payment of \$4 million for the first and second quarters of SFY 2007-08 would be made immediately upon the Trustees’ approval and a finding by the Senior Vice President and Chief Financial Officer, the Vice President – Finance or the Treasurer that such amount is 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. Subsequent payments of \$2 million each would be made at the beginning of the third and fourth quarters of the SFY conditioned on the Section 503(1) certification discussed above. All such payments would be subject to reconciliation based on OPRHP’s actual O&M expenditures for such parks.

¹ On March 15, 2007, FERC approved a new 50-year license for the Niagara Power Project, effective September 1, 2007.

“Payments would be made pursuant to an annual spending plan approved by the New York State Division of the Budget and a quarterly reconciliation report documenting all costs to be provided by OPHRP to the Authority within 45 days of the end of the third and fourth quarters (November 15 and February 15). The payments for SFY 2007-08 would be the final payments for OPRHP pursuant to the 2003 Budget agreement to provide such funding for a five-SFY period.

FISCAL INFORMATION

“Payments pursuant to this authorization will be made from the Authority’s Operating Fund.

RECOMMENDATION

“The Senior Vice President – Public and Governmental Affairs and the Vice President – Governmental Affairs and Policy Development recommend that the Trustees approve operating fund expenditures of up to \$8 million for payment to the New York State Office of Parks, Recreation and Historic Preservation Patron Services Account for the operation and maintenance of Art Park, Robert Moses State Park, Coles Creek State Park and the Niagara Reservation (including Reservoir, Whirlpool, DeVeaux Woods and Devil’s Hole State Parks and the Niagara Gorge Trails) in New York State fiscal year 2007-08.

“The Executive Vice President and General Counsel, the Senior Vice President and Chief Engineer – Power Generation and I concur in the recommendation.”

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

RESOLVED, That Operating Fund expenditures of up to \$8 million be made to the Special Revenue-Other Account (New York State Office of Parks, Recreation and Historic Preservation Patron Services Account) for the operation and maintenance of Art Park, Robert Moses State Park, Coles Creek State Park and the Niagara Reservation (including Reservoir, Whirlpool, DeVeaux Woods and Devil’s Hole State Parks and the Niagara Gorge Trails), as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That such amounts shall be paid from the Operating Fund upon a certification by the Executive Vice President and Chief Financial Officer, 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, or his designee, be and hereby is, authorized to sign any documents or enter into any agreements necessary to effectuate such payment, subject to approval as to 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, 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. Increase in Operating Reserve and Authorization to Use Operating Funds to Retire Authority Debt

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve an increase of \$25 million in the Operating Reserve to a total of \$175 million to better reflect the risk exposure of the Authority in the conduct of its business in today’s environment. The Trustees are also requested to approve the use of up to \$100 million of additional Operating Fund monies through 2008 for the purpose of the payment, purchase, defeasance and/or redemption of Revenue Bonds, Subordinate Revenue Bonds, Commercial Paper Notes and Extendible Municipal Commercial Paper Notes.

BACKGROUND

“Pursuant to Subsection 1(a) of Section 503 of the Authority’s General Resolution Authorizing Revenue Obligations, as amended, the Authority shall accumulate ‘in the Operating Fund as a reserve for (i) working capital, (ii) for such Operating Expenses the payment of which is not immediately required, including but not limited to amounts determined by the Authority to be required as an operating reserve in accordance with subsection 2 of this Section 503 or (iii) deemed necessary or desirable by the Authority to comply with orders or other rulings of an agency or regulatory body having lawful jurisdiction.’

“Subsection 2 of Section 503 of such Resolution further provides that the ‘Authority shall from time to time, and in all events prior to any withdrawal of moneys from the Operating Fund pursuant to paragraph (e) of subsection 1 of this Section 503, determine (i) the amount, to be held as a reserve in the Operating Fund, which in the judgment of the Authority is adequate for the purpose of providing for the costs of emergency repairs or replacements essential to restore or prevent physical damage to, and prevent loss of Revenues from, any Project and (ii) the amount, to be held as a reserve in the Operating Fund, which in the judgment of the Authority is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to any Project necessary to keep the same in operating condition or required by any governmental agency having jurisdiction over such Project and to provide a reserve for the retirement from service, decommissioning or disposal of facilities comprising either a Project or a part of a Project.’

“Taken together, these sections of the Authority’s covenant with its bondholders provide for the establishment of a reserve to protect the Authority and its bondholders from the business risks the Authority may encounter in its day-to-day activities.

DISCUSSION

“At their meeting of April 28, 1998, the Trustees established the Operating Reserve at a level of \$150 million, which represented at that time an amount that would have been necessary to support Authority operations for a period of one-and-a-half years if one the Authority’s then-owned nuclear plants were to have become inoperative and require major expenditures to restore operations. After the sale of the plants in 2000, and subsequent to the start-up of the new market environment under the New York Independent System Operator (‘NYISO’), staff revisited the Operating Reserve level and, at the time, found it to provide adequate protection for the ongoing financial security of the Authority’s operations taking into account the Authority’s shifting risk profile from an organization concerned with nuclear operating risk to one facing market/ commodity risk.

“Staff has again undertaken a review of the operations of the Authority and the adequacy of the Operating Reserve level. This review has taken into account the same operational and market risks considered in the past. One noteworthy observation is the increase not only in underlying natural gas and electric prices in recent years but also in price volatility as well. In addition, staff has considered the broader range of business risks to which the Authority is exposed. These include such items as the effects of customer non-payment of bills, rising interest rates, ratings downgrades, etc. On the basis of this review, staff is recommending an increase in the Operating Reserve level to \$175 million, an increase of \$25 million from the previously established level.

“The Trustees are also requested to expand the authorizations previously granted by the Trustees in February and October 1998, July 2000, September 2001, February 2003, January and November 2004 and November 2006 that allowed for the use of Operating Fund monies for the payment, purchase and/or defeasance of Revenue Bonds, Subordinate Revenue Bonds, Commercial Paper Notes and Extendible Municipal Commercial Paper Notes.

“To date, all but approximately \$54 million of the authorizations have been used. These prior authorizations have enabled the Authority to better align its cost structure for the rigors of the competitive market. While these efforts are largely concluded, there may be other opportunities to provide savings for Authority customers and/or for the Authority to continue to control its cost structure. Accordingly, the Trustees are requested to authorize the use of up to an additional \$100 million of Operating Fund monies through 2008 for the payment, purchase, defeasance and/or redemption of debt as specified above and to extend the prior authorizations through 2008. Before any withdrawal is made for such purpose, staff would determine that the funds to be withdrawn are not needed to pay for operating expenses, debt service or any of the other purposes specified in Section 503 (1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended, and that such withdrawal will not cause the Operating Reserves to fall below the established levels. Furthermore, staff would obtain approval of such withdrawal from the Chairman and the President and Chief Executive Officer.

FISCAL INFORMATION

“The funds required for this new Operating Reserve level are already deposited in the Operating Fund. The Authority’s Operating Reserves are invested in accordance with the Authority’s Investment Guidelines and the earnings on such funds are available for any Authority corporate purposes.

RECOMMENDATION

“The Vice President – Finance recommends that the Trustees approve: (1) an increase in the Operating Reserve level referenced in Section 503 of the Authority’s General Resolution Authorizing Revenue Obligations, as amended, to \$175 million and (2) the use of up to \$100 million of additional Operating Fund monies through 2008 for the payment, purchase, defeasance and/or redemption of Revenue Bonds, Subordinate Revenue Bonds, Commercial Paper Notes and Extendible Municipal Commercial Paper Notes, and an extension through 2008 the specified prior authorizations for such use of Operating Fund monies.

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

Mr. Del Sindaco presented the highlights of staff’s recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Del Sindaco said that the Authority’s cash reserves are now greater than \$370 million. President Carey said that this is the first time since 1998 that the Trustees have been asked to authorize an increase in the Authority’s operating reserve.

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

RESOLVED, That the Trustees hereby increase the Operating Reserve in the Authority’s Operating Fund to \$175 million; and be it further

RESOLVED, That the Trustees hereby authorize the use of up to \$100 million in Operating Fund monies through 2008 for the payment, purchase, defeasance and/or redemption of Revenue Bonds, Subordinate Revenue Bonds, Commercial Paper Notes and Extendible Municipal Commercial Paper Notes, and such authorization shall be in addition to the

authorizations set forth in the prior resolutions adopted by the Trustees as outlined in the foregoing report of the President and Chief Executive Officer, with such authorizations hereby being extended through 2008; and be it further

RESOLVED, That as a prerequisite to any withdrawal pursuant to the foregoing resolution, the Treasurer or the Vice President – Finance shall obtain the approval of such withdrawal from the Chairman and the President and Chief Executive Officer and shall certify that such 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 be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer, the Executive Vice President and General Counsel, the Vice President – Finance, the Treasurer and the Deputy Treasurer are, and each of them hereby is, authorized to do and perform or cause to be done and performed in the name and on behalf of the Authority, all other acts to execute and deliver or cause to be executed and delivered all other notices, requests, directions, consents, approvals, orders, applications, agreements, certificates and further documents or other communications of any kind under the corporate seal of the Authority or otherwise as he, she or they may deem necessary, advisable or appropriate to effect the intent of the foregoing resolutions, subject to approval as to the form of such certificates, agreements and other documents by the Executive Vice President and General Counsel.

**13. Niagara Power Project Relicensing –
New FERC License, SEQRA Findings and
Surplus Lands Transfer**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to: (a) authorize acceptance of the new license issued by the Federal Energy Regulatory Commission (‘FERC’) for the Niagara Power Project (‘Project’); (b) approve, adopt and ratify the State Environmental Quality Review Act (‘SEQRA’) Findings Statement attached hereto as Exhibit ‘13-A’, and (c) approve the transfer of ownership of surplus lands (Exhibit ‘13-B’) as set forth in settlement agreements and resolutions previously approved by the Trustees.

BACKGROUND

“The original Project license issued to the Authority pursuant to the Federal Power Act will expire by its terms on August 31, 2007. At their meeting of June 28, 2005, the Trustees authorized the filing with FERC of an application for a new 50-year license for the Project pursuant to the Federal Power Act (the ‘Application’), certain related applications and an ‘Offer of Settlement’ consisting of four settlement agreements entered into by the Authority and a number of governmental and non-governmental entities participating in the relicensing process together with an accompanying ‘Explanatory Statement.’ The Offer of Settlement was supplemented twice while under review by FERC, pursuant to actions taken by the Trustees at their meetings of May 23, 2006 and June 27, 2006.

DISCUSSION

License Acceptance

“On March 15, 2007, the FERC commissioners approved the issuance of a new 50-year license for the Project. Staff has reviewed the issuing order and has concluded that it is generally consistent with the Application and poses no obstacle to the implementation of the Settlement Measures. Two timely requests for rehearing were filed with FERC, one by the Public Power Coalition and the Eastern Niagara Public Power Association and a second by the Niagara Improvement Association. In addition, a ‘request for clarification’ was filed by the out-of-state governmental and quasi-governmental entities that receive allocations of Project power pursuant to the terms of the federal Niagara Redevelopment Act. By Order dated May 14, 2007, FERC granted rehearing ‘for the limited purpose of further consideration’ by the Commission.

“Staff recommends that the Authority accept the new license. In view of the possibility that the new license, as a consequence of one or more of the filed rehearing requests, may be amended in a fashion that is unacceptable to the Authority, staff recommends that this acceptance be made subject to a reservation of authority to reconsider this action pending the outcome of any and all requests for rehearing filed with FERC and any subsequent judicial review of FERC’s disposition of such requests and that, when filing its acceptance with FERC, the Authority note such reservation.

SEQRA Findings

“On July 14, 2006, as part of its review of the Application, and pursuant to the National Environmental Policy Act, FERC issued a draft Environmental Impact Statement (‘EIS’). Thereafter, on December 19, 2006, FERC issued a final EIS. The final EIS includes an analysis of the impacts of all actions to be taken by the Authority pursuant to the agreements submitted to FERC in connection with the Offer of Settlement (‘Settlement Measures’), whether or not a particular action is to be included as a term or condition of the new Project license.

“However, the Good Neighbor Agreement between the Authority and Niagara University (authorized by the Trustees on May 23, 2006) was not part of the Application and thus not reviewed in the final EIS. As such, the Good Neighbor Agreement is subject to the New York State Environmental Quality Review Act (‘SEQRA’) and the

Authority is required to make certain 'Findings' that include an explicit statement that the requirements of SEQRA have been met and to the maximum extent practicable any adverse environmental effects have been minimized or avoided. To that end, the Authority's Vice President – Environment, Health and Safety prepared a full Environmental Assessment Form; concluded that there were no significant environmental impacts; and issued a Negative Declaration regarding the Good Neighbor Agreement.

"In addition, the Authority's Vice President – Environment, Health and Safety has prepared and submitted for Trustee consideration and action the 'Findings Statement' attached hereto as Exhibit '13-A', which accepts the final EIS in relation to the issuance of the License by FERC and its acceptance by the Authority and which addresses the actions being taken by the Authority under the Good Neighbor Agreement.

Public Authorities Law

"The Settlement Measures include commitments by the Authority to convey certain surplus lands to adjoining landowners, which lands are shown on the schedule annexed hereto as Exhibit '13-B' (the 'Niagara Surplus Parcels'). Pursuant to Section 2897(6)(c)(v) of the Public Authorities Law (the 'PAL') and the Authority's Guidelines for the Disposal of Real Property (the 'Guidelines'), the Authority may dispose of Authority property for an amount less than the estimated fair market value and by negotiation and without resort to the public bidding procedures otherwise required by Article 9 of the PAL, provided that the disposal is intended to further the public health, safety or welfare or an economic development interest of the state and that the purpose and terms of such disposal are documented in writing and such purpose and terms are approved by a resolution of the Trustees.

"The purposes and terms of the surplus land conveyances are set forth in the settlement agreements and the resolutions previously approved by the Trustees (the Host Communities Agreement and the Tuscarora Nations Agreement approved on June 28, 2005, the Niagara University Agreements approved on May 23, 2006 and the Erie County/City of Buffalo Agreement approved on June 27, 2006), and include such purposes as the Buffalo Waterfront Development project, enhancement of the Niagara University campus, creation of senior housing and the return of parcels to property tax rolls.

"The PAL and the Guidelines also require that an explanatory statement of the circumstances of each such disposal be prepared and transmitted to the New York State Comptroller, the Director of the Budget, the Commissioner of the Office of General Services and the State Legislature not fewer than 90 days in advance of the disposal. Accordingly, these real property transfers are subject to approval by the Trustees and the timely filing of the required statements. This Trustee action, along with the previously adopted resolutions, will serve as the required explanatory statement.

FISCAL INFORMATION

"At their meeting of October 24, 2006, the Trustees authorized \$443.9 million in capital expenditures to be dedicated to costs associated with implementing the new Project license and undertaking the Settlement Measures. This action was undertaken in advance of the issuance of the new Project license so that certain planning activities associated with the anticipated requirements of the new Project license could be undertaken in a timely fashion.

"In accordance with the settlement agreements, Trustee resolutions and the foregoing, the surplus lands will be transferred without payment to the Authority.

RECOMMENDATION

"The Executive Director – Hydropower Relicensing recommends that the Trustees: (a) accept the new license issued by the Federal Energy Regulatory Commission for the Niagara Power Project; (b) approve, adopt and ratify the State Environmental Quality Review Act Findings Statement attached hereto as Exhibit '13-A', and (c) approve the transfer of ownership of surplus lands as set forth in settlement agreements and resolutions previously approved by the Trustees.

"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 – Public

and Governmental Affairs, the Senior Vice President and Chief Engineer – Power Generation and I concur in the recommendation.”

Mr. Chase presented the highlights of staff's recommendations to the Trustees. On behalf of all the Trustees, Chairman McCullough commended staff for their work on relicensing over the last several years culminating in this huge accomplishment. He said that the new license is a very positive thing for both the Authority and the Niagara Frontier. Mr. Chase thanked Chairman McCullough and said that this had been a real team effort.

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

RESOLVED, That the Trustees approve, adopt and ratify the State Environmental Quality Review Act Findings Statement attached hereto as Exhibit “13-A”; and be it further

RESOLVED, That the Trustees authorize acceptance of the new License for the Niagara Power Project as issued by the Federal Energy Regulatory Commission (“FERC”) on March 15, 2007, subject to the reserved authority to reconsider this action pending the outcome of any and all requests for rehearing filed with FERC and any subsequent judicial review of the FERC’s disposition of such requests; and be it further

RESOLVED, That, pursuant to Title 5-A of Article 9 of the Public Authorities Law, the Authority’s Guidelines for the Disposal of Real Property and the Power Authority Act, the Trustees hereby approve and/or reapprove the purpose and terms of the conveyances of the Niagara Surplus Parcels, attached hereto as Exhibit “13-B,” in accordance with the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the President and Chief Executive Officer and his designees be, and hereby are, authorized to sign such other documents and take such other action or actions as may be necessary or convenient in furtherance of the actions authorized hereby, including, without limitation of the generality of the foregoing, the filing of a copy of this resolution with FERC; 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, 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.

FINDINGS STATEMENT

WHEREAS, on March 15, 2007, the Federal Energy Regulatory Commission ("FERC") issued a new 50-year license (the "New License") for the Niagara Power Project (the "Project") pursuant to the Federal Power Act; and

WHEREAS, the action taken by FERC on March 15, 2007 was informed by and based on review of a final Environmental Impact Statement ("FEIS") prepared by FERC pursuant to the National Environmental Policy Act and released on December 29, 2006; and

WHEREAS, the Trustees of the Power Authority of the State of New York are to decide whether or not to accept the New License; and

WHEREAS, acceptance of the New License is an "action" as defined by the New York State Environmental Quality Review Act ("SEQRA") and is subject to Article 42 of the New York State Executive Law, which is designated "Waterfront Revitalization of Coastal Areas and Inland Waterways"; and

WHEREAS, the above-referenced statutes are implemented by certain regulations that require the Authority to make specific findings, statements and certifications prior to accepting the New License; and

WHEREAS, the Authority has given consideration to the FEIS and has considered the relevant environmental impacts, facts and conclusions disclosed in the FEIS; and

WHEREAS, the Good Neighbor Agreement between the Authority and Niagara University was not reviewed by the FERC within the FEIS and is thus subject to SEQRA; and

WHEREAS, the Authority has weighed and balanced relevant environmental impacts with social, economic and other conditions with regard to the New License and the Good Neighbor Agreement; and

WHEREAS, the rationale for accepting the New License and implementing the Good Neighbor Agreement is that it is a necessary and appropriate means for the Authority to fulfill its mission, which 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;

NOW, THEREFORE, the Authority hereby:

1. FINDS, pursuant to 6 NYCRR § 461.13(b)(2), that: (a) accepting the New License and implementing the Good Neighbor Agreement is consistent with social, economic and other essential considerations among the reasonable alternatives thereto, minimizes or avoids adverse environmental effects to the maximum extent practicable, including the effects disclosed in the relevant environmental impact statement and (b) adverse environmental impacts revealed in the environmental impact statement process will be minimized or avoided, consistent with social, economic and other essential considerations, by incorporating as conditions to the action those mitigative measures that were identified as practicable.
2. CERTIFIES, pursuant to 6 NYCRR § 617.11(d), that: (a) the requirements of 6 NYCRR Part 617 have been met; (b) accepting the New License and implementing the Good Neighbor Agreement avoids or minimizes, consistent with social, economic and other essential considerations and from among the reasonable alternatives available, adverse environmental impacts to the maximum extent practicable and (c) adverse environmental impacts will be avoided or minimized to the maximum extent practicable by incorporating as conditions to the decision those mitigative measures that were identified as practicable.

May 22, 2007

3. STATES, pursuant to 6 NYCRR § 461.13(b)(3), that, in accepting the New License and implementing the Good Neighbor Agreement, it finds support therefor in each and every fact and conclusion relied on in the FEIS and bases its action on all social, economic and other factors and standards addressed therein.
4. FINDS, pursuant to 6 NYCRR § 461.13(b)(4) and 6 NYCRR § 617.11(e), that accepting the New License and implementing the Good Neighbor Agreement is consistent with the applicable policies set forth in 19 NYCRR § 600.5 and, to the extent the action extends into an area included within a local government waterfront revitalization program approved by the New York State Secretary of State, consistent to the maximum extent practicable with any and every such program.

Submitted:

William Slade
Vice President – Environment, Health and Safety

				Exhibit "13-B"
Niagara Power Project Surplus Parcels				
Map #	Parcel #	Acreage	Prospective Transferee	Agreement
324C	3267	0.3	NYS Department of Transportation	Host Community
325C	3268	1.4	Upper Mountain Fire Department	Host Community
326C	3269	1.5	Lewiston Limited Partnership	Host Community
326C	3270	0.4	Lewiston Limited Partnership	Host Community
327C	3271	3.2	Private Landowner	Host Community
328C	3272	0.2	Private Landowner	Host Community
329C	3273	0.2	Private Landowner	Host Community
330C	3274	0.2	Aquarium of Niagara	Host Community
331C	3275	1.2	City of Niagara Falls	Host Community
331C	3276	0.4	Private Landowner	Host Community
333C	3277	0.1	Private Landowner	Host Community
1305	1305	48.6	City of Niagara Falls	Host Community
334C	3278	47.8	Village of Lewiston	Host Community
335C	3279	52	Tuscarora Nation	Tuscarora Nation
323C	3265	12.9	Niagara University	Good Neighbor
323C	3266	7.3	Niagara University	Good Neighbor
323C	3264	23.4	Niagara University	Relicensing
336C	3280	14	Erie Canal Harbor Development Corp.	Erie County/City of Buffalo

May 22, 2007

14. **Next Meeting**

The next Meeting of the Trustees will be held on **Tuesday, June 26, 2007, at 11:00 a.m., at Clark Energy Center, Marcy, New York**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

May 22, 2007

Closing

On motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 11:45 a.m.



Anne B. Cahill
Corporate Secretary

POWER AUTHORITY
OF THE
STATE OF NEW YORK

30 South Pearl Street
Albany, New York

AGREEMENT FOR THE SALE
OF NIAGARA PROJECT HYDROELECTRIC POWER AND ENERGY
TO THE NIAGARA PROJECT HOST COMMUNITIES
Service Tariff No. HC-1 - Firm Hydroelectric Power and Energy
(CITY OF NIAGARA FALLS, NEW YORK)

May 22, 2007

POWER AUTHORITY OF THE STATE OF NEW YORK

**30 South Pearl Street
Albany, New York 12207**

**AGREEMENT FOR THE SALE OF HYDROELECTRIC POWER AND ENERGY TO
THE NIAGARA PROJECT HOST COMMUNITIES**

**SERVICE TARIFF No. HC-1 – Firm Hydroelectric Power and Energy
(CITY OF NIAGARA FALLS, NEW YORK)**

City of Niagara Falls, New York (“Customer”) hereby enters into this Agreement with the Power Authority of the State of New York for electric service as follows:

I. Definitions

- a. **Acceptance of the New License** shall mean the date upon which the Power Authority files its acceptance of the New License with FERC, or the date of the expiration of the existing original license, August 31, 2007, whichever occurs later.
- b. **Agreement** means this Agreement.
- c. **Allocation** shall mean the amount of power and associated energy that the Authority has allocated to Customer hereunder.
- d. **Ancillary Services** shall be as defined by the NYISO in its rules, tariffs, manuals and procedures.
- e. **Authority** is the Power Authority of the State of New York.
- f. **Commencement Date** shall be as set forth in Article XVII.
- g. **Authorized Recipient** is defined in Article II.
- h. **Contract Demand** will be the amounts set forth in Section II or such other amount as may be determined in accordance with the provisions of this Agreement.
- i. **Customer** is the municipality (Host Community) identified above.
- j. **Customer’s Agent** is defined in Article IX.

- k. Electric Service** is Power and Energy available to Customer in accordance with applicable Service Tariffs, Rules and other contract documents.
- l. Excess Power** is defined in Article VIII and Appendix A.
- m. FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- n. FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which new license will become effective after expiration of the Project's original license issued on January 30, 1958.
- o. Firm Hydroelectric Power and Energy** are firm power and associated energy from the Authority's Niagara Power Project, intended to be available at all times except for limitations provided in this Agreement, the Rules, applicable Service Tariff or in other contract documents.
- p. Green Attributes** (sometimes referred to as Renewable Attributes or Renewable Energy Credits) are attributes associated with renewable energy power production facilities as may be defined by law or administrative action now or in the future, including but not limited to the Renewable Portfolio Standard proceeding of the New York Public Service Commission.
- q. Host Communities** are Niagara County, City of Niagara Falls, Town of Lewiston, Town of Niagara, City of Niagara Falls School District, Lewiston-Porter School District and Niagara-Wheatfield School District.
- r. Load Serving Entity** is an entity authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply Energy, Capacity and/or Ancillary Services to retail customers under the rules, tariffs, manuals and procedures of the NYISO.
- s. NRA** means the federal Niagara Redevelopment Act (18 USC §§836, 836a).
- t. NYISO** means the New York Independent System Operator or any successor organization.
- u. Power Credits** are defined in Article VIII and Appendix A.
- v. Project** means the Niagara Power Project, FERC Project 2216.
- w. Project Power and Energy** means Firm Hydroelectric Power and Energy produced by the Project.

- x. **Project Switchyard** is the Niagara Project switchyard.
- y. **Relicensing Settlement Agreement** means the Niagara Power Project, FERC Project No. 2216 Host Community Relicensing Settlement Agreement Addressing Non-License Terms and Conditions allocation of Niagara Project Power and Energy to the Host Communities dated June 27, 2005.
- z. **Rules** are the applicable provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York).
- aa. **Service Tariffs** are schedules establishing rates and other conditions for sale of Electric Services to Customer.
- bb. **Ultimate Users** are entities to whom Customer or Customer's Authorized Recipient will resell (or otherwise convey benefits associated with) Project Power and Energy purchased from the Authority as provided in Article VI of this Agreement and Appendix A hereto. Customer may designate itself as an Ultimate User.
- cc. **Unforced Capacity** is the capacity required to be provided by Load Serving Entities to serve load as defined by the NYISO in its rules, tariffs, manuals and procedures.

All other terms not otherwise defined herein shall have the meanings ascribed to them in the electric industry.

II. **Electric Service to be Provided**

- a. The Authority shall provide Electric Service pursuant to Service Tariff HC-1 for Power and/or Energy to enable the Customer or the Customer's Authorized Recipient, as defined below, to receive the Allocation from the Project in accordance with the provisions of the FERC License and Relicensing Settlement Agreement, in the amount set forth below:

Firm Hydroelectric Power and Energy Service pursuant to Service Tariff No. HC-1: 5,500 KiloWatts (Contract Demand)

Upon execution of this Agreement by a Host Community, other than Customer, that is legally capable of receiving an Allocation from the Project (Authorized Recipient) such Authorized Recipient shall be authorized to receive the Allocation of the Customer in accordance with the terms and conditions set forth in this Agreement, including Appendix A hereof. Such authorization may be revoked by Customer upon reasonable notice to the Authority and Customer's Authorized Recipient; provided, however, that Customer shall, as of the effective date of

such revocation, have made arrangements (a) with another Authorized Recipient to receive the Customer's Allocation, or (b) to receive such Allocation itself, if legally capable of doing so.

The Authority shall provide Unforced Capacity in amounts necessary to meet Customer's NYISO Unforced Capacity obligations associated with the foregoing Allocation in accordance with the rules and tariffs of the NYISO. Neither Ancillary Services, nor Green Attributes are included in such allocation.

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

III. Rules, Regulations and Service Tariffs

The Rules and Service Tariff No. HC-1, as now in effect and/or such superseding tariffs or other tariffs as the Authority may later promulgate, all as such Rules and Service Tariffs may be later amended from time to time by the Authority, are hereby incorporated into this Agreement with the same force and effect as if herein set forth at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariffs and the Rules, the provisions of the Service Tariffs shall govern. In the event of any inconsistencies, conflicts or differences between Articles I through XVII of this Agreement and the Service Tariffs, the provisions of Articles I through XVII of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to Customer of any proposed change in the above Rules and Service Tariffs, but in no event shall Authority provide less notice than that provided to similarly affected customers within New York State if that period of minimum notice is greater than herein referenced. Except as expressly provided otherwise herein, nothing contained in this Agreement shall be construed as restricting Customer's rights to participate in processes involving changes to rates, Rules and Service Tariffs or other matters affecting the subject of this Agreement.

IV. Transmission and Delivery of Power and Energy

Authority shall make Project Power and Energy available to Customer, Customer's Authorized Recipient or Customer's Agent at the Project Switchyard. It is the Customer's responsibility to act as the Load Serving Entity ("LSE"), arrange for one or more other entities to do so on its behalf or make other arrangements for conveying the benefits associated with the allocation to Ultimate Users. Customer, or the entity acting as LSE, Customer's Authorized

Recipient or Customer's Agent shall arrange for the transmission of the Project Power and Energy supplied hereunder from the Project Switchyard to Customer's points of delivery or the conversion of the Allocation into financial settlements and benefits by such other method of disposition consistent with Article VI of this Agreement and Appendix A hereto. Such delivery shall be consistent with the terms of the Open Access Transmission Tariff (OATT) or other applicable tariff of the NYISO and Customer shall be responsible for all costs associated with the transmission and delivery of the allocation.

V. Rates

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

Customer waives any challenges to any of the following methodologies and principles¹ to the extent that one or more of such methodologies and principles are used by the Authority to set rates different than those adopted by the Authority's Trustees in their meeting on April 29, 2003 based on the "January 2003 Report on Hydroelectric Production Rates" and as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

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

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

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Customer or the Customer's Authorized Recipient shall have the right to take any position whatsoever with respect to such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority. Nothing contained herein shall preclude Customer or the Customer's Authorized Recipient from participating in the rate setting process and raising issues as to whether such methodologies and principles have been correctly employed.

VI. Use and Resale of Project Power and Energy

Customer or the Customer's Authorized Recipient shall use the Allocation for its facilities or as otherwise allowed in accordance with the Relicensing Settlement Agreement, this Agreement and Appendix A hereof.

In reselling and/or distributing the Allocation, except as otherwise provided in Appendix A hereof, Customer or the Customer's Authorized Recipient shall: 1) do so pursuant to the appropriate laws of the State of New York, 2) distribute such Allocation only to the Ultimate Users designated pursuant to Appendix A, 3) not permit such Ultimate Users to sell any of such Allocation for resale and 4) comply with the provisions of the NRA, the FERC License and the New York Power Authority Act (N.Y. Pub. Auth. Law Section 1000 et seq.), to the extent such Power Authority Act is not inconsistent with the FERC License.

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

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

VII. Permanent Reallocation of Project Power and Energy

If Customer is, or becomes unable or chooses not to receive, or to have Customer's Authorized Recipient not receive, any or all of the Project Power and Energy allocated to it on a permanent basis, such Project Power and Energy

shall be reallocated by the Authority pro-rata among the other Host Communities. Customer shall provide written notice to the Authority and the other Host Communities of such inability or election within 30 days of its becoming aware of such inability or election. Upon receipt of such notice by the Authority, any required changes in the allocations of Project Power and Energy among the other Host Communities shall become effective as soon as practicable, without need to amend this Agreement and the Contract Demand in this Agreement shall be revised to reflect such reallocation, notwithstanding Article XIV hereof.

VIII. Availability of Energy

Subject to any other limitations set forth in the Rules or the Service Tariff (including low-flow conditions), if Customer or Customer's Authorized Recipient directly or indirectly provides the Allocation to Ultimate Users for physical delivery to such Users' accounts as set forth in Appendix A, Authority will supply Customer's (or Ultimate Users', as the case may be) entire demand and energy usage up to the Contract Demand. If there is any portion of the energy associated with the Allocation made available to Customer or Customer's Authorized Recipient (at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements) that is not required to serve such Ultimate Users' facilities, such energy may be utilized as Excess Power in the manner described in Appendix A.

As between Customer and the Authority, for any usage above the Contract Demand, it is Customer's responsibility to arrange for provision of such excess service by a third party supplier, and the apportionment of energy between suppliers shall be as set forth in Service Tariff No. HC-1, or any successor tariff.

Subject to any other limitations set forth in the Rules or Service Tariff (including low-flow conditions), if Customer or Customer's Authorized Recipient provides the benefits of the Allocation to Ultimate Users in the form of Power Credits as set forth in Appendix A, the Allocation will be delivered at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements.

IX. Appointment of Customer's Agent

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

Agreement with the Authority. Customer may, on reasonable prior written notice to the Authority (consistent with the Authority's and the NYISO's scheduling and business process requirements), designate a different party as Customer's Agent at any time during the term of this Agreement.

Customer's Agent may include, without limitation, a public utility, LSE, Municipal Distribution Agency, load aggregator or other entity authorized to purchase and sell electric power and/or energy pursuant to Section 360 of the General Municipal Law or pursuant to other authority.

X. Term and Termination of Service

Service under the Agreement shall begin on the Commencement Date and shall continue until the earliest of (a) termination by Customer with respect to all of its Allocation upon ninety (90) days prior written notice, (b) termination by the Authority pursuant to the Rules upon required notice, or (c) September 1, 2025, at which time a new or modified agreement will be entered between the Authority and the Customer to provide Customer or Customer's Authorized Recipient with Project Power and Energy for the remainder of the licensing period in the amount and for the rate then in effect which complies with the terms of the Relicensing Settlement Agreement. If such a new or modified agreement is not in place to take effect after September 1, 2025, service will be continued under the terms and conditions of this Agreement on a year to year basis or until a new or modified agreement takes effect between the parties.

The Authority may cancel service hereunder or modify the quantities of Project Power and Energy allocated to Customer only (a) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency), or (b) as otherwise provided herein or in the Rules. Notwithstanding the foregoing, upon mutual agreement this Agreement may be extended beyond such date on a month to month basis pending execution of any successor agreement between the Customer and Authority. The Authority shall provide reasonable notice to Customer of any matter or proceeding that could result in an order or decision as described in part (a) of this paragraph and nothing herein shall be construed as limiting Customer's right to challenge any such proposed action.

Nothing herein is intended to limit the rights of the Host Communities or Customer under the Relicensing Settlement Agreement and the Authority and Customer understand and agree that the Authority is obligated under such Relicensing Settlement Agreement to make a total of 5,500 KiloWatts of Project Power and Energy available to Customer or Customer's Authorized Recipient for the term of the FERC License, whether through extension of this Agreement or by subsequent agreement.

XI. Notification

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

To: Authority

Manager – Power Contracts
New York Power Authority
123 Main Street
White Plains, NY 10601

To: Customer

Mayor
City of Niagara Falls, New York
City Hall
745 Main Street
PO Box 69
Niagara Falls, New York 14302

with a copy to:

Corporation Counsel
City of Niagara Falls, New York
City Hall
745 Main Street
PO Box 69
Niagara Falls, New York 14302

To: Customer's Authorized Recipient

XII. Applicable Law and Venue

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

XIII. Successors and Assigns

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

XIV. Previous Agreements and Communications

This Agreement, together with the Relicensing Settlement Agreement, shall constitute the sole and complete agreement of the parties hereto with respect to the matters herein set forth, and such Agreements supersede all previous communications between the Parties hereto, either oral or written, with reference to the subject matter hereof; provided, however, that additional terms pursuant to which Customer's Authorized Recipient is authorized to receive Customer's Allocation may be set forth in a separate agreement between Customer and Authorized Recipient. Any such separate agreement shall not be inconsistent with the terms of this Agreement and shall be provided to the Authority for informational purposes.

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

If there is a conflict between the language in Section 6 of the Relicensing Settlement Agreement entitled "Power Allocation" and language in this Agreement, including Appendix A, the language of this Agreement addressing this subject shall control.

XV. Acceptance and Approvals

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

XVI. Severability and Voidability

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

In such an event and at the request of either Party, the Parties agree to engage in good faith negotiations on possible modification to this Agreement to remedy any portion of this Agreement that was declared invalid, unlawful or ineffective. Such good faith negotiations shall conform to the requirements comparable to those of section 10.1.3 of the Relicensing Settlement Agreement. To the extent that good faith negotiations do not result in an agreement as to whether or how this Agreement should be modified, the Parties agree to resolve their differences in accordance with the alternative dispute resolution mechanism set forth in section 12 of the Relicensing Settlement Agreement. The primary goal of any good faith negotiation or alternative dispute resolution mechanism shall be to preserve to the greatest extent as possible, the benefit of the Parties' intended bargain.

XVII. Effectiveness of Agreement

This Agreement shall take effect on the later of: (i) the acceptance of the new License or (ii) the date of this Agreement's execution under Article XV above.

CUSTOMER: CITY OF NIAGARA FALLS, NEW YORK

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

AUTHORIZED RECIPIENT: _____

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

City of Niagara Falls

POWER AUTHORITY OF THE STATE OF NEW YORK

30 South Pearl Street, Albany, NY 12207

Service Tariff No. HC -1

Schedule of Rates for Firm Hydroelectric Power
and Energy Service

EFFECTIVE:

September 1, 2007

APPLICABLE:

To sale of Niagara Firm Hydroelectric Project Power and Energy to the Host Communities customers and/or their Authorized Recipients eligible for cost-based service under the Niagara Relicensing Settlement Agreement.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES (effective May 1, 2006):

Capacity Rate: \$2.38 per kilowatt per month of Billing Demand at the Project switchyard.

Base Energy Rate: 4.92 mills per kilowatt-hour

Future rates shall be as determined by the Authority.

The Base Energy Rate set forth herein shall be subject to a monthly adjustment in accordance with a flow adjustment computation (FAC) as described in Appendix B.

MINIMUM MONTHLY CHARGE:

The product of the Capacity Rate and the Billing Demand.

POWER FACTOR:

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

DEFINITIONS:

Billing Demand: The Billing Demand shall be the Customer's Contract Demand.

Billing Energy: Energy provided by Authority under this service tariff.

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

GENERAL PROVISIONS:

General Provisions for service supplementing or modifying the Rules and Regulations for Power Service and Service Tariff No. HC – 1 with regard to deliveries to Customer are as follows:

A Availability of Energy

Unless otherwise agreed upon by the Parties, Authority shall normally provide in any Billing Period firm Energy to Customer and/or Customer's Authorized Recipient in an amount equal to the product of (A) the number of hours in such Billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the load factor specified in the Agreement. The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Customer and/or Customer's Authorized Recipient if such reductions are necessary due to low flow (i.e., hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Customer and/or Customer's Authorized Recipient in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer and/or Customer's Authorized Recipient. The Authority shall provide reasonable notice to Customer and Customer's Authorized Recipient of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers.

Unless otherwise specified in the Agreement, where Customer is taking service solely from Authority, the Billing Energy shall be the total number of kilowatt-hours recorded on Customer's and/or Customer's Authorized Recipient's meter (or the meters of entities served by Customer and/or Customer's Authorized Recipient as indicated in the Agreement) during the Billing Period, adjusted for losses.

Unless otherwise specified in the Agreement, where Customer and/or Customer's Authorized Recipient takes service from other sources in addition to service supplied hereunder, the Billing Energy shall be determined by multiplying (A) the number of hours in such Billing Period, (B) the Contract Demand

applicable in such Billing Period and (C) the load factor specified in the Agreement.

B Adjustment of Rates

To the extent not inconsistent with the attached Agreement, the rates contained in this Service Tariff HC-1 may be revised from time to time on not less than thirty (30) days written notice to Customer.

C Delivery

For the purpose of this Service Tariff HC -1, Power and/or Energy shall be delivered by Authority at the Project Switchyard to the transmission facilities under the control of the NYISO for delivery to Customer and/or Customer's Authorized Recipient.

For the purpose of these Service Tariffs, Power and/or Energy shall be deemed to be offered when Authority is able to supply Power and Energy and NYISO transmits it to Customer and/or Customer's Authorized Recipient or its designated points of interconnection with Customer's Delivering Agent at the Niagara Project Switchyard. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer and/or Customer's Authorized Recipient. If, despite such offer, there is a failure of delivery by Customer, Customer's Authorized Recipient, or Customer's Agent, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D Scheduling Procedures

1. Authority will advise Customer, and Customer's Authorized Recipient, or Customer's Agent by the tenth (10th) Business Day of the preceding month of the estimated quantity of Energy expected by Service Tariff to be made available from the Project.
2. Authority may require that such Energy from the Project be scheduled in general accordance with the load shape of Customer, Customer's Authorized Recipient, or Customer's Agent or as otherwise agreed upon by the Customer and Authority.
3. Customer, Customer's Authorized Recipient, or Customer's Agent shall file with Authority pursuant to procedures established by Authority, a daily schedule setting forth the Customer's and/or Customer's Authorized Recipient's requested amounts from the Project on a clock hour basis.
4. Subsequent to Authority approval of schedules for any day, Authority and Customer, Customer's Authorized Recipient, or Customer's Agent may agree on changes in such schedules subject to NYISO scheduling

requirements and procedures Authority shall establish such that an efficient dispatch of Authority facilities will be accomplished.

E Payment by Customer and/or Customer's Authorized Recipient for Power and/or Energy

1. Customer and/or Customer's Authorized Recipient shall pay for Power and/or Energy during any Billing Period the sum of a) and b) below:
 - a. For Firm Hydroelectric Power and Energy the capacity rate per kilowatt specified in this Service Tariff or any modification thereof applied to Customer's Billing Demand for the Billing Period: and
 - b. The Energy rate specified in this Service Tariff or any modification thereof applied to the amount of firm Billing Energy delivered by Authority to Customer and/or Customer's Authorized Recipient during such Billing Period.
2. Bills computed under Service Tariff HC-1 are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill and adjustments, if necessary, will be made thereafter.

F Supplementary Provision

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

G Alternate Arrangements

Notwithstanding general provisions C, D and E above, Authority, Customer, Customer's Authorized Recipient and/or Customer's Agent may make alternate arrangements regarding Delivery, Scheduling Procedures and Payment by Customer for Power and/or Energy, necessary to effectuate the terms of Appendix A hereto.

Appendix A

Except as Customer determines otherwise, consistent with the terms of this Agreement, Customer or Customer's Authorized Recipient will initially distribute power and energy purchased from the New York Power Authority under the Agreement or the economic benefit of such power and energy to the following Ultimate Users_____

Customer may add to or delete from the above list of Ultimate Users on thirty (30) day's notice to the Authority. Customer in its sole determination may elect to use its full Allocation or any part thereof, for economic development. The economic development program description, allocation criteria and methodology shall be submitted to and approved by the Authority which approval shall not be unreasonably withheld.

The benefits of the Allocation shall be provided to such Ultimate Users either by direct sale or by allocation by the Customer (or by Customer's Authorized Recipient or Customer's Agent) of electricity or the provision of financial settlements and benefits, as set forth below, or through different methods approved by the Authority. Customer shall have the right to recover as Customer Costs its direct administrative and services costs, reasonable compensation for use of third party facilities and services furnished to Customer in the transmission and distribution of such power, all costs associated with negotiating the Agreement and the establishment of mechanisms to accept and distribute the Allocation, and any similar costs, incurred after the execution of the Host Community Relicensing Settlement Agreement dated June 27, 2005. Such Customer Costs shall be reimbursed to Customer or otherwise paid by the Ultimate User by procedures to be determined.

The listing or description of the foregoing Ultimate Users in no way mandates or requires for any reason that the Customer provide any portion of the Allocation (or Power Credits) to an Ultimate User and shall not preclude the Customer from denying any such Ultimate User the benefits associated with an allocation for any reason as determined by Customer.

A. Direct Sale / Allocation, Use of Excess Power

Customer, Customer's Authorized Recipient or Customer's Agent may make a portion of the Allocation available to an Ultimate User for delivery at such Ultimate User's electricity accounts under the tariffs, rules and regulations of the NYISO and the utility in whose service area such accounts are located. If there is any portion of the Allocation made available to Customer or Customer's Authorized Recipient that is not required to serve such Ultimate User's facilities, such Excess Power (up to the load factor specified in the Agreement) may be utilized as follows:

1. Customer, Customer's Authorized Recipient or Customer's Agent may schedule Excess Power into the NYISO administered market for financial settlement, and such financial settlement so received by Customer (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), shall be applied by Customer to payment of Customer's (or an Ultimate User's, as the case may be) energy-related costs, including but not limited to, the purchase of energy commodities, the

delivery and transportation of electricity and all other energy commodities and/or for energy efficiency or clean energy technology programs or projects now in existence or that may exist during the term of the Agreement.

2. Customer or Customer's Authorized Recipient may use the Excess Power (or the benefits associated with such Excess Power derived from a financial settlement as set forth in the preceding Paragraph 1) for economic development by providing credits to a business to apply against the cost of power or energy and/or the cost of delivery of power or energy consumed by such business.

B. Power Credits

Customer, Customer's Authorized Recipient or Customer's Agent, may schedule all of its Allocation (up to the load factor specified in the Agreement) into the NYISO administered market for financial settlement, and such financial settlement so received by Customer (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), may be provided to Ultimate Users in the form of Power Credits by Customer or Customer's Authorized Recipient as follows:

Power Credits may be applied towards the cost and/or delivery of electric power or energy consumed by the Ultimate User or for other energy-related costs, including but not limited to, purchase of energy commodities, the delivery and transportation of electricity and all other energy commodities and/or for energy efficiency or clean energy technology programs or projects now in existence or that may exist during the terms of the Agreement.

C. Service through Authorized Entity

Through assignment, transfer or otherwise, including through an agency arrangement, Customer shall have the right to make available its Allocation or any part thereof to any entity, including but not limited to Customer's Authorized Recipient, that is duly authorized to receive, purchase, transmit, distribute, and/or resell the power and energy included in the Allocation or otherwise to engage in such transactions as are necessary to effectuate the delivery of the Allocation and/or to provide the financial benefits thereof to the Customer, the Customer's Ultimate Users and the Customer's constituents, as determined in the exercise of the Customer's discretion and consistent with the provisions of the Host Community Relicensing Settlement Agreement dated June 27, 2005 and Article VI of the Agreement. Any such assignment, transfer, agency arrangement or similar transaction contemplated by this paragraph may, but shall not be required to, include elements of the other methods described in this Appendix A.

D. Continuity

In the event that any administrative agency or court of competent jurisdiction shall determine that any element of any of the foregoing methods of distributing the Allocations and/or financial benefits thereof is unauthorized or illegal, the Customer shall propose an alternative method of distribution, not necessarily limited to those described above, and the Authority shall promptly determine whether to accept such alternative method. Such acceptance shall not be unreasonably withheld.

E. Right to Alternate Between Methods

Customer shall have the right at its discretion and without restriction to alternate between the methods for the distribution of the benefits of the Allocation as set forth in Sections A through D above, upon giving sixty (60) days written notice to the Authority.

F. Market Administration

Notwithstanding anything to the contrary in the Agreement, if Customer and/or Customer's Authorized Recipient elects to convert the Allocation into financial settlements for use as payments or credits pursuant to Sections A or B above, the Authority may in its discretion schedule the Allocation into the NYISO administered market for financial settlement; such financial settlement, less the Authority's costs calculated using tariff rates as described in Section V of the Agreement, shall be provided to Customer, Customer's Authorized Recipient, or Customer's Agent, as the case may be, for disposition pursuant to the terms of a separate agreement between Authority, Customer and either Customer's Agent or Customer's Authorized Recipient, or both.

In the event that the Authority determines, in its discretion, not to use the foregoing method of scheduling the Allocation into the NYISO administered market for financial settlement, the Authority will provide reasonable notice to Customer of its intent to discontinue such method and assist Customer in making other arrangements to effect the delivery of the benefits of the Allocation to Customer or Ultimate Users.

This Section F is intended as an additional method of providing the benefits of the Allocation and is not intended to limit in any way the right to use other methods of providing such benefits, as set forth in the Agreement, including this Appendix A.

Appendix B

NEW YORK POWER AUTHORITY RATE STABILIZATION RESERVE METHODOLOGY

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

1. Calculate the total cost of service (CoS) for the Niagara/St. Lawrence projects. Costs include: Operations and Maintenance, amortized roadwork, Indirect Overheads (Shared Services, Research and Development, debt service) and Capital Costs (using TOC for equity funded and OC for debt funded).
2. Credit the CoS by any excess capacity (ICAP) sales to the NYISO.
3. Allocate costs to the demand function by multiplying the sum of the customers' billed demands by the preference demand charge, which has been inflated to include Ancillary Services production costs. This larger demand charge is used only for the purposes of the RSR.
4. Calculate the cost-based energy rate by dividing the remaining energy assigned costs by the annual metered generation.
5. Calculate the difference between the cost-based energy rate and the billed preference energy rate.
6. Multiply the difference in the rates by the actual annual billed preference energy sales to determine the annual change in the RSR.
7. Add the annual change to the RSR balance from the prior year-end to get the current year-end RSR balance.
8. If the current year-end balance is in excess of +/- \$25 million, the excess would be subject to a credit or a surcharge in the subsequent rate year.

POWER AUTHORITY
OF THE
STATE OF NEW YORK
30 South Pearl Street
Albany, New York

AGREEMENT FOR THE SALE
OF NIAGARA PROJECT HYDROELECTRIC POWER AND ENERGY
TO THE NIAGARA PROJECT HOST COMMUNITIES

Service Tariff No. HC-1 - Firm Hydroelectric Power and Energy
(SCHOOL DISTRICT OF THE CITY OF NIAGARA FALLS, NEW YORK)

May 22, 2007

POWER AUTHORITY OF THE STATE OF NEW YORK

**30 South Pearl Street
Albany, New York 12207**

**AGREEMENT FOR THE SALE OF HYDROELECTRIC POWER AND ENERGY TO
THE NIAGARA PROJECT HOST COMMUNITIES**

**SERVICE TARIFF No. HC-1 – Firm Hydroelectric Power and Energy
(SCHOOL DISTRICT OF THE CITY OF NIAGARA FALLS, NEW YORK)**

The School District of The City of Niagara Falls, New York (“Customer”) hereby enters into this Agreement with the Power Authority of the State of New York for electric service as follows:

I. Definitions

- a. **Acceptance of the New License** shall mean the date upon which the Power Authority files its acceptance of the New License with FERC, or the date of the expiration of the existing original license, August 31, 2007, whichever occurs later.
- b. **Agreement** means this Agreement.
- c. **Allocation** shall mean the amount of power and associated energy that the Authority has allocated to Customer hereunder.
- d. **Ancillary Services** shall be as defined by the NYISO in its rules, tariffs, manuals and procedures.
- e. **Authority** is the Power Authority of the State of New York.
- f. **Authorized Recipient** is defined in Article II.
- g. **Commencement Date** shall be as set forth in Article XVII.
- h. **Contract Demand** will be the amounts set forth in Section II or such other amount as may be determined in accordance with the provisions of this Agreement.
- i. **Customer** is the municipality (Host Community) identified above.
- j. **Customer’s Agent** is defined in Article IX.

- k. **Electric Service** is Power and Energy available to Customer in accordance with applicable Service Tariffs, Rules and other contract documents.
- l. **Excess Power** is defined in Article VIII and Appendix A.
- m. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- n. **FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which new license will become effective after expiration of the Project's original license issued on January 30, 1958.
- o. **Firm Hydroelectric Power and Energy** are firm power and associated energy from the Authority's Niagara Power Project, intended to be available at all times except for limitations provided in this Agreement, the Rules, applicable Service Tariff or in other contract documents.
- p. **Green Attributes** (sometimes referred to as Renewable Attributes or Renewable Energy Credits) are attributes associated with renewable energy power production facilities as may be defined by law or administrative action now or in the future, including but not limited to the Renewable Portfolio Standard proceeding of the New York Public Service Commission.
- q. **Host Communities** are Niagara County, City of Niagara Falls, Town of Lewiston, Town of Niagara, City of Niagara Falls School District, Lewiston-Porter School District and Niagara-Wheatfield School District.
- r. **Load Serving Entity** is an entity authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply Energy, Capacity and/or Ancillary Services to retail customers under the rules, tariffs, manuals and procedures of the NYISO.
- s. **NRA** means the federal Niagara Redevelopment Act (18 USC §§ 836, 836a).
- t. **NYISO** means the New York Independent System Operator or any successor organization.
- u. **Power Credits** are defined in Article VIII and Appendix A.
- v. **Project** means the Niagara Power Project, FERC Project 2216.
- w. **Project Power and Energy** means Firm Hydroelectric Power and Energy produced by the Project.

- x. **Project Switchyard** is the Niagara Project switchyard.
- y. **Relicensing Settlement Agreement** means the Niagara Power Project, FERC Project No. 2216 Host Community Relicensing Settlement Agreement Addressing Non-License Terms and Conditions allocation of Niagara Project Power and Energy to the Host Communities dated June 27, 2005.
- z. **Rules** are the applicable provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York).
- aa. **Service Tariffs** are schedules establishing rates and other conditions for sale of Electric Services to Customer.
- bb. **Ultimate Users** are entities to whom Customer or Customer's Authorized Recipient will resell (or otherwise convey benefits associated with) Project Power and Energy purchased from the Authority as provided in Article VI of this Agreement and Appendix A hereto. Customer may designate itself as an Ultimate User.
- cc. **Unforced Capacity** is the capacity required to be provided by Load Serving Entities to serve load as defined by the NYISO in its rules, tariffs, manuals and procedures.

All other terms not otherwise defined herein shall have the meanings ascribed to them in the electric industry.

II. **Electric Service to be Provided**

- a. The Authority shall provide Electric Service pursuant to Service Tariff HC-1 for Power and/or Energy to enable the Customer or the Customer's Authorized Recipient, as defined below, to receive the Allocation from the Project in accordance with the provisions of the FERC License and Relicensing Settlement Agreement, in the amount set forth below:

Firm Hydroelectric Power and Energy Service pursuant to
Service Tariff No. HC-1: 3,500 KiloWatts (Contract Demand)

Upon execution of this Agreement by a Host Community, other than Customer, that is legally capable of receiving an Allocation from the Project (Authorized Recipient) such Authorized Recipient shall be authorized to receive the Allocation of the Customer in accordance with the terms and conditions set forth in this Agreement, including Appendix A hereof. Such authorization may be revoked by Customer upon reasonable notice to the Authority and Customer's Authorized Recipient; provided, however, that Customer shall, as of the effective date of such revocation, have made arrangements (a) with another Authorized Recipient

to receive the Customer's Allocation, or (b) to receive such Allocation itself, if legally capable of doing so.

The Authority shall provide Unforced Capacity in amounts necessary to meet Customer's NYISO Unforced Capacity obligations associated with the foregoing Allocation in accordance with the rules and tariffs of the NYISO. Neither Ancillary Services, nor Green Attributes are included in such allocation.

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

III. Rules, Regulations and Service Tariffs

The Rules and Service Tariff No. HC-1, as now in effect and/or such superseding tariffs or other tariffs as the Authority may later promulgate, all as such Rules and Service Tariffs may be later amended from time to time by the Authority, are hereby incorporated into this Agreement with the same force and effect as if herein set forth at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariffs and the Rules, the provisions of the Service Tariffs shall govern. In the event of any inconsistencies, conflicts or differences between Articles I through XVII of this Agreement and the Service Tariffs, the provisions of Articles I through XVII of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to Customer of any proposed change in the above Rules and Service Tariffs, but in no event shall Authority provide less notice than that provided to similarly affected customers within New York State if that period of minimum notice is greater than herein referenced. Except as expressly provided otherwise herein, nothing contained in this Agreement shall be construed as restricting Customer's rights to participate in processes involving changes to rates, Rules and Service Tariffs or other matters affecting the subject of this Agreement.

IV. Transmission and Delivery of Power and Energy

Authority shall make Project Power and Energy available to Customer, Customer's Authorized Recipient or Customer's Agent at the Project Switchyard. It is the Customer's responsibility to act as the Load Serving Entity ("LSE"), arrange for one or more other entities to do so on its behalf or make other arrangements for conveying the benefits associated with the allocation to Ultimate Users. Customer, or the entity acting as LSE, Customer's Authorized Recipient, or Customer's Agent shall arrange for the transmission of the Project

Power and Energy supplied hereunder from the Project Switchyard to Customer's points of delivery or the conversion of the Allocation into financial settlements and benefits by such other method of disposition consistent with Article VI of this Agreement and Appendix A hereto. Such delivery shall be consistent with the terms of the Open Access Transmission Tariff (OATT) or other applicable tariff of the NYISO and Customer shall be responsible for all costs associated with the transmission and delivery of the allocation.

V. Rates

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

Customer waives any challenges to any of the following methodologies and principles¹ to the extent that one or more of such methodologies and principles are used by the Authority to set rates different than those adopted by the Authority's Trustees in their meeting on April 29, 2003 based on the "January 2003 Report on Hydroelectric Production Rates" and as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

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

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

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Customer or the Customer's Authorized Recipient shall have the right to take any position whatsoever with respect to such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority. Nothing contained herein shall preclude Customer or the Customer's Authorized Recipient from participating in the rate setting process and raising issues as to whether such methodologies and principles have been correctly employed.

VI. Use and Resale of Project Power and Energy

Customer or the Customer's Authorized Recipient shall use the Allocation for Customer's facilities or as otherwise allowed in accordance with the Relicensing Settlement Agreement, this Agreement and Appendix A hereof.

In reselling and/or distributing the Allocation, except as otherwise provided in Appendix A hereof, Customer or the Customer's Authorized Recipient shall: 1) do so pursuant to the appropriate laws of the State of New York, 2) distribute such Allocation only to the Ultimate Users designated pursuant to Appendix A, 3) not permit such Ultimate Users to sell any of such Allocation for resale and 4) comply with the provisions of the NRA, the FERC License and the New York Power Authority Act (N.Y. Pub. Auth. Law Section 1000 et seq.), to the extent such Power Authority Act is not inconsistent with the FERC License.

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

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

VII. Permanent Reallocation of Project Power and Energy

If Customer is, or becomes unable or chooses not to receive, or to have Customer's Authorized Recipient not receive, any or all of the Project Power and Energy allocated to it on a permanent basis, such Project Power and Energy

shall be reallocated by the Authority pro-rata among the other Host Communities. Customer shall provide written notice to the Authority and the other Host Communities of such inability or election within 30 days of its becoming aware of such inability or election. Upon receipt of such notice by the Authority, any required changes in the allocations of Project Power and Energy among the other Host Communities shall become effective as soon as practicable, without need to amend this Agreement and the Contract Demand in this Agreement shall be revised to reflect such reallocation, notwithstanding Article XIV hereof.

VIII. Availability of Energy

Subject to any other limitations set forth in the Rules or the Service Tariff (including low-flow conditions), if Customer or Customer's Authorized Recipient directly or indirectly provides the Allocation to Ultimate Users for physical delivery to such Users' accounts as set forth in Appendix A, Authority will supply Customer's (or Ultimate Users', as the case may be) entire demand and energy usage up to the Contract Demand. If there is any portion of the energy associated with the Allocation made available to Customer or Customer's Authorized Recipient (at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements) that is not required to serve such Ultimate Users' facilities, such energy may be utilized as Excess Power in the manner described in Appendix A.

As between Customer and the Authority, for any usage above the Contract Demand, it is Customer's responsibility to arrange for provision of such excess service by a third party supplier, and the apportionment of energy between suppliers shall be as set forth in Service Tariff No. HC-1, or any successor tariff.

Subject to any other limitations set forth in the Rules or Service Tariff (including low-flow conditions), if Customer or Customer's Authorized Recipient provides the benefits of the Allocation to Ultimate Users in the form of Power Credits as set forth in Appendix A, the Allocation will be delivered at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements.

IX. Appointment of Customer's Agent

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

Agreement with the Authority. Customer may, on reasonable prior written notice to the Authority (consistent with the Authority's and the NYISO's scheduling and business process requirements), designate a different party as Customer's Agent at any time during the term of this Agreement.

Customer's Agent may include, without limitation, a public utility, LSE, Municipal Distribution Agency, load aggregator or other entity authorized to purchase and sell electric power and/or energy pursuant to Section 360 of the General Municipal Law or pursuant to other authority.

X. Term and Termination of Service

Service under the Agreement shall begin on the Commencement Date and shall continue until the earliest of (a) termination by Customer with respect to all of its Allocation upon ninety (90) days prior written notice, (b) termination by the Authority pursuant to the Rules upon required notice, or (c) September 1, 2025, at which time a new or modified agreement will be entered between the Authority and the Customer to provide Customer or Customer's Authorized Recipient with Project Power and Energy for the remainder of the licensing period in the amount and for the rate then in effect which complies with the terms of the Relicensing Settlement Agreement. If such a new or modified agreement is not in place to take effect after September 1, 2025, service will be continued under the terms and conditions of this Agreement on a year to year basis or until a new or modified agreement takes effect between the parties.

The Authority may cancel service hereunder or modify the quantities of Project Power and Energy allocated to Customer only (a) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency), or (b) as otherwise provided herein or in the Rules. Notwithstanding the foregoing, upon mutual agreement this Agreement may be extended beyond such date on a month to month basis pending execution of any successor agreement between the Customer and Authority. The Authority shall provide reasonable notice to Customer of any matter or proceeding that could result in an order or decision as described in part (a) of this paragraph and nothing herein shall be construed as limiting Customer's right to challenge any such proposed action.

Nothing herein is intended to limit the rights of the Host Communities or Customer under the Relicensing Settlement Agreement and the Authority and Customer understand and agree that the Authority is obligated under such Relicensing Settlement Agreement to make a total of 3,500 KiloWatts of Project Power and Energy available to Customer or Customer's Authorized Recipient for the term of the FERC License, whether through extension of this Agreement or by subsequent agreement.

XI. Notification

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

To: Authority

Manager – Power Contracts
New York Power Authority
123 Main Street
White Plains, NY 10601

To: Customer

District Clerk
School District of The City of Niagara Falls, New York
607 Walnut Avenue
Niagara Falls, New York 14301

with a copy to:

Superintendent of Schools
School District of The City of Niagara Falls, New York
607 Walnut Avenue
Niagara Falls, New York 14301

To: Customer's Authorized Recipient

City Clerk
City of Niagara Falls, New York
747 Walnut Avenue
Niagara Falls, New York 14302

with a copy to:

Mayor
City of Niagara Falls, New York
747 Walnut Avenue
Niagara Falls, New York 14301

XII. Applicable Law and Venue

This Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License and the Niagara Redevelopment Act. Any action or proceeding

arising out of or relating to this Agreement shall be brought in state courts located in Albany County, New York.

XIII. Successors and Assigns

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

XIV. Previous Agreements and Communications

This Agreement, together with the Relicensing Settlement Agreement, shall constitute the sole and complete agreement of the parties hereto with respect to the matters herein set forth, and such Agreements supersede all previous communications between the Parties hereto, either oral or written, with reference to the subject matter hereof; provided, however, that additional terms pursuant to which Customer's Authorized Recipient is authorized to receive Customer's Allocation may be set forth in a separate agreement between Customer and Authorized Recipient. Any such separate agreement shall not be inconsistent with the terms of this Agreement and shall be provided to the Authority for informational purposes.

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

If there is a conflict between the language in Section 6 of the Relicensing Settlement Agreement entitled "Power Allocation" and language in this Agreement, including Appendix A, the language of this Agreement addressing this subject shall control.

XV. Acceptance and Approvals

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act, and upon execution by the parties, this Agreement, the provisions of which shall survive for the term hereof, together with the Service Tariffs and Rules both as they may be amended, shall constitute the contract between the parties for Electric Service hereunder.

XVI. Severability and Voidability

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

In such an event and at the request of any of the parties, the parties agree to engage in good faith negotiations on possible modification to this Agreement to remedy any portion of this Agreement that was declared invalid, unlawful or ineffective. Such good faith negotiations shall conform to the requirements comparable to those of section 10.1.3 of the Relicensing Settlement Agreement. To the extent that good faith negotiations do not result in an agreement as to whether or how this Agreement should be modified, the parties agree to resolve their differences in accordance with the alternative dispute resolution mechanism set forth in section 12 of the Relicensing Settlement Agreement. The primary goal of any good faith negotiation or alternative dispute resolution mechanism shall be to preserve to the greatest extent as possible, the benefit of the parties' intended bargain.

XVII. Effectiveness of Agreement

This Agreement shall take effect on the later of: (i) the acceptance of the new License or (ii) the date of this Agreement's execution under Article XV above.

School District of The City of Niagara Falls, New York

CUSTOMER: SCHOOL DISTRICT OF THE CITY OF NIAGARA FALLS, NEW YORK

BY _____

Title: President of the Board

Date _____

(Seal)

Attest by: _____

AUTHORIZED RECIPIENT: CITY OF NIAGARA FALLS, NEW YORK

BY _____

Title: Mayor

Date _____

(Seal)

Attest by: _____

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

School District of The City of Niagara Falls, New York

POWER AUTHORITY OF THE STATE OF NEW YORK

30 South Pearl Street, Albany, NY 12207

Service Tariff No. HC -1

Schedule of Rates for Firm Hydroelectric Power
and Energy Service

EFFECTIVE:

September 1, 2007

APPLICABLE:

To sale of Niagara Firm Hydroelectric Project Power and Energy to the Host Communities customers and/or their Authorized Recipients eligible for cost-based service under the Niagara Relicensing Settlement Agreement.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES (effective May 1, 2006):

Capacity Rate: \$2.38 per kilowatt per month of Billing Demand at the Project switchyard.

Base Energy Rate: 4.92 mills per kilowatt-hour

Future rates shall be as determined by the Authority.

The Base Energy Rate set forth herein shall be subject to a monthly adjustment in accordance with a flow adjustment computation (FAC) as described in Appendix B.

MINIMUM MONTHLY CHARGE:

The product of the Capacity Rate and the Billing Demand.

POWER FACTOR:

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

DEFINITIONS:

Billing Demand: The Billing Demand shall be the Customer's Contract Demand.

Billing Energy: Energy provided by Authority under this service tariff.

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

GENERAL PROVISIONS:

General Provisions for service supplementing or modifying the Rules and Regulations for Power Service and Service Tariff No. HC – 1 with regard to deliveries to Customer are as follows:

A Availability of Energy

Unless otherwise agreed upon by the Parties, Authority shall normally provide in any Billing Period firm Energy to Customer and/or Customer's Authorized Recipient in an amount equal to the product of (A) the number of hours in such Billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the load factor specified in the Agreement. The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Customer and/or Customer's Authorized Recipient if such reductions are necessary due to low flow (i.e., hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Customer and/or Customer's Authorized Recipient in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer and/or Customer's Authorized Recipient. The Authority shall provide reasonable notice to Customer and Customer's Authorized Recipient of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers.

Unless otherwise specified in the Agreement, where Customer and/or Customer's Authorized Recipient is taking service solely from Authority, the Billing Energy shall be the total number of kilowatt-hours recorded on Customer's and/or Customer's Authorized Recipient's meter (or the meters of entities served by Customer and/or Customer's Authorized Recipient as indicated in the Agreement) during the Billing Period, adjusted for losses.

Unless otherwise specified in the Agreement, where Customer and/or Customer's Authorized Recipient takes service from other sources in addition to service supplied hereunder, the Billing Energy shall be determined by multiplying (A) the number of hours in such Billing Period, (B) the Contract Demand

applicable in such Billing Period and (C) the load factor specified in the Agreement.

B Adjustment of Rates

To the extent not inconsistent with the attached Agreement, the rates contained in this Service Tariff HC-1 may be revised from time to time on not less than thirty (30) days written notice to Customer.

C Delivery

For the purpose of this Service Tariff HC -1, Power and/or Energy shall be delivered by Authority at the Project Switchyard to the transmission facilities under the control of the NYISO for delivery to Customer and/or Customer's Authorized Recipient.

For the purpose of these Service Tariffs, Power and/or Energy shall be deemed to be offered when Authority is able to supply Power and Energy and NYISO transmits it to Customer and/or Customer's Authorized Recipient or its designated points of interconnection with Customer's Delivering Agent at the Niagara Project Switchyard. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer and/or Customer's Authorized Recipient. If, despite such offer, there is a failure of delivery by Customer, Customer's Authorized Recipient, or Customer's Agent, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D Scheduling Procedures

1. Authority will advise Customer, and Customer's Authorized Recipient, or Customer's Agent by the tenth (10th) Business Day of the preceding month of the estimated quantity of Energy expected by Service Tariff to be made available from the Project.
2. Authority may require that such Energy from the Project be scheduled in general accordance with the load shape of Customer, Customer's Authorized Recipient, or Customer's Agent or as otherwise agreed upon by the Customer and Authority.
3. Customer, Customer's Authorized Recipient, or Customer's Agent shall file with Authority pursuant to procedures established by Authority, a daily schedule setting forth the Customer's and/or Customer's Authorized Recipient's requested amounts from the Project on a clock hour basis.
4. Subsequent to Authority approval of schedules for any day, Authority and Customer, Customer's Authorized Recipient, or Customer's Agent may agree on changes in such schedules subject to NYISO scheduling

requirements and procedures Authority shall establish such that an efficient dispatch of Authority facilities will be accomplished.

E Payment by Customer and/or Customer's Authorized Recipient for Power and/or Energy

1. Customer and/or Customer's Authorized Recipient shall pay for Power and/or Energy during any Billing Period the sum of a) and b) below:
 - a. For Firm Hydroelectric Power and Energy the capacity rate per kilowatt specified in this Service Tariff or any modification thereof applied to Customer's Billing Demand for the Billing Period: and
 - b. The Energy rate specified in this Service Tariff or any modification thereof applied to the amount of firm Billing Energy delivered by Authority to Customer and/or Customer's Authorized Recipient during such Billing Period.
2. Bills computed under Service Tariff HC-1 are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill and adjustments, if necessary, will be made thereafter.

F Supplementary Provision

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

G Alternate Arrangements

Notwithstanding general provisions C, D and E above, Authority, Customer, Customer's Authorized Recipient and/or Customer's Agent may make alternate arrangements regarding Delivery, Scheduling Procedures and Payment by Customer for Power and/or Energy, necessary to effectuate the terms of Appendix A hereto.

Appendix A

Except as Customer determines otherwise, consistent with the terms of this Agreement, Customer or Customer's Authorized Recipient will initially distribute power and energy purchased from the New York Power Authority under the Agreement or the economic benefit of such power and energy to the following Ultimate Users _____.

Customer may add to or delete from the above list of Ultimate Users on thirty (30) day's notice to the Authority. Customer in its sole determination may elect to use its full Allocation or any part thereof, for economic development. The economic development program description, allocation criteria and methodology shall be submitted to and approved by the Authority which approval shall not be unreasonably withheld.

The benefits of the Allocation shall be provided to such Ultimate Users either by direct sale or by allocation by the Customer (or by Customer's Authorized Recipient or Customer's Agent) of electricity or the provision of financial settlements and benefits, as set forth below, or through different methods approved by the Authority. Customer shall have the right to recover as Customer Costs its direct administrative and services costs, reasonable compensation for use of third party facilities and services furnished to Customer in the transmission and distribution of such power, all costs associated with negotiating the Agreement and the establishment of mechanisms to accept and distribute the Allocation, and any similar costs, incurred after the execution of the Host Community Relicensing Settlement Agreement dated June 27, 2005. Such Customer Costs shall be reimbursed to Customer or otherwise paid by the Ultimate User by procedures to be determined.

The listing or description of the foregoing Ultimate Users in no way mandates or requires for any reason that the Customer provide any portion of the Allocation (or Power Credits) to an Ultimate User and shall not preclude the Customer from denying any such Ultimate User the benefits associated with an allocation for any reason as determined by Customer.

A Direct Sale / Allocation, Use of Excess Power

Customer, Customer's Authorized Recipient or Customer's Agent may make a portion of the Allocation available to an Ultimate User for delivery at such Ultimate User's electricity accounts under the tariffs, rules and regulations of the NYISO and the utility in whose service area such accounts are located. If there is any portion of the Allocation made available to Customer or Customer's Authorized Recipient that is not required to serve such Ultimate User's facilities, such Excess Power (up to the load factor specified in the Agreement) may be utilized as follows:

1. Customer, Customer's Authorized Recipient or Customer's Agent may schedule Excess Power into the NYISO administered market for financial settlement, and such financial settlement so received by Customer (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), shall be applied by Customer to payment of Customer's (or an Ultimate User's, as the case may be) energy-related costs, including but not limited to, the purchase of energy commodities, the delivery and transportation of electricity and all other energy commodities

and/or for energy efficiency or clean energy technology programs or projects now in existence or that may exist during the term of the Agreement.

2. Customer or Customer's Authorized Recipient may use the Excess Power (or the benefits associated with such Excess Power derived from a financial settlement as set forth in the preceding Paragraph 1) for economic development by providing credits to a business to apply against the cost of power or energy and/or the cost of delivery of power or energy consumed by such business.

B Power Credits

Customer, Customer's Authorized Recipient or Customer's Agent, may schedule all of Customer's Allocation (up to the load factor specified in the Agreement) into the NYISO administered market for financial settlement, and such financial settlement so received by Customer (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), may be provided to Ultimate Users in the form of Power Credits by Customer or Customer's Authorized Recipient as follows:

Power Credits may be applied towards the cost and/or delivery of electric power or energy consumed by the Ultimate User or for other energy-related costs, including but not limited to, purchase of energy commodities, the delivery and transportation of electricity and all other energy commodities and/or for energy efficiency or clean energy technology programs or projects now in existence or that may exist during the terms of the Agreement.

C Service through Authorized Entity

Through assignment, transfer or otherwise, including through an agency arrangement, Customer shall have the right to make available its Allocation or any part thereof to any entity, including but not limited to Customer's Authorized Recipient, that is duly authorized to receive, purchase, transmit, distribute, and/or resell the power and energy included in the Allocation or otherwise to engage in such transactions as are necessary to effectuate the delivery of the Allocation and/or to provide the financial benefits thereof to the Customer, the Customer's Ultimate Users and the Customer's constituents, as determined in the exercise of the Customer's discretion and consistent with the provisions of the Host Community Relicensing Settlement Agreement dated June 27, 2005 and Article VI of the Agreement. Any such assignment, transfer, agency arrangement or similar transaction contemplated by this paragraph may, but shall not be required to, include elements of the other methods described in this Appendix A.

D Continuity

In the event that any administrative agency or court of competent jurisdiction shall determine that any element of any of the foregoing methods of distributing the Allocations and/or financial benefits thereof is unauthorized or illegal, the Customer shall propose an alternative method of distribution, not necessarily limited to those described above, and

the Authority shall promptly determine whether to accept such alternative method. Such acceptance shall not be unreasonably withheld.

E Right to Alternate Between Methods

Customer shall have the right at its discretion and without restriction to alternate between the methods for the distribution of the benefits of the Allocation as set forth in Sections A through D above, upon giving sixty (60) days written notice to the Authority.

F. Market Administration

Notwithstanding anything to the contrary in the Agreement, if Customer and/or Customer's Authorized Recipient elects to convert the Allocation into financial settlements for use as payments or credits pursuant to Sections A or B above, the Authority may in its discretion schedule the Allocation into the NYISO administered market for financial settlement; such financial settlement, less the Authority's costs calculated using tariff rates as described in Section V of the Agreement, shall be provided to Customer, Customer's Authorized Recipient, or Customer's Agent, as the case may be, for disposition pursuant to the terms of a separate agreement between Authority, Customer and either Customer's Agent or Customer's Authorized Recipient, or both.

In the event that the Authority determines, in its discretion, not to use the foregoing method of scheduling the Allocation into the NYISO administered market for financial settlement, the Authority will provide reasonable notice to Customer of its intent to discontinue such method and assist Customer in making other arrangements to effect the delivery of the benefits of the Allocation to Customer or Ultimate Users.

This Section F is intended as an additional method of providing the benefits of the Allocation and is not intended to limit in any way the right to use other methods of providing such benefits, as set forth in the Agreement, including this Appendix A.

Appendix B

**NEW YORK POWER AUTHORITY RATE STABILIZATION RESERVE
METHODOLOGY**

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

1. Calculate the total cost of service (CoS) for the Niagara/St. Lawrence projects. Costs include: Operations and Maintenance, amortized roadwork, Indirect Overheads (Shared Services, Research and Development, debt service) and Capital Costs (using TOC for equity funded and OC for debt funded).
2. Credit the CoS by any excess capacity (ICAP) sales to the NYISO.
3. Allocate costs to the demand function by multiplying the sum of the customers' billed demands by the preference demand charge, which has been inflated to include Ancillary Services production costs. This larger demand charge is used only for the purposes of the RSR.
4. Calculate the cost-based energy rate by dividing the remaining energy assigned costs by the annual metered generation.
5. Calculate the difference between the cost-based energy rate and the billed preference energy rate.
6. Multiply the difference in the rates by the actual annual billed preference energy sales to determine the annual change in the RSR.
7. Add the annual change to the RSR balance from the prior year-end to get the current year-end RSR balance.
8. If the current year-end balance is in excess of +/- \$25 million, the excess would be subject to a credit or a surcharge in the subsequent rate year.

POWER AUTHORITY
OF THE
STATE OF NEW YORK

30 South Pearl Street
Albany, New York

AGREEMENT FOR THE SALE
OF NIAGARA PROJECT POWER AND ENERGY
TO THE NIAGARA PROJECT HOST COMMUNITIES

Service Tariff No. HC-1 - Firm Hydroelectric Power and Energy

May 22, 2007

POWER AUTHORITY OF THE STATE OF NEW YORK

**30 South Pearl Street
Albany, New York 12207**

AGREEMENT FOR THE SALE OF HYDROPOWER AND ENERGY

Niagara County (“Customer”) hereby enters into this Agreement with the Power Authority of the State of New York for electric service as follows:

I. Definitions

- a. Acceptance of the New License** shall mean the date upon which the Power Authority files its acceptance of the New License with FERC, or the date of the expiration of the existing original license, August 31, 2007, whichever occurs later.
- b. Agreement** means this Agreement.
- c. Allocation** shall mean the amount of power and associated energy that the Authority has allocated to Customer hereunder.
- d. Ancillary Services** shall be as defined by the NYISO in its rules, tariffs, manuals and procedures.
- e. Authority** is the Power Authority of the State of New York.
- f. Commencement Date** shall be as set forth in Article XVII.
- g. Contract Demand** will be the amounts set forth in Section II or such other amount as may be determined in accordance with the provisions of this Agreement.
- h. Customer** is the municipality (Host Community) identified above.
- i. Customer’s Agent** is defined in Article IX.
- j. Electric Service** is Power and Energy available to Customer in accordance with applicable Service Tariffs, Rules and other contract documents.
- k. Excess Power** is defined in Article VIII and Appendix A.
- l. FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- m. FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of

the Federal Power Act, which new license will become effective after expiration of the Project's original license issued on January 30, 1958.

- n. **Firm Hydroelectric Power and Energy** are firm power and associated energy from the Authority's Niagara Power Project, intended to be available at all times except for limitations provided in this Agreement, the Rules, applicable Service Tariff or in other contract documents.
- o. **Green Attributes** (sometimes referred to as Renewable Attributes or Renewable Energy Credits) are attributes associated with renewable energy power production facilities as may be defined by law or administrative action now or in the future, including but not limited to the Renewable Portfolio Standard proceeding of the New York Public Service Commission.
- p. **Host Communities** are Niagara County, City of Niagara Falls, Town of Lewiston, Town of Niagara, City of Niagara Falls School District, Lewiston-Porter School District and Niagara-Wheatfield School District.
- q. **Load Serving Entity** is an entity authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply Energy, Capacity and/or Ancillary Services to retail customers under the rules, tariffs, manuals and procedures of the NYISO.
- r. **NRA** means the federal Niagara Redevelopment Act (18 USC §§836, 836a)
- s. **NYISO** means the New York Independent System Operator or any successor organization.
- t. **Power Credits** are defined in Article VIII and Appendix A.
- u. **Project** means the Niagara Power Project, FERC Project 2216.
- v. **Project Power and Energy** means Firm Hydroelectric Power and Energy produced by the Project.
- w. **Project Switchyard** is the Niagara Project switchyard.
- x. **Relicensing Settlement Agreement** means the Niagara Power Project, FERC Project No. 2216 Host Community Relicensing Settlement Agreement Addressing Non-License Terms and Conditions allocation of Niagara Project Power and Energy to the Host Communities dated June 27, 2005.
- y. **Rules** are the applicable provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York).

- z. Service Tariffs** are schedules establishing rates and other conditions for sale of Electric Services to Customer.
- aa. Ultimate Users** are entities to whom Customer will resell (or otherwise convey benefits associated with) Project Power and Energy purchased from the Authority as provided in Article VI of this Agreement and Appendix A hereto. Customer may designate itself as an Ultimate User.
- bb. Unforced Capacity** is the capacity required to be provided by Load Serving Entities to serve load as defined by the NYISO in its rules, tariffs, manuals and procedures.

All other terms not otherwise defined herein shall have the meanings ascribed to them in the electric industry.

II. Electric Service to be Provided

- a.** The Authority shall provide Electric Service pursuant to Service Tariff HC-1 for Power and/or Energy to enable the Customer to receive the Allocation from the Project in accordance with the provisions of the FERC License and Relicensing Settlement Agreement, in the amount set forth below:

Firm Hydroelectric Power and Energy Service pursuant to
Service Tariff No. HC-1: 9,000 KiloWatts (Contract Demand)

The Authority shall provide Unforced Capacity in amounts necessary to meet Customer's NYISO Unforced Capacity obligations associated with the foregoing Allocation in accordance with the rules and tariffs of the NYISO. Neither Ancillary Services, nor Green Attributes are included in such allocation.

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

III. Rules, Regulations and Service Tariffs

The Rules and Service Tariff No. HC-1, as now in effect and/or such superseding tariffs or other tariffs as the Authority may later promulgate, all as such Rules and Service Tariffs may be later amended from time to time by the Authority, are hereby incorporated into this Agreement with the same force and effect as if herein set forth at length. In the event of any inconsistencies, conflicts or differences between the

provisions of the Service Tariffs and the Rules, the provisions of the Service Tariffs shall govern. In the event of any inconsistencies, conflicts or differences between Articles I through XVII of this Agreement and the Service Tariffs, the provisions of Articles I through XVII of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to Customer of any proposed change in the above Rules and Service Tariffs, but in no event shall Authority provide less notice than that provided to similarly affected customers within New York State if that period of minimum notice is greater than herein referenced. Except as expressly provided otherwise herein, nothing contained in this Agreement shall be construed as restricting Customer's rights to participate in processes involving changes to rates, Rules and Service Tariffs or other matters affecting the subject of this Agreement.

IV. Transmission and Delivery of Power and Energy

Authority shall make Project Power and Energy available to Customer or Customer's Agent at the Project Switchyard. It is the Customer's responsibility to act as the Load Serving Entity ("LSE"), arrange for one or more other entities to do so on its behalf or make other arrangements for conveying the benefits associated with the allocation to Ultimate Users. Customer, or the entity acting as LSE or Customer's Agent shall arrange for the transmission of the Project Power and Energy supplied hereunder from the Project Switchyard to Customer's points of delivery or the conversion of the Allocation into financial settlements and benefits by such other method of disposition consistent with Article VI of this Agreement and Appendix A hereto. Such delivery shall be consistent with the terms of the Open Access Transmission Tariff (OATT) or other applicable tariff of the NYISO and Customer shall be responsible for all costs associated with the transmission and delivery of the allocation.

V. Rates

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

Customer waives any challenges to any of the following methodologies and principles¹ to the extent that one or more of such methodologies and principles are used by the Authority to set rates different than those adopted by the Authority's Trustees in their meeting on April 29, 2003 based on the "January 2003 Report on Hydroelectric Production Rates" and as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

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

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

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Customer shall have the right to take any position whatsoever with respect to such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority. Nothing contained herein shall preclude Customer from participating in the rate setting process and raising issues as to whether such methodologies and principles have been correctly employed.

VI. Use and Resale of Project Power and Energy

Customer shall use the Allocation for its facilities or as otherwise allowed in accordance with the Relicensing Settlement Agreement, this Agreement and Appendix A hereof.

In reselling and/or distributing the Allocation, except as otherwise provided in Appendix A hereof, Customer shall: 1) do so pursuant to the appropriate laws of the State of New York, 2) distribute such Allocation only to the Ultimate Users designated pursuant to Appendix A , 3) not permit such Ultimate Users to sell any of such Allocation for resale and 4) comply with the provisions of the NRA, the FERC License and the New York Power Authority Act (N.Y. Pub. Auth. Law Section 1000 et seq.), to the extent such Power Authority Act is not inconsistent with the FERC License.

Customer or Customer’s Agent shall keep its books, accounts and records pertaining to the purchase, delivery and sale of the Allocation according to

procedures reasonably deemed necessary by Authority to ensure compliance with this Agreement and Appendix A hereof, applicable statutes, licenses, the Rules. Customer shall provide such information and permit such inspection of its books and records as Authority may reasonably request and shall require Customer's Ultimate Users as identified in Appendix A of the Agreement to agree to do likewise.

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

VII. Permanent Reallocation of Project Power and Energy

If Customer is, or becomes unable or chooses not to receive any or all of the Project Power and Energy allocated to it on a permanent basis, such Project Power and Energy shall be reallocated by the Authority pro-rata among the other Host Communities. Customer shall provide written notice to the Authority and the other Host Communities of such inability or election within 30 days of its becoming aware of such inability or election. Upon receipt of such notice by the Authority, any required changes in the allocations of Project Power and Energy among the other Host Communities shall become effective as soon as practicable, without need to amend this Agreement and the Contract Demand in this Agreement shall be revised to reflect such reallocation, notwithstanding Article XIV hereof.

VIII. Availability of Energy.

Subject to any other limitations set forth in the Rules or the Service Tariff (including low-flow conditions), if Customer directly or indirectly provides the Allocation to Ultimate Users for physical delivery to such Users' accounts as set forth in Appendix A, Authority will supply Customer's (or Ultimate Users', as the case may be) entire demand and energy usage up to the Contract Demand. If there is any portion of the energy associated with the Allocation made available to Customer (at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements) that is not required to serve such Ultimate Users' facilities, such energy may be utilized as Excess Power in the manner described in Appendix A.

As between Customer and the Authority, for any usage above the Contract Demand, it is Customer's responsibility to arrange for provision of such excess service by a third party supplier, and the apportionment of energy between suppliers shall be as set forth in Service Tariff No. HC-1, or any successor tariff.

Subject to any other limitations set forth in the Rules or Service Tariff (including low-flow conditions), if Customer provides the benefits of the Allocation to Ultimate Users in the form of Power Credits as set forth in Appendix A, the Allocation will be delivered

at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements.

IX. Appointment of Customer's Agent

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

Customer's Agent may include, without limitation, a public utility, LSE, Municipal Distribution Agency, load aggregator or other entity authorized to purchase and sell electric power and/or energy pursuant to Section 360 of the General Municipal Law or pursuant to other authority.

X. Term and Termination of Service

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

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

Agreement may be extended beyond such date on a month to month basis pending execution of any successor agreement between the Customer and Authority. The Authority shall provide reasonable notice to Customer of any matter or proceeding that could result in an order or decision as described in part (a) of this paragraph and nothing herein shall be construed as limiting Customer's right to challenge any such proposed action.

Nothing herein is intended to limit the rights of the Host Communities or Customer under the Relicensing Settlement Agreement and the Authority and Customer understand and agree that the Authority is obligated under such Relicensing Settlement Agreement to make a total of 9 MW of Project Power and Energy available to Customer for the term of the FERC License, whether through extension of this Agreement or by subsequent agreement.

XI. Notification

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

To: Authority

Manager – Power Contracts
New York Power Authority
123 Main Street
White Plains, NY 10601

To: Customer

XII. Applicable Law and Venue

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

XIII. Successors and Assigns

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

XIV. Previous Agreements and Communications

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

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

If there is a conflict between the language in Section 6 of the Relicensing Settlement Agreement entitled "Power Allocation" and language in this Agreement, including Appendix A, the language of this Agreement addressing this subject shall control.

XV. Acceptance and Approvals

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

XVI. Severability and Voidability

If any term or provision of this Agreement shall be invalidated, declared unlawful or ineffective in whole or in part by an order of the FERC or a court of competent

jurisdiction, such order shall not be deemed to invalidate the remaining terms or provisions hereof.

In such an event and at the request of either Party, the Parties agree to engage in good faith negotiations on possible modification to this Agreement to remedy any portion of this Agreement that was declared invalid, unlawful or ineffective. Such good faith negotiations shall conform to the requirements comparable to those of section 10.1.3 of the Relicensing Settlement Agreement. To the extent that good faith negotiations do not result in an agreement as to whether or how this Agreement should be modified, the Parties agree to resolve their differences in accordance with the alternative dispute resolution mechanism set forth in section 12 of the Relicensing Settlement Agreement. The primary goal of any good faith negotiation or alternative dispute resolution mechanism shall be to preserve to the greatest extent as possible, the benefit of the Parties' intended bargain.

XVII. Effectiveness of Agreement

This Agreement shall take effect on the later of: (i) the acceptance of the new License or (ii) the date of this Agreement's execution under Article XV above.

CUSTOMER

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

POWER AUTHORITY OF THE STATE OF NEW YORK

30 South Pearl Street, Albany, NY 12207

Service Tariff No. HC -1

Schedule of Rates for Firm Hydroelectric Power
and Energy Service

EFFECTIVE:

September 1, 2007

APPLICABLE:

To sale of Niagara Firm Hydroelectric Project Power and Energy to the Host Communities customers eligible for cost-based service under the Niagara Relicensing Settlement Agreement.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES (effective May 1, 2006):

Capacity Rate: \$2.38 per kilowatt per month of Billing Demand at the Project switchyard.

Base Energy Rate: 4.92 mills per kilowatt-hour

Future rates shall be as determined by the Authority.

The Base Energy Rate set forth herein shall be subject to a monthly adjustment in accordance with a flow adjustment computation (FAC) as described in Appendix B.

MINIMUM MONTHLY CHARGE:

The product of the Capacity Rate and the Billing Demand.

POWER FACTOR:

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

DEFINITIONS:

Billing Demand: The Billing Demand shall be the Customer's Contract Demand.

Billing Energy: Energy provided by Authority under this service tariff.

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

GENERAL PROVISIONS:

General Provisions for service supplementing or modifying the Rules and Regulations for Power Service and Service Tariff No. HC – 1 with regard to deliveries to Customer are as follows:

A Availability of Energy

Unless otherwise agreed upon by the Parties, Authority shall normally provide in any Billing Period firm Energy to Customer in an amount equal to the product of (A) the number of hours in such Billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the load factor specified in the Agreement. The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Customer if such reductions are necessary due to low flow (i.e., hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Customer in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer. The Authority shall provide reasonable notice to Customer of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers.

Unless otherwise specified in the Agreement, where Customer is taking service solely from Authority, the Billing Energy shall be the total number of kilowatt-hours recorded on Customer's meter (or the meters of entities served by Customer as indicated in the Agreement) during the Billing Period, adjusted for losses.

Unless otherwise specified in the Agreement, where Customer takes service from other sources in addition to service supplied hereunder, the Billing Energy shall be determined by multiplying (A) the number of hours in such Billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the load factor specified in the Agreement.

B Adjustment of Rates

To the extent not inconsistent with the attached Agreement, the rates contained in this Service Tariff HC-1 may be revised from time to time on not less than thirty (30) days written notice to Customer.

C Delivery

For the purpose of this Service Tariff HC -1, Power and/or Energy shall be delivered by Authority at the Project Switchyard to the transmission facilities under the control of the NYISO for delivery to Customer.

For the purpose of these Service Tariffs, Power and/or Energy shall be deemed to be offered when Authority is able to supply Power and Energy and NYISO transmits it to Customer or its designated points of interconnection with Customer's Delivering Agent at the Niagara Project Switchyard. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer. If, despite such offer, there is a failure of delivery by Customer or Customer's Agent, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D Scheduling Procedures

1. Authority will advise Customer or Customer's Agent by the tenth (10th) Business Day of the preceding month of the estimated quantity of Energy expected by Service Tariff to be made available from the Project.
2. Authority may require that such Energy from the Project be scheduled in general accordance with the load shape of Customer or Customer's Agent or as otherwise agreed upon by the Customer and Authority.
3. Customer or Customer's Agent shall file with Authority pursuant to procedures established by Authority, a daily schedule setting forth the Customer's requested amounts from the Project on a clock hour basis.
4. Subsequent to Authority approval of schedules for any day, Authority and Customer or Customer's Agent may agree on changes in such schedules subject to NYISO scheduling requirements and procedures Authority shall establish such that an efficient dispatch of Authority facilities will be accomplished.

E Payment by Customer for Power and/or Energy

- 1 Customer shall pay for Power and/or Energy during any Billing Period the sum of a) and b) below:

- a. For Firm Hydroelectric Power and Energy the capacity rate per kilowatt specified in this Service Tariff or any modification thereof applied to Customer's Billing Demand for the Billing Period: and
 - b. The Energy rate specified in this Service Tariff or any modification thereof applied to the amount of firm Billing Energy delivered by Authority to Customer during such Billing Period.
2. Bills computed under Service Tariff HC-1 are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill and adjustments, if necessary, will be made thereafter.

F Supplementary Provision

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

G Alternate Arrangements

Notwithstanding general provisions C, D and E above, Authority, Customer and/or Customer's Agent may make alternate arrangements regarding Delivery, Scheduling Procedures and Payment by Customer for Power and/or Energy, necessary to effectuate the terms of Appendix A hereto.

Appendix A

Except as Customer determines otherwise, consistent with the terms of this Agreement, Customer will initially distribute power and energy purchased from the New York Power Authority under the Agreement or the economic benefit of such power and energy to the following Ultimate Users _____

Customer may add to or delete from the above list of Ultimate Users on thirty (30) day's notice to the Authority. Customer in its sole determination may elect to use its full Allocation or any part thereof, for economic development. The economic development program description, allocation criteria and methodology shall be submitted to and approved by the Authority which approval shall not be unreasonably withheld.

The benefits of the Allocation shall be provided to such Ultimate Users either by direct sale or by allocation by the Customer (or by Customer's Agent) of electricity or the provision of financial settlements and benefits, as set forth below, or through different methods approved by the Authority. Customer shall have the right to recover as Customer Costs its direct administrative and services costs, reasonable compensation for use of third party facilities and services furnished to Customer in the transmission and distribution of such power, all costs associated with negotiating the Agreement and the establishment of mechanisms to accept and distribute the Allocation, and any similar costs, incurred after the execution of the Host Community Relicensing Settlement Agreement dated June 27, 2005. Such Customer Costs shall be reimbursed to Customer or otherwise paid by the Ultimate User by procedures to be determined.

The listing or description of the foregoing Ultimate Users in no way mandates or requires for any reason that the Customer provide any portion of the Allocation (or Power Credits) to an Ultimate User and shall not preclude the Customer from denying any such Ultimate User the benefits associated with an allocation for any reason as determined by Customer.

A. Direct Sale / Allocation, Use of Excess Power

Customer or Customer's Agent may make a portion of the Allocation available to an Ultimate User for delivery at such Ultimate User's electricity accounts under the tariffs, rules and regulations of the NYISO and the utility in whose service area such accounts are located. If there is any portion of the Allocation made available to Customer that is not required to serve such Ultimate User's facilities, such Excess Power (up to the load factor specified in the Agreement) may be utilized as follows:

1. Customer or its agent may schedule Excess Power into the NYISO administered market for financial settlement, and such financial settlement so received by Customer (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), shall be applied by Customer to payment of Customer's (or an Ultimate User's, as the case may be) energy-related costs, including but not limited to, the purchase of energy commodities, the delivery and transportation of electricity and all other energy commodities and/or for energy

efficiency or clean energy technology programs or projects now in existence or that may exist during the term of the Agreement.

2. Customer may use the Excess Power (or the benefits associated with such Excess Power derived from a financial settlement as set forth in the preceding Paragraph 1) for economic development by providing credits to a business to apply against the cost of power or energy and/or the cost of delivery of power or energy consumed by such business.

B. Power Credits

Customer, or Customer's Agent, may schedule all of its Allocation (up to the load factor specified in the Agreement) into the NYISO administered market for financial settlement, and such financial settlement so received by Customer (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), may be provided to Ultimate Users in the form of Power Credits by Customer as follows:

Power Credits may be applied towards the cost and/or delivery of electric power or energy consumed by the Ultimate User or for other energy-related costs, including but not limited to, purchase of energy commodities, the delivery and transportation of electricity and all other energy commodities and/or for energy efficiency or clean energy technology programs or projects now in existence or that may exist during the terms of the Agreement.

C. Service through Authorized Entity

Through assignment, transfer or otherwise, including through an agency arrangement, Customer shall have the right to make available its Allocation or any part thereof to any entity that is duly authorized to receive, purchase, transmit, distribute, and/or resell the power and energy included in the Allocation or otherwise to engage in such transactions as are necessary to effectuate the delivery of the Allocation and/or to provide the financial benefits thereof to the Customer, the Customer's Ultimate Users and the Customer's constituents, as determined in the exercise of the Customer's discretion and consistent with the provisions of the Host Community Relicensing Settlement Agreement dated June 27, 2005 and Article VI of the Agreement. Any such assignment, transfer, agency arrangement or similar transaction contemplated by this paragraph may, but shall not be required to, include elements of the other methods described in this Appendix A.

D. Continuity

In the event that any administrative agency or court of competent jurisdiction shall determine that any element of any of the foregoing methods of distributing the Allocations and/or financial benefits thereof is unauthorized or illegal, the Customer shall propose an alternative method of distribution, not necessarily limited to those described above, and the Authority shall promptly determine whether to accept such alternative method. Such acceptance shall not be unreasonably withheld.

E. Right to Alternate Between Methods

Customer shall have the right at its discretion and without restriction to alternate between the methods for the distribution of the benefits of the Allocation as set forth in Sections A through D above, upon giving sixty (60) days written notice to the Authority.

F. Market Administration

Notwithstanding anything to the contrary in the Agreement, if Customer elects to convert the Allocation into financial settlements for use as payments or credits pursuant to Sections A or B above, the Authority may in its discretion schedule the Allocation into the NYISO administered market for financial settlement; such financial settlement, less the Authority's costs calculated using tariff rates as described in Section V of the Agreement, shall be provided to Customer or Customer's Agent, as the case may be, for disposition pursuant to the terms of a separate agreement between Authority, Customer and Customer's Agent.

In the event that the Authority determines, in its discretion, not to use the foregoing method of scheduling the Allocation into the NYISO administered market for financial settlement, the Authority will provide reasonable notice to Customer of its intent to discontinue such method and assist Customer in making other arrangements to effect the delivery of the benefits of the Allocation to Customer or Ultimate Users.

This Section F is intended as an additional method of providing the benefits of the Allocation and is not intended to limit in any way the right to use other methods of providing such benefits, as set forth in the Agreement, including this Appendix A.

Appendix B

**NEW YORK POWER AUTHORITY RATE STABILIZATION RESERVE
METHODOLOGY**

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

1. Calculate the total cost of service (CoS) for the Niagara/St. Lawrence projects. Costs include: Operations and Maintenance, amortized roadwork, Indirect Overheads (Shared Services, Research and Development, debt service) and Capital Costs (using TOC for equity funded and OC for debt funded).
2. Credit the CoS by any excess capacity (ICAP) sales to the ISO.
3. Allocate costs to the demand function by multiplying the sum of the customers' billed demands by the preference demand charge, which has been inflated to include Ancillary Services production costs. This larger demand charge is used only for the purposes of the RSR.
4. Calculate the cost-based energy rate by dividing the remaining energy assigned costs by the annual metered generation.
5. Calculate the difference between the cost-based energy rate and the billed preference energy rate.
6. Multiply the difference in the rates by the actual annual billed preference energy sales to determine the annual change in the RSR.
7. Add the annual change to the RSR balance from the prior year-end to get the current year-end RSR balance.
8. If the current year-end balance is in excess of +/- \$25 million, the excess would be subject to a credit or a surcharge in the subsequent rate year.

POWER AUTHORITY
OF THE
STATE OF NEW YORK
30 South Pearl Street
Albany, New York

AGREEMENT FOR THE SALE
OF NIAGARA PROJECT HYDROELECTRIC POWER AND ENERGY
TO THE NIAGARA PROJECT HOST COMMUNITIES

Service Tariff No. HC-1 - Firm Hydroelectric Power and Energy
(LEWISTON-PORTER CENTRAL SCHOOL DISTRICT)

May 22, 2007

POWER AUTHORITY OF THE STATE OF NEW YORK

**30 South Pearl Street
Albany, New York 12207**

**AGREEMENT FOR THE SALE OF HYDROELECTRIC POWER AND ENERGY TO
THE NIAGARA PROJECT HOST COMMUNITIES**

**SERVICE TARIFF No. HC-1 – Firm Hydroelectric Power and Energy
(LEWISTON-PORTER CENTRAL SCHOOL DISTRICT)**

Lewiston-Porter Central School District (“Customer”) hereby enters into this Agreement with the Power Authority of the State of New York for electric service as follows:

I. Definitions

- a. Acceptance of the New License** shall mean the date upon which the Power Authority files its acceptance of the New License with FERC, or the date of the expiration of the existing original license, August 31, 2007, whichever occurs later.
- b. Agreement** means this Agreement.
- c. Allocation** shall mean the amount of power and associated energy that the Authority has allocated to Customer hereunder.
- d. Ancillary Services** shall be as defined by the NYISO in its rules, tariffs, manuals and procedures.
- e. Authority** is the Power Authority of the State of New York.
- f. Authorized Recipient** is defined in Article II.
- g. Commencement Date** shall be as set forth in Article XVII.
- h. Contract Demand** will be the amounts set forth in Section II or such other amount as may be determined in accordance with the provisions of this Agreement.
- i. Customer** is the municipality (Host Community) identified above.
- j. Customer’s Agent** is defined in Article IX.
- k. Electric Service** is Power and Energy available to Customer in accordance with applicable Service Tariffs, Rules and other contract documents.

- l. Excess Power** is defined in Article VIII and Appendix A.
- m. FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- n. FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which new license will become effective after expiration of the Project's original license issued on January 30, 1958.
- o. Firm Hydroelectric Power and Energy** are firm power and associated energy from the Authority's Niagara Power Project, intended to be available at all times except for limitations provided in this Agreement, the Rules, applicable Service Tariff or in other contract documents.
- p. Green Attributes** (sometimes referred to as Renewable Attributes or Renewable Energy Credits) are attributes associated with renewable energy power production facilities as may be defined by law or administrative action now or in the future, including but not limited to the Renewable Portfolio Standard proceeding of the New York Public Service Commission.
- q. Host Communities** are Niagara County, City of Niagara Falls, Town of Lewiston, Town of Niagara, City of Niagara Falls School District, Lewiston-Porter School District and Niagara-Wheatfield School District.
- r. Load Serving Entity** is an entity authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply Energy, Capacity and/or Ancillary Services to retail customers under the rules, tariffs, manuals and procedures of the NYISO.
- s. NRA** means the federal Niagara Redevelopment Act (18 USC §§ 836, 836a).
- t. NYISO** means the New York Independent System Operator or any successor organization.
- u. Power Credits** are defined in Article VIII and Appendix A.
- v. Project** means the Niagara Power Project, FERC Project 2216.
- w. Project Power and Energy** means Firm Hydroelectric Power and Energy produced by the Project.
- x. Project Switchyard** is the Niagara Project switchyard.

- y. Relicensing Settlement Agreement** means the Niagara Power Project, FERC Project No. 2216 Host Community Relicensing Settlement Agreement Addressing Non-License Terms and Conditions allocation of Niagara Project Power and Energy to the Host Communities dated June 27, 2005.
- z. Rules** are the applicable provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York).
- aa. Service Tariffs** are schedules establishing rates and other conditions for sale of Electric Services to Customer.
- bb. Ultimate Users** are entities to whom Customer or Customer's Authorized Recipient will resell (or otherwise convey benefits associated with) Project Power and Energy purchased from the Authority as provided in Article VI of this Agreement and Appendix A hereto. Customer may designate itself as an Ultimate User.
- cc. Unforced Capacity** is the capacity required to be provided by Load Serving Entities to serve load as defined by the NYISO in its rules, tariffs, manuals and procedures.

All other terms not otherwise defined herein shall have the meanings ascribed to them in the electric industry.

II. Electric Service to be Provided

- a.** The Authority shall provide Electric Service pursuant to Service Tariff HC-1 for Power and/or Energy to enable the Customer or the Customer's Authorized Recipient, as defined below, to receive the Allocation from the Project in accordance with the provisions of the FERC License and Relicensing Settlement Agreement, in the amount set forth below:

Firm Hydroelectric Power and Energy Service pursuant to
Service Tariff No. HC-1: 1,500 KiloWatts (Contract Demand)

Upon execution of this Agreement by a Host Community, other than Customer, that is legally capable of receiving an Allocation from the Project (Authorized Recipient) such Authorized Recipient shall be authorized to receive the Allocation of the Customer in accordance with the terms and conditions set forth in this Agreement, including Appendix A hereof. Such authorization may be revoked by Customer upon reasonable notice to the Authority and Customer's Authorized Recipient; provided, however, that Customer shall, as of the effective date of such revocation, have made arrangements (a) with another Authorized Recipient to receive the Customer's Allocation, or (b) to receive such Allocation itself, if legally capable of doing so.

The Authority shall provide Unforced Capacity in amounts necessary to meet Customer's NYISO Unforced Capacity obligations associated with the foregoing Allocation in accordance with the rules and tariffs of the NYISO. Neither Ancillary Services, nor Green Attributes are included in such allocation.

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

III. Rules, Regulations and Service Tariffs

The Rules and Service Tariff No. HC-1, as now in effect and/or such superseding tariffs or other tariffs as the Authority may later promulgate, all as such Rules and Service Tariffs may be later amended from time to time by the Authority, are hereby incorporated into this Agreement with the same force and effect as if herein set forth at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariffs and the Rules, the provisions of the Service Tariffs shall govern. In the event of any inconsistencies, conflicts or differences between Articles I through XVII of this Agreement and the Service Tariffs, the provisions of Articles I through XVII of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to Customer of any proposed change in the above Rules and Service Tariffs, but in no event shall Authority provide less notice than that provided to similarly affected customers within New York State if that period of minimum notice is greater than herein referenced. Except as expressly provided otherwise herein, nothing contained in this Agreement shall be construed as restricting Customer's rights to participate in processes involving changes to rates, Rules and Service Tariffs or other matters affecting the subject of this Agreement.

IV. Transmission and Delivery of Power and Energy

Authority shall make Project Power and Energy available to Customer, Customer's Authorized Recipient or Customer's Agent at the Project Switchyard. It is the Customer's responsibility to act as the Load Serving Entity ("LSE"), arrange for one or more other entities to do so on its behalf or make other arrangements for conveying the benefits associated with the allocation to Ultimate Users. Customer, or the entity acting as LSE, Customer's Authorized Recipient, or Customer's Agent shall arrange for the transmission of the Project Power and Energy supplied hereunder from the Project Switchyard to Customer's points of delivery or the conversion of the Allocation into financial settlements and benefits by such other method of disposition consistent with

Article VI of this Agreement and Appendix A hereto. Such delivery shall be consistent with the terms of the Open Access Transmission Tariff (OATT) or other applicable tariff of the NYISO and Customer shall be responsible for all costs associated with the transmission and delivery of the allocation.

V. Rates

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

Customer waives any challenges to any of the following methodologies and principles¹ to the extent that one or more of such methodologies and principles are used by the Authority to set rates different than those adopted by the Authority's Trustees in their meeting on April 29, 2003 based on the "January 2003 Report on Hydroelectric Production Rates" and as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

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

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Customer or the Customer's Authorized Recipient shall have the right to take any position whatsoever with respect to

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

such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority. Nothing contained herein shall preclude Customer or the Customer's Authorized Recipient from participating in the rate setting process and raising issues as to whether such methodologies and principles have been correctly employed.

VI. Use and Resale of Project Power and Energy

Customer or the Customer's Authorized Recipient shall use the Allocation for Customer's facilities or as otherwise allowed in accordance with the Relicensing Settlement Agreement, this Agreement and Appendix A hereof.

In reselling and/or distributing the Allocation, except as otherwise provided in Appendix A hereof, Customer or the Customer's Authorized Recipient shall: 1) do so pursuant to the appropriate laws of the State of New York, 2) distribute such Allocation only to the Ultimate Users designated pursuant to Appendix A, 3) not permit such Ultimate Users to sell any of such Allocation for resale and 4) comply with the provisions of the NRA, the FERC License and the New York Power Authority Act (N.Y. Pub. Auth. Law Section 1000 et seq.), to the extent such Power Authority Act is not inconsistent with the FERC License.

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

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

VII. Permanent Reallocation of Project Power and Energy

If Customer is, or becomes unable or chooses not to receive, or to have Customer's Authorized Recipient not receive, any or all of the Project Power and Energy allocated to it on a permanent basis, such Project Power and Energy shall be reallocated by the Authority pro-rata among the other Host Communities. Customer shall provide written notice to the Authority and the other Host Communities of such inability or election within 30 days of its becoming aware of

such inability or election. Upon receipt of such notice by the Authority, any required changes in the allocations of Project Power and Energy among the other Host Communities shall become effective as soon as practicable, without need to amend this Agreement and the Contract Demand in this Agreement shall be revised to reflect such reallocation, notwithstanding Article XIV hereof.

VIII. Availability of Energy

Subject to any other limitations set forth in the Rules or the Service Tariff (including low-flow conditions), if Customer or Customer's Authorized Recipient directly or indirectly provides the Allocation to Ultimate Users for physical delivery to such Users' accounts as set forth in Appendix A, Authority will supply Customer's (or Ultimate Users', as the case may be) entire demand and energy usage up to the Contract Demand. If there is any portion of the energy associated with the Allocation made available to Customer or Customer's Authorized Recipient (at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements) that is not required to serve such Ultimate Users' facilities, such energy may be utilized as Excess Power in the manner described in Appendix A.

As between Customer and the Authority, for any usage above the Contract Demand, it is Customer's responsibility to arrange for provision of such excess service by a third party supplier, and the apportionment of energy between suppliers shall be as set forth in Service Tariff No. HC-1, or any successor tariff.

Subject to any other limitations set forth in the Rules or Service Tariff (including low-flow conditions), if Customer or Customer's Authorized Recipient provides the benefits of the Allocation to Ultimate Users in the form of Power Credits as set forth in Appendix A, the Allocation will be delivered at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements.

IX. Appointment of Customer's Agent

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

business process requirements), designate a different party as Customer's Agent at any time during the term of this Agreement.

Customer's Agent may include, without limitation, a public utility, LSE, Municipal Distribution Agency, load aggregator or other entity authorized to purchase and sell electric power and/or energy pursuant to Section 360 of the General Municipal Law or pursuant to other authority.

X. Term and Termination of Service

Service under the Agreement shall begin on the Commencement Date and shall continue until the earliest of (a) termination by Customer with respect to all of its Allocation upon ninety (90) days prior written notice, (b) termination by the Authority pursuant to the Rules upon required notice, or (c) September 1, 2025, at which time a new or modified agreement will be entered between the Authority and the Customer to provide Customer or Customer's Authorized Recipient with Project Power and Energy for the remainder of the licensing period in the amount and for the rate then in effect which complies with the terms of the Relicensing Settlement Agreement. If such a new or modified agreement is not in place to take effect after September 1, 2025, service will be continued under the terms and conditions of this Agreement on a year to year basis or until a new or modified agreement takes effect between the parties.

The Authority may cancel service hereunder or modify the quantities of Project Power and Energy allocated to Customer only (a) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency), or (b) as otherwise provided herein or in the Rules. Notwithstanding the foregoing, upon mutual agreement this Agreement may be extended beyond such date on a month to month basis pending execution of any successor agreement between the Customer and Authority. The Authority shall provide reasonable notice to Customer of any matter or proceeding that could result in an order or decision as described in part (a) of this paragraph and nothing herein shall be construed as limiting Customer's right to challenge any such proposed action.

Nothing herein is intended to limit the rights of the Host Communities or Customer under the Relicensing Settlement Agreement and the Authority and Customer understand and agree that the Authority is obligated under such Relicensing Settlement Agreement to make a total of 1,500 KiloWatts of Project Power and Energy available to Customer or Customer's Authorized Recipient for the term of the FERC License, whether through extension of this Agreement or by subsequent agreement.

XI. Notification

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

To: Authority

Manager – Power Contracts
New York Power Authority
123 Main Street
White Plains, NY 10601

To: Customer

Lewiston-Porter Central School District
4061 Creek Road
Youngstown, NY 14174

Attention: President, Board of Education

With a copy to:

To: Customer's Authorized Recipient

XII. Applicable Law and Venue

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

XIII. Successors and Assigns

This Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the legal successors and assigns of the parties hereto; provided, however, that no assignment by a party or any successor or assignee of such party of its rights and obligations hereunder shall be made or become effective

without the prior written consent of the other parties in each case obtained, which consent shall not be unreasonably withheld.

XIV. Previous Agreements and Communications

This Agreement, together with the Relicensing Settlement Agreement, shall constitute the sole and complete agreement of the parties hereto with respect to the matters herein set forth, and such Agreements supersede all previous communications between the Parties hereto, either oral or written, with reference to the subject matter hereof; provided, however, that additional terms pursuant to which Customer's Authorized Recipient is authorized to receive Customer's Allocation may be set forth in a separate agreement between Customer and Authorized Recipient. Any such separate agreement shall not be inconsistent with the terms of this Agreement and shall be provided to the Authority for informational purposes.

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

If there is a conflict between the language in Section 6 of the Relicensing Settlement Agreement entitled "Power Allocation" and language in this Agreement, including Appendix A, the language of this Agreement addressing this subject shall control.

XV. Acceptance and Approvals

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act, and upon execution by the parties, this Agreement, the provisions of which shall survive for the term hereof, together with the Service Tariffs and Rules both as they may be amended, shall constitute the contract between the parties for Electric Service hereunder.

XVI. Severability and Voidability

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

In such an event and at the request of any of the parties, the parties agree to engage in good faith negotiations on possible modification to this Agreement to remedy any portion of this Agreement that was declared invalid, unlawful or ineffective. Such good faith negotiations shall conform to the requirements comparable to those of section 10.1.3 of the Relicensing Settlement Agreement. To the extent that good faith negotiations do not result in an agreement as to whether or how this Agreement should be modified, the parties agree to resolve their differences in accordance with the alternative dispute resolution mechanism

set forth in section 12 of the Relicensing Settlement Agreement. The primary goal of any good faith negotiation or alternative dispute resolution mechanism shall be to preserve to the greatest extent as possible, the benefit of the parties' intended bargain.

XVII. Effectiveness of Agreement

This Agreement shall take effect on the later of: (i) the acceptance of the new License or (ii) the date of this Agreement's execution under Article XV above.

CUSTOMER: LEWISTON-PORTER CENTRAL SCHOOL DISTRICT

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

AUTHORIZED RECIPIENT: NIAGARA COUNTY, NEW YORK

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

POWER AUTHORITY OF THE STATE OF NEW YORK

30 South Pearl Street, Albany, NY 12207

Service Tariff No. HC -1

Schedule of Rates for Firm Hydroelectric Power
and Energy Service

EFFECTIVE:

September 1, 2007

APPLICABLE:

To sale of Niagara Firm Hydroelectric Project Power and Energy to the Host Communities customers and/or their Authorized Recipients eligible for cost-based service under the Niagara Relicensing Settlement Agreement.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES (effective May 1, 2006):

Capacity Rate: \$2.38 per kilowatt per month of Billing Demand at the Project switchyard.

Base Energy Rate: 4.92 mills per kilowatt-hour

Future rates shall be as determined by the Authority.

The Base Energy Rate set forth herein shall be subject to a monthly adjustment in accordance with a flow adjustment computation (FAC) as described in Appendix B.

MINIMUM MONTHLY CHARGE:

The product of the Capacity Rate and the Billing Demand.

POWER FACTOR:

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

DEFINITIONS:

Billing Demand: The Billing Demand shall be the Customer's Contract Demand.

Billing Energy: Energy provided by Authority under this service tariff.

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

GENERAL PROVISIONS:

General Provisions for service supplementing or modifying the Rules and Regulations for Power Service and Service Tariff No. HC – 1 with regard to deliveries to Customer are as follows:

A Availability of Energy

Unless otherwise agreed upon by the Parties, Authority shall normally provide in any Billing Period firm Energy to Customer and/or Customer's Authorized Recipient in an amount equal to the product of (A) the number of hours in such Billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the load factor specified in the Agreement. The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Customer and/or Customer's Authorized Recipient if such reductions are necessary due to low flow (i.e., hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Customer and/or Customer's Authorized Recipient in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer and/or Customer's Authorized Recipient. The Authority shall provide reasonable notice to Customer and Customer's Authorized Recipient of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers.

Unless otherwise specified in the Agreement, where Customer and/or Customer's Authorized Recipient is taking service solely from Authority, the Billing Energy shall be the total number of kilowatt-hours recorded on Customer's and/or Customer's Authorized Recipient's meter (or the meters of entities served by Customer and/or Customer's Authorized Recipient as indicated in the Agreement) during the Billing Period, adjusted for losses.

Unless otherwise specified in the Agreement, where Customer and/or Customer's Authorized Recipient takes service from other sources in addition to service supplied hereunder, the Billing Energy shall be determined by multiplying (A) the number of hours in such Billing Period, (B) the Contract Demand

applicable in such Billing Period and (C) the load factor specified in the Agreement.

B Adjustment of Rates

To the extent not inconsistent with the attached Agreement, the rates contained in this Service Tariff HC-1 may be revised from time to time on not less than thirty (30) days written notice to Customer.

C Delivery

For the purpose of this Service Tariff HC -1, Power and/or Energy shall be delivered by Authority at the Project Switchyard to the transmission facilities under the control of the NYISO for delivery to Customer and/or Customer's Authorized Recipient.

For the purpose of these Service Tariffs, Power and/or Energy shall be deemed to be offered when Authority is able to supply Power and Energy and NYISO transmits it to Customer and/or Customer's Authorized Recipient or its designated points of interconnection with Customer's Delivering Agent at the Niagara Project Switchyard. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer and/or Customer's Authorized Recipient. If, despite such offer, there is a failure of delivery by Customer, Customer's Authorized Recipient, or Customer's Agent, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D Scheduling Procedures

1. Authority will advise Customer, and Customer's Authorized Recipient, or Customer's Agent by the tenth (10th) Business Day of the preceding month of the estimated quantity of Energy expected by Service Tariff to be made available from the Project.
2. Authority may require that such Energy from the Project be scheduled in general accordance with the load shape of Customer, Customer's Authorized Recipient, or Customer's Agent or as otherwise agreed upon by the Customer and Authority.
3. Customer, Customer's Authorized Recipient, or Customer's Agent shall file with Authority pursuant to procedures established by Authority, a daily schedule setting forth the Customer's and/or Customer's Authorized Recipient's requested amounts from the Project on a clock hour basis.
4. Subsequent to Authority approval of schedules for any day, Authority and Customer, Customer's Authorized Recipient, or Customer's Agent may agree on changes in such schedules subject to NYISO scheduling

requirements and procedures Authority shall establish such that an efficient dispatch of Authority facilities will be accomplished.

E Payment by Customer and/or Customer's Authorized Recipient for Power and/or Energy

1. Customer and/or Customer's Authorized Recipient shall pay for Power and/or Energy during any Billing Period the sum of a) and b) below:
 - a. For Firm Hydroelectric Power and Energy the capacity rate per kilowatt specified in this Service Tariff or any modification thereof applied to Customer's Billing Demand for the Billing Period: and
 - b. The Energy rate specified in this Service Tariff or any modification thereof applied to the amount of firm Billing Energy delivered by Authority to Customer and/or Customer's Authorized Recipient during such Billing Period.
2. Bills computed under Service Tariff HC-1 are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill and adjustments, if necessary, will be made thereafter.

F Supplementary Provision

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

G Alternate Arrangements

Notwithstanding general provisions C, D and E above, Authority, Customer, Customer's Authorized Recipient and/or Customer's Agent may make alternate arrangements regarding Delivery, Scheduling Procedures and Payment by Customer for Power and/or Energy, necessary to effectuate the terms of Appendix A hereto.

Appendix A

Except as Customer determines otherwise, consistent with the terms of this Agreement, Customer or Customer's Authorized Recipient will initially distribute power and energy purchased from the New York Power Authority under the Agreement or the economic benefit of such power and energy to the following Ultimate Users_____

Customer may add to or delete from the above list of Ultimate Users on thirty (30) day's notice to the Authority. Customer in its sole determination may elect to use its full Allocation or any part thereof, for economic development. The economic development program description, allocation criteria and methodology shall be submitted to and approved by the Authority which approval shall not be unreasonably withheld.

The benefits of the Allocation shall be provided to such Ultimate Users either by direct sale or by allocation by the Customer (or by Customer's Authorized Recipient or Customer's Agent) of electricity or the provision of financial settlements and benefits, as set forth below, or through different methods approved by the Authority. Customer shall have the right to recover as Customer Costs its direct administrative and services costs, reasonable compensation for use of third party facilities and services furnished to Customer in the transmission and distribution of such power, all costs associated with negotiating the Agreement and the establishment of mechanisms to accept and distribute the Allocation, and any similar costs, incurred after the execution of the Host Community Relicensing Settlement Agreement dated June 27, 2005. Such Customer Costs shall be reimbursed to Customer or otherwise paid by the Ultimate User by procedures to be determined.

The listing or description of the foregoing Ultimate Users in no way mandates or requires for any reason that the Customer provide any portion of the Allocation (or Power Credits) to an Ultimate User and shall not preclude the Customer from denying any such Ultimate User the benefits associated with an allocation for any reason as determined by Customer.

A Direct Sale / Allocation, Use of Excess Power

Customer, Customer's Authorized Recipient or Customer's Agent may make a portion of the Allocation available to an Ultimate User for delivery at such Ultimate User's electricity accounts under the tariffs, rules and regulations of the NYISO and the utility in whose service area such accounts are located. If there is any portion of the Allocation made available to Customer or Customer's Authorized Recipient that is not required to serve such Ultimate User's facilities, such Excess Power (up to the load factor specified in the Agreement) may be utilized as follows:

1. Customer, Customer's Authorized Recipient or Customer's Agent may schedule Excess Power into the NYISO administered market for financial settlement, and such financial settlement so received by Customer (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), shall be applied by Customer to payment of Customer's (or an Ultimate User's, as the case may be) energy-related costs, including but not limited to, the purchase of energy commodities, the delivery and transportation of electricity and all other energy commodities

and/or for energy efficiency or clean energy technology programs or projects now in existence or that may exist during the term of the Agreement.

2. Customer or Customer's Authorized Recipient may use the Excess Power (or the benefits associated with such Excess Power derived from a financial settlement as set forth in the preceding Paragraph 1) for economic development by providing credits to a business to apply against the cost of power or energy and/or the cost of delivery of power or energy consumed by such business.

B Power Credits

Customer, Customer's Authorized Recipient or Customer's Agent, may schedule all of Customer's Allocation (up to the load factor specified in the Agreement) into the NYISO administered market for financial settlement, and such financial settlement so received by Customer (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), may be provided to Ultimate Users in the form of Power Credits by Customer or Customer's Authorized Recipient as follows:

Power Credits may be applied towards the cost and/or delivery of electric power or energy consumed by the Ultimate User or for other energy-related costs, including but not limited to, purchase of energy commodities, the delivery and transportation of electricity and all other energy commodities and/or for energy efficiency or clean energy technology programs or projects now in existence or that may exist during the terms of the Agreement.

C Service through Authorized Entity

Through assignment, transfer or otherwise, including through an agency arrangement, Customer shall have the right to make available its Allocation or any part thereof to any entity, including but not limited to Customer's Authorized Recipient, that is duly authorized to receive, purchase, transmit, distribute, and/or resell the power and energy included in the Allocation or otherwise to engage in such transactions as are necessary to effectuate the delivery of the Allocation and/or to provide the financial benefits thereof to the Customer, the Customer's Ultimate Users and the Customer's constituents, as determined in the exercise of the Customer's discretion and consistent with the provisions of the Host Community Relicensing Settlement Agreement dated June 27, 2005 and Article VI of the Agreement. Any such assignment, transfer, agency arrangement or similar transaction contemplated by this paragraph may, but shall not be required to, include elements of the other methods described in this Appendix A.

D Continuity

In the event that any administrative agency or court of competent jurisdiction shall determine that any element of any of the foregoing methods of distributing the Allocations and/or financial benefits thereof is unauthorized or illegal, the Customer shall propose an alternative method of distribution, not necessarily limited to those described above, and

the Authority shall promptly determine whether to accept such alternative method. Such acceptance shall not be unreasonably withheld.

E Right to Alternate Between Methods

Customer shall have the right at its discretion and without restriction to alternate between the methods for the distribution of the benefits of the Allocation as set forth in Sections A through D above, upon giving sixty (60) days written notice to the Authority.

F. Market Administration

Notwithstanding anything to the contrary in the Agreement, if Customer and/or Customer's Authorized Recipient elects to convert the Allocation into financial settlements for use as payments or credits pursuant to Sections A or B above, the Authority may in its discretion schedule the Allocation into the NYISO administered market for financial settlement; such financial settlement, less the Authority's costs calculated using tariff rates as described in Section V of the Agreement, shall be provided to Customer, Customer's Authorized Recipient, or Customer's Agent, as the case may be, for disposition pursuant to the terms of a separate agreement between Authority, Customer and either Customer's Agent or Customer's Authorized Recipient, or both.

In the event that the Authority determines, in its discretion, not to use the foregoing method of scheduling the Allocation into the NYISO administered market for financial settlement, the Authority will provide reasonable notice to Customer of its intent to discontinue such method and assist Customer in making other arrangements to effect the delivery of the benefits of the Allocation to Customer or Ultimate Users.

This Section F is intended as an additional method of providing the benefits of the Allocation and is not intended to limit in any way the right to use other methods of providing such benefits, as set forth in the Agreement, including this Appendix A.

Appendix B

NEW YORK POWER AUTHORITY RATE STABILIZATION RESERVE METHODOLOGY

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

1. Calculate the total cost of service (CoS) for the Niagara/St. Lawrence projects. Costs include: Operations and Maintenance, amortized roadwork, Indirect Overheads (Shared Services, Research and Development, debt service) and Capital Costs (using TOC for equity funded and OC for debt funded).
2. Credit the CoS by any excess capacity (ICAP) sales to the NYISO.
3. Allocate costs to the demand function by multiplying the sum of the customers' billed demands by the preference demand charge, which has been inflated to include Ancillary Services production costs. This larger demand charge is used only for the purposes of the RSR.
4. Calculate the cost-based energy rate by dividing the remaining energy assigned costs by the annual metered generation.
5. Calculate the difference between the cost-based energy rate and the billed preference energy rate.
6. Multiply the difference in the rates by the actual annual billed preference energy sales to determine the annual change in the RSR.
7. Add the annual change to the RSR balance from the prior year-end to get the current year-end RSR balance.
8. If the current year-end balance is in excess of +/- \$25 million, the excess would be subject to a credit or a surcharge in the subsequent rate year.

POWER AUTHORITY
OF THE
STATE OF NEW YORK
30 South Pearl Street
Albany, New York

AGREEMENT FOR THE SALE
OF NIAGARA PROJECT HYDROELECTRIC POWER AND ENERGY
TO THE NIAGARA PROJECT HOST COMMUNITIES

Service Tariff No. HC-1 - Firm Hydroelectric Power and Energy
(NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT)

May 22, 2007

POWER AUTHORITY OF THE STATE OF NEW YORK

**30 South Pearl Street
Albany, New York 12207**

**AGREEMENT FOR THE SALE OF HYDROELECTRIC POWER AND ENERGY TO
THE NIAGARA PROJECT HOST COMMUNITIES**

**SERVICE TARIFF No. HC-1 – Firm Hydroelectric Power and Energy
(NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT)**

Niagara Wheatfield Central School District (“Customer”) hereby enters into this Agreement with the Power Authority of the State of New York for electric service as follows:

I. Definitions

- a. Acceptance of the New License** shall mean the date upon which the Power Authority files its acceptance of the New License with FERC, or the date of the expiration of the existing original license, August 31, 2007, whichever occurs later.
- b. Agreement** means this Agreement.
- c. Allocation** shall mean the amount of power and associated energy that the Authority has allocated to Customer hereunder.
- d. Ancillary Services** shall be as defined by the NYISO in its rules, tariffs, manuals and procedures.
- e. Authority** is the Power Authority of the State of New York.
- f. Authorized Recipient** is defined in Article II.
- g. Commencement Date** shall be as set forth in Article XVII.
- h. Contract Demand** will be the amounts set forth in Section II or such other amount as may be determined in accordance with the provisions of this Agreement.
- i. Customer** is the municipality (Host Community) identified above.
- j. Customer’s Agent** is defined in Article IX.

- k. **Electric Service** is Power and Energy available to Customer in accordance with applicable Service Tariffs, Rules and other contract documents.
- l. **Excess Power** is defined in Article VIII and Appendix A.
- m. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- n. **FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which new license will become effective after expiration of the Project's original license issued on January 30, 1958.
- o. **Firm Hydroelectric Power and Energy** are firm power and associated energy from the Authority's Niagara Power Project, intended to be available at all times except for limitations provided in this Agreement, the Rules, applicable Service Tariff or in other contract documents.
- p. **Green Attributes** (sometimes referred to as Renewable Attributes or Renewable Energy Credits) are attributes associated with renewable energy power production facilities as may be defined by law or administrative action now or in the future, including but not limited to the Renewable Portfolio Standard proceeding of the New York Public Service Commission.
- q. **Host Communities** are Niagara County, City of Niagara Falls, Town of Lewiston, Town of Niagara, City of Niagara Falls School District, Lewiston-Porter School District and Niagara-Wheatfield School District.
- r. **Load Serving Entity** is an entity authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply Energy, Capacity and/or Ancillary Services to retail customers under the rules, tariffs, manuals and procedures of the NYISO.
- s. **NRA** means the federal Niagara Redevelopment Act (18 USC §§ 836, 836a).
- t. **NYISO** means the New York Independent System Operator or any successor organization.
- u. **Power Credits** are defined in Article VIII and Appendix A.
- v. **Project** means the Niagara Power Project, FERC Project 2216.
- w. **Project Power and Energy** means Firm Hydroelectric Power and Energy produced by the Project.

- x. **Project Switchyard** is the Niagara Project switchyard.
- y. **Relicensing Settlement Agreement** means the Niagara Power Project, FERC Project No. 2216 Host Community Relicensing Settlement Agreement Addressing Non-License Terms and Conditions allocation of Niagara Project Power and Energy to the Host Communities dated June 27, 2005.
- z. **Rules** are the applicable provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York).
- aa. **Service Tariffs** are schedules establishing rates and other conditions for sale of Electric Services to Customer.
- bb. **Ultimate Users** are entities to whom Customer or Customer's Authorized Recipient will resell (or otherwise convey benefits associated with) Project Power and Energy purchased from the Authority as provided in Article VI of this Agreement and Appendix A hereto. Customer may designate itself as an Ultimate User.
- cc. **Unforced Capacity** is the capacity required to be provided by Load Serving Entities to serve load as defined by the NYISO in its rules, tariffs, manuals and procedures.

All other terms not otherwise defined herein shall have the meanings ascribed to them in the electric industry.

II. **Electric Service to be Provided**

- a. The Authority shall provide Electric Service pursuant to Service Tariff HC-1 for Power and/or Energy to enable the Customer or the Customer's Authorized Recipient, as defined below, to receive the Allocation from the Project in accordance with the provisions of the FERC License and Relicensing Settlement Agreement, in the amount set forth below:

Firm Hydroelectric Power and Energy Service pursuant to
Service Tariff No. HC-1: 1,500 KiloWatts (Contract Demand)

Upon execution of this Agreement by a Host Community, other than Customer, that is legally capable of receiving an Allocation from the Project (Authorized Recipient) such Authorized Recipient shall be authorized to receive the Allocation of the Customer in accordance with the terms and conditions set forth in this Agreement, including Appendix A hereof. Such authorization may be revoked by Customer upon reasonable notice to the Authority and Customer's Authorized Recipient; provided, however, that Customer shall, as of the effective date of such revocation, have made arrangements (a) with another Authorized Recipient

to receive the Customer's Allocation, or (b) to receive such Allocation itself, if legally capable of doing so.

The Authority shall provide Unforced Capacity in amounts necessary to meet Customer's NYISO Unforced Capacity obligations associated with the foregoing Allocation in accordance with the rules and tariffs of the NYISO. Neither Ancillary Services, nor Green Attributes are included in such allocation.

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

III. Rules, Regulations and Service Tariffs

The Rules and Service Tariff No. HC-1, as now in effect and/or such superseding tariffs or other tariffs as the Authority may later promulgate, all as such Rules and Service Tariffs may be later amended from time to time by the Authority, are hereby incorporated into this Agreement with the same force and effect as if herein set forth at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariffs and the Rules, the provisions of the Service Tariffs shall govern. In the event of any inconsistencies, conflicts or differences between Articles I through XVII of this Agreement and the Service Tariffs, the provisions of Articles I through XVII of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to Customer of any proposed change in the above Rules and Service Tariffs, but in no event shall Authority provide less notice than that provided to similarly affected customers within New York State if that period of minimum notice is greater than herein referenced. Except as expressly provided otherwise herein, nothing contained in this Agreement shall be construed as restricting Customer's rights to participate in processes involving changes to rates, Rules and Service Tariffs or other matters affecting the subject of this Agreement.

IV. Transmission and Delivery of Power and Energy

Authority shall make Project Power and Energy available to Customer, Customer's Authorized Recipient or Customer's Agent at the Project Switchyard. It is the Customer's responsibility to act as the Load Serving Entity ("LSE"), arrange for one or more other entities to do so on its behalf or make other arrangements for conveying the benefits associated with the allocation to Ultimate Users. Customer, or the entity acting as LSE, Customer's Authorized Recipient, or Customer's Agent shall arrange for the transmission of the Project

Power and Energy supplied hereunder from the Project Switchyard to Customer's points of delivery or the conversion of the Allocation into financial settlements and benefits by such other method of disposition consistent with Article VI of this Agreement and Appendix A hereto. Such delivery shall be consistent with the terms of the Open Access Transmission Tariff (OATT) or other applicable tariff of the NYISO and Customer shall be responsible for all costs associated with the transmission and delivery of the allocation.

V. Rates

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

Customer waives any challenges to any of the following methodologies and principles¹ to the extent that one or more of such methodologies and principles are used by the Authority to set rates different than those adopted by the Authority's Trustees in their meeting on April 29, 2003 based on the "January 2003 Report on Hydroelectric Production Rates" and as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

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

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

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Customer or the Customer's Authorized Recipient shall have the right to take any position whatsoever with respect to such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority. Nothing contained herein shall preclude Customer or the Customer's Authorized Recipient from participating in the rate setting process and raising issues as to whether such methodologies and principles have been correctly employed.

VI. Use and Resale of Project Power and Energy

Customer or the Customer's Authorized Recipient shall use the Allocation for Customer's facilities or as otherwise allowed in accordance with the Relicensing Settlement Agreement, this Agreement and Appendix A hereof.

In reselling and/or distributing the Allocation, except as otherwise provided in Appendix A hereof, Customer or the Customer's Authorized Recipient shall: 1) do so pursuant to the appropriate laws of the State of New York, 2) distribute such Allocation only to the Ultimate Users designated pursuant to Appendix A, 3) not permit such Ultimate Users to sell any of such Allocation for resale and 4) comply with the provisions of the NRA, the FERC License and the New York Power Authority Act (N.Y. Pub. Auth. Law Section 1000 et seq.), to the extent such Power Authority Act is not inconsistent with the FERC License.

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

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

VII. Permanent Reallocation of Project Power and Energy

If Customer is, or becomes unable or chooses not to receive, or to have Customer's Authorized Recipient not receive, any or all of the Project Power and Energy allocated to it on a permanent basis, such Project Power and Energy

shall be reallocated by the Authority pro-rata among the other Host Communities. Customer shall provide written notice to the Authority and the other Host Communities of such inability or election within 30 days of its becoming aware of such inability or election. Upon receipt of such notice by the Authority, any required changes in the allocations of Project Power and Energy among the other Host Communities shall become effective as soon as practicable, without need to amend this Agreement and the Contract Demand in this Agreement shall be revised to reflect such reallocation, notwithstanding Article XIV hereof.

VIII. Availability of Energy

Subject to any other limitations set forth in the Rules or the Service Tariff (including low-flow conditions), if Customer or Customer's Authorized Recipient directly or indirectly provides the Allocation to Ultimate Users for physical delivery to such Users' accounts as set forth in Appendix A, Authority will supply Customer's (or Ultimate Users', as the case may be) entire demand and energy usage up to the Contract Demand. If there is any portion of the energy associated with the Allocation made available to Customer or Customer's Authorized Recipient (at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements) that is not required to serve such Ultimate Users' facilities, such energy may be utilized as Excess Power in the manner described in Appendix A.

As between Customer and the Authority, for any usage above the Contract Demand, it is Customer's responsibility to arrange for provision of such excess service by a third party supplier, and the apportionment of energy between suppliers shall be as set forth in Service Tariff No. HC-1, or any successor tariff.

Subject to any other limitations set forth in the Rules or Service Tariff (including low-flow conditions), if Customer or Customer's Authorized Recipient provides the benefits of the Allocation to Ultimate Users in the form of Power Credits as set forth in Appendix A, the Allocation will be delivered at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements.

IX. Appointment of Customer's Agent

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

Agreement with the Authority. Customer may, on reasonable prior written notice to the Authority (consistent with the Authority's and the NYISO's scheduling and business process requirements), designate a different party as Customer's Agent at any time during the term of this Agreement.

Customer's Agent may include, without limitation, a public utility, LSE, Municipal Distribution Agency, load aggregator or other entity authorized to purchase and sell electric power and/or energy pursuant to Section 360 of the General Municipal Law or pursuant to other authority.

X. Term and Termination of Service

Service under the Agreement shall begin on the Commencement Date and shall continue until the earliest of (a) termination by Customer with respect to all of its Allocation upon ninety (90) days prior written notice, (b) termination by the Authority pursuant to the Rules upon required notice, or (c) September 1, 2025, at which time a new or modified agreement will be entered between the Authority and the Customer to provide Customer or Customer's Authorized Recipient with Project Power and Energy for the remainder of the licensing period in the amount and for the rate then in effect which complies with the terms of the Relicensing Settlement Agreement. If such a new or modified agreement is not in place to take effect after September 1, 2025, service will be continued under the terms and conditions of this Agreement on a year to year basis or until a new or modified agreement takes effect between the parties.

The Authority may cancel service hereunder or modify the quantities of Project Power and Energy allocated to Customer only (a) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency), or (b) as otherwise provided herein or in the Rules. Notwithstanding the foregoing, upon mutual agreement this Agreement may be extended beyond such date on a month to month basis pending execution of any successor agreement between the Customer and Authority. The Authority shall provide reasonable notice to Customer of any matter or proceeding that could result in an order or decision as described in part (a) of this paragraph and nothing herein shall be construed as limiting Customer's right to challenge any such proposed action.

Nothing herein is intended to limit the rights of the Host Communities or Customer under the Relicensing Settlement Agreement and the Authority and Customer understand and agree that the Authority is obligated under such Relicensing Settlement Agreement to make a total of 1,500 KiloWatts of Project Power and Energy available to Customer or Customer's Authorized Recipient for the term of the FERC License, whether through extension of this Agreement or by subsequent agreement.

XI. Notification

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

To: Authority

Manager – Power Contracts
New York Power Authority
123 Main Street
White Plains, NY 10601

To: Customer

Business Manager
Niagara Wheatfield Central School District
6700 Schultz Street
Niagara Falls, NY 14304

with a copy to:

Superintendent of Schools
Niagara Wheatfield Central School District
6700 Schultz Street
Niagara Falls, NY 14304

To: Customer's Authorized Recipient

XII. Applicable Law and Venue

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

XIII. Successors and Assigns

This Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the legal successors and assigns of the parties hereto; provided, however, that no assignment by a party or any successor or assignee of such

party of its rights and obligations hereunder shall be made or become effective without the prior written consent of the other parties in each case obtained, which consent shall not be unreasonably withheld.

XIV. Previous Agreements and Communications

This Agreement, together with the Relicensing Settlement Agreement, shall constitute the sole and complete agreement of the parties hereto with respect to the matters herein set forth, and such Agreements supersede all previous communications between the Parties hereto, either oral or written, with reference to the subject matter hereof; provided, however, that additional terms pursuant to which Customer's Authorized Recipient is authorized to receive Customer's Allocation may be set forth in a separate agreement between Customer and Authorized Recipient. Any such separate agreement shall not be inconsistent with the terms of this Agreement and shall be provided to the Authority for informational purposes.

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

If there is a conflict between the language in Section 6 of the Relicensing Settlement Agreement entitled "Power Allocation" and language in this Agreement, including Appendix A, the language of this Agreement addressing this subject shall control.

XV. Acceptance and Approvals

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act, and upon execution by the parties, this Agreement, the provisions of which shall survive for the term hereof, together with the Service Tariffs and Rules both as they may be amended, shall constitute the contract between the parties for Electric Service hereunder.

XVI. Severability and Voidability

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

In such an event and at the request of any of the parties, the parties agree to engage in good faith negotiations on possible modification to this Agreement to remedy any portion of this Agreement that was declared invalid, unlawful or ineffective. Such good faith negotiations shall conform to the requirements comparable to those of section 10.1.3 of the Relicensing Settlement Agreement. To the extent that good faith negotiations do not result in an agreement as to whether or how this Agreement should be modified, the parties agree to resolve

their differences in accordance with the alternative dispute resolution mechanism set forth in section 12 of the Relicensing Settlement Agreement. The primary goal of any good faith negotiation or alternative dispute resolution mechanism shall be to preserve to the greatest extent as possible, the benefit of the parties' intended bargain.

XVII. Effectiveness of Agreement

This Agreement shall take effect on the later of: (i) the acceptance of the new License or (ii) the date of this Agreement's execution under Article XV above.

CUSTOMER: NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

AUTHORIZED RECIPIENT: NIAGARA COUNTY, NEW YORK

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

Niagara Wheatfield Central School District

POWER AUTHORITY OF THE STATE OF NEW YORK

30 South Pearl Street, Albany, NY 12207

Service Tariff No. HC -1

Schedule of Rates for Firm Hydroelectric Power
and Energy Service

EFFECTIVE:

September 1, 2007

APPLICABLE:

To sale of Niagara Firm Hydroelectric Project Power and Energy to the Host Communities customers and/or their Authorized Recipients eligible for cost-based service under the Niagara Relicensing Settlement Agreement.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES (effective May 1, 2006):

Capacity Rate: \$2.38 per kilowatt per month of Billing Demand at the Project switchyard.

Base Energy Rate: 4.92 mills per kilowatt-hour

Future rates shall be as determined by the Authority.

The Base Energy Rate set forth herein shall be subject to a monthly adjustment in accordance with a flow adjustment computation (FAC) as described in Appendix B.

MINIMUM MONTHLY CHARGE:

The product of the Capacity Rate and the Billing Demand.

POWER FACTOR:

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

DEFINITIONS:

Billing Demand: The Billing Demand shall be the Customer's Contract Demand.

Billing Energy: Energy provided by Authority under this service tariff.

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

GENERAL PROVISIONS:

General Provisions for service supplementing or modifying the Rules and Regulations for Power Service and Service Tariff No. HC – 1 with regard to deliveries to Customer are as follows:

A Availability of Energy

Unless otherwise agreed upon by the Parties, Authority shall normally provide in any Billing Period firm Energy to Customer and/or Customer's Authorized Recipient in an amount equal to the product of (A) the number of hours in such Billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the load factor specified in the Agreement. The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Customer and/or Customer's Authorized Recipient if such reductions are necessary due to low flow (i.e., hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Customer and/or Customer's Authorized Recipient in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer and/or Customer's Authorized Recipient. The Authority shall provide reasonable notice to Customer and Customer's Authorized Recipient of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers.

Unless otherwise specified in the Agreement, where Customer and/or Customer's Authorized Recipient is taking service solely from Authority, the Billing Energy shall be the total number of kilowatt-hours recorded on Customer's and/or Customer's Authorized Recipient's meter (or the meters of entities served by Customer and/or Customer's Authorized Recipient as indicated in the Agreement) during the Billing Period, adjusted for losses.

Unless otherwise specified in the Agreement, where Customer and/or Customer's Authorized Recipient takes service from other sources in addition to service supplied hereunder, the Billing Energy shall be determined by multiplying (A) the number of hours in such Billing Period, (B) the Contract Demand

applicable in such Billing Period and (C) the load factor specified in the Agreement.

B Adjustment of Rates

To the extent not inconsistent with the attached Agreement, the rates contained in this Service Tariff HC-1 may be revised from time to time on not less than thirty (30) days written notice to Customer.

C Delivery

For the purpose of this Service Tariff HC -1, Power and/or Energy shall be delivered by Authority at the Project Switchyard to the transmission facilities under the control of the NYISO for delivery to Customer and/or Customer's Authorized Recipient.

For the purpose of these Service Tariffs, Power and/or Energy shall be deemed to be offered when Authority is able to supply Power and Energy and NYISO transmits it to Customer and/or Customer's Authorized Recipient or its designated points of interconnection with Customer's Delivering Agent at the Niagara Project Switchyard. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer and/or Customer's Authorized Recipient. If, despite such offer, there is a failure of delivery by Customer, Customer's Authorized Recipient, or Customer's Agent, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D Scheduling Procedures

1. Authority will advise Customer, and Customer's Authorized Recipient, or Customer's Agent by the tenth (10th) Business Day of the preceding month of the estimated quantity of Energy expected by Service Tariff to be made available from the Project.
2. Authority may require that such Energy from the Project be scheduled in general accordance with the load shape of Customer, Customer's Authorized Recipient, or Customer's Agent or as otherwise agreed upon by the Customer and Authority.
3. Customer, Customer's Authorized Recipient, or Customer's Agent shall file with Authority pursuant to procedures established by Authority, a daily schedule setting forth the Customer's and/or Customer's Authorized Recipient's requested amounts from the Project on a clock hour basis.
4. Subsequent to Authority approval of schedules for any day, Authority and Customer, Customer's Authorized Recipient, or Customer's Agent may agree on changes in such schedules subject to NYISO scheduling

requirements and procedures Authority shall establish such that an efficient dispatch of Authority facilities will be accomplished.

E Payment by Customer and/or Customer's Authorized Recipient for Power and/or Energy

1. Customer and/or Customer's Authorized Recipient shall pay for Power and/or Energy during any Billing Period the sum of a) and b) below:
 - a. For Firm Hydroelectric Power and Energy the capacity rate per kilowatt specified in this Service Tariff or any modification thereof applied to Customer's Billing Demand for the Billing Period: and
 - b. The Energy rate specified in this Service Tariff or any modification thereof applied to the amount of firm Billing Energy delivered by Authority to Customer and/or Customer's Authorized Recipient during such Billing Period.
2. Bills computed under Service Tariff HC-1 are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill and adjustments, if necessary, will be made thereafter.

F Supplementary Provision

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

G Alternate Arrangements

Notwithstanding general provisions C, D and E above, Authority, Customer, Customer's Authorized Recipient and/or Customer's Agent may make alternate arrangements regarding Delivery, Scheduling Procedures and Payment by Customer for Power and/or Energy, necessary to effectuate the terms of Appendix A hereto.

Appendix A

Except as Customer determines otherwise, consistent with the terms of this Agreement, Customer or Customer's Authorized Recipient will initially distribute power and energy purchased from the New York Power Authority under the Agreement or the economic benefit of such power and energy to the following Ultimate Users_____

Customer may add to or delete from the above list of Ultimate Users on thirty (30) day's notice to the Authority. Customer in its sole determination may elect to use its full Allocation or any part thereof, for economic development. The economic development program description, allocation criteria and methodology shall be submitted to and approved by the Authority which approval shall not be unreasonably withheld.

The benefits of the Allocation shall be provided to such Ultimate Users either by direct sale or by allocation by the Customer (or by Customer's Authorized Recipient or Customer's Agent) of electricity or the provision of financial settlements and benefits, as set forth below, or through different methods approved by the Authority. Customer shall have the right to recover as Customer Costs its direct administrative and services costs, reasonable compensation for use of third party facilities and services furnished to Customer in the transmission and distribution of such power, all costs associated with negotiating the Agreement and the establishment of mechanisms to accept and distribute the Allocation, and any similar costs, incurred after the execution of the Host Community Relicensing Settlement Agreement dated June 27, 2005. Such Customer Costs shall be reimbursed to Customer or otherwise paid by the Ultimate User by procedures to be determined.

The listing or description of the foregoing Ultimate Users in no way mandates or requires for any reason that the Customer provide any portion of the Allocation (or Power Credits) to an Ultimate User and shall not preclude the Customer from denying any such Ultimate User the benefits associated with an allocation for any reason as determined by Customer.

A Direct Sale / Allocation, Use of Excess Power

Customer, Customer's Authorized Recipient or Customer's Agent may make a portion of the Allocation available to an Ultimate User for delivery at such Ultimate User's electricity accounts under the tariffs, rules and regulations of the NYISO and the utility in whose service area such accounts are located. If there is any portion of the Allocation made available to Customer or Customer's Authorized Recipient that is not required to serve such Ultimate User's facilities, such Excess Power (up to the load factor specified in the Agreement) may be utilized as follows:

1. Customer, Customer's Authorized Recipient or Customer's Agent may schedule Excess Power into the NYISO administered market for financial settlement, and such financial settlement so received by Customer (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), shall be applied by Customer to payment of Customer's (or an Ultimate User's, as the case may be) energy-related costs, including but not limited to, the purchase of energy commodities, the delivery and transportation of electricity and all other energy commodities

and/or for energy efficiency or clean energy technology programs or projects now in existence or that may exist during the term of the Agreement.

2. Customer or Customer's Authorized Recipient may use the Excess Power (or the benefits associated with such Excess Power derived from a financial settlement as set forth in the preceding Paragraph 1) for economic development by providing credits to a business to apply against the cost of power or energy and/or the cost of delivery of power or energy consumed by such business.

B Power Credits

Customer, Customer's Authorized Recipient or Customer's Agent, may schedule all of Customer's Allocation (up to the load factor specified in the Agreement) into the NYISO administered market for financial settlement, and such financial settlement so received by Customer (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), may be provided to Ultimate Users in the form of Power Credits by Customer or Customer's Authorized Recipient as follows:

Power Credits may be applied towards the cost and/or delivery of electric power or energy consumed by the Ultimate User or for other energy-related costs, including but not limited to, purchase of energy commodities, the delivery and transportation of electricity and all other energy commodities and/or for energy efficiency or clean energy technology programs or projects now in existence or that may exist during the terms of the Agreement.

C Service through Authorized Entity

Through assignment, transfer or otherwise, including through an agency arrangement, Customer shall have the right to make available its Allocation or any part thereof to any entity, including but not limited to Customer's Authorized Recipient, that is duly authorized to receive, purchase, transmit, distribute, and/or resell the power and energy included in the Allocation or otherwise to engage in such transactions as are necessary to effectuate the delivery of the Allocation and/or to provide the financial benefits thereof to the Customer, the Customer's Ultimate Users and the Customer's constituents, as determined in the exercise of the Customer's discretion and consistent with the provisions of the Host Community Relicensing Settlement Agreement dated June 27, 2005 and Article VI of the Agreement. Any such assignment, transfer, agency arrangement or similar transaction contemplated by this paragraph may, but shall not be required to, include elements of the other methods described in this Appendix A.

D Continuity

In the event that any administrative agency or court of competent jurisdiction shall determine that any element of any of the foregoing methods of distributing the Allocations and/or financial benefits thereof is unauthorized or illegal, the Customer shall propose an alternative method of distribution, not necessarily limited to those described above, and

the Authority shall promptly determine whether to accept such alternative method. Such acceptance shall not be unreasonably withheld.

E Right to Alternate Between Methods

Customer shall have the right at its discretion and without restriction to alternate between the methods for the distribution of the benefits of the Allocation as set forth in Sections A through D above, upon giving sixty (60) days written notice to the Authority.

F. Market Administration

Notwithstanding anything to the contrary in the Agreement, if Customer and/or Customer's Authorized Recipient elects to convert the Allocation into financial settlements for use as payments or credits pursuant to Sections A or B above, the Authority may in its discretion schedule the Allocation into the NYISO administered market for financial settlement; such financial settlement, less the Authority's costs calculated using tariff rates as described in Section V of the Agreement, shall be provided to Customer, Customer's Authorized Recipient, or Customer's Agent, as the case may be, for disposition pursuant to the terms of a separate agreement between Authority, Customer and either Customer's Agent or Customer's Authorized Recipient, or both.

In the event that the Authority determines, in its discretion, not to use the foregoing method of scheduling the Allocation into the NYISO administered market for financial settlement, the Authority will provide reasonable notice to Customer of its intent to discontinue such method and assist Customer in making other arrangements to effect the delivery of the benefits of the Allocation to Customer or Ultimate Users.

This Section F is intended as an additional method of providing the benefits of the Allocation and is not intended to limit in any way the right to use other methods of providing such benefits, as set forth in the Agreement, including this Appendix A.

Appendix B

**NEW YORK POWER AUTHORITY RATE STABILIZATION RESERVE
METHODOLOGY**

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

1. Calculate the total cost of service (CoS) for the Niagara/St. Lawrence projects. Costs include: Operations and Maintenance, amortized roadwork, Indirect Overheads (Shared Services, Research and Development, debt service) and Capital Costs (using TOC for equity funded and OC for debt funded).
2. Credit the CoS by any excess capacity (ICAP) sales to the NYISO.
3. Allocate costs to the demand function by multiplying the sum of the customers' billed demands by the preference demand charge, which has been inflated to include Ancillary Services production costs. This larger demand charge is used only for the purposes of the RSR.
4. Calculate the cost-based energy rate by dividing the remaining energy assigned costs by the annual metered generation.
5. Calculate the difference between the cost-based energy rate and the billed preference energy rate.
6. Multiply the difference in the rates by the actual annual billed preference energy sales to determine the annual change in the RSR.
7. Add the annual change to the RSR balance from the prior year-end to get the current year-end RSR balance.
8. If the current year-end balance is in excess of +/- \$25 million, the excess would be subject to a credit or a surcharge in the subsequent rate year.

POWER AUTHORITY
OF THE
STATE OF NEW YORK

30 South Pearl Street
Albany, New York

AGREEMENT FOR THE SALE
OF NIAGARA PROJECT POWER AND ENERGY
TO THE NIAGARA PROJECT HOST COMMUNITIES

Service Tariff No. HC-1 - Firm Hydroelectric Power and Energy

May 22, 2007

POWER AUTHORITY OF THE STATE OF NEW YORK

**30 South Pearl Street
Albany, New York 12207**

AGREEMENT FOR THE SALE OF HYDROPOWER AND ENERGY

The Town of Lewiston (“Customer”) hereby enters into this Agreement with the Power Authority of the State of New York for electric service as follows:

I. Definitions

- a. **Acceptance of the New License** shall mean the date upon which the Power Authority files its acceptance of the New License with FERC, or the date of the expiration of the existing original license, August 31, 2007, whichever occurs later.
- b. **Agreement** means this Agreement.
- c. **Allocation** shall mean the amount of power and associated energy that the Authority has allocated to Customer hereunder.
- d. **Ancillary Services** shall be as defined by the NYISO in its rules, tariffs, manuals and procedures.
- e. **Authority** is the Power Authority of the State of New York.
- f. **Commencement Date** shall be as set forth in Article XVII.
- g. **Contract Demand** will be the amounts set forth in Section II or such other amount as may be determined in accordance with the provisions of this Agreement.
- h. **Customer** is the municipality (Host Community) identified above.
- i. **Customer’s Agent** is defined in Article IX.
- j. **Electric Service** is Power and Energy available to Customer in accordance with applicable Service Tariffs, Rules and other contract documents.
- k. **Excess Power** is defined in Article VIII and Appendix A.
- l. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- m. **FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of

the Federal Power Act, which new license will become effective after expiration of the Project's original license issued on January 30, 1958.

- n. **Firm Hydroelectric Power and Energy** are firm power and associated energy from the Authority's Niagara Power Project, intended to be available at all times except for limitations provided in this Agreement, the Rules, applicable Service Tariff or in other contract documents.
- o. **Green Attributes** (sometimes referred to as Renewable Attributes or Renewable Energy Credits) are attributes associated with renewable energy power production facilities as may be defined by law or administrative action now or in the future, including but not limited to the Renewable Portfolio Standard proceeding of the New York Public Service Commission.
- p. **Host Communities** are Niagara County, City of Niagara Falls, Town of Lewiston, Town of Niagara, City of Niagara Falls School District, Lewiston-Porter School District and Niagara-Wheatfield School District.
- q. **Load Serving Entity** Is an entity authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply Energy, Capacity and/or Ancillary Services to retail customers under the rules, tariffs, manuals and procedures of the NYISO.
- r. **NRA** means the federal Niagara Redevelopment Act (18 USC §§836, 836a)
- s. **NYISO** means the New York Independent System Operator or any successor organization.
- t. **Power Credits** is defined in Article VIII and Appendix A.
- u. **Project** means the Niagara Power Project, FERC Project 2216.
- v. **Project Power and Energy** means Firm Hydroelectric Power and Energy produced by the Project.
- w. **Project Switchyard** is the Niagara Project switchyard.
- x. **Relicensing Settlement Agreement** means the Niagara Power Project, FERC Project No. 2216 Host Community Relicensing Settlement Agreement Addressing Non-License Terms and Conditions allocation of Niagara Project Power and Energy to the Host Communities dated June 27, 2005.
- y. **Rules** are the applicable provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York).

z. Service Tariffs are schedules establishing rates and other conditions for sale of Electric Services to Customer.

aa. Ultimate Users are entities to whom Customer will resell or otherwise convey benefits associated with Project Power and Energy purchased from the Authority as provided in Article VI and Appendix A. Customer may designate itself as an Ultimate User.

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

All terms not otherwise defined shall have the meaning ascribed to them in the electric industry.

II. Electric Service to be Provided

a. The Authority shall provide Electric Service pursuant to Service Tariff HC-1 for Power and/or Energy to enable the Customer to receive the Allocation from the Project in accordance with the provisions of the FERC License and Relicensing Settlement Agreement, in the amount set forth below:

Firm Hydroelectric Power and Energy Service pursuant to Service Tariff No. HC-1: 3,500 KiloWatts (Contract Demand) subject to such increase as may be determined by the Authority pursuant to Appendix C to the Relicensing Settlement Agreement which determination shall be made prior to the Commencement Date

The Authority shall provide Unforced Capacity in amounts necessary to meet Customer's NYISO Unforced Capacity obligations associated with the foregoing Allocation in accordance with the rules and tariffs of the NYISO. Neither Ancillary Services, nor Green Attributes are included in such allocation.

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

III. Rules, Regulations and Service Tariffs

The Rules and Service Tariff No. HC-1, as now in effect and/or such superseding tariffs or other tariffs as the Authority may later promulgate, all as such Rules and

Service Tariffs may be later amended from time to time by the Authority, are hereby incorporated into this Agreement with the same force and effect as if herein set forth at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariffs and the Rules, the provisions of the Service Tariffs shall govern. In the event of any inconsistencies, conflicts or differences between Articles I through XVII of this Agreement and the Service Tariffs, the provisions of Articles I through XVII of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to Customer of any proposed change in the above Rules and Service Tariffs, but in no event shall Authority provide less notice than that provided to similarly affected customers within New York State if that period of minimum notice is greater than herein referenced. Except as expressly provided otherwise herein, nothing contained in this Agreement shall be construed as restricting Customer's rights to participate in processes involving changes to rates, Rules and Service Tariffs or other matters affecting the subject of this Agreement.

IV. Transmission and Delivery of Power and Energy

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

V. Rates

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

Customer waives any challenges to any of the following methodologies and principles¹ to the extent that one or more of such methodologies and principles are used by the Authority to set rates different than those adopted by the Authority's Trustees in their meeting on April 29, 2003 based on the "January 2003 Report on Hydroelectric Production Rates" and as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

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

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

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Customer shall have the right to take any position whatsoever with respect to such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority. Nothing contained herein shall preclude Customer from participating in the rate setting process and raising issues as to whether such methodologies and principles have been correctly employed.

VI. Use and Resale of Project Power and Energy

Customer shall use the Allocation for its facilities or as otherwise allowed in accordance with the Relicensing Settlement Agreement, this Agreement and Appendix A hereof.

In reselling and/or distributing the Allocation, except as otherwise provided in Appendix A hereof, Customer shall: 1) do so pursuant to the appropriate laws of the State of New York, 2) distribute such Allocation only to the Ultimate Users designated pursuant to Appendix A, 3) not permit such Ultimate Users to sell any of such Allocation for resale and 4) comply with the provisions of the NRA, the FERC License and the New York Power Authority Act (N.Y. Pub. Auth. Law Section 1000 et seq.), to the extent such Power Authority Act is not inconsistent with the FERC License.

Customer or Customer's Agent shall keep its books, accounts and records

pertaining to the purchase, delivery and sale of the Allocation according to procedures reasonably deemed necessary by Authority to ensure compliance with this Agreement and Appendix A hereof, applicable statutes, licenses, the Rules. Customer shall provide such information and permit such inspection of its books and records as Authority may reasonably request and shall require its Ultimate Users as identified in Appendix A of the Agreement and, for those Ultimate Users who receive benefits only in the form of Power Credits, Customer's Agent to do likewise.

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

VII. Permanent Reallocation of Project Power and Energy

If Customer is, or becomes unable or chooses not to receive any or all of the Project Power and Energy allocated to it on a permanent basis, such Project Power and Energy shall be reallocated by the Authority pro-rata among the other Host Communities. Customer shall provide written notice to the Authority and the other Host Communities of such inability or election within 30 days of its becoming aware of such inability or election. Upon receipt of such notice by the Authority, any required changes in the allocations of Project Power and Energy among the other Host Communities shall become effective as soon as practicable, without need to amend this Agreement and the Contract Demand in this Agreement shall be revised to reflect such reallocation notwithstanding Article XIV hereof.

VIII. Availability of Energy

Subject to any other limitations set forth in the Rules or the Service Tariff (including low-flow conditions), if Customer provides the Allocation to Ultimate Users for physical delivery to such Users' accounts as set forth in Appendix A, Authority will supply Customer's (or Ultimate Users', as the case may be) entire demand and energy usage up to the Contract Demand. If there is any portion of the energy associated with the Allocation made available to Customer (at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements) that is not required to serve such Ultimate User's facilities, such energy may be utilized as Excess Power in the manner described in Appendix A.

For any usage above the Contract Demand, it is Customer's responsibility to arrange for provision of such excess service by a third party supplier, and the apportionment of energy between suppliers shall be as set forth in Service Tariff No. HC-1, or any successor tariff.

Subject to any other limitations set forth in the Rules or Service Tariff (including low-flow conditions), if Customer provides the benefits of the Allocation to Ultimate Users

in the form of Power Credits as set forth in Appendix A, the Allocation will be delivered at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements.

IX. Appointment of Customer's Agent

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

Customer's Agent may include, without limitation, a public utility, LSE, Municipal Distribution Agency, load aggregator or other entity authorized to purchase and sell electric power and/or energy pursuant to Section 360 of the General Municipal Law or pursuant to other authority.

X. Term and Termination of Service

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

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

or in the Rules. Notwithstanding the foregoing, upon mutual agreement this Agreement may be extended beyond such date on a month to month basis pending execution of any successor agreement between the Customer and Authority. The Authority shall provide reasonable notice to Customer of any matter or proceeding that could result in an order or decision as described in part (a) of this paragraph and nothing herein shall be construed as limiting Customer's right to challenge any such proposed action.

Nothing herein is intended to limit the rights of the Host Communities or Customer under the Relicensing Settlement Agreement and the Authority and Customer understand and agree that the Authority is obligated under such Relicensing Settlement Agreement to make a total of 3.5 MW or such increased amount as provided for in paragraph II(a) hereof of Project Power and Energy available to Customer for the term of the FERC License, whether through extension of this Agreement or by subsequent agreement.

XI. Notification

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

To: Authority

Manager – Power Contracts
New York Power Authority
123 Main Street
White Plains, NY 10601

To: Customer

Supervisor
Town of Lewiston
Town Hall
1375 Ridge Road
P.O. Box 330
Lewiston, New York 14092

XII. Applicable Law and Venue

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

XIII. Successors and Assigns

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

XIV. Previous Agreements and Communications

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

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

If there is a conflict between the language in Section 6 of the Relicensing Settlement Agreement entitled "Power Allocation" and language in this Agreement, including Appendix A, the language of this Agreement addressing this subject shall control.

XV. Acceptance and Approvals

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

XVI. Severability and Voidability

If any term or provision of this Agreement shall be invalidated, declared unlawful or ineffective in whole or in part by an order of the FERC or a court of competent

jurisdiction, such order shall not be deemed to invalidate the remaining terms or provisions hereof.

In such an event and at the request of either Party, the Parties agree to engage in good faith negotiations on possible modification to this Agreement to remedy any portion of this Agreement that was declared invalid, unlawful or ineffective. Such good faith negotiations shall conform to the requirements comparable to those of section 10.1.3 of the Relicensing Settlement Agreement. To the extent that good faith negotiations do not result in an agreement as to whether or how this Agreement should be modified, the Parties agree to resolve their differences in accordance with the alternative dispute resolution mechanism set forth in section 12 of the Relicensing Settlement Agreement. The primary goal of any good faith negotiation or alternative dispute resolution mechanism shall be to preserve to the greatest extent as possible, the benefit of the Parties' intended bargain.

XVII. Effectiveness of Agreement

This Agreement shall take effect on the later of: (i) the acceptance of the new License or (ii) the date of this Agreement's execution under Article XV above.

CUSTOMER

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

POWER AUTHORITY OF THE STATE OF NEW YORK
30 South Pearl Street, Albany, NY 12207

Service Tariff No. HC -1

Schedule of Rates for Firm Hydroelectric Power
and Energy Service

EFFECTIVE:

September 1, 2007

APPLICABLE:

To sale of Niagara Firm Hydroelectric Project Power and Energy to the Host Communities customers eligible for cost-based service under the Niagara Relicensing Settlement Agreement.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES (effective May 1, 2006):

Capacity Rate: \$2.38 per kilowatt per month of Billing Demand at the Project switchyard.

Base Energy Rate: 4.92 mills per kilowatt-hour

Future rates shall be as determined by the Authority.

The Base Energy Rate set forth herein shall be subject to a monthly adjustment in accordance with a flow adjustment computation (FAC) as described in Appendix B.

MINIMUM MONTHLY CHARGE:

The product of the Capacity Rate and the Billing Demand.

POWER FACTOR:

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

DEFINITIONS:

Billing Demand: The Billing Demand shall be the Customer's Contract Demand.

Billing Energy: Energy provided by Authority under this service tariff.

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

GENERAL PROVISIONS:

General Provisions for service supplementing or modifying the Rules and Regulations for Power Service and Service Tariff No. HC – 1 with regard to deliveries to Customer are as follows:

A Availability of Energy

Unless otherwise agreed upon by the Parties, Authority shall normally provide in any Billing Period firm Energy to Customer in an amount equal to the product of (A) the number of hours in such Billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the load factor specified in the Agreement. The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Customer if such reductions are necessary due to low flow (i.e., hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Customer in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer. The Authority shall provide reasonable notice to Customer of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers.

Unless otherwise specified in the Agreement, where Customer is taking service solely from Authority, the Billing Energy shall be the total number of kilowatt-hours recorded on Customer's meter (or the meters of entities served by Customer as indicated in the Agreement) during the Billing Period, adjusted for losses.

Unless otherwise specified in the Agreement, where Customer takes service from other sources in addition to service supplied hereunder, the Billing Energy shall be determined by multiplying (A) the number of hours in such Billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the load factor specified in the Agreement.

B Adjustment of Rates

To the extent not inconsistent with the attached Agreement, the rates contained in this Service Tariff HC-1 may be revised from time to time on not less than thirty (30) days written notice to Customer.

C Delivery

For the purpose of this Service Tariff HC -1, Power and/or Energy shall be delivered by Authority at the Project Switchyard to the transmission facilities under the control of the NYISO for delivery to Customer.

For the purpose of these Service Tariffs, Power and/or Energy shall be deemed to be offered when Authority is able to supply Power and Energy and NYISO transmits it to Customer or its designated points of interconnection with Customer's Agent at the Niagara Project Switchyard. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer. If, despite such offer, there is a failure of delivery by Customer or Customer's Agent, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D Scheduling Procedures

1. Authority will advise Customer or Customer's Agent by the tenth (10th) Business Day of the preceding month of the estimated quantity of Energy expected by Service Tariff to be made available from the Project.
2. Authority may require that such Energy from the Project be scheduled in general accordance with the load shape of Customer or Customer's Agent or as otherwise agreed upon by the Customer and Authority.
3. Customer or Customer's Agent shall file with Authority pursuant to procedures established by Authority, a daily schedule setting forth the Customer's requested amounts from the Project on a clock hour basis.
4. Subsequent to Authority approval of schedules for any day, Authority and Customer or Customer's Agent may agree on changes in such schedules subject to NYISO scheduling requirements and procedures Authority shall establish such that an efficient dispatch of Authority facilities will be accomplished.

E Payment by Customer for Power and/or Energy

- 1 Customer shall pay for Power and/or Energy during any Billing Period the sum of a) and b) below:
 - a. For Firm Hydroelectric Power and Energy the capacity rate per kilowatt specified in this Service Tariff or any modification thereof applied to Customer's Billing Demand for the Billing Period: and

- b. The Energy rate specified in this Service Tariff or any modification thereof applied to the amount of firm Billing Energy delivered by Authority to Customer during such Billing Period.
2. Bills computed under Service Tariff HC-1 are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill and adjustments, if necessary, will be made thereafter.

F Supplementary Provision

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

G Alternate Arrangements

Notwithstanding general provisions C, D and E above, Authority, Customer and/or Customer's Agent may make alternate arrangements regarding Delivery, Scheduling Procedures and Payment by Customer for Power and/or Energy, necessary to effectuate the terms of Appendix A hereto.

Appendix A

Customer will initially distribute power and energy purchased from the New York Power Authority under the Agreement or the economic benefit of such power and energy to the following Ultimate Users: All electricity users located within the Town of Lewiston who are served by Niagara Mohawk Power Corporation under Service Classification 1 of its PSC electricity tariff.

Customer may add to or delete from the above list of Ultimate Users on thirty (30) day's notice to the Authority. Customer in its sole determination may elect to use its full Allocation or any part thereof, for economic development. The economic development program description, allocation criteria and methodology shall be submitted to and approved by the Authority which approval shall not be unreasonably withheld.

The benefits of the Allocation shall be provided to such Ultimate Users either by direct sale or by allocation by the Customer (or by Customer's Agent) of electricity or the provision of Power Credits, as set forth below, or through different methods approved by the Authority. Customer shall have the right to recover as Customer Costs its direct administrative and services costs, reasonable compensation for use of third party facilities and services furnished to Customer in the transmission and distribution of such power and all costs associated with negotiating the Agreement and the establishment of mechanisms to accept and distribute the Allocation, and any similar costs, incurred after the execution of the Host Community Relicensing Settlement Agreement dated June 27, 2005. Such Customer Costs shall be reimbursed to Customer or otherwise paid by the Ultimate User by procedures to be determined.

The foregoing identification of Ultimate Users in no way mandates or requires for any reason that the Customer provide any portion of the Allocation (or Power Credits) to an Ultimate User and shall not preclude the Customer from denying any such Ultimate User the benefits associated with an allocation for any reason as determined by Customer.

A. Direct Sale / Allocation, Use of Excess Power

Customer or Customer's Agent may make a portion of the Allocation available to an Ultimate User for delivery at such Ultimate User's electricity accounts under the tariffs, rules and regulations of the NYISO and the utility in whose service area such accounts are located. If there is any portion of the Allocation made available to Customer that is not required to serve such Ultimate User's facilities, such Excess Power (up to the load factor specified in the Agreement) may be utilized as follows:

1. Customer or Customer's agent may schedule Excess Power into the NYISO administered market for financial settlement, and such financial settlement so received by Customer (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), shall be applied by Customer to payment of Customer's (or an Ultimate User's, as the case may be) energy-related costs, including but not limited to, the purchase of energy commodities, the delivery

and transportation of electricity and all other energy commodities and/or for energy efficiency or clean energy technology programs or projects.

2. Customer may use the Excess Power (or the benefits associated with such Excess Power derived from a financial settlement as set forth in the preceding Paragraph 1) for economic development by providing credits to a business to apply against the cost of power or energy and/or the cost of delivering power or energy consumed by such business.

B. Power Credits

Customer, or Customer's Agent, may schedule all of its Allocation (up to the load factor specified in the Agreement) into the NYISO administered market for financial settlement, and such financial settlement so received by Customer or a forecasted amount of such financial settlement (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), may be provided to Ultimate Users in the form of Power Credits by Customer as follows:

Power Credits may be applied towards the cost and/or delivery of electric power or energy consumed by the Ultimate User or, to the extent Power Credits remain after payment of all electric power and energy (including delivery) costs, for energy-related costs, including but not limited to, purchase of other energy commodities now in existence or that may exist during the terms of the Agreement.

C. Right to Alternate Between Methods

Customer shall have the right at its discretion and without restriction to alternate between the methods for the distribution of the benefits of the Allocation as set forth in Sections A and B above, upon giving sixty (60) days written notice to the Authority.

D. Market Administration

Notwithstanding anything to the contrary in the Agreement, if Customer elects to convert the Allocation into financial settlements for use as payments or credits pursuant to Sections A or B above, the Authority may in its discretion schedule the Allocation into the NYISO administered market for financial settlement; such financial settlement, less the Authority's costs calculated using tariff rates as described in Section V of the Agreement, shall be provided to Customer, or Customer's Agent, as the case may be, for disposition pursuant to the terms of a separate agreement between Authority, Customer and Customer's Agent.

In the event that the Authority determines, in its discretion, not to use the foregoing method of scheduling the Allocation into the NYISO administered market for financial settlement, the Authority will provide reasonable notice to Customer of its intent to discontinue such method and assist Customer in making other arrangements to effect the delivery of the benefits of the Allocation to Customer or Ultimate Users.

This Section D is intended as an additional method of providing the benefits of the Allocation and is not intended to limit in any way the right to use other methods of providing such benefits, as set forth in the Agreement, including this Appendix A.

Appendix B

NEW YORK POWER AUTHORITY RATE STABILIZATION RESERVE METHODOLOGY

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

1. Calculate the total cost of service (CoS) for the Niagara/St. Lawrence projects. Costs include: Operations and Maintenance, amortized roadwork, Indirect Overheads (Shared Services, Research and Development, debt service) and Capital Costs (using TOC for equity funded and OC for debt funded).
2. Credit the CoS by any excess capacity (ICAP) sales to the NYISO.
3. Allocate costs to the demand function by multiplying the sum of the customers' billed demands by the preference demand charge, which has been inflated to include Ancillary Services production costs. This larger demand charge is used only for the purposes of the RSR.
4. Calculate the cost-based energy rate by dividing the remaining energy assigned costs by the annual metered generation.
5. Calculate the difference between the cost-based energy rate and the billed preference energy rate.
6. Multiply the difference in the rates by the actual annual billed preference energy sales to determine the annual change in the RSR.
7. Add the annual change to the RSR balance from the prior year-end to get the current year-end RSR balance.
8. If the current year-end balance is in excess of +/- \$25 million, the excess would be subject to a credit or a surcharge in the subsequent rate year.

POWER AUTHORITY
OF THE
STATE OF NEW YORK
30 South Pearl Street
Albany, New York

AGREEMENT FOR THE SALE
OF NIAGARA PROJECT HYDROELECTRIC POWER AND ENERGY
TO THE NIAGARA PROJECT HOST COMMUNITIES

Service Tariff No. HC-1 - Firm Hydroelectric Power and Energy
(TOWN OF NIAGARA, NEW YORK)

May 22, 2007

POWER AUTHORITY OF THE STATE OF NEW YORK

**30 South Pearl Street
Albany, New York 12207**

**AGREEMENT FOR THE SALE OF HYDROELECTRIC POWER AND ENERGY TO
THE NIAGARA PROJECT HOST COMMUNITIES**

SERVICE TARIFF No. HC-1 – Firm Hydroelectric Power and Energy

(TOWN OF NIAGARA, NEW YORK)

Town of Niagara, New York (“Customer”) hereby enters into this Agreement with the Power Authority of the State of New York for electric service as follows:

I. Definitions

- a. Acceptance of the New License** shall mean the date upon which the Power Authority files its acceptance of the New License with FERC, or the date of the expiration of the existing original license, August 31, 2007, whichever occurs later.
- b. Agreement** means this Agreement.
- c. Allocation** shall mean the amount of power and associated energy that the Authority has allocated to Customer hereunder.
- d. Ancillary Services** shall be as defined by the NYISO in its rules, tariffs, manuals and procedures.
- e. Authority** is the Power Authority of the State of New York.
- f. Authorized Recipient** is defined in Article II.
- g. Commencement Date** shall be as set forth in Article XVII.
- h. Contract Demand** will be the amounts set forth in Section II or such other amount as may be determined in accordance with the provisions of this Agreement.
- i. Customer** is the municipality (Host Community) identified above.
- j. Customer’s Agent** is defined in Article IX.
- k. Electric Service** is Power and Energy available to Customer in accordance with applicable Service Tariffs, Rules and other contract documents.

- l.** **Excess Power** is defined in Article VIII and Appendix A.
- m.** **FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- n.** **FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which new license will become effective after expiration of the Project's original license issued on January 30, 1958.
- o.** **Firm Hydroelectric Power and Energy** are firm power and associated energy from the Authority's Niagara Power Project, intended to be available at all times except for limitations provided in this Agreement, the Rules, applicable Service Tariff or in other contract documents.
- p.** **Green Attributes** (sometimes referred to as Renewable Attributes or Renewable Energy Credits) are attributes associated with renewable energy power production facilities as may be defined by law or administrative action now or in the future, including but not limited to the Renewable Portfolio Standard proceeding of the New York Public Service Commission.
- q.** **Host Communities** are Niagara County, City of Niagara Falls, Town of Lewiston, Town of Niagara, City of Niagara Falls School District, Lewiston-Porter School District and Niagara-Wheatfield School District.
- r.** **Load Serving Entity** is an entity authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply Energy, Capacity and/or Ancillary Services to retail customers under the rules, tariffs, manuals and procedures of the NYISO.
- s.** **NRA** means the federal Niagara Redevelopment Act (18 USC §§ 836, 836a).
- t.** **NYISO** means the New York Independent System Operator or any successor organization.
- u.** **Power Credits** are defined in Article VIII and Appendix A.
- v.** **Project** means the Niagara Power Project, FERC Project 2216.
- w.** **Project Power and Energy** means Firm Hydroelectric Power and Energy produced by the Project.
- x.** **Project Switchyard** is the Niagara Project switchyard.

- y. Relicensing Settlement Agreement** means the Niagara Power Project, FERC Project No. 2216 Host Community Relicensing Settlement Agreement Addressing Non-License Terms and Conditions allocation of Niagara Project Power and Energy to the Host Communities dated June 27, 2005.
- z. Rules** are the applicable provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York).
- aa. Service Tariffs** are schedules establishing rates and other conditions for sale of Electric Services to Customer.
- bb. Ultimate Users** are entities to whom Customer or Customer's Authorized Recipient will resell (or otherwise convey benefits associated with) Project Power and Energy purchased from the Authority as provided in Article VI of this Agreement and Appendix A hereto. Customer may designate itself as an Ultimate User.
- cc. Unforced Capacity** is the capacity required to be provided by Load Serving Entities to serve load as defined by the NYISO in its rules, tariffs, manuals and procedures.

All other terms not otherwise defined herein shall have the meanings ascribed to them in the electric industry.

II. Electric Service to be Provided

- a.** The Authority shall provide Electric Service pursuant to Service Tariff HC-1 for Power and/or Energy to enable the Customer or the Customer's Authorized Recipient, as defined below, to receive the Allocation from the Project in accordance with the provisions of the FERC License and Relicensing Settlement Agreement, in the amount set forth below:

Firm Hydroelectric Power and Energy Service pursuant to
Service Tariff No. HC-1: 500 KiloWatts (Contract Demand)

Upon execution of this Agreement by a Host Community, other than Customer, that is legally capable of receiving an Allocation from the Project (Authorized Recipient) such Authorized Recipient shall be authorized to receive the Allocation of the Customer in accordance with the terms and conditions set forth in this Agreement, including Appendix A hereof. Such authorization may be revoked by Customer upon reasonable notice to the Authority and Customer's Authorized Recipient; provided, however, that Customer shall, as of the effective date of such revocation, have made arrangements (a) with another Authorized Recipient

to receive the Customer's Allocation, or (b) to receive such Allocation itself, if legally capable of doing so.

The Authority shall provide Unforced Capacity in amounts necessary to meet Customer's NYISO Unforced Capacity obligations associated with the foregoing Allocation in accordance with the rules and tariffs of the NYISO. Neither Ancillary Services, nor Green Attributes are included in such allocation.

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

III. Rules, Regulations and Service Tariffs

The Rules and Service Tariff No. HC-1, as now in effect and/or such superseding tariffs or other tariffs as the Authority may later promulgate, all as such Rules and Service Tariffs may be later amended from time to time by the Authority, are hereby incorporated into this Agreement with the same force and effect as if herein set forth at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariffs and the Rules, the provisions of the Service Tariffs shall govern. In the event of any inconsistencies, conflicts or differences between Articles I through XVII of this Agreement and the Service Tariffs, the provisions of Articles I through XVII of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to Customer of any proposed change in the above Rules and Service Tariffs, but in no event shall Authority provide less notice than that provided to similarly affected customers within New York State if that period of minimum notice is greater than herein referenced. Except as expressly provided otherwise herein, nothing contained in this Agreement shall be construed as restricting Customer's rights to participate in processes involving changes to rates, Rules and Service Tariffs or other matters affecting the subject of this Agreement.

IV. Transmission and Delivery of Power and Energy

Authority shall make Project Power and Energy available to Customer, Customer's Authorized Recipient or Customer's Agent at the Project Switchyard. It is the Customer's responsibility to act as the Load Serving Entity ("LSE"), arrange for one or more other entities to do so on its behalf or make other arrangements for conveying the benefits associated with the allocation to Ultimate Users. Customer, or the entity acting as LSE, Customer's Authorized

Recipient, or Customer's Agent shall arrange for the transmission of the Project Power and Energy supplied hereunder from the Project Switchyard to Customer's points of delivery or the conversion of the Allocation into financial settlements and benefits by such other method of disposition consistent with Article VI of this Agreement and Appendix A hereto. Such delivery shall be consistent with the terms of the Open Access Transmission Tariff (OATT) or other applicable tariff of the NYISO and Customer shall be responsible for all costs associated with the transmission and delivery of the allocation.

V. Rates

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

Customer waives any challenges to any of the following methodologies and principles¹ to the extent that one or more of such methodologies and principles are used by the Authority to set rates different than those adopted by the Authority's Trustees in their meeting on April 29, 2003 based on the "January 2003 Report on Hydroelectric Production Rates" and as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

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

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

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

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Customer or the Customer's Authorized Recipient shall have the right to take any position whatsoever with respect to such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority. Nothing contained herein shall preclude Customer or the Customer's Authorized Recipient from participating in the rate setting process and raising issues as to whether such methodologies and principles have been correctly employed.

VI. Use and Resale of Project Power and Energy

Customer or the Customer's Authorized Recipient shall use the Allocation for Customer's facilities or as otherwise allowed in accordance with the Relicensing Settlement Agreement, this Agreement and Appendix A hereof.

In reselling and/or distributing the Allocation, except as otherwise provided in Appendix A hereof, Customer or the Customer's Authorized Recipient shall: 1) do so pursuant to the appropriate laws of the State of New York, 2) distribute such Allocation only to the Ultimate Users designated pursuant to Appendix A, 3) not permit such Ultimate Users to sell any of such Allocation for resale and 4) comply with the provisions of the NRA, the FERC License and the New York Power Authority Act (N.Y. Pub. Auth. Law Section 1000 et seq.), to the extent such Power Authority Act is not inconsistent with the FERC License.

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

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

VII. Permanent Reallocation of Project Power and Energy

If Customer is, or becomes unable or chooses not to receive, or to have Customer's Authorized Recipient not receive, any or all of the Project Power and Energy allocated to it on a permanent basis, such Project Power and Energy shall be reallocated by the Authority pro-rata among the other Host Communities. Customer shall provide written notice to the Authority and the other Host Communities of such inability or election within 30 days of its becoming aware of such inability or election. Upon receipt of such notice by the Authority, any required changes in the allocations of Project Power and Energy among the other Host Communities shall become effective as soon as practicable, without need to amend this Agreement and the Contract Demand in this Agreement shall be revised to reflect such reallocation, notwithstanding Article XIV hereof.

VIII. Availability of Energy

Subject to any other limitations set forth in the Rules or the Service Tariff (including low-flow conditions), if Customer or Customer's Authorized Recipient directly or indirectly provides the Allocation to Ultimate Users for physical delivery to such Users' accounts as set forth in Appendix A, Authority will supply Customer's (or Ultimate Users', as the case may be) entire demand and energy usage up to the Contract Demand. If there is any portion of the energy associated with the Allocation made available to Customer or Customer's Authorized Recipient (at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements) that is not required to serve such Ultimate Users' facilities, such energy may be utilized as Excess Power in the manner described in Appendix A.

As between Customer and the Authority, for any usage above the Contract Demand, it is Customer's responsibility to arrange for provision of such excess service by a third party supplier, and the apportionment of energy between suppliers shall be as set forth in Service Tariff No. HC-1, or any successor tariff.

Subject to any other limitations set forth in the Rules or Service Tariff (including low-flow conditions), if Customer or Customer's Authorized Recipient provides the benefits of the Allocation to Ultimate Users in the form of Power Credits as set forth in Appendix A, the Allocation will be delivered at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements.

IX. Appointment of Customer's Agent

Upon reasonable prior written notice to the Authority, Customer shall have the right to delegate to an agent any or all duties under this Agreement ("Customer's Agent") and the Authority acknowledges that such duties may be performed by Customer's Agent. Such duties delegated to Customer's Agent may include the keeping of all records required by Authority, the payment of any or all amounts

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

Customer's Agent may include, without limitation, a public utility, LSE, Municipal Distribution Agency, load aggregator or other entity authorized to purchase and sell electric power and/or energy pursuant to Section 360 of the General Municipal Law or pursuant to other authority.

X. Term and Termination of Service

Service under the Agreement shall begin on the Commencement Date and shall continue until the earliest of (a) termination by Customer with respect to all of its Allocation upon ninety (90) days prior written notice, (b) termination by the Authority pursuant to the Rules upon required notice, or (c) September 1, 2025, at which time a new or modified agreement will be entered between the Authority and the Customer to provide Customer or Customer's Authorized Recipient with Project Power and Energy for the remainder of the licensing period in the amount and for the rate then in effect which complies with the terms of the Relicensing Settlement Agreement. If such a new or modified agreement is not in place to take effect after September 1, 2025, service will be continued under the terms and conditions of this Agreement on a year to year basis or until a new or modified agreement takes effect between the parties.

The Authority may cancel service hereunder or modify the quantities of Project Power and Energy allocated to Customer only (a) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency), or (b) as otherwise provided herein or in the Rules. Notwithstanding the foregoing, upon mutual agreement this Agreement may be extended beyond such date on a month to month basis pending execution of any successor agreement between the Customer and Authority. The Authority shall provide reasonable notice to Customer of any matter or proceeding that could result in an order or decision as described in part (a) of this paragraph and nothing herein shall be construed as limiting Customer's right to challenge any such proposed action.

Nothing herein is intended to limit the rights of the Host Communities or Customer under the Relicensing Settlement Agreement and the Authority and

Customer understand and agree that the Authority is obligated under such Relicensing Settlement Agreement to make a total of 500 KiloWatts of Project Power and Energy available to Customer or Customer's Authorized Recipient for the term of the FERC License, whether through extension of this Agreement or by subsequent agreement.

XI. Notification

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

To: Authority

Manager – Power Contracts
New York Power Authority
123 Main Street
White Plains, NY 10601

To: Customer

Town Supervisor
Town of Niagara
7105 Lockport Road
Niagara Falls, NY 14305

with a copy to:

Deputy Town Supervisor
Town of Niagara
7105 Lockport Road
Niagara Falls, NY 14305

To: Customer's Authorized Recipient

XII. Applicable Law and Venue

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

XIII. Successors and Assigns

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

XIV. Previous Agreements and Communications

This Agreement, together with the Relicensing Settlement Agreement, shall constitute the sole and complete agreement of the parties hereto with respect to the matters herein set forth, and such Agreements supersede all previous communications between the Parties hereto, either oral or written, with reference to the subject matter hereof; provided, however, that additional terms pursuant to which Customer's Authorized Recipient is authorized to receive Customer's Allocation may be set forth in a separate agreement between Customer and Authorized Recipient. Any such separate agreement shall not be inconsistent with the terms of this Agreement and shall be provided to the Authority for informational purposes.

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

If there is a conflict between the language in Section 6 of the Relicensing Settlement Agreement entitled "Power Allocation" and language in this Agreement, including Appendix A, the language of this Agreement addressing this subject shall control.

XV. Acceptance and Approvals

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act, and upon execution by the parties, this Agreement, the provisions of which shall survive for the term hereof, together with the Service Tariffs and Rules both as they may be amended, shall constitute the contract between the parties for Electric Service hereunder.

XVI. Severability and Voidability

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

In such an event and at the request of any of the parties, the parties agree to engage in good faith negotiations on possible modification to this Agreement to remedy any portion of this Agreement that was declared invalid, unlawful or ineffective. Such good faith negotiations shall conform to the requirements comparable to those of section 10.1.3 of the Relicensing Settlement Agreement. To the extent that good faith negotiations do not result in an agreement as to whether or how this Agreement should be modified, the parties agree to resolve their differences in accordance with the alternative dispute resolution mechanism set forth in section 12 of the Relicensing Settlement Agreement. The primary goal of any good faith negotiation or alternative dispute resolution mechanism shall be to preserve to the greatest extent as possible, the benefit of the parties' intended bargain.

XVII. Effectiveness of Agreement

This Agreement shall take effect on the later of: (i) the acceptance of the new License or (ii) the date of this Agreement's execution under Article XV above.

Town of Niagara

CUSTOMER: TOWN OF NIAGARA, NEW YORK

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

AUTHORIZED RECIPIENT: NIAGARA COUNTY, NEW YORK

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

Town of Niagara

POWER AUTHORITY OF THE STATE OF NEW YORK

30 South Pearl Street, Albany, NY 12207

Service Tariff No. HC -1

Schedule of Rates for Firm Hydroelectric Power
and Energy Service

EFFECTIVE:

September 1, 2007

APPLICABLE:

To sale of Niagara Firm Hydroelectric Project Power and Energy to the Host Communities customers and/or their Authorized Recipients eligible for cost-based service under the Niagara Relicensing Settlement Agreement.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES (effective May 1, 2006):

Capacity Rate: \$2.38 per kilowatt per month of Billing Demand at the Project switchyard.

Base Energy Rate: 4.92 mills per kilowatt-hour

Future rates shall be as determined by the Authority.

The Base Energy Rate set forth herein shall be subject to a monthly adjustment in accordance with a flow adjustment computation (FAC) as described in Appendix B.

MINIMUM MONTHLY CHARGE:

The product of the Capacity Rate and the Billing Demand.

POWER FACTOR:

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

DEFINITIONS:

Billing Demand: The Billing Demand shall be the Customer's Contract Demand.

Billing Energy: Energy provided by Authority under this service tariff.

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

GENERAL PROVISIONS:

General Provisions for service supplementing or modifying the Rules and Regulations for Power Service and Service Tariff No. HC – 1 with regard to deliveries to Customer are as follows:

A Availability of Energy

Unless otherwise agreed upon by the Parties, Authority shall normally provide in any Billing Period firm Energy to Customer and/or Customer's Authorized Recipient in an amount equal to the product of (A) the number of hours in such Billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the load factor specified in the Agreement. The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Customer and/or Customer's Authorized Recipient if such reductions are necessary due to low flow (i.e., hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Customer and/or Customer's Authorized Recipient in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer and/or Customer's Authorized Recipient. The Authority shall provide reasonable notice to Customer and Customer's Authorized Recipient of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers.

Unless otherwise specified in the Agreement, where Customer and/or Customer's Authorized Recipient is taking service solely from Authority, the Billing Energy shall be the total number of kilowatt-hours recorded on Customer's and/or Customer's Authorized Recipient's meter (or the meters of entities served by Customer and/or Customer's Authorized Recipient as indicated in the Agreement) during the Billing Period, adjusted for losses.

Unless otherwise specified in the Agreement, where Customer and/or Customer's Authorized Recipient takes service from other sources in addition to service supplied hereunder, the Billing Energy shall be determined by multiplying (A) the number of hours in such Billing Period, (B) the Contract Demand

applicable in such Billing Period and (C) the load factor specified in the Agreement.

B Adjustment of Rates

To the extent not inconsistent with the attached Agreement, the rates contained in this Service Tariff HC-1 may be revised from time to time on not less than thirty (30) days written notice to Customer.

C Delivery

For the purpose of this Service Tariff HC -1, Power and/or Energy shall be delivered by Authority at the Project Switchyard to the transmission facilities under the control of the NYISO for delivery to Customer and/or Customer's Authorized Recipient.

For the purpose of these Service Tariffs, Power and/or Energy shall be deemed to be offered when Authority is able to supply Power and Energy and NYISO transmits it to Customer and/or Customer's Authorized Recipient or its designated points of interconnection with Customer's Delivering Agent at the Niagara Project Switchyard. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer and/or Customer's Authorized Recipient. If, despite such offer, there is a failure of delivery by Customer, Customer's Authorized Recipient, or Customer's Agent, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D Scheduling Procedures

1. Authority will advise Customer, and Customer's Authorized Recipient, or Customer's Agent by the tenth (10th) Business Day of the preceding month of the estimated quantity of Energy expected by Service Tariff to be made available from the Project.
2. Authority may require that such Energy from the Project be scheduled in general accordance with the load shape of Customer, Customer's Authorized Recipient, or Customer's Agent or as otherwise agreed upon by the Customer and Authority.
3. Customer, Customer's Authorized Recipient, or Customer's Agent shall file with Authority pursuant to procedures established by Authority, a daily schedule setting forth the Customer's and/or Customer's Authorized Recipient's requested amounts from the Project on a clock hour basis.
4. Subsequent to Authority approval of schedules for any day, Authority and Customer, Customer's Authorized Recipient, or Customer's Agent may agree on changes in such schedules subject to NYISO scheduling

requirements and procedures Authority shall establish such that an efficient dispatch of Authority facilities will be accomplished.

E Payment by Customer and/or Customer's Authorized Recipient for Power and/or Energy

1. Customer and/or Customer's Authorized Recipient shall pay for Power and/or Energy during any Billing Period the sum of a) and b) below:
 - a. For Firm Hydroelectric Power and Energy the capacity rate per kilowatt specified in this Service Tariff or any modification thereof applied to Customer's Billing Demand for the Billing Period: and
 - b. The Energy rate specified in this Service Tariff or any modification thereof applied to the amount of firm Billing Energy delivered by Authority to Customer and/or Customer's Authorized Recipient during such Billing Period.
2. Bills computed under Service Tariff HC-1 are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill and adjustments, if necessary, will be made thereafter.

F Supplementary Provision

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

G Alternate Arrangements

Notwithstanding general provisions C, D and E above, Authority, Customer, Customer's Authorized Recipient and/or Customer's Agent may make alternate arrangements regarding Delivery, Scheduling Procedures and Payment by Customer for Power and/or Energy, necessary to effectuate the terms of Appendix A hereto.

Appendix A

Except as Customer determines otherwise, consistent with the terms of this Agreement, Customer or Customer's Authorized Recipient will initially distribute power and energy purchased from the New York Power Authority under the Agreement or the economic benefit of such power and energy to the following Ultimate Users_____

Customer may add to or delete from the above list of Ultimate Users on thirty (30) day's notice to the Authority. Customer in its sole determination may elect to use its full Allocation or any part thereof, for economic development. The economic development program description, allocation criteria and methodology shall be submitted to and approved by the Authority which approval shall not be unreasonably withheld.

The benefits of the Allocation shall be provided to such Ultimate Users either by direct sale or by allocation by the Customer (or by Customer's Authorized Recipient or Authorized Agent) of electricity or the provision of financial settlements and benefits, as set forth below, or through different methods approved by the Authority. Customer shall have the right to recover as Customer Costs its direct administrative and services costs, reasonable compensation for use of third party facilities and services furnished to Customer in the transmission and distribution of such power, all costs associated with negotiating the Agreement and the establishment of mechanisms to accept and distribute the Allocation, and any similar costs, incurred after the execution of the Host Community Relicensing Settlement Agreement dated June 27, 2005. Such Customer Costs shall be reimbursed to Customer or otherwise paid by the Ultimate User by procedures to be determined.

The listing or description of the foregoing Ultimate Users in no way mandates or requires for any reason that the Customer provide any portion of the Allocation (or Power Credits) to an Ultimate User and shall not preclude the Customer from denying any such Ultimate User the benefits associated with an allocation for any reason as determined by Customer.

A Direct Sale / Allocation, Use of Excess Power

Customer, Customer's Authorized Recipient or Customer's Agent may make a portion of the Allocation available to an Ultimate User for delivery at such Ultimate User's electricity accounts under the tariffs, rules and regulations of the NYISO and the utility in whose service area such accounts are located. If there is any portion of the Allocation made available to Customer or Customer's Authorized Recipient that is not required to serve such Ultimate User's facilities, such Excess Power (up to the load factor specified in the Agreement) may be utilized as follows:

1. Customer, Customer's Authorized Recipient or Customer's Agent may schedule Excess Power into the NYISO administered market for financial settlement, and such financial settlement so received by Customer (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), shall be applied by Customer to payment of Customer's (or an Ultimate User's, as the case may be) energy-related costs, including but not limited to, the purchase of energy commodities, the delivery and transportation of electricity and all other energy commodities

and/or for energy efficiency or clean energy technology programs or projects now in existence or that may exist during the term of the Agreement.

2. Customer or Customer's Authorized Recipient may use the Excess Power (or the benefits associated with such Excess Power derived from a financial settlement as set forth in the preceding Paragraph 1) for economic development by providing credits to a business to apply against the cost of power or energy and/or the cost of delivery of power or energy consumed by such business.

B Power Credits

Customer, Customer's Authorized Recipient or Customer's Agent, may schedule all of Customer's Allocation (up to the load factor specified in the Agreement) into the NYISO administered market for financial settlement, and such financial settlement so received by Customer (less Customer's Costs as set forth above and the cost of the power and energy purchased from the Authority), may be provided to Ultimate Users in the form of Power Credits by Customer or Customer's Authorized Recipient as follows:

Power Credits may be applied towards the cost and/or delivery of electric power or energy consumed by the Ultimate User or for other energy-related costs, including but not limited to, purchase of energy commodities, the delivery and transportation of electricity and all other energy commodities and/or for energy efficiency or clean energy technology programs or projects now in existence or that may exist during the terms of the Agreement.

C Service through Authorized Entity

Through assignment, transfer or otherwise, including through an agency arrangement, Customer shall have the right to make available its Allocation or any part thereof to any entity, including but not limited to Customer's Authorized Recipient, that is duly authorized to receive, purchase, transmit, distribute, and/or resell the power and energy included in the Allocation or otherwise to engage in such transactions as are necessary to effectuate the delivery of the Allocation and/or to provide the financial benefits thereof to the Customer, the Customer's Ultimate Users and the Customer's constituents, as determined in the exercise of the Customer's discretion and consistent with the provisions of the Host Community Relicensing Settlement Agreement dated June 27, 2005 and Article VI of the Agreement. Any such assignment, transfer, agency arrangement or similar transaction contemplated by this paragraph may, but shall not be required to, include elements of the other methods described in this Appendix A.

D Continuity

In the event that any administrative agency or court of competent jurisdiction shall determine that any element of any of the foregoing methods of distributing the Allocations and/or financial benefits thereof is unauthorized or illegal, the Customer shall propose an alternative method of distribution, not necessarily limited to those described above, and

the Authority shall promptly determine whether to accept such alternative method. Such acceptance shall not be unreasonably withheld.

E Right to Alternate Between Methods

Customer shall have the right at its discretion and without restriction to alternate between the methods for the distribution of the benefits of the Allocation as set forth in Sections A through D above, upon giving sixty (60) days written notice to the Authority.

F. Market Administration

Notwithstanding anything to the contrary in the Agreement, if Customer and/or Customer's Authorized Recipient elects to convert the Allocation into financial settlements for use as payments or credits pursuant to Sections A or B above, the Authority may in its discretion schedule the Allocation into the NYISO administered market for financial settlement; such financial settlement, less the Authority's costs calculated using tariff rates as described in Section V of the Agreement, shall be provided to Customer, Customer's Authorized Recipient, or Customer's Agent, as the case may be, for disposition pursuant to the terms of a separate agreement between Authority, Customer and either Customer's Agent or Customer's Authorized Recipient, or both.

In the event that the Authority determines, in its discretion, not to use the foregoing method of scheduling the Allocation into the NYISO administered market for financial settlement, the Authority will provide reasonable notice to Customer of its intent to discontinue such method and assist Customer in making other arrangements to effect the delivery of the benefits of the Allocation to Customer or Ultimate Users.

This Section F is intended as an additional method of providing the benefits of the Allocation and is not intended to limit in any way the right to use other methods of providing such benefits, as set forth in the Agreement, including this Appendix A.

Appendix B

NEW YORK POWER AUTHORITY RATE STABILIZATION RESERVE METHODOLOGY

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

1. Calculate the total cost of service (CoS) for the Niagara/St. Lawrence projects. Costs include: Operations and Maintenance, amortized roadwork, Indirect Overheads (Shared Services, Research and Development, debt service) and Capital Costs (using TOC for equity funded and OC for debt funded).
2. Credit the CoS by any excess capacity (ICAP) sales to the ISO.
3. Allocate costs to the demand function by multiplying the sum of the customers' billed demands by the preference demand charge, which has been inflated to include Ancillary Services production costs. This larger demand charge is used only for the purposes of the RSR.
4. Calculate the cost-based energy rate by dividing the remaining energy assigned costs by the annual metered generation.
5. Calculate the difference between the cost-based energy rate and the billed preference energy rate.
6. Multiply the difference in the rates by the actual annual billed preference energy sales to determine the annual change in the RSR.
7. Add the annual change to the RSR balance from the prior year-end to get the current year-end RSR balance.
8. If the current year-end balance is in excess of +/- \$25 million, the excess would be subject to a credit or a surcharge in the subsequent rate year.

POWER AUTHORITY
OF THE
STATE OF NEW YORK

30 South Pearl Street
Albany, New York

AGREEMENT FOR THE SALE
OF NIAGARA PROJECT POWER AND ENERGY
TO Niagara University

Service Tariff No. NP-1- Firm Non-Preference
Hydroelectric Power and Energy

May 22, 2007

POWER AUTHORITY OF THE STATE OF NEW YORK

**30 South Pearl Street
Albany, New York**

AGREEMENT FOR THE SALE OF HYDROPOWER AND ENERGY

Niagara University hereby enters into this Agreement with the Power Authority of the State of New York for electric service as follows:

I. Definitions

- a. **Acceptance of the New License** shall mean the date upon which the Power Authority files its acceptance of the New License with FERC, or the date of the expiration of the existing original license, August 31, 2007, whichever occurs later.
- b. **Agreement** means this Agreement.
- c. **Authority** is the Power Authority of the State of New York.
- d. **Contract Demand** will be the amounts set forth in Section II or such other amount as may be determined in accordance with the provisions of this Agreement.
- e. **Customer** is Niagara University.
- f. **Electric Service** is Power and Energy available to Customer in accordance with applicable Service Tariffs, Rules and other contract documents.
- g. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- h. **FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which new license will become effective after expiration of the Project's original license issued on January 30, 1958.
- i. **Firm Hydroelectric Power and Energy** are firm power and associated energy from the Authority's Niagara Power Project, intended to be available at all times except for limitations provided in this Agreement, the Rules, applicable Service Tariff or in other contract documents.
- j. **NRA** means the federal Niagara Redevelopment Act (18 USC §§836, 836a)
- k. **NYISO** means the New York Independent System Operator or any successor organization.

- I. Project** means the Niagara Power Project, FERC Project 2216.
- m. Project Power and Energy** means Firm Hydroelectric Power and Energy produced by the Project.
- n. Relicensing Settlement Agreement** means the Niagara University Relicensing Settlement Agreement dated May 23, 2006 between Niagara University and the Authority.
- o. Rules** are the applicable provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York).
- p. Service Tariffs** are schedules establishing rates and other conditions for sale of Electric Services to Customer.

II. Electric Service to be Provided

- a.** The Authority shall provide Electric Service pursuant to Service Tariffs for Power and/or Energy to enable the Customer to receive its allocations from the Project in accordance with the provisions of the FERC License and Relicensing Settlement Agreement, in the amounts set forth below:

Firm Hydroelectric Power and Energy Service pursuant to
Service Tariff No. NP-1 - 3,000 KiloWatts (Contract Demand)

The Authority shall provide Unforced Capacity in amounts necessary to meet Customer's NYISO Unforced Capacity obligations associated with the foregoing allocation of Firm Non-preference Hydroelectric Power and Energy Service in accordance with the rules and tariffs of the NYISO. Neither Ancillary Services (as defined in the rules and tariffs of the NYISO), nor renewable or "green" attributes (as may be defined from time to time by the New York Public Service Commission or other agency having jurisdiction over such matters) are included in such allocation.

- b.** The Contract Demands for Project Power and Energy may be modified by the Authority if the amounts of such Project Power and Energy available for sale from the Project are modified as required to comply with any ruling, order or decision of any regulatory or judicial body having jurisdiction.

III. Rules, Regulations and Service Tariffs

The Rules and Service Tariff No. NP-1 (NP-1), as now in effect and/or such superseding tariff(s) or other tariff(s) as the Authority may later promulgate, all as such Rules and Service Tariffs may be later amended from time to time by the Authority, are hereby incorporated into this Agreement with the same force and effect as if herein set forth at length. In the event of any inconsistencies, conflicts or

differences between the provisions of the Service Tariffs and the Rules, the provisions of the Service Tariffs shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and the Service Tariffs, the provisions of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to Customer of any proposed change in the above Rules and Service Tariffs, but in no event shall Authority provide less notice than that provided to similarly affected customers within New York State.

IV. Transmission and Delivery of Power and Energy

Authority shall make Project Power and Energy available to Customer at the Project Switchyard. It is the Customer's responsibility to act as the Load Serving Entity ("LSE") or arrange for another entity to do so on its behalf. Customer, or the entity acting as LSE on its behalf, shall arrange for the transmission of the Project Power and Energy supplied hereunder from the Project Switchyard to Customer's points of delivery consistent with the terms of the Open Access Transmission Tariff (OATT) or other applicable tariff of the NYISO and Customer shall be responsible for all costs associated with the transmission and delivery of the allocation.

V. Rates

Project Power and Energy shall be sold to Customer hereunder at rates equivalent to the lowest production rate charged by the Power Authority (directly or indirectly) to an entire class of Western New York hydropower business customers (including for example, Replacement or Expansion Power customers) plus any charges assessed or imposed in connection with such supply by the New York Independent System Operator. Such rates are currently as set forth in the attached Service Tariff NP-1, which tariff may be amended from time to time consistent with the foregoing.

VI. Appointment of Customer Agent

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

VII. Term and Termination of Service

Once initiated, service under the Agreement shall continue until the earliest of (a) termination by Customer with respect to all or part of its allocation upon ninety (90) days prior written notice, (b) termination by the Authority pursuant to the Rules upon required notice, or (c) September 1, 2025, at which time a new agreement will be entered between the Authority and the Customer to provide Customer with Project Power and Energy for the remainder of the licensing period in the amount and for the rate then in effect which complies with the terms of the Niagara University Relicensing Settlement Agreement. The Authority may cancel service hereunder or modify the quantities of Project Power and Energy allocated to Customer only (a) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency), or (b) as otherwise provided herein or in the Rules. The parties recognize that the provision of Power and Energy, as set forth in Section 3.4.1, constitutes substantial consideration to Niagara University for its assent to the Relicensing Settlement Agreement. Notwithstanding the foregoing, upon mutual agreement this Agreement shall be extended beyond such date on a month to month basis pending execution of any successor agreement between the Customer and Authority.

Nothing herein is intended to limit the rights of the Customer under the Relicensing Settlement Agreement and the Authority and Customer understand and agree that the Authority is obligated under such Relicensing Settlement Agreement to make a total of 3 MW of Project Power and Energy available to Customer for the term of the FERC License, whether through extension of this Agreement or by subsequent agreement.

VIII. Notification

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

To the Authority; Manager – Power Contracts
New York Power Authority
123 Main Street
White Plains, NY 10601

To the Customer: President – Niagara University
Niagara University, NY 14109

cc: General Counsel – Niagara University

IX. Applicable Law and Venue

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

X. Successors and Assigns

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

XI. Previous Agreements and Communications

This Agreement, together with the Relicensing Settlement Agreement, shall constitute the sole and complete agreement of the Parties hereto with respect to the matters herein set forth. Such Agreements supersede all previous communications between the Parties hereto, either oral or written, with reference to the subject matter hereof. No modifications of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

XII. Acceptance and Approvals

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

XIII. Severability and Voidability

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

Notwithstanding the preceding paragraph, if any provision of this Agreement or the Relicensing Settlement Agreement is rendered void or unenforceable or otherwise modified by a court or agency of competent jurisdiction, the entire Agreement shall, at the option of either Party and only in such circumstances in which such Party's

interests are materially and adversely impacted by any such action, be void and unenforceable.

XIV. Effectiveness of Agreement

This Agreement shall take effect on the latest of: (i) one day after the "Acceptance of the New License" as defined in the Niagara University Relicensing Settlement Agreement, (ii) the date of this Agreement's execution under Article XII above or (iii) the effective date specified in NP-1.

Niagara University

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

Niagara University

POWER AUTHORITY OF THE STATE OF NEW YORK

30 South Pearl Street, Albany, NY 12207

Service Tariff No. NP-1

Schedule of Rates for Firm
Hydroelectric Power and Energy Service

EFFECTIVE:

September 1, 2007

APPLICABLE:

To sale of Niagara Firm Hydroelectric Project Power and Energy to certain customers eligible for service under a Niagara Project relicensing agreement.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES (effective May 1, 2006):

Capacity Rate: \$4.64 per kilowatt per month of Billing Demand at the Project switchyard.

Base Energy Rate: 7.93 mills per kilowatt-hour

Future rates shall be as determined by the Authority consistent with the provisions of the Application for Service.

MINIMUM MONTHLY CHARGE:

The product of the Capacity Rate and the Billing Demand.

POWER FACTOR:

Not less than 95% lagging or leading, except as otherwise specified in the Customer's accepted Application for Electric Service.

DEFINITIONS:

Billing Demand: The Billing Demand shall be the lesser of a) Customer's Contract Demand or b) the maximum 30 minute integrated demand measured during the Billing Period adjusted for losses.

Billing Energy: Energy provided by Authority under this service tariff.

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

GENERAL PROVISIONS:

General Provisions for service supplementing or modifying the Rules and Regulations for Power Service and Service Tariff No. NP – 1 with regard to deliveries to Customer are as follows:

A Availability of Energy

Where Customer is taking service solely from Authority, the Billing Energy shall be the total number of kilowatt-hours recorded on Customer's meter during the Billing Period, adjusted for losses.

Where Customer takes service from other sources in addition to service supplied hereunder, the Billing Energy shall be determined by multiplying the total number of kilowatt-hours recorded on Customer's meter during the Billing Period, adjusted for losses, times the ratio of the Contract Demand to the maximum 30 minute integrated demand measured during the Billing Period adjusted for losses. Such ratio shall not be greater than unity (1.0).

The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Customer if such reductions are necessary due to low flow (i.e., hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Customer in later billing periods.

B Adjustment of Rates

To the extent not inconsistent with the attached Application for Electric Service, the rates contained in this Service Tariff NP-1 may be revised from time to time on not less than thirty (30) days written notice to Customer.

C Delivery

For the purpose of this Service Tariff, Power and/or Energy shall be deemed to be offered when Authority is able to supply Power and Energy to Customer or its agent

at the Niagara Project Switchyard. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Customer. If, despite such offer, there is a failure of delivery by Customer or its Delivery Agent, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D Payment by Customer for Power and/or Energy

- 1 Customer shall pay for Power and/or Energy during any Billing Period the sum of a) and b) below:
 - a. For Firm Hydroelectric Power and Energy the capacity rate per kilowatt for Firm and Peaking Power & Energy specified in this Service Tariff or any modification thereof applied to Customer's Billing Demand for the Billing Period: and
 - b. The Energy rate specified in this Service Tariff or any modification thereof applied to the amount of Billing Energy delivered by Authority to Customer during such Billing Period.
2. Bills computed under Service Tariff NP-1 are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill and adjustments, if necessary, will be made thereafter.

E Supplementary Provision

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

AGREEMENT FOR THE SALE
OF NIAGARA PROJECT POWER AND ENERGY

Between the
POWER AUTHORITY
OF THE
STATE OF NEW YORK

30 South Pearl Street
Albany, New York

and the
TUSCARORA NATION

Service Tariff No. TN-1 - Firm Hydroelectric Power and Energy

May 22, 2007

POWER AUTHORITY OF THE STATE OF NEW YORK

30 South Pearl Street
Albany, New York 12207

and the

TUSCARORA NATION

hereby enter into this **AGREEMENT FOR THE SALE OF HYDROPOWER AND ENERGY** as follows:

I. Definitions

- a. **Acceptance of the New License** shall mean the date upon which the Power Authority files its acceptance of the New License with FERC, or the date of the expiration of the existing original license, August 31, 2007, whichever occurs later.
- b. **Agreement** means this Agreement.
- c. **Allocation** shall mean the amount of power and associated energy that the Authority has allocated to The Nation hereunder.
- d. **Ancillary Services** shall be as defined by the NYISO in its rules, tariffs, manuals and procedures.
- e. **Authority** is the Power Authority of the State of New York.
- f. **Commencement Date** shall be as set forth in Article XVI.
- g. **Contract Demand** will be the amounts set forth in Section II or such other amount as may be determined in accordance with the provisions of this Agreement.
- h. **Electric Service** is Power and Energy available to The Nation in accordance with applicable Service Tariffs, Rules and other contract documents.
- i. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- j. **FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which new license will become effective after expiration of the Project's original license issued on January 30, 1958.

- k. **Firm Hydroelectric Power and Energy** are firm power and associated energy from the Authority's Niagara Power Project, intended to be available at all times except for limitations provided in this Agreement, the Rules, applicable Service Tariff or in other contract documents.
- l. **Green Attributes** (sometimes referred to as Renewable Attributes or Renewable Energy Credits) are attributes associated with renewable energy power production facilities as may be defined by law or administrative action now or in the future, including but not limited to the Renewable Portfolio Standard proceeding of the New York Public Service Commission.
- m. **Load Serving Entity** Is an entity authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply Energy, Capacity and/or Ancillary Services to the Nation under the rules, tariffs, manuals and procedures of the NYISO.
- n. **Nation** is the Tuscarora Nation, a federally recognized sovereign Indian nation.
- o. **Nation's Agent** is defined in Article VIII.
- p. **NRA** means the federal Niagara Redevelopment Act (18 USC §§836, 836a)
- q. **NYISO** means the New York Independent System Operator or any successor organization.
- r. **Project** means the Niagara Power Project, FERC Project 2216.
- s. **Project Power and Energy** means Firm Hydroelectric Power and Energy produced by the Project.
- t. **Project Switchyard** is the Niagara Project switchyard.
- u. **Relicensing Settlement Agreement** means the Relicensing Settlement Agreement Between the Power Authority of the State of New York and the Tuscarora Nation executed August 1, 2005.
- v. **Rules** are the applicable provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York).
- w. **Service Tariffs** are schedules establishing rates and other conditions for sale of Electric Services to the Nation.
- x. **Ultimate Users** are entities to whom the Nation will convey benefits associated with Project Power and Energy purchased from the Authority as provided in Article

VI of this Agreement and Appendix A hereto. The Nation may designate itself as an Ultimate User.

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

II. Electric Service to be Provided

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

Firm Hydroelectric Power and Energy Service pursuant to
Service Tariff No. TN-1: 1,000 KiloWatts (Contract Demand)

The Authority shall provide Unforced Capacity in amounts necessary to meet the NYISO Unforced Capacity requirements associated with the foregoing Allocation in accordance with the rules and tariffs of the NYISO. Neither Ancillary Services, nor Green Attributes are included in such allocation.

- b. The Contract Demands for Project Power and Energy may be modified by the Authority if the amounts of such Project Power and Energy available for sale from the Project are modified as required to comply with any ruling, order or decision of any regulatory or judicial body having jurisdiction.

III. Rules, Regulations and Service Tariffs

The Rules and Service Tariff No. TN-1, as now in effect and/or such superseding tariffs or other tariffs as the Authority may later promulgate, all as such Rules and Service Tariffs may be later amended from time to time by the Authority, are hereby incorporated into this Agreement with the same force and effect as if herein set forth at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariffs and the Rules, the provisions of the Service Tariffs shall govern. In the event of any inconsistencies, conflicts or differences between Articles I through XVI of this Agreement and either the Rules or the Service Tariffs, the provisions of Articles I through XVI of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to the Nation of any proposed change in the above Rules and Service Tariffs, but in no event shall Authority provide less notice than that provided to similarly affected customers within New York State if that period of minimum notice is greater than herein referenced.

IV. Transmission and Delivery of Power and Energy

Authority shall make Project Power and Energy available to the Nation at the Project Switchyard. It is the Nation's responsibility to act as the Load Serving Entity ("LSE"), arrange for another entity to do so on its behalf or make other arrangements for conveying the benefits associated with the allocation to Ultimate Users. The Nation shall be responsible for all costs associated with the transmission and delivery of the Allocation.

V. Rates

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

The Nation does not object to the Authority's use of any of the following methodologies and principles¹ to set rates different from those adopted by the Authority's Trustees in their meeting on April 29, 2003 based on the "January 2003 Report on Hydroelectric Production Rates" and as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

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

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

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Nation may take any position whatsoever with respect to such methodology or principle, but will not object to any of the remaining methodologies and principles that continue to be employed by the Authority.

VI. Use and Resale of Project Power and Energy, Recovery of Costs

The Nation shall use the Allocation for its facilities, for Ultimate Users or as otherwise allowed in accordance with this Agreement and Appendix A hereof.

Except as otherwise provided in Appendix A hereof, The Nation shall distribute the Allocation to the Ultimate Users identified in Appendix A, consistent with Section 5.2 (d) of the Relicensing Settlement Agreement. The Nation shall have the right to recover from the Ultimate Users as Nation Costs its direct administrative and services costs, reasonable compensation for use of third party facilities and services furnished to the Nation in the transmission and distribution of such power and all costs associated with negotiating the Agreement and the establishment of mechanisms to accept and distribute the Allocation incurred after the execution of the Relicensing Settlement Agreement executed August 1, 2005. Such Costs shall be reimbursed to The Nation or otherwise paid by the Ultimate Users by procedures to be determined by the Nation.

The Nation shall require its Agent to make available to the Authority upon request such records as may be reasonably necessary for the Authority to determine that the Allocation has been distributed in compliance with Appendix A.

The Nation may authorize a statement to accompany the distribution of the benefits of the Allocation to Ultimate Users indicating the total savings in dollars realized by the individual Ultimate User for the particular billing period as a result of the purchase of hydroelectric power and energy by the Nation from the Authority.

VII. Availability of Energy.

Subject to any other limitations set forth in the Rules or the Service Tariff (including low-flow conditions), if the Nation provides the Allocation to Ultimate Users for physical delivery to such Users' accounts as set forth in Appendix A, Authority will supply the Nation's (or Ultimate Users', as the case may be) entire demand and energy usage up to the Contract Demand. If there is any portion of the energy associated with the Allocation made available to the Nation at a monthly load factor of seventy percent (70%) (pursuant to the Authority's regular scheduling requirements) that is not required to serve such Ultimate User's facilities, such energy may be utilized as Excess Power in the manner described in Appendix A.

For any usage above the Contract Demand, it is The Nation's responsibility to arrange for provision of such excess service by a third party supplier, and the

apportionment of energy between suppliers shall be as set forth in Service Tariff No. TN-1, or any successor tariff.

Subject to any other limitations set forth in the Rules or Service Tariff (including low-flow conditions), if the Nation provides the benefits of the Allocation to Ultimate Users in the form of Power Credits as set forth in Appendix A, the Allocation will be delivered at a monthly load factor of seventy percent (70%) pursuant to the Authority's regular scheduling requirements.

VIII. Appointment of Nation's Agent

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

IX. Term and Termination of Service

Service under the Agreement shall begin on the Commencement Date and shall continue until the earliest of (a) termination by the Nation with respect to all or part of its Allocation upon ninety (90) days prior written notice, (b) termination by the Authority pursuant to the Rules upon required notice, or (c) September 1, 2025, at which time a new agreement will be entered between the Authority and the Nation to provide the Nation with Project Power and Energy for the remainder of the licensing period in the amount and for the rate then in effect which complies with the terms of the Relicensing Settlement Agreement. If such a new agreement is not in place to take effect after September 1, 2025, service will be continued under the terms and conditions of this Agreement on a year to year basis or until a new agreement takes effect between the parties.

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

agreement this Agreement may be extended beyond such date on a month to month basis pending execution of any successor agreement between the Nation and Authority.

Nothing herein is intended to limit the rights of the Nation under the Relicensing Settlement Agreement, and the Authority and the Nation understand and agree that the Authority is obligated under such Relicensing Settlement Agreement to make a total of **1.0** MW of Project Power and Energy available to The Nation for the term of the FERC License, whether through extension of this Agreement or by subsequent agreement.

X. Notification

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

To: Authority

Manager – Power Contracts
New York Power Authority
123 Main Street
White Plains, NY 10601

To: The Nation

Chief Leo R. Henry
Tuscarora Nation
2006 Mt. Hope Rd.
via Lewiston, NY 14092

XI. Applicable Law, Sovereign Immunity and Venue

This Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License and the Niagara Redevelopment Act. Any action or proceeding arising out of or relating to this Agreement shall be brought in a court of competent jurisdiction located in Albany County, New York. Nothing in this Agreement shall be construed as, or is intended to constitute, waiver of sovereign immunity or of any other aspect of the sovereignty of the Tuscarora Nation or the State of New York. Nor shall anything in this agreement be construed as a waiver by the Authority of its right under the Rules to discontinue furnishing electric service to the Nation for the nonpayment of bills.

XII. Successors and Assigns

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

XIII. Previous Agreements and Communications

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

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

XIV. Acceptance and Approvals

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act and of the Nation's Chiefs in Council by written resolution or other procedure consistent with the laws of the Nation, and upon execution by the Parties, this Agreement, the provisions of which shall survive for the term hereof, together with applicable Service Tariffs and Rules both as they may be amended, shall constitute the contract between the Parties for Electric Service hereunder.

XV. Severability and Voidability

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

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

XVI. Effectiveness of Agreement

This Agreement shall take effect on the later of: (i) the acceptance of the new License or (ii) the date of this Agreement's execution under Article XIV above.

THE NATION

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

POWER AUTHORITY OF THE STATE OF NEW YORK

BY _____

Title _____

Date _____

(Seal)

Attest by: _____

POWER AUTHORITY OF THE STATE OF NEW YORK

30 South Pearl Street, Albany, NY 12207

Service Tariff No. TN-1

Schedule of Rates for Firm Hydroelectric Power
and Energy Service

EFFECTIVE:

September 1, 2007

APPLICABLE:

To sale of Niagara Firm Hydroelectric Project Power and Energy to the Tuscarora Nation pursuant to the Relicensing Settlement Agreement Between the Power Authority of the State of New York and the Tuscarora Nation executed on August 1, 2005.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES (effective May 1, 2006):

Capacity Rate: \$2.38 per kilowatt per month of Billing Demand at the Project switchyard.

Base Energy Rate: 4.92 mills per kilowatt-hour

Future rates shall be as determined by the Authority.

The Base Energy Rate set forth herein shall be subject to a monthly adjustment in accordance with a flow adjustment computation (FAC) as described in Appendix B.

MINIMUM MONTHLY CHARGE:

The product of the Capacity Rate and the Billing Demand.

POWER FACTOR:

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

DEFINITIONS:

Billing Demand: The Billing Demand shall be the Nation's Contract Demand.

Billing Energy: Energy provided by Authority under this service tariff.

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

GENERAL PROVISIONS:

General Provisions for service supplementing or modifying the Rules and Regulations for Power Service and Service Tariff No. TN- 1 with regard to deliveries to the Nation are as follows:

A Availability of Energy

Unless otherwise agreed upon by the Parties, Authority shall normally provide in any Billing Period firm Energy to the Nation in an amount equal to the product of (A) the number of hours in such Billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the load factor specified in the Agreement. The Authority will have the right to reduce on a pro rata basis the amount of energy provided to the Nation if such reductions are necessary due to low flow (i.e., hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Nation in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by the Nation.

Unless otherwise specified in the Agreement, where the Nation is taking service solely from Authority, the Billing Energy shall be the total number of kilowatt-hours recorded on the Nation's meter (or the meters of entities served by the Nation as indicated in the Agreement) during the Billing Period, adjusted for losses.

Unless otherwise specified in the Agreement, where the Nation takes service from other sources in addition to service supplied hereunder, the Billing Energy shall be determined by multiplying (A) the number of hours in such Billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the load factor specified in the Agreement.

B Adjustment of Rates

To the extent not inconsistent with the attached Agreement, the rates contained in this Service Tariff TN-1 may be revised from time to time on not less than thirty (30) days written notice to the Nation.

C Delivery

For the purpose of this Service Tariff TN-1, Power and/or Energy shall be delivered by Authority at the Project Switchyard to the transmission facilities under the control of the NYISO for delivery to the Nation.

For the purpose of these Service Tariffs, Power and/or Energy shall be deemed to be offered when Authority is able to supply Power and Energy and NYISO transmits it to the Nation or its designated points of interconnection with the Nation's Agent at the Niagara Project Switchyard. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by the Nation. If, despite such offer, there is a failure of delivery by the Nation or the Nation's Agent, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D Scheduling Procedures

1. Authority will advise the Nation or the Nation's Agent by the tenth (10th) Business Day of the preceding month of the estimated quantity of Energy expected by Service Tariff to be made available from the Project.
2. Authority may require that such Energy from the Project be scheduled in general accordance with the load shape of the Nation or the Nation's Agent or as otherwise agreed upon by the Nation and Authority.
3. The Nation or the Nation's Agent shall file with Authority pursuant to procedures established by Authority, a daily schedule setting forth the Nation's requested amounts from the Project on a clock hour basis.
4. Subsequent to Authority approval of schedules for any day, Authority and the Nation or the Nation's Agent may agree on changes in such schedules subject to NYISO scheduling requirements and procedures Authority shall establish such that an efficient dispatch of Authority facilities will be accomplished.

E Payment by the Nation for Power and/or Energy

- 1 The Nation shall pay for Power and/or Energy during any Billing Period the sum of a) and b) below:
 - a. For Firm Hydroelectric Power and Energy the capacity rate per kilowatt specified in this Service Tariff or any modification thereof applied to the Nation's Billing Demand for the Billing Period: and

- b. The Energy rate specified in this Service Tariff or any modification thereof applied to the amount of firm Billing Energy delivered by Authority to the Nation during such Billing Period.
2. Bills computed under Service Tariff TN-1 are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, the Nation shall pay such bill and adjustments, if necessary, will be made thereafter.

F Supplementary Provision

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

G Alternate Arrangements

Notwithstanding general provisions, C, D and E above, Authority and the Nation (and the Nation's Agent, if appropriate) may make alternate arrangements regarding Delivery, Scheduling Procedures and Payment for Power and/or Energy, in order to effectuate the terms of Appendix A hereto.

Appendix A

The Nation will initially distribute power and energy purchased from the New York Power Authority under the Agreement or the economic benefit of such power and energy to the following Ultimate Users:

1. The Nation.
2. Individual consumers within the Nation as designated by the Nation.

The Nation may change the Ultimate Users or class of Ultimate Users on thirty (30) day's notice to the Authority.

The benefits of the Allocation shall be provided to such Ultimate Users either by direct sale or by allocation by the Nation (or by the Nation's Agent) of electricity or the provision of bill credits, as set forth below, or through different methods approved by the Authority.

The listing of the foregoing Ultimate Users in no way mandates or requires for any reason that the Nation provide any portion of the Allocation (or Power Credits) to an Ultimate User and shall not preclude the Nation from denying any such Ultimate User the benefits associated with an allocation for any reason as determined by the Nation.

A. Direct Sale / Allocation, Use of Excess Power

The Nation may make a portion of the Allocation available to an Ultimate User for delivery at such Ultimate User's electricity accounts under applicable law. If there is any portion of the Allocation made available to The Nation that is not required to serve such Ultimate User's facilities, such Excess Power (up to the load factor specified in the Agreement) may be utilized as follows:

1. The Nation or the Nation's Agent may schedule Excess Power into the NYISO administered market for financial settlement, and such financial settlement so received by the Nation (less the Nation's Costs as set forth in Article VI of the Agreement and the cost of the power and energy purchased from the Authority), shall be applied by the Nation to payment of the Nation's (or an Ultimate User's, as the case may be) energy-related costs, included but not limited to, the purchase of energy commodities, the delivery and transportation of electricity and all other energy commodities and/or for energy efficiency or clean energy technology programs or projects.
2. The Nation may use the Excess Power (or the benefits associated with such Excess Power derived from a financial settlement as set forth in the preceding Paragraph 1) for economic development by providing credits to a business to apply against the cost and/or delivery of power or energy consumed by such business.

B. Power Credits

The Nation, or the Nation's Agent, may schedule all of its Allocation (up to the load factor specified in the Agreement) into the NYISO administered market for financial settlement, and such financial settlement so received by the Nation (less the Nation's Costs as set forth above and the cost of the power and energy purchased from the Authority), may be provided to Ultimate Users in the form of Power Credits by the Nation as follows:

Power Credits may be applied towards the cost and/or delivery of electric power or energy consumed by the Ultimate User or for energy-related costs, including but not limited to, the purchase of energy commodities, for the delivery and transportation of electricity and all other energy commodities, for energy efficiency or clean energy technology programs or projects and/or for economic development by providing credits to a business to apply against the cost and/or delivery of power or energy consumed by such business.

C. Right to Alternate Between Methods

The Nation shall have the right at its discretion and without restriction to alternate between the methods for the distribution of the benefits of the Allocation as set forth in Sections A and B above, upon giving sixty (60) days written notice to the Authority.

D. Market Administration

Notwithstanding anything to the contrary in the Agreement, if the Nation elects to convert the Allocation into bill credits pursuant to Sections A or B above, the Authority may in its discretion schedule the Allocation into the NYISO administered market for financial settlement; such financial settlement, less the Authority's costs calculated using tariff rates as described in Section V of the Agreement, shall be provided to the Nation or the Nation's Agent, as the case may be, for disposition pursuant to the terms of a separate agreement with the Authority and the Nation (and the Nation's Agent, if appropriate).

In the event that the Authority determines, in its discretion, not to use the foregoing method of scheduling the Allocation into the NYISO administered market for financial settlement, the Authority will provide reasonable notice to the Nation of its intent to discontinue such method and assist the Nation in making other arrangements to effect the delivery of the benefits of the Allocation to the Nation or Ultimate Users.

Appendix B

NEW YORK POWER AUTHORITY RATE STABILIZATION RESERVE METHODOLOGY

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

1. Calculate the total cost of service (CoS) for the Niagara/St. Lawrence projects. Costs include: Operations and Maintenance, amortized roadwork, Indirect Overheads (Shared Services, Research and Development, debt service) and Capital Costs (using TOC for equity funded and OC for debt funded).
2. Credit the CoS by any excess capacity (ICAP) sales to the ISO.
3. Allocate costs to the demand function by multiplying the sum of the Nations' billed demands by the preference demand charge, which has been inflated to include Ancillary Services production costs. This larger demand charge is used only for the purposes of the RSR.
4. Calculate the cost-based energy rate by dividing the remaining energy assigned costs by the annual metered generation.
5. Calculate the difference between the cost-based energy rate and the billed preference energy rate.
6. Multiply the difference in the rates by the actual annual billed preference energy sales to determine the annual change in the RSR.
7. Add the annual change to the RSR balance from the prior year-end to get the current year-end RSR balance.
8. If the current year-end balance is in excess of +/- \$25 million, the excess would be subject to a credit or a surcharge in the subsequent rate year.

COPY

In the matter of the
PROPOSED POWER CONTRACTS ASSOCIATED WITH THE
RELICENSING OF THE NIAGARA POWER PROJECT
public hearing held by
THE NEW YORK STATE POWER AUTHORITY
on May 7, 2007
at 1:00 P.M.
at the Power Vista Visitors' Center
5777 Lewiston Road, Lewiston, New York

APPEARANCES: ANDREA P. EGOLF,
 Court Reporter.

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1 MS. CAHILL: Good
2 afternoon, everybody. Sorry for the slight
3 delay. We're going to get started. Can you all
4 hear me? I am not used to speaking into a
5 microphone. Now can you hear me?

6 Good afternoon. My name is
7 Anne Cahill and I'm the corporate secretary of
8 the New York Power Authority. This public
9 hearing is being conducted by the Power Authority
10 to provide an overview and receive public comment
11 on nine proposed power contracts stemming from
12 settlement agreements entered into as part of the
13 Niagara Project Relicensing Proceeding.

14 Pursuant to Section 1009 (1) of
15 the Public Authorities Law, notice of this
16 hearing was published in the following seven
17 newspapers once a week for the four weeks leading
18 up to the hearing: The Buffalo News, the Niagara
19 Gazette, the Tonawanda News, the Lockport
20 Union-Sun and Journal, the Lewiston-Porter
21 Sentinel, Business First of Buffalo and the
22 Albany Times Union.

23 During the thirty-day period

1 prior to today's hearing, copies of the proposed
2 contracts have been available for inspection at
3 the Niagara Power Project, as well as on the
4 Authority's website.

5 Pursuant to Section 1009 (1) of
6 the Public Authorities Law, notice of this
7 hearing and copies of the proposed contracts were
8 sent to Governor Eliot Spitzer; President Pro Tem
9 of the New York State Senate, Joseph Bruno;
10 Speaker of the Assembly, Sheldon Silver; Chairman
11 of the Senate Finance Committee, Owen Johnson;
12 Chairman of the Assembly Ways and Means
13 Committee, Herman Farrell; Senate Minority
14 Leader, Malcolm Smith; and Assembly Minority
15 Leader, James Tedisco.

16 If you plan to make an oral
17 statement this afternoon and have not yet filled
18 out a card at the sign-in desk, please do so now.
19 We ask that you give copies of your written
20 statement to the reporter and me either before or
21 after you deliver your remarks.

22 Although your written statement
23 can be whatever length you would like, we would

1 ask those presenting an oral statement to limit
2 their remarks to five minutes. If your oral
3 statement summarizes a written statement, both
4 will appear in the record of the hearing.

5 The record of this hearing will
6 remain open through close of business on
7 Thursday, May 17th, 2007, for the submission of
8 any additional comments or statements. These
9 should be addressed to the Authority's corporate
10 secretary at 123 Main Street, 15-M, White Plains,
11 New York 10601, and may be faxed to
12 (914) 681-6949 or e-mailed to the e-mail address
13 of secretarys.office@nypa.gov. Please see Ms.
14 Graves, the deputy corporate secretary, on your
15 way out if you have additional questions.

16 Full stenographic minutes of
17 the hearing will be made and will be
18 incorporated, along with the written submissions,
19 into the report that will be reviewed by the
20 Authority's trustees.

21 Copies of the stenographic
22 transcript of this hearing will be available to
23 the public. You should contact the reporter to

1 make arrangements to purchase such a copy. A
2 copy of today's transcript will also be available
3 for review at the community relations office at
4 the Niagara Power Project.

5 At this point, I will turn the
6 microphone over to Joseph Carline, the
7 Authority's assistant general counsel for power
8 and transmission, who will provide additional
9 details on the proposed contracts. I will then
10 call on speakers starting with any elected
11 officials.

12 MR. CARLINE: Good
13 afternoon. My name is Joe Carline. I am an
14 assistant general counsel at the New York Power
15 Authority. I am here today to present an
16 overview of the proposed power contracts for
17 allocation of Niagara Project Power that have
18 resulted from settlement agreements reached as
19 part of the Niagara Project Relicensing
20 Proceeding.

21 Before I summarize the proposed
22 contracts, let me, by way of context, describe
23 how these contracts became necessary as a result

1 of relicensing of the project.

2 The existing fifty-year license
3 for the project issued to the Power Authority
4 under the Federal Power Act expires on August 31,
5 2007. At their meeting of June 28, 2005, the
6 Authority's trustees authorized filing of an
7 application for a new license for the project
8 with the Federal Energy Regulatory Commission,
9 FERC; filing related applications with the New
10 York State Department of State and the New York
11 State Department of Environmental Conservation
12 and filing of an offer of settlement with FERC.
13 The application and the offer of settlement were
14 filed with FERC on August 18, 2005, and August
15 19th, 2005 respectively. The offer of settlement
16 included separate agreements with the Host
17 Communities and the Tuscarora Nation.

18 Since its filing, the offer of
19 settlement has been supplemented twice with two
20 additional agreements. One, with Niagara
21 University, which was filed with FERC on May 26,
22 2006, after being approved by the Authority's
23 trustees at their meeting of May 23, 2006.

1 During the course of the
2 Alternative Licensing Process, the Tuscarora
3 Nation and Niagara University raised a number of
4 issues generally arising out of the proximity of
5 their lands to the project. The Host Communities
6 raised a number of issues relating to the loss of
7 taxable land as a result of the project.
8 Negotiations with these entities resulted in
9 settlement agreements that include allocations of
10 Niagara Project Power. These settlement
11 agreements represent complete settlement of all
12 issues raised by the entities during the
13 relicensing proceeding.

14 On March 15, 2007, FERC issued
15 a new license for the Niagara Project to the
16 Authority effective September 1, 2007 for a
17 fifty-year term.

18 Today's hearing is to consider
19 the terms and conditions of nine proposed
20 agreements between the Power Authority and the
21 following entities for the sale of power and
22 energy from the Niagara Power Project:

23 City of Niagara Falls, five

1 point five megawatts. City of Niagara Falls
2 School District, three point five megawatts.
3 Lewiston-Porter School District, one point five
4 megawatts. Niagara County, nine megawatts.
5 Niagara University, three megawatts. Niagara
6 Wheatfield School District, one point five
7 megawatts. Town of Lewiston, three point five
8 megawatts. Town of Niagara, point five
9 megawatts, or one half. Tuscarora Nation, one,
10 megawatt.

11 The Relicensing Settlement

12 Agreement with Niagara University provides that
13 the University will pay rates equivalent to the
14 lowest rate charged by the Power Authority to
15 Western New York hydropower business customers,
16 including, for example, replacement or expansion
17 power customers. The Host Communities and the
18 Tuscarora Nation will pay cost-based rates
19 equivalent to those paid by the preference power
20 customers.

21 The Authority's obligation to
22 sell power and energy to the aforementioned
23 entities pursuant to the Relicensing Settlement

1 Agreements will become effective on the latest
2 of: One, the first day after the day the Power
3 Authority files its acceptance of the new license
4 with FERC; two, the date on which the Authority
5 asks the power recipients to execute contracts
6 for the sale of power and energy; or three,
7 September 1, 2007. The proposed contracts run
8 through September 1, 2025, the same as the
9 current Niagara contracts with the municipal
10 electric and rural cooperative customers and the
11 neighboring states. Successor contracts will be
12 required to meet the terms of the Relicensing
13 Settlement Agreements.

14 As Ms. Cahill stated earlier,
15 the Power Authority will accept your comments on
16 the proposed contracts until close of business
17 May 17, 2007. I will now turn the forum back
18 over to Ms. Cahill.

19 MS. CAHILL: Thank you.

20 I will now call speakers. Our first speaker will
21 be Mr. Bill Ross, County Legislator for Niagara
22 County, speaking on behalf of the Niagara Power
23 Coalition.

1 MR. ROSS: First, I
2 want to thank the New York Power Authority for
3 making this public hearing available to entity
4 members of the Niagara Power Coalition. Mr.
5 Carline and Ms. Cahill, thank you very much.

6 My name is William L. Ross. I
7 represent the Niagara Power Coalition as the
8 chairman. Just a quick review of the Niagara
9 Power Coalition. It is made up of seven entity
10 members, two of them are here today, and I'd like
11 to introduce them, Mr. Fred Newlin, supervisor of
12 the Town of Lewiston, and Mr. Donald Rappold,
13 interim superintendent of the Lewiston-Porter
14 Central School District. As a matter of fact,
15 Mr. Rappold was with the Niagara Power Coalition
16 right from the beginning.

17 Now, the other members of the
18 Niagara Power Coalition are the City of Niagara
19 Falls, the Town of Niagara, the Niagara
20 Wheatfield School District, the Niagara Falls
21 City School District, and, of course, Niagara
22 County.

23 On behalf of the seven members

1 of the Niagara Power Coalition, it is my pleasure
2 to be here this afternoon to present a statement
3 in support of the agreement for the sale of
4 Niagara Project Power Energy with the New York
5 Power Authority.

6 The NPC's Host Community
7 Relicensing and Settlement Agreement includes a
8 provision for the allocation of twenty-five
9 megawatts of low-cost power to the Niagara Power
10 Coalition members. Pursuant to the Host
11 Community Relicensing Settlement Agreement, the
12 Niagara Power Coalition members negotiated and
13 discussed between themselves how the twenty-five
14 megawatts would be allocated. The breakdown of
15 those megawatts are contained in Exhibit A of the
16 Host Community Relicensing Agreement.

17 In 2004, a resolution to enter
18 into the Host Community Relicensing and
19 Settlement Agreement, which was finally fully
20 executed on June 27th, 2005, was based upon the
21 fact that there would be low-cost power
22 allocation for electricity to be used by each of
23 the coalition members in the amount of megawatts

1 as specified in the HCRSA.

2 That agreement -- that
3 agreement is what precipitated why we're here
4 today, and is known as an agreement for the sale
5 of the Niagara Project Power and Energy.
6 Further, that the NPC members and that NYPA have
7 entered into an agreement as presented here today
8 where the allocation and the use of the low-cost
9 power allocation was agreed to under the Host
10 Community Relicensing and Settlement Agreement.

11 The agreement for the purchase
12 of Niagara Project Power Energy was accomplished
13 through spirited discussions between the parties,
14 resulted in this agreement that has provided each
15 of the NPC members with flexibility that is
16 unprecedented by today's standards that had to
17 benefit their respective geographical areas.

18 This flexibility, by including
19 the low-cost power allocation to replace more
20 expensive electrical power within each community
21 also allows its availability, meaning, the
22 low-cost power allocation, and use for not only
23 electric, but including other energy commodities

1 and products that are energy efficient and
2 technology both present and future.

3 The Niagara Power Coalition,
4 the NPC, feels that its members, and therefore
5 the citizens and taxpayers of their geographical
6 areas, are the beneficiaries of this
7 unprecedented opportunity, along with other
8 benefits that are contained within the original
9 Host Community Relicensing and Settlement
10 Agreement.

11 We wish to thank and applaud
12 the efforts of the New York Power Authority, as
13 well as each of the representatives of the
14 members, and of course I've already named those
15 members and their representatives of the Niagara
16 Power Coalition. Thank you very much.

17 MS. CAHILL: Thank you,
18 Mr. Ross. Our next speaker is Mr. Fred Newlin,
19 he's the supervisor of the Town of Lewiston.

20 MR. NEWLIN: Thank you.
21 My name is Fred Newlin, Supervisor of the Town of
22 Lewiston. It is a pleasure to be here and we
23 welcome all the staff down from the Power

1 Authority. We hope you come back to beautiful
2 Lewiston.

3 I wanted to say that this
4 agreement that we're considering today, the
5 energy portion of the agreement, is going to meet
6 one of the crucial goals that Lewiston had mapped
7 out for this settlement when we entered into
8 negotiations. This agreement, by delivering
9 cheap hydroelectric energy from the plant
10 directly to its residents will make Lewiston for
11 its residents a more affordable community to
12 live, especially for the seniors who live on
13 fixed incomes.

14 For the first time ever, these
15 residents will be able to see a direct and
16 tangible benefit, that is, cash back in their
17 pockets, and will show them the direct benefit
18 they have to having this Power Authority Host
19 Community. This agreement will be a big part of
20 Lewiston's future success and it will be a
21 stronger and more viable community. Thank you.

22 MS. CAHILL: Thank you.

23 Our next speaker is Ms. Bonnie Rose, she is the

1 Executive Vice President of Niagara University.

2 MS. ROSE: Good
3 afternoon and thank you. Again, my name is
4 Bonnie Rose, representing Niagara University here
5 today.

6 The University would like to
7 speak on record regarding the proposed contract
8 between our institution and the New York State
9 Power Authority for the sale of three megawatts
10 of power by the Authority to Niagara University.

11 The proposed contract is
12 consistent with and dictated by the terms of the
13 Niagara University Relicensing Settlement
14 Agreement, which was signed in May of 2006 and
15 filed with the Federal Energy Commission as part
16 of that commission that led to the relicensing of
17 the Niagara Power Project.

18 This agreement provides Niagara
19 University with power on a par with other large
20 industrial users in Western New York. As the
21 next-door neighbor to the Niagara Power Project,
22 as you can see, and as a stakeholder that was
23 most directly and adversely affected by its

1 construction, the university fought hard for this
2 agreement, which will give us significant savings
3 on some of our power needs.

4 As a major employer responsible
5 for over a thousand jobs and one hundred sixty
6 million dollars in annual economic benefit to
7 Western New York, we will use the cost savings to
8 continue to contribute to the growth and
9 revitalization of our region.

10 Just this week we proudly
11 announced a bold new master plan for development
12 of our campus that will position us to be an even
13 greater contributor for the future. This plan
14 includes projected construction projects of
15 nearly sixty million dollars over the next five
16 years, and, in addition to that, the new jobs and
17 economic spin-offs that come from growth and
18 advancement of our institution. It also includes
19 nearly eighty million dollars in private
20 fundraising. Leaving aside the vital role that
21 we play as an educational and cultural resource
22 to the community, there are few employers in our
23 region that can match such positive development.

1 The Niagara contract with
2 Niagara University is fair; it is good for
3 Niagara University and our students, and it is
4 good for Western New York. We look forward to
5 having it fully approved to timely start this
6 fall in accordance with our Settlement Agreement.
7 Thank you.

8 MS. CAHILL: Thank you.
9 That concludes this portion of the hearing as
10 there are no other attendees signed up to speak.

11 I'd like to remind you that the
12 record of this hearing will remain open through
13 the close of business on Thursday, May 17th, 2007
14 for the submission of any further comments or
15 statements. And I would like to thank you for
16 all coming out this afternoon on this beautiful
17 afternoon. Thank you for attending the hearing.

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19 * * * * *
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23

1 STATE OF NEW YORK)

2 SS:

3 COUNTY OF NIAGARA)

4

5 I, ANDREA P. EGOLF, a Notary Public in
6 and for the State of New York, County of Niagara, DO
7 HEREBY CERTIFY that the proceedings were taken down
8 by me in a verbatim manner by means of Machine
9 Shorthand. That the proceedings were taken to be
10 used in the above-entitled action.

11 I further CERTIFY that the
12 above-described transcript constitutes a true,
13 accurate and complete transcript of the testimony.

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ANDREA P. EGOLF,
Notary Public.

PUBLIC HEARING
Monday, May 7, 2007 - 1:00 p.m.
Proposed Power Contracts Associated with the
Relicensing of the Niagara Power Project

Good afternoon. My name is Anne Cahill and I'm the Corporate Secretary of the New York Power Authority. This public hearing is being conducted by the Power Authority to provide an overview and receive public comment on nine proposed power contracts stemming from settlement agreements entered into as part of the Niagara Project Relicensing proceeding.

Pursuant to Section 1009 (1) of the Public Authorities Law, notice of this hearing was published in the following seven newspapers once a week for the four weeks leading up to the hearing: the *Buffalo News*, the *Niagara Gazette*, the *Tonawanda News*, the *Lockport Union-Sun & Journal*, the *Lewiston-Porter Sentinel*, *Business First of Buffalo*, and the *Albany Times Union*. During the 30-day period prior to today's hearing, copies of the proposed contracts have been available for inspection at the Niagara Power Project, as well as on the Authority's web site.

Pursuant to Section 1009(1) of the Public Authorities Law, notice of this hearing and copies of the proposed contracts were sent to Governor Eliot Spitzer; President Pro Tem of the New York State Senate Joseph Bruno; Speaker of the Assembly Sheldon Silver; Chairman of the Senate Finance Committee Owen Johnson; Chairman of the Assembly Ways and Means Committee Herman Farrell; Senate Minority Leader Malcolm Smith; and Assembly Minority Leader James Tedisco.

If you plan to make an oral statement this afternoon and have not yet filled out a card at the sign-in desk, please do so now. We ask that you give copies of your written statement to the reporter and me either before or after you deliver your remarks. Although your written statement can be whatever length you like, we would ask those presenting an oral statement to limit their remarks to five minutes. If your oral statement summarizes a written statement, both will appear in the record of the hearing.

The record of this hearing will remain open through close of business on Thursday, May 17, 2007, for the submission of any additional comments or statements. These should be addressed to the Authority's Corporate Secretary at 123 Main Street, 15-M, White Plains, NY 10601; and may be faxed to (914) 681-6949; or e-mailed to secretarys.office@nypa.gov. Please see Ms. Graves, the Deputy Corporate Secretary, on your way out if you have additional questions.

Full stenographic minutes of the hearing will be made and will be incorporated, along with the written submissions, into the record that will be reviewed by the Authority's Trustees.

Copies of the stenographic transcript of this hearing will be available to the public. You should contact the reporter to make arrangements to purchase such a copy. A copy of today's transcript will also be available for review at the Community Relations office at the Niagara Power Project.

At this point, I will turn the microphone over to Joseph Carline, the Authority's Assistant General Counsel for Power and Transmission, who will provide additional details on the proposed contracts.

I will then call on speakers, starting with any elected officials.

Mr. Carline

**New York Power Authority
Public Hearing
Proposed Power Contracts Associated with the
Relicensing of the Niagara Power Project
May 7, 2007**

Good afternoon, my name is Joe Carline. I am an Assistant General Counsel at the New York Power Authority. I am here today to present an overview of the proposed power contracts for allocation of Niagara Project power that have resulted from settlement agreements reached as part of the Niagara Project Relicensing proceeding.

Before I summarize the proposed contracts, let me by way of context describe how these contracts became necessary as a result of relicensing of the Project.

Niagara Project Relicensing

The existing 50-year license for the Project issued to the Power Authority under the Federal Power Act expires on August 31, 2007. At their meeting of June 28, 2005, the Authority's Trustees authorized filing of an Application for a New License for the Project with the Federal Energy Regulatory Commission ("FERC"); filing related applications with the New York State Department of State and the New York State Department of Environmental Conservation and filing of an Offer of Settlement with FERC. The Application and the Offer of Settlement were filed with FERC on August 18, 2005 and August 19, 2005, respectively. The Offer of Settlement included separate agreements with the Host Communities and the Tuscarora Nation.

Since its filing, the Offer of Settlement has been supplemented twice with two additional agreements. One, with Niagara University, was filed with FERC on May 26, 2006, after being approved by the Authority's Trustees at their meeting of May 23, 2006.

During the course of the Alternative Licensing Process, the Tuscarora Nation and Niagara University raised a number of issues generally arising out of the proximity of their lands to the Project. The Host Communities raised a number of issues relating to the loss of taxable land as a result of the Project. Negotiations with these entities resulted in settlement agreements that include allocations of Niagara Project power. These settlement agreements represent complete settlement of all issues raised by these entities during the relicensing proceeding.

On March 15, 2007, FERC issued a new license for the Niagara Project to the Authority effective September 1, 2007 for a 50-year term.

The Proposed Contracts

Today's hearing is to consider the terms and conditions of nine proposed agreements between the Power Authority and the following entities for the sale of power and energy from the Niagara Power Project:

- City of Niagara Falls 5.5 MW
- City of Niagara Falls School District 3.5 MW
- Lewiston-Porter School District 1.5 MW
- Niagara County 9.0 MW
- Niagara University 3.0 MW
- Niagara Wheatfield School District 1.5 MW
- Town of Lewiston 3.5 MW
- Town of Niagara 0.5 MW
- Tuscarora Nation 1.0 MW

The relicensing settlement agreement with Niagara University provides that the University will pay rates equivalent to the lowest rate charged by the Power Authority to Western New York hydropower business customers (including, for example, Replacement or Expansion Power customers). The Host Communities and the Tuscarora Nation will pay cost-based rates equivalent to those paid by the preference power customers.

The Authority’s obligation to sell power and energy to the aforementioned entities pursuant to the relicensing settlement agreements will become effective on the latest of: (1) the first day after the date the Power Authority files its acceptance of the New License with FERC, (2) the date on which the Authority and the power recipients execute contracts for the sale of power and energy or (3) September 1, 2007. The proposed contracts run through September 1, 2025, the same as the current Niagara contracts with the municipal electric and rural cooperative customers and the Neighboring States. Successor contracts will be required to meet the terms of the relicensing settlement agreements.

As Ms. Cahill stated earlier, the Power Authority will accept your comments on the proposed contracts until close of business May 17, 2007. I will now turn the forum back over to Ms. Cahill.

NIAGARA POWER COALITION

William L. Ross, Chairman

On behalf of the 7 members of the Niagara Power Coalition it is my pleasure to be here this afternoon to present this statement in support of the Agreement for the Sale of the Niagara Project Power and Energy with NYPA.

The NPC's Host Community Relicensing and Settlement Agreement includes the provision for the allocation of 25 megawatts of low-cost power to NPC members. Pursuant to the Host Community Relicensing Settlement Agreement the Niagara Power Coalition Members negotiated and discussed between themselves how the 25 megawatts would be allocated. The breakdown of those megawatts are contained in Exhibit A of the HCRSA.

In 2004 a resolution to enter into the Host Community Relicensing and Settlement Agreement, which was finally fully executed on June 27, 2005, was based upon the fact that there would be Low Cost Power Allocation for electricity to be used by each of the coalition members in the amount of megawatts as specified in the HCRSA.

That agreement is what precipitated why we are here today, and is known as the agreement for the sale of Niagara Project Power and Energy. Further, that the NPC members and the NYPA have entered into agreement as presented here today where the allocation and use of the low-cost power allocation agreed to under the Host Community Relicensing and Settlement Agreement. The agreement for the purchase of Niagara Project Power and Energy was accomplished through spirited discussions between the parties resulted in this agreement that has provided each of the NPC members with flexibility that is unprecedented by today's standards. Each of the Coalition members and their citizens and taxpayers has a flexibility that will benefit their respective geographical areas. This flexibility, by including the low-cost power allocation to replace more expensive electrical power within each community also allows its availability (meaning the low cost power allocation) and use for not only electric, but including other energy commodities and products that are energy efficient and technology both present and future.

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Niagara Power Coalition

May 7, 2007

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The Niagara Power Coalition feels that its members and therefore the citizens and taxpayers of their geographical areas are the beneficiaries of this unprecedented opportunity along with the other benefits that are contained within the original Host Community Relicensing and Settlement Agreement. We wish to thank and applaud the efforts of the NYPA as well as each of the representatives of the members (name members) and their representatives of the Niagara Power Coalition.



Lewiston-Porter Central School District

Aiming Higher

May 7, 2007

New York State Power Authority

To Whom It May Concern:

Almost fourteen years ago, the Lewiston-Porter Central School District joined a coalition of school districts and municipalities that were impacted by the location of the Niagara Power Project (host communities). The Niagara Power Coalition was formed. As a result of the cooperation of these host communities, and the efforts of the Power Authority, an understanding/agreement was consummated between the Niagara Power Coalition and the New York State Power Authority.

On August 19, 2005, the New York State Power Authority filed with the Federal Energy Regularly Commission (FERC) the "Niagara Power Project Relicensing Offer of Settlement and Explanatory Statement." As set forth in the Explanatory Statement, the Offer of Settlement satisfies all Federal and State statutory and regularly requirements pertaining to the relicensing of the Niagara Power Project. In this document presented to FERC, a "Host Community Agreement" section was included. The "Host Community Relicensing Settlement Agreement Addressing Non-License Terms and Conditions" is dated June 27, 2005. The agreement included the benefits realized by the Lewiston-Porter Central School District.

The quality of life of a community is measured by the quality of its schools. The school mirrors the social, economic and cultural prominence of the community. Indeed it is the school that is a major focus and defines a community. People are drawn to a community because of the attractiveness of the school. That realization equates to economic development and all the benefits that are realized by the community as a result.

On behalf of the Lewiston-Porter Board of Education, the school district thanks the New York State Power Authority for this opportunity to help shape, mold and create our campus to prepare our students in the twenty-first century.

Sincerely,

Don W. Rappold, Interim Superintendent/
Asst. Superintendent for Administrative Services

Don W. Rappold
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**STATEMENT ON NYPA LOW-COST POWER CONTRACTS
For Public Hearing May 7, 2007**

Niagara University would like to speak on record regarding the proposed contract between our institution and the New York State Power Authority, for the sale of 3 MW of power by the authority to NU.

The proposed contract is consistent with and dictated by the terms of the Niagara University Re-licensing Settlement Agreement which was signed in May 2006 and filed with FERC as part of the submission that led to re-licensing of the Niagara Power Project.

This agreement provides Niagara University with power on a par with other large industrial users in Western New York. As the next-door neighbor to the Niagara Project and as a stakeholder that was most directly and adversely affected by its construction, the university fought hard for this agreement, which will give us significant savings on some of our power needs.

As a major employer responsible for over 1,000 jobs and \$160M in annual economic benefit to Western New York, we will use the cost savings to continue to contribute to the growth and revitalization of our region. Just this week, we announced a bold new master plan for development of our campus that will position us to be an even greater contributor in the future. This plan includes projected construction projects of nearly \$60M over the next five years, in addition to the new jobs and economic spin-offs that come from growth and advancement of our institution. It also includes \$80M in private fundraising. Leaving aside the vital role we play as an educational and cultural resource to the community, there are few employers in our region that can match such positive development.

The NYPA contract with Niagara University is fair; it is good for Niagara University and our students; and it is good for Western New York. We look forward to having it fully approved for a timely start this fall, in accordance with our Settlement Agreement.

Thank you.