

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

**November 27, 2007**

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Minutes of the Regular Meeting of the Power Authority of the State of New York held via video conference at the following participating locations at 11:00 a.m.:

- 1) New York Power Authority, 123 Main Street, White Plains, NY
- 2) New York Power Authority, Niagara Power Project, 5777 Lewiston Road, Lewiston, NY
- 3) Harris Beach, PLLC, 99 Garnsey Road, Pittsford, NY

The following Members of the Board were present at the following locations:

Frank S. McCullough, Jr., Chairman (White Plains, NY)  
Michael J. Townsend, Vice Chairman, (Pittsford, NY)  
D. Patrick Curley, Trustee (White Plains, NY)  
James A. Besh, Sr., Trustee (White Plains, NY)  
Elise M. Cusack, Trustee (Lewiston, NY)  
Robert E. Moses, Trustee (White Plains, NY)  
Thomas W. Scozzafava, Trustee (White Plains, NY)

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|                     |   |
|---------------------|---|
| Roger B. Kelley     | President and Chief Executive Officer   |
| Thomas J. Kelly     | Executive Vice President, General Counsel and Chief of Staff                              |
| Joseph Del Sindaco  | Executive Vice President and Chief Financial Officer                                      |
| Gil C. Quiniones    | Executive Vice President – Energy Marketing and Corporate Affairs                         |
| 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                                    |
| William J. Nadeau   | Senior Vice President – Energy Resource Management and Strategic Planning                 |
| Brian Vattimo       | Senior Vice President – Public and Governmental Affairs                                   |
| Edward A. Welz      | Senior Vice President and Chief Engineer – Power Generation                               |
| James H. Yates      | Senior Vice President – Marketing and Economic Development                                |
| Arnold M. Bellis    | Vice President, Controller  |
| John M. Hoff        | Vice President – Procurement and Real Estate  |
| Donald A. Russak    | Vice President – Finance  |
| William V. Slade    | Vice President – Environmental, Health and Safety   |
| Thomas Warmath      | Vice President and Chief Risk Officer   |
| Daniel Wiese        | Inspector General and Vice President – Corporate Security                                 |
| Brian C. McElroy    | Treasurer – Corporate Finance   |
| Anne B. Cahill      | Corporate Secretary   |
| Angela D. Graves    | Deputy Corporate Secretary  |
| Dennis T. Eccleston | Chief Information Officer   |
| Paul F. Finnegan    | Executive Director – Public and Governmental Affairs                                      |
| James F. Pasquale   | Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing |
| Michael A. Saltzman | Director – Media Relations – Public and Governmental Affairs                              |
| Gerard R. Mullin    | Director – Fuel Planning and Operations – Energy Resource Management                      |
| Caroline G. Garcia  | Manager – Power Contracts   |
| Lesly Y. Pardo      | Manager – Internal Audit  |
| Lou Paonessa        | Community Relations Manager – Public and Governmental Affairs                             |
| Mary Jean Frank     | Associate Corporate Secretary   |
| Lorna M. Johnson    | Assistant Corporate Secretary   |
| Maribel Cruz        | Conservation Engineer – Energy Services and Technology                                    |
| William Schneider   | Contractor  |
| Kevin O’Keefe       | Video Consultant  |

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

**Introduction**

*Chairman Frank McCullough said that a short Executive Session to brief the Trustees on current contract negotiations had been added to the end of the Trustees' Meeting agenda.*

1. **Approval of the Minutes**

*The Minutes of the Regular Meeting of October 30, 2007 were unanimously adopted.*

2. **Financial Reports for the Ten Months Ended October 31, 2007**

*Mr. Bellis presented an overview of the reports for the Trustees.*

**NEW YORK POWER AUTHORITY**  
**FINANCIAL REPORTS**  
**FOR THE TEN MONTHS ENDED OCTOBER 31, 2007**

Financial Reports  
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**NEW YORK POWER AUTHORITY  
FINANCIAL REPORT  
FOR THE TEN MONTHS ENDED OCTOBER 31, 2007**

(\$ in millions)

| <u>Financial Summary</u>   | <u>2007 YTD</u> |                    | <u>October 2007</u>  |               |
|----------------------------|-----------------|--------------------|----------------------|---------------|
|                            | <u>Actual</u>   | <u>Budget</u>      | <u>Actual</u>        | <u>Budget</u> |
| Net operating revenues     | \$235.6         | \$204.8            | \$19.0               | \$15.0        |
| Net revenues (loss)        | 223.1           | 153.8              | 17.7                 | 8.7           |
| O&M (incl. administrative) | 225.3           | 231.8              | 27.2                 | 25.2          |
| Generation (gwh's)         | 22,179          | 21,906             | 2,020                | 1,976         |
|                            | <u>Current</u>  | <u>Prior Month</u> | <u>December 2006</u> |               |
| <b>Reserves</b>            | \$375           | \$366              | \$348                |               |

Net revenues through October 31, 2007 were \$223.1 which was \$69.3 higher than budgeted including higher non-operating income (\$38.5) and higher net operating revenues (\$30.8). Non-operating income included higher earnings on investments due to higher balances, a mark-to-market gain on the Authority's investment portfolio, and lower than anticipated costs on variable rate debt. Higher net operating revenues at Blenheim-Gilboa (\$12.0), the SCPP'S (\$11.0) and the hydro facilities (\$8.8), were due mainly to a higher volume of market-based sales and higher prices for capacity. The favorable variance at the transmission facilities (\$8.2) was due primarily to 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). These positives were partially offset by a negative variance at Flynn (\$10.8) due in part to the repair of the generator rotor and a timing difference for planned outage expenses.

Net revenues for the month of October were \$17.7 which was \$9.0 higher than anticipated resulting from higher non-operating income (\$5.0) and higher net operating revenues (\$4.0). 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. Net operating revenues included higher than anticipated market-based sales at the SCPP's (higher volumes & spreads). Production for October was 2% higher than anticipated resulting in year-to-date generation (22,179 gwh) which was 1% higher than the budget (21,906 gwh). Through October, higher generation at the fossil facilities (298 gwh) was partially offset by lower hydro production (24 gwh). Cash generated by operations during the month (\$28.0) was partially offset by additions to other reserves.

**NYPA**  
**Net Revenues**  
**For The Ten Months ended October 31, 2007**  
**(\$ in 000'S)**

|                                    | <u>Annual Budget</u>  | <u>Actual</u>         | <u>Budget</u>         | <u>Variance<br/>Favorable/<br/>(Unfavorable)</u> |
|------------------------------------|-----------------------|-----------------------|-----------------------|--|
| <b>Operating Revenues</b>          |                       |                       |                       |  |
| Customer                           | \$1,826,711           | \$1,557,026           | \$1,531,510           | \$25,516   |
| Market-Based Power Sales           | 737,570               | 771,039               | 635,025               | 136,014  |
| Ancillary Services                 | 67,499                | 45,700                | 54,616                | (8,916)  |
| NTAC and Other                     | 81,763                | 72,434                | 68,216                | 4,218  |
| Total Market-Based and ISO         | <u>886,832</u>        | <u>889,173</u>        | <u>757,857</u>        | <u>131,316</u>                                   |
|                                    | <b>2,713,543</b>      | <b>2,446,199</b>      | <b>2,289,367</b>      | <b>156,832</b>                                   |
| <b>Operating Expenses</b>          |                       |                       |                       |  |
| Purchased Power:                   |                       |                       |                       |  |
| Entergy                            | 155,370               | 131,080               | 129,124               | (1,956)  |
| Other                              | 809,217               | 773,923               | 697,257               | (76,666)   |
| Ancillary Services                 | 73,733                | 83,053                | 61,478                | (21,575)   |
| Fuel Consumed - Oil & Gas          | 519,480               | 461,569               | 431,410               | (30,159)   |
| Wheeling                           | 325,869               | 280,370               | 278,858               | (1,512)  |
| Operations & Maintenance           | 281,152               | 225,332               | 231,768               | 6,436  |
| Other expenses                     | 142,609               | 116,217               | 118,839               | 2,622  |
| Depreciation & Amortization        | 176,451               | 148,159               | 146,720               | (1,439)  |
| Allocation to Capital              | (12,681)              | (9,076)               | (10,879)              | (1,803)  |
|                                    | <u>2,471,200</u>      | <u>2,210,627</u>      | <u>2,084,575</u>      | <u>(126,052)</u>                                 |
| <b>Net Operating Revenues</b>      | <b>242,343</b>        | <b>235,572</b>        | <b>204,792</b>        | <b>30,780</b>                                    |
| Interest Income and Realized Gains | 56,743                | 68,078                | 47,332                | 20,746   |
| Mark to Market Adjustment          | 1,000                 | 7,687                 | 1,000                 | 6,687  |
| <b>Investment Income</b>           | <u>57,743</u>         | <u>75,765</u>         | <u>48,332</u>         | <u>27,433</u>                                    |
| <b>Interest and Other Expenses</b> | <u>124,192</u>        | <u>88,210</u>         | <u>99,304</u>         | <u>11,094</u>                                    |
| <b>Net Revenues</b>                | <u><u>175,894</u></u> | <u><u>223,127</u></u> | <u><u>153,820</u></u> | <u><u>69,307</u></u>                             |

**New York Power Authority**  
**Net Revenues by Facility**  
**For the Ten Months ended October 31, 2007**  
**(\$ in 000's)**

|                               | Niagara/<br>St. Lawrence | B-G       | SENY       | SCPP      | Market Supply<br>Power | Flynn       | Transmission | Eliminations<br>& Adjmts | Total        |
|-------------------------------|--------------------------|-----------|------------|-----------|------------------------|-------------|--------------|--------------------------|--------------|
| <b>Operating Revenues</b>     |                          |           |            |           |                        |             |              |                          |              |
| Customer                      | \$ 281,052               | \$ 7,107  | \$ 956,200 | \$ 1,506  | \$ 193,270             | \$ 71,490   | \$ 72,144    | \$ (25,743)              | \$ 1,557,026 |
| Market-Based Power Sales      | 132,724                  | 79,560    | 475,960    | 130,120   | 35,844                 |             |              | (83,169)                 | 771,039      |
| Ancillary Services            | 38,773                   | 2,225     | 4,284      | 682       |                        |             |              | (264)                    | 45,700       |
| NTAC and Other                |                          |           |            |           |                        |             | 72,434       |                          | 72,434       |
| Total Market-Based and ISO    | 171,497                  | 81,785    | 480,244    | 130,802   | 35,844                 | -           | 72,434       | (83,433)                 | 889,173      |
| <b>Operating Expenses</b>     |                          |           |            |           |                        |             |              |                          |              |
| Purchased Power:              |                          |           |            |           |                        |             |              |                          |              |
| Energy                        |                          |           | 131,080    |           |                        |             |              |                          | 131,080      |
| Other                         | 89,171                   | 47,232    | 524,935    | 7,446     | 218,848                |             | 37           | (113,746)                | 773,923      |
| Ancillary Services            | 26,557                   | 266       | 46,719     | 152       | 9,359                  |             |              |                          | 83,053       |
| Fuel Consumed - Oil & Gas     |                          |           | 348,388    | 66,146    |                        | 47,035      |              |                          | 461,569      |
| Wheeling                      | 8,634                    |           | 262,564    |           | 8,756                  | 416         |              |                          | 280,370      |
| Operations & Maintenance      | 78,558                   | 21,515    | 44,026     | 12,641    | 1,173                  | 14,601      | 52,818       |                          | 225,332      |
| Other expenses                | 21,075                   | 2,898     | 13,540     | 1,231     | 42,078                 | 711         | 9,737        | 24,947                   | 116,217      |
| Depreciation & Amortization   | 30,982                   | 5,628     | 49,129     | 23,628    | 728                    | 4,405       | 33,659       |                          | 148,159      |
| Allocation to Capital         | (3,909)                  | (1,098)   | (1,538)    | (40)      |                        | (300)       | (2,191)      |                          | (9,076)      |
|                               | 251,068                  | 76,441    | 1,418,843  | 111,204   | 280,942                | 66,868      | 94,060       | (88,799)                 | 2,210,627    |
| <b>Net Operating Revenues</b> | 201,481                  | 12,451    | 17,601     | 21,104    | (51,828)               | 4,622       | 50,518       | (20,377)                 | 235,572      |
| Investment and Other Income   | 10                       |           | 6,897      | 125       |                        | 13          | 208          | 68,512                   | 75,765       |
| Interest and Other Expenses   | (20,206)                 | 1,046     | (27,870)   | (20)      | (40)                   | (2,144)     | (22,560)     | (16,416)                 | (88,210)     |
| <b>Net Revenues (loss)</b>    | 181,285                  | 13,497    | (3,372)    | 21,209    | (51,868)               | 2,491       | 28,166       | 31,719                   | 223,127      |
| Budget                        | 170,189                  | 1,039     | (10,440)   | 10,117    | (51,231)               | 12,833      | 18,531       | 2,782                    | 153,820      |
| Variance                      | \$ 11,096                | \$ 12,458 | \$ 7,068   | \$ 11,092 | \$ (637)               | \$ (10,342) | \$ 9,635     | \$ 28,937                | \$ 69,307    |

\* Revenues for SENY include \$26.4 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 Ten Months Ended October 31, 2007  
(Millions)

|  |  | Better/(Worse)<br>than budget |         |
|--|--|-------------------------------|---------|
| <b>Niagara/St. Lawrence</b>              | o Higher revenues (including higher volume of market-based sales)        | \$ 27.0                       |         |
|  | o Higher purchased power costs (primarily higher congestion)             | (8.8)                         |         |
|  | o Higher ancillary service costs (residual adjustments)                  | (9.6)                         |         |
|  | o Lower St. Lawrence site O&M (lower than anticipated maintenance costs) | 1.8                           |         |
|  | o Other  | 0.7                           | \$11.1  |
| <b>Blenheim-Gilboa</b>                   | o Higher market-based revenues (higher volumes)                          | 15.8                          |         |
|  | o Higher purchased power costs (higher volumes)                          | (3.4)                         | 12.4    |
| <b>SENY</b>                              | o Higher customer revenues (higher than anticipated ECA revenue)         | 26.2                          |         |
|  | o Higher market-based sales (higher volumes)                             | 71.1                          |         |
|  | o Higher purchased power costs (higher volumes & prices)                 | (60.5)                        |         |
|  | o Higher ancillary service costs (residual adjustments)                  | (9.5)                         |         |
|  | o Higher fuel costs (higher prices & higher generation)                  | (30.9)                        |         |
|  | o Lower Poletti site O&M (scheduled maintenance outage delayed)          | 1.6                           |         |
|  | o Lower allocated administrative expenses                                | 1.2                           |         |
| o Other (primarily lower interest costs) | 7.9  | 7.1                           |         |
| <b>SCPP</b>                              | o Higher revenues (primarily a higher volume of market-based sales)      | 38.2                          |         |
|  | o Higher purchased power costs (higher volumes)                          | (5.3)                         |         |
|  | o Higher fuel costs (primarily higher generation)                        | (19.8)                        |         |
|  | o Other  | (2.0)                         | 11.1    |
| <b>Market Supply Power</b>               | o Higher revenues (primarily a higher volume of market-bases sales)      | 10.2                          |         |
|  | o Higher purchased power costs (higher volumes & prices)                 | (8.5)                         |         |
|  | o Higher ancillary service costs (residual adjustments)                  | (2.1)                         |         |
|  | o Other  | (0.2)                         | (0.6)   |
| <b>Flynn</b>                             | o Lower revenues   | (26.0)                        |         |
|  | o Lower fuel costs (primarily lower generation - rotor failure)          | 20.5                          |         |
|  | o Higher site O&M (rotor repair & outage spending timing differences)    | (5.4)                         |         |
|  | o Other  | 0.6                           | (10.3)  |
| <b>Transmission</b>                      | o Higher revenues (including TCC revenues for the FACTS project)         | 4.8                           |         |
|  | o Lower allocated administrative expenses                                | 2.5                           |         |
|  | o Other (includes lower interest costs)                                  | 2.3                           | 9.6     |
| Consolidating adjustments                | (primarily higher earnings on investments)                               |                               | 28.9    |
| Net Revenues                             |  |                               | \$ 69.3 |

**NYPA**  
**Operations & Maintenance**  
**For the Ten Months Ended October 31, 2007**

|   | (\$'s in millions)    |                       |
|---|-----------------------|-----------------------|
|   | <u>Actual</u>         | <u>Budget</u>         |
| <b>Power Generation</b>                       |                       |                       |
| Headquarters Support                          | \$9.3                 | \$7.6                 |
| Blenheim-Gilboa                               | 11.7                  | 13.1                  |
| Charles Poletti                               | 14.8                  | 16.4                  |
| 500 MW  | 10.2                  | 8.7                   |
| R.M. Flynn                                    | 12.3                  | 6.9                   |
| SCPP  | 11.5                  | 11.3                  |
| Small Hydros                                  | 2.8                   | 3.5                   |
| Niagara                                       | 32.0                  | 31.9                  |
| St. Lawrence                                  | <u>13.7</u>           | <u>15.5</u>           |
|   | <b>118.3</b>          | <b>114.9</b>          |
| <b>Transmission</b>                           |                       |                       |
| ECC/Headquarters                              | 7.7                   | 8.3                   |
| Transmission Facilities                       | <u>31.8</u>           | <u>32.1</u>           |
|   | <b>39.5</b>           | <b>40.4</b>           |
| <b>Corporate Support</b>                      |                       |                       |
| Executive Office                              | 9.7                   | 9.7                   |
| Business Services                             | 25.4                  | 26.8                  |
| HR & Corporate Support                        | 15.1                  | 15.0                  |
| Energy Marketing & Corporate Affairs          | <u>12.4</u>           | <u>16.7</u>           |
|   | <b>62.6</b>           | <b>68.2</b>           |
| <b>Research &amp; Development &amp; Other</b> | 4.9                   | 8.3                   |
| <b>Total</b>                                  | <u><b>\$225.3</b></u> | <u><b>\$231.8</b></u> |

Through October, O&M expenses were \$6.5 million under budget. Underruns at HQ Corporate Support departments, R&D, and the Transmission facilities were partially offset by higher Power Generation spending.

HQ Corporate Support expenses were under budget by \$5.6 million mostly due to under spending for the public awareness program, HQ communications, and IT contract services. R&D was under budget due to a significant delay in procurement of Electric Hybrid school Buses, reduced NYSERDA payments, and delayed spending for the PHEV Sprinter Van Project. Transmission spending was under budget by \$0.9 million primarily due to less than expected contractor support for right-of-way maintenance and aircraft services.

Power Generation expenditures were \$3.4 million higher than budgeted due primarily to overruns at Flynn (\$5.4), Power Generation HQ (\$1.7), and the 500MW plant (\$1.5). The Flynn overrun was the result of an unscheduled outage for generator rotor damage, and a timing difference for planned outage expenses. Power Generation HQ was over budget due to lower than expected labor charged to capital projects. The 500MW plant reflected greater than anticipated routine maintenance work and outage costs. These negatives were partially offset by underruns at St. Lawrence, Poletti, and Blenheim-Gilboa. St. Lawrence was under budget by \$1.8 million due to less than expected payroll charges for recurring maintenance, and non-recurring consulting charges for the Robert Moses Power Dam Foundation Grouting. Poletti was under budget by \$1.6 million primarily due to the rescheduling of the planned outage to the 20<sup>th</sup> of October. The variance at Blenheim-Gilboa included less than expected spending for consulting services related to the Penstock & Tunnel Inspection and the Tainter Gate Review.

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

|  | <u>OCTOBER<br/>2007</u>   | <u>DECEMBER<br/>2006</u>  | <u>NET CHANGE</u>       |
|--|---------------------------|---------------------------|-------------------------|
| <b>ASSETS:</b>   |                           |                           |                         |
| Electric Plant In Service, Less Accumulated Depreciation | \$3,381,078               | \$3,078,037               | 303,041                 |
| Construction Work In Progress                            | 123,298                   | 163,034                   | (39,736)                |
| Net Utility Plant  | <u>\$3,504,376</u>        | <u>\$3,241,071</u>        | 263,305                 |
| Restricted Funds   | 90,692                    | 67,487                    | 23,205                  |
| Construction Funds                                       | 312,630                   | 105,648                   | 206,982                 |
| Investment In Decommissioning Trust Fund                 | 977,541                   | 922,778                   | 54,763                  |
| Current Assets:  |                           |                           |                         |
| Cash   | 72                        | 72                        | -                       |
| Investments In Government Securities                     | 1,104,570                 | 749,988                   | 354,582                 |
| Interest Receivable On Investments                       | 19,697                    | 15,114                    | 4,583                   |
| Receivables-Customers                                    | 156,273                   | 205,471                   | (49,198)                |
| Materials & Supplies-Plant & General                     | 73,561                    | 66,297                    | 7,264                   |
| -Fuel  | 31,216                    | 32,793                    | (1,577)                 |
| Prepayments And Other                                    | 42,383                    | 62,902                    | (20,519)                |
| Notes Receivable-Nuclear Sale                            | 201,836                   | 192,001                   | 9,835                   |
| Deferred Charges And Other Assets                        | <u>495,277</u>            | <u>497,301</u>            | (2,024)                 |
| <b>TOTAL ASSETS</b>                                      | <u><b>\$7,010,124</b></u> | <u><b>\$6,158,923</b></u> | <u><b>\$851,201</b></u> |
| <b>LIABILITIES AND OTHER CREDITS:</b>                    |                           |                           |                         |
| Long-Term Debt - Bonds                                   | \$1,962,369               | \$1,735,262               | 227,107                 |
| Notes  | 150,000                   | 156,145                   | (6,145)                 |
| Short-Term Notes Payable                                 | 276,188                   | 272,282                   | 3,906                   |
| Accounts Payable And Accrued Liabilities                 | 988,465                   | 636,683                   | 351,782                 |
| Spent Nuclear Fuel Disposal                              | 209,941                   | 201,575                   | 8,366                   |
| Decommissioning Of Nuclear Plants                        | 977,541                   | 922,778                   | 54,763                  |
| Deferred Revenue   | <u>188,874</u>            | <u>200,706</u>            | (11,832)                |
| <b>TOTAL LIABILITIES AND OTHER CREDITS</b>               | <u><b>4,753,378</b></u>   | <u><b>4,125,431</b></u>   | <u><b>627,947</b></u>   |
| <b>ACCUMULATED NET REVENUES-JANUARY 1</b>                | 2,033,619                 | 1,896,548                 | 137,071                 |
| <b>NET REVENUES</b>                                      | <u>223,127</u>            | <u>136,944</u>            | 86,183                  |
| <b>TOTAL LIABILITIES AND CAPITAL</b>                     | <u><b>\$7,010,124</b></u> | <u><b>\$6,158,923</b></u> | <u><b>\$851,201</b></u> |

NYPA  
**SUMMARY OF NET GENERATION (MWH'S)  
 FOR THE TEN MONTHS ENDED OCTOBER 31, 2007**

| Facility        | Year-to-date October |            |                                   | Month of October 2007     |            |           |                                   |                           |
|-----------------|----------------------|------------|-----------------------------------|---------------------------|------------|-----------|-----------------------------------|---------------------------|
|                 | Actual               | Budget     | Variance<br>(Actual vs<br>Budget) | % Variance<br>from Budget | Actual     | Budget    | Variance<br>(Actual vs<br>Budget) | % Variance<br>from Budget |
| Niagara         | 10,793,167           | 10,870,000 | (76,833)                          | -0.71%                    | 937,720    | 970,000   | (32,280)                          | -3.33%                    |
| St. Lawrence    | 5,677,658            | 5,610,000  | 67,658                            | 1.21%                     | 521,861    | 560,000   | (38,139)                          | -6.81%                    |
| Combined        | 16,470,825           | 16,480,000 | (9,175)                           | -0.06%                    | 1,459,581  | 1,530,000 | (70,419)                          | -4.60%                    |
| Poletti         | 1,767,375 (2)        | 1,424,666  | 342,709                           | 24.06%                    | 150,540    | 65,667    | 84,873                            | 129.25%                   |
| 500MW           | 2,714,022            | 2,686,425  | 27,597                            | 1.03%                     | 302,035    | 295,313   | 6,722                             | 2.28%                     |
| SCPP            | 752,243              | 525,198    | 227,045                           | 43.23%                    | 90,149     | 57,563    | 32,586                            | 56.61%                    |
| Blenheim Gilboa | (286,801)            | (301,510)  | 14,709                            | -4.88%                    | (1,347)    | -         | (1,347)                           | #DIV/0!                   |
| Small Hydro     | 121,272              | 150,747    | (29,475)                          | -19.55%                   | 8,740      | 13,619    | (4,879)                           | -35.82%                   |
| R. M. Flynn     | 640,613 (1)          | 940,507    | (299,894)                         | -31.89%                   | 10,203 (1) | 13,408    | (3,205)                           | -23.90%                   |
| Total           | 22,179,549           | 21,906,033 | 273,516                           | 1.25%                     | 2,019,901  | 1,975,570 | 44,331                            | 2.24%                     |

(1) Unscheduled outage March 12 to June 6, 2007. A portion of work planned to be completed during the scheduled Fall 2007 outage was accelerated into this outage. Scheduled maintenance outage began October 4, 2007.

(2) A major maintenance outage was rescheduled from April 2007 to the Fall of 2007. A portion of work was completed during a smaller outage from April 17 to May 7, 2007.

**NYPA**  
**Capital Expenditures**  
**For the Ten Months Ended October 31, 2007**

(\$'s in millions)

|  | <u>Actual</u>  | <u>Budget</u>  |
|--|----------------|----------------|
| <b>New Generation</b>                    | \$2.1          | \$1.6          |
| <b>Energy Services</b>                   | 102.8          | 82.0           |
| <b>Existing Facilities</b>               | 360.6          | 443.0          |
| <b>Transmission</b>                      | 16.3           | 24.6           |
| <b>Headquarters</b>                      | 22.6           | 25.3           |
| <b>General Plant and Minor Additions</b> | <u>10.0</u>    | <u>12.7</u>    |
|  | <u>\$514.4</u> | <u>\$589.2</u> |

Capital expenditures for 2007 were 12.7% lower than the budget. **Existing Facilities** were under running the budget by \$82.4 million primarily due to timing differences on payments related to the Niagara Relicensing Settlement Agreements, the procurement of various equipment for the St. Lawrence LEM, and consultant costs for the New License and Comprehensive Settlement Agreement projects. Also, the Niagara Unit 4 Standardization and Generator Stator Rewind Project have been postponed until the generator rewind failures are addressed. The underrun in **Transmission** of \$8.3 million was primarily due to timing differences on the procurement of equipment for the Static Var Compensator and Tri Lakes Reliability Project. Additionally, the Relay Replacement Program has been delayed to coordinate the installation with other planned projects. These underruns were partially offset by **Energy Services** overruns of \$20.8 million primarily due to unbudgeted expenditures related to the Peak Load Management and the NYC Housing Authority Hot Water Tanks Program. In addition, accelerated construction activity at the Monroe County Landfill Gas Project, Nassau County EMS facility and SUNY Brockport Harrison Hall contributed to this overrun.

Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$1.0 million (Niagara-Gantry Crane Roll-up Doors) in October. This brings the total authorized expenditures to \$7.2 million for 2007.

**Demand Side Management  
Cost Summary (Inception to Date)  
October 31, 2007  
(\$ in 000's)**

**(A) DSM Projects**

| Authorized                | Program                      | Prog   | (A)<br>Projects<br>In-Progress | (B)<br>Completed<br>Projects | (C)<br>Cumulative<br>Cost | (D)<br>Recoveries<br>to Date | (E)<br>Net Investment<br>(C-D) |
|---------------------------|------------------------------|--------|--------------------------------|------------------------------|---------------------------|------------------------------|--------------------------------|
| \$183,050                 | Electrotechnologies LTEPA    | ES-EPN | 10,095                         | 74,534                       | 84,629                    | 50,119                       | 34,510                         |
| 433,000                   | NYPA Energy Services Program | ES-ESN | 79,687                         | 109,049                      | 188,736                   | 57,230                       | 131,506                        |
| 530,000                   | SENY Govt Cust Energy Serv   | ES-GSN | 79,031                         | 12,186                       | 91,217                    | 31,776                       | 59,441                         |
| 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                       | 326                          | 132                            |
| 140,000                   | Non-Elect End Use LTEPA      | ES-NEN | 32,872                         | 57,634                       | 90,506                    | 52,643                       | 37,863                         |
| 35,000                    | Peak Load Mgmt               | ES-PLN | 6,747                          | 165                          | 6,912                     |                              | 6,912                          |
| <b>Completed Programs</b> |                              |        |                                |                              |                           |                              |                                |
| 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                     | 1,911                        | 8                              |
| 13,000                    | Distributed Generation       | ES-DGN |                                | \$1,440                      | \$1,787                   | \$377                        | \$1,410                        |
| 14,600                    | Industrial                   | ES-IPN |                                | 6,875                        | 6,875                     | 6,875                        | 0                              |
| 51,000                    | LI HELP                      | ES-LIN |                                | 47,505                       | 47,505                    | 47,238                       | 267                            |
| 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                    | 38,884                       | 57                             |
| 130,000                   | SENY HELP                    | ES-SEN |                                | 134,305                      | 134,305                   | 134,305                      | 0                              |
| 60,000                    | Statewide                    | ES-SWN |                                | 56,733                       | 56,733                    | 55,584                       | 1,149                          |
| 4,085                     | Other                        |        |                                | 746                          | 746                       | 746                          | 0                              |
| 7,500                     | Wattbusters                  |        |                                | 5,441                        | 5,441                     | 5,441                        | 0                              |
| <u>\$1,872,435</u>        |                              |        | <u>\$220,491</u>               | <u>\$703,671</u>             | <u>\$924,509</u>          | <u>\$624,004</u>             | <u>\$300,505</u>               |

**(B) POCR Funding**

LOANS

| Authorized | Program                 | Loans Issued | Repayments    | Outstanding<br>Balance |
|------------|-------------------------|--------------|---------------|------------------------|
| \$ 16,390  | Colleges & Universities | \$ 16,390    | \$ 16,163 (1) | \$ 227                 |

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            |
| 25,768 (1)       | Energy Services Programs | 15,879           |
| 31,199 (1)       | POCR Grants              | 13,431           |
| <u>\$ 74,293</u> |                          | <u>\$ 46,636</u> |

**(C) CASP Funding**

| Authorized    | Program         | Issued    |
|---------------|-----------------|-----------|
| \$133,110 (2) | Coal Conversion | \$118,819 |

**(D) Board of Ed Funding**

| Authorized   | Program                    | Issued   |
|--------------|----------------------------|----------|
| \$39,010 (2) | Climate Controls (NYC BOE) | \$35,077 |

**(E) NYC Housing Auth Funding**

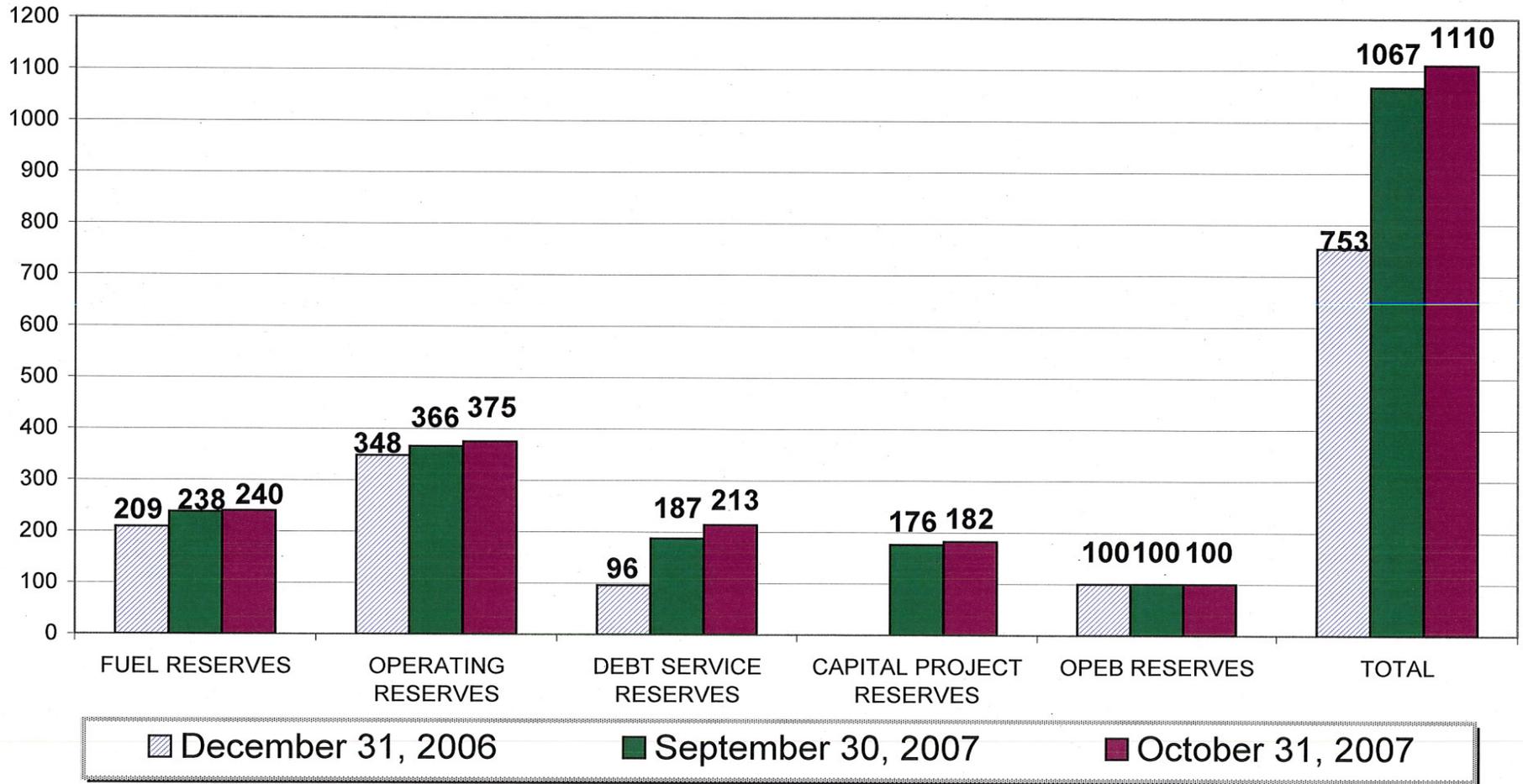
| Authorized   | Program                 | Issued   |
|--------------|-------------------------|----------|
| \$25,708 (2) | NYCHA Hot Water Heaters | \$18,470 |

**(F) Lower Manhattan Energy Independence Initiative Program**

| Authorized   | Program                     | Issued |
|--------------|-----------------------------|--------|
| \$25,000 (2) | Lower Manhattan Energy Serv | \$0    |

- (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.

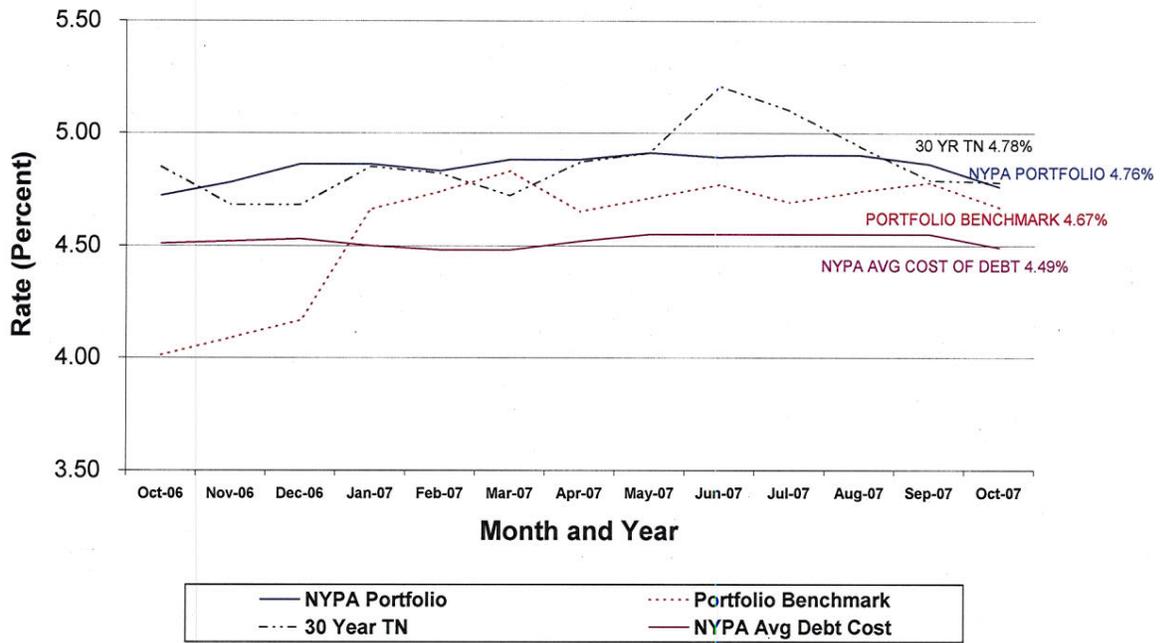
**NEW YORK POWER AUTHORITY  
OPERATING FUND  
(\$ MILLIONS)**



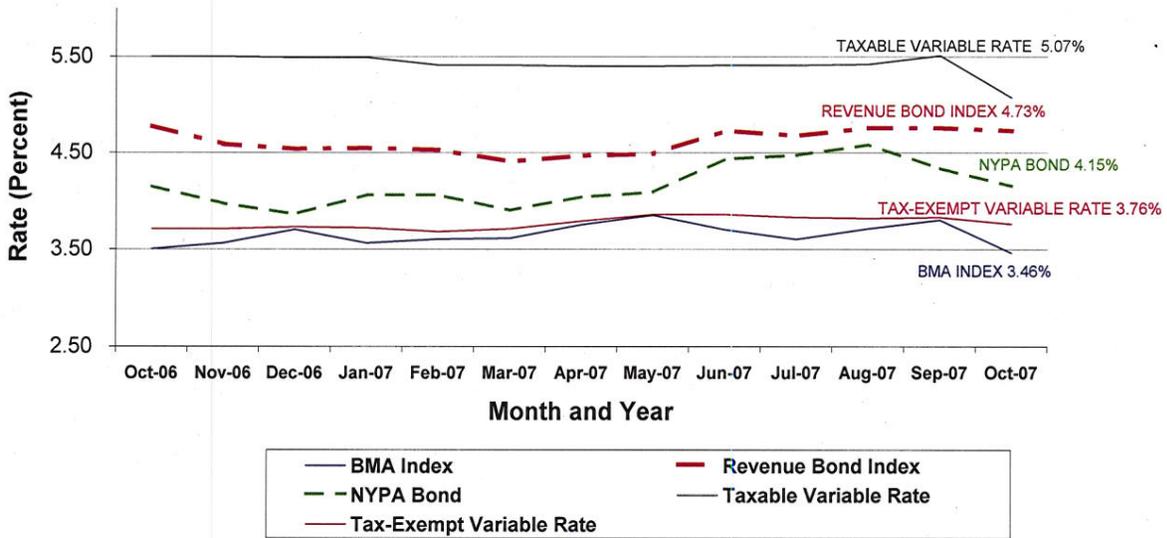
Fuel Reserves include \$210 million for Nuclear Spent Fuel and \$30 million for Energy Hedging Reserve Fund.

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



3. **Report from the President and Chief Executive Officer**

*President Roger Kelley said that on November 8<sup>th</sup> and 9<sup>th</sup> he, Mr. Arnold Bellis and Ms. Joan Tursi met with the business unit heads to finalize the Authority's 2008 budget recommendation, which will be presented to the Trustees for their consideration at the December Trustees' Meeting. He said that in developing the budget, Authority staff is making every effort to keep costs down and review staffing levels, while at the same time providing for the necessary capital improvements to meet the ever-increasing generation and transmission needs of the Authority's customers.*

*President Kelley said that, after several meetings with staff, the Strategic Plan for 2008 has been modified and streamlined into initiatives and goals related to identified generation and transmission improvements, as well as maintaining the Authority's financial strength and keeping and recruiting needed human capital. He said that the Strategic Plan and its objectives will be tied into the goals of each business unit, as well as individual employees' Performance Plus plans. According to President Kelley, linking the Strategic Plan directly to business unit and employee performance will bring into alignment employee work plans and business unit goals for the overall success of the Authority in fulfilling its mission for the next year and beyond. President Kelley said that the Strategic Plan, which will be streamlined into a brief document, will be presented to the Trustees at December's Trustees' Meeting. He added that he expects this Strategic Plan to be cost-effective and productive and that he is very pleased with progress to date on developing it.*

*On November 8, according to President Kelley, the Authority issued Request for Proposals ("RFP") #5 for the acquisition of 500 MW of in-city generating capacity in New York City. To date, 25 formal inquiries have been received and responses to the RFP are due on December 20. President Kelley said that the evaluation process will begin in January and that it is anticipated that staff will make a recommendation to the Trustees at their April meeting. Mr. Thomas Kelly reminded the Trustees that if they were contacted by potential bidders to the RFP, they should refer such individuals to Mr. Jordan Brandeis. Chairman McCullough reminded the Trustees that they are required to fill out a disclosure form if they are contacted by bidders and then file the form with the General Counsel's office. President Kelley reminded Authority staff that they also must fill out and file such disclosure forms if they are contacted by potential bidders.*

*President Kelley said that Paul DeCotis has been named the new Deputy Secretary for Energy for Governor Spitzer. Mr. DeCotis is a long-time staff person of the New York State Energy Research and Development Authority (“NYSERDA”), prior to which he worked for the former New York State Energy Office at the time the State’s first energy plan was developed. According to President Kelley, Mr. DeCotis is very well informed about, and supportive of the Authority’s efforts on, the energy issues facing New York State. President Kelley said that he has spoken with Mr. DeCotis, who is looking forward to working with the Authority, and President Kelley added that the Authority is looking forward to working with Mr. DeCotis. In addition, Tom Congdon, who had been Special Assistant for Energy in the Governor’s Office, has been promoted to Assistant Secretary for Energy.*

*President Kelley said that the Governor’s intra-agency Clean Energy Collaborative is meeting monthly as it works toward meeting the goals of the Governor’s 15 by 15 initiative. On December 5, President Kelley will be meeting with the Governor, the Governor’s staff and other members of the Governor’s cabinet in Albany. And on December 10, Mr. DeCotis’s direct reports, including President Kelley, the Commissioner of the New York State Department of Environmental Conservation and the Presidents of the Long Island Power Authority and NYSERDA, will meet.*

*President Kelley ended by saying that the Authority is doing well as an organization and that he is very pleased with the progress made by all of the Authority’s business units.*

**4. Power for Jobs Program – Extended Benefits**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve extended benefits for 42 Power for Jobs (‘PFJ’) customers as listed in Exhibit ‘4-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 and increase the size of the program to 450 MW.

“In May 2000, legislation was enacted that authorized another 300 MW of power to be allocated under the PFJ program. Legislation further amended the program in July 2002.

“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.

“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. Chapter 645 of the Laws of 2006 included provisions extending program benefits until June 30, 2007. In 2007, a new law (Chapter 89 of the Laws of 2007) included provisions extending program benefits until June 30, 2008.

“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.

DISCUSSION

“At its meeting on November 27, 2007, EDPAB recommended that the Authority’s Trustees approve electricity savings reimbursement rebates to the 42 businesses listed in Exhibit ‘4-A.’ Collectively, these organizations have agreed to retain more than 42,000 jobs in New York State in exchange for the rebates.

“The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit ‘4-A’ in a total amount currently not expected to exceed \$2.7 million. 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 in Exhibit ‘4-A’ is not expected to exceed \$2.7 million. Payments will be made from the Operating Fund. To date, the Trustees have approved \$101.5 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 ‘4-A.’

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

*Mr. James Pasquale presented the highlights of staff’s recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Pasquale said that the Trustees have approved \$101.5 million in Power for Jobs rebates, with another \$54 million projected to be issued by the program’s sunset date of June 30, 2008. Chairman McCullough said that this was a significant amount of money.*

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

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

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

**RESOLVED, That 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 \$2.7 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 his 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, General Counsel and Chief of Staff; 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, General Counsel and Chief of Staff.**

**Economic Development Power Allocation Board  
Power for Jobs - Extended Benefits  
Recommendation for Electricity Savings Reimbursements**

Exhibit "4-A"  
November 27, 2007

| Line | Company                             | City             | County          | IOU       | KW            | Job Committed | Jobs in Application | Over (under) | % Over (under) | Compliance | Recommended Allocation KW | Jobs/MW    | Type  | Service   |
|------|-------------------------------------|------------------|-----------------|-----------|---------------|---------------|---------------------|--------------|----------------|------------|---------------------------|------------|-------|---|
| 1    | AT&T                                | White Plains     | Westchester     | Con Ed    | 560           | 335           | 535                 | 200          | 60%            | Yes        | 560                       | 598        | Large | Telecommunications                                |
| 2    | Charmer Industries, Inc.            | Astoria          | Queens          | Con Ed    | 750           | 768           | 938                 | 170          | 22%            | Yes        | 750                       | 1,024      | Large | Distributors of wines and spirits                 |
| 3    | Display Producers, Inc.             | Bronx            | Bronx           | Con Ed    | 340           | 311           | 340                 | 29           | 9%             | Yes        | 340                       | 915        | Small | Display cases                                     |
| 4    | Greater Jamaica Development Corp.   | Jamaica          | Queens          | Con Ed    | 375           | 139           | 151                 | 12           | 9%             | Yes        | 375                       | 371        | NFP   | Urban & Community Development                     |
| 5    | Marymount College                   | Tarrytown        | Westchester     | Con Ed    | 400           | 187           | 249                 | 62           | 33%            | Yes        | 400                       | 468        | NFP   | Independent liberal arts college                  |
| 6    | Memorial Sloan-Kettering Cancer Cen | New York         | New York        | Con Ed    | 5,000         | 8801          | 9,286               | 485          | 6%             | Yes        | 5,000                     | 1,760      | NFP   | Medical Center                                    |
| 7    | Mount Sinai Medical Center          | New York         | New York        | Con Ed    | 2,000         | 11,647        | 11,647              | 0            | 0%             | Yes        | 2,000                     | 5,824      | NFP   | Medical Center                                    |
| 8    | Norampac New York City, Inc         | Maspeth          | Queens          | Con Ed    | 600           | 213           | 204                 | -9           | -4%            | Yes        | 600                       | 355        | Large | Manufacturers of corrugated paper packaging       |
| 9    | Pepsi Cola Bottling Company         | College Point    | Queens          | Con Ed    | 2,200         | 990           | 990                 | 0            | 0%             | Yes        | 2,200                     | 450        | Large | Manufacture & distributes of soft drinks          |
| 10   | Streamline Plastics Co., Inc.       | Bronx            | Bronx           | Con Ed    | 140           | 46            | 57                  | 11           | 24%            | Yes        | 140                       | 329        | Small | Miscellaneous plastics products                   |
| 11   | The Museum of Modern Art            | New York         | New York        | Con Ed    | 1,000         | 800           | 765                 | -35          | -4%            | Yes        | 1,000                     | 800        | NFP   | Museum  |
|      | <b>Total Con Ed</b>                 |                  | <b>Subtotal</b> | <b>11</b> | <b>13,365</b> | <b>24,237</b> | <b>25,162</b>       |              |                |            | <b>13,365</b>             |            |       |   |
| 12   | Ametek Hughes-Treitter              | Garden City      | Suffolk         | LIPA      | 500           | 181           | 183                 | 2            | 1%             | Yes        | 500                       | 362        | Large | Manufacturer of heat exchangers                   |
| 13   | Long Beach Medical Center           | Long Beach       | Nassau          | LIPA      | 600           | 968           | 950                 | -18          | -2%            | Yes        | 600                       | 1,613      | NFP   | Community Hospital                                |
|      | <b>Total LIPA</b>                   |                  | <b>Subtotal</b> | <b>2</b>  | <b>1,100</b>  | <b>1,149</b>  | <b>1,133</b>        |              |                |            | <b>1,100</b>              |            |       |   |
| 14   | Applied Energy Solutions            | Caledonia        | Livingston      | N. Grid   | 300           | 63            | 65                  | 2            | 3%             | Yes        | 300                       | 210        | Small | Electronics                                       |
| 15   | Bristol-Myers Squibb Company        | East Syracuse    | Onondaga        | N. Grid   | 5,000         | 1,069         | 1,052               | -17          | -2%            | Yes        | 5,000                     | 214        | Large | Manufacturer of bulk antibiotics                  |
| 16   | Carville National Leather Corp.     | Johnstown        | Fulton          | N. Grid   | 200           | 31            | 31                  | 0            | 0%             | Yes        | 200                       | 155        | Small | Leather Goods                                     |
| 17   | Cascades Tissue Group               | Waterford        | Saratoga        | N. Grid   | 600           | 159           | 160                 | 1            | 1%             | Yes        | 600                       | 265        | Large | Large Industrial towel manufacturer               |
| 18   | Clarkson University                 | Potsdam          | St. Lawrence    | N. Grid   | 1,500         | 665           | 664                 | -1           | 0%             | Yes        | 1,500                     | 443        | NFP   | Higher education                                  |
| 19   | Corning, Inc. (Canton)              | Canton           | St. Lawrence    | N. Grid   | 1,500         | 260           | 245                 | -15          | -6%            | Yes        | 1,500                     | 173        | Large | Optical fiber, glass and ceramic products         |
| 20   | CWM Chemical Services, LLC          | Model City       | Niagara         | N. Grid   | 330           | 80            | 78                  | -2           | -3%            | Yes        | 330                       | 242        | Small | Treatment, storage & disposal of Industrial Waste |
| 21   | Edward John Noble Hospital          | Gouverneur       | St. Lawrence    | N. Grid   | 100           | 247           | 241                 | -6           | -2%            | Yes        | 100                       | 2,470      | NFP   | Healthcare center                                 |
| 22   | Fiber Glass Industries Inc.         | Amsterdam        | Montgomery      | N. Grid   | 700           | 139           | 138                 | -1           | -1%            | Yes        | 700                       | 199        | Large | Produces high strength woven fabrics              |
| 23   | Filzpatrick & Weller, Inc.          | Ellicottville    | Cattaraugus     | N. Grid   | 1,000         | 95            | 93                  | -2           | -2%            | Yes        | 1,000                     | 95         | Large | Lumber & wood components                          |
| 24   | Ford Motor Company                  | Buffalo          | Erie            | N. Grid   | 5,000         | 1,610         | 1,462               | -148         | -9%            | Yes        | 5,000                     | 322        | Large | Automotive components stamping                    |
| 25   | Mohawk Paper Mills                  | Cohoes           | Albany          | N. Grid   | 2,250         | 424           | 488                 | 64           | 15%            | Yes        | 2,250                     | 188        | Large | Manufacturer of text and cover papers             |
| 26   | Precision Systems Mfg., Inc.        | Liverpool        | Onondaga        | N. Grid   | 200           | 71            | 63                  | -8           | -11%           | Yes*       | 180                       | 394        | Small | Machining and sheet metal manufacturing           |
| 27   | Quad Graphics, Inc.                 | Saratoga Springs | Saratoga        | N. Grid   | 4,000         | 1,118         | 958                 | -160         | -14%           | Yes*       | 4,000                     | 280        | Large | Printing services                                 |
| 28   | Revere Copper Products              | Rome             | Oneida          | N. Grid   | 2,000         | 425           | 425                 | 0            | 0%             | Yes        | 2,000                     | 213        | Large | Copper & brass products                           |
| 29   | Robison & Smith, Inc.               | Gloversville     | Fulton          | N. Grid   | 384           | 193           | 200                 | 7            | 4%             | Yes        | 384                       | 503        | Small | Linen & Laundry Supply                            |
| 30   | Snyder Industries, Inc.             | N. Tonawanda     | Niagara         | N. Grid   | 350           | 96            | 110                 | 14           | 15%            | Yes        | 350                       | 274        | Small | Machinery   |
| 31   | Syracuse Label Co., Inc.            | Liverpool        | Onondaga        | N. Grid   | 200           | 86            | 88                  | 2            | 2%             | Yes        | 200                       | 430        | Small | Printing labels for consumer and industrial use   |
|      | <b>Total National Grid</b>          |                  | <b>Subtotal</b> | <b>18</b> | <b>25,614</b> | <b>6,831</b>  | <b>6,561</b>        |              |                |            | <b>25,594</b>             |            |       |   |
| 32   | A. T. Reynolds & Sons, Inc.         | Kiamasha Lake    | Sullivan        | NYSEG     | 250           | 56            | 55                  | -1           | -2%            | Yes        | 250                       | 224        | Small | Spring water and Ice Mfr.                         |
| 33   | Audio Sears                         | Stamford         | Delaware        | NYSEG     | 190           | 74            | 85                  | 11           | 15%            | Yes        | 190                       | 389        | Small | Makes audio equipment                             |
| 34   | Borg Warner Automotive Morse TEC    | Ithaca           | Tompkins        | NYSEG     | 4,000         | 1422          | 1,318               | -104         | -7%            | Yes        | 4,000                     | 356        | Large | Manufacture of automotive components              |
| 35   | Consumers Beverages, Inc.           | Buffalo          | Erie            | NYSEG     | 240           | 45            | 55                  | 10           | 22%            | Yes        | 240                       | 188        | Small | Beverage Producer                                 |
| 36   | Corning (Erwin Plant)               | Corning          | Steuben         | NYSEG     | 1,500         | 1047          | 652                 | -395         | -38%           | Yes*       | 1,500                     | 698        | Large | Optical fiber, glass and ceramic products         |
| 37   | Corning, Inc. (Costar Plant)        | Oneonta          | Oneida          | NYSEG     | 900           | 188           | 181                 | -7           | -4%            | Yes        | 900                       | 209        | Large | Optical fiber, glass and ceramic products         |
| 38   | Corning, Inc. (Northside)           | Corning          | Steuben         | NYSEG     | 2,500         | 1,035         | 783                 | -252         | 0%             | Yes        | 2,500                     | 414        | Large | Optical fiber, glass and ceramic products         |
| 39   | Corning, Inc. (Southside)           | Corning          | Steuben         | NYSEG     | 1,500         | 647           | 798                 | 151          | 3%             | Yes        | 1,500                     | 431        | Large | Optical fiber, glass and ceramic products         |
| 40   | Corning, Inc. (Sullivan Park)       | Corning          | Steuben         | NYSEG     | 3,000         | 1207          | 1448                | 241          | 20%            | Yes        | 3,000                     | 402        | Large | Optical fiber, glass and ceramic products         |
| 41   | Endicott Interconnect Technologies  | Endicott         | Broome          | NYSEG     | 3,500         | 4,221         | 4,207               | -14          | 0%             | Yes        | 3,500                     | 1,206      | Large | Computers   |
|      | <b>Total NYSEG</b>                  |                  | <b>Subtotal</b> | <b>10</b> | <b>17,580</b> | <b>9,942</b>  | <b>9,582</b>        |              |                |            | <b>17,580</b>             |            |       |   |
| 42   | Flower City Printing, Inc.          | Rochester        | Monroe          | RGE       | 650           | 275           | 312                 | 37           | 13%            | Yes        | 650                       | 423        | Large | Commercial printer                                |
|      | <b>Total RGE</b>                    |                  | <b>Subtotal</b> | <b>1</b>  | <b>650</b>    | <b>275</b>    | <b>312</b>          |              |                |            | <b>650</b>                |            |       |   |
|      | <b>Total</b>                        |                  |                 | <b>42</b> | <b>58,309</b> | <b>42,434</b> | <b>42,750</b>       |              |                |            | <b>58,289</b>             | <b>728</b> |       |   |

\* These companies have had all or part of their allocation restored through the reconsideration process or deemed compliant based on program processes.

**5. Hydropower Contracts with Upstate Investor-Owned Utilities for Resale to Rural and Domestic Consumers – Transmittal to the Governor**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to approve the attached contract extensions for sale to National Grid (formerly Niagara Mohawk Power Corporation), New York State Electric & Gas Corporation (‘NYSEG’) and Rochester Gas & Electric Corporation (‘RG&E’) (hereinafter referred to collectively as the ‘Utilities’) of a total of 455 MW of firm and 360 MW of firm peaking hydropower and authorize their transmittal to the Governor for his approval. The contract extensions with National Grid, NYSEG and RG&E are attached as Exhibits ‘5-A,’ ‘5-B’ and ‘5-C,’ respectively.

**BACKGROUND**

“The Utilities had been receiving a total of 553 MW of firm power from the St. Lawrence/FDR and Niagara Power Projects and 360 MW of firm peaking hydropower from the Niagara Project for resale to rural and domestic consumers under contracts that expired on August 31, 2007. At their July 31, 2007 meeting, the Trustees approved an extension of these contracts to take effect on an interim basis on September 1, 2007, pending completion of the formal contract approval process under Section 1009 of the Public Authorities Law. The contract extensions reflect a reduction in the amount of firm hydropower to be sold to the Utilities from 553 MW to 455 MW. The allocations of firm peaking hydropower would remain unchanged. The power is purchased at the cost-based hydropower rate and the benefits are passed on to the Utilities’ residential and small farm customers (the rural and domestic, or ‘R&D,’ customers) without markup under Public Service Commission tariffs.

“The Authority had been selling a total of 1,936 MW of firm Niagara power, 56 MW in excess of the 1,880 MW of firm Project Power determined to be appropriate by the Federal Power Commission (‘FPC’) in 1976. In addition, the Authority made commitments in connection with relicensing the Niagara Project to allocate 58 MW of Niagara Project power for the benefit of the Host Communities, Erie County and the City of Buffalo, the Tuscarora Nation and Niagara University (‘Relicensing Customers’). The completion of the Niagara Upgrade project added 32 MW of firm Niagara Project power available for sale. Of this amount, 16 MW must be sold to municipal systems pursuant to federal law. The remaining 16 MW is the net available capacity resulting from the Niagara Upgrade project.

“Other than the 553 MW sold to the Utilities, the entire firm output from the St. Lawrence/FDR and Niagara Projects is sold under contracts extending beyond August 31, 2007, or otherwise required to be used for specific purposes under law. As of September 1, 2007, 98 MW (58 MW to the Relicensing Customers plus 56 MW oversold less 16 MW of additional capacity) of the 553 MW of St. Lawrence/FDR and Niagara Project firm power previously sold to the Utilities was withdrawn. This left 455 MW of firm power and 360 MW of firm peaking power to be sold to the Utilities.

“Chapter 59 of the Laws of 2006 (Part U) authorized the creation by the Governor of a ‘Temporary State Commission on the Future of New York State Power Programs for Economic Development’ (‘Commission’). The charge to the Commission was to recommend to the Governor and the Legislature on or before December 1, 2006 ‘whether to continue, modify, expand or replace the state’s economic development power programs, including but not limited to the power for jobs program and the energy cost savings benefit program. . . .’

“On December 1, 2006, the Commission issued its report, which included an array of findings and recommendations. A key recommendation of the report was that, among other things, hydropower now sold to the Utilities be ‘deployed’ for economic development purposes.

**DISCUSSION**

“The contract extensions would continue the sale of firm and firm peaking hydropower to the Utilities in the amounts approved by the Trustees at their July 31, 2007 meeting. Specifically, for National Grid, 189 MW of firm and 175 MW of firm peaking; for NYSEG, 167 MW of firm and 150 MW of firm peaking and for RG&E, 99 MW of firm and 35 MW of firm peaking. These amounts would be sold to the Utilities through June 30, 2008

subject to withdrawal upon 30 days' written notice by the Authority for reallocation as may be authorized by law or as otherwise may be determined by the Trustees.

"In addition to the withdrawals specified above, the Authority may reduce or terminate service if it is determined to be necessary to comply with any ruling, order or decision by a regulatory or judicial body or the Trustees relating to hydropower and energy allocated under the proposed contracts.

"At their meeting on September 25, 2007, the Trustees authorized the holding of a public hearing, pursuant to Section 1009 of the Public Authorities Law, on the contract extensions. 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 November 8, 2007 was held at Syracuse City Hall. The final transcript of the hearing is attached hereto as Exhibit '5-D.' Staff has reviewed the transcript of the hearing, including the 25 written statements submitted for inclusion in the record.

"The seven speakers at the hearing were: Thomas G. Slocum, Shop Chairman, UAW Local 2367, Revere Copper Products, Inc.; William M. Murphy, President, UAW Local 2367, Revere Copper Products, Inc.; Mike C. Bambury, Citizen Action Program Chairman, UAW Local 2367, Revere Copper Products, Inc.; James D. Beckman, President, Crucible Specialty Metals; Corporate Vice President, Crucible Materials Corporation; Brian O'Shaughnessy, President, Revere Copper Products, Inc.; Michael J. Bebon, P.E., Deputy Director, Operations, Brookhaven National Laboratory and Randy Wolken, President, Manufacturers Association of Central New York.

"All of the speakers represented organizations that currently receive Authority power through one or more of its economic development programs. These speakers expressed their concern for the future of the Authority's economic development programs, detailing how challenging it is for them to do business in New York State and how critical the Authority's programs are to controlling some of their costs. To one extent or another, the speakers expressed frustration with New York's high electricity rates and emphasized how urgent it is for the State to do something for the long term in order to help them. The speakers outlined the steps they have taken to control their costs and expressed their frustration with having to fight a yearly battle for the Power for Jobs and other economic development power programs, asking for a comprehensive, long-term solution to reduce high electricity costs in the State. In addition, 12 representatives of various other business interests submitted written statements supporting the concerns raised by the speakers at the public hearing.

"Five written statements were submitted by residential customers in support of extending the contracts with the Utilities. In general, these residential customers also asked that this power continue to be sold to residential consumers and not be reallocated in the future to businesses since, according to these individuals, businesses have other ways to cut their costs, while residential customers do not. A joint written statement submitted by NYSEG and RG&E stressed the value of this hydropower to residential customers and supported the continued allocation of the power for residential use.

"While all of the parties presenting oral or written statements differed on the ultimate disposition of the 455 MW of hydropower power, none of them objected to the proposed contract extensions with the Utilities.

#### FISCAL INFORMATION

"The contract extensions provide that the Utilities continue to pay for hydropower at the same rates they are currently charged, that is, determined in accordance with the ratemaking principles incorporated in the Auer Settlement and subsequent rate settlements. At their April 24, 2007 meeting, the Trustees approved an increase in these rates effective May 1, 2008. Accordingly, there will be no fiscal impact associated with the power sold on a month-to-month basis.

RECOMMENDATION

“The Manager – Power Contracts recommends that the Trustees authorize the transmittal of the contract extensions to the Governor for his approval.

“The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President and Chief Financial Officer, the Senior Vice President – 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 contract extensions for the sale of hydroelectric power and energy generated by the Authority for sale to National Grid, New York State Electric & Gas Corporation and Rochester Gas & Electric Corporation are in the public interest and should be forwarded with a recommendation that they be approved, along with the record of the public hearing 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 contract extensions in the name of and on behalf of the Authority after the agreements have been approved by the Governor; and be it further**

**RESOLVED, That the Senior Vice President – Marketing and Economic Development or his designee be, and hereby is, authorized to negotiate and execute any and all documents necessary or desirable to effectuate such contract extensions; 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, General Counsel and Chief of Staff.**

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

Niagara Mohawk Power Corporation, d/b/a National Grid ("Company") and the New York Power Authority ("Authority") are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority's Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the "Service Agreement under ST No. 41 and ST No. 42").

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

- 1) The amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 will be reduced from 230 MW to 189 MW. The Firm Peaking Power allocation of 175 MW under Service Tariff No. 42 will remain unchanged.
- 2) Article E – Rates. The current text is deleted in its entirety and is replaced with the following text.

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

The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on April 24, 2007, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on April 24, 2007, except as otherwise provided for below.

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

- (i) The principles set forth in the March 5, 1986 Settlement Agreement settling *Auer v. Dyson*, No. 81-124 (Sup. Ct. Oswego Co.), *Auer v. Power Authority*, Index No. 11999-84 (Sup. Ct. N.Y. Co.) and *Delaware County Electric Cooperative, Inc. v. Power Authority*, 82 Civ. 7256 (S.D.N.Y.) (the "Auer Settlement").
- (ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.
- (iii) Treatment of sales to third parties, including the New York Independent System Operator.

- (iv) Allocation of Indirect Overheads.
- (v) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.
- (vi) Post-employment benefits other than pensions (*i.e.*, retiree health benefits).
- (vii) Rate Stabilization Reserve (RSR) methodology.

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

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

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

- 4) Article G – Notification. In the contact address for Authority replace "10 Columbus Circle, New York, NY 10019" with 123 Main Street, White Plains, NY 10601".

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

"Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the "Withdrawals of Power and/or Energy" or the "Cancellation or Reduction" provisions above until June 30, 2008, subject to earlier termination by the Authority on at least thirty (30) days' prior written notice to Company".

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

"The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Company under Service Tariffs Nos. 41

and 42 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. In the event that hydrologic conditions require the Authority to reduce the amount of energy provided to Company, reductions as a percentage of the otherwise required energy deliveries will be the same for all firm Niagara and St. Lawrence-FDR Project customers. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Company in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Company. The Authority shall provide reasonable notice to Company of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers."

- 7) This amendment shall be referred to as the "2007 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42".
- 8) Continuation of service under this 2007 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42 shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act. If the Governor does not approve this amendment, service will cease on the last day of the month following said disapproval.

Except as expressly provided in this 2007 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42, the Service Agreement under ST No. 41 and ST No. 42 shall remain unchanged and in full force and effect.

This 2007 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42 shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

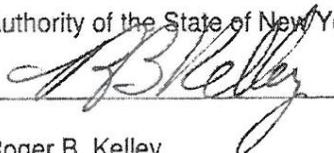
This 2007 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42 may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

If the foregoing changes are acceptable to your organization, please so indicate by executing both copies of this amendment and returning one copy to us.

AGREED:

Power Authority of the State of New York

By:



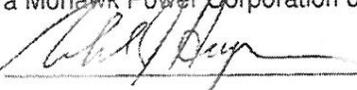
Roger B. Kelley  
President and Chief Executive Officer

Date:

August 29, 2007

Niagara Mohawk Power Corporation d/b/a National Grid

By:



Title:

Vice President Energy Supply  
Authorized Signatory

Date:

August 20, 2007

Amendment to 1990 Hydropower Contract

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

Company and Authority agree to modify certain terms of 1990 Hydropower Contract as follows:

- 1) The amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 will be reduced from 203 MW to 167 MW. The Firm Peaking Power allocation will remain unchanged at 150 MW.
- 2) Article E – Rates. The current text is deleted in its entirety and is replaced with the following text.

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

The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on April 24, 2007, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on April 24, 2007, except as otherwise provided for below.

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

- (i) The principles set forth in the March 5, 1986 Settlement Agreement settling *Auer v. Dyson*, No. 81-124 (Sup. Ct. Oswego Co.), *Auer v. Power Authority*, Index No. 11999-84 (Sup. Ct. N.Y. Co.) and *Delaware County Electric Cooperative, Inc. v. Power Authority*, 82 Civ. 7256 (S.D.N.Y.) (the "Auer Settlement").
- (ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.
- (iii) Treatment of sales to third parties, including the New York Independent System Operator.
- (iv) Allocation of Indirect Overheads.

- (v) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.
- (vi) Post-employment benefits other than pensions (*i.e.*, retiree health benefits).
- (vii) Rate Stabilization Reserve (RSR) methodology.

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

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

The Company will cease taking and paying for transmission service from Authority after August 31, 2007 and will instead take transmission service under the New York Independent System Operator's ("NYISO") Open Access Transmission Tariff. Company agrees to settle any outstanding transmission charges that may apply prior to September 1, 2007 including any subsequent NYISO true up settlements."

- 4) Article G – Notification. In the contact address for Authority replace "10 Columbus Circle, New York, NY 10019" with 123 Main Street, White Plains, NY 10601". In the contact address for Company, first and second lines, replace "Senior Vice President Electric System Operations and Engineering" with, "Dave Kimiecik, Vice President, Energy Supply". On lines four and five, replace " 4500 Vestal Parkway, Binghamton, New York, 13903" with "18 Link Drive, P.O. Box 5224, Binghamton, New York 13902-5224".

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

"Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the "Withdrawals of Power and/or Energy" or the "Cancellation or Reduction" provisions above until June 30, 2008, subject to earlier termination by the Authority on at least thirty (30) days' prior written notice to Company".

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

"The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Company under Service Tariffs Nos. 41 and 42 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. In the event that hydrologic conditions require the Authority to reduce the

amount of energy provided to Company, reductions as a percentage of the otherwise required energy deliveries will be the same for all firm Niagara and St. Lawrence-FDR Project customers. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Company in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Company. The Authority shall provide reasonable notice to Company of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers."

- 7) This amendment shall be referred to as the "2007 Amendment to the 1990 Hydropower Contract".
- 8) Continuation of service under this 2007 Amendment to the 1990 Hydropower Contract shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act. If the Governor does not approve this amendment, service will cease on the last day of the month following said disapproval.

Except as expressly provided in this 2007 Amendment to the 1990 Hydropower Contract, the 1990 Hydropower Contract shall remain unchanged and in full force and effect.

This 2007 Amendment to the 1990 Hydropower Contract shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

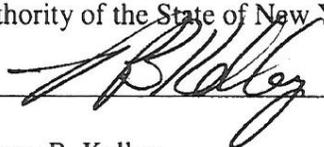
This 2007 Amendment to the 1990 Hydropower Contract may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

If the foregoing changes are acceptable to your organization, please so indicate by executing both copies of this amendment and returning one copy to us.

AGREED:

Power Authority of the State of New York

By:

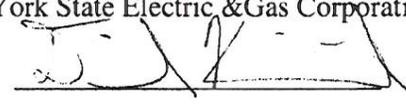
  
Roger B. Kelley  
President and Chief Executive Officer

Date:

August 29, 2007

New York State Electric & Gas Corporation

By:

  
David J. Kimiecik  
Vice President - Energy Supply

Date:

8/23/07

Amendment to 1990 Hydropower Contract

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

Company and Authority agree to modify certain terms of 1990 Hydropower Contract as follows:

- 1) The amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 will be reduced from 120 MW to 99 MW. The Firm Peaking Power allocation will remain unchanged at 35 MW.
- 2) Article E – Rates. The current text is deleted in its entirety and is replaced with the following text.

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

The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on April 24, 2007, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on April 24, 2007, except as otherwise provided for below.

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

- (i) The principles set forth in the March 5, 1986 Settlement Agreement settling *Auer v. Dyson*, No. 81-124 (Sup. Ct. Oswego Co.), *Auer v. Power Authority*, Index No. 11999-84 (Sup. Ct. N.Y. Co.) and *Delaware County Electric Cooperative, Inc. v. Power Authority*, 82 Civ. 7256 (S.D.N.Y.) (the "Auer Settlement").
- (ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.
- (iii) Treatment of sales to third parties, including the New York Independent System Operator.
- (iv) Allocation of Indirect Overheads.

- (v) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.
- (vi) Post-employment benefits other than pensions (*i.e.*, retiree health benefits).
- (vii) Rate Stabilization Reserve (RSR) methodology.

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

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

The Company will cease taking and paying for transmission service from Authority after August 31, 2007 and will instead take transmission service under the New York Independent System Operator's ("NYISO") Open Access Transmission Tariff. Company agrees to settle any outstanding transmission charges that may apply prior to September 1, 2007 including any subsequent NYISO true up settlements."

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

"Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the "Withdrawals of Power and/or Energy" or the "Cancellation or Reduction" provisions above until June 30, 2008, subject to earlier termination by the Authority on at least thirty (30) days' prior written notice to Company".

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

"The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Company under Service Tariffs Nos. 41 and 42 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. In the event that hydrologic conditions require the Authority to reduce the amount of energy provided to Company, reductions as a percentage of the

otherwise required energy deliveries will be the same for all firm Niagara and St. Lawrence-FDR Project customers. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Company in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Company. The Authority shall provide reasonable notice to Company of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers."

- 7) This amendment shall be referred to as the "2007 Amendment to the 1990 Hydropower Contract".
- 8) Continuation of service under this 2007 Amendment to the 1990 Hydropower Contract shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act. If the Governor does not approve this amendment, service will cease on the last day of the month following said disapproval.

Except as expressly provided in this 2007 Amendment to the 1990 Hydropower Contract, the 1990 Hydropower Contract shall remain unchanged and in full force and effect.

This 2007 Amendment to the 1990 Hydropower Contract shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

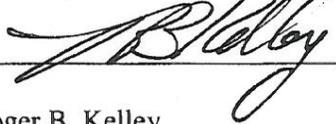
This 2007 Amendment to the 1990 Hydropower Contract may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

If the foregoing changes are acceptable to your organization, please so indicate by executing both copies of this amendment and returning one copy to us.

AGREED:

Power Authority of the State of New York

By:



Roger B. Kelley  
President and Chief Executive Officer

Date:

August 29, 2007

Rochester Gas and Electric Corporation

By:



David J. Kimiecik  
Vice President - Energy Supply

Date:

8/23/07

1 POWER AUTHORITY OF THE STATE OF NEW YORK

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2 PUBLIC HEARING

3 Thursday, November 8, 2007 - 1:00 p.m.  
4 Syracuse, New York

5 Common Council Chamber  
6 City Hall  
7 233 East Washington Street  
8 Syracuse, New York

9 HYDROPOWER CONTRACTS WITH UPSTATE INVESTOR-OWNED  
10 UTILITIES FOR RESALE TO RURAL AND DOMESTIC CONSUMERS

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12  
13 Public Hearing held at the Common Council  
14 Chamber, City Hall, 233 East Washington Street,  
15 Syracuse, New York on November 8th, 2007 commencing at  
16 1:00 p.m.

17  
18  
19  
20 REPORTED BY: David T. Robinson, CSR  
21 P. O. Box 605  
22 Skaneateles, New York 13152  
23 [315] 685-3371  
24  
25

Public Hearing - New York Power Authority

1           BEFORE:           POWER AUTHORITY OF THE STATE OF NEW YORK  
2                            Anne Cahill, Corporate Secretary  
3                            123 Main Street  
4                            White Plains, New York 10601  
5           Also Present:  Mary Jean Frank,  
6                            Associate Corporate Secretary  
7                              
8                            Caroline Garcia,  
9                            Manager of Power Contracts  
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Public Hearing - New York Power Authority

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I N D E X T O S P E A K E R S

| SPEAKER:   | PAGE: |
|--|-------|
| Anne B. Cahill, Corporate Secretary,<br>Power Authority of the State of New York                     | 7     |
| Caroline G. Garcia, Manager of Power<br>Contracts, Power Authority of the State<br>of New York       | 9     |
| Thomas G. Slocum, Shop Chairman, UAW<br>Local 2367, Revere Copper Products, Inc.                     | 13    |
| William M. Murphy, President, UAW Local<br>2367, Revere Copper Products, Inc.                        | 16    |
| Mike C. Bambury, Citizen Action Program<br>Chairman, UAW Local 2367, Revere Copper<br>Products, Inc. | 17    |
| James D. Beckman, President, Crucible<br>Specialty Metals  | 19    |
| Brian O'Shaughnessy, President, Revere<br>Copper Products, Inc.                                      | 24    |
| Michael J. Bebon, P.E., Deputy Director,<br>Operations, Brookhaven National Laboratory               | 28    |
| Randy Wolken, President, Manufacturers<br>Association of Central New York                            | 32    |

## Public Hearing - New York Power Authority

| 1  | I N D E X   T O   E X H I B I T S |   |
|----|-----------------------------------|---|
| 2  | EXHIBIT:                          | DESCRIPTION   |
| 3  | Exhibit 1                         | Notice of Public Hearing  |
| 4  | Exhibit 2                         | Written statement from: Air Products and<br>Chemicals, Inc., Allentown, Pennsylvania                                      |
| 5  |                                   | Victor F. Sawicki, Manager,<br>Electricity Supply   |
| 6  | Exhibit 3                         | Written statement from: Anchor Glass<br>Container, Elmira, New York   |
| 7  |                                   | Michael J. Sopp, General Manager  |
| 8  | Exhibit 4                         | Written statement from: Anoplate<br>Corporation, Syracuse, New York   |
| 9  |                                   | James D. Stevenson, President   |
| 10 | Exhibit 5                         | Written statement from: Brookhaven<br>National Laboratory, Upton, New York  |
| 11 |                                   | Michael J. Bebon, P.E., Deputy<br>Director, Operations  |
| 12 | Exhibit 6                         | Written statement from: Burrows Paper<br>Corporation,<br>Little Falls, New York   |
| 13 |                                   | Michael McCormick, Manager of Energy<br>Services  |
| 14 | Exhibit 7                         | Written statement from: Chapin,<br>Bill and Jackie  |
| 15 | Exhibit 8                         | Written statement from: Crucible<br>Materials Corporation,<br>Syracuse, New York  |
| 16 |                                   | James D. Beckman, President, Crucible<br>Specialty Metals, Corporate Vice<br>President, Crucible Materials<br>Corporation |
| 17 | Exhibit 9                         | Written statement from: Dailey, Mary,<br>East Syracuse, New York  |
| 18 | Exhibit 10                        | Written statement from: Dam, James A.   |
| 19 | Exhibit 11                        | Written statement from: Foisy,<br>Lawrence A.,<br>North Syracuse, New York  |
| 20 |                                   |   |
| 21 |                                   |   |
| 22 |                                   |   |
| 23 |                                   |   |
| 24 |                                   |   |
| 25 |                                   |   |

## Public Hearing - New York Power Authority

- 1 Exhibit 12 Written statement from: Granny's  
2 Kitchens, LLC, Frankfort, New York  
3 Robert Richards, Director, Human  
4 Resources
- 5 Exhibit 13 Written statement from: Gunlocke  
6 Company, Wayland, New York  
7 Donald Wharton, President
- 8 Exhibit 14 Written statement from: Manufacturers  
9 Association of Central New York,  
10 Syracuse, New York  
11 Randy Wolken, President
- 12 Exhibit 15 Written statement from: Mohawk  
13 Valley Economic Development Growth  
14 Enterprises Corporation,  
15 Rome, New York  
16 Steven J. DiMeo, President
- 17 Exhibit 16 Written statement from: Morin, Philip
- 18 Exhibit 17 Nucor Steel Auburn, Inc.,  
19 Auburn, New York  
20 David Smith, General Manager
- 21 Exhibit 18 NYSEG and RG&E
- 22 Exhibit 19 Revere Copper Products, Inc.,  
23 Rome, New York  
24 Mike C. Bambury, Citizen Action  
25 Program Chairman, UAW Local 2367
- Exhibit 20 Revere Copper Products, Inc.,  
Rome, New York  
William M. Murphy, President,  
UAW Local 2367
- Exhibit 21 Revere Copper Products, Inc.,  
Rome, New York  
Brian O'Shaughnessy, President
- Exhibit 22 Revere Copper Products, Inc.,  
Rome, New York  
Thomas G. Slocum, Shop Chairman,  
UAW Local 2367

## Public Hearing - New York Power Authority

1           Exhibit 23       Syracuse China, Syracuse, New York  
                          Steve Felix, Plant Manager

2

3           Exhibit 24       Syracuse Plastics, LLC,  
                          Liverpool, New York  
                          Michael Beckett, President

          Exhibit 25       Unison Industries, Norwich, New York  
                          Gary D. Cummings, Director of Operations

4           Exhibit 26       Welch Allyn, Inc., Skaneateles Falls, New York

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Public Hearing - New York Power Authority

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PROCEEDINGS, NOVEMBER 8TH, 2007 - 1:00 PM

MS. CAHILL: Good afternoon. I'm going to start the hearing now.

Good afternoon. My name is Anne Cahill. 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 extensions of contracts for the sale of hydropower to three upstate investor-owned utilities for resale to rural and domestic consumers.

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 Rochester Democrat & Chronicle, the Syracuse Post-Standard, the Watertown Times, the Utica Observer-Dispatch, the Albany Times Union and Newsday. During the 30-day period prior to today's hearing, copies of the proposed contracts have been available for inspection at the Authority's office in White Plains, as well as on the Authority's website.

Also, pursuant to Section 1009(1) of the

## Public Hearing - New York Power Authority

1 Public Authorities Law, notice of this hearing and  
2 copies of the proposed contracts were sent to  
3 Governor Eliot Spitzer; the President Pro Tem of  
4 the New York State Senate Joseph Bruno; the Speaker  
5 of the Assembly Sheldon Silver; Chairman of the  
6 Senate Finance Committee Owen Johnson; the Chairman  
7 of the Assembly Ways and Means Committee Herman  
8 Farrell; the Senate Minority Leader Malcolm Smith  
9 and Assembly Minority Leader James Tedisco.

10 If you plan to make an oral statement this  
11 afternoon and have not yet signed in at the sign-in  
12 desk, please do so now. We ask that you give copies  
13 of your written statement to the reporter and me  
14 either before or after you deliver your remarks.  
15 Although your written statement can be whatever  
16 length you like, we would ask those presenting an  
17 oral statement to limit their remarks to five  
18 minutes. If your oral statement summarizes a  
19 written statement, both will appear in the record  
20 of the hearing.

21 The record of this hearing will remain open  
22 through the close of business tomorrow, November  
23 9th, 2007, for the submission of any additional  
24 comments or statements. These should be addressed  
25 to the Authority's Corporate Secretary at 123 Main

## Public Hearing - New York Power Authority

1 Street, 15-M, White Plains, New York 10601; or may  
2 be faxed to (914)681-6949; or e-mailed to the  
3 following e-mail address, which is  
4 secretarys.office@nypa.gov. Please see Ms. Frank,  
5 the Associate Corporate Secretary, who is sitting  
6 right over there, on your way out if you have any  
7 additional questions.

8 Full stenographic minutes of the hearing will  
9 be made and will be incorporated, along with the  
10 written submissions, into the record that will be  
11 reviewed by the Authority's Trustees.

12 Copies of the stenographic transcript of this  
13 hearing will be available to the public. You should  
14 contact the reporter to make arrangements to  
15 purchase such a copy. A copy of today's transcript  
16 will also be available for review at the  
17 Authority's office in White Plains and on the  
18 Authority's website, [www.nypa.gov](http://www.nypa.gov).

19 At this point, I will turn the microphone over  
20 to Caroline Garcia, the Manager of Power Contracts  
21 at the Authority, who will provide additional  
22 details on the proposed contract extensions.

23 I will then call on speakers, starting with  
24 any elected officials. Ms. Garcia.

25 MS. GARCIA: Thank you, and good

## Public Hearing - New York Power Authority

1 afternoon. My name is Caroline Garcia. I'm the  
2 Manager of Power Contracts at the New York Power  
3 Authority. I am here today to present an overview  
4 of extensions of contracts for the sale of  
5 hydropower to three upstate investor-owned  
6 utilities for resale to rural and domestic  
7 consumers.

8           These three utilities -- National Grid,  
9 formerly Niagara Mohawk Power Corporation, New York  
10 State Electric and Gas Corporation, or NYSEG, and  
11 Rochester Gas and Electric Corporation, or RG&E --  
12 had been receiving a total of 553 MW of firm power  
13 from the St. Lawrence/FDR and the Niagara Power  
14 Projects and 360 MW of firm peaking hydropower from  
15 the Niagara Project for resale to rural and  
16 domestic consumers under contracts that expired on  
17 August 31st, 2007.

18           At their July 31st, 2007 meeting, the  
19 Authority's Trustees approved an extension of these  
20 contracts to take effect on an interim basis on  
21 September 1st, 2007, pending completion of the  
22 formal contract approval process under Section 1009  
23 of the Public Authorities Law. Under this process,  
24 the contracts are subject to public notice, hearing  
25 and approval by the Governor. The contract

## Public Hearing - New York Power Authority

1 extensions reflect a reduction in the amount of  
2 firm hydropower to be sold to the three utilities  
3 from 553 MW to 455 MW. The allocations of firm  
4 peaking hydropower would remain unchanged. The  
5 power is purchased at the cost-based hydropower  
6 rate and these rates are passed on to the  
7 utilities' residential and small farm customers  
8 (the rural and domestic, or "R&D" customers)  
9 without markup under Public Service Commission  
10 tariffs.

11 Specifically, the proposed contracts provide  
12 for the sale of 189 MW of firm and 175 MW of firm  
13 peaking to National Grid; 167 MW of firm and 150 MW  
14 of firm peaking to NYSEG, and 99 MW of firm and 35  
15 MW of firm peaking to RG&E. These amounts would be  
16 sold to the utilities through June 30th, 2008  
17 subject to withdrawal upon 30 days' written notice  
18 by the Authority for reallocation as may be  
19 authorized by law or as otherwise may be determined  
20 by the Authority's Trustees.

21 In addition to the withdrawals specified  
22 above, the Authority may reduce or terminate  
23 service if it is determined to be necessary to  
24 comply with any ruling, order or decision by a  
25 regulatory or judicial body or by the Authority's

## Public Hearing - New York Power Authority

1 Trustees relating to hydropower and energy  
2 allocated under the proposed contracts.

3 Chapter 59 of the Laws of 2006 (Part U)  
4 authorized the creation by the Governor of a  
5 "Temporary State Commission on the Future of New  
6 York State Power Programs for Economic  
7 Development," the "Commission." The charge to the  
8 Commission was to recommend to the Governor and the  
9 Legislature on or before December 1st, 2006,  
10 "whether to continue, modify, expand or replace  
11 the state's economic development power programs,  
12 including but not limited to the Power for Jobs  
13 program."

14 On December 1st, 2006, the Commission issued  
15 its report, which included an array of findings and  
16 recommendations. A key recommendation of the  
17 report was that, among other things, hydropower now  
18 sold to the utilities ought to be "redeployed" for  
19 economic development purposes.

20 The short term and withdrawal provisions of  
21 the proposed contracts will allow the Legislature  
22 to consider the use of the subject block of power  
23 for economic development or other purposes.

24 As Ms. Cahill stated earlier, the Power  
25 Authority will accept your comments on the proposed

## Public Hearing - New York Power Authority

1 contracts until close of business tomorrow,  
2 November 9, 2007. I will now turn the forum back  
3 over to Ms. Cahill.

4 MS. CAHILL: Thank you. Before I call  
5 on the speakers, I did notice that a few people  
6 arrived after the beginning of the hearing. If you  
7 could, please check in with Ms. Frank over here if  
8 you want to make a statement or if you have a  
9 written statement that you want to submit for the  
10 record.

11 The first speaker is Mr. Slocum.

12 THOMAS G. SLOCUM: Good afternoon. My name is  
13 Tom Slocum. I have been the Shop Chairman at  
14 Revere Copper Products for the last 8 and a half  
15 years. We have got 300 hourly employees at Revere  
16 Copper Products located in Rome, New York. I say  
17 this too because we also are shareholders of the  
18 company. So, when I say our company I mean it's  
19 our company because we also are owners and we are  
20 manufacturers that fabricate copper and brass  
21 products that are used in markets all over the  
22 world and the United States and telecommunication,  
23 electrical, other areas, power generation.

24 As I stated, we do have 300 hourly employees  
25 there in the production and maintenance areas. It

## Public Hearing - New York Power Authority

1 allows for many job classifications in there. We  
2 also have, our company also runs a state-approved  
3 apprenticeship program that allows for new  
4 employees to be trained as tradesmen. So, it gives  
5 opportunity there.

6 Since the beginning of the year, Revere has  
7 hired 17 new employees and although most of those  
8 have been through attrition or retirement, we do  
9 have people coming in as far away as 40 miles to  
10 get a job. So, it's important to them because these  
11 jobs are good-paying jobs, with good benefits, and  
12 there are people looking for that, especially today  
13 the way the world is.

14 Our company wants to invest more into the  
15 plant, especially in equipment upgrades and with  
16 the union's support we have worked diligently to  
17 improve the productivity to make it competitive in  
18 our business. Our company faces many challenges to  
19 remain competitive, just by the way we've been  
20 doing business. Many productivity enhancements have  
21 been done through LEAN manufacturing which the  
22 union has supported and it allows us to ship our  
23 products with reliability at shorter lead times.

24 Both our local and our regional office has  
25 lobbied in Albany at many times over the Power for

## Public Hearing - New York Power Authority

1 Jobs and we have been advocating that manufacturing  
2 should be given competitive rates to remain  
3 competitive in their business. Lack of available  
4 power at competitive rates is an issue that we must  
5 address in New York State if we are going to  
6 maintain even the manufacturing we have left, let  
7 alone attract more. We continue to improve  
8 productivity, lower costs and increase quality and  
9 improve the reliability to our customers.

10 All of this has been accomplished in an  
11 environment that in recent years has not been  
12 friendly to business in New York State. If New York  
13 State is going to set a standard for other states  
14 to follow and set competitive costs for  
15 manufacturing, we need to do this.

16 Finally, I'd like to give credit to our  
17 Engineering Department and our skilled trades who  
18 have continuously worked on energy conservation.  
19 They have lowered our electrical power demand by  
20 1,000 kilowatts in the last two years. Our company  
21 has taken aggressive steps to control power costs  
22 and to control costs overall and increase  
23 investment back into the plant. Allocating the  
24 hydropower to manufacturers like Revere will help  
25 create an environment conducive to the maintaining

## Public Hearing - New York Power Authority

1 and expanding of a manufacturing base in New York  
2 State. We hope we attract more. Thank you.

3 MS. CAHILL: Thank you, Mr. Slocum. The  
4 next speaker is Mr. Murphy.

5 WILLIAM M. MURPHY: Good afternoon. I'm Mike  
6 Murphy. I'm the President of Local UAW 2367 out of  
7 Revere Copper Products of Rome, New York. I hope  
8 some day that I can retire from this plant. Times  
9 have changed and competition not only gets  
10 domestic, but competition has been now competing  
11 heavily not only against the world, but the  
12 domestic market share that we once shared with  
13 other copper and brass mills is continually  
14 shrinking. We have a disadvantage of higher energy  
15 costs because of our location. Plants in our  
16 competition in Buffalo, New York, Cedar Rapids,  
17 Iowa or those in Ohio, don't face these costs that  
18 we have. Each one that I have mentioned doesn't  
19 face the cost because low power cost would give us  
20 job security.

21 As a private citizen I'm every day facing  
22 higher costs of living such as gasoline, food,  
23 heating oil. I'm able to absorb these increases  
24 because I have a good-paying job. Mind you, I don't  
25 like continually paying more but if hydropower can

## Public Hearing - New York Power Authority

1 be diverted to our manufacturing base, having these  
2 jobs makes it easier to absorb some of these costs.

3 Manufacturing workers are the ones that pay  
4 taxes, contribute to your United Way and other  
5 charities in our community. We are the people who  
6 buy new homes. We buy new cars. Losing these jobs  
7 shouldn't cost, shouldn't happen in New York State  
8 because of high power costs. Other states are able  
9 to regulate power at five or six cents a kilowatt  
10 hour. New York State needs to look hard at the way  
11 they allocate power. Thank you.

12 MS. CAHILL: Thank you, Mr. Murphy. The  
13 next speaker is Mr. Bambury. I'm sorry if I  
14 mispronounced your name.

15 MIKE C. BAMBURY: Good afternoon. My name is  
16 Mike Bambury. I'm the Citizen Action Program  
17 Chairman at Revere Copper Products, where I'm also  
18 a machine operator. I'm representing the work force  
19 at Revere. If we are going to invest in New York  
20 State's manufacturing sector then long-term  
21 agreements on allocated hydropower has to become a  
22 reality. Our state's manufacturing base should not  
23 be exposed to the situation many of them face  
24 today. Every year Power for Jobs and Economic  
25 Development Programs power are extended through the

## Public Hearing - New York Power Authority

1 budgetary process and this year we have to go to  
2 Albany and fight for these.

3 From 2001 to 2006, the state has lost 145,000  
4 manufacturing jobs, according to the Bureau of  
5 Labor Statistics. The downturn across several areas  
6 of New York State was even more devastating because  
7 many of the regions never shared the state or  
8 national economic growth from the late 1990s.  
9 One-third of the employees hired since 2001 have  
10 held long-term jobs at other facilities, myself  
11 included. I have been laid off from two other  
12 plants: Oneida Limited in Sherrill and Rome Cable  
13 in Rome. Both those companies have shut down and  
14 now I have somewhat, some job security at Revere  
15 Copper. That's why it is important for these  
16 programs. I just can't emphasize that enough.

17 In closing I'd like to submit the following  
18 statistics: The total payroll at our plant is in  
19 the area of \$30 million plus per year. For every  
20 manufacturing site in New York State there are  
21 hundreds of other jobs that depend on these work  
22 sites for their livelihood, such as suppliers,  
23 disposal, food service and more. For every  
24 manufacturing job kept in New York State there is a  
25 solid tax base at every level of government, and

## Public Hearing - New York Power Authority

1 for every manufacturing job there are payroll  
2 deductions going to help United Way and other  
3 community services.

4 Taxes, state regulation, healthcare costs and  
5 energy are keeping New York State's manufacturing  
6 base on its heels, but of these energy cost will  
7 kill us first. Retaining an existing jobs base or  
8 growing and attracting new jobs requires a low-cost  
9 energy supply in New York State. Thank you.

10 MS. CAHILL: Thank you, Mr. Bambury.  
11 The next speaker is Mr. Wolken. Sorry, the next  
12 speaker will be Mr. Beckman.

13 JAMES D. BECKMAN, President-Crucible Specialty  
14 Metals and Corporate Vice President-Crucible  
15 Materials Corporation, 575 State Fair Blvd., P. O.  
16 Box 977, Syracuse, New York:

17 Good afternoon. My name is Jim Beckman. I'm  
18 President of Crucible Specialty Metals and also  
19 Chairman of the Board of MACNY.

20 Crucible started in Central New York in 1876  
21 as Sanderson Brothers Steel Company of Syracuse,  
22 and then became part of Crucible Steel Company of  
23 America in 1900. In 1986, Crucible divested itself  
24 from Colt Industries to form Crucible Materials  
25 Corporation, headquartered in Central New York.

## Public Hearing - New York Power Authority

1           Today Crucible is a company that directly  
2           employs nearly 700 people in Central New York with  
3           a payroll in excess of \$45 million, and will have  
4           revenues close to \$365 million in 2007. In the last  
5           few years we have grown significantly both in sales  
6           and in volume which has allowed us to hire about  
7           275 new employees since January 1, 2004, in part to  
8           replace those that have retired but also fueled by  
9           business growth.

10           For the Syracuse plant, Crucible purchases  
11           approximately \$150 million in goods and services  
12           from over 800 active suppliers, of which 50% are  
13           located in New York. This year we will spend close  
14           to \$20 million of that amount on just utility  
15           expenses. Crucible has used \$100,000 of NYSERDA  
16           grants on a number of energy-related capital  
17           expenditure projects as well as \$75,000 from the  
18           DOE to study ways to reduce dependence on energy.  
19           Power consumption has been reduced, in part due to  
20           these grants, by about 350 kilowatt hours per ton  
21           over the last five years, yet our total cost of  
22           power has increased by close to 30% over the same  
23           time period.

24           As we all know, the power rates in New York  
25           are the second highest in the nation. According to

## Public Hearing - New York Power Authority

1 the latest report by the American Chemistry  
2 Council, the U. S. also pays the highest price for  
3 natural gas in the world. This is the playing field  
4 that energy-intensive manufacturing in New York  
5 State must compete against.

6 One of the reasons that power programs exist  
7 in New York State is to give companies a more level  
8 playing field when going up against their domestic  
9 and global competition. Crucible competes with  
10 specialty steel mills across the United States, in  
11 South America, Europe, Asia and in our own State of  
12 New York at Dunkirk Specialty Steel. If left  
13 unresolved, this will force us to plan for the  
14 future with the second highest power rates in the  
15 United States, which will have a negative impact on  
16 capital spending, on what business we can take, and  
17 on our employment levels.

18 Following the deregulation of the electric  
19 market in New York State, Power for Jobs was  
20 implemented as a bridge for businesses until  
21 competition in the new electric market brought New  
22 York State electric costs to a competitive level  
23 with the rest of the nation. Crucible has been a  
24 part of this program since 2002 and while the Power  
25 For Jobs program is still in effect, I consider it

## Public Hearing - New York Power Authority

1 broken. It no longer has the lower-cost nuclear  
2 power from Fitzpatrick behind it and NYPA must  
3 procure power on the electric market. NYPA has  
4 also chosen to charge all recipients of Power for  
5 Jobs electricity the same commodity price. This  
6 results in those industries located in lower-cost  
7 power zones in upstate New York subsidizing the  
8 higher-cost zones in downstate New York. Industry  
9 in downstate is still receiving a benefit from  
10 Power for Jobs at the expense of upstate industry.  
11 Since 2006 and through much of 2007, Crucible has  
12 actually had to pay a premium to be part of Power  
13 for Jobs.

14 If industry is to remain viable in New York,  
15 we need a long-term energy program that will at  
16 least bring our power cost in line with the average  
17 across the United States. Therefore, we need a  
18 program that has lower-cost power allocations, such  
19 as hydropower, attached to it. Securing the 450 MW  
20 of hydropower for business meets the requirements  
21 of an immediate solution. A long-term program is  
22 necessary so that businesses may make long-term  
23 plans for capital investment and market penetration  
24 in order to continually improve their  
25 competitiveness without the fear of dramatic

## Public Hearing - New York Power Authority

1 increases in energy costs.

2 The loss of manufacturing in New York State  
3 will actually increase the cost of power to  
4 residents that will far exceed the benefit they now  
5 receive from the R&D power. Also, the increased  
6 competitiveness of manufacturers in New York State  
7 that can result from an allocation of low-cost  
8 power will have a multiplier effect that will  
9 benefit other businesses and their employees.

10 The beneficiaries from economic development  
11 programs should be those that can have the biggest  
12 economic impact on our state. Manufacturing in New  
13 York is the catalyst that drives the demand for  
14 other commercial and service-oriented businesses in  
15 the state. Manufacturing also allows for the  
16 creation and retention of well-paying jobs in New  
17 York State that can afford to support commercial  
18 and entertainment enterprises.

19 In summary, we believe that Crucible has much  
20 to offer as an employer in New York State: Good  
21 jobs, innovative business practices, a  
22 well-educated work force and a positive impact on  
23 the local and state economy.

24 I appreciate the opportunity to speak today.  
25 Thank you.

## Public Hearing - New York Power Authority

1 MS. CAHILL: Thank you, Mr. Beckman.

2 The next speaker is Mr. O'Shaughnessy.

3 BRIAN O'SHAUGHNESSY, President, Revere Copper  
4 Products, One Revere Park, Rome, New York:

5 I think I'm going to make this. I have a  
6 broken left foot and a torn hamstring in my right  
7 leg so we'll see.

8 My name is Brian O'Shaughnessy and I'm the  
9 President of Revere Copper Products. My company  
10 was founded by Paul Revere in 1801 and we believe  
11 we are the oldest manufacturing company in the  
12 United States. We are headquartered in Rome and  
13 employ more than 400 people here. Revere is the  
14 largest manufacturing company in Rome.

15 We produce copper and brass sheet, strip and  
16 coil products, as well as extruded shapes. Revere  
17 is the larger supplier of architectural copper and  
18 the second largest supplier of bus bar in the USA.  
19 Revere faces strong competition from other brass  
20 mills as well, including one in Buffalo, as well as  
21 foreign competition.

22 Ownership of Revere is shared with all its  
23 employees. We don't pay dividends. We don't pay  
24 any dividends and we redirect all of our cash flow  
25 generated to maintain and upgrade our facilities in

## Public Hearing - New York Power Authority

1 Rome, New York.

2 Revere receives electricity from National Grid  
3 and participates in both the Economic Development  
4 Power Programs and Power for Jobs. The benefits  
5 are about \$3 million a year and are so critical to  
6 the success of Revere that Revere would no longer  
7 exist in Rome, New York without these programs.  
8 Even with the benefits of these programs, Revere  
9 continues to pay more than its competition for  
10 power, keeping Revere at a competitive disadvantage  
11 because of its location in New York State.

12 So much has been said about the competitive  
13 position of New York for jobs and so many  
14 commissions have studied the matter and held so  
15 many hearings that few really question the need for  
16 New York to make itself more attractive for jobs.  
17 Just today I received a report from the Public  
18 Policy Institute which stated that upstate trailed  
19 the nation in core growth categories and earned an  
20 F.

21 Frankly, it's hard for me to fathom how  
22 continuing to use low-cost hydropower for  
23 residences in this area helps make New York more  
24 attractive for economic development. If the  
25 central region of New York is competitive for

## Public Hearing - New York Power Authority

1 manufacturing, the jobs will come and people will  
2 live in this region. We have all heard the talk  
3 about the brain drain because there are no jobs for  
4 our children. The Province of Ontario works to  
5 solve this problem by providing long-term, low-cost  
6 power for manufacturing. The low-cost power does  
7 not go to commercial entities, hospitals, schools  
8 or residences because it is recognized that these  
9 institutions will exist if manufacturing jobs  
10 exist.

11 It's easy to understand given the politics of  
12 New York why a public electric utility would be so  
13 concerned about continuing the allocation of  
14 low-cost hydro to residential consumers. If that  
15 allocation were redirected toward economic  
16 development, utilities may have difficulty getting  
17 rates increased to offset the increased cost of the  
18 replacement power. The utility might even be  
19 expected to swallow part of these costs. Of  
20 course, the state should provide a budget solution  
21 to monetize a subsidy or a transition to market  
22 rates depending on the circumstances of individual  
23 residences. In a more rational world, utilities  
24 should always be able to recover energy supply  
25 costs. In a more rational world, utilities would

## Public Hearing - New York Power Authority

1 always be in favor of providing manufacturing the  
2 lowest-cost power available to improve their  
3 competitive position and thereby enhance economic  
4 development.

5 In New York State, local newspapers do not  
6 seem to understand the necessity of manufacturing  
7 to increase productivity to remain competitive.  
8 They believe, as the leaders of East Germany  
9 believed, that low-cost power should be linked to  
10 job retention rather than improving the competitive  
11 position of domestic industry. They thought that  
12 government should subsidize industry rather than  
13 provide a low-cost environment for industry to  
14 compete. Creating a low-cost environment for  
15 industry requires the long-term allocation of low  
16 cost hydropower.

17 In summary, it is no wonder that New York  
18 ranks so low in competitive standings when such  
19 fundamental economic strategies are misunderstood  
20 and commission findings reflecting pure logic and  
21 rational economic development strategies such as  
22 the bipartisan Temporary Commission are simply  
23 ignored. Few politicians have the political  
24 foresight and the will to act in the best economic  
25 interests of the state. Now is the time for action

## Public Hearing - New York Power Authority

1 steps to revitalize the economy of Central New  
2 York. Extending hydropower to manufacturing is a  
3 progressive step and would secure jobs which are  
4 the utmost necessity to families. Thank you.

5 MS. CAHILL: Thank you, Mr.  
6 O'Shaughnessy. The next speaker is Mr. McCormick.  
7 Okay, we'll go to the next speaker, who is Michael  
8 Bebon.

9 MICHAEL J. BEBON, P.E., Deputy Director of  
10 Operations, Brookhaven National Laboratory,  
11 Building 480, P. O. Box 5000, Upton, New York:

12 Good afternoon. I'm Michael Bebon. I'm the  
13 Deputy Director of Operations at Brookhaven  
14 National Laboratory. Thank you for the opportunity  
15 to speak at this hearing.

16 On behalf of Brookhaven National Laboratory,  
17 I'd like to express our appreciation for the  
18 benefits that result from the low-cost electricity  
19 provided by the New York Power Authority in New  
20 York State. Throughout our 26-year relationship  
21 with the New York Power Authority, we have been  
22 able to maintain the economic viability of the  
23 laboratory with electricity rates that are much  
24 lower, often less than half the cost of local  
25 sources of supply.

## Public Hearing - New York Power Authority

1           We strongly support the continuation and  
2           expansion of NYPA programs designed to provide  
3           low-cost power, not just for our laboratory but as  
4           a major economic development tool for organizations  
5           throughout New York State.

6           It is our understanding that NYPA intends to  
7           retain the right to terminate some of its existing  
8           contracts for hydropower that serve domestic and  
9           rural consumers, and to develop a process for  
10          determining the best uses for future allocations of  
11          hydropower. When making these difficult decisions,  
12          we believe it is imperative to consider the  
13          overall, long-term statewide economic impact of  
14          these allocations. This approach would be in the  
15          best interest of organizations, which would have  
16          the ability to predict, with some degree of  
17          accuracy, the future cost of electric power, before  
18          making major financial investments in New York  
19          State, and in their customers.

20          Brookhaven Lab is a major employer in the  
21          state, with more than 2,600 employees that include  
22          a high proportion of scientists, engineers and  
23          technicians. More than 3,500 researchers from  
24          universities, industry and other research  
25          institutions come to the Laboratory each year to

## Public Hearing - New York Power Authority

1 use our facilities; approximately one-third of  
2 these visiting researchers represent institutions  
3 from across New York State.

4 A recent economic impact study for Brookhaven  
5 National Laboratory illustrates the Laboratory's  
6 contribution to the New York State economy. For  
7 example, from 1993 to 2003, the Laboratory and its  
8 employees injected more than \$4.76 billion in  
9 direct spending into the New York State economy.  
10 This increased the State's output of goods and  
11 services by almost \$9.2 billion, and created almost  
12 79,000 secondary jobs in the state.

13 NYPA programs have saved Brookhaven National  
14 Laboratory over \$247 million in energy costs since  
15 the start of our relationship. These savings have  
16 largely been reinvested in New York State through  
17 construction projects, personnel, materials and  
18 other services.

19 Low-cost NYPA power is crucial to the  
20 continued operations of our large science  
21 facilities and the success of our research  
22 programs. It also allows us to compete nationally  
23 for the next generation of advanced scientific  
24 machines, and was a determining factor for the  
25 recent decision by the U. S. Department of Energy

## Public Hearing - New York Power Authority

1 to locate the National Synchrotron Light Source II  
2 -- and that's NSLS-II -- at Brookhaven National  
3 Laboratory. The NSLS-II is a premier world-class  
4 research facility, with an estimated construction  
5 cost of \$900 million and an annual operating budget  
6 of \$70 million. The facility will employ more than  
7 180 additional full-time employees, and will allow  
8 the Laboratory to retain key jobs that would have  
9 otherwise been lost to other areas of the country.

10 Once again, we would like to emphasize our  
11 strong support for NYPA and for the continuation of  
12 its valuable economic development programs. We  
13 thank you and your staff for your leadership and  
14 support in working to solve Brookhaven National  
15 Laboratory's recent power-cost problem. And,  
16 finally, we look forward to the opportunity to  
17 continue our exceptional partnership with New York  
18 State and the New York Power Authority, a  
19 partnership that has enabled countless  
20 ground-breaking discoveries and made New York State  
21 a place where great science and technology  
22 flourished.

23 MS. CAHILL: Thank you. The next  
24 speaker is Randy Wolken.

25 RANDY WOLKEN, President of the Manufacturers

## Public Hearing - New York Power Authority

1 Association of Central New York:

2 Good afternoon. I'd like to thank you for  
3 inviting us to comment on some very important  
4 pieces of work. My name is Randy Wolken and I'm  
5 the President of the Manufacturers Association of  
6 Central New York representing over 325 companies  
7 with over 55,000 employees across 19 counties in  
8 upstate New York. Founded in 1913, we pride  
9 ourselves on not only being the largest association  
10 of manufacturers in New York, but also one of the  
11 oldest and most widely recognized organizations of  
12 its kind in the nation. We continue to advocate for  
13 causes that will enable New York State  
14 manufacturers to thrive in today's competitive  
15 global market, because manufacturing is a critical  
16 component to a vibrant economy.

17 Reports have shown that for each job created  
18 in manufacturing, between two and three jobs are  
19 created in other sectors. These spin-off jobs are  
20 created in financial services, government, and many  
21 other service sectors supporting manufacturers. If  
22 the manufacturing sector falters, so do other  
23 sectors of the local and regional economy.

24 I am here today with the members of the  
25 Manufacturers Association to express my support for

## Public Hearing - New York Power Authority

1 an extension of the R&D hydropower contracts until  
2 June 30, 2008, with a 30-day out period allowing  
3 for the reallocation of power within that year. As  
4 NYPA is well aware, MACNY has been a leader in  
5 lobbying the New York State Legislature for a  
6 comprehensive, long-term solution to alleviate the  
7 high energy costs inflicted on New York State  
8 manufacturers. We come here today in similar  
9 efforts to urge NYPA to not only extend the term of  
10 this R&D hydropower, but to also support us in our  
11 efforts to allocate this source of low-cost power  
12 to a long-term economic development power program  
13 supporting jobs in New York State.

14 Throughout the years, many have debated the  
15 best use of the 450 MW of hydropower in New York.  
16 MACNY firmly believes that allocating this resource  
17 to energy-intensive manufacturers will make the  
18 State of New York a better place to live. Many  
19 out-of-state manufacturers are currently looking to  
20 relocate, but choose not to do so in New York  
21 because of the high energy costs here. The simple  
22 fact is this: Allocating the hydropower to  
23 manufacturers in the business community will not  
24 only help New York retain businesses already  
25 located here, but also attract and retain strong,

## Public Hearing - New York Power Authority

1 growing out-of-state manufacturers. Taking into  
2 account the multiplier effect of manufacturing,  
3 many more jobs in other sectors will be created by  
4 the future growth of manufacturing.

5 As you are well aware, Western New York and  
6 the North Country have led the way in embracing  
7 long-term economic development solutions. Western  
8 New York understood the positive outcomes of  
9 securing hydropower resources when it allocated 450  
10 MW of replacement power for economic development in  
11 2006. Senator Wright, Chairman of the Senate's  
12 Energy Committee, also saw this opportunity when he  
13 advocated for preservation power for the North  
14 Country, sponsoring legislation in which 490 MW of  
15 hydropower would remain in the three counties for  
16 future job development. Both Western New York and  
17 the North Country represent a perfect model for  
18 long-term economic development in the state. Both  
19 regions have secured resources for business  
20 retention and development that will provide  
21 thousands of family-supporting jobs.

22 New York State as a whole would also benefit  
23 by reallocating the 450 MW currently designated for  
24 residential customers to businesses who retain and  
25 increase jobs. This hydropower will enhance the

## Public Hearing - New York Power Authority

1 ability of manufacturers and businesses to expand  
2 and create new family-supporting jobs. Low-price  
3 hydropower cuts the bottom line for businesses,  
4 making them more competitive with out-of-state  
5 businesses for capital dollars, investment and  
6 expansion. Businesses with continuous low-cost  
7 energy can plan for the future with confidence  
8 because of price predictability from long-term  
9 hydropower contracts.

10 As I mentioned, I'm here today with a number  
11 of our members who have discussed the future detail  
12 and the importance of having low-cost energy.  
13 Without some sort of competitive pricing, hundreds  
14 of jobs are potentially at stake. Additionally, for  
15 those members not present I am respectfully  
16 submitting on their behalf a number of written  
17 testimonies to explain the positive benefits they  
18 and their employees would receive if this low-cost  
19 energy source were available to them. With the  
20 argument that the current hydropower lowers  
21 electric bills for New York State residents, I  
22 leave you with one thought: You need a job to pay  
23 an electric bill. It is my belief that good-paying  
24 jobs are far more valuable than a few extra dollars  
25 off your monthly energy bill.



## Public Hearing - New York Power Authority

## C E R T I F I C A T I O N

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This is to certify that I am an Official Senior Court Reporter of the State of New York (retired); that I attended and reported the foregoing proceedings; that the foregoing is a true, accurate and correct transcript of the proceedings had therein, to the best of my knowledge and ability. The indication of double dashes [--] within this transcript indicates an interruption in speaking or incomplete thought, and under no circumstances is an indication or an omission of the spoken word from this transcript.

---

David T. Robinson,  
Official Court Reporter

DATED: November 8th, 2007

**NOTICE OF PUBLIC HEARING**  
**POWER AUTHORITY OF THE STATE OF NEW YORK**

The Power Authority of the State of New York (Authority) will hold a public hearing in the Common Council Chamber, City Hall, 233 East Washington Street, Syracuse, New York, on Thursday, November 8, 2007 at 1:00 p.m. on extensions of contracts from September 1, 2007 through June 30, 2008 for sale to National Grid (formerly Niagara Mohawk Power Corporation), New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation (collectively, the Utilities) of a total of 455 MW of firm and 360 MW of firm peaking hydropower currently being sold to the Utilities for the benefit of domestic and rural consumers. Such contract extensions would be terminable by the Authority on thirty (30) days' prior written notice.

Copies of the proposed agreements may be inspected at the Authority's office at the address below, or online at the Authority's website, [www.nypa.gov](http://www.nypa.gov).

Those wishing to make an oral statement at the hearing shall provide to the Authority, in writing, in advance of the hearing, their name(s), the name of the organization or group they represent and the estimated length of their statement, which should not exceed five minutes.

Six copies of any written statements or memoranda shall be filed with the Authority prior to the hearing. For further information, including the address of other Authority offices at which copies of the proposed agreements may be inspected, contact:

POWER AUTHORITY OF THE STATE OF NEW YORK  
Anne Cahill, Corporate Secretary  
123 Main Street  
White Plains, New York 10601  
(914) 390-8036  
[secretarys.office@nypa.gov](mailto:secretarys.office@nypa.gov)

Air Products and Chemicals, Inc.  
7201 Hamilton Boulevard  
Allentown, PA 18195-1501  
Tel: 610 481-4911

**Testimony of Air Products and Chemicals, Inc.  
To  
The New York Power Authority  
Regarding  
Allocation of R&D Hydropower for Business Retention and Economic Development  
November 8, 2007**

This testimony is being submitted to the New York Power Authority on behalf of Air Products and Chemicals, Inc. (Air Products). Air Products operates an air separation facility in Glenmont, New York that is currently receiving power under a NYPA High Load Factor Contract. Air Products urges NYPA to support long-term economic development in NYS through the allocation of hydro power to NYS businesses.

Air Products' Glenmont facility was constructed in 1975 to specifically take advantage of New York's Economic Development Power Programs. The plant employs 63 people and manufactures and supplies liquid oxygen and nitrogen to a wide variety of NYS businesses including major employers in the health care, electronics, food, metals, and other manufacturing industries. These businesses depend on high quality, low cost gases to manufacture their products, render their services and to remain competitive in both regional and global markets.

At an air separation plant like Glenmont, electricity can account for up to about 70% of the variable cost of manufacturing. Thus, large increases in electricity costs jeopardize the economic viability of the plant or alternatively, must be passed on to other manufacturers, jeopardizing their economic viability.

Since the plant was constructed in 1975 we have invested significant capital which has increased capacity by 67% while improving efficiency by 20%. However, as a High Load Factor customer our electric rates have increased by about 50% since December 2004. Such cost increases have a ripple effect on the NYS economy because they are passed along to our customers, increasing their costs and forcing cutbacks in other areas of their cost stack to remain competitive. Worse still, with no plans to replace the HLF power we now receive when our contract expires in June 2008 our rates could easily double what we paid in 2004, representing an additional \$4.5 million dollar annual cost increase.

The New York State Power for Jobs Program, including the High Load Factor Program has been beneficial to many businesses and their employees even though they may not be directly involved in the programs. Our customers benefit from our reduced electricity pricing that otherwise would have increased the costs of our products. These Power Programs, or a similar revamped program, are indeed critical to the future of our Glenmont Air Separation facility, its employees and the many NYS customers that depend on our liquid oxygen and nitrogen to run their businesses.

New York State is at a cross roads as it looks to determine the future of its economic development power programs. One source that will serve to fill the void and create a solid basis for economic development and business retention is the 455 MW of Rural & Domestic power. Providing 455 MW of hydro power for business retention and development provides an immediate solution for the power programs' long term vitality.

Based on the above we urge NYPA to direct the 455 MW of R&D power toward a long term economic development power program that will serve as a solid basis for business retention and economic development in NYS.

Thank you for the opportunity to express our views on this very important subject. Should you need additional information or wish to discuss any portion of this testimony or visit our Glenmont facility please contact:

Victor F. Sawicki, Manager, Electricity Supply  
Air Products and Chemicals, Inc.  
7201 Hamilton Blvd.  
Allentown, PA 18195  
(610)481-5617

October 31, 2007

Corporate Secretary's Office  
New York Power Authority  
123 Main Street  
White Plains, New York 10601

Re: November 8, 2007 Hearing

*I want to express my support of the New York Power Authority's proposal to extend the R&D hydropower contract for 12 months with a 30 day out notice. I am also submitting comments regarding the need for a long-term solution to the high cost of electricity that is driving businesses out of the State or forcing them to close entirely.*

*What happens when jobs are lost and residents of the State are dislocated, forced to take lower paying service jobs, or perhaps, not able to find jobs? Families are forced to sell their homes; communities fall apart. Most importantly, residents of the State lose their hopes and dreams of a secure future. Let there be no mistake, New York is facing a crisis that will directly impact the economic viability of the State now and far into the future. The short-term year-to-year fixes to bring down the costly and highly volatile price of power have failed. The price of electricity in most cases is as high as or even higher than before the power industry deregulated. In fact, New York State businesses pay the second highest utility rates in the Country.*

*How do I know this? I am the General Manager of Anchor Glass Container Corporation, a manufacturing facility located in Elmira, New York. My Company provides 370 family-supporting jobs in an economically challenged region of the State. Additionally, in 2006, I served on the Governor's Commission on the Future of Economic Development Power Programs. I heard from manufacturers and businesses all over New York State express the same sentiment over and over again -- the high price of electricity is driving us out of business.*

*The Commission was tasked with conducting hearings throughout the State to assess the value of current economic development power programs and make recommendations on how the State could best provide low-priced electricity to businesses and manufacturers to energize the economy of New York. One of the Commission's major findings was that the need for a long-term solution to the high cost of power in New York State had to be hard wired to a low cost resource.*

*As a consequence, the Commission recommended the reallocation of 450 MW of hydropower, currently designated for Upstate residential customers, to be redirected to businesses for long-term economic development purposes. Lower priced power enables businesses to stabilize operating cost and allows for long-range planning. Capital investment plans can be made and implemented increasing the business' competitiveness leading to stabilization, expansion and ultimately more family- supporting job.*

*While residential rates will increase if the R&D hydropower is reallocated, the larger issue is what happens if a business closes and one or more members of a family lose their job? What is the value of that job to a family, their community, and the State? **The most important question that needs to be answered is, "What is the best use of the 450 MW block of hydropower for the residents and businesses and the long-term financial security of the State?"** Is losing a discount on a residential bill worse than losing a job that is necessary to pay that bill?*

*I have had many discussions with manufacturers all over the State as the General Manager of a heavy manufacturing facility, and in my role as Commissioner. The message is always the same. Business throughout the State are only asking for parity with those industries, because of geographic location, that have already secured a long-term supply of lower-priced hydropower. In having equal access to a lower-priced electricity designated for economic development, all parties win and as a result, the whole of the State is made stronger. More importantly, the citizens of New York will enjoy a higher quality of life for themselves and their children.*

*In conclusion, a long-term solution for economic development in New York State is clear. Redirection of lower priced hydropower from Upstate residential customers to all New York State businesses is a once in a lifetime opportunity to ensure the economic viability of the State. However, it will take vision and will make this solution a reality. I sincerely hope and urge each resident, business person, and legislators to act now.*

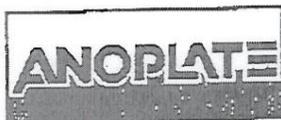
*Sincerely,*

*Michael J. Sopp*

Michael J. Sopp  
General Manager

RECEIVED  
SECRETARY'S OFFICE

NOV 09 2007



## Memorandum

To: NYPA Hearing  
From: Anoplate Corporation  
Date: November 8, 2008  
Re: Securing 450 MW of hydropower

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Anoplate Corporation is a 215 person metal finishing shop located in Central New York. We were founded in 1960 and are considered once of the 25 largest job shop finishers in the United States. We serve over 1,000 customers in the manufacturing sector and bring in 40% of our work from outside New York State. Our customer base includes most major military, aerospace and equipment manufactures.

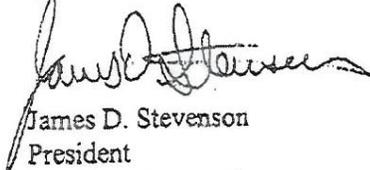
Our process by its nature is a heavy user of electricity. On an annual basis we spend over \$600,000 for electricity. We have been under the Power for Jobs program for many years. Through those years we have shown continuous growth in both sales and employees. The cost of power is a major concern for us. We are competing in an industry where our competitors in the Northwest and Midwest pay one third of our cost for electricity even after factoring in the benefits received under the PFJ program.

Our markets are moving further away from NYS. It is becoming increasingly more difficult to compete due to the high cost of doing business in the State. Electricity is one of the key cost drivers for us. Our ability to grow, sustain the business and support our employee base depends on being able to continue to manage the cost of electricity.

New York State is in desperate need of a long-term economic development power program that will serve as a solid basis for business retention and development in NYS. It is very difficult for us to properly plan for growth without knowing if we are going to be able to sustain the benefits we currently receive from year to year. At this stage, and without this available resource, the NYS business community is in jeopardy. Securing the 450 MW of hydropower to businesses meets the requirements of an immediate solution to locating a source for a long-term economic development program, providing consistent low-cost energy to New

York State businesses. To secure this hydropower to business, you will be allowing businesses the ability to expand and create new jobs, create longer-term business plans and make them more competitive in their markets.

Thank You



James D. Stevenson  
President  
Anoplate Corporation  
459 Pulaski St  
Syracuse, NY 13204  
(315)471-6143

Office of the Deputy Director for Operations

**BROOKHAVEN**  
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Phone 631 344-3434  
Fax 631 344-2361  
bebon@bnl.gov

managed by Brookhaven Science Associates  
for the U.S. Department of Energy

www.bnl.gov

November 8, 2007

Ms. Anne Cahill  
Corporate Secretary  
New York Power Authority  
123 Main Street  
White Plains, NY 10601

**Subject: November 8, 2007 Public Hearing Regarding Extensions of Contracts for  
Hydropower to Serve Domestic and Rural Consumers**

Dear Ms. Cahill,

On behalf of Brookhaven National Laboratory (BNL), I'd like to express our appreciation for the benefits that result from the low-cost electricity provided by the New York Power Authority (NYPA) and New York State. Throughout our 26 year relationship with NYPA, we have been able to maintain the economic vitality of the Lab with electricity rates that are much lower, often less than half, the cost of local sources of supply.

We strongly support the continuation and expansion of NYPA programs designed to provide low-cost power, not just for BNL, but as a major economic development tool for organizations throughout New York State.

It is our understanding that NYPA intends to retain the right to terminate some of its existing contracts for hydropower that serve domestic and rural consumers, and to develop a process for determining the best uses for future allocations of hydro power. When making these difficult decisions, we believe it is imperative to consider the overall long-term, state-wide economic impact of these allocations. This approach would be in the best interest of organizations, which would have the ability to predict, with some degree of accuracy, the future cost of electric power, before making major financial investments in the State, and their customers.

Brookhaven Lab is a major employer in the state, with more than 2,600 employees that include a high proportion of scientists, engineers, and technicians. More than 3,500 researchers from universities, industry and other research institutions come to the Lab each year to use our facilities; approximately one-third of these visiting researchers represent institutions from across New York State.

Letter to: A. Cahill

November 8, 2007

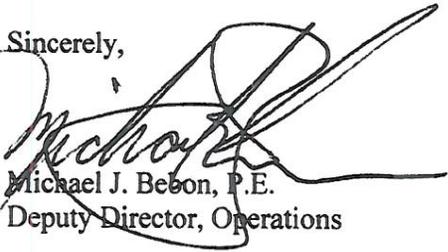
A recent economic impact study for Brookhaven National Laboratory illustrates the Laboratory's contribution to the New York State economy. For example, from 1993-2003, the Laboratory and its employees injected more than \$4.76 billion in direct spending into the New York State economy. This increased the State's output of goods and services by almost \$9.2 billion, and created almost 79,000 secondary jobs in the state.

NYPA programs have saved BNL over \$247 million in energy costs since that start of our relationship. These savings have largely been reinvested in New York State through construction projects, personnel, materials, and other services.

Low-cost NYPA power is crucial to the continued operations of our large science facilities and the success of our research programs. It also allows us to compete nationally for the next generation of advanced scientific machines, and was a determining factor for the recent decision by the U.S. Department of Energy to locate the National Synchrotron Light Source II (NSLS-II) at BNL. The NSLS-II is a premiere world-class research facility -- with an estimated construction cost of \$900 million and an annual operating budget of \$70 million. The facility will employ more than 180 additional full-time employees, and will allow the Laboratory to retain key jobs that would have otherwise been lost to other areas of the country.

Once again, we would like to emphasize our strong support for NYPA and for the continuation of its valuable economic development programs. We thank you and your staff for your leadership and support in working to solve Brookhaven National Laboratory's recent power-cost problem. And, finally, we look forward to the opportunity to continue our exceptional partnership with New York State and the New York Power Authority, a partnership that has enabled countless groundbreaking discoveries and made N.Y. State a place where great science and technology flourishes.

Sincerely,



Michael J. Bebon, P.E.  
Deputy Director, Operations

**Burrows Paper Corporation**  
**501 West Main Street**  
**Little Falls, NY 13365**

- Burrows is a specialty lightweight paper manufacturer, headquartered in Little Falls. We have been a mainstay employer in the Mohawk Valley for nearly 100 years. We are the largest private employer in Little Falls and surrounding area.
- 750 Employees
  - 200 employees at 3 locations in NYS
  - 550 employees at 5 US locations (OH, MS, IA & NV) and 1 in the Netherlands
- Energy accounts for 15-20% of our manufacturing costs.
- NYS has the highest cost of energy of any of our domestic locations.
  - Year to date, our NYS mills averaged \$0.088/kWh for electricity, 26% higher than our out-of-state facilities.
  - YTD our out-of-state facilities have averaged \$0.070/kWh.
- We don't thrive in NYS, we only survive.
  - We don't expand in NYS, we expand in our out-of-state facilities.
  - PFJ no longer provides any real savings. It used to provide us hydro and nuclear power. Now PFJ provides us with market indexed power.
  - ED power doesn't help us. It only saves money if you expand. In our NYS facilities we invest in automation, labor saving equipment and energy efficiency. We make more paper with fewer people and less energy.
- We need low cost hydro and nuclear power to compete with our out-of-state facilities.
- We recommend approval of an extension of the R&D contract power, with a 30-day out period that allows for the reallocation of the power within that year. Any extension beyond 12 months should be required by determination of the Legislature. This hydropower allocation should be reassigned to businesses and included in a long-term economic development power program.
- NYS is in desperate need of a long-term economic development power program that will serve as a solid basis for business retention and development in NYS. At this stage, and without this available resource, the NYS business community is in jeopardy.

Sincerely,

Michael McCormick  
Manager of Energy Services  
Burrows Paper Corporation

[REDACTED]

---

**From:** Jackie and Bill [REDACTED]  
**Sent:** Friday, November 09, 2007 12:29 PM  
**To:** Secretary's Office  
**Cc:** Bill & Jackie  
**Subject:** statement to NY Power Authority

My husband and I read an article in our newspaper today that alarmed us. We believe that customers of Upstate utilities should receive a better rate than they are getting now. Our costs for power are definitely higher than anywhere in the United States. While we don't have any option like the Businesses in NY do, we must pay the going rate or get a cabin in the country and use kerosene lanterns. Businesses do have ways to cut their costs; thru tax cuts and write offs on their Federal and NY taxes annually. A lot of their expense can be written off taxes. Ours cannot.

How about some of those companies mentioned in the article and other businesses moving to places like Sherburne and Hamilton where electricity is cheaper. Other villages also have their own power supply. NY residents will have a really tough time this winter with higher fuel bills and higher electric costs (due to increased expenses of the electric co.), higher gasoline costs and higher food costs. We are now living on a fixed income and all of these increases will be hard on us and other NY residents with a fixed income.

Please do not change over and give business the increased incentive. Some will leave the state regardless. A lot of them already have even though incentives to hire new workers was presented to them.

I am positive that a way can be found to appease industry in NY and also keep costs down to the residential customer. Perhaps the CEOs , Presidents and other higher ups in most businesses could take a pay cut or receive less yearly bonus.

Bill and Jackie Chapin



Crucible Materials Corporation  
575 State Fair Boulevard  
P.O. Box 977  
Syracuse, New York 13201

James D. Beckman  
President- Crucible Specialty Metals  
Corporate Vice President- Crucible Materials Corporation

*Testimony at the public hearing of NYPA on November 8, 2007, to be held in Syracuse, New York*

Crucible started in Central New York (CNY) in 1876 as Sanderson Brothers Steel Company of Syracuse, and then became part of the Crucible Steel Company of America in 1900. In 1986, Crucible divested itself from Colt Industries to form Crucible Materials Corporation (CMC), headquartered in CNY.

Today Crucible is a company that directly employs nearly 700 people in CNY with a payroll in excess of \$45 million, and will have revenues close to \$365 million in 2007. In the last few years, we have grown significantly both in sales and in volume which has allowed us to hire about 275 new employees since January 1, 2004, in part to replace those that have retired but also fueled by business growth.

For the Syracuse plant, Crucible purchases approximately \$150 million in goods and services from over 800 active suppliers, of which 50% are located in New York (NY). This year we will spend close to \$20 million of that amount on just utility expenses. Crucible has used \$100,000 of NYSERDA grants on a number of energy-related capital expenditure projects as well as \$75,000 from the DOE to study ways to reduce dependence on energy. Power consumption has been reduced, in part due to these grants, by 350KWH/ton over the last five years, yet our total cost of power has increased by close to 30% over that same period.

As we all know, the power rates in NY are the second highest in the nation. According to the latest report by the American Chemistry Council, the U.S. also pays the highest price for natural gas in the world. This is the playing field that energy intensive manufacturing in New York State (NYS) must compete against.

One of the reasons the power programs exist in NYS is to give companies a more level playing field when going up against their domestic and global competition. Crucible competes with specialty steel mills across the United States, in South America, Europe, Asia, and in our own state of New York at Dunkirk Specialty Steel. If left unresolved, this will force us to plan for the future with the second highest power rates in the U.S., which will have a negative impact on capital spending, on what business we can take, and on our employment levels.

Following the deregulation of the electric market in NYS, Power for Jobs (PFJ) was implemented as a bridge for businesses until competition in the new electric market brought NYS electric costs to a competitive level with the rest of the nation. Crucible has been part of this program since 2002. While the PFJ program is still in effect, it is broken. It no longer has the lower cost nuclear power from Fitzpatrick behind it and NYPA must procure power on the electric market. NYPA has also chosen to charge all recipients of PFJ electricity the same commodity price. This results in those industries located in lower cost power zones in Upstate New York subsidizing the higher cost zones in Downstate New York. Industry in Downstate is still receiving a benefit from PFJ at the expense of Upstate industry. Since 2006 and through much of 2007, Crucible has actually had to pay a premium to be a part of PFJ.

If industry is to remain viable in NY, we need a long term energy program that will at least bring our power cost in line with the average across the U.S. Therefore, we need a program that has lower cost power allocations, such as hydro-power attached to it. Securing the 450MW of hydro-power for business meets the requirements of an immediate solution. A long term program is necessary so that businesses may make long term plans for capital investment and market penetration in order to continually improve their competitiveness without the fear of dramatic increases in energy costs.

The loss of manufacturing in NYS will actually increase the cost of power to residential that will far exceed the benefit they now receive from the R&D power. Also, the increased competitiveness of manufacturers in NYS that can result from an allocation of low cost power will have a multiplier effect that will benefit other businesses and their employees.

The beneficiaries from economic development programs should be those that can have the biggest economic impact on our State. Manufacturing in NY is the catalyst that drives the demand for other commercial and service oriented businesses in the State. Manufacturing also allows for the creation and retention of well paying jobs in NYS that can afford to support commercial and entertainment enterprises.

We believe that Crucible has much to offer as an employer in NYS; good jobs, innovative business practices, a well educated work-force, and a positive impact on the local and state economy.

I appreciate the opportunity to speak at this forum today.

[REDACTED]

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**From:** [REDACTED]  
**Sent:** Friday, November 09, 2007 8:00 PM  
**To:** Secretary's Office  
**Subject:** Hearing Inquiry from the web

As a residential customer of National Grid, I oppose the shift of benefits of state-owned hydropower from the residential customers to businesses. Residential customers, such as myself on a fixed income (and also people that do not have high paying jobs) should not have this burdeon placed on them. Big busisness has big profits and can well afford to pay more. PLEASE DO NOT TAKE AWAY OUR BENEFITS OF CHEAP POWER AND GIVE IT TO BUSINESS. Thank you for your consideration. Mary Dailey, East Syracuse, NY

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See what's new at [AOL.com](http://AOL.com) and [Make AOL Your Homepage](#).

[REDACTED]

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**From:** James Dam [REDACTED]  
**Sent:** Friday, November 09, 2007 3:39 PM  
**To:** Secretary's Office  
**Subject:** Public Comment: New York Power Authority Low-Cost Power Allocations

Dear Sirs:

Thank you for the opportunity to submit comment on the allocation of NYPA generated low-cost power.

The recent public hearings on proposed reallocation of low-cost power contract benefits away from Upstate utility companies who are REQUIRED by law to use the low-cost power contract allocations for the non-profit delivery of energy to residential customers, drew the rapt attention of many business men who are seeking the reallocation of this low-power to business interests and business benefits.

The various speakers, representing Revere Copper Products, Crucible Specialty Metals, Brookhaven National Laboratory, and the Manufacturers Association of Central New York, organized labor interests, and others, endorse the approach of a temporary state commission, whose membership conspicuously lacked any residential rate payers among its members, that the low-cost power should be diverted from ordinary New York State citizens and residents who are struggling to pay energy bills in their homes to furthering the economic interests of businesses in New York State. These businessmen contend that low-cost power is essential to their cost-cutting necessity needed in order to maintain manufacturing jobs in New York. Let us look at the track record of these businesses in maintaining and expanding these job opportunities, in terms of the Empire Zone Program, a major statewide program that was also established to accomplish the same job preservation and expansion of employment opportunity.....for corporate interests.....

Some of the statements made by a union official from Revere Copper Products addresses the fact that "jobs are more important to consumers than prices" and that "diverting the low-cost power for jobs will help the employee's families in facing the rising costs of gasoline, food, home heating oil, and other commodities of life." These statements presuppose that Statewide, actual Union Membership has been in steady decline for many years, and that if you are already a member of a union, and you have the good fortune to be in a good union job, then you do view union jobs as more important than prices for the "other consumers" that you are comparing against, in the relative re-allocation of these low-power energy benefits. This statement does not support the public interest and good of the vast majority of average residential energy ratepayers, who are not union members nor businessmen, rather, it is to benefit the entrenched union interests that are singularly looking to benefit from the enjoyment of low-cost power at their workplaces. In short, Special Interests are at play here to move these benefits away from average residential ratepayers who greatly outnumber total New York State union membership..

These various business and union speakers are among many of the same business men who were, and are, lining up for New York State Empire Zone Program credits, which they say are also direly needed to preserve current jobs and to expand their company employment rolls.

Well, it is recently well known and widely published in consequential newspapers of New York state-wide circulation that these same Empire Zone businesses have failed miserably to live up to the agreements made in the Empire Zone program contracts, have failed to even maintain, much less expand actual employment numbers in 95% + of these contract arrangements, and in fact have continued to reap the benefits of Empire Zone Credits while being in default on the very terms and substance of the agreements in the Empire Zone program that qualify them for participation in those benefits.

The Empire Zone program has been a large corporate welfare program that has been adverse to the average taxpayer whose tax funds were taken to support these failed efforts to maintain and, in fact, to increase job numbers. This is clearly not in the public interest.

It is also not prudent nor in the public interest to hand over the benefit of low-cost power from public power authorities to the same businesses who have taken undue advantage of the already established Empire Zone program, and to deprive average residential homeowners, across the board, of the benefits of this low-cost power. The track record of these businesses in expanding employment under these public programs has been dismal, and to the great detriment of the

good of the rate paying public.

To now have these same business men stand up and say that it is reasonable or credible to use or to divert public authority generated low-cost power away from residential customers of every stripe to benefit the economic needs of these non-credible business interests is beyond belief. Their epic failures in the Empire Zone program does not inspire great hope and justifiable confidence that another corporate welfare program in the guise of low-cost power generated by public power authorities will benefit anyone but a limited number of special interests.

These business interests have the economic and pricing power to raise their product or service prices to earn back any incurred costs for their energy needs much more easily than the vast majority of average New York State residential energy rate payers, the vast majority of whom are not employed by these business or organized labor interests.

New York Power Authority low-cost power is rightly allocated to the New York State residential rate payers. The allocation percentage of low-cost power to business interests is already adequate to business interests in New York State. The NYPA's own website already details the 400,000 jobs that low cost power subsidizes and supports in all facets of the State's economy.

The reallocation of low-cost power from residential rate payers to cut costs of business interests is wrong on the basis that the benefits leveraged by the average residential ratepayers will exceed those gained by business interests.

The real need in New York State is to eliminate wasteful corporate welfare programs such as the Empire Zone system, and to cut the costs of doing business in New York State by reducing the size of State government, cutting sales and income taxes, reducing unnecessary regulation and legislation on business interests, reforming the health care system, reforming the Workmen's Compensation system, eliminating opportunity for fraud and waste in State administered programs, and to transfer many of these State run programs to private control, where the efficiencies of the marketplace and entrepreneurial spirit in overcoming the inefficiency of government administration may be harnessed. The low-cost power generated by the public authorities should not be reallocated to special interests until these other underlying causes of the high cost of doing business in New York State are meaningfully and measurably addressed.

Thank you.

James Dam

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**James A. Dam**

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[REDACTED]

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**From:** Lawrence Foisy [REDACTED]  
**Sent:** Friday, November 09, 2007 3:30 PM  
**To:** Secretary's Office  
**Subject:** Hydeo power

To whom it may concern,

Mike Murphy makes a point that jobs are more important than prices of power. That is fine if you are working, I am **retired** on a **fixed income** and there are three others just on my street in North Syracuse. An eight to ten percent increase on utilities that are already too high will cause some of us to have to decide whether to eat or pay our utility bill.

Lawrence A. Foisy  
[REDACTED]



Granny's Kitchens, LLC  
178 Industrial Park Drive  
Frankfort, NY 13340  
November 5, 2007

Re: Testimony For NYPA Hearing  
November 8, 2007

This letter will serve as our written testimony regarding the need for a long term solution for economic development power. Granny's Kitchens, LLC employs over 280 full time employees with an annual payroll of over \$7,000,000. We are a wholesale donut manufacturer that has been in business since 1981. We are one of the largest employers in Herkimer County,

Currently we participate in the Economic Development Power Program which provides lower cost power to the company. Without this program our cost for power would double and put a serious financial strain on our business and make us non competitive in the market place. The temporary program adjustments each year does not allow us the ability to conduct long term financial planning.

We are requesting that New York State secure the 450 MW of hydropower to the business community. This meets the requirements of an immediate solution to locating a source for long term economic development program, providing low cost energy to New York State businesses. To secure this hydropower to business you will be allowing businesses the ability to expand and create new jobs, create longer term business plans and make them more competitive in their markets.

Sincerely,  
GRANNY'S KITCHENS, LLC

*Robert Richards*

RJR/rd

Robert Richards  
Director Human Resources

Cc: kburns@macny.org

NOV 09 2007

**Exhibit 13**



One Gunlocke Drive  
Wayland, NY 14572

685 728 5111  
685 728 8231

November 8, 2007

Karyn Burns  
Director of Communications and Government Relations  
MACNY  
One Webster's Landing, Fifth Floor  
Syracuse, NY 13202

Re: PFJ/EDP Testimonials

Dear Ms. Burns:

The Gunlocke Company has been receiving energy through the Economic Development Power Program and Economic Energy Cost Savings Benefit Program. The amount of energy allocated was 4100KW. Should these benefits no longer be available to Gunlocke, our energy costs would increase by approximately \$484,000 annually. Utility expenses are our number two overhead cost item.

The office furniture industry is a highly competitive industry and like many other industries is also battling rising operational costs, foreign competition, etc. Loss of the benefits under EDP would negatively impact our ability to achieve an acceptable level of financial performance.

Additionally, in 2004 the HNI Corporation (Gunlocke's parent company) acquired additional wood manufacturing capacity in Indiana. This facility has in excess of 50% more manufacturing space than Gunlocke's manufacturing facility in Wayland, NY and has the ability to absorb the Gunlocke manufacturing operations. Should the energy benefits of the EDP Program be lost, electrical costs at the Indiana plant would then be 66.7% less than projected Gunlocke costs.



The current Gunlocke employment level is around 930 members and expanding at a double digit growth rate. The associated payroll is approximately \$30 million. Should the Gunlocke operation be consolidated with the Indiana facility, the impact to the local economy in Wayland, NY and surrounding communities in Steuben County would be vast. In addition Gunlocke spends \$10,750,000 with other New York State Businesses and contributes between \$35,000 and \$40,000 annually to local charitable organizations within the Wayland Community, with over \$53,000 budgeted in 2007.

Gunlocke is committed to growing and providing meaningful employment opportunities in Western New York. The benefits provided under the EDP Program are a critical component of this mission.

Thank you for your support.

Sincerely,

Donald Wharton  
President Gunlocke

**NYPA Public Hearing**

**Randy Wolken  
MACNY, The Manufacturers Association  
November 8, 2007**

To start, I would like to thank you for asking me to speak today, and also for recognizing the immediate need to address the extension of the R&D hydropower contracts. My name is Randy Wolken, and I am the President of the MACNY, The Manufacturers Association. As you may know, MACNY is a trade association representing over 325 companies with over 55,000 employees across nineteen counties in Upstate New York. Founded in 1913, we pride ourselves on not only being the largest association of manufacturers in New York, but also one of the oldest and most widely recognized associations in the nation. We continue to advocate for causes that will enable New York State

manufacturers to thrive in today's competitive global market, because manufacturing is a critical component of a vibrant economy.

Reports have shown that for each job created in manufacturing, between two and three jobs are created in other sectors. These spin-off jobs are created in financial services, government, and many other service sectors supporting manufacturers. If the manufacturing sector falters, so do other sectors of the local and regional economy.

I am here today with MACNY members to express my support for an extension of the R&D hydropower contracts until June 30, 2008, with a 30 day out period allowing for the reallocation of power within that year. As NYPA is well aware, MACNY has been a leader in lobbying the New York State Legislature for a comprehensive, long-term solution to alleviate the

high energy costs inflicted on New York State manufacturers. We come here today in similar efforts, urging NYPA to not only extend the term of this R&D hydropower, but to also support us in our efforts to allocate this source of low cost power to a long-term economic development power program supporting jobs in New York State.

Throughout the years, many have debated the best use of the 450 mw of hydropower in New York.

MACNY firmly believes that allocating this resource to energy intensive manufacturers will make the State of New York a better place to live. Many out-of-state manufacturers are currently looking to relocate, but choose not to do so in New York because of the high energy costs here. The simple fact is this: allocating the hydropower to the business community will not only help New York retain businesses already located here, but also attract and retain strong, growing out-

of-state manufacturers. Taking into account the multiplier effect of manufacturing, many more jobs in other sectors will be created by the future growth in manufacturing.

As you are well aware, Western New York and the North Country have led the way in embracing long term economic development solutions. Western New York understood the positive outcomes of securing hydropower resources when it allocated 450 mw of Replacement Power for economic development in 2006. Senator Wright, Chairman of the Senate's Energy Committee, also saw this opportunity when he advocated for Preservation Power for the North Country, sponsoring legislation in which 490 mw of hydropower would remain in three counties for future job development. Both Western New York and the North Country represent a perfect model for long-term economic development in the state. Both

regions have secured resources for business retention and development that will provide thousands of family-supporting jobs.

New York State as a whole would also benefit by reallocating the 450 mw, currently designated for residential customers, to businesses who retain and increase jobs. This hydropower will enhance the ability of manufacturers and businesses to expand and create new family-supporting jobs. Low-price hydropower cuts the bottom line for businesses, making them more competitive with out-of-state businesses for capital dollars, investments and expansion. Businesses with continuous low-cost energy can plan for the future with confidence because of price predictability from long-term hydropower contracts.

I am here today with a number of our members who will be discussing in further detail the importance of having low-cost energy. Without some sort of competitive pricing, hundreds of jobs are potentially at stake. Additionally, for those members not present, I am respectfully submitting on their behalf a number of written testimonies explaining the positive benefits they and their employees would receive if this low-cost energy source was available to them. With the argument that the current hydropower lowers the electric bills of New York State residents, I leave you with one thought: **you need a job to pay an electric bill.** It is my belief that good paying jobs are far more valuable than a few extra dollars on your monthly energy bills.

Please support the allocation of the 450 mw of hydropower to economic development purposes. We

want to retain jobs, and the residents who benefit from those jobs, in New York. Thank you.

RECEIVED  
SECRETARY'S OFFICE

NOV 09 2007

ECONOMIC DEVELOPMENT GROWTH ENTERPRISES CORPORATION  
153 Brooks Road • Rome, New York 13441-4105  
315-338-0393 • 800-765-4990 • FAX 315-338-5694  
E-Mail: info@mvedge.org • www.mvedge.org

**Written testimony of Steven J. DiMeo  
President, Mohawk Valley EDGE  
To  
New York Power Authority hearing  
November 8, 2007**

Mohawk Valley EDGE is a regional economic development agency serving Oneida and Herkimer Counties in Central New York State. I am submitting this testimony to make known Mohawk Valley EDGE's opinion on the proposed contract extension agreements for the sale of 455 mw of hydropower from the New York Power Authority's Niagara and St. Lawrence-Roosevelt Projects to National Grid, NYSEG and RG&E for residential customers.

We meet annually with hundreds of business owners and operators in the two counties we serve, and with dozens of others from this area and around the world who are considering making economic development investments in the Mohawk Valley. With nearly every existing and prospective business, the cost of energy is a major topic of conversation as a main impediment to greater growth, larger investment, and more jobs. It is well known both inside and outside of New York State that the cost of doing business is among the highest in the nation, and the cost of electricity is a major contributing factor to this.

The occasion of the expiration of NYPA's previous contract with the three utilities and this hearing are an appropriate time to address the best use of this 450 mw of power for the families and communities of New York State.

While everyone would like to have lower household utility bills, the issue of being able to pay a higher bill or not being able to pay a lower bill is real. Allocating this 450 mw to business use would free funds for industry – particularly high energy users such as manufacturers – to invest in their business, including facilities, equipment and employees. Granted, removing this power from the residential block would raise a household's electric bill nominally – but communities would maintain, and perhaps grow, their family-supporting jobs which allow for these bills to be paid. In short, using the hydropower to attract investment will expand our economy and have far greater economic benefits for our state.

This would provide an immediate and short-term source of relief to industry throughout the service areas of these three utilities. And the relief is real – just witness the success of programs in Western and Northern New York which have directed long-term, dedicated hydro power for economic development.

Here in the Mohawk Valley, we can also see the positive effects of low-cost power on industry. Griffiss Business and Technology Park is a thriving center of industrial activity with more than 60 employers and nearly 6,000 employees, thanks in part to the availability within the park of electricity below the market rates in the community outside the park.

Likewise, in the Mohawk Valley communities of Boonville, Sherrill and Ilion, where municipal power provides electricity less expensively than in the rest of the region, frequent inquiries are made about development opportunities specifically because of the low-cost power. Frequently, we find that there is a mismatch in terms of where lower cost power is located. Often we find that the lower cost power is situated does not match up well with the available labor supply, transportation, infrastructure and ready to go development sites. New York needs to better link lower cost power with locations that can attract private investment and create new jobs.

It is easy to see – in fact, it is hard to miss unless being blatantly ignored – the correlation between low cost power and economic development.

I recognize that the contracts which are the subject of this hearing are temporary. However, based on past practice, if the contracts are given final approval, it is likely the same terms would be extended in a long-term contract. While this would play well to residential customers, there may be no residences left at the end of such a contract if the state's manufacturing base completely disappears. The adage, "Will the last one out please turn off the lights?" may be appropriate.

For now, I urge you to exercise the 30-day termination clause in this contract, and re-examine the use of this power in the long-term.

Beyond this contract also remains a larger question about a long-term reliable source of power for all needs and uses. This is a matter of generation and must be addressed in a comprehensive state energy policy.

[REDACTED]

**From:** Philip Morin [REDACTED]  
**Sent:** Friday, November 09, 2007 12:30 PM  
**To:** Secretary's Office  
**Subject:** Hydro power for residential consumers still needed after 30 June

This is to request the NYPA not take the hydro power fraction currently under contract for utilities to use for residential service out of residential service and dedicate it to industrial customers after 30 June.

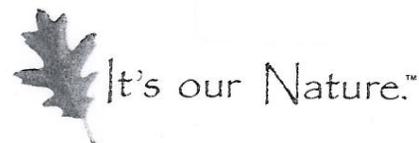
The argument put forth by industrial consumers that energy cost for electricity harms their competitiveness is almost certainly true, but the secondary argument is false that the residential customer will be shielded from the incremental cost increase for residential electricity (owing to removal of the hydro power from the utility long term rate pool) because the residential consumers will have well paying jobs with the electricity consuming manufacturing firms. I suspect NYPA has some enabling verbiage about serving "all New Yorkers". In Upstate New York, manufacturing is not the major or prime employment sector. Actually, I think relatively low paying government service (local, county and state) is probably the largest employment sector in most upstate counties. Removing state owned (generated and transmitted) hydro power from these majority of residential consumers is a form of double taxation in the event that NYPA is supported by state personal income taxes to some extent. Shifting the benefit of state supported hydro disproportionately to industry while making the residential consumers buy higher priced sources of electricity similarly does not ensure the economic benefit stays in New York. There is only a weak correlation between wages for the minority of state residents in manufacturing jobs and cost of goods sold incurred by manufacturers; profit goes to any number of uses. So even the argument that manufacturing employees will benefit from diverting the state's hydro generated electricity benefit from residential to industrial customers is questionable. In the worst scenario, a state resource and it's lowest cost source of electricity is denied residential consumers to rather be diverted to manufacture marginally competitive goods that are ultimately exported to foreign countries to benefit their economy while the profits NYPA generated cheap hydro contributed to are very meagerly returned to a small minority of state residents with "high-paying" manufacturing wages.

Industry certainly deserves some share of NYPA generated hydro power. It is true that if New York's economy is sustainable, only private industry that actually makes something others want and will pay for, can sustain it. However, residential consumers also deserve their share of NYPA generated hydro power.

I'd suggest instead of a blanket diversion from residential to industrial use of the portion of hydro now in long term contracts to utilities, a program that rewards industrial customers who make improvements to use electricity more efficiently (newer technology motors, for example) by giving such industrial customers a reduced rate on consumption scaled to the efficiency gains of installed measures. This way growth achievable through real competition is not hampered but there is an added incentive to be more efficient in the industrial sector's use of "all New Yorker's" NYPA generated hydro electricity.

NYSERDA and the utilities also need to do more with demand reduction, a concept that is appropriate to residential consumers. However, to the extent that government programs have insidiously encouraged the commoditization of electricity use in residences, attempts to drive conservation through manipulating price elasticity with higher cost is probably ineffective and possibly immoral. Removing a portion of the state's least costly to generate electricity from the residential pool will result in higher residential electricity cost, according to others' testimony before NYPA. Therefore, the manufacturers' request to NYPA to divert hydro power to industry, in isolation, is possibly immoral. I request the NYPA preserve the interests of both industry and residents and share the benefit of our relatively cheap hydro generated electricity.

Regards,  
Philip Morin

**NUCOR****BAR MILL - AUBURN****Nucor Steel Auburn, Inc.**

November 7, 2007

Power Authority of the State Of New York  
Anne Cahill, Corporate Secretary  
123 Main Street  
White Plains, New York 10601

Nucor Steel Auburn, Inc. is a steel mill located in Auburn, New York. We have been in business since 1975 and we currently have approximately 280 employees. We produce approximately 500,000 tons annually of carbon grade steel products in various shapes, including rebar, rounds, squares, flats, angles and channels.

We have an annual payroll in excess of \$ 20 million and we contribute over \$ 100 million annually to businesses in New York.

We appreciate the opportunity to comment on the extension of the 450 MW of hydropower currently being sold for the benefit of domestic and rural customers.

While deregulation has dramatically increased the cost of electricity in many states, the situation in New York is among the worst in the nation, resulting in significant economic disadvantages. High energy costs have, in fact, become the single greatest barrier to economic development in upstate New York.

It is our opinion that this extension is not the most beneficial use of this low cost power. The retention and creation of manufacturing jobs will have a long term positive effect on residential rates and the upstate economy. Extending the current allocations will only continue to depress the manufacturing environment in New York, resulting eventually in higher residential rates.

Upstate economic development is a core priority for the current administration. The state needs to utilize its resources to best foster economic growth.

David Smith  
General Manager

**Statement of NYSEG and RG&E on the Extension of Contracts For the Benefit of Rural and Domestic Consumers  
November 9, 2007**

Thank you for the opportunity to share our thoughts on the extension of NYPA contracts with NYSEG (New York State Electric & Gas) and RG&E (Rochester Gas & Electric) that provide substantial benefits to our residential electricity customers.

NYSEG and RG&E serve more than 1.2 million electricity customers and 550,000 natural gas customers across 44 counties in upstate New York. With hundreds of millions of dollars invested in utility infrastructure, no other entity has more of a vested interest in the economic well being of the people and communities we serve than we do. Further, the safe, reliable delivery of our products and the prices of those products are clearly important to all of our customers and are the focus of our work every day. Through targeted cost controls, NYSEG's and RG&E's electricity delivery prices have decreased as much as 13% since 1996. We also encourage our customers to use energy wisely, thus controlling their energy use and their electricity **supply** costs – the largest portion of their bills. NYSEG and RG&E are eager to put new energy management tools in the hands of our customers in the form of advanced meters, and we are working with the Public Service Commission to make that happen.

Retaining NYPA hydropower allocations for our residential electricity customers is also an important element in controlling electricity supply costs. On behalf of our residential customers we fully support the contract extensions that were signed by NYPA and NYSEG and NYPA and RG&E in late August. As you are aware, the extensions provide 317 megawatts of power to NYSEG customers and 129 megawatts of power to RG&E customers. Although the amount of power allocated in the contract extensions is diminished by 57 megawatts from the previous contracts, the value of the low-cost hydropower remains of critical importance to our residential customers – the rural and domestic consumers for whom this power is intended, as directed by the New York State Public Authorities Law.

The collective value of this power to our residential customers is significant and therefore should not be dismissed. Nor should the direct, positive impact of these savings on the local economy be overlooked.

For 2007, our customers saw a \$137 million benefit from these allocations. Based on current market estimates, the 446 megawatts allocated in the contract extensions represents a benefit of \$59 million to NYSEG and RG&E residential

electricity customers through June 30, 2008. It should be noted that NYSEG and RG&E make **no profit** on this NYPA power and that the savings are passed to all residential electricity customers whether they choose to receive their electricity supply from their utility or an energy services company.

For customers who have a fixed-price electricity supply option and use 1,000 kilowatt-hours of electricity per month, the value of the NYPA credit is \$72.87 for a NYSEG customer and \$95.62 for an RG&E customer through June 2008. These savings are especially meaningful to low-income families and senior customers who are on fixed incomes. On an annual basis, NYSEG customers would see a savings of 1.2 cents per kilowatt-hour and RG&E customers would see a 1.6 cents per kilowatt-hour savings. The absence of these allocations would cause a hardship for our customers and would negatively impact the communities we serve.

Our support of the contract extensions is in no way meant to disregard the importance of economic development. NYSEG and RG&E are involved in economic development on a daily basis in concert with our state and local economic development partners, and with the cooperation of the PSC, to help existing businesses grow and to attract new businesses to the region. We offer a full menu of incentive rates as well as our brownfield/building redevelopment program and utility infrastructure investment program.

As outlined in our September 2006 testimony to the Temporary Commission on the Future of New York State Power Programs for Economic Development, NYSEG and RG&E offer two recommendations. The state should 1) look at economic development power programs in the context of the larger picture of the state's business climate, as systemic changes would go a long way in enhancing the state's overall business climate and lessen the need for larger economic development power programs, and 2) change or establish power programs based on sound and complete economic analyses. This would help to shape programs that reduce arbitrary, ineffective and uneconomic uses of a valuable, but limited, resource. The state should resist efforts to "repurpose" hydropower allocations to programs that may not add significantly to the regional economy. We should not fall into the trap of assuming that the transfer of low-cost power from residential customers to businesses creates an automatic win for the economy nor that the power would be proportionally allocated across the state.

Our message is simple: NYSEG and RG&E strongly support the extension of contracts as outlined in the public hearing notice. Governor Spitzer and the New York Power Authority made the right decision to propose the extension of NYPA hydropower allocations to residential customers. This action supports the original intent of the law and prevents electricity price increases at a time when the upstate economy continues to struggle. Dedicating this block of low-cost hydropower to an alternate use where results are unproven at best would be irresponsible.

Thank you for this opportunity to provide comments.

Mike C. Bambury  
[REDACTED]  
[REDACTED]

**Testimony to NYPA**  
**Thursday, November 8, 2007**

Good afternoon, my name is Mike Bambury; I am the Citizen Action Program Chairman from UAW Local 2367 representing the workforce at Revere Copper Products, in Rome, New York. If we are going to invest in New York State's manufacturing sector, then long-term agreements on allocating hydropower has to become a reality. Our state's manufacturing base should not be exposed to the situation many of them face today, every year PFJ and EDP Power are extended through the budgetary process.

From 2001 – 2006, the state has lost 145,000 manufacturing jobs, according to the Bureau of Labor Statistics. The “downturn” across several areas of New York State was even more devastating because many of the regions never shared the state or national economic growth of the late 1990's. One-third of the employees hired since 2001 have held long-term jobs at other facilities, myself included. I worked at Oneida Limited before they closed, I worked at Rome Cable and now I have some security because of my job at Revere.

In closing, I would like to submit the following statistics:

- The total payroll at our plant is in the area of \$ 30 million per/year
- For every manufacturing site in New York State, there are hundreds of other jobs that depend on these worksites for their livelihood; i.e. suppliers, disposal, food service and more...
- For every manufacturing job kept in New York State, there is a solid tax base at every level of government.
- For every manufacturing job there are payroll deductions going to help United Way and other Community Services.

Taxes, state regulation, health care cost and energy are keeping New York's manufacturing base on its heels, but of these energy cost will kill manufacturers quicker than any of the rest. Retaining an existing jobs base or growing and attracting new jobs, requires a low cost energy supply. Thank you for your time.

William M. Murphy  
[REDACTED]  
[REDACTED]

**Testimony to NYPA  
Thursday, November 8, 2007**

Good afternoon, I'm Mike Murphy President of UAW Local 2367 out of Revere Copper Products, Inc., in Rome New York. I've been at Revere for 37-years and I'm looking forward to one day retiring from Revere as I hope everyone has that opportunity. Times have changed, the world is changing, and we are now competing not only against domestic competition but manufacturing all over the world. The domestic market share that we once shared with other copper and brass mills is continually shrinking, but we have a disadvantage of higher energy cost because of our location that some of our competition in Buffalo, New York, Cedar Rapids, Iowa or those in Ohio, don't face. Each place I just mentioned pays much less than Revere does in Central New York, cutting the cost of power helps with job security and the ability to continue producing product.

I now want to address the board as a private citizen living in Oneida County, everyday we face raising cost of gasoline, food, home heating oil and other commodities of life, I am able to absorb these increases because I have a good paying job. Mind you I don't like continually paying more, but if hydropower can be diverted to our manufacturing base, having these types of jobs make it easier to pay a little more in our residential bills.

Manufacturer workers are the ones that add to the communities we live in. We pay the school taxes to help maintain the education of our youth, and we contribute to United Way and other charities through our benevolent fund. We are the citizens who buy new cars, boats, four-wheelers, appliances and homes in our area; we are able to do this because of these jobs. Losing these jobs because of power cost shouldn't happen in New York State. If other state are able to regulate power at 5 or 6 cents per/kilowatt hour then New York State needs to take a hard look at the way our power is allocated, thank you.

# Revere Copper Products, Inc.



## NYPA Testimony

My name is Brian O'Shaughnessy and I am the President of Revere Copper Products. My company was founded by Paul Revere in 1801 and we believe we are the oldest manufacturing company in the USA. We are headquartered in Rome, NY and employ more than 400 people here. Revere is the largest manufacturing company in Rome.

Our pots and pans unit was sold to Corning twenty years ago. We continue to produce copper and brass sheet, strip and coil products as well as extruded shapes. Most of our product goes to manufacturing companies in the USA. Revere is the largest supplier of architectural copper and the second largest supplier of bus bar in the USA. Revere faces strong competition from other brass mills in the USA including one in Buffalo as well as foreign competition.

Ownership of Revere is shared with all its employees and all the stock is held by them and their family members. Revere does not pay dividends and reinvests all the cash flow it generates to maintain and upgrade its facilities in Rome, NY.

Revere receives electricity from National Grid and participates in both the Economic Development Power Program and Power for Jobs. The benefits are about \$3 million a year and are so critical to the success of Revere that Revere would no longer exist in Rome, NY without these programs. Even with the benefits of these programs Revere continues to pay more than its competition for power; keeping Revere at a competitive disadvantage because of its location in New York State.

So much has been said about the competitive position of New York for jobs and so many commissions have studied the matter and held so many hearings that few really question the need for New York to make itself more attractive for jobs. Just today, I received a report from the Public Policy Institute which stated that Upstate trailed the nation in core growth categories and earned an F.

Frankly, it is hard for me to fathom how continuing to use low cost hydro power for residences in this area helps make New York more attractive for economic development. If the central region of New York is competitive for manufacturing, the jobs will come and people will live in this region. We have all heard the talk about the "brain drain" because there are no jobs for our children. The Province of Ontario works to solve this problem by providing long term, low cost power for manufacturing. The low cost power does not go to commercial entities, hospitals, schools or residences because it is recognized that these institutions will exist if manufacturing jobs exist.

It is easy to understand given the politics of New York State why an electric utility would be so concerned about continuing the allocation of low cost hydro to residential consumers. If that allocation were redirected toward economic development, utilities may have difficulty getting rates increased to offset the increased cost of the replacement power. The utility might even be expected to swallow part of these costs. Of course, the State should provide a budget solution to monetize a subsidy or a transition to market rates depending on the circumstances of individual residences. In a more rational world, utilities should always be able to recover energy supply costs. In a more rational world, utilities would always be in favor of providing manufacturing the lowest cost power available to improve their competitive position and thereby enhance economic development.

In New York State, local newspapers do not seem to understand the necessity of manufacturing to increase productivity to remain competitive. They believe as the leaders of East Germany believed that low cost power should be linked to job retention rather than improving the competitive ability of domestic industry. They thought that government should subsidize industry rather than provide a low cost environment for industry to compete. Creating a low cost environment for industry requires the long term allocation of low cost hydro power.

It is no wonder that New York ranks so low in competitive standings when such fundamental economic strategies are misunderstood and commission findings reflecting pure logic and rational economic development strategies such as the bipartisan Temporary Commission are simply ignored. Few politicians have the political foresight and the will to act in the best economic interests of the state. Now is the time for action steps to revitalize the economy of Central New York. Extending hydro power to manufacturing is a progressive step and would secure jobs which are the utmost necessity to families.

M. Brian O'Shaughnessy  
Chairman, CEO & President  
Revere Copper Products, Inc.

One Revere Park  
Rome, New York 13440

315 338-2332  
Brian@reverecopper.com

Thomas G. Slocum  
[REDACTED]  
[REDACTED]

**Testimony to NYPA  
Thursday, November 8, 2007**

Good afternoon, my name is Tom Slocum, I've been Shop Chairman for the last 8-1/2 years and I would like to thank you for this opportunity to speak on behalf of the 300 hourly employees at Revere Copper Products, located in Rome, New York. Our company, I say this because we too own shares in the company, is a manufacturer of quality copper and brass products purchased for use in many markets that include architectural, transportation, telecommunication, electrical and electronics, power generation and other applications.

As I stated previously, our union represents over 300 hourly employees in the production and maintenance areas, which include many classes of jobs for skilled tradesmen and machine operators and crewmembers. Revere provides opportunity for an apprenticeship program in the skilled trades that includes a four-years of on the job training and schooling to help them become a journeyman electrician, mechanic or tool and die makers.

Since the beginning of the year, Revere has hired 17 new hourly employees and although most of these jobs are due to attrition by way of retirement, these job opportunities remain open in an area that has been losing manufacturing jobs since 2001. Our company is maintaining these manufacturing jobs, jobs that pay well, jobs with good benefits and jobs that help us provide for our families.

Our company wants to invest more in the plant, especially in equipment upgrades and with the Union's support Revere has been working diligently to make many improvements in productivity to remain competitive. Our company faces many challenges to remain competitive and has been working to improve the way we do business. Many productivity enhancements have been accomplished through LEAN Manufacturing processes and that is allowing us to ship product with greater reliability and shorter lead times.

Both our Local and our Regional Office have long been advocating that manufacturing in New York State needs electrical power rates that are competitive with other states. Lack of available power at competitive rates is an issue, which must be addressed if New York State wants to maintain the manufacturing base that is left. Manufacturers like Revere that have survived because we continue to work to improve productivity, lower cost, increase quality and improve reliability to our customers.

All of this has been accomplished in an environment that in recent years has not been business friendly and if New York State is going to set the standard for other states to meet, then our state needs to address competitive power cost.

Finally I would like to give credit to our Engineering Department who has continuously worked on energy conservation. They have lowered our electric power demand consistently and since 2005 have reduced average peak demand by 1000 kilowatts. Our company is taking aggressive steps to control cost and increase investment back into the plant. Allocating hydropower to manufacturers like Revere is needed to help create an environment conducive to maintaining and expanding a manufacturing base in our state and hopefully attract more, thank you.

## **Testimony – NYPA Hearing**

November 7, 2007

Submitted By:  
**Steve Felix**  
Plant Manager, Syracuse China

Syracuse China has been in existence since 1871 and its roots in Central New York trace back to 1841. The company is a leader in the ceramic industry as a manufacturer of dinnerware that is used almost exclusively for the foodservice industry. Syracuse China's parent company is Libbey Inc. headquartered in Toledo, Ohio. Libbey has invested in excess of twenty three million dollars into the Syracuse facility since its purchase of Syracuse China in 1995 in order to maintain and improve our competitiveness in a financially challenging business.

We have approximately 300 employees at our facility in Syracuse, NY. This is a combination of both management and production/ maintenance workers. The Glass, Molders, Pottery, and Plastics & Allied Workers International Union represent our Production and Maintenance workers. Syracuse China faces competition from both foreign and domestic sources. The ceramic dinnerware industry is at a critical point in this country. Foreign suppliers, especially from China, have dramatically changed the competitive landscape in recent years. Many domestic producers are either no longer in existence or have turned to importing products rather than manufacturing them.

Syracuse China like many manufacturing companies in New York State has seen escalating energy cost over the last few years. In 2006, we spent approximately 3 million dollars on energy (natural gas and electricity). Since 2003 our unit price for natural gas has increased approximately fifty percent (50%). The electricity side has not been as drastic with increases being approximately thirty percent (30%) over the same time period. Our contracts with the New York Power Authority (EDP & Power for Jobs) have allowed us to maintain more reasonable costs on the electric portion.

Syracuse China began receiving an Economic Development Power Allocation in 1994. We also have been in the Power for Jobs program since 1999. Currently we are participating in the New York Power Authority rebate program. These allocations have been a significant factor in helping Syracuse China stay competitive through the recent difficult economic climate and in the face of rapidly growing competitive products. The increase in cost from the loss of these allocations is estimated to be over \$300,000 annually. That coupled with the increase in gas prices will put us in a precarious position. Our ability to absorb these additional costs and stay competitive as a domestic manufacturer is questionable.

The impact of Syracuse China on the local community is more than just the 300 employees. We have been a consistent source of revenue for those companies who supply us services and materials. This includes janitorial staff, trucking services, landscaping, snow removal and vending operations as well as the purchasing of packaging and maintenance materials from the local community.

The continuing escalation in energy cost places Syracuse China in an extremely difficult competitive position. The additional cost burden places us at an even greater disadvantage with foreign competition and within our own corporation when competing for capital dollars. Planning and budgeting for the future are important to Syracuse China and other manufacturers. Without a long-term solution, it becomes extremely difficult to make long-term decisions and commitments to a facility. It is critical that economic development programs continue and competitive energy rates are available for manufacturers in New York.



## Syracuse Plastics LLC

7400 MORGAN ROAD • LIVERPOOL, NY 13090 • TEL. (315) 637-9881 • FAX (315) 637-9260

November 5, 2007

Karyn E. Burns  
Director of Communications and Government Relations  
MACNY  
1 Webster's Landing  
Syracuse, New York 13202

Dear Karyn:

Syracuse Plastics LLC is a privately held, family operated injection molding business in operation for over 50 years in Syracuse NY. The company maintains two plants, one in Cary NC, outside Raleigh and one in Liverpool NY. The Liverpool location manufactures plastic components for customers in a wide variety of industries including medical instrumentation, home communications and office supplies. The Liverpool location has 140,000 sq. ft available and employees 35 people in the Morgan Road facility.

The injection molding industry is highly competitive and the Syracuse Plastics company has faced stiff off shore competition in recent years. The relocation of many upstate manufacturers to lower cost locations has further contributed to the decline in Syracuse Plastics customer base. Our molding operation in Syracuse consumes over 1.5 MW annually and energy cost ranks the 4<sup>th</sup> highest cost, behind material, labor and building lease expense.

Syracuse Plastics benefits today from lower energy rates as the result of the Power for Jobs program. Without these benefits the New York location would not be competitive with the Cary NC sister plant. Work could easily be transferred to the Cary plant in the event the operating costs in NY, including power become non competitive. We need a long term solution to low cost power in NY to remain in NY. The current rate in Cary NC is .067 per KW.

New York State is in desperate need of a long-term economic development power program that will serve as a solid basis for business retention and development in NYS. At this stage, and without this available resource, the NYS business community is in jeopardy. Securing the 450 MW of hydropower to businesses meets the requirements of an immediate solution to locating a source for a long-term economic development program, providing low-cost energy to New York State businesses. To secure this hydropower to business, you will be allowing businesses the ability to expand and create new jobs, create longer-term business plans and make them more competitive in their markets.

Best Regards

Michael Beckett  
President  
Syracuse Plastics LLC



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**NYPA Hearings on Hydropower Supply Contracts**

**Gary D. Cummings**  
Director of Operations  
Unison Industries  
Norwich, New York

Manufacturing in New York needs competitive Electric Rates.

Unison Industries in Norwich, New York, produces aerospace engine accessories for customers around the world. We are part of the GE Transportation business.

Although we are based in Chenango County we do not have any customers in the county and only a few in New York. So almost 100% of our income is from outside New York. Combining wages, purchases, taxes and donations we contribute over \$15,000,000 per year and we recognize our responsibilities as an important part of our local economy.

We participate in the worldwide and very competitive aerospace market. Our customers operate internationally, about one-third of our sales are directly to international customers and they really do not care where our parts are produced – they want high quality parts, on-time delivery and they are demanding year-over-year price reductions. In fact, we have been questioned by our customers as to why, we do not do more work outside the state and outside the country.

100% of our electric power comes from the NYPA Energy Cost Savings Benefit or EDP program. Unison Industries is headquartered in Jacksonville, Florida, and the rate for electric power in this facility, off the grid, with no assistance, is almost exactly the same rate as the NYPA rate we pay in Norwich, New York.

The impact of the electric rate increase is not catastrophic as it is for some of the businesses speaking today, but it adds to the basic problem of staying competitive and being competitive in New York affecting our potential growth and our based business.

Several years ago we had 2 facilities in Norwich and due to cost pressures from the market place the work from one facility is now done in Mexico. We also moved a product line to a facility in Rockford, IL, based on cost. The decision to move jobs is never taken lightly, it's a painful and difficult decision – but as a business manager you must make the decisions that are correct for the business.

The pressure is not just from our customers; we also have internal and external competition. Our company has facilities in Mexico and Thailand; one of our competitors has a facility in Viet Nam.

Because of current business plans and our ability to implement cost reductions, we have been able to invest in new equipment, new programs and in our people. We have hired several engineers, have openings for more and we are above our headcount requirement for our EDP agreement.

Let me give a simple example of why headcount, and especially headcount alone, can be a very poor indication of the health of a business and it's impact on the community.

If our headcount was at our target and we outsourced 10 hourly jobs at \$10/hour to a company in Norwich and hired 3 engineers at \$30/hour, our headcount would be down. The contribution to the local economy would be the same but our EDP allocation could be at risk for not meeting the headcount target.

In my perspective, New York must take actions to help keep manufacturing jobs in this state. In today's truly global markets, a business must stay competitive and move quickly. Our customers and competitors are worldwide, and the worldwide technical capability is excellent. We are at a point where no one cares where the parts are made. In order to survive and grow, businesses must take advantage of cost reductions whenever possible – it's the responsible thing to do.

Look at our ultimate customer, the airline passenger. And that would include all of you – how many of you have even considered, let alone know, where the parts are made when you fly on an airline. You choose based on a few criteria -- usually what's the airfare and when is the flight.

We have some good growth opportunities, but as with the other people testifying today and all of the thousands of people that work for us, we are fighting to increase productivity, to beat our competition and to grow our business. What we need is a chance, a level playing field and in this case predictable, competitive electric rates.

Welch Allyn, Inc.  
4341 State Street Road  
P.O. Box 220  
Skaneateles Falls, NY 13153-0220  
USA  
Telephone: 315-685-4100



November 5, 2007

Thank you for your time and interest in this critical issue for NY businesses. Welch Allyn appreciates the efforts of the New York Power Authority and others grappling with the difficult problem of how to design economic development power programs in an environment where there is a scarcity of low cost power solutions.

Welch Allyn, Inc. is a manufacturer and developer of medical diagnostic devices and solutions, with sales revenues of over \$600 million for 2007. Welch Allyn is located in Skaneateles Falls, New York and employs over 1,100 people in its New York facilities. In addition, Welch Allyn spun off Hand Held Products, a manufacturer of bar code technology, which recently announced its purchase by Honeywell, and it sold Everest VIT, a manufacturer of remote visual inspection technology, to General Electric Inspection Technologies in 2005. These companies remain in New York State and employ approximately 700 people.

Welch Allyn has benefited from the Power for Jobs program since its inception in 1998. It has provided relief and stability from energy cost fluctuations in the deregulation era. Welch Allyn spends approximately \$2 million annually on its electric cost and \$500,000 annually on its natural gas costs. The Power for Jobs program benefits help Welch Allyn to compete with manufacturers in other states with respect to business costs.

Welch Allyn is currently experiencing several competitive market forces. First, as a medical device manufacturer in the United States, Welch Allyn faces increased competition from low cost, high quality products from low cost manufacturing countries. Labor costs in these countries are significantly below labor costs in NYS. In addition, Welch Allyn's largest customers demand significant price concessions on products, impinging on corporate profitability. Frequently, large customers will seek to private label certain goods from low cost providers, and these goods eventually reenter the market as direct competitors to Welch Allyn products.

Welch Allyn recently completed its five year strategic plan. We lacked an energy cost forecast that allowed us to plan for the future with confidence. NYS needs a long term solution to the uncertainty manufacturers face with respect to the supply, reliability and cost of power with the sunset of the Power for Jobs program in June 2008. New York State's economic development power programs provide a low cost and stable alternative to companies committed to investing and growing in New York State. We must generate creative solutions with respect to energy sources and efficiencies to continue to balance NYS businesses' and consumers' demands for affordable power. Thank you again for your focus on this important issue, and Welch Allyn looks forward to working with NYS to create solutions regarding the state's energy needs.

**6. Procurement (Services) Contract - Term Natural Gas Supply Contracts for the 500 MW Combined Cycle Power Plant**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to approve the award of three contracts for the supply of natural gas for the 500 MW Power Project (‘Project’) to Colonial Energy, Inc. (‘Colonial’), UBS Energy LLC (‘UBS’) and Virginia Energy Marketing, Inc. (‘VPEM’), at an estimated annual cost of \$122 million over a two-year term for a total estimated cost of \$245 million.

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

“The Authority’s Expenditure Authorization Procedures require the Trustees’ approval for the award of non-personal services, construction or equipment purchase contracts in excess of \$3 million, as well as personal services contracts in excess of \$1 million if low bidder, or \$500,000 if sole source or non-low bidder.

“The subject gas supply contracts, which total 35,000 MMBtu per day, will cover approximately half of the Project’s gas supply requirements, providing for a reliable supply of natural gas on a firm basis regardless of market conditions. The Project’s incremental gas requirements will be satisfied through short-term, spot-market purchases as part of a balanced supply portfolio. The need for securing gas supply contracts at this time is due to the expiration of the Authority’s existing term supply contracts with VPEM and BP Energy Company effective December 31, 2007.

**DISCUSSION**

“In accordance with the Authority’s competitive bidding requirements, bids were solicited from 22 potential suppliers for the supply and delivery of natural gas to the New York city-gate on a firm, non-recallable basis. Eight bids were received and evaluated by staff. The three lowest-priced responsive bidders were Colonial, UBS and VPEM, all of which have access to firm transportation capacity, which is critical to ensuring the reliable supply of natural gas to the New York city-gate on a year-round basis. The pricing structure under the Colonial, UBS and VPEM contracts will consist of indexed prices that will be fixed monthly or daily at the Authority’s option based on published price postings, including fixed contract adders (or premiums). The contract adders represent the seller’s assessment of volatility, potential lost opportunity costs and margin. The quantities, prices and other relevant details are set forth in the three Term Sheets provided to the Trustees under separate cover.

**FISCAL INFORMATION**

“Payment will be made from the Fuel Reserve Account (Operating Fund). The cost of fuel purchased under these term agreements will be recovered from the New York City Governmental Customers.

**RECOMMENDATION**

“The Senior Vice President – Energy Resource Management and Strategic Planning and the Director – Fuel Planning and Operations recommend that the Trustees approve the award of term natural gas supply contracts to Colonial Energy, Inc., UBS Energy LLC and Virginia Power Energy Marketing, Inc., having terms and conditions substantially consistent with those set forth in the three Term Sheets provided to the Trustees.

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

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

**RESOLVED, That, pursuant to the Authority's Expenditure Authorization Procedures for fuel purchases, approval is hereby granted for the total purchase of 25,550,000 MMBtu of natural gas supplies from Colonial Energy, Inc., UBS Energy LLC and Virginia Power Energy Marketing, Inc., under two-year term contracts, as recommended in the foregoing report of the President and Chief Executive Officer, in the amounts listed below:**

| <b><u>Fuel Reserve Account<br/>(Operating Fund)</u></b>      | <b><u>Contract<br/>Approval</u></b> | <b><u>Projected<br/>Closing Date</u></b> |
|--|-------------------------------------|--|
| <b>Furnishing &amp; Delivery of<br/>Natural Gas Supplies</b> |                                     |  |
| Colonial Energy, Inc.  | \$105,000,000                       | 12/31/09                                 |
| UBS Energy LLC   | 70,000,000                          | 12/31/09                                 |
| Virginia Power Energy<br>Marketing, Inc.                     | <u>70,000,000</u>                   | 12/31/09                                 |
|  | <u><b>\$245,000,000</b></u>         |  |

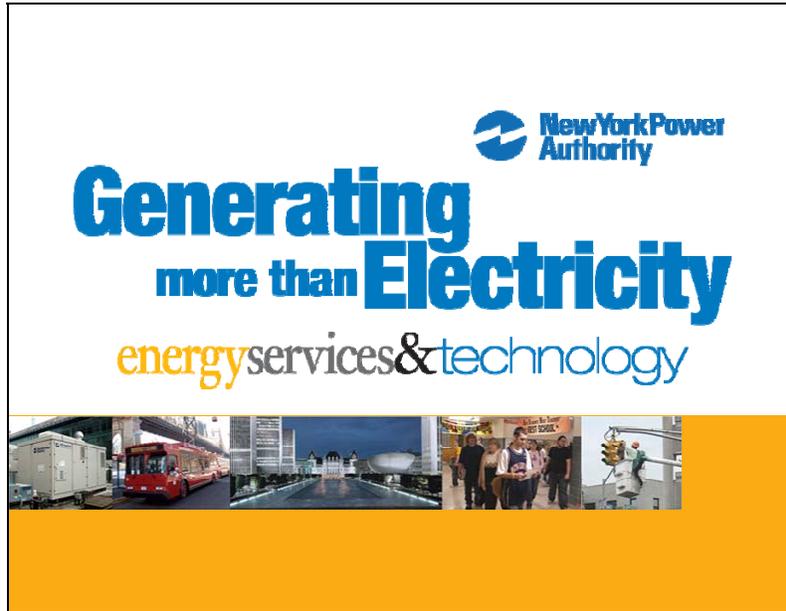
**AND BE IT FURTHER RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements,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

7. Informational Presentation from Energy Services

*Chairman McCullough said that Mr. Angelo Esposito was going to make the first in a series of presentations to the Trustees that he hopes will encourage dialogue between the Trustees and staff on current issues facing the Authority. He said that Trustee Besha, as well as other Trustees, had suggested these dialogues in order to engage the Trustees in substantive discussions on Authority priorities on a more current, forward-looking basis.*

*Mr. Esposito's presentation (attached) provided the Trustees with an overview of the Authority's Energy Services Programs ("ESP"). Following the presentation, the Trustees and Authority staff engaged in a dialogue about the ESP that touched on the types of projects that are eligible for ESP support and the Authority's efforts to expand the program, including the current legislative barriers to such expansion. Chairman McCullough thanked Mr. Esposito for a thorough and informative presentation.*

Slide 1



Slide 2

## Energy Services Overview

- NYPA has offered Energy Services since the mid-1980's
- NYPA's Formula – Provide turn-key services
- Pay all up front costs
- Recover investments from customer bill savings
- Customer repayment usually within 10 years or longer, if necessary
- Target market is the public sector

A small version of the "Generating more than Electricity" logo and the NYPA logo is located in the bottom left corner of the slide.

Slide 3

## Services We Provide

Customer Benefits

- Turn-key approach
  - ❖ Comprehensive facility audit
  - ❖ Engineering design
  - ❖ Equipment & Labor Bidding / Procurement
  - ❖ Project / construction management
- HAZ MAT disposal and management
- Full program financing – no up-front costs
- Customer repayment from savings
- Long-term energy cost savings
- Reduced maintenance expenses
- Avoided capital expenditure
- Develop long term relationships
- Coordination with NYSERDA and Utilities
- Reduction in emissions



Generating Electricity  
energy services & technology

New York Power Authority

Slide 4

## Energy Services Dimensions

- Program produces over \$100 Million in annual recurring customer savings statewide, over \$900 Million in cumulative savings since inception
- Demand savings of approximately 200 MW
- Annual budget over \$100 Million
- Nearly \$2 Billion in program funding approved by the Trustees
- Over \$1.1 Billion in program investments to date
- Over \$800 Million repaid by customers to date
- Work implemented in 2,600 public facilities Statewide
- 825,000 tons of greenhouse gas avoided annually
- 320 projects in progress at 950 facilities



Generating Electricity  
energy services & technology

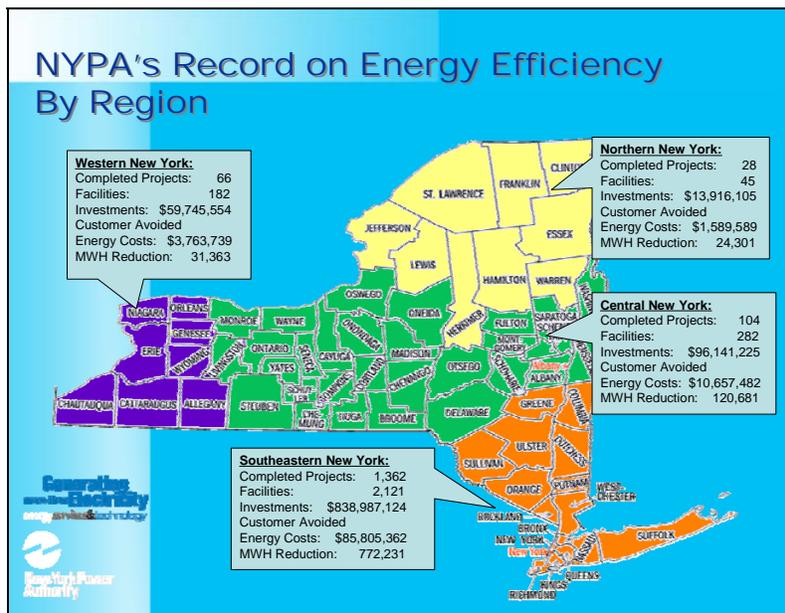
New York Power Authority

Slide 5

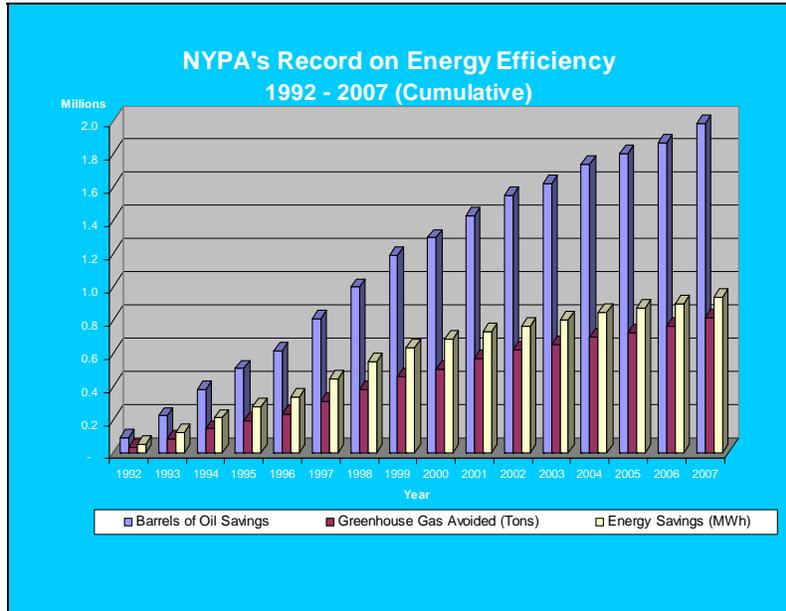
## Energy Services Partners

The slide displays a collection of logos for various energy service partners. At the top, the logos for the State of New York and the City University of New York (CU NY) are shown. Below these are logos for the Department of Environmental Protection (DEP), the Metropolitan Transportation Authority (MTA), The Port Authority, Long Island Power Authority (LIPA), and the New York State Energy Research and Development Authority (NYSERDA). In the bottom left corner, there is a logo for 'Generating Smart Electricity' with the tagline 'energy services & technology' and the New York Power Authority logo.

Slide 6



Slide 7



Slide 8



Slide 9

**energyservices**

## NYC DEP North River WWTP



SEP 4 2007

**Generates  
and Electricity**  
www.energyservices.com

**New York Power  
Authority**

The slide features a blue background with the 'energyservices' logo in the top left. The title 'NYC DEP North River WWTP' is centered in blue text. On the left side, there is a small inset aerial photograph of the wastewater treatment plant. The main image is a large photograph of the industrial interior, showing complex piping, machinery, and structural elements. A red digital timestamp 'SEP 4 2007' is visible in the bottom right corner of the main image. In the bottom left corner, there are two logos: one for 'Generates and Electricity' with the website 'www.energyservices.com' and another for the 'New York Power Authority'.

Slide 10

**energyservices**

## SUNY Purchase



**Generates  
and Electricity**  
www.energyservices.com

**New York Power  
Authority**

The slide features a blue background with the 'energyservices' logo in the top left. The title 'SUNY Purchase' is centered in blue text. On the left side, there is a small inset photograph showing a different industrial setting with yellow railings. The main image is a large photograph of industrial machinery, possibly a power plant or manufacturing facility, with various pipes, tanks, and structural components. In the bottom left corner, there are two logos: one for 'Generates and Electricity' with the website 'www.energyservices.com' and another for the 'New York Power Authority'.

Slide 11

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## Empire State Plaza



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**and** **Electricity**  
energy services & technology

**New York Power**  
**Authority**

Slide 12

**energyservices**

## Village of Tupper Lake



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**and** **Electricity**  
energy services & technology

**New York Power**  
**Authority**

Slide 13

**technology & innovation**

### SUNY College of Environmental Science and Forestry



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more Electricity**  
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New York Power Authority

Slide 14

**energyservices**

### City of Buffalo



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New York Power Authority

Slide 15

**energyservices**

## Lewiston Library



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and  
Electricity**  
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Authority**

The slide features a blue background with a white header area containing the 'energyservices' logo. Below the logo, the title 'Lewiston Library' is displayed in a large, dark blue font. A central photograph shows the interior of the library, which is filled with bookshelves, several computer workstations with monitors, and a green carpeted floor. In the bottom left corner, there are two logos: one for 'Generates and Electricity' with the tagline 'energy services & technology', and another for the 'New York Power Authority'.

Slide 16

## Future Outlook

- Currently working with the Governor's Office and NYC Mayor's Office to help facilitate NY State's 15x15 goal and the City's plaNYC
- Expect significant growth in overall activities
- Organization is modular in nature
- Continue to use the Contractor/ESCO community as a resource
- Developing comprehensive pilot projects with NYSERDA / DASNY / LIPA
- Financial strength of the organization benefits program participants

**Generates  
and  
Electricity**  
energy services & technology

**New York Power  
Authority**

The slide has a blue background with a white header area containing the title 'Future Outlook' in a dark blue font. Below the title is a bulleted list of six items. In the bottom left corner, there are two logos: one for 'Generates and Electricity' with the tagline 'energy services & technology', and another for the 'New York Power Authority'.

Slide 17



8. Motion to Conduct an Executive Session

*“Mr. Chairman, I move that the Authority conduct an Executive Session for the purpose of discussing matters leading to the award of a contract to a particular corporation.”* Upon motion duly made and seconded, an Executive Session was held.

9. Motion to Resume Meeting in Open Session

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

10. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, December 18, 2007, at 11:00 a.m., at the Clarence D. Rappleyea Building, White Plains, New York**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

On motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 1:15 p.m.

A handwritten signature in blue ink, appearing to read "Anne B. Cahill".

Anne B. Cahill  
Corporate Secretary