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

December 16, 2008

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the Utica State Office Building, 207 Genesee Street, Utica, New York, at 11:28 a.m.:

Members of the Board present:

Michael J. Townsend, Acting Chairman
James A. Besha, Sr., Trustee
D. Patrick Curley, Trustee
Elise M. Cusack, Trustee
Jonathan F. Foster, Trustee
Eugene L. Nicandri, Trustee

Richard M. Kessel	President and Chief Executive Officer
Gil C. Quiniones	Chief Operating Officer
Terryl Brown Clemons	Executive Vice President and General Counsel
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer
Edward A. Welz	Executive Vice President and Chief Engineer – Power Supply
Steven J. DeCarlo	Senior Vice President – Transmission
Paul F. Finnegan	Senior Vice President – Public and Governmental Affairs
Joan Tursi	Senior Vice President – Enterprise Shared Services
Arnold M. Bellis	Vice President and Controller
Donald A. Russak	Vice President – Finance
Tom Davis	Acting Vice President – Energy Risk Assessment and Control
Anne B. Cahill	Corporate Secretary
Angela D. Graves	Deputy Corporate Secretary
Peter Scalici	Deputy Inspector General - Special Projects
Christine Pritchard	Director – Intergovernmental and Community Affairs
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
Mike Malek	Business Manager –
Gabrielle Bauer	Vice President – Development – Orleans County
Anthony Carpinello	Visitor
Frank Montecalvo	Visitor
Charles Nesbitt	Chief Administrative Officer – Orleans County
James Whipple	CEO – City Oil Independent Development

Acting Chairman Townsend presided over the meeting. Corporate Secretary Cahill kept the Minutes.

1. <u>Consent Agenda</u>:

Acting Chairman Michael Townsend said that the Economic Development Power Allocation Board had recommended at their December 15th meeting that the Authority's Trustees approve item #1b (Power for Jobs Program – Extended Benefits).

1a. <u>Approval of the Minutes</u>

The Minutes of the Regular Meeting held on November 19, 2008 were unanimously adopted.

1**b.** **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 38 Power for Jobs ('PFJ') customers as listed in Exhibit '1b-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 received three-year contracts for PFJ electricity.

"The PFJ program originally made 400 megawatts ('MW') of power available and was to be phased in over three years. 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 additional power to be allocated under the 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. 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. Chapter 89 of the Laws of 2007 included provisions extending program benefits until June 30, 2008. Chapter 59 of the Laws of 2008 included provisions extending the program benefits until June 30, 2009.

"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 December 15, 2008, EDPAB recommended that the Authority's Trustees approve electricity savings reimbursement rebates to the 38 businesses listed in Exhibit '1b-A.' Collectively, these organizations have agreed to retain more than 40,000 jobs in New York State in exchange for the rebates. The rebate program will be in effect until June 30, 2009, the program's sunset.

"The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit '1b-A' in a total amount currently not expected to exceed $4.4 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 for other rebate months.

FISCAL INFORMATION

"Funding of rebates for the companies listed in Exhibit '1b-A' is not expected to exceed $4.4 million. Payments will be made from the Operating Fund. To date, the Trustees have approved $156.2 million in rebates.

RECOMMENDATION

"The Executive Vice President and Chief Financial Officer and the Director – Marketing Analysis and Administration recommend that the Trustees approve the payment of electricity savings reimbursements to the Power for Jobs customers listed in Exhibit '1b-A.'

"The Chief Operating Officer, the Executive Vice President and General Counsel, 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.

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 "1b-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 "1b-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 $4.4 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 and General Counsel; and be it further

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

December 16, 2008

Exhibit "1b-A"
December 16, 2008

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

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended Allocation KW	Jobs/MW	Type	Service
1	92nd Street YM-YWHA	New York	New York	Con Ed	200	624	852	228	37%	Yes	200	4,260	NFP	Community/cultural center
2	AT&T	White Plains	Westchester	Con Ed	560	535	610	75	14%	Yes	560	1,089	Large	Telecommunications
3	Bank of New York	New York	New York	Con Ed	4,700	6,180	6,339	159	3%	Yes	4,700	1,349	Large	Banking Services
4	Memorial Sloan-Kettering Cancer Cen	New York	New York	Con Ed	5,000	9,286	9,840	554	6%	Yes	5,000	1,968	NFP	Medical Center
5	New York Presbyterian Hospital	New York	New York	Con Ed	5,000	8,423	8,423	0	0%	Yes	5,000	1,685	NFP	Medical care
6	Pepsi Cola Bottling Company	College Point	Queens	Con Ed	2,200	990	1,015	25	3%	Yes	2,200	461	Large	Manufactures & distributes of soft drinks
	Total Con Ed		**Subtotal**	**6**	**17,660**	**26,038**	**27,079**				**17,660**			
7	Ametek Hughes-Treitler	Garden City	Nassau	LIPA	500	172	164	-8	-5%	Yes	500	328	Large	Mfr. of heat exchangers for jet industry
8	B.H. Aircraft Company, Inc	Ronkonkoma	Suffolk	LIPA	400	79	79	0	0%	Yes	400	198	Large	Noise suppression hardware for engines
9	John Hassall, Inc.	Westbury	Nassau	LIPA	450	113	101	-12	-10%	Yes	450	224	Large	Manufacturer of aerospace metal fasteners
10	Kozy Shack, Inc.	Hicksville	Nassau	LIPA	1,000	260	270	10	4%	Yes	1,000	270	Large	Mfr. of puddings & snacks
11	Standard Microsystems Corp.	Hauppauge	Suffolk	LIPA	1,050	403	449	46	11%	Yes	1,050	428	Large	Maker of computer circuits and components
12	Ultimate Precision Metal	Farmingdale	Suffolk	LIPA	250	120	116	-4	-3%	Yes	250	464	Small	Manufactures controlled enclosures
	Total LIPA		**Subtotal**	**6**	**3,650**	**1,147**	**1,179**				**3,650**			
13	Bank of New York	Oriskany	Oneida	Grid	500	759	791	32	4%	Yes	500	1,582	Large	Banking Services
14	Birds Eye Foods, Inc.	Fulton	Oswego	Grid	1,500	280	294	14	5%	Yes	1,500	196	Large	Food processing and marketing company
15	Borg Warner Morse Tech Corp	Cortland	Cortland	Grid	1,500	216	209	-7	-3%	Yes	1,500	139	Large	Manufacturer of Auto Components
16	Cooper Hand Tools	Cortland	Cortland	Grid	1,330	123	118	-5	-4%	Yes	1,330	89	Large	Metal machining and casting
17	Cooper Industries (Cooper Crouse-Hinds)	Syracuse	Onondaga	Grid	2,350	592	678	86	15%	Yes	2,350	289	Large	Mfr. of electrical equipment
18	Fiber Glass Industries Inc.	Amsterdam	Montgomery	Grid	700	138	148	10	7%	Yes	700	211	Large	Produces high strength woven fabrics
19	Norlite Corp.	Cohoes	Albany	Grid	500	68	69	1	1%	Yes	500	138	Large	Manufacturer of Brass Fittings
20	OAB Holdings, Inc.	Buffalo	Erie	Grid	5,000	595	617	22	4%	Yes	5,000	123	Large	Metal manufacturing
21	Schilling Forge, Inc.	Syracuse	Onondaga	Grid	225	32	33	1	3%	Yes	225	147	Small	Forging Plant
22	Snyder Industries, Inc.	N. Tonawanda	Niagara	Grid	350	98	100	2	2%	Yes	350	286	Small	Machinery
23	Syracuse Plastics, Inc.	Liverpool	Onondaga	Grid	400	38	42	4	11%	Yes	400	105	Large	Maker of plastic parts and components
24	TMP Technologies, Inc.	Buffalo	Erie	Grid	150	36	34	-2	-6%	Yes	150	227	Small	Maker of foam, rubber, plastic products
25	Turbine Engine Components Technologies	Whitesboro	Oneida	Grid	1,200	281	288	7	2%	Yes	1,200	240	Large	Precision forging plant
26	Welch Allyn Data Collection Inc.	Skaneateles Falls	Onondaga	Grid	2,000	1,302	1,301	-1	0%	Yes	2,000	651	Large	Medical and dental equipment mfr.
	Total National Grid		**Subtotal**	**14**	**17,705**	**4,558**	**4,722**				**17,705**			

27	Audio Sears	Stamford	Delaware	NYSEG	190	89	81	-8	-9%	Yes	190	426	Small	Makes audio equipment
28	Burt Rigid Box, Inc.	Oneonta	Otsego	NYSEG	350	42	33	-9	-21%	Yes *	300	110	Small	Makes custom boxes for cosmetic industry
29	Endicott Interconnect Technologies	Endicott	Broome	NYSEG	3,500	4,207	4,172	-35	-1%	Yes	3,500	1,192	Large	Electronic/ electro-mechanical equipment
30	Frito-Lay, Inc.	Binghamton	Broome	NYSEG	1,000	578	575	-3	-1%	Yes	1,000	575	Large	Snack food mfr
31	National Pipe and Plastics	Vestal	Broome	NYSEG	1,300	174	172	-2	-1%	Yes	1,300	132	Large	PVC pipe producer
32	PCB Piezotronics, Inc.	Depew	Wayne	NYSEG	600	452	480	28	6%	Yes	600	800	Large	Capacitive and piezoelectric instruments
33	Schweizer Aircraft Corp.	Horseheads	Chemung	NYSEG	700	661	821	160	24%	Yes	700	1,173	Large	Aircraft and airframe parts and assemblies
34	Sealing Devices, Inc.	Lancaster	Erie	NYSEG	150	147	161	14	10%	Yes	150	1,073	Small	Die cut gaskets and sealing materials
35	Soucy USA	Champlain	Clinton	NYSEG	400	199	182	-17	-9%	Yes	400	455	Large	Storage & Warehouse facility
36	Therm Inc.	Ithaca	Tompkins	NYSEG	900	179	178	-1	-1%	Yes	900	198	Large	Manufacturer jet engine turbine airfoils
37	TMP Technologies, Inc.	Wyoming	Wyoming	NYSEG	268	57	57	0	0%	Yes	268	213	Small	Maker of foam, rubber, plastic products
	Total NYSEG		**Subtotal**	**11**	**9,358**	**6,785**	**6,912**				**9,308**			
38	Seneca Foods Corporation	Marion	Wayne	RGE	1100	115	110	-5	-4%	Yes	1,100	100	Large	Canned fruits & vegetables
	Total RG&E		**Subtotal**	**1**	**1,100**	**115**	**110**				**1,100**			
			Total	**38**	**49,473**	**38,643**	**40,002**				**49,423**			

* This company has had all or part of their allocation restored through the
the reconsideration process or was deemed compliant based on program procedures.

1c. Municipal and Rural Cooperative Economic Development Program – Allocation to the Village of Marathon

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve an allocation of power under the Municipal and Rural Cooperative Economic Development Program ('Program') to the Village of Marathon ('Village').

BACKGROUND

"The 1991 amendment to the power sales agreement between the Authority and the Municipal and Rural Cooperative Systems set aside a block of 54 MW from the 752 MW of hydropower allocated to the systems for economic development in the systems' service territories. The total allocation was increased to 764.8 MW as a result of additional power resulting from the Niagara Project upgrade.

"Power from this block can be allocated to individual systems to meet the increased electric load resulting from eligible new or expanding businesses in their service area. Recommended allocations under the Program will now be made using guidelines that were approved by the Trustees on September 23, 2008. Under the revised program the first 100 kW allocated will be from 100% hydropower and any additional kW will be 50% hydropower and 50% incremental power.

"As of February 26, 2008, 20,085 kW had been allocated. The Village has submitted an application for power under the Program for consideration by the Trustees.

DISCUSSION

"An application has been submitted by the Village to the Authority on behalf of Marathon Boat Group, Inc. ('Boat Group'). Grumman Corporation ('Grumman') started manufacturing aluminum canoes in Marathon in 1952. In 1990, Grumman sold the Marathon operation to the Outboard Marine Corporation and continued to manufacture Grumman canoes at the location until September 1996, when it sold the plant and assets to a group of former Grumman employees. The plant has operated as the Boat Group since and currently produces and sells 13 models of Grumman aluminum canoes, 12 models of Grumman aluminum boats and 11 models of DuraNautic aluminum boats.

"The Boat Group is strongly considering expanding its operations in the Village. The planned expansion will consist of a complete renovation and modernization of its existing plant structure to better use the available space to implement 'lean manufacturing' practices.

"The estimated cost of the expansion, including plant improvements, modernization and purchases of equipment and machinery, is expected to exceed $400,000. The planned expansion is expected to create 15 additional full-time jobs over the next three years and is scheduled to start by the end of December 2008. The expansion will add revenue to the local economy. The additional estimated electrical monthly peak load for the facility is 100 kW. It is recommended that the Trustees approve an allocation of 100 kW of hydropower for the Village on behalf of the Boat Group, which would result in 150 jobs per MW of hydropower.

"In accordance with the Authority's marketing arrangement with the municipal and cooperative customers, the hydropower will be added to the recipient system's contract demand at the time the project becomes operational and the additional jobs and load commitments are reached. The hydropower earmarked for this Program is presently sold to the municipal and cooperative customers on a withdrawable basis.

RECOMMENDATION

"The Director – Marketing Analysis and Administration recommends that the Trustees approve the allocation of power under the Municipal and Rural Cooperative Economic Development Program to the Village of Marathon in accordance with the above.

"The Chief Operating Officer, the Executive Vice President and General Counsel, 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 allocation of power to the Village of Marathon under the Municipal and Rural Cooperative Economic Development Program is hereby approved as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Senior Vice President – Marketing and Economic Development or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate this allocation; and be it further

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

1d. Economic Development Plan – Use of Net
<u>Revenues Produced by Sale of Expansion Power</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to approve an Economic Development Plan ('Plan') covering the use of $8.039 million of net revenues produced by the sale of Expansion Power ('EP') to assist in maintaining current rate levels for Economic Development Program customers and to authorize the submission of such Plan to the Economic Development Power Allocation Board ('EDPAB') for a one-year period.

<u>BACKGROUND</u>

"Chapter 32 of the Laws of 1987 (a) authorized the Authority to enter into new contracts for the sale of EP to customers in Western New York; (b) provided for the sale of industrial power as Economic Development Power ('EDP') under newly established criteria and (c) established EDPAB to review applications for EDP and to recommend approved applications to the Authority.

"The eighth unnumbered paragraph of Section 1005 of the Public Authorities Law ('PAL'), as amended by Chapter 32, directs the Authority to identify net revenues produced by the sale of EP and, further, to identify an amount of such net revenues to be used solely for Industrial Incentive Awards. These awards are to be made in conformance with a Plan, covering all such net revenues, that is submitted by the Authority to EDPAB and is approved by EDPAB pursuant to Section 188 of the Economic Development Law ('EDL').

"Net revenues are defined by Section 1005 as any excess of revenues properly allocated to the sales of EP over costs and expenses properly allocated to such sales. The Authority is directed in Section 1005 to identify net revenues no less often than annually. Section 188 of the EDL provides that EDPAB is to review each Plan applying the same economic development criteria as those used to evaluate applications for power. The statute does not specify a definition of Industrial Incentive Awards.

"The Authority approved five-year programs in 1990, 1996 and 2001 and one-year programs in 2006 and 2007 under which EP net revenues were to be dedicated to helping maintain stable industrial rates. EDPAB has periodically approved such Plans for use of EP revenues to hold industrial rates at a stable level.

<u>DISCUSSION</u>

"Allocations of EDP have been a useful economic development tool. EDPAB has recommended allocations associated with the creation or retention of more than 94,000 jobs, totaling 417 MW, to date. The costs of providing EDP are greater than the revenues produced by such sales. In order to continue to market this power on a competitive basis consistent with the aim of the legislation creating EDPAB, the rates for industrial power must be kept low enough to be of sufficient economic incentive for industries to locate or expand in New York State.

"In December 2006, the Temporary State Commission on the Future of New York State Power Programs for Economic Development recommended numerous changes in the form and administration of the Authority's EDP programs. Any such changes would require legislation. Moreover, the Power for Jobs ('PFJ') and Energy Cost Savings Benefit ('ECSB') programs will end on June 30, 2009. The ECSB awards go to the same customers that benefit from current Industrial Incentive Award rate relief. Thus, pending clarification of the future of these programs, it is appropriate to again propose extensions of the Industrial Incentive Awards for one year instead of the usual five years.

"It is therefore proposed that the Authority's Acting Chairman be authorized to submit the Authority's Plan to EDPAB for the ensuing one-year period providing for the use of 2007 net EP revenues of $8.039 million to support 2008 industrial rates, provided that the Acting Chairman, at his discretion, may recommend to EDPAB a different use of such net revenues, consistent with statutory requirements. The Authority will report to EDPAB on the effect of using these funds.

RECOMMENDATION

"The Director – Marketing Analysis and Administration recommends that the Trustees authorize the Acting Chairman to submit to the Economic Development Power Allocation Board for approval for the ensuing one-year period, an Economic Development Plan that provides for the use of net revenues from the sale of Expansion Power to support industrial rates, provided that the Acting Chairman, at his discretion, may recommend to the Economic Development Power Allocation Board a different use of such net revenues consistent with statutory requirements.

"The Chief Operating Officer, the Executive Vice President and General Counsel, 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 Authority hereby approves an Economic Development Plan that provides for the use of net revenues from the sale of Expansion Power to support industrial rates for a one-year period, or for such other use as determined by the Acting Chairman, consistent with statutory requirements, in accordance with the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Acting Chairman or his designee be, and hereby is, authorized to submit an Economic Development Plan for the next year to the Economic Development Power Allocation Board for review and approval; and be it further

RESOLVED, That the Acting Chairman or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate such Economic Development Plan; and be it further

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

1e. Preservation Power Contract with Alcoa, Inc. –
Transmittal to the Governor

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the attached contract for the sale of 478 MW (374 MW firm and 104 MW interruptible) of Preservation Power ("Contract") to Alcoa, Inc. ("Alcoa") and authorize the transmittal of the Contract to the Governor for his approval. The Contract is attached as Exhibit "1e-A."

BACKGROUND

"The existing contracts for the Sale of Firm and Interruptible Power and Energy, dated August 24, 1981, between the Authority and Alcoa and Reynolds Metals Company ("Reynolds") for their respective Massena, New York operations, are slated to terminate on June 30, 2013. The parties have been in discussions for a number of years concerning a possible new power supply agreement. At their meeting of January 29, 2008, the Trustees adopted and ratified an Agreement in Principle ("Agreement") that was signed on December 21, 2007 by the President and Chief Executive Officer and a representative of Alcoa. The Agreement was subject to the negotiation and approval of a formal power contract between the parties according to law. Alcoa and Authority staffs completed their negotiations and at their meeting of September 23, 2008, the Trustees authorized the holding of a public hearing on the Contract, pursuant to Section 1009 of the Public Authorities Law. The public hearing was held on November 6, 2008 at the Frank S. McCullough, Jr. Hawkins Point Visitors' Center ("Visitors' Center") at the St. Lawrence/FDR Power Project in Massena.

"Alcoa currently has about 1,285 employees at its Massena Operations and is the largest manufacturing employer in the North Country. It has two contracts for the purchase of hydropower from the Authority comprising a total of 374 MW of firm and 104 MW of interruptible power. In 2005, the New York State Legislature passed and the Governor signed Chapter 313 of the Laws of 2005, which established the Preservation Power program set forth in Section 1005(13) of the Public Authorities Law to govern the allocation of 490 MW of firm and interruptible power from the St. Lawrence/FDR Power Project that is currently allocated to Alcoa and General Motors Powertrain.

DISCUSSION

"The allocation of Preservation Power is in consideration of Alcoa's agreement to invest at least $600 million in a new East Plant, the former Reynolds facility, and to retain 900 smelting jobs between a West Plant and a new East Plant, plus cold-finished fabrication jobs. The other key elements of the Contract are as follows:

1. **Power Allocation Quantity.**

   On the Contract's effective date of July 1, 2013, the current combination of 374 MW firm hydropower and 104 MW interruptible hydropower will continue. The allocation of firm and interruptible hydropower between the East and West Plants will remain as it is today as long as the existing East Plant operates. Once the new East Plant is operational, the allocation of firm and interruptible hydropower may change as agreed to by the Authority and Alcoa.

   a. The firm service will be equivalent to that for all other Authority firm hydropower customers and subject to pro-rata curtailment when there is insufficient generation at the Niagara and St. Lawrence/FDR facilities to meet the energy requirements of the firm hydropower customers.

   b. Management of the availability of interruptible hydropower (a special class of hydropower sold only to Alcoa) will remain as it is, with interruptions triggered off the daily measurement of a seven-day rolling average net generation at the Niagara and St. Lawrence/FDR Projects.

c. The total amount of hydropower will be subject to an enforceable job employment commitment of 1,065 Alcoa employees beginning in 2008 and trending to no less than 900 over the term of the Contract and will include annual job reporting by Alcoa to the Authority. A job compliance threshold of no less than 95% will apply. Should Alcoa's actual jobs reported fall below the compliance percentage, the Authority may reduce the amount of hydropower on a pro-rata percentage basis, with a proviso relating to decreases in employment resulting from production curtailment due to prolonged firm and/or interruptible power curtailment by the Authority.

2. Pricing.

a. The Authority's base production charges (demand and energy) will be set at a new effective base rate beginning July 1, 2013, with such initial rate subject to both an annual escalator based on the indices in the current contracts and an adjustment based on increases in the market price of aluminum as reported on the London Metal Exchange.

b. At all times, the firm and interruptible rates will be no lower than the cost-based "Preference" rate charged by the Authority to its Preference customers.

c. In addition to the above base production charges, Alcoa will pay all New York Independent System Operator charges imposed on the Authority with respect to the service to Alcoa.

d. The new contract will provide for a pass-through to Alcoa of all taxes, assessments and other charges or costs imposed by third parties relating to the service to Alcoa, including, for example, costs incurred by the Authority to comply with any renewable portfolio standards or carbon regulation regimes.

e. The Authority's standard contract provisions concerning rate increases necessary to meet bond covenant requirements will apply.

f. The rate provisions will be subject to reopening in the event that currently unforeseen major capital expenditures are required at the St. Lawrence/FDR Project during the life of the contract.

3. Term.

The Contract will have an effective date of July 1, 2013 with a Base Term of 30 years (2013 to 2043), with one 10-year option to extend under certain defined circumstances relating to availability of power and aluminum prices over the initial term.

4. Economic Development Fund.

Alcoa will capitalize a $10 million North Country Economic Development Fund ("NCEDF") within 90 days of the date upon which its Board of Directors approves the rebuilding of its Massena East smelter. The NCEDF will be exclusively used for economic development purposes in the counties of St. Lawrence, Franklin, Essex, Jefferson, Lewis, Hamilton and Herkimer and the Akwesasne Mohawk Reservation. The NCEDF will be jointly administered by the Authority and an entity of, or specified by, the State of New York.

"At their meeting of September 23, 2008, the Trustees authorized the holding of a public hearing, pursuant to Section 1009 of the Public Authorities Law, on the Contract. Copies of the proposed form of the Contract 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 Contract 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 was held on November 6, 2008 at the Visitors’ Center at the St. Lawrence/FDR Project in Massena. The final transcript of the hearing is attached as Exhibit “1e-B.” Staff has reviewed the transcript of the hearing, including the written statements submitted for inclusion in the record.

“The four speakers at the hearing were: Wesley Oberholzer, Alcoa’s Massena Operations’ Primary Location Manager; Kenneth Pokalski, Senior Director, Government Affairs, The Business Council of New York State, Inc.; Ron McDougall, President, Central Labor Council, General Motors, United Auto Workers and Ernie Labaff, United Steel Workers. All of the speakers expressed their support for the Contract and stressed the importance of Alcoa, its workforce and the proposed investment to the North Country.

“Written statements were received from Mr. Oberholzer and Mr. Pokalski, as well as from W. Gary Edwards, Town Supervisor, Town of Massena; Michael and Heather Drieling of Louisville; Jim Therrien; Jackson Morris, Air and Energy Program Associate, Environmental Advocates of New York; Andrew J. McMahon, Superintendent, Town of Massena Electric Department and Gary Hicks. All of the written statements were supportive of the Contract. In addition, Mr. Morris expressed his concern regarding energy efficiency at Alcoa’s Massena Operations.

“To address Mr. Morris’s concern, some background on Alcoa and its sustainability policies is appropriate. In 2002, Alcoa established the Alcoa Energy Efficiency Network based on a partnership with the U. S. Department of Energy. The network conducts energy efficiency surveys at operating locations, identifying areas of possible improvement. To date, this program has identified more than $80 million in potential savings opportunities. Some current initiatives at Massena include improvements in compressed air consumption and natural gas usage. More generally, energy costs are a significant contributor to the cost of smelting aluminum and, thus, energy efficiency is a high priority for Alcoa. Investing in economic energy efficiency is good business for Alcoa, given that electricity can represent up to 30 % of its production cost. With the proposed investment in the new P225 pot technology at the Alcoa East plant, electrical energy consumption (the kWh required to produce one pound of aluminum) would be roughly 15% lower than with the Soderberg technology presently in use at the East plant.

“In addition to the energy efficiency benefits from the conversion of the Soderberg technology to the new P225 pot technology, the modernization of Alcoa’s Massena East facility will result in a more efficient and safer manufacturing process for Alcoa. The proposed improvements will yield significant environmental and industrial exposure benefits resulting from a 33% reduction in air emissions; significant improvement in worker exposure to particulates and gases in the pot room and planned wastewater/storm water system improvements that will reduce discharges by more than 60%.

FISCAL INFORMATION

“The Contract provides for an increase in the base production rates beginning in 2013 to a level above the cost-based production rates. Moreover, the rates will continue to be subject to an annual adjustment based on the same escalators used in the current contract. It is expected that the 2013 base production rate increase of about $5 per MWh will result in approximately $20 million in additional annual revenues for the Authority. In addition, the Authority will share in the value of higher aluminum prices in a further adjustment to the charges under the Contract. This quarterly adjustment will provide additional revenue to the Authority in the event the market price of aluminum as reported on the London Metal Exchange exceeds $2,000 per ton on an inflation-adjusted basis. (There will be no reduction in revenues in the event aluminum prices fall below this threshold.)

“The Contract also provides for a number of other fiscal safeguards, including the direct pass-through of all third-party costs, charges, assessments or taxes the Authority may incur in serving Alcoa. The production rates will not fall below the Authority’s cost-based production rates for the hydroelectric facilities and the rate provisions are subject to reopening in the event that currently unforeseen major capital expenditures are required at the St.Lawrence/FDR Project during the life of the Contract. Finally, other standard contract terms apply, including provisions relating to hydroelectric curtailments and to rate increases necessary to meet bond covenant requirements.

RECOMMENDATION

"The Director – Business, Municipal and Cooperative Marketing and Economic Development and the Director – Marketing Analysis and Administration recommend that the Trustees approve the Contract for the sale of 478 MW (374 MW firm and 104 MW interruptible) of Preservation Power and authorize the transmittal of the Contract to the Governor for his approval.

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Marketing and Economic Development, the Acting Senior Vice President – Corporate Planning and Finance and I concur in the recommendation."

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

RESOLVED, That the contract for the sale of 478 MW (374 MW firm and 104 MW interruptible) of Preservation Power to Alcoa, Inc. is in the public interest and should be forwarded with a recommendation that it 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 Acting Chairman and the Corporate Secretary be authorized and directed to execute such contract in the name of and on behalf of the Authority after the contract has been approved by the Governor; and be it further

RESOLVED, That the President and Chief Executive Officer or his designee be, and hereby is, authorized, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to enter into such agreements, and to do such other things as may be necessary or desirable to implement the contract with Alcoa, Inc. as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

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

1f. Gas Balancing Service Agreement with National Grid for the Richard M. Flynn Power Plant

The Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize execution of a Gas Balancing Service Agreement ('Agreement') between KeySpan Gas East Corporation d/b/a National Grid ('National Grid') and the Authority. The Agreement would provide natural gas balancing services for Authority-owned gas supplies delivered to the Richard M. Flynn Power Plant ('Flynn') located in National Grid's gas service territory on Long Island.

BACKGROUND

"Under the Capacity Supply Agreement ('CSA') with the Long Island Power Authority dated December 13, 1991 and the 2005 Letter Agreement with KeySpan Gas East Corporation ('KeySpan'), subsequently acquired by National Grid in 2007, the Authority is obligated to obtain gas balancing services or the equivalent for the Flynn facility. Gas balancing services are required to handle the differences between Authority-owned gas supplies delivered into National Grid's distribution system each day and the quantity of gas actually consumed at Flynn ('imbalances'). As the local gas distribution company servicing Flynn, National Grid is the only entity with the practical ability to provide the level of balancing and swing absorption service, particularly short-notice and intra-day, required for operating a large generating facility. The Authority has satisfied its past gas balancing obligations under agreements with the Long Island Lighting Company ('LILCO'), dated May 23, 1994 and October 22, 1997, and with KeySpan, dated December 22, 2000 and December 12, 2002, including the current balancing agreement dated December 23, 2005.

DISCUSSION

"With the existing gas balancing service agreement with KeySpan scheduled to expire at the end of this year and the need to provide for continued gas balancing services, staff has negotiated a new six-year term agreement with National Grid that would commence on January 1, 2009 and expire on December 31, 2014. Under the subject Agreement, National Grid would continue to provide the same level of gas balancing service for Flynn as under the existing agreement.

"The prices, quantities and other relevant commercial terms and conditions of the Agreement have been summarized in a Term Sheet provided under separate cover to the Trustees.

FISCAL INFORMATION

"Expenditures under the Agreement are estimated at $3.5 million per year and will be paid from the Operating Fund. Actual expenditures incurred will vary based on the quantities of gas balanced.

RECOMMENDATION

"The Senior Vice President – Energy Resource Management and Strategic Planning and the Director – Fuel Planning and Operations recommend that the Trustees authorize the execution of the proposed Gas Balancing Service Agreement between the Authority and KeySpan Gas East Corporation d/b/a National Grid, having terms and conditions substantially consistent with those set forth in the Term Sheet provided to the Trustees and the discussion above.

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

The following resolution, as submitted by the Chief Operating Officer, was unanimously adopted.

RESOLVED, That the Acting Chairman, the Chief Operating Officer, the Executive Vice President and Chief Financial Officer and the Senior Vice President – Energy Resource Management and Strategic Planning are, and each hereby is, authorized on behalf of the Authority to execute the Gas Balancing Service Agreement with KeySpan Gas East Corporation d/b/a National Grid and the Authority having terms and conditions that are substantially consistent with those set forth in the Term Sheet provided to the Trustees, with such modifications, additions, and deletions as he or she may deem necessary or desirable and as are consistent with the foregoing report of the Chief Operating Officer, subject to the approval of the form thereof by the Executive Vice President and General Counsel; and be it further

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

**1g. Procurement (Services) Contracts –
Business Groups/Units/Departments
and Facilities – Awards**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the multiyear procurement contracts listed in Exhibit '1g-A' in support of projects and programs for the Authority's Business Groups/Units/Departments and Facilities. Detailed explanations of the recommended awards, including the nature of such services, the bases for the new awards if other than to the lowest-priced bidders and the intended duration of such contracts, are set forth in the discussion below.

BACKGROUND

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

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

DISCUSSION

"The terms of these contracts will be more than one year; therefore, the Trustees' approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, which range in estimated value from $5,615 to $10 million (aggregate total). Except as noted, these contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

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

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

Corporate Secretary's Office

"Pursuant to the Power Authority Act, as well as internal procedures adopted by the Trustees, the Authority is required to publish notice of public hearings on proposed contracts for the sale of power, public forums, certain prospective allocations of power, allocations of economic development power recommended by the Economic Development Power Allocation Board and various events that affect communities. The unique and specialized services that media advertising firms provide ensure timely, cost-effective compliance with statutory mandates and internal procedures. The two contracts with **Creative Media Agency, LLC ('Creative Media')** and **Fanness Group, Inc. ('Fanness') (Q08-4401; PO#s TBA**) would provide for the placement of mandatory legal and public advertisements for the Authority in newspapers and periodicals throughout New York State. Services may include, but are not limited to: advertising design, mechanical preparation, typesetting and proofs. Bid documents were downloaded electronically from the Authority's Procurement website by 20 firms, including those that may have responded to a notice in the New York State Contract Reporter. Four proposals were received and evaluated; a Post-Bid Addendum was subsequently issued to clarify pricing. Based on the percentage of each agency's industry discount passed along to the Authority, as well as pricing for a sample ad placement submitted in response to the Post-Bid Addendum, staff recommends award of contracts to two firms: Creative Media and Fanness, which are the lowest-priced bidders and are qualified to perform the work. In addition, both firms have performed such services efficiently and reliably under existing contracts with the Authority. The award of two contracts for such services would continue to afford the Authority good upstate and downstate coverage. The new contracts would become effective on January 1, 2009, for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, $200,000. Payment would be made only for services rendered.

"The contract with **Directors Desk, LLC, a NASDAQ OMX Group Company (Q08-4329A; PO# TBA**) would provide for a Boardroom Portal Service (a secure online platform for access to documents and related information management features) for use by the Trustees and Corporate Secretary's Office staff. Services include externally hosted software, system setup, 24/7 support, an assigned account manager and training. Bid documents were downloaded electronically from the Authority's Procurement website by 11 firms, including those that may have responded to a notice in the New York State Contract Reporter. Three proposals were received and evaluated. Staff recommends award of a contract to Directors Desk, the lowest-priced bidder, which meets the technical and functional requirements set forth in the Authority's Request for Proposals and is qualified to perform the work. The contract would become effective on or about January 1, 2009, for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $75,000.

<u>Corporate Services and Administration</u>

HR - Benefits

"The federal government's Public Health Service Act for the continuation of benefits, as amended by the Consolidated Omnibus Budget Reconciliation Act ('COBRA') of 1985, requires the Authority to provide employees and eligible dependents the opportunity for a temporary extension of health coverage in certain instances where coverage under the plan would otherwise end. The contract with **Acclaim Benefits, LLC ('Acclaim') (Q08-4386; PO# TBA**) would provide for third-party administration services for the Authority's continuation of benefits program under COBRA. Services include, but are not limited to: all notifications, enrollment, changes and terminations, billing and receipt of monthly premiums, follow-up, processing payments to various health insurance carriers and to the Authority; tracking of time limitations imposed by law; record-keeping services and reporting to Authority management for the medical and dental plans, Employee Assistance Program, Flexible Spending Account, Vision and Hearing plans for the Authority's approximately 1,650 salaried and bargaining unit employees. Bid documents were downloaded electronically from the Authority's Procurement website by 18 firms, including those that may have responded to a notice in the New York State Contract Reporter. Four proposals were originally received and evaluated; a Post-Bid Addendum, to which three of the four bidders responded, was subsequently issued for re-submittal of pricing in accordance with the Compensation Schedule in the RFP. The two lowest-cost bidders were also invited for a bid clarification meeting at the Authority. Based on the aforementioned factors, staff recommends award of a contract to Acclaim, the lowest-priced bidder, which meets the bid requirements and is qualified to perform the work. The contract would become effective on January 1, 2009, for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $75,000.

"The contract with **Deloitte Consulting, LLP ('Deloitte') (Q08-4395; PO# TBA**) would provide for benefits consulting services to the Authority in the following areas: employee benefits plans and retirement savings plans compliance and Medicare Part D actuarial attestation; flexible benefits design and pricing; design of benefits strategy to maintain costs; evaluation of benefits plans funding arrangements; management of the RFP process for health insurance plans, including bid analysis; preparation of valuation of retiree benefits required by the Governmental Accounting Standards Board ('GASB'), and consulting services, on an 'as needed' basis. Bid documents were downloaded electronically from the Authority's Procurement website by 14 firms, including those that may have responded to a notice in the New York State Contract Reporter. Five proposals were received and evaluated. A Post-Bid Addendum was subsequently issued to clarify pricing; three of the five responding bidders were invited to further discuss their respective proposals and services in meetings or phone calls with Authority staff. Based on the strength and responsiveness of its proposal, the consulting team's experience and level of customer service, resources, the range of its available tools and methodologies, as well as its competitive rates, staff recommends award of a contract to Deloitte, the lowest-priced qualified bidder, which meets all the bid requirements and would best serve the Authority's needs. The contract would become effective on January 1, 2009, for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $600,000.

Corporate Support Services

"The contract with **IESI NY Corporation ('IESI') (Q08-4434; PO# TBA**) would provide for waste removal services for the Authority's New York Office, as well as for the New York State Office of Alcoholism and Substance Abuse Services ('OASAS') space, located on the 8^{th} and 9^{th} floors of 501 7th Ave in New York City. The award is made on a sole-source basis, since all tenants in the building must use the contractor selected by the building manager in accordance with the lease requirements. Staff therefore recommends award of a contract to IESI, which provides such services under an existing contract. (A notice of the Authority's intent to award a sole-source contract for such services was published in the New York State Contract Reporter.) The new contract would become effective on January 1, 2009, for an intended term of up to 20 months (to coincide with the expiration of the Authority's lease with the Building on August 31, 2010), subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $40,000.

Energy Marketing and Business Development

Energy Services and Technology – Energy Services

"As part of the Authority's Energy Services programs to promote energy efficiency for its customers, the Authority provides for energy-related improvement work, which may require the abatement of asbestos- or lead-containing materials. As part of the Authority's asbestos and lead management services related to such activities, the services of asbestos/lead consultants are required to mitigate the risks associated with asbestos/lead abatement prior to undertaking construction. Services include, but are not limited to: feasibility studies, asbestos and lead inspections, bulk and air sampling/laboratory services, abatement planning and design and project monitoring. To this end, staff prepared a Request for Proposals **(Q08-4345)** that was downloaded electronically from the Authority's Procurement website by 56 firms, including those that may have responded to a notice in the New York State Contract Reporter. Fifteen proposals were received and evaluated. Based on an assessment of each bidder's technical qualifications, as well as their cost proposal (based on the cost of a typical project), staff recommends the award of contracts to the following six firms: **Adelaide Environmental Health Associates, Inc. ('Adelaide'), EMTEQUE Corp. ('EMTEQUE'), LiRo Engineers, Inc. ('LiRo'), Parsons Brinckerhoff, Inc. ('Parsons'), TRC Environmental Corp. ('TRC')** and **Warren & Panzer Engineers, PC ('Warren & Panzer') (PO#s TBA)**, the lowest-priced evaluated bidders for each region, which are qualified to perform such services and meet the bid requirements. Based on past experience, as well as the anticipated volume of future energy services work, staff recommends the award of contracts to two firms for each of four regions (Capital, Central, Northern and Western New York), as set forth in Exhibit '1g-A,' with the exception of the fifth, Downstate, where the work volume is greatest and for which contracts with all six firms are recommended. The contracts would become effective on or about December 17, 2008, for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contract, $7 million. It should be noted that all costs, including interest and Authority overheads, will be recovered by the Authority from participating customers. (It should also be noted that Adelaide is a New York State-certified Woman's Business Enterprise and EMTEQUE is a New York State-certified Minority Business Enterprise.)

Power Supply

"The contract with **Access Health Systems ('Access') (RFQ CEC-10148198; 4600002021)** would provide various medical examinations and related medical services for employees at the Authority's Clark Energy Center ('CEC'), as required by all applicable safety and health standards, federal and state requirements and Authority policy. Services include, but are not limited to, annual physicals, pre-employment physicals, return-to-work examinations, fitness-for-duty testing, on-the-job injury examinations, as well as testing for respirator clearance and fit, lyme titer and other specialized tests, where applicable, flu and hepatitis B vaccinations and medical consultations or other medical services, as needed. Bid documents were sent to four firms, including those that may have responded to a notice in the New York State Contract Reporter. Two proposals were received and evaluated. Staff recommends award of a contract to Access, the lower-priced qualified bidder, which meets all the bid requirements, including the ability to provide all requisite laboratory and x-ray services at one location. Furthermore, this firm has provided excellent services to the Authority under a prior contract. The contract would become effective on January 1, 2009 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $180,000.

"The contract with **GE Packaged Power, Inc. ('GEPP') (Q08-4388; PO# TBA)** would provide for Mini-Overhauls of five of the Authority's Small Clean Power Plant LM6000 gas turbines. Services will mainly consist of refurbishing Hot Sections, as well as implementation of GE Service Bulletin upgrades. Bid documents were downloaded electronically from the Authority's Procurement website by 10 firms, including those that may have responded to a notice in the New York State Contract Reporter. Two proposals were received and evaluated. Staff recommends award of a contract to GEPP, the lower-priced bidder and original equipment manufacturer ('OEM'). As the OEM, GEPP has the proprietary design information for the equipment and provided the more complete and thorough proposal, in addition to previously performing such work on three other units with very satisfactory results. The contract would become effective on or about December 18, 2008, for an intended term of approximately one year, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $7.3 million (including contingency for emergent work as units are inspected and disassembled in GE's shop and for any new GE Service Bulletin requirements).

"The contract with **IsleChem, LLC ('IsleChem') (RFQ# 20037460; 4600002000)** would provide for State Pollutant Discharge Elimination System ('SPDES') sampling, testing and analysis of wastewater, solid and hazardous waste for the Niagara Power Project. Services include scheduled monthly collection of wastewater, waste oils, soil samples and hazardous waste, and analysis for various elements / contaminants, as well as unscheduled collection and analysis, on an 'as needed' basis, and submittal of a written report of the findings, in accordance with specified New York State Department of Health requirements. Bid documents were downloaded electronically from the Authority's Procurement website by 35 firms, including those that may have responded to a notice in the New York State Contract Reporter. Three proposals were received and evaluated. Staff recommends award of a contract to IsleChem, the lowest-priced evaluated bidder, which is qualified to perform such services and meets the bid requirements. This laboratory is certified by the New York State Department of Health Environmental Laboratory Approval Program. The contract would become effective on January 1, 2009 for an intended term of up to four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $200,000.

"The Security Enhancement Program at the Niagara Power Project (the 'Project') consists of three phases. Phases I and II, comprising the installation of passive vehicle barriers along the vulnerable fence perimeter with pipe gate reinforcement and active vehicle barriers on three main slide gates, respectively, have been completed. The contract with **Johnson Controls Inc. ('JCI') (Q08-4393; PO# TBA)** would provide for the purchase, factory testing and site installation (involving construction services) of equipment as part of Phase III of the security system upgrade at the Project (Robert Moses and Lewiston Plants, and switchyard sites). Such upgrade would include establishing a fence-mounted intrusion detection system, CCTVs, access control and alarm monitoring, video transmission/display/recording, lighting and modifications to the existing security console, as well as software upgrades. To this end, a request for qualification statements was downloaded electronically from the Authority's Procurement website by 18 firms and 5 additional firms expressed an interest in this project, including those that may have responded to a notice in the New York State Contract Reporter or other sources or publications. Eight firms responded with qualification statements, which were evaluated (and background investigation screenings and reference checks were performed). As a result of this prequalification process, four firms were invited to submit proposals in response to the Authority's formal Request for Proposals. Two proposals were received and evaluated. The apparent lower-priced bidder was initially contacted via conference call to provide technical clarifications of its proposal; its written responses were deemed acceptable by the Authority's Evaluation Team. The bidder was also invited to further discuss its proposal and services in a meeting with Authority staff. Based on the foregoing, as well as its competitive pricing, staff recommends award of a contract to JCI, the lower-priced bidder, which is qualified to perform the work and meets the bid requirements. The contract would become effective on or about December 17, 2008 for an intended term of approximately one year, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $5.6 million (including contingency). The project will be funded from the Security Enhancement Program – Phase III, which was authorized by the Trustees at their meeting of October 30, 2007.

"The contract with **NICE Systems, Inc. ('NICE') (Quote 100808MB-02; PO# TBA)** would provide for a service agreement to support software and hardware for the Dictaphone Telephone Voice Recording System that supports Operations and Security at the Niagara Power Project. This award is made on a sole-source basis, since Dictaphone (which was acquired by NICE) is the original equipment manufacturer ('OEM') and, as such, is uniquely qualified to perform such services. It is in the Authority's best interest to use the OEM for such services, due to its familiarity and expertise with the suite of products and its ability to provide support on a timely basis (since the equipment is configured for continuous operation on a 24/7/365 basis), as well as the compatibility and availability of equipment, accessories and spare or replacement parts. The contract would become effective on January 1, 2009 for an intended term of 14 months, subject to the Trustees' approval, which is hereby requested. Staff is currently researching/designing a replacement system, since NICE has notified the Authority that the equipment will be rendered obsolete and NICE will no longer support it after the end of the new contract term. Approval is also requested for the total amount expected to be expended for the term of the contract, $5,615.

"The contract with **Quintal Contracting Corp. ('Quintal') (RFQ P08-96601; PO# TBA)** would provide for snow removal services, including salting and/or sanding, for the Authority's Richard M. Flynn Plant and the Small Clean Power Plant at Brentwood. Bid documents were downloaded electronically from the Authority's Procurement website by 10 firms, including those that may have responded to a notice in the New York State Contract Reporter. Three proposals were received and evaluated. Based on its ability to perform the work and reasonable pricing, staff recommends award of a contract to Quintal, the lowest-priced bidder, which is qualified to perform such services and has provided satisfactory service under an existing contract for such work. The new contract would become effective on January 1, 2009 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $100,000.

"The contract with **Siemens Power Transmission & Distribution, Inc. ('Siemens') (Q08-4288; PO# TBA)** would provide for the design, furnishing, delivery, installation, testing and commissioning of a Switchyard Automated Monitoring and Control System ('SAMAC') at the St. Lawrence/ FDR Power Project, as part of the Authority's Protective Relay Replacement Program. The STL-SAMAC system will be installed in a recently-constructed relay building in the 115kV – 230kV switchyard at the Project. The scope of work includes, but is not limited to: furnishing protective relaying and control intelligent electronic devices ('IEDs'), equipment and associated relay cabinets, redundant master and backup substation computers, substation fiber optic communications network equipment, system integration tools, development of system drawings and functional diagrams, testing, training and site commissioning. To this end, bid documents were downloaded electronically from the Authority's Procurement website by 19 firms, including those that may have responded to a notice in the New York State Contract Reporter. Two proposals were received and evaluated. Staff recommends award of a contract to Siemens, the lower-priced bidder, which is qualified to perform such work and meets the bid requirements. The contract would become effective on January 1, 2009 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $3,305,903.

"Historically, the Authority has used external resources to provide for 'on-call, as required' professional design, engineering and consulting services to support the operation and maintenance of the Authority's hydroelectric, pumped storage and fossil-fuel generation projects, as well as its transmission and other support facilities throughout New York State, when engineering requirements are beyond the resources of existing Authority engineering staff, or during emergencies when special expertise is required or when Authority staff is not immediately available to support operational needs. Such external engineering services include, but are not limited to: preparation of engineering and design packages, estimating, scheduling, safety assessments, testing activities, equipment and construction specifications, permits, licenses and procedure preparation. Additionally, the Federal Energy Regulatory Commission requires that Licensees maintain the resources necessary to respond to unusual or changed conditions that may affect public safety. Since the need for such services is ongoing, staff prepared a Request for Proposals **(Q08-4365)** to re-bid such services. Bid documents were downloaded electronically from the Authority's Procurement website by 93 firms, including those that may have responded to a notice in the New York State Contract Reporter. Eleven proposals were received and evaluated on the following primary criteria: professional qualifications and experience of key personnel and backup staff, size and depth of organization and resources, ability to respond quickly to requests for services, and experience in specific technical areas of interest to the Authority, as well as competitive pricing based on a composite hourly rate calculated for each bidder by the evaluation team. The results of their analysis indicated that selection of seven firms would provide the right mix of cost-competitive engineering firms, with strength across multiple disciplines covering a broad spectrum of technical expertise and services, as well as the ability to respond to emergent tasks in a timely manner. Past experience also indicates that no one firm has all the technical experience, qualifications and resources that may be required to meet the Authority's projected needs. The award of multiple contracts would ensure that adequate skill coverage with the range of expertise required to perform specialty tasks will be available to the Authority for each discipline, on an 'on-call, as-required' basis, supplementing Authority manpower in some cases and providing timely access to specialty expertise in others. Based on the aforementioned factors, staff recommends award of contracts to the following seven firms: **C&S Companies, Inc. Commonwealth Associates, Inc., Greenman-Pedersen, Inc., Hatch Acres Corporation, MSE Power Systems, Inc., RCM Technologies, Inc.** and **TRC Engineers, Inc. (PO#s TBA)**, the lowest-priced bidders, which meet the bid requirements and are qualified to perform the work. The new contracts would become effective on or about January 1, 2009, for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, $10 million.

"The Authority has also used external resources to provide for 'on-call, as-required' civil and geotechnical engineering and design services to support the operation and maintenance of the Authority's hydroelectric, pumped storage and fossil-fuel generation projects, as well as its transmission and ancillary facilities throughout New York State, when engineering requirements are beyond the resources of existing Authority engineering staff, or during emergencies when special expertise is required or when Authority staff is not immediately available to support operational needs. Projects may involve civil, geotechnical, geophysical, dam safety instrumentation and monitoring, hydraulic and structural design of new or existing facilities at power generation and transmission projects. Assignments may include, but are not limited to: site investigations, soil/rock drilling and laboratory testing, surveys, grading and drainage design, storm water management, erosion and sedimentation control, as well as inspections, feasibility studies, calculations, analyses, safety assessments and construction support for modifications and additions to the Authority's Projects (including preparation of new design drawings and revisions to the Authority's drawings, dam safety procedures and equipment manuals affected by each modification). Since the need for such services is ongoing, staff prepared a Request for Proposals **(Q08-4396)** to rebid such services. Bid documents were downloaded electronically from the Authority's Procurement website by 59 firms, including those that may have responded to a notice in the New York State Contract Reporter. Six proposals were received and evaluated on the following primary criteria: professional qualifications and experience of key personnel and support staff in specific technical areas, size and depth of organization and resources, availability and commitment of resources, as well as competitive pricing. The evaluation team compiled and summarized each bidder's proposed hourly rates for each job classification, then ranked the bidders based on the calculation of total costs to perform a typical 100-manhour task. The results of this cost analysis, coupled with further technical evaluations, indicated that selection of four firms would provide the right mix of cost-competitive engineering firms, covering a broad spectrum of technical expertise and services. Based on the foregoing, staff recommends award of contracts to the following four firms: **GZA GeoEnvironmental of New York, Hardesty & Hanover, LLP, Paul C. Rizzo Associates, Inc.** and **PB Americas, Inc. d/b/a PB Power (PO#s TBA),** the lowest-priced evaluated bidders, which are qualified to perform such services and meet the bid requirements. The new contracts would become effective on or about January 1, 2009 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, $5 million.

FISCAL INFORMATION

"Funds required to support contract services for various Business Groups/Units/ Departments and Facilities have been included in the 2009 Proposed O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the project's Capital Expenditure Authorization Request. Payment for the contract in support of Energy Services Programs will be made from the Energy Conservation Effectuation and Construction Fund. All costs, including Authority overheads and the cost of advancing funds, will be recovered by the Authority consistent with other Energy Services and Technology Programs.

RECOMMENDATION

"The Vice President – Project Management, the Vice President – Engineering, the Chief Information Officer, the Director – Employee Benefits, the Director – Corporate Support Services, the Director – Engineering and Design (Energy Services), the Deputy Corporate Secretary, the Regional Manager – Northern New York, the Regional Manager – Western New York, the Regional Manager – Central New York and the Regional Manager – Southeastern New York recommend the Trustees' approval of the award of multiyear procurement contracts to the companies listed in Exhibit '1g-A' for the purposes and in the amounts discussed within the item and/or listed in Exhibit '1g-A.'

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Acting Executive Vice President – Corporate Services and Administration, the Executive Vice President and Chief Financial Officer, the Executive Vice President and Chief Engineer – Power Supply, the Senior Vice President – Energy Services and Technology, the Senior Vice President – Transmission, the Corporate Secretary 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 Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement services contracts set forth in Exhibit "1g-A," attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

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

1h. Southeastern New York Small Clean Power Plants –
Turbine SCR and CO Catalyst Replacement Project

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve capital expenditures in the amount of $12 million for two projects that are part of the ongoing catalyst replacement program for the Southeastern New York Small Clean Power Plants (the 'Plants'). The $5 million Carbon Monoxide Catalysts Replacement Project ('CO Project') and the $7 million Selective Catalytic Reduction Replacement Project ('SCR Project') are necessary to maintain the emission levels required to meet the Plants' New York State Department of Environmental Conservation ('NYS DEC') air permit limitations. Both Projects will be completed in 2010.

"In addition, in accordance with the Authority's Expenditure Authorization Procedures, the Trustees are requested to approve a furnish, deliver and install contract award to Cormetech, Inc., the technically qualified low bidder for the SCR Project. Although Trustee approval is not required to award the furnish-and-deliver CO Project to EmeraChem, LLC, budget information for that contract is included since it is part of the Capital Expenditure Authorization Request. Installation of the CO Catalyst will be bid and awarded separately.

BACKGROUND

"Both CO Catalyst and SCR Catalytic Reduction Processes are required for controlling atmospheric emissions of CO and nitrous oxide ('NO_x') from the gas turbines. The Plants operate under emissions limits imposed by the NYS DEC.

CO Catalyst Reduction Process
Turbine exhaust passes through the CO Catalyst prior to the ammonia injection grid and SCR catalyst. The CO from the turbine exhaust reacts with oxygen in the exhaust and the catalyst to form carbon dioxide ('CO_2').

Selective Catalytic Reduction Process
The process consists of an ammonia injection system and a catalytic converter. The ammonia is introduced into the gas turbine exhaust after the CO Catalyst through a grid, which assures proper dispersion of the ammonia in the exhaust, and subsequently that mixture is passed through the catalytic reactor where the ammonia reacts with the NO_x to form nitrogen and water.

Both catalyst types are at the end of their useful lives and need replacement. The replacements are scheduled as follows:

Plant	CO Catalyst	SCR Catalyst
Hell Gate 1	2010	2010
Hell Gate 2	2010	2010
Harlem River 1	2010	2010
Harlem River 2	2009	2009
Vernon Boulevard 2	2010	2010
Vernon Boulevard 3	2009	2009
Kent	2009	Replaced 2004
Pouch Terminal	2009	Replaced 2005
*Seymour 5	Replacement in Progress-2008	2009
*Seymour 6	Replacement in Progress-2008	2009
Brentwood	2010	2009

*The procurement and installation of the CO Catalyst for Seymour 5& 6 was initiated in 2008 as a result of failures requiring emergency replacements, and was authorized by senior management in accordance with the Expenditure Authorization Procedures.

DISCUSSION

"The requested project expenditures are:

	CO Catalyst	SCR Catalyst
Engineering & Design	$150,000	$150,000
Procurement	$2,600 ,000	$3,300 ,000
Construction	$1,800,000	$3,000,000
Project Direct/Indirect	$450,000	$550,000
Total	**$5,000,000**	**$7,000,000**
		TOTAL PROJECT COST $12,000,000

"Procurement and/or installation bids were received and technical and commercial evaluations were conducted. Bids for the CO Catalysts were solicited on a furnish-and-deliver basis only. The bids for the SCR Catalysts were solicited for both the furnish-and-deliver cost and the cost to furnish, deliver and install. These different approaches were used because the installation of the CO Catalysts is much simpler than that for the SCR Catalysts.

CO Catalyst Replacement

"On November 12, 2008, three bids were received to furnish and deliver the CO Catalysts. The bids were evaluated based on the specifications' technical requirements, price, commercial terms and schedule compliance.

"Staff recommends an award to the lowest-priced technically acceptable bidder, EmeraChem, LLC, of Knoxville, TN, in the firm lump sum amount of $1,676,101, to furnish and deliver the CO Catalysts. The estimated time-and-material cost for EmeraChem's field service representative during installation is $36,000, bringing the total estimated contract amount to $1,712,101. In addition, a contract contingency amount of $175,000 is requested for change orders that may be required, for an estimated contract cost of $1,887,101.

"The procurement and installation of the CO Catalyst for Seymour 5 & 6 was initiated in 2008 as a result of failures requiring emergency replacements and was authorized by senior management in accordance with the Expenditure Authorization Procedures. The estimated cost of this work in the amount of $930,000 is included in the CO Catalyst expenditure authorization of $5,000,000.

SCR Catalyst Replacement

"On November 13, 2008, three bids were received to furnish, deliver and install the SCR Catalysts. Two of the three bidders opted not to bid installation. The bids were evaluated based on meeting the specifications' technical requirements, price, commercial terms and schedule compliance.

"Cormetech was the lowest-priced bidder for furnishing and delivering the SCR Catalysts and the sole bidder to provide a price for installation. Staff recommends that an award be made to Cormetech to furnish, deliver and install the SCR Catalysts at the firm lump-sum price of $4,915,817. The estimated time-and-material cost for Cormetech's field service representative during installation is $148,500, bringing the total estimated contract amount to $5,064,317. In addition, a contract contingency amount of $275,000 is requested for change orders that may be required, for an estimated contract amount of $5,339,317. The Authority will coordinate the disposal of the non-hazardous spent catalyst at an estimated cost of $250,000.

FISCAL INFORMATION

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

<u>RECOMMENDATION</u>

"The Executive Vice President and Chief Engineer – Power Supply and the Regional Manager – Southeastern New York recommend that the Trustees approve the Carbon Monoxide and Selective Catalytic Reduction Catalyst Replacement Projects and authorize capital expenditures in the amount of $12 million for both projects. In addition, it is recommended that the Trustees approve the award of contracts as follows: $1,712,101 (estimated) to EmeraChem, LLC for the Carbon Monoxide Catalyst Replacement Project and $5,064,317 to Cormetech, Inc. for the Selective Catalytic Reduction Catalyst Replacement Project.

"The Chief Operating Officer, the Executive Vice President and General Counsel and the Senior Vice President – Enterprise Shared Services 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, capital expenditures in the amount of $12 million are hereby authorized in accordance with and as recommended in, the foregoing report of the President and Chief Executive Officer, in the amounts and for the purposes listed below:

CO Catalyst Replacement	**$5,000,000**
SCR Catalyst Replacement	**$7,000,000**

AND BE IT FURTHER RESOLVED, That awards to EmeraChem, LLC in the estimated amount of $1,712,101 and Cormetech, Inc. in the amount of $5,064,317 are approved; and be it further

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

1i. Increase in Westchester County Governmental Customer Rates – Notice of Adoption

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve a modification in the rates for the sale of firm power to the Westchester County Governmental Customers ('Customers') in 2009. This proposed action is consistent with the rate-setting process set forth in the Supplemental Electricity Agreements executed by the Customers and the Authority.

"This proposed final action seeks approval to increase the production rates of the Customers by 14.43% on average as compared to 2008 rates. The increase would be effective with the January 2009 bills.

BACKGROUND

"At their meeting of September 23, 2008, the Trustees directed the publication in the *New York State Register* ('State Register') of a notice that the Authority proposed to increase the production rates by 41.77%. The *State Register* notice was published on October 8, 2008 in accordance with the State Administrative Procedure Act ('SAPA'). Since this proposal would increase revenues to the Authority by more than 2%, a public forum was held, in accordance with the Authority's policy, at the White Plains office on November 17, 2008. Oral comments were received from two parties at the forum. No written comments were received. The public record was closed on November 24, 2008.

"In addition to the rate increase, in 2009 the Customers will be subject to an Energy Charge Adjustment, under which the Authority passes through all actual variable costs to the Customers. This cost-recovery mechanism employs a monthly charge or credit that reflects the difference between the projected variable costs of electricity recovered by the tariff rates and the monthly actual variable costs incurred by the Authority. This billing mechanism is already in effect and will continue through 2009.

DISCUSSION

"The customers who spoke at the public forum commented on the magnitude of the proposed increase and the adverse impact it would have on their budgets. Staff is aware that their concerns are shared by other affected customers. The initial increase of 41.77% reflected the then-current forecast of high electric prices. However, since then, prices have moderated substantially. Therefore, staff has updated the Cost-of-Service ('CoS') to incorporate that reduction in forecasted prices in the new, final increase. Specifically, of the total initial CoS of $67.8 million, purchased power energy costs were estimated at $61.1 million. With the decline in forecasted energy prices, the revised purchased energy costs are $46.7 million, a $14.4 million decrease.

Conclusion:

"Based on staff's analysis, comments received and informal questions and discussions with the County of Westchester, the final increase in production rates sought by this action is 14.43%. This represents a 27.34% decrease from the rate increase of 41.77% proposed by staff in September. Since the Notice of Proposed Rulemaking, there have been considerable changes in the market price of energy. Staff has incorporated those changes and re-computed a 2009 *pro forma* CoS. The revised 2009 CoS has a total revenue requirement of $53.7 million, a reduction of $14.1 million from the earlier version. Refer to Exhibit '1i-A' for a listing of the CoS components. The projected 2009 current rate revenues are $46.93 million. The revenue deficiency is $6.77 million, or 14.43% of current rate revenues. Therefore, the revised rate increase sought is 14.43%. The increase will be applied equally to demand and energy rates.

"Exhibit '1i-B' shows the Customer bill impacts for 2009. Exhibit '1i-C' shows both current and final 2009 Conventional and Time-of-Day production rates. Exhibit '1i-D' is the public forum transcript.

<u>FISCAL INFORMATION</u>

"The adoption of the production rate increase would result in an estimated $6.77 million of additional revenue over current rates.

<u>RECOMMENDATION</u>

"The Manager – Market Analysis and Tariff Administration recommends that the Trustees authorize the Corporate Secretary to file a Notice of Adoption with the New York State Department of State for publication in the *New York State Register* of an increase in production rates for the Westchester County Governmental Customers.

"It is also recommended that the Senior Vice President – Marketing and Economic Development, or his designee, be authorized to issue written notice of adoption to the affected customers.

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Marketing and Economic Development, the Acting Senior Vice President – Corporate Planning and Finance, the Vice President – Controller, the Assistant General Counsel – Power and Transmission and I concur in the recommendation."

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

RESOLVED, That the Senior Vice President – Marketing and Economic Development or his designee be, and hereby is, authorized to issue written notice of this final action by the Trustees to the affected customers; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file such notices as may be required with the New York State Department of State for publication in the *New York State Register* and to submit such other notice as may be required by statute or regulation concerning the rate increase; and be it further

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

December 16, 2008
Exhibit "1i-A"

New York Power Authority
2009 Cost of Service
Westchester County Governmental Customers

Component	Amount (Millions)
Operations & Maintenance	0.76
Shared Services	0.49
Capital Cost	2.73
Other Expenses	0.13
Purchased Power	
Energy	46.68
Capacity	3.26
Subtotal Purchased Power	49.94
Ancillary Services	1.64
NYISO Revenue Credit	(1.97)
Ancillary Services and Other	(0.00)
Total Production Cost Of Service	53.70

Current Rate Revenues	46.93
Production Revenue Shortfall	6.77
as a percent of Current Revenues	14.43%

December 16, 2008
Exhibit "1i-B"

WESTCHESTER COUNTY GOVERNMENTAL CUSTOMERS
2009 ESTIMATED IMPACTS

Customer	Total Bill Impact 1/
Cities, Towns, Villages	7.8%
Housing Authorities	9.3%
School Districts	8.4%
Westchester County	9.6%
All Others	8.9%
Overall Total for All Westchester Customers	8.6%

1/ The Total impact is based upon the production increase of 14.43% as a percent of total bill, including both production and delivery charges.

December 16, 2008
Exhibit "1i-C"

WESTCHESTER COUNTY GOVERNMENTAL CUSTOMERS
PRODUCTION RATES

CONVENTIONAL		Demand Rates $/kW-mo.		Base Energy Rates Cents/kWh	
Service Class		Current	2009 Final	Current	2009 Final
62	General Small	n/a	n/a	9.772	11.182
64	Commercial & Industrial Redistribution	13.33	15.25	5.031	5.757
66	Westchester Street Lighting	n/a	n/a	8.215	9.400
68/82	Multiple Dwellings Redistribution	11.78	13.48	5.190	5.939
69	General Large	9.71	11.11	5.435	6.219

TIME-OF-DAY		Demand Rates $/kW-mo.		Base Energy Rates			
				On-Peak Cents/kWh		Off-Peak Cents/kWh	
Service Class		Current	2009 Final	Current	2009 Final	Current	2009 Final
64	Commercial & Industrial Redistribution	10.94	12.52	7.253	8.300	4.011	4.590
68/82	Multiple Dwellings Redistribution	10.56	12.08	7.499	8.581	4.107	4.700
69	General Large	8.04	9.20	7.757	8.876	4.039	4.622
Rider A	Back-up and Maintenance power			15.449	17.678	2.806	3.211

The on-peak period for energy is weekdays from 7:00AM to 7:00PM, excluding holidays.
The off-peak period for energy is all other hours.

SC Notes:

In addition to the base energy rates, a monthly energy charge adjustment will apply.
The on-peak period for demand is weekdays from 8:00AM to 6:00PM, including holidays.
The on-peak period for energy is weekdays from 8:00AM to 10:00PM, including holidays.
The off-peak period for demand and energy is all other hours.

1j. Upstate Investor-Owned Utilities Service Tariff Amendments – Notice of Adoption

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve amendments to the Authority's current production service tariffs applicable to its upstate Investor-Owned Utility customers ('IOUs'). Staff recommends that changes to the Authority's tariffs for firm power and energy, firm peaking power and energy and interruptible energy from the Niagara and St. Lawrence/FDR Power Projects (ST-41, ST-42 and ST-43), attached as Exhibits '1j-A' through '1j-C,' respectively, become effective on January 1, 2009.

BACKGROUND

"At their meeting of September 23, 2008, the Trustees authorized the Corporate Secretary to file a Notice of Proposed Rulemaking ('NOPR') with the New York State Department of State for publication in the *New York State Register* that the Authority proposed to amend service tariffs applicable to the IOUs. These amendments were needed to include necessary new provisions and updated terminology and to improve the organization and formatting.

"The NOPR was published in the *New York State Register* on October 8, 2008. In addition, the IOUs were notified of the proposed service tariff amendments and invited to review the materials and submit comments. In accordance with the State Administrative Procedure Act ('SAPA'), interested parties were afforded a 45-day comment period. The public comment period closed on November 24, 2008.

DISCUSSION

"New York State Electric & Gas Corporation and Rochester Gas & Electric Corporation, each an operating subsidiary of Energy East (collectively, 'NYSEG/ RG&E'), submitted a joint written comment on November 24, 2008, as shown in Exhibit '1j-D.'

Description of Comment: NYSEG/RG&E commented on a single issue. They state that the proposed provision related to the collection of New York Independent System Operator ('NYISO') charges should only be applicable to those customers for which the Authority provides transmission service. They further state that both NYSEG and RG&E take delivery of the Niagara Firm, Peaking and St. Lawrence energy at the generator bus. As such, NYSEG and RG&E contend that they should not be allocated any NYISO charges incurred by the Authority. They request that each of the service tariffs be modified to begin the NYISO provisions with the following clause: 'For those Customers for whom the Authority provides transmission service, the Customer shall compensate….'

Staff Analysis: Staff understands the concern engendered by the draft tariffs included in the proposed rulemaking and agrees that they can be improved. First, the Authority will clarify the tariffs to remove any inferences that the Authority is the 'Load Serving Entity' ('LSE') for the sale of this power to any of the IOUs. The IOUs purchase transmission service from the NYISO and serve as their own LSEs, and therefore are directly responsible for the NYISO charges described in each of the service tariffs. Thus, there are no new costs being imposed by the Authority on the IOUs.

"Second, the NYISO charges provisions in the service tariffs were written in a manner that suggested that the IOUs 'shall' compensate the Authority, but this will be reworded to emphasize that such charges to the IOUs will only occur if the condition is met that such charges are assessed on the Authority in the first place in connection with service to the IOUs. Thus, Authority staff responds to this concern by indicating that such charges, 'if any,' would be passed on to the IOUs should they be assessed on the Authority in the first instance.

"While the IOUs' commercial relationship with the NYISO with respect to these sales for resale has been in place for several years, the NYISO's market structure is constantly subject to modification. The Trustees believe it is important for the Authority to have a mechanism to pass on these NYISO charges should the market structure change in significant ways that make the Authority responsible for some or all of them, including new NYISO charges that might arise. But even if such a change were to occur, the IOUs would be economically indifferent: They would be subject to the same NYISO charges as they are now; only the billing agent would change.

"Based on this analysis, these modifications should address the concerns raised. The specific suggestion that the tariffs be reformed to state that NYISO charges will only be assessed to parties for whom the Authority provides transmission service is overbroad and should not be adopted. The Authority currently acts as LSE for numerous customers in upstate New York without being the transmission provider. The Authority has, nonetheless, needed to have a mechanism to pass through the NYISO charges it incurs as LSE. Thus, staff recommends not incorporating the NYSEG/RG&E suggestion, but instead modifying the service tariffs, as discussed above, to clarify that no changes to the current relationship are contemplated while still anticipating any potential NYISO changes in the manner and scope of its cost assessments.

Conclusion: Staff recommends adoption of the proposed service tariffs with changes conforming to the analysis discussed above. Staff also identified some minor, non-substantive wording adjustments that would improve the readability of the documents, and included those as well. Staff further recommends that the amended service tariffs become effective at the start of the first billing period subsequent to the Trustees' approval, which is January 1, 2009.

FISCAL INFORMATION

"Adoption of the proposed IOU service tariffs will have no financial impact. The changes proposed are administrative in nature and will not affect current production rates.

RECOMMENDATION

"The Manager – Market Analysis and Tariff Administration recommends that the attached amended service tariffs for the Authority's Upstate Investor-Owned Utilities customers be approved and that the Trustees authorize the Corporate Secretary to file a Notice of Adoption with the New York State Department of State for publication in the *New York State Register* in accordance with the State Administrative Procedure Act. The requested effective date of these tariffs is January 1, 2009.

"It is also recommended that the Senior Vice President – Marketing and Economic Development, or his designee, be authorized to issue a notice of final action to the affected customers.

"The Chief Operating Officer, the Executive Vice President and General Counsel, 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 Trustees adopt the amendments to the service tariffs applicable to the Authority's Investor-Owned Utility customers, as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file a Notice of Adoption for publication in the *New York State Register* in accordance with the State Administrative Procedure Act; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to submit such other notice(s) as may be required by statute or regulation concerning the adoption of the service tariff amendments; and be it further

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

1k. Authorization to Implement Actions Relating to the Commercial Paper Note Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the appointment of (1) J. P. Morgan Securities Inc. and Morgan Stanley as additional Dealers for the remarketing of up to $150 million each of the Authority's Series 1 Tax-Exempt Commercial Paper Notes; and (2) Bank of America Securities LLC and M. R. Beal & Company as additional Dealers for the remarketing of up to $150 million and $25 million, respectively, of the Authority's Series 2 Tax-Exempt Commercial Paper Notes.

DISCUSSION

Tax-Exempt Commercial Paper Notes

"The Authority's Commercial Paper Program is authorized pursuant to the Resolution Authorizing Commercial Paper Notes ('Resolution') adopted by the Authority on June 28, 1994, as subsequently amended and supplemented. The Resolution authorizes the issuance of general obligation notes known as 'Power Authority Commercial Paper Notes,' which may be issued as separate series of Notes from time to time in accordance with the provisions of the Resolution. Currently, three series of Commercial Paper Notes, designated as Series 1, Series 2 and Series 3, have been authorized and are outstanding. A fourth series, Series 4 Notes, is authorized, but no Series 4 Notes are currently outstanding. Series 1 and Series 2 consist of Notes on which the interest is excluded from gross income for federal income tax purposes ('Tax-Exempt Notes') and Series 3 consists of Notes on which the interest is not excluded from gross income for federal income tax purposes. The Resolution authorizes the issuance of Series 1 Notes up to a maximum of $400 million, Series 2 Notes up to a maximum of $450 million, Series 3 Notes up to a maximum of $350 million and Series 4 Notes up to a maximum of $220 million. The Authority uses a number of authorized dealers for each of the series of Commercial Paper Notes.

"There have been a number of changes recently to the universe of commercial paper marketing agents. Earlier this year, Bear Stearns & Co. was sold to JPMorgan Chase and UBS announced that it was exiting the municipal securities business. Both firms were marketing agents on the Authority's Series 2 Tax-Exempt Commercial Paper Notes program. At their June 24, 2008 meeting, the Trustees approved an increase in the amounts of Series 2 Tax-Exempt Notes that Citigroup and JPMorgan Securities Inc. were authorized to market up to $100 million each. This enabled staff to redistribute the Commercial Paper Notes that had been marketed by Bear Stearns & Co. and UBS to two of the five remaining firms authorized to market Commercial Paper Notes on behalf of the Authority.

"On September 16, 2008, money market investors were rattled when the Reserve Primary Fund, one of the largest money market mutual funds, announced a seven-day freeze on investor redemptions after the net asset value ('NAV') 'broke the buck,' falling below $1. The 'breaking of the buck' by the Reserve Primary Fund resulted from the funds' exposure to commercial paper issued by Lehman Brothers Holdings Inc., which filed for bankruptcy on September 15, 2008. Investors reacted by exiting money market funds for the safety of U. S. government securities, which resulted in interest rates on money market products being driven up. Commercial Paper dealers found it difficult to market paper except that issued by 'good, clean names' such as the Authority. Even with top short-term credit ratings, investors would only purchase the Authority's Commercial Paper Notes for very short periods, generally 1 to 14 days. Confidence is now returning to the money market industry as central banks worldwide have taken unprecedented measures to increase liquidity and guarantee payment of certain investments.

"In response to consolidations in the municipal industry and the stresses facing the global financial markets, staff is seeking to diversify and expand the list of firms authorized to market Commercial Paper Notes. A Request for Proposals ('RFP') was issued on October 6, 2008, with 13 firms invited to submit proposals, including 6 minority- and women-owned business enterprises. Responses were received from seven firms on or prior to the due date of October 27, 2008.

"The seven responses were evaluated based on several criteria, including experience, access to a taxable or tax-exempt investor base and fees for remarketing services. Staff also considered the overall composition and diversification of its Commercial Paper dealer base. Based on the evaluation, staff recommends the appointment of J. P. Morgan Securities Inc. and Morgan Stanley as dealers authorized to market the Authority's Series 1 Tax-Exempt Commercial Paper Notes and Bank of America Securities LLC and M. R. Beal & Company as dealers authorized to market the Series 2 Tax-Exempt Commercial Paper Notes. Remarketing fees are expected to range between 7.5 and 10 basis points per annum.

FISCAL INFORMATION

"Fees for marketing the Authority's Commercial Paper Notes will be funded from the Authority's Operating Fund and are included in the rates of Authority customers.

RECOMMENDATION

"The Treasurer recommends that the Trustees authorize the appointment of (1) J. P. Morgan Securities Inc. and Morgan Stanley as additional Dealers for the remarketing of up to $150 million each of the Authority's Series 1 Tax-Exempt Commercial Paper Notes; and (2) Bank of America Securities LLC and M. R. Beal & Company as additional Dealers for the remarketing of up to $150 million and $25 million, respectively, of the Authority's Series 2 Tax-Exempt Commercial Paper Notes.

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

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

RESOLVED, That the Trustees hereby authorize the appointment of J. P. Morgan Securities Inc. and Morgan Stanley as additional Dealers for the remarketing of up to $150 million each of the Authority's Series 1 Tax-Exempt Commercial Paper Notes; and be it further

RESOLVED, That the Trustees authorize the appointment of Bank of America Securities LLC and M.R. Beal & Company as additional Dealers for the remarketing of up to $150 million and $25 million, respectively, of the Authority's Series 2 Tax-Exempt Commercial Paper Notes; and be it further

RESOLVED, That the Executive Vice President and Chief Financial Officer, the Acting Senior Vice President – Corporate Planning and Finance and the Treasurer be, and each of them hereby is, authorized to execute dealer agreements with J. P. Morgan Securities Inc., Morgan Stanley, Bank of America Securities LLC and M. R. Beal & Company as such officer deems necessary or advisable to effectuate the intent of the foregoing resolutions, subject to the approval of the form thereof by the Executive Vice President and General Counsel; and be it further

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

**1-l. Small Clean Power Plants – Settlement of Claims –
KeySpan Gas Infrastructure Design and Construction –
Capital Expenditure Authorization Request**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital expenditure of $4.4 million for the Small Clean Power Plants Project. The Trustees are also requested to authorize the President and Chief Executive Officer, or his designee, to execute a settlement agreement with National Grid/KeySpan under which the Authority will pay a total amount of $4.4 million to settle all outstanding claims with KeySpan regarding natural gas infrastructure design and construction performed by KeySpan in connection with the Authority's four Small Clean Power Plants that were installed in the New York City metropolitan area in 2001.

BACKGROUND

"At their meeting of August 29, 2000, the Trustees authorized the purchase of up to 11 simple-cycle, natural-gas-fueled gas turbines for installation at six locations in New York City and one at Suffolk County, Long Island, to help alleviate potential power supply shortfalls in the New York City area beginning in the summer of 2001. The constructed facilities, which subsequently became known as the 'Small Clean Power Plants' ('SCPPs'), resulted in the successful operation of such plants.

"In support of the SCPP project, in March 2001 the Authority executed four contracts with Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York ('KeySpan') for the design and construction of facilities necessary to supply natural gas to four gas turbine generating sites in New York City and on Long Island.

"Under these contracts, the Authority agreed to reimburse KeySpan for all costs and expenses reasonably incurred by KeySpan in connection with the installation of natural gas facilities for the four sites. In 2001, the Authority paid KeySpan $7,271,310 in accordance with the estimated amounts provided for in the contracts. In January 2003, KeySpan advised the Authority that its actual costs were approximately $5.4 million higher than the initial estimated costs set forth in the contracts.

"In the summer of 2003, the Authority's Internal Audit department conducted a comprehensive review of the contracts and actual costs and expenses incurred by KeySpan. The Audit Report recommended adjustments involving overhead calculations and identified certain infrastructure improvements at Pouch Terminal on Staten Island that may have been installed more for the benefit of KeySpan's natural gas delivery system than exclusively for Pouch Terminal.

DISCUSSION

"In July 2004, the Authority and KeySpan had agreed to settle claims for two of the four sites for a total amount of $3.3 million. However, KeySpan never sent the Authority the invoice and, thus, no payment was made by the Authority.

"This matter remained dormant for the next four years as it was overshadowed by the KeySpan-National Grid merger negotiations and proceedings. During this time, there was no contact between KeySpan and the Authority regarding the claims. Then, in April 2008, KeySpan contacted the Authority seeking immediate payment in the amount of approximately $5.4 million, plus interest.

"Following a number of meetings and discussions, on October 8, 2008 the Authority and KeySpan reached an agreement, subject to the approval of their respective senior management, to settle the outstanding claims for all four plants for a sum of $4.4 million.

"The proposed settlement of $4.4 million includes $3.3 million of actual costs that KeySpan incurred at two sites, which the Authority had agreed to pay in 2004, and $200,000 for costs at the site on Long Island consistent with findings in the Internal Audit Report. The remaining $900,000 represents a compromise regarding $1.8 million in dispute for the installation of the natural gas facilities for Pouch Terminal. Both parties agreed to split the disputed amount as it would be very difficult to prove which facility improvements solely benefitted KeySpan and which were done exclusively for the Authority.

FISCAL INFORMATION

"The payment to KeySpan of $4.4 million will be made from the Authority's Capital Fund.

RECOMMENDATION

"The Vice President – Project Management and the Assistant General Counsel – Power and Transmission recommend that the Trustees authorize a capital expenditure of $4.4 million for the Small Clean Power Plants Project. It is further recommended that the Trustees authorize the President and Chief Executive Officer, or his designee, to enter into a settlement agreement with National Grid/KeySpan under which the Authority will pay to National Grid/KeySpan $4.4 million to settle all outstanding claims regarding natural gas infrastructure design and construction performed by KeySpan in connection with the four Small Clean Power Plants owned and operated by the Authority.

"The Chief Operating Officer, the Executive Vice President and Chief Engineer – Power Supply, the Executive Vice President and General Counsel and I concur in the recommendation."

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

RESOLVED, That capital expenditures are hereby approved to be committed in accordance with the Authority's Expenditure Authorization Procedures for the settlement of claims by KeySpan regarding gas infrastructure design and construction in connection with the Authority's Small Clean Power Plants in the amount and for the purposes listed below:

Capital	**Expenditure Request**
Settlement of outstanding claims by KeySpan regarding gas infrastructure design and construction in connection with the Small Clean Power Plants	**$4,400,000**

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

2a. Report from the President and Chief Executive Officer

President Richard Kessel welcomed the Trustees to Utica and Ms. Terryl Brown Clemons to her first Trustees' Meeting as Executive Vice President and General Counsel.

He said that he was participating in a number of meetings with Utica-area officials while he was here. On December 15, President Kessel met with Utica Mayor David Roefaro, Assemblywoman RoAnn Destito and Congressman Michael Arcuri, all of whom mentioned that their constituents had significant concerns with the New York Regional Interconnect ("NYRI") proposal. He said that he is scheduling additional meetings in the area for December 17.

President Kessel said that he has asked staff to look into the possibility of reviving the Hudson River Partnership project to build a transmission line under the Hudson River. He said that the Authority's large downstate customers are interested in this project and that he will bring a recommendation to pursue the project or to end it back to the Trustees in the first quarter of 2009.

President Kessel said that he had participated in a conference call with the Governor and his other agency heads earlier in the morning about the proposed fiscal year 2009-10 State budget, which the Governor is releasing today. President Kessel said that the State is facing some very difficult challenges and that he would be presenting a package about the proposed State budget to the Trustees later in the meeting.

He said that significant progress has been made in the Authority's efforts to enhance its profile, particularly with respect to public officials and the news media, and to achieve greater recognition of the many benefits the Authority provides and its potential to do still more in the future.

In other major initiatives, Authority management and staff continued to explore opportunities to strengthen the existing transmission system to accommodate additional imports of hydroelectric power from Quebec, as well as the output of renewable energy facilities in upstate New York, and to assess its economic development power allocation programs.

I. Outreach Activities

Schenectady News Conference

On December 3, President Kessel joined Mr. Robert Callender, New York State Energy Research and Development Authority Vice President for Programs, and Eric Ely, Superintendent of the Schenectady City School District, at a news conference to announce the start of the Authority's Hybrid School Bus Study, the

nation's first side-by-side study of the performance of standard and plug-in hybrid technologies. Schenectady Mayor Brian Stratton and Assemblyman George Amedore also attended.

The Schenectady district is the first of three in the State that will participate in the three-year study, which will compare the performance of two hybrid school buses using the different technologies and a standard diesel school bus. All of the buses will travel under the same conditions and on the same routes. The Authority is providing $297,000 of the $664,000 in project costs.

The event was covered by the Capital District's five principal television stations, as well as the Albany Times-Union and the Schenectady Gazette.

Solvay News Conference

Also on December 3, President Kessel participated in a news conference with Mayor Tony Modafferi of the Village of Solvay to launch the Authority's "Weatherization Blitz" program for its municipal electric system customers in Central New York. The Syracuse Post-Standard and the local NBC television affiliate covered the event.

The "Weatherization Blitz" is part of Governor Paterson's statewide plan to help low-income New Yorkers reduce their heating bills this winter. The Authority is implementing the program in its municipal system service territories. (A news conference was held last month in Freeport to announce the program for the Long Island municipal systems. A press conference in Jamestown in January is being planned, as well as one in Elmira.)

Syracuse Meetings

While in Central New York, President Kessel met with Syracuse Mayor Matthew Driscoll and the Post-Standard's editorial board.

Mayor Driscoll discussed issues of importance to the region and asked that the Authority explore opportunities to increase its economic development role in upstate New York. He offered to provide assistance in this process.

In addition to members of the editorial board, the Post-Standard meeting was attended by Tim Knauss, the newspaper's energy writer, and Michelle Breidenbach, a reporter who wrote a sharply critical series of articles about the Authority in 2006. Among the subjects discussed in the positive session were the New York Regional Interconnect line and potential Authority transmission investments.

<u>Watertown Daily Times Interview</u>

A phone interview that President Kessel did in November with Tom Wanamaker, the Watertown Daily Times' Albany correspondent, resulted in a lengthy article highlighting President Kessel's comments on the need to build or upgrade transmission lines to carry hydropower from Quebec for use in New York State, including the upstate region. The Times followed the news story with an editorial terming this "a sound proposal." Historically, the Watertown Daily Times has been among the most thoughtful and accurate of New York State newspapers in its coverage of the Authority, and the Authority will continue to work to keep its relationship with the Times on a solid footing.

<u>New York City Meeting</u>

On November 13, President Kessel and Mr. Gil Quiniones met with New York City officials, headed by Edward Skyler, Deputy Mayor of Operations, to discuss power supply issues and energy efficiency projects. Mayor Michael Bloomberg briefly joined the group.

<u>MTA Meeting</u>

President Kessel and Gil Quiniones also met on November 24 with Elliot Sander, Executive Director and Chief Executive Officer of the Metropolitan Transportation Authority ("MTA"), and members of his staff. Among the various issues discussed was the Authority's plan to obtain 6 MW of solar power capacity for installation at MTA facilities.

II. <u>Strategic Initiatives</u>

<u>Transmission</u>

As a follow-up to President Kessel's discussions with Hydro-Québec executives in November, at the time of Governor Paterson's economic summit with Canadian officials, Authority Transmission staff will meet with their Hydro-Québec counterparts to begin exploring ways to increase imports of Québec hydropower by New York State. These efforts will complement an ongoing study for the Authority being conducted by Siemens-PTI on strengthening transmission capability from Québec and from wind projects in northern and western New York. He also said that staff is looking into the possibility of purchasing power from Ontario Power and bringing it to the western part of the State underneath one of the Great Lakes.

Economic Development

A staff study of the Authority's business power allocations programs and procedures initiated at President Kessel's direction is moving forward. President Kessel expects to present the findings of the study to the Trustees at their Annual Meeting in March.

Energy Services and Technology

In recognition of the fact that the Authority should play an even greater role in energy efficiency and clean energy activities in New York State, President Kessel directed Energy Services and Technology staff to develop a business strategy for expanding the Authority's energy services programs to small and medium-sized governmental facilities, especially K-12 schools. A proposal is expected in the first quarter of 2009.

Long-Term Planning

President Kessel has directed staff to schedule an off-site long-term strategic planning meeting for January, to which the Trustees will be invited. The purpose is to review and update the 2009-13 Strategic Plan and the 2009-18 Capital Investment Plan. The new plans will be submitted to the Trustees at the March Annual Meeting.

In response to questions from Trustee Foster on what progress is being made to restore the Authority's integrity and rebuild its reputation, President Kessel said that after interim discussions with management six weeks ago, Navigant Consulting is preparing its final report, which should be ready within the next couple of weeks. The report will then be presented to the Trustees and President Kessel said that some of the recommendations would be implemented early in 2009.

2b. Report from the Chief Operating Officer

The past month has been an eventful and productive period for the Authority. The following report summarizes the major activities and accomplishments of the operating groups and also identifies significant issues that are likely to arise in the next six months, as well as critical ongoing challenges.

I. Key Activities and Accomplishments of the Past Month

Power Supply

The Authority's generating and transmission facilities continued their strong operating performance.

For the generating plants, the systemwide unforced capacity rating for November was 98.6%, slightly better than the target of 98.5.[1] Total generation for the month was 2,343,292 mwh, well above the projection of 1,986,286 mwh. On a systemwide basis, Authority facilities were available to produce electricity 92% of the time.

The Authority's transmission facilities attained a 99.5% reliability rating for November, surpassing the 99% target.[2] The month's only significant generation outage occurred on November 22, when Unit 7A at the 500 MW combined-cycle power plant in Queens tripped because of the loss of AC lube oil and AC hydraulic oil pumps, and Unit 7B went off line because of a loss of excitation.[3]

After obtaining the approval of the New York Independent System Operator, the Authority temporarily removed from service the two 345-kilovolt transmission lines from the Niagara Power Project to Ontario Power Generation's Sir Adam Beck generating station to carry out detailed inspections necessary to address deterioration of the Niagara Project dam face's interior surface above the lines. Damage to the lines could cause a lengthy forced outage that would affect system reliability in the State's electrical grid. Based on the inspection, staff will prepare specifications and bid documents for full remediation in 2009 and 2010. An outage is being scheduled to carry out interim repairs in several areas requiring immediate attention.

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[1] All power plants have an installed capacity, or ICAP, meaning the amount of power they could generate under perfect conditions. Since conditions are not always perfect and outages occur, there is a second measurement called unforced capacity, or UCAP, which is how much power the plant actually can produce.

[2] The transmission reliability rating reflects the impact of forced and scheduled outages on the statewide system's ability to transmit power; with a 99.5 rating, the NYPA outages had an impact of only .5 percent.

[3] Excitation is the process by which a direct-current magnetic field is created on the rotor, the component of an electric generator that is attached to the turbine. This enables the stator, another generator component, to produce alternating-current electricity for distribution to the system.

Energy Services and Technology

The Authority's energy efficiency investments in November totaled $13.5 million, bringing the year-to-date total to $104.9 million. The Authority is on track to invest between $115 million and $120 million for the year, exceeding the target of $110 million.

Overhead cost recovery for November was 149%, which increased cumulative year-to-date recovery to 99%. Clean energy benefits for the month amounted to 38,973 mwh, including 27,940 mwh from energy efficiency and renewable projects and the remainder from the purchase of renewable energy attributes.[4] The year-to-date clean energy total is 210,000 mwh, well above the full-year target of 152,000 mwh.

On December 12, the Authority submitted proposed legislation to the Governor's Office that would effectively enable the Authority to undertake any type of energy services project, including green building development, for any public or private entity anywhere in the State "if deemed feasible and advisable" by the Authority's Trustees. By eliminating current restrictions on the types of projects the Authority can carry out, the bill could significantly expand the Authority's role with respect to energy efficiency, clean energy and sustainable building development.

The Authority is working with the Governor's Counsel's Office to ensure that the bill is advanced by the Governor and ultimately passed by the Legislature.

Marketing and Economic Development

Our second Customer Satisfaction survey, completed in November, showed results of 68% overall satisfaction, 75% perceived value and 78% customer loyalty. All three measurements represented slight improvements from the first-quarter ratings. Among 12 northeastern utilities, the Authority ranks first in customer loyalty and second in customer satisfaction and perceived value. Our goal for 2008 was to establish a solid benchmark and baseline, an objective achieved through the two surveys.

At President Kessel's request, an internal team was formed to evaluate the Authority's economic development power programs, focusing on allocation processes and criteria. Recommendations are expected to be ready for the Trustees' review in March, after which they will be forwarded to the Governor's Office.

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[4] Renewable energy attributes are the environmental, social and economic features of renewable energy that may be sold separately from the energy itself; the Authority obtains such attributes on behalf of its New York City governmental customers.

<u>Corporate Services and Administration</u>

Work proceeded on Phase 3 of the Authority's Human Resources study, emphasizing succession planning. Efforts continued to assist the Human Resources Department in developing a strategy focused not only on succession planning but also on recruiting and retaining a talented workforce.

The Authority's consultant, Scott Madden, completed the first two phases of the study, including an analysis of the Department's organizational design and business practices and a comparison to industry best practices. The consultant submitted recommendations in these areas and assisted in developing an implementation plan and preparing an Applicant Tracking System scheduled to go into effect by early next year.

Meanwhile, Navigant Consulting completed a review of the Authority's Travel, Inspector General and Corporate Security, Corporate Compliance and Audit functions, continuing an assessment of these and other support organizations that began in the first half of the year. The consultant is addressing additional requests by President Kessel and will provide further recommendations concerning the groups by the end of the year.

II. <u>Anticipated Developments Over the Next Six Months</u>

<u>Power Supply</u>

The Authority will engage an outside consultant to conduct a review of the Power Supply Business Group's organization and operations, with the work to be completed by late March or early April. Solicitations are under review for the study, which will examine the potential for synergies within the recently formed group, which now combines generation and transmission functions. The group's impact on overall Authority organization will be studied, along with such matters as organizational structure and business processes, identification of gaps in skills and capability and the need for contractor/consultant support.

Staff has also begun a series of studies to evaluate and facilitate implementation of plans to address the transmission needs of New York State and New York City. Objectives are to assure adequate transmission infrastructure, increase the transmission asset base and support development of renewable energy by increasing transmission capacity.

On December 11, the Authority and Siemens-PTI began a study of transmission system improvements that will permit transfer of increased imports from Hydro-Québec and energy from wind projects in northern and western New York to major load centers. Phase 1 of the study is scheduled for completion on April 15, 2009.

This study is going to be coordinated with a systemwide analysis being conducted by New York State's transmission owners.

III. Major Challenges and Opportunities

Power Supply

A significant challenge in the period immediately ahead will be to confront the risks associated with the Authority's aging generation and transmission infrastructure, including facilities such as the transmission lines at Niagara and the Moses-Adirondack lines.

One critical assignment will be to balance the fact that the Poletti project is scheduled for retirement by January 31, 2010, with the need to continue to make sufficient investments in the facility to avoid operational problems and potentially costly outages that could threaten system reliability. Clearly, while investments in Poletti cannot be comparable to what they would be if long-term operation were anticipated, the Authority must remain attentive to the project's current requirements.

Marketing and Economic Development

The State and national economic crises continue to pose a major challenge. Many New York State companies, including a number of the Authority's customers, already face serious difficulties.

Under these conditions, the Authority must prepare for a number of scenarios: Some of the Authority's customers will close or drastically reduce their current operations. Others will cut jobs, but will urge that their low-cost power allocations from the Authority remain intact. Still other businesses, not currently Authority customers, will seek allocations of economical Authority power; the demand will almost certainly outstrip the supply, even if some power becomes available as a result of current customers closing their facilities. For example, on December 9, ArcelorMittal, a longtime Authority customer, announced that it will close its Lackawanna steel-finishing plant by the end of April. The company receives 35.4 MW of hydropower and employs 260 workers, below its commitment of 350.

The current crisis in the automobile industry could have profound effects in New York State, particularly in the upstate region. Recent reports have indicated that more than 21,000 upstate manufacturing jobs, a number provided by Authority customers, could be lost if the federal government doesn't provide assistance to the automakers. More than 50,000 jobs in the State could be affected.

In northern New York, the Authority is working with State and local officials to ensure that the hydropower to be relinquished when the General Motors Powertrain plant in Massena closes in June 2009 will be put to the best possible use to create jobs in St. Lawrence, Jefferson and Franklin counties, as required by 2005 legislation. A Northern New York Advisory Group, modeled on the Authority's successful experience in western New York, has been established to assist in this process and held its first meeting on December 10.

<u>Corporate Services and Administration</u>

As indicated previously, succession planning remains a critical challenge, as reflected in the facts that about half of Authority employees are over the age of 50 and that 7.4% will be eligible to retire with a full pension at the end of 2008. The Authority can expect to lose 40% of its work force over the next five years, with the number likely to be even greater for certain facilities and departments. This is a major operational risk that the Authority is addressing and dealing with very aggressively.

In response to a question from Acting Chairman Townsend, Mr. Quiniones said that the recent ice storm had only made a small impact on the Authority's Vischer Ferry small hydro plant. He said that President Kessel had called the heads of National Grid, Central Hudson and New York State Electric and Gas Corporation to offer the Authority's help in recovery efforts.

2c. <u>Report from the Chief Financial Officer</u>

Mr. Joseph Del Sindaco presented the financial reports for the 11 months ended November 30, 2008 to the Trustees. In response to a question from Trustee Nicandri, Mr. Del Sindaco said that the Madoff investment firm scandal would not have any effect on the Authority. Responding to a comment by Trustee Besha that the Port Authority had trouble placing its three-year commercial paper, Mr. Del Sindaco said that the Power Authority had been successful because its recent issue was 30-day commercial paper.

3. 2009 Operation and Maintenance, Capital, Energy Services and Fuel Expenditure Budgets

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the 2009 Budgets for Operation and Maintenance ('O&M'), Capital, Energy Services and Fuel Expenditures as follows:

	2009 Budget ($ million)
O&M	304.5
Capital	184.5
Energy Services	120.6
Fuel	543.5

BACKGROUND

"The Authority is committed to providing reliable, affordable and clean energy consistent with its dedication to safety, while promoting the development of energy-efficient technologies, for the benefit of the state of New York. The 2009 budgets are intended to provide the Authority's operating facilities and support organizations with the resources needed to meet this overall mission and the Authority's strategic objectives.

DISCUSSION

O&M

"The O&M budget of $304.5 million represents an increase of $9.5 million, or 3.2%, from the 2008 budget.

"Payroll costs, which include salaries, overtime and fringe benefits, account for $165.4 million, or approximately 54%, of the budget. This represents a $2.9 million increase from the 2008 budget of $162.5 million. Factors contributing to the payroll increase include the incorporation of annual and bargaining unit increases, new positions added in 2008 and requested for 2009 and salary adjustments, partially offset by increased labor charged to capital projects and a slight decrease in employee benefit costs. Non-payroll expenses of $139.1 million increase $6.6 million due to increased planned maintenance outages supported by contractors, higher Information Technology ('IT') service contracts to support new and existing communications and computer systems and increases in recurring materials and contract services costs for Power Supply facilities. Some of this increase is offset by an executive decision to reduce travel, consultants, office supplies, books and publications, seminars and conferences and Blackberry and cell phones by 10% from the 2008 Budget.

"Power Supply's 2009 budget is $4.6 million (2.2%) above the 2008 level primarily due to greater outage costs and salary, material and services escalation, partially offset by a shift of labor from recurring maintenance to capital. During 2009, the outage budget of $15.5 million includes a Hot Gas Path Inspection at the 500 MW plant, along with maintenance outages at numerous Small Clean Power Plant ('SCPP') units. Major non-recurring projects include the St. Lawrence E-Bay Brick Façade Repairs ($3.0 million), Blenheim-Gilboa ('B-G') Taintor Gate Painting Seal and Grouting Repairs ($1.2 million), Crescent Dam C Erosion ($1.1 million), Astoria Gas Pipe Support Maintenance ($1.0 million) and the LPGP Life Extension and Modernization Study ($0.9 million).

"Headquarters support departments are $4.9 million (6.5%) above the 2008 level, due primarily to salary escalation and the addition of new positions, increased IT maintenance agreements and additional non-recurring programs for 2009.

"The R&D budget of $8.3 million is $0.4 million below 2008.

Fuel

"The Fuel budget of $543.5 million is a decrease of $1.7 million (0.3%) from 2008. This is a cash budget reflecting planned fossil-fuel purchases in 2009 for Poletti, Flynn, the SCPPs and the 500 MW plant, plus the first-year cost of the Regional Greenhouse Gas Initiative ('RGGI'). The budget assumes lower commodity prices and slightly reduced generation at most facilities. The RGGI requires the Authority to buy emission credits for its fossil-fuel plants. The 2009 RGGI budget of $32.6 million is based on historical emission rates and the forecasted consumption of natural gas and oil.

Capital

"The 2009 Capital budget totals $184.5 million, an increase of $42.1 million (29.6%) from 2008. The increase mostly reflects additional capital projects for the Niagara facility. Included in this request are both new and ongoing capital projects, as well as general plant equipment purchases. Significant capital projects include $20.5 million and $19.5 million respectively, for the B-G and St. Lawrence Life Extension projects and $21.4 million for agreed-upon commitments in the relicensing applications for Niagara and St. Lawrence. Headquarters administrative support projects total $25.4 million and primarily comprise IT-related initiatives and Fleet Management vehicle and equipment purchases.

Energy Services

"Energy Conservation/Renewable projects account for $120.6 million, $15.8 million above the 2008 budget. The 2009 budget includes increased funding for energy efficiency projects for Authority customers and government entities, and initial funding for the Lower Manhattan Energy Initiative.

FISCAL INFORMATION

"Payment will be made from the Operating Fund for Operation and Maintenance and Fuel Purchases.

"Payment will be made from the Capital Fund or Energy Conservation Effectuation Fund for Capital and Energy Services expenditures.

RECOMMENDATION

"The Executive Vice President and Chief Financial Officer and the Vice President and Controller recommend approval of the 2009 Operation and Maintenance, Fuel, Capital and Energy Services expenditure budgets as discussed herein.

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Engineer – Power Supply, the Senior Vice President – Enterprise Shared Services and I concur in the recommendation."

Mr. Robert Hopkins presented the highlights of staff's recommendations to the Trustees. Acting Chairman Townsend thanked staff for reaching out by phone to individual Trustees to respond to questions about the proposed budget. Trustee James Besha said that, although it was very thoroughly prepared, the 2009 budget is basically a business-as-usual budget, and that the Trustees want to provide input earlier in the process for the 2010 budget in order to carry out their oversight role. He said that the capital budget needs to be more

aggressive in terms of addressing issues connected with the Authority's aging plants. Trustee Jonathan Foster said that the budget does not contain enough trend or sensitivity analysis. Mr. Hopkins said that the budget process would be modified to meet the Trustees' needs. Trustee Eugene Nicandri said that it appeared that the Authority's post-retirement benefits were only partially funded and that he'd like to discuss this. Mr. Joseph Del Sindaco said that the Authority believes that its recently created other post-employment benefits trust fund is sufficiently funded, as does the investment community. Acting Chairman Townsend said that this dialogue illustrates the need for earlier Trustee involvement in the budget process. Trustee D. Patrick Curley said that next year he would like to have the operating and capital budget processes separated, with an earlier start for the capital budget, looking at return on investment, as well as the 10-year and 4-year forecasts. He added that he thought it would be beneficial to approve the operating budget before December. Trustee Besha said that he thinks some thought should be given to using zero-based budgeting to bring clarity to what is being looked at. In response to a question from Trustee Nicandri, Mr. Hopkins said that the 2009 budget needs to be approved today in order to meet statutory deadlines. Responding to a question from Trustee Foster, Mr. Del Sindaco said that the Trustees were being asked to approve both the expense and the revenue sides of the budget at today's meeting. Trustee Nicandri said that the Trustees had not had a chance to discuss some of the expenses amongst themselves. Ms. Joan Tursi said that the expenses listed are needed to run the Authority. In response to a question from Trustee Foster, Ms. Tursi said that if revenues in January and February turn out to be lower than projected, the budget could then be adjusted. Mr. Del Sindaco added that the operating forecast had been presented to the Trustees at their September meeting. Responding to a question from Trustee Besha, Mr. Donald Russak said that the payments to the State in the 2009 budget are estimates and that staff would return to the Trustees for approval of any specific payments to be made during 2009.

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

RESOLVED, That the 2009 budgets for Operation and Maintenance, Fuel, Capital and Energy Services expenditures, as discussed in the foregoing report of the President and Chief Executive Officer, are hereby approved; and be it further

RESOLVED, That up to $138.8 million of monies in the Operating Fund are hereby authorized to be withdrawn from such Fund and deposited in the Capital Fund, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Subsections (1)(a)-(c) of

Section 503 of the General Resolution Authorizing Revenue Obligations adopted on February 24, 1998, with the satisfaction of such condition being evidenced by a certificate of the Treasurer or the Deputy Treasurer; and be it further

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

O&M AND FUEL
2009 BUDGET
($ MILLIONS)

DEPARTMENT	2008	2009	% CHANGE
EXECUTIVE OFFICES	***16.6***	***19.7***	***18.4%***
BUSINESS SERVICES	***19.2***	***20.8***	***8.2%***
CHIEF ADMINISTRATION	***34.7***	***35.1***	***1.4%***
ENERGY MARKETING AND BUSINESS DEV.	***12.0***	***12.2***	***1.6%***
POWER SUPPLY			
OPERATIONS SHARED SERVICES - HQ	*19.6*	*20.5*	*4.9%*
CLARK ENERGY CENTER	*10.8*	*13.2*	*22.9%*
TRANSMISSION FACILITIES	*28.3*	*29.1*	*2.9%*
BLENHEIM - GILBOA	*14.8*	*14.9*	*0.3%*
CHARLES POLETTI	*20.3*	*17.5*	*(13.8%)*
NIAGARA	*44.4*	*39.4*	*(11.1%)*
ST. LAWRENCE	*18.3*	*22.2*	*21.8%*
R.M. FLYNN	*5.7*	*7.0*	*23.8%*
SCPP	*15.2*	*19.3*	*26.6%*
SMALL HYDRO	*6.7*	*5.5*	*(17.0%)*
500 MW	*19.4*	*19.6*	*(1.1%)*
TOTAL POWER SUPPLY	***203.8***	***208.4***	***2.2%***
R&D AND INSTITUTIONAL FUNDING	***8.7***	***8.3***	***(4.5%)***
TOTAL O&M BUDGET	***295.0***	***304.5***	***3.2%***
FUEL			
OIL	*37.8*	*13.7*	*(63.8%)*
GAS	*507.4*	*497.2*	*(2.0%)*
REGIONAL GREENHOUSE GAS INITIATIVE	*0.0*	*32.6*	
TOTAL FUEL BUDGET	***545.2***	***543.5***	***(0.3%)***

CAPITAL

2009 BUDGET

($ MILLIONS)

	2008	2009	% CHANGE
POWER SUPPLY			
CLARK ENERGY CENTER & TRANSMISSION	*23.5*	*17.6*	
BLENHEIM - GILBOA	*26.1*	*24.3*	
POLETTI	*0.2*	*0.0*	
500 MW	*7.4*	*6.9*	
R.M. FLYNN	*0.6*	*5.1*	
SCPP	*0.2*	*5.5*	
NIAGARA	*17.9*	*55.8*	
ST. LAWRENCE	*40.1*	*43.9*	
	116.0	***159.1***	***37.2%***
ADMINISTRATION SUPPORT	***26.4***	***25.4***	***(3.8%)***
TOTAL CAPITAL BUDGET	***142.4***	***184.5***	***29.6%***

ENERGY SERVICES
2009 BUDGET
($ MILLIONS)

	2008	2009	% CHANGE
ENERGY CONSERVATION			
LONG-TERM AGREEMENTS	*58.8*	*65.5*	
OTHER NYPA-FUNDED PROGRAMS	*39.8*	*47.6*	
PETROLEUM OVERCHARGE RESTITUTION PROGRAMS	*2.5*	*3.1*	
LOWER MANHATTAN ENERGY INITIATIVE	*0.0*	*4.4*	
ENVIRONMENTAL BOND ACT AND BOE PROGRAMS	*2.7*	*0.0*	
OFFSET EMISSIONS PROJECTS	*1.0*	*0.0*	
TOTAL ENERGY SERVICES BUDGET	***104.8***	***120.6***	**15.1%**

4. Approved Budget and Financial Plan Information Pursuant to Regulations <u>of the Office of the State Comptroller</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"In accordance with regulations of the Office of the State Comptroller ('OSC'), the Trustees are requested to approve a 2009 annual budget and four-year financial plan and authorize: (i) making the approved budget and four-year financial plan available for public inspection at not less than five convenient public places throughout New York State; (ii) submitting the approved budget and four-year financial plan to OSC and (iii) posting the approved budget and four-year financial plan on the Authority's website.

BACKGROUND

"OSC implemented new regulations in March 2006 that address the preparation of annual budgets and four-year financial plans by 'covered' public authorities, including the Authority. (See 2 NYCRR Part 203 ('Part 203'), attached as Exhibit '4-A.') These regulations establish various procedural and substantive requirements, discussed below, relating to the budgets and financial plans of public authorities.

DISCUSSION

"Part 203 sets forth specific requirements in connection with submitting, formatting, preparing supporting documentation for and monitoring annual budgets and financial plans of public authorities. On September 23, 2008, the Trustees approved for public release the Authority's proposed 2009 budget and four-year financial plan pursuant to Part 203.

"Under Part 203, it is now necessary and appropriate for the Trustees to adopt an approved 2009 budget and four-year plan (attached as Exhibit '4-B'). The approved 2009 budget and four-year plan must be available for public inspection not less than seven days before the commencement of the next fiscal year and the availability for public inspection must be for a period of not less than 45 days and in not less than five convenient public places throughout the State. The approved budget and four-year plan must be submitted to OSC, via electronic filing through the Public Authorities Reporting Information System maintained by OSC and the Authority Budget Office, within seven days of approval by the Trustees. The regulations also require the Authority to post the proposed budget and four-year financial plan on its website.

"Under Part 203, each approved budget and four-year financial plan must be shown on both an accrual and cash basis and be prepared in accordance with generally accepted accounting principles; be based on reasonable assumptions and methods of estimation; be organized in a manner consistent with the public authority's programmatic and functional activities; include detailed estimates of projected operating revenues and sources of funding; contain detailed estimates of personal service expenses related to employees and outside contractors; list detailed estimates of non-personal service operating expenses and include estimates of projected debt service and capital project expenditures.

"Other key elements that must be incorporated in each approved budget and four-year financial plan are a description of the budget process and the principal assumptions, as well as a self-assessment of risks to the budget and financial plan. Additionally, the approved budget and financial plan must include a certification (Exhibit '4-C') by the Chief Operating Officer (defined as the executive officer responsible for overseeing the day-to-day activities of an authority) that, to the best of his or her knowledge and belief after reasonable inquiry, the proposed budget and financial plan are based on reasonable assumptions and methods of estimation and that the Part 203 regulations have been satisfied.

"Finally, as indicated in the proposed budget and four-year financial plan, the approved budget and four-year financial plan uses updated estimates of generation, fuel prices, electric prices, operation and maintenance expenses, capital costs and other revenue and expense items. The approved budget and four-year financial plan includes a section discussing the differences between the proposed and approved budget and four-year financial plan.

FISCAL INFORMATION

"There is no anticipated fiscal impact.

RECOMMENDATION

"The Acting Senior Vice President – Corporate Planning and Finance recommends that the Trustees approve the 2009 annual budget and four-year financial plan and authorize: (i) making the approved budget and four-year financial plan available for public inspection at no less than five convenient public locations throughout New York State; (ii) submitting the approved budget and four-year financial plan to the Office of the State Comptroller in the prescribed format and (iii) posting the approved budget and four-year financial plan on the Authority's website.

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

Mr. Thomas Davis presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Foster, Mr. Davis said that the last five years' estimates of generation levels had been accurate once, since the levels are so variable, particularly because of the weather. In response to a question from Trustee Elise Cusack, Mr. Davis said that the estimates are purposely conservative. Trustee Besha said that one of his concerns was the possibility of the coincidence of several risks and that he would like to see additional analysis done on a "perfect storm" or worst-case scenario. Mr. Del Sindaco said that the Authority's operating reserve is now $350 million, or twice the minimum required to be held in reserve. Trustee Besha said that this may seem like a lot of money, but that realistically it might only last 60-90 days in the event of an emergency. Mr. Del Sindaco said that the bond rating agencies require the Authority to keep 100 days' cash in reserve. Trustee Besha said that the Authority's revenues are being driven by 50-year-old facilities. In response to a question from Trustee Foster, Mr. Davis said that the difference in 2009 net revenue estimates between the September proposed budget and the current approved budget is caused by lower-than-expected generation at the hydro facilities and increased payments to New York State. Mr. Russak said that the Trustees do have some control of the Authority's market-supplied power in the form of the Power for Jobs ("PFJ") rebates. Responding to a question from Trustee Besha, Mr. Del Sindaco said that the Trustees had never turned down any of the PFJ customers' requests for such rebates. In response to a question from Trustee Foster, Mr. Del Sindaco said that

the $175 million minimum operating reserve figure was arrived at by looking at what events could occur (for example, downtime on the 500 MW project).

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

RESOLVED, That pursuant to 2 NYCRR Part 203, the attached 2009 annual budget and four-year financial plan, including its certification by the Chief Operating Officer, is approved in accordance with the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to 2 NYCRR Part 203, the Corporate Secretary be, and hereby is, authorized to make the approved budget and four-year financial plan available for public inspection at not less than five convenient public places throughout New York State, submit the approved budget and four-year financial plan to the Office of the State Comptroller in the prescribed format and post the approved budget and four-year financial plan on the Authority's website; and be it further

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

5. <u>2009 Trustees' Work Plan</u>

Trustee Besha distributed the following draft 2009 work plan to the other Trustees, suggesting that each topic could be the subject of discussion at one of the Trustees' Meetings in 2009, with some topics being carried over from one meeting to another and some topics (such as the capital plan) being more important than others. Acting Trustee Townsend thanked Trustee Besha for his effort in putting this draft together.

1. ***Capital plan (near term)***
2. ***Succession planning***
3. ***Diversity and environmental justice***
4. ***Performance (including corporate restructuring and process reengineering)***
5. ***Future – 10-year strategic plan***
6. ***Compliance***
7. ***Outreach (community relations/PR)***
8. ***Governance***
9. ***Audit and oversight – risk management – Inspector General***
10. ***2010 work plan***

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

"Mr. Chairman, I move that the Authority conduct an executive session pursuant to Sections 105(1)(c), (d) and (f) of the Public Officers Law of the State of New York to discuss information relating to current and future investigations and to discuss matters leading to the appointment, employment, promotion, discipline, suspension, dismissal or removal of a particular person or corporation." On motion made and seconded, an Executive Session was held.

7. Motion to Resume Meeting in Open Session

"Mr. Chairman, I move to resume the meeting in Open Session." On motion made and seconded, the meeting resumed in open session.

8. <u>Award of Contract to Financial Advisor</u>

On motion made and seconded, the Trustees authorized the award of a contract to Bank of America for providing financial advice to the Board of Trustees.

9. **Next Meeting**

The next Regular Meeting of the Trustees will be held on Tuesday, January 27, 2009, at 11:00 a.m., at a location to be determined, unless otherwise designated by the Acting Chairman with the concurrence of the Trustees.

<u>Closing</u>

On motion made and seconded, the meeting was adjourned by the Acting Chairman at approximately 3:00 p.m.

Anne B. Cahill
Corporate Secretary