

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

March 25, 2008

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Minutes of the Annual Meeting of the Power Authority of the State of New York held via video conference at the following participating locations at 11:05 a.m.:

- 1) New York Power Authority, 123 Main Street, White Plains, NY
- 2) Volusia Reporting Company, 432 South Beach Street, Daytona, FL

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

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

Roger B. Kelley	President and Chief Executive Officer
Thomas J. Kelly	Executive Vice President, General Counsel and Chief of Staff
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer
Gil C. Quiniones	Executive Vice President – Energy Marketing and Corporate Affairs
Vincent C. Vesce	Executive Vice President – Corporate Services and Administration
Steven J. DeCarlo	Senior Vice President – Transmission
Angelo S. Esposito	Senior Vice President – Energy Services and Technology
William J. Nadeau	Senior Vice President – Energy Resource Management and Strategic Planning
Edward A. Welz	Senior Vice President and Chief Engineer – Power Generation
James H. Yates	Senior Vice President – Marketing and Economic Development
Thomas P. Antenucci	Vice President – Project Management
Richard J. Ardolino	Vice President - Engineering – Project Management
Arnold M. Bellis	Vice President and Controller
Paul F. Finnegan	Vice President – Intergovernmental and Community Affairs
John M. Hoff	Vice President – Procurement and Real Estate
Lesly Y. Pardo	Vice President – Internal Audit
Donald A. Russak	Vice President – Finance
William V. Slade	Vice President – Environment, Health and Safety
Thomas Warmath	Vice President and Chief Risk Officer
Joseph J. Carline	Assistant General Counsel - Power and Transmission
Stephen P. Shoenholz	Deputy Vice President – Public Affairs
Daniel Wiese	Inspector General and Vice President – Corporate Security
Brian C. McElroy	Treasurer – Corporate Finance
Lisa A. Cole	Deputy Treasurer – Corporate Finance
Anne B. Cahill	Corporate Secretary
Angela D. Graves	Deputy Corporate Secretary
Dennis T. Eccleston	Chief Information Officer
John J. Suloway	Executive Director – Licensing, Implementation and Compliance
Thomas J. Concadoro	Director - Accounting – Business Services
Joseph Leary	Director - Corporate Community Affairs – Public and Governmental Affairs
Mark D. O’Connor	Director - Real Estate – Procurement and Real Estate
James F. Pasquale	Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing
Michael A. Saltzman	Director – Media Relations
Michael J. Mitchell	Project Manager – Project Management
Caroline G. Garcia	Manager - Power Contracts – Marketing and Economic Development
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
Ricardo Da Silva	Electrical Engineer – Project Management

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Diane Gil	Senior Procurement and Material Management System Analyst – Procurement and Real Estate
Oksana U. Karaczewsky	Senior Procurement Compliance Coordinator – Procurement and Real Estate
Jack Murphy	Temporary Public Relations Counsel

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

1. **Housekeeping: Review of Calendar of Trustees' Meetings for Balance of Year**

The Chairman submitted the following:

Review of Calendar of Trustees' Meetings for Balance of Year
(all meetings are on Tuesdays at 11:00 a.m.)

Date	Location
April 29	White Plains Office
May 20	Blenheim-Gilboa
June 24	St. Lawrence Project
July 29	White Plains Office
September 23	White Plains Office
October 28	White Plains Office
November 25	White Plains Office
December 16	White Plains Office

2. **Consent Agenda:**

Chairman Frank McCullough asked if any Trustees wanted any item or items moved from the Consent Agenda to the Discussion Agenda, telling them that item #2c (Allocation of 250 kW of Hydropower) was being moved to the Discussion Agenda. He then asked if any Trustees had any conflicts based on the contract list that had been provided to them with their agenda books. Chairman McCullough told the Trustees that item #2b (Power for Jobs Program – Extended Benefits) had been approved by the Economic Development Power Allocation Board at its March 18th meeting and that items #2f (Annual Review and Approval of Guidelines and Procedures and Annual Reports for the Disposal of Personal and Real Property) and #2g (Annual Review and Approval of Guidelines and Procedures for the Acquisition of Realty Property) had been reviewed and recommended for approval by the Governance Committee at its meeting on February 26th.

a. **Minutes of the Regular Meeting held on February 26, 2008**

The Minutes of the Regular Meeting held on February 26, 2008 were unanimously adopted.

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 23 Power for Jobs (‘PFJ’) customers as listed in Exhibit ‘2b-A.’ In addition, the Trustees are requested to approve modifications to the benefits for three customers that have applied to have their PFJ benefits reinstated after having been reduced by the Economic Development Power Allocation Board (‘EDPAB’) for non-compliance with their job commitments as detailed in Exhibit ‘2b-B.’ EDPAB has recommended that these customers receive such benefits and modifications.

BACKGROUND

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

“The PFJ program originally made 400 megawatts (‘MW’) of power available. The program was to be phased in over three years, with approximately 133 MW made available each year. In July 1998, as a result of the initial success of the program, the Legislature amended the PFJ statute to accelerate the distribution of the power and increase the size of the program to 450 MW.

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

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

“PFJ customers whose contracts expired on or prior to November 30, 2004 were eligible for a rebate to the extent funded by the Authority from the date their contract expired through December 31, 2005.

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

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

“In 2005, provisions of the approved State budget extended the period PFJ customers could receive benefits until December 31, 2006. Chapter 645 of the Laws of 2006 included provisions extending program benefits until June 30, 2007. Chapter 89 of the Laws of 2007 included provisions extending program benefits until June 30, 2008.

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

DISCUSSION

“At its meeting on March 18, 2008, EDPAB recommended that the Authority’s Trustees approve electricity savings reimbursement rebates to the 23 businesses listed in Exhibit ‘2b-A.’ Collectively, these organizations have agreed to retain more than 20,000 jobs in New York State in exchange for the rebates. The rebate program will be in effect until June 30, 2008, the program’s sunset.

“Also, at its meeting on March 18, 2008, based on the reconsideration criteria, EDPAB recommended that the Authority’s Trustees approve modifications to the benefits for three customers that have applied to have their PFJ benefits reinstated after they were reduced by EDPAB for non-compliance with their job commitments.

“The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit ‘2b-A’ in a total amount currently not expected to exceed \$1.8 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 Exhibits in the future.

FISCAL INFORMATION

“Funding of rebates for the companies listed in Exhibit ‘2b-A’ is not expected to exceed \$1.8 million. Payments will be made from the Operating Fund. To date, the Trustees have approved \$113.3 million in rebates.

RECOMMENDATION

“The Executive Vice President and Chief Financial Officer and the Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommend that the Trustees approve the payment of electricity savings reimbursements to the Power for Jobs customers listed in Exhibit ‘2b-A.’ It is also recommended that the Trustees approve modifications to the benefits for three customers that have applied to have their Power for Jobs benefits reinstated after they were reduced by the Economic Development Power Allocation Board for non-compliance with their job commitments, as detailed in Exhibit ‘2b-B.’

“The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Energy Marketing and Corporate Affairs, 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 “2b-A”; and

WHEREAS, EDPAB has recommended that the Authority approve modifications to three allocations for customers that have applied to have their PFJ benefits reinstated after they were reduced by EDPAB for non-compliance with their job commitments, as detailed in Exhibit “2b-B”;

NOW THEREFORE BE IT RESOLVED, That to implement such EDPAB recommendations, the Authority hereby approves the payment of electricity savings reimbursements to the companies listed in Exhibit “2b-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 to implement such EDPAB recommendations, the Authority hereby approves modifications to the benefits for three customers that have applied to have their PFJ benefits reinstated after they were reduced by EDPAB for non-compliance with their job commitments, as detailed in Exhibit “2b-B”; and be it further

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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 \$1.8 million, and it is hereby found that amounts may properly be withdrawn from the Operating Fund to fund such payments; and be it further

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

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

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

**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		Type	Service
											KW	Job/Mw		
1	AT&T	White Plains	Westchester	Con Ed	560	335	535	200	60%	Yes	560	955	Large	Telecommunications
2	Beth Israel Medical Center	New York	New York	Con Ed	3,800	6634	6,634	0	0%	Yes	3,800	1,746	NFP	Health Care Center
3	Greater Jamaica Development Corp.	Jamaica	Queens	Con Ed	375	139	151	12	9%	Yes	375	403	NFP	Urban & Community Development
4	Lincoln Center for the Performing Arts	New York	New York	Con Ed	3,000	3,763	3,763	0	0%	Yes	3,000	1,254	NFP	Performing Arts Center
Total Con Ed			Subtotal	4	7,735	10,871	11,083				7,735			
5	Ametek Hughes-Treitler	Garden City	Nassau	LIPA	500	183	172	-11	-6%	Yes	500	344	Large	Manufacturer of heat exchangers
6	Good Samaritan Hospital	West Islip	Suffolk	LIPA	800	2,805	3,088	283	10%	Yes	800	3,860	NFP	Healthcare Center
7	John Hassall, Inc.	Westbury	Nassau	LIPA	450	116	113	-3	-3%	Yes	450	251	Large	Manufacturer of specialty metal fasteners
Total LIPA			Subtotal	3	1,750	3,104	3,373				1,750			
8	Clarkson University	Potsdam	St. Lawrence	N. Grid	1,500	665	664	-1	0%	Yes	1,500	443	NFP	Higher education
9	Cooper Hand Tools	Cortland	Cortland	N. Grid	1,330	123	123	0	0%	Yes	1,330	92	Large	Metal machining and casting
10	CWM Chemical Services, LLC	Model City	Niagara	N. Grid	330	80	78	-2	-3%	Yes	330	236	Small	Treatment, storage/disposal Industrial Waste
11	Edward John Noble Hospital	Gouverneur	St. Lawrence	N. Grid	100	247	241	-6	-2%	Yes	100	2,410	NFP	Healthcare center
12	Fiber Glass Industries Inc.	Amsterdam	Montgomery	N. Grid	700	139	138	-1	-1%	Yes	700	197	Large	Produces high strength woven fabrics
13	Intertek Testing Services	Cortland	Cortland	N. Grid	600	303	306	3	1%	Yes	600	510	Large	Independent test lab
14	Robison & Smith, Inc.	Gloversville	Fulton	N. Grid	384	193	200	7	4%	Yes	384	521	Small	Linen & Laundry Supply
15	RSA Solutions Inc.	Amherst	Erie	N. Grid	50	287	203	-84	-29%	No	45	4,511	Small	Third party business service provider
Total National Grid			Subtotal	8	4,994	2,037	1,953				4,989			
16	Audio Sears	Stamford	Delaware	NYSEG	190	85	89	4	5%	Yes	190	468	Small	Makes audio equipment
17	Coming, Inc.- (Big Flats)	Big Flats	Chemung	NYSEG	500	117	122	5	4%	Yes	500	244	Large	Makes optical fiber, glass & ceramic products
18	Coming, Inc. (Northside)	Coming	Steuben	NYSEG	2,500	783	935	152	19%	Yes	2,500	374	Large	Makes optical fiber, glass & ceramic products
19	Coming, Inc. (Sullivan Park)	Coming	Steuben	NYSEG	3,000	1,448	1,495	47	3%	Yes	3,000	498	Large	Makes optical fiber, glass & ceramic products
20	Seneca Foods Corporation	Geneva	Ontario	NYSEG	1,000	277	278	1	0%	Yes	1,000	278	Large	Canned fruits & vegetables
21	Vail Ballou Press, Inc.	Binghamton	Broome	NYSEG	1,800	412	408	-4	-1%	Yes	1,800	227	Large	Book printer and distributor
Total NYSEG			Subtotal	6	8,990	3,122	3,327				8,990			
22	International Business Machines - Sterling Forest	Poughkeepsie	Orange	O&R	700	558	523	-35	-6%	Yes	700	747	Large	Computer Manufacturer
Total O&R			Subtotal	1	700	558	523				700			
23	International Business Machines - Rochester	Rochester	Monroe	RGE	1,150	613	583	-30	-5%	Yes	1,150	507	Large	Computer Manufacturer
Total RG&E			Subtotal	1	1,150	613	583				1,150			

Total	23	25,319	20,305	20,842
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25,314	823
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Exhibit "2b-B"

New York Power Authority
 Power for Jobs Extended Benefits
 Reconsideration Review

Line	Company	City	Allocation	Jobs Committed	Jobs in 2007		Over (under)	% Over (under)	Selection	Reduced	Reconsideration	Reconsideration	Reconsideration	Service
			kw		Application	KW				Request Received			Final	
1	New York University	New York	1,700	16,216	11,756	-4,460	-28%	Rebate	1,232	Yes	Full	1,700	Institution of Higher Education	
2	Organichem	Rensselaer	1,000	624	518	-106	-17%	Rebate	830	Yes	Full	1,000	Manufacturing of active pharmaceutical ingredients	
3	Thirteen WNET	New York	750	522	593	71	14%	Power	750	Yes	Full	750	Public Television Station	
Total			3,450	17,362	12,867				2,813			3,450		

c. **Replacement Power and Expansion Power –
Service Tariff Amendments –
Notice of Proposed Rulemaking**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the Corporate Secretary to publish a Notice of Proposed Rulemaking (‘NOPR’) in the *New York State Register*, in accordance with the requirements of the State Administrative Procedure Act (‘SAPA’), to amend the Authority’s current production service tariffs applicable to Replacement Power (‘RP’) and Expansion Power (‘EP’) customers. Authority staff will address any comments received during the 45-day public comment period and return to the Trustees at a later date to seek final action on the RP and EP service tariffs.

“A comprehensive review of the Authority’s current RP and EP production service tariffs was performed by Authority staff in an effort to update them and to account for certain changes that occurred over time. The amended tariffs, as proposed, would:

- reformat the service tariffs for easier reading
- group provisions that relate to each other
- incorporate the Annual Adjustment Factor
- identify any new provisions that might affect these customer groups
- add frequently used abbreviations and terms

BACKGROUND

“RP customers are served under Schedule No. NP-F1 and EP customers are served under Service Tariffs No. 46 for resale service and EP-1 for direct service. Currently, electricity for these customers is sold under direct-sale contracts or under resale agreements between the Authority and the utility purchasing RP or EP from the Authority for resale to any business customers that have received an RP or EP allocation from the Authority.

DISCUSSION

“Authority staff believes that the amended RP and EP service tariffs will be a significant improvement over the existing tariffs. These changes will, for each tariff, consolidate in one document various tariff provisions (such as those related to the Annual Adjustment Factor) that were adopted at different times, include necessary updated terminology, and improve the organization and formatting.

“In addition, the proposed changes to the tariffs will make them more consistent with formatting of other utilities’ tariffs and will make them more readable and understandable for the Authority and its RP and EP customers.

“The proposed RP, EP for resale and EP for direct service tariffs are attached as Exhibits ‘2c-A,’ ‘2c-B,’ and ‘2c-C,’ respectively.

FISCAL INFORMATION

“Adoption of the proposed RP and EP service tariffs will have no financial impact. The changes proposed are administrative in nature and have no effect on current production rates.

RECOMMENDATION

“The Manager – Power Contracts recommends that the Trustees authorize the Corporate Secretary to file a Notice of Proposed Rulemaking in the *New York State Register* for the revision of service tariffs for the Authority’s Replacement Power and Expansion Power Customers.

“The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Energy Marketing and Corporate Affairs, 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 Corporate Secretary of the Authority be, and hereby is, directed to file a Notice of Proposed Rulemaking for publication in the *New York State Register* in accordance with the State Administrative Procedure Act to amend the Authority’s current production service tariffs applicable to its Replacement and Expansion 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 such other notice(s) as may be required by statute or regulation concerning the proposed tariffs amendments; and be it further

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

d. **Resolution for the Establishment of a Trustees’
Policy Related to Extension of Credit**

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

WHEREAS, Section 2824(5) of the Public Authorities Law states that “Notwithstanding any provisions of any general, special or local law, municipal charter or ordinance to the contrary, no board of a state or local authority shall, directly or indirectly, including through any subsidiary, extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any officer, board member or employee (or equivalent thereof) of the authority”;

NOW THEREFORE BE IT RESOLVED, That the New York Power Authority’s Board of Trustees hereby adopts a policy that the Board shall not, directly or indirectly, extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any officer, board member or employee (or equivalent thereof) of the Power Authority.

e. **Annual Review and Approval of Guidelines and Procedures and Annual Reports for the Disposal of Personal and Real Property**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to review and approve the following, which comply with the requirements of the Public Authorities Accountability Act (‘PAAA’) of 2005: (1) Guidelines and Procedures for the Disposal of Personal Property (‘Personal Property Guidelines’) for the disposition of surplus or obsolete material, equipment and supplies; and (2) Guidelines and Procedures for the Disposal of Real Property (‘Real Property Guidelines’) for transfers of land or interests in land. Such Guidelines are set forth in Exhibits ‘2e-A’ and ‘2e-B,’ respectively, as attached hereto. The Trustees are also requested to review and approve the 2007 Annual Reports of the Disposal of Personal and Real Property, as set forth in Exhibits ‘2e-A-1’ and ‘2e-B-1,’ respectively, as attached hereto.

BACKGROUND

“On January 13, 2006, Governor Pataki signed the PAAA into law, codifying the Model Governance Principles established for public authorities in 2004 by the Governor’s Advisory Committee on Authority Governance. Among its provisions, the PAAA established new rules for the disposal of public authority personal and real property. The law also required each authority to draft guidelines consistent with the legislation dealing with these issues, to review and approve such guidelines annually and to prepare an annual report of the disposal of personal and real property (including the full description, price received and name of the purchaser for all such property disposed of by the authority during such period).

“At their meeting of March 27, 2007, the Trustees reviewed and approved the amended Personal Property Guidelines and Real Property Guidelines in accordance with the above and Executive Orders issued by Governor Eliot Spitzer providing for restrictions on politics and nepotism in contracting. At their meeting of April 24, 2007, the Trustees reviewed and approved further amendments to the Guidelines necessitated by the Public Employee Ethics Reform Act (‘PEERA’) of 2007, which became effective on April 25, 2007 and included modified versions of the restrictions contained in the prior Executive Orders.

DISCUSSION

“The Personal Property Guidelines set forth the methodology detailing the Authority’s policy and procedures regarding the use, award, monitoring and reporting of contracts for the disposal of personal property, and designate a Contracting Officer responsible for the Authority’s compliance with, and enforcement of, such Guidelines.

“The Real Property Guidelines set forth the methodology the Authority uses in the following specific areas:

- Maintaining inventory of the real property interests owned or under the jurisdiction of the Authority;
- Disposing of such interests when they become surplus to the Authority’s needs;
- Making annual reports of such transactions; and
- Designating a Contracting Officer responsible for implementing such guidelines.

“After reviewing the Personal Property and Real Property Guidelines, staff recommends no substantive changes. However, a number of editorial changes were made to the Guidelines, as set forth in the redlined copies attached hereto as Exhibits ‘2e-A’ and ‘2e-B,’ respectively.

“After being reviewed and approved by the Trustees on or before the 31st day of March each year, the Guidelines and corresponding Annual Reports must be filed with the State Comptroller, the Director of the Budget, the Commissioner of General Services and the State Legislature and posted on the Authority’s website.

FISCAL INFORMATION

“There will be no financial impact on the Authority.

RECOMMENDATION

“The Vice President – Procurement and Real Estate, the Vice President – Internal Audits and the Director of Real Estate recommend that the Trustees approve the Guidelines and Procedures for the Disposal of Personal Property for the disposition of surplus or obsolete material, equipment and supplies; the Guidelines and Procedures for the Disposal of Real Property for transfers of land or interests in land and the corresponding 2007 Annual Reports of the Disposal of Personal and Real Property, as set forth in Exhibits ‘2e-A,’ ‘2e-A-1,’ ‘2e-B’ and ‘2e-B-1,’ respectively.

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

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

RESOLVED, That pursuant to the provisions of the Public Authorities Accountability Act of 2005, the Authority hereby reviews and approves the Guidelines and Procedures for the Disposal of Personal Property and the Guidelines and Procedures for the Disposal of Real Property, as set forth in Exhibits “2e-A” and “2e-B,” respectively, and attached hereto; and be it further

RESOLVED, That pursuant to the provisions of the Public Authorities Accountability Act of 2005, the Authority hereby reviews and approves the 2007 Annual Reports for the Disposal of Personal and Real Property, as set forth in Exhibits “2e-A-1” and “2e-B-1,” respectively, and attached hereto; and be it further

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

GUIDELINES

AND

PROCEDURES

FOR THE

DISPOSAL OF PERSONAL PROPERTY

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GUIDELINES AND PROCEDURES
FOR THE
DISPOSAL OF PERSONAL PROPERTY

I. **PURPOSE**

These Guidelines and Procedures for the Disposal of Personal Property (hereinafter "Guidelines"), which comply with Title 5-A, Article 9 of the Public Authorities Law, establish the procedures which detail the Authority's policy and instructions regarding the use, award, monitoring and reporting of the disposal of personal property. In addition, the Guidelines designate a Contracting Officer who is responsible for the Authority's compliance with, and enforcement of, the Guidelines.

II. **DEFINITIONS**

- A. "Contracting Officer" shall mean the officer or employee of a public authority who shall be appointed by resolution of the Authority's Board of Trustees to be responsible for the disposition of personal property. The "Contracting Officer" is hereby designated to be the Vice President - Procurement and Real Estate, or a designee so stated in writing.
- B. "Dispose" or "disposal" shall mean transfer of title or any other beneficial interest in personal property in accordance with these Guidelines.

- C. "Property" shall mean personal property owned by the Authority, and any other interest in such property, to the extent that such interest may be conveyed to another person for any purpose, excluding an interest securing a loan or other financial obligation of another party. For the purposes of these Guidelines, personal property includes, but is not limited to, materials, tools, equipment, or vehicles which are not expected to be of any future use to the Authority, i.e., typically surplus or obsolete materials and supplies.
- D. "Fair Market Value" shall mean the estimated dollar amount that a willing buyer would pay to a willing seller for the material in an arms-length transaction in the appropriate marketplace. Fair Market Value may be determined by consulting industry-recognized sources, contacting original suppliers, depreciation analysis, appraisals, or other methods, as may be approved by the Vice President – Procurement and Real Estate.
- E. "Relative" is defined in Section X.G.1. of these Guidelines.

III. OBJECTIVE

The objective of these Guidelines is to identify those Authority personnel responsible for authorizing the disposal of Property owned by the Authority and to insure that the Authority receives fair and reasonable value for such Property. The transfer or sale of Property shall be accounted for in accordance with the Authority's Corporate Accounting Policy No. CAP 4.3 dated 6/30/05, Revision 2 -- "Accounting for Materials and Supplies."

IV. TRANSACTIONS NOT COVERED

These Guidelines do not apply to any of the following transactions:

1. Disposal of real property interests;
2. Exchange of Property with other utilities or power plant owners, where such owners will provide an identical or in-kind replacement;
3. Disposal of rubbish or scrap materials, contracts for which are subject to the Authority's Guidelines for Procurement Contracts;
4. Transfer/re-deployment of Property from one Authority facility to another Authority facility.

V. DESIGNATION OF PROPERTY DISPOSAL COORDINATORS AND DISPOSAL OPTIONS

- A. The Contracting Officer (hereinafter referred to as the Vice President – Procurement & Real Estate) shall be responsible for the Authority's compliance with, and enforcement of, the Guidelines.
- B. The overall disposal coordinator of all Property at the Authority's operating facilities will be the Facilities Materials Superintendent ("FMS") currently located at the Clark Energy Center. The FMS reports directly to the Vice President – Procurement and Real Estate.
- C. The Purchasing and Warehouse Manager from each Operating Facility will be the local Property Disposal Coordinator for his or her facility or location ("Facility PDC"). The Facility PDC reports to the FMS.
- D. The Vice-President - Procurement and Real Estate will designate an individual from the White Plains Office Procurement Division to be the Property Disposal

Coordinator for the White Plains, Albany and New York corporate offices ("WPO PDC"). The WPO PDC will confer and interface with the Vice President – Procurement and Real Estate.

- E. For the purposes of these Guidelines, disposal options include, but are not limited to: sale (directly to the Buyer, through a third party or on a centralized basis); return to the original equipment manufacturer or to the source; trade-ins; or disposal through the New York State Office of General Services ("OGS"). Use of the internet, in conjunction with the foregoing options, may also be utilized, as applicable. The Authority's Environment, Health and Safety Division should be consulted, on a case-by-case basis, regarding disposal of items that may be considered hazardous waste.
- F. If appropriate, the Facility PDC should confer orally with the FMS to determine if a "centralized" sale of Property, as outlined in Section VII, is appropriate. If agreed, the Facility PDC should arrange for shipment of the Property to be sold from the facility to the sale location. If a centralized sale is not appropriate, the Facility PDC should proceed in accordance with the "decentralized" procedures, as outlined in Section VIII.

VI. BIDDING PROCEDURES

Except for Disposals pursuant to Section 7 and Section 12 of these Guidelines, whenever practicable, the responsible PDC shall cause solicit proposals from at least 5 bidders, to purchase the Property to be Disposed of regardless of its estimated Fair Market Value, and will maintain records of such solicitations. The PDC should use "Attachment A" attached hereto for solicitations under this Section VI.

A. **FOR PERSONAL PROPERTY VALUED AT \$15,000 OR LESS**

Telephone notices and/or mailings may be used where the estimated Fair Market Value of the Property to be disposed of is equal to or less than \$15,000. All bids must be submitted in writing on the forms and in the manner prescribed by this procedure and by the date and time (the "Bid Due Date") included in the solicitation.

B. **FOR PERSONAL PROPERTY IN EXCESS OF \$15,000 IN VALUE**

1. All Disposals of Authority Property in excess of \$15,000 in value should be made after publicly advertising for bids except as provided in Paragraph 3 below.
2. Whenever public advertising for bids is required under paragraph 1:
 - a. the appropriate advertisement for bids (Attachment "B") shall be made at such time prior to the Disposal, through such methods, and on such terms and conditions as shall permit full and free competition consistent with the value and nature of the Property. Typically, this will include advertisements in one or more of the following publications, depending on the nature of the Property: local newspapers at the facility where the sale is taking place, trade journals, regional or nationwide publications (if the market for such sale is regional or nationwide), the New York State Contract Reporter or internet services;

- b. all bids must be submitted in writing on the forms and in the manner prescribed by this procedure and by the Bid Due Date included in the solicitation;
 - c. all bids shall be publicly disclosed, by posting on the Authority's publicly accessible website , at the time and place stated in the solicitation; and
 - d. the award shall be made with reasonable promptness by notice to the responsible bidder whose bid, conforms to the bid solicitation and will be most advantageous to the Authority, price and other factors considered; however, any bid may be rejected when in the public interest to do so.
3. Disposals of Property may be negotiated or made by public auction without regard to Paragraphs 1 and 2 of this Subdivision, but subject to obtaining such competition as is feasible under the circumstances, if:
- a. the Property involved is of a nature and quantity which, if Disposed of under Paragraphs 1 and 2 of this Subdivision, would adversely affect the state or local market for such Property, and the estimated Fair Market Value of such Property and other satisfactory terms of disposal may be obtained by negotiation;
 - b. bid prices after advertising therefore are not reasonable, either as to all or part of the Property, or have not been independently determined in open competition;

- c. the Disposal will be to the state or any political subdivision, and the estimated Fair Market Value of the Property and other satisfactory terms of Disposal are obtained by negotiation;
 - d. the Disposal is for an amount less than the estimated Fair Market Value of the Property, the terms of such Disposal are obtained by public auction or negotiation, the Disposal of the Property is intended to further the public health, safety or welfare or an economic development interest of the state or a political subdivision (to include but not be limited to, the prevention or remediation of a substantial threat to public health or safety, the creation or retention of a substantial number of job opportunities, or the creation or retention of a substantial source of revenues, or where the Authority's enabling legislation permits), and the purpose and the terms of such Disposal are documented in writing and approved by the Authority's Board of Trustees; or
 - e. such action is otherwise authorized by law.
4. An explanatory statement shall be prepared of the circumstances of each Disposal by negotiation of any Property which has an estimated Fair Market Value in excess of fifteen thousand dollars. In addition, an explanatory statement shall be prepared of the circumstances of each Disposal by negotiation of any Property Disposed of by exchange, regardless of value. Each such statement shall be transmitted to the Commissioner of General Services, the State Legislature, the State

Comptroller, and the Division of the Budget, not less than ninety days in advance of such Disposal, and a copy thereof shall be preserved in the Authority's files.

C. **DISPOSAL OPTIONS IF NO BIDS ARE RECEIVED**

If solicitation pursuant to Sections VI.A. and VI.B. does not produce any proposals to purchase the Property from the Authority, or if all proposals received are less than the Authority's Fair Market Value estimate, the appropriate PDC shall confer with the FMS and the Vice President – Procurement and Real Estate to decide (i) if re-soliciting is feasible; (ii) if shipment to a third-party contractor for Disposal would result in higher-priced proposals; (iii) if disposal by other methods would be appropriate; and/or (iv) if the Fair Market Value estimate requires review or adjustment.

VII. **CENTRALIZED DISPOSAL**

A. Subject to the approval of the Vice President - Procurement and Real Estate, Property may be disposed of using any of the following methods:

1. Shipment of the material to a third-party vendor(s), selected by competitive bidding, which, pursuant to these Guidelines, will market the material for sale or dispose of such material in accordance with environmental and any other Authority requirements.
2. Consolidation of such Property at one of the Authority's facilities or an offsite warehouse for the purpose of conducting a sale managed by Authority staff, possibly with the assistance of an outside contractor.

3. Participation in auctions at other utility company facilities (e.g., Con Edison, National Grid and New York State Electric and Gas).

VIII. DECENTRALIZED DISPOSAL

- A. The Regional Manager, Project Manager, or head of a Department or Division requiring disposal of Property which he or she believes to be surplus, will submit to the appropriate PDC a written description of the material, with the original price (if known), and estimate of the Property's Fair Market Value (if available). If practical, a photograph of the material or equipment in question should be provided. Such submission shall be made to the PDC designated at the location at which the Property is located, the responsible PDC.
- B. If the responsible PDC, in conference with the FMS, determines that other Authority facilities may have an interest in the Property, a notice should be sent to the other Authority facilities advising of its availability and requesting a response within a specified time frame. A record of the notice will be maintained by the responsible PDC. In the event that the PDC and FMS determine there is no interest in such material at other Authority facilities, a written explanation should be prepared by the PDC to that effect and maintained in the file for that transaction.
- C. If no response to the notice is received, the responsible PDC will solicit bids for the purchase of such Property in accordance with the procedures described in Section VI.

IX. PARTIES PROHIBITED FROM BIDDING

- A. All current and former employees of the Authority and relatives of such employees or third parties acting on behalf of such employees shall not be eligible to bid for the purchase of Authority Property and are prohibited from subsequently acquiring it in any manner. Each bidder will be required, as part of his or her bid, to certify, by signing Attachment "B", that he or she is not a current or former employee of the Authority, is not related to any current or former employee of the Authority and is not acting on behalf of a current or former employee of the Authority or a relative of any such employee. No bid will be accepted unless accompanied by such certification.
- B. The term "related to" as used in paragraph A above means the relationship of spouse, child, parent, sister, brother, grandparent, grandchild, aunt, uncle, cousin, niece, nephew, stepchild, stepparent, stepsister, stepbrother, mother-in-law, father-in-law, sister-in-law, brother-in-law, daughter-in-law or son-in-law.

X. EVALUATION OF PROPOSALS; AWARD OF CONTRACT

- A. Following the receipt of proposals for the Property, the responsible PDC shall evaluate the proposals submitted and determine whether the highest of such proposals is reasonable, given the estimated Fair Market Value of the Property.
- B. If the responsible PDC determines that the highest bid received is reasonable, the responsible PDC shall recommend to the Responsible

Officer(s), as hereinafter defined in Section XI, that such bid be accepted, and upon the written approval of the Responsible Officer(s), the sale shall be made to the person offering such proposal. A Sales Agreement appended hereto ("Attachment C") must be executed, after obtaining all necessary approvals in accordance with Section XI "Authorization Levels", by the responsible PDC, FMS or Vice President – Procurement and Real Estate and the successful bidder prior to completion of the transaction.

- C. If either (a) the responsible PDC determines that the highest bid is not reasonable or (b) the Responsible Officer(s) decline(s) to authorize the sale, the Property will, except as provided in paragraph D below, be retained for future disposal in accordance with these Guidelines. Factors to be considered in determining whether a bid is reasonable include, but are not limited to: adequacy of the estimate of the Fair Market Value, anticipated improved future market conditions, potential for other means of disposal or redeployment, financial viability of the bidder, and condition of the Property.
- D. Notwithstanding any determination by the responsible PDC, the Responsible Officer(s), with the review and approval of the Vice President - Procurement and Real Estate, may direct the sale of the Property to the person or firm submitting the highest bid.
- E. No Authority employee who is involved in the award of Authority grants or contracts, may ask any officer, director or employee of such current or prospective contractor or grantee to reveal: (a) the political party affiliation of the individual; (b) whether the individual or entity has made

campaign contributions to any political party, elected official, or candidate for elective office; or (c) whether the individual voted for or against any political party, elected official or candidate for elective office.

- F. No Authority employee may award or decline to award any grant or contract, or recommend, promise or threaten to do so because of a current or prospective grantee's or contractor's: (a) refusal to answer any inquiry prohibited by Section E above or (b) giving or withholding or neglecting to make any contribution of money, service or any other valuable thing for any political purpose.
- G. No Authority employee may take part in any contracting decision involving the payment of \$1,000 or more: (i) to a Relative; or (ii) to any entity in which a Relative owns or controls 10% or more of the stock of such entity (or 1% in the case of a corporation whose stock is regularly traded on an established securities exchange); or serves as an officer, director or partner of that entity. If a contracting matter arises relating to this Section G, then the employee must advise his or her supervisor of the relationship, and must be recused from any and all discussions or decisions relating to the matter.
 - 1. For purposes of this section G, the term "Relative" shall mean any person living in the same household as the Authority employee or any person who is a direct descendant of the Authority employee's grandparents or the spouse of such descendant.

- H. Restrictions E, F and G above also apply to procurements which are governed by the Authority's Procurement Guidelines.

XI. AUTHORIZATION LEVELS

- A. For the purposes of these Guidelines, the Responsible Officer(s) will in each case review the appropriateness of the Fair Market Value estimate and the recommendation for contract award for disposal of the Property. Responsible Officers are designated as follows:

1. The Trustees, if the Fair Market Value of the Property is greater than \$1,000,000; or
2. The President or the Chief Operating Officer, if the Fair Market Value of the Property is greater than \$500,000 but less than \$1,000,000; or
3. The Executive Vice President – Corporate Services and Administration, if the Fair Market Value of the Property is greater than \$250,000 but not greater than \$500,000; or
4. The Vice President - Procurement and Real Estate, if the Fair Market Value of the Property is greater than \$50,000 but not greater than \$250,000; or
5. The FMS, if the Fair Market Value of the Property is greater than \$5,000 but not greater than \$50,000; or
6. With the prior written approval of FMS, the Purchasing and Warehouse Manager, if the Fair Market Value of the Property is \$5,000 or less.

XII. OTHER METHODS FOR DISPOSAL OF PERSONAL PROPERTY

A. **Trade-Ins**

This procedure is not intended to restrict the trade-in of equipment (i.e., computer or office equipment), materials, and/or vehicles for replacements from dealers furnishing replacement equipment, materials, and/or vehicles, where reasonable value can be obtained for the trade-in. Any such proposed trade-in must be included as part of the solicitation of bids for the replacement equipment, materials and/or vehicles and the trade-in value must be stated in the proposals from solicited bidders. No trade-in shall be made unless the value of the trade-in is equal to or exceeds the Fair Market Value.

B. **Return to the Original Equipment Manufacturer ("OEM") or to the Source**

Return of materials to the OEM or the source is permissible provided that the Authority receives full value for any materials equal to the price paid by the Authority. In the event a re-stocking fee is charged by the OEM or the source, the FMS and Vice President – Procurement and Real Estate shall be consulted to determine if such a re-stocking fee is reasonable and if there are other opportunities for sale of such material. The Vice President – Procurement and Real Estate must approve all returns to the OEM or the source when a re-stocking fee is charged, subject to the Authorization Levels delineated in Section XI.

C. **Disposal through the New York State Office of General Services (OGS)**

When it is determined advantageous to the Authority, the Authority may enter into an agreement with OGS for Disposal of Authority-owned Property, and may make use of on-line disposal methods offered by OGS. In addition, in accordance with New York State law, surplus computers and accessories (e.g. monitors and keyboards) and surplus office furniture and other equipment may, with the approval of the Vice President - Procurement and Real Estate, be transferred to OGS for disposition, in the case of computers and accessories to school districts located near Authority offices or operating facilities, or in the case of office furniture and office equipment, to other state entities. Disposal of these items in this manner represents the best value to New York State in lieu of attempted re-sale of such materials.

XIII. METHODS OF PAYMENT

The proceeds from the sale of Property in the form of cash or a certified check made payable to the Authority must be forwarded to the Authority's Treasurer by the Facility PDCs and to the Authority's Controller's Office by the FMS and WPO PDC. In certain cases involving a transfer of Property to other state agencies or authorities, the performance of documented services to the Authority equal to or greater in value to the Fair Market Value of the Property, will serve as payment for such Property. The authorization limits of Section XI shall apply to such transactions.

XIV. REPORTING REQUIREMENTS

- A. The Authority shall publish, not less frequently than annually, a report of all Property disposed of during the reporting period, including the full description, price (if any) received and the name of the purchaser for all such Property disposed of by the Authority during such period. Such report shall be prepared in conjunction with the report required by the Authority's "Guidelines and Procedures for the Disposal of Real Property."
- B. Such report, as approved by the Trustees, shall be submitted to the Comptroller, the Director of the Budget, the Commissioner of General Services and the Legislature.
- C. These Guidelines, as approved by the Trustees, shall be reviewed and approved annually by the Authority's Board of Trustees. On or before the thirty-first day of March in each year, the Authority shall file with the Comptroller a copy of the Guidelines most recently reviewed and approved by the Trustees, including the name of the Authority's designated Contracting Officer. At the time of filing such Guidelines with the Comptroller, the Authority shall also post such Guidelines on the Authority's internet website and maintain such Guidelines on the website.
- D. For disposal by negotiation or exchange (except when an identical or in-kind replacement is provided to the Authority) an explanatory statement shall be prepared and submitted to the parties described more fully in Section VI.B.4.

BID SHEET

The following personal property is available for sale "AS IS, WHERE IS" and the Power Authority gives no warranty whatsoever as to its condition.

LUMP SUM BID AMOUNT* \$ _____

Subject to all terms and conditions set forth on the reverse hereof, the undersigned offers and agrees to purchase the above-described personal property at the bid amount indicated.

Signature

Company Name

Name (Printed)

Street Address

Date

City, State, Zip Code

FAX number

Telephone number

* All sales are subject to New York State Sales Tax and Compensating Use Tax unless the Purchaser furnishes the Authority with an exemption certificate.

PERSONAL PROPERTY SALE
SALE NO. _____
NEW YORK POWER AUTHORITY
(ADDRESS OF PROJECT)
Telephone: () _____
FAX: () _____

Subject to the terms and conditions stated below, bids will be received on the personal property, either by mail, fax or hand delivery at the (Location) _____ no later than (Date) _____.

The personal property is available for inspection, by appointment, at the (Project) _____
_____. For an appointment, please contact the Property Disposal Coordinator, (Name) _____
_____ at (Telephone no.) _____.

Successful bidders will be required to pay by certified check, on notice from the Authority that the bid has been accepted, and remove the personal property from the Authority's premises within ten (10) calendar days after receipt of notice of award.

Envelopes containing bids submitted by mail should be marked on the outside to indicate that a bid on Sale No. ____ is enclosed.

Current and former employees of the Power Authority or relatives of such employees or third parties acting on behalf of such employees or relatives are ineligible to bid and are prohibited from subsequently acquiring such personal property in any manner.

1. **INSPECTION.** Bidders are invited, urged and cautioned to inspect the personal property being sold prior to submitting a bid. The personal property will be available for inspection at the time and place specified above. In no case will failure to inspect constitute grounds for the withdrawal of a bid after opening.
2. **CONDITION OF PROPERTY.** All personal property listed is offered for sale "AS IS, WHERE IS". The Authority does not in any way warrant the fitness of the personal property for any particular use or its merchantability and disclaims any other representations or warranties, express or implied, including, but not limited to, quality, character, performance or condition of the personal property or any of its component parts, assemblies, or accessories.
3. **CONSIDERATION OF BIDS.** Bids must be submitted in writing on the form provided by the Authority (see reverse side) and shall be submitted on all items listed. The Authority reserves the right to reject any and all bids, to waive technical defects in bids and to award sale of the items as may be in the best interest of the Authority.
4. **PAYMENT.** The Purchaser agrees to pay for the awarded personal property in accordance with the prices quoted in his/her bid. Payment of the full purchase price must be made within the time allowed for removal, and prior to the release of any personal property to the Purchaser.
5. **NEW YORK STATE SALES AND COMPENSATING USE TAX.** All sales will be subject to New York State Sales and Compensating Use Tax unless the Purchaser furnishes the Authority with an exemption certificate.

ADVERTISEMENT FOR PROPOSALS

The following described personal property, shall be sold "AS IS, WHERE IS" by the New York Power Authority ("the Authority").

1. Sealed bids are invited for the above, which will be available for inspection by inquiry at the (Location/Building) at the (Project and Address) between the hours of _____ a.m. to ___ p.m. on (Date/s). Bids must be submitted on the Authority's bid form, which can be obtained by calling (Telephone no.). No bid will be accepted unless it is on such form. Bids shall be accepted on or before ___ p.m. on (Date).
2. Current and former employees of the Authority or relatives of such employees or third parties seeking to act on behalf of such employees or relatives shall be ineligible to bid.
3. Successful bidders, on notice from the Authority, shall be required to pay by certified check and shall promptly remove the personal property from the Authority's property.
4. The Authority reserves the right to reject any and all bids.

**PERSONAL PROPERTY
SALES AGREEMENT**

_____, the Buyer, and the Power Authority of the State of New York ("the Authority"), agree as follows:

- 1) The personal property identified herein is sold by the Authority and purchased by Buyer "AS IS, WHERE IS" at the price(s) shown, plus any applicable sales tax.
- 2) **THE AUTHORITY DOES NOT IN ANY WAY WARRANT THE FITNESS OF THE PERSONAL PROPERTY FOR ANY PARTICULAR USE OR ITS MERCHANTABILITY AND DISCLAIMS ANY OTHER REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED INCLUDING, BUT NOT LIMITED TO, THE QUALITY, CHARACTER, PERFORMANCE, OR CONDITION OF THE PERSONAL PROPERTY OR ANY OF ITS COMPONENT PARTS, ASSEMBLIES, OR ACCESSORIES.**
- 3) The Bidder warrants that he/she/it is not a current or former Authority employee, is not related to an Authority employee and did not bid on behalf of an Authority employee. Bidder is aware that Authority employees and their family members are precluded from subsequently receiving, or acquiring, in whole or in part, by any manner including gift, sale, loan or lease, the personal property acquired by the Bidder pursuant to this sale. The term "related to" as used in this paragraph means the relationships of spouse, child, parent, sister, brother, grandparent, grandchild, aunt, uncle, cousin, niece, nephew, stepchild, stepparent, stepsister, stepbrother, mother-in-law, father-in-law, sister-in-law, brother-in-law, daughter-in-law, or son-in-law. The Authority reserves the right to invoke any available legal or equitable remedy in the event of a breach by the Bidder of his or her warranty under this paragraph, including but not limited to, rescinding the sale and recovering the property sold and all costs associated with the sale and the rescission of said sale.
- 4) The Buyer shall indemnify and hold harmless the Authority and all of its officers, agents and employees from any loss, damage, remedial or response cost, liability or expense, on account of damage or contamination to property and injuries, including death, to all persons, including Buyer's employees, or any third parties, arising or in any manner growing out of the sale of any personal property or the performance of any work under this agreement and shall defend at its own expense any suits or other proceedings brought against the Authority and its officers, agents and employees, or any of them, on account thereof, and pay all expenses and satisfy all judgments which may be incurred by or rendered against them or any of them in connection therewith.
- 5) The Buyer shall remove the personal property from the Authority's premises by _____ at Buyer's expense. The Buyer shall make payment upon delivery by certified check payable to the New York Power Authority.

Description of Personal Property:

Selling Price: _____

Executed this _____ day of _____, 20 _____.

Buyer (Print or Type):

Seller:

Power Authority of the State of New York
123 Main Street
White Plains, New York 10601

Authorized Signature

Authorized Signature

Full Name (Printed)

Title

Title

GUIDELINES

AND

PROCEDURES

FOR THE

DISPOSAL OF PERSONAL PROPERTY

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- A. "Contracting Officer" shall mean the officer or employee of a public authority who shall be appointed by resolution of the Authority's Board of Trustees to be responsible for the disposition of personal property. The "Contracting Officer" is hereby designated to be the Vice President - Procurement ~~and~~ Real Estate, or a designee so stated in writing.
- B. "Dispose" or "disposal" shall mean transfer of title or any other beneficial interest in personal property in accordance with these Guidelines.

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4. Transfer/re-deployment of Property from one Authority facility to another Authority facility.

V. DESIGNATION OF PROPERTY DISPOSAL COORDINATORS AND DISPOSAL OPTIONS

- A. The Contracting Officer (hereinafter referred to as the Vice President – Procurement & Real Estate) shall be responsible for the Authority's compliance with, and enforcement of, the Guidelines.
- B. The overall disposal coordinator of all Property at the Authority's operating facilities ~~wi~~shall be the Facilities Materials Superintendent ("FMS") currently located at the Clark Energy Center. The FMS reports ~~organizationally~~ directly to the Vice President – Procurement ~~and~~& Real Estate.
- C. The Purchasing and Warehouse Manager from each Operating Facility will ~~be function as~~ the local Property Disposal Coordinator for his or her facility or location ("Facility PDC"). The Facility PDC reports to the FMS.

- D. The Vice-President - Procurement ~~and~~ Real Estate ~~wi~~shall designate an individual from the White Plains ~~O~~office's Procurement Division to ~~be~~function ~~as~~ the Property Disposal Coordinator for the White Plains, Albany and New York corporate offices ("WPO PDC"). The WPO PDC will confer and interface with the Vice President – Procurement ~~and~~ Real Estate.
- E. For the purposes of these Guidelines, disposal options include, but are not limited to: sale (directly to the Buyer, through a third party or on a centralized basis); return to the original equipment manufacturer or to the source; trade-ins; or disposal through the New York State Office of General Services ("OGS"). Use of the internet, in conjunction with the foregoing options, may also be utilized, as applicable. The Authority's Environment, Health and Safety Division ~~sh~~ould~~all~~ be consulted, on a case-by-case basis, regarding disposal of ~~those~~ items that may be ~~potentially~~ considered ~~to be~~ hazardous waste.
- F. ~~If appropriate,~~ ~~t~~The Facility PDC ~~sh~~ould~~all~~ confer ~~orally~~ with the FMS to determine if a "centralized" sale of Property, as outlined in Section VII, is ~~appropriate~~~~being planned~~. If agreed, the Facility PDC ~~sh~~ould~~all~~ arrange for shipment of the ~~P~~property to be sold from the facility to the ~~sale~~ location~~of the sale~~. If ~~a centralized~~ ~~no~~ sale is ~~not appropriate~~~~being planned~~, the Facility PDC ~~sh~~ould~~all~~ proceed in accordance with the "decentralized" procedures, as outlined in Section VIII.

VI. BIDDING PROCEDURES

Except for Disposals pursuant to Section 7 and Section 12 of these Guidelines, whenever practicable, tThe responsible PDC shall cause solicit~~the solicitation of~~ proposals from at least 5 bidders, ~~whenever practicable, for to the~~ purchase of the Property to be Disposed of regardless of~~sold, whatever~~ its estimated Fair Market Value, and wishall maintain records of such~~his or her~~ solicitations.

The PDC should use "Attachment A" attached hereto for solicitations under this Section VI.~~Attachment "A" is appended hereto and shall be utilized by the PDC for soliciting proposals.~~

A. FOR PERSONAL PROPERTY VALUED AT \$15,000 OR LESS

Telephone notices and/or mailings may be used where the estimated Fair Market Value of the Property to be disposed of is equal to or less than \$15,000. All bids must be submitted in writing on the forms and in the manner prescribed by this procedure and by the date and time (the "Bid Due Date") included in the solicitation.

B. FOR PERSONAL PROPERTY IN EXCESS OF \$15,000 IN VALUE

1. All Disposals ~~or contracts~~ of Authority Property ~~to be disposed of~~ in excess of \$15,000 in value shou~~ld~~ be made after publicly advertising for bids except as provided in Paragraph 3 below.
2. Whenever public advertising for bids is required under paragraph 1:
 - a. the appropriate advertisement for bids (Attachment "B") ~~is appended hereto and shall be utilized for all such advertisements~~ shall be

- made at such time prior to the ~~D~~disposal ~~or contract~~, through such methods, and on such terms and conditions as shall permit full and free competition consistent with the value and nature of the Property. Typically, this will include advertisements in one or more of the following publications, depending on the nature of the ~~P~~property: local newspapers at the facility where the sale is taking place, trade journals, regional or nationwide publications (if the market for such sale is ~~a~~ regional or nationwide ~~one~~), the New York State Contract Reporter or internet services;
- b. all bids must be submitted in writing on the forms and in the manner prescribed by this procedure and by the Bid Due Date included in the solicitation;
 - c. all bids shall be publicly disclosed, by posting on the Authority's publicly accessible website ~~accessible to the public~~, at the time and place stated in the solicitation advertisement; and
 - d. the award shall be made with reasonable promptness by notice to the responsible bidder whose bid, conforming ~~ing~~ to the ~~invitation for bids solicitation and~~, will be most advantageous to the Authority, price and other factors considered; ~~however, any provided, that all~~ bids may be rejected when ~~it is~~ in the public interest to do so.
3. Disposals ~~and contracts for disposal~~ of ~~P~~property may be negotiated or made by public auction without regard to ~~P~~paragraphs 1 and 2 of this

Subdivision~~above~~, but subject to obtaining such competition as is feasible under the circumstances, if:

- a. the Property involved is of a nature and quantity which, if D~~is~~posed of under P~~ar~~agraphs 1 and 2 of this S~~ub~~division, would adversely affect the state or local market for such Property, and the estimated Fair Market Value of such Property and other satisfactory terms of disposal may~~ean~~ be obtained by negotiation;
- b. bid prices after advertising therefore are not reasonable, either as to all or some~~part~~ of the Property, or have not been independently determined~~arrived~~ — in open competition;
- c. the D~~is~~posal will be to the state or any political subdivision, and the estimated Fair Market Value of the Property and other satisfactory terms of D~~is~~posal are obtained by negotiation;
- d. the D~~is~~posal is for an amount less than the estimated Fair Market Value of the Property, the terms of such D~~is~~posal are obtained by public auction or negotiation, the D~~is~~posal of the Property is intended to further the public health, safety or welfare or an economic development interest of the state or a political subdivision (to include but not be limited to, the prevention or remediation of a substantial threat to public health or safety, the creation or retention of a substantial number of job opportunities, or the creation or retention of a substantial source of revenues, or where the Authority's enabling legislation permits), and the purpose and the terms of such

- Disposal are documented in writing and approved by the
Authority's Board of Trustees; or
- e. such action is otherwise authorized by law.
4. An explanatory statement shall be prepared of the circumstances of each Disposal by negotiation of any Property which has an estimated Fair Market Value in excess of fifteen thousand dollars. In addition, an explanatory statement shall be prepared of the circumstances of each Disposal by negotiation of any Property Disposed of by exchange, regardless of value. Each such statement shall be transmitted to the Commissioner of General Services, the State Legislature, the State Comptroller, and the Division of the Budget, not less than ninety days in advance of such Disposal, and a copy thereof shall be preserved in the Authority's files.

C. **DISPOSAL OPTIONS IF NO BIDS ARE RECEIVED**

If solicitation~~bidding~~ pursuant to Sections~~paragraphs~~ VI.A. and VI.B. does not produce any result in the~~submittal~~of proposals to purchase the Property from the Authority, ~~or if all~~ such proposals received are less than the Authority's Fair Market Value ~~estimate~~, the appropriate PDC shall confer with the FMS and the Vice ~~President~~ – Procurement and~~&~~ Real Estate to decide (i) if re-soliciting~~bidding~~ is feasible; (ii) if shipment to a third-party contractor for Disposal would result in higher-priced ~~proposals~~; (iii) if disposal by other methods would be appropriate;

and/or (iv) —if the Fair Market Value estimate requires review or and possible adjustment.

VII. CENTRALIZED DISPOSAL

A. Subject to the approval of the Vice President - Procurement and& Real Estate,

Property may be disposed of using any of the following methods:

1. Shipment of the material to a third-party vendor(s), selected by competitive bidding, which, pursuant to these Guidelines, will market the material for sale or dispose of such material in accordance with environmental and any other Authority requirements.
2. Consolidation of such Property at one of the Authority's facilities or an offsite warehouse for the purpose of conducting a sale to be managed by Authority staff, possibly with the assistance of an outside contractor.
3. Participation in auctions at other utility company facilities (e.g., Con Edison, National Grid (formerly Niagara Mohawk) and, New York State Electric and Gas).

VIII. DECENTRALIZED DISPOSAL

A. The Regional Manager, Project Manager, or head of a Department or Division requiring disposal of Property which he or she believes to be surplus, wish all submit to the appropriate PDC a written description of the material, with the original price (if known), and estimate of the Property's Fair Market Value (if available). If practical, a photograph of the material or

equipment in question should be provided. Such submission shall be made to the —PDC designated at the location at which the Property is located, the responsible PDC.

- B. If the responsible PDC, in conference with the FMS, determines that other Authority facilities may have an interest in the Property material, a notice ~~should~~ be sent —to the other Authority facilities advising ~~them~~ of its availability and —requesting a response within a specified time frame. A record of the notice will—~~shall~~ be maintained by the responsible PDC. In the event that the PDC and -FMS determine there is no ~~conclude that there would be no~~ interest in such material at other -Authority facilities, a written explanation should be prepared by the PDC to —that effect and maintained in the file for that transaction.
- C. If no response to the notice is received, the responsible PDC will solicit~~shall arrange for~~—~~the solicitation of~~ bids for the purchase of such Property in accordance with —the procedures described in Section VI.

IX. PARTIES PROHIBITED FROM BIDDING

- A. All current and former employees of the Authority and relatives of such employees or third parties acting on behalf of such employees shall not be eligible to bid for the purchase of Authority's~~such~~ Property and are prohibited from subsequently acquiring it in any manner. Each bidder will be required, as part of his or her bid, to certify, by signing Attachment "B", that he or she is not a current or former employee of the Authority, is not related to any current or former employee of the Authority and is not acting on behalf of a

current or former employee of the Authority or a relative of any such employee. No bid will be accepted unless accompanied by such certification.

- B. The term "related to" as used in paragraph A above means the relationship of spouse, child, parent, sister, brother, grandparent, grandchild, aunt, uncle, cousin, niece, nephew, stepchild, stepparent, stepsister, stepbrother, mother-in-law, father-in-law, sister-in-law, brother-in-law, daughter-in-law or son-in-law.

X. EVALUATION OF PROPOSALS; AWARD OF CONTRACT

- A. Following the receipt of proposals for the ~~Pp~~property, the responsible PDC shall evaluate the proposals submitted and determine whether the highest of such proposals is reasonable, given the estimated ~~d of the~~Fair Market Value of the Property.
- B. If the responsible PDC determines that the highest ~~of such~~ bids received is reasonable, the responsible PDC shall recommend to the Responsible Officer(s), as hereinafter defined in Section ~~XIX~~, that such bid be accepted, and upon the written approval of the Responsible Officer(s), the sale shall be made to the person offering such proposal. ~~Appended as Attachment "C" is~~ a A Sales Agreement appended hereto ("Attachment C") ~~which~~ must be executed, after obtaining all necessary approvals in accordance with Section XI "Authorization Levels", by the responsible PDC, FMS or Vice President – Procurement ~~and~~ Real Estate and the successful bidder prior to completion of the transaction.

- C. If either (a) the responsible PDC determines that the highest ~~of such~~ bids is not reasonable or (b) the Responsible Officer(s) decline(s) to authorize the sale, the Property ~~shall~~ will, except as provided in paragraph D below, be retained for future disposal in accordance with these ~~Guidelines~~ procedures. Factors to be considered in determining whether a bid is reasonable include, but are not limited to: adequacy of the estimate of the Fair Market Value, anticipated improved future market conditions, potential for other means of disposal or redeployment, financial viability of the bidder, and condition of ~~the~~ Property.
- D. Notwithstanding any determination by the responsible PDC, the Responsible Officer(s), with the review and approval of the Vice President - Procurement ~~and~~ Real Estate, may direct the sale of the Property to the person or firm submitting the highest bid.
- E. No Authority employee who is involved in the award of Authority grants or contracts, may ask any officer, director or employee of such current or prospective contractor or grantee to reveal: (a) the political party affiliation of the individual; (b) whether the individual or entity has made campaign contributions to any political party, elected official, or candidate for elective office; or (c) whether the individual voted for or against any political party, elected official or candidate for elective office.
- F. No Authority employee may award or decline to award any grant or contract, or recommend, promise or threaten to do so because of a current or prospective grantee's or contractor's: (a) refusal to answer any inquiry

prohibited by Section E above or (b) giving or withholding or neglecting to make any contribution of money, service or any other valuable thing for any political purpose.

- G. No Authority employee may take part in any contracting decision involving the payment of \$1,000 or more: (i) to a Relative; or (ii) to any entity in which a Relative owns or controls 10% or more of the stock of such entity (or 1% in the case of a corporation whose stock is regularly traded on an established securities exchange); or serves as an officer, director or partner of that entity. If a contracting matter arises relating to this Section G, then the employee must advise his or her supervisor of the relationship, and must be recused from any and all discussions or decisions relating to the matter.

1. For purposes of this section G, the term "Relative" shall mean any person living in the same household as the Authority employee or any person who is a direct descendant of the Authority employee's grandparents or the spouse of such descendant.

- H. Restrictions E, F and G above also apply to procurements which are governed by the Authority's Procurement Guidelines.

XI. AUTHORIZATION LEVELS

- A. For the purposes of these Guidelinesprocedures, the Responsible Officer(s) shwill in each case review the appropriateness of the Fair Market Value estimate and the recommendation for contract award for disposal of the

Property. Responsible Officers are designated as follows:

1. The Trustees, if the Fair Market Value of the Property is greater than \$1,000,000; or
2. The President or the Chief Operating Officer, if the Fair Market Value of the Property is greater than \$500,000 but less than \$1,000,000; or
3. The Executive Vice President – Corporate Services and Administration, if the Fair Market Value of the Property is greater than \$250,000 but not greater than \$500,000; or
4. The Vice President - Procurement and Real Estate, if the Fair Market Value of the Property is greater than \$50,000 but not greater than \$250,000; or
5. The FMS, if the Fair Market Value of the Property is greater than \$5,000 but not greater than \$50,000; or
6. With the prior written approval of FMS, the Purchasing and Warehouse Manager, if the Fair Market Value of the Property is \$5,000 or less.

XII. OTHER METHODS FOR DISPOSAL OF PERSONAL PROPERTY

A. Trade-Ins

This procedure is not intended to restrict the trade-in of equipment (i.e., computer or office equipment), materials, and/or vehicles for replacements from dealers furnishing replacement equipment, materials, and/or vehicles, where reasonable value can be obtained for the trade-in. Any such proposed

trade-in must be included as part of the solicitation of bids for the replacement equipment, materials and/or vehicles and the trade-in value must be stated in the proposals from solicited bidders. No trade-in shall be made unless the value of the trade-in is equal to or exceeds the Fair Market Value.

B. **Return to the Original Equipment Manufacturer ("OEM") or to the Source**

Return of materials to the OEM or the source is permissible provided that the Authority receives full value for any materials equal to the price paid by the Authority. In the event a re-stocking fee is charged by the OEM or the source, the FMS and Vice President – Procurement ~~and~~ Real Estate shall be consulted to determine if such a re-stocking fee is reasonable and if there are other opportunities for sale of such material. The Vice President – Procurement ~~and~~ Real Estate must approve all returns to the OEM or the source when a re-stocking fee is charged, subject to the Authorization Levels delineated in Section XI.

C. **Disposal through the New York State Office of General Services (OGS)**

When it is determined ~~to be~~ advantageous to the Authority, the Authority may enter into an agreement with OGS for ~~OGS to Dispose~~ of Authority-owned Property, ~~and may make including but not limited to~~ use of on-line disposal methods ~~offered~~ by OGS. In addition, in accordance with New York State law, surplus computers and accessories (e.g. monitors and

keyboards) and surplus office furniture and other equipment may, with the approval of the Vice President - Procurement ~~and~~ Real Estate, ~~may~~ be transferred to OGS for disposition, ~~and~~ in the case of computers and accessories to school districts located near Authority offices or operating~~operating and headquarters'~~ facilities, or in the case of office furniture and office equipment, to other state ~~entities~~agencies. Disposal of these items in this manner represents the best value to New York State in lieu of attempted re-sale of such materials.

XIII. METHODS OF PAYMENT

The proceeds from the sale of Property in the form of cash or a certified check made payable to the Authority ~~must~~shall be forwarded to the Authority's Treasurer by the Facility PDCs and to the Authority's Controller's Office by the FMS and WPO PDC. In certain cases involving a transfer of Property to other state agencies or authorities, the performance of documented services to the Authority equal to or greater in value to the Fair Market Value of the Property, will serve as payment for such Property. The authorization limits of Section XI shall apply to such transactions.

XIV. REPORTING REQUIREMENTS

A. The Authority shall publish, not less frequently than annually, a report of all Property disposed of during the reporting period, including the full description, price (if any) received and the name of the purchaser for all such

Property disposed of by the Authority during such period. Such report shall be prepared in conjunction with the report required by the Authority's "Guidelines and Procedures for the Disposal of Real Property."

- B. Such report, as approved by the Trustees, shall be submitted to the Comptroller, the Director of the Budget, the Commissioner of General Services and the Legislature.
- C. These Guidelines, as approved by the Trustees, shall be reviewed and approved annually by the Authority's Board of Trustees. On or before the thirty-first day of March in each year, the Authority shall file with the Comptroller a copy of the Guidelines most recently reviewed and approved by the Trustees, including the name of the Authority's designated Contracting Officer. At the time of filing such Guidelines with the Comptroller, the Authority shall also post such Guidelines on the Authority's internet website and maintain such Guidelines on the website.
- D. For disposal by negotiation or exchange (except when an identical or in-kind replacement is provided to the Authority) an explanatory statement shall be prepared and submitted to the parties described more fully in [Section Paragraph VI.B.4.](#)

BID SHEET

The following personal property is available for sale "AS IS, WHERE IS" and the Power Authority gives no warranty whatsoever as to its condition.

LUMP SUM BID AMOUNT* \$ _____

Subject to all terms and conditions set forth on the reverse hereof, the undersigned offers and agrees to purchase the above-described personal property at the bid amount indicated.

Signature

Company Name

Name (Printed)

Street Address

Date

City, State, Zip Code

FAX number

Telephone number

* All sales are subject to New York State Sales Tax and Compensating Use Tax unless the Purchaser furnishes the Authority with an exemption certificate.

PERSONAL PROPERTY SALE
SALE NO. _____
NEW YORK POWER AUTHORITY
(ADDRESS OF PROJECT)
Telephone: () _____
FAX: () _____

Subject to the terms and conditions stated below, bids will be received on the personal property, either by mail, fax or hand delivery at the (Location) _____ no later than (Date) _____.

The personal property is available for inspection, by appointment, at the (Project) _____
_____. For an appointment, please contact the Property Disposal Coordinator, (Name) _____
_____ at (Telephone no.) _____.

Successful bidders will be required to pay by certified check, on notice from the Authority that the bid has been accepted, and remove the personal property from the Authority's premises within ten (10) calendar days after receipt of notice of award.

Envelopes containing bids submitted by mail should be marked on the outside to indicate that a bid on Sale No. ____ is enclosed.

Current and former employees of the Power Authority or relatives of such employees or third parties acting on behalf of such employees or relatives are ineligible to bid and are prohibited from subsequently acquiring such personal property in any manner.

1. **INSPECTION.** Bidders are invited, urged and cautioned to inspect the personal property being sold prior to submitting a bid. The personal property will be available for inspection at the time and place specified above. In no case will failure to inspect constitute grounds for the withdrawal of a bid after opening.
2. **CONDITION OF PROPERTY.** All personal property listed is offered for sale "AS IS, WHERE IS". The Authority does not in any way warrant the fitness of the personal property for any particular use or its merchantability and disclaims any other representations or warranties, express or implied, including, but not limited to, quality, character, performance or condition of the personal property or any of its component parts, assemblies, or accessories.
3. **CONSIDERATION OF BIDS.** Bids must be submitted in writing on the form provided by the Authority (see reverse side) and shall be submitted on all items listed. The Authority reserves the right to reject any and all bids, to waive technical defects in bids and to award sale of the items as may be in the best interest of the Authority.
4. **PAYMENT.** The Purchaser agrees to pay for the awarded personal property in accordance with the prices quoted in his/her bid. Payment of the full purchase price must be made within the time allowed for removal, and prior to the release of any personal property to the Purchaser.
5. **NEW YORK STATE SALES AND COMPENSATING USE TAX.** All sales will be subject to New York State Sales and Compensating Use Tax unless the Purchaser furnishes the Authority with an exemption certificate.

ADVERTISEMENT FOR PROPOSALS

The following described personal property, shall be sold "AS IS, WHERE IS" by the New York Power Authority ("the Authority").

1. Sealed bids are invited for the above, which will be available for inspection by inquiry at the (Location/Building) at the (Project and Address) between the hours of _____ a.m. to ___ p.m. on (Date/s). Bids must be submitted on the Authority's bid form, which can be obtained by calling (Telephone no.). No bid will be accepted unless it is on such form. Bids shall be accepted on or before ___ p.m. on (Date).
2. Current and former employees of the Authority or relatives of such employees or third parties seeking to act on behalf of such employees or relatives shall be ineligible to bid.
3. Successful bidders, on notice from the Authority, shall be required to pay by certified check and shall promptly remove the personal property from the Authority's property.
4. The Authority reserves the right to reject any and all bids.

PERSONAL PROPERTY
SALES AGREEMENT

_____, the Buyer, and the Power Authority of the State of New York ("the Authority"), agree as follows:

- 1) The personal property identified herein is sold by the Authority and purchased by Buyer "AS IS, WHERE IS" at the price(s) shown, plus any applicable sales tax.
- 2) **THE AUTHORITY DOES NOT IN ANY WAY WARRANT THE FITNESS OF THE PERSONAL PROPERTY FOR ANY PARTICULAR USE OR ITS MERCHANTABILITY AND DISCLAIMS ANY OTHER REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED INCLUDING, BUT NOT LIMITED TO, THE QUALITY, CHARACTER, PERFORMANCE, OR CONDITION OF THE PERSONAL PROPERTY OR ANY OF ITS COMPONENT PARTS, ASSEMBLIES, OR ACCESSORIES.**
- 3) The Bidder warrants that he/she/it is not a current or former Authority employee, is not related to an Authority employee and did not bid on behalf of an Authority employee. Bidder is aware that Authority employees and their family members are precluded from subsequently receiving, or acquiring, in whole or in part, by any manner including gift, sale, loan or lease, the personal property acquired by the Bidder pursuant to this sale. The term "related to" as used in this paragraph means the relationships of spouse, child, parent, sister, brother, grandparent, grandchild, aunt, uncle, cousin, niece, nephew, stepchild, stepparent, stepsister, stepbrother, mother-in-law, father-in-law, sister-in-law, brother-in-law, daughter-in-law, or son-in-law. The Authority reserves the right to invoke any available legal or equitable remedy in the event of a breach by the Bidder of his or her warranty under this paragraph, including but not limited to, rescinding the sale and recovering the property sold and all costs associated with the sale and the rescission of said sale.
- 4) The Buyer shall indemnify and hold harmless the Authority and all of its officers, agents and employees from any loss, damage, remedial or response cost, liability or expense, on account of damage or contamination to property and injuries, including death, to all persons, including Buyer's employees, or any third parties, arising or in any manner growing out of the sale of any personal property or the performance of any work under this agreement and shall defend at its own expense any suits or other proceedings brought against the Authority and its officers, agents and employees, or any of them, on account thereof, and pay all expenses and satisfy all judgments which may be incurred by or rendered against them or any of them in connection therewith.
- 5) The Buyer shall remove the personal property from the Authority's premises by _____ at Buyer's expense. The Buyer shall make payment upon delivery by certified check payable to the New York Power Authority.

Description of Personal Property:

Selling Price: _____

Executed this _____ day of _____, 20 _____.

Buyer (Print or Type):

Seller:

Power Authority of the State of New York
123 Main Street
White Plains, New York 10601

Authorized Signature

Authorized Signature

Full Name (Printed)

Title

Title

POWER AUTHORITY OF THE STATE OF NEW YORK

2007 ANNUAL REPORT OF DISPOSAL OF PERSONAL PROPERTY OVER \$5,000

DESCRIPTION	PURCHASER	PRICE RECEIVED by the Authority
GENERATOR STEP-UP TRANSFORMERS at NIAGARA PROJECT (5)	TCI of NY, LLC	\$ 235,000.00
BEECHCRAFT KING AIR B-350 AIRCRAFT	BELL AVIATION, INC.	\$ 2,786,000.00
POWER TRANSFORMERS 75 kva at NIAGARA PROJECT (12)	BRUCE ELECTRIC COMPANY (via Surplus Asset Sales Company, Inc.)	\$ 5,026.45
GENERATOR STEP-UP TRANSFORMER (BG-2) at BLENHEIM-GILBOA PROJECT	CLEAN HARBORS ENVIRONMENTAL SERVICES, INC.	\$ 200,000.00
NORTEL ("PASSPORT") COMMUNICA- TIONS NETWORK EQUIPMENT	ANS ADVANCED NETWORK SERVICES, LLC	\$ 15,000.00
TRANSFER of ELECTRIC SCHOOL BUS - 1997 BLUE BIRD (Disposal by negotiation with Explanatory Statement)	BYRAM HILLS CENTRAL SCHOOL DISTRICT	Payment <u>waived</u>
	SUBTOTAL:	\$ 3,241,026.45

Exhibit "2e-B"
March 25, 2008

GUIDELINES

AND

PROCEDURES

FOR THE

DISPOSAL OF REAL PROPERTY

INDEX

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**GUIDELINES AND PROCEDURES
FOR THE DISPOSAL OF REAL PROPERTY**

I. PURPOSE

The purpose of these Guidelines and Procedures for the Disposal of Real Property ("Guidelines"), which comply with Title 5-A, Article 9 of the Public Authorities Law, is to establish the procedures which detail the Authority's operative policy and instructions regarding the disposal of real property and designate a Contracting Officer who is responsible for the Authority's compliance with, and enforcement of, such Guidelines.

II. DEFINITIONS

2.1 "Contracting Officer" shall mean the officer or employee of the Authority who shall be appointed by resolution of the Authority's Trustees to be responsible for the disposition of real property. The "Contracting Officer" is hereby designated to be the Vice President - Procurement and Real Estate, or a designee so stated in writing.

2.2 For the purposes of these Guidelines, "Dispose" or "Disposal" shall mean transfer of title or any other beneficial interest in real property in accordance with these Guidelines.

2.3 For the purposes of these Guidelines, "Real Property" shall mean real property, including land, owned by the Authority, and any other interest in such real property,

to the extent that such interest may be conveyed to another person or entity for any purpose, excluding an interest securing a loan or other financial obligation of another party.

2.4 For purposes of these Guidelines, the term "Relative" is defined in Section 5.11.1.

III. CONTROLLING LEGISLATION

The Public Authorities Accountability Act of 2005 ("PAAA") requires the Authority to establish policy guidelines to accomplish the following:

- 3.1 Maintain inventory controls and accountability systems for all Real Property under the Authority's control.
- 3.2 Periodically inventory Authority Real Property to determine which Real Property shall be Disposed of.
- 3.3 Dispose of Authority Real Property interests in accordance with the PAAA.
- 3.4 Prepare annual reports of Real Property Disposal transactions.

IV. DUTIES OF THE DIRECTOR OF REAL ESTATE

- 4.1 The Director of Real Estate shall maintain adequate inventory controls and accountability systems for all Real Property under the Authority's control.
- 4.2 The Director of Real Estate shall annually inventory Authority Real Property to determine which Authority Real Property shall be Disposed of and shall prepare a report identifying such Real Property for Disposal.
- 4.4 The Directory of Real Estate shall produce for publishing written reports of such Real Property as set forth in Section VI of these Guidelines.

- 4.5 The Director of Real Estate shall arrange for the transfer or Disposal of any Real Property identified for Disposal by the Authority in accordance with these Guidelines and the Authority's Expenditure Authorization Procedures and as soon as reasonably practical under the circumstances.

V. DISPOSITION OF REAL PROPERTY

- 5.1 The Authority may Dispose of Real Property for not less than the fair market value of such Real Property by sale, exchange, or transfer, for cash, credit or other property, without warranty, and upon such other terms and conditions as the Contracting Officer deems proper under the provisions of the PAAA and as implemented by these Guidelines. Fair market value of the Authority Real Property subject to Disposal shall be established by an independent appraiser. Such appraisal report shall be included in the record of the Real Property Disposal transaction.
- 5.2 Except as set forth in Section 5.3 of the Guidelines, any Disposal of Real Property with a fair market value in excess of fifteen thousand dollars (\$15,000.00) shall only be made after publicly advertising for bids in accordance with the following:
- (i) the advertisement for bids shall be made at such time prior to the Disposal or contract, through such methods, and on such terms and conditions as shall permit full and free competition consistent with the value and nature of the Real Property;
 - (ii) all bids shall be publicly disclosed at the time and place stated in the advertisement; and

- (iii) the award shall be made with reasonable promptness by notice to the responsible bidder whose bid, conforming to the invitation for bids, will be most advantageous to the Authority, price and other factors considered; provided, that all bids may be rejected when it is in the public interest to do so.

5.3 The Disposal of Authority Real Property may be negotiated or made by public auction without regard to Section 5.2 but subject to obtaining such competition as is feasible under the circumstances, if:

- (i) the fair market value of the Real Property does not exceed fifteen thousand dollars (\$15,000.00);
- (ii) bid prices after advertising therefore are not reasonable, either as to all or some part of the Real Property, or have not been independently arrived at in open competition;
- (iii) the Disposal will be to the state or any political subdivision, and the estimated fair market value of the Real Property and other satisfactory terms of Disposal are obtained by negotiation;
- (iv) the Disposal is for an amount less than the estimated fair market value of the Real Property, the terms of such Disposal are obtained by public auction or negotiation, the Disposal of the Real Property is intended to further the public health, safety or welfare or an economic development interest of the state or a political subdivision (to include but not limited to, the prevention or

remediation of a substantial threat to public health or safety, the creation or retention of a substantial number of job opportunities, or the creation or retention of a substantial source of revenues, or where the Authority's enabling legislation permits), and the purpose and the terms of such Disposal are documented in writing and approved by the Authority's Trustees; or

(v) such action is otherwise authorized by law.

5.4 An explanatory statement detailing the Disposal by negotiation of Authority Real Property subject to the PAAA as set forth in Section 5.3 shall be made for any Disposal of:

- (i) Real Property with a fair market value in excess of one hundred thousand dollars (\$100,000.00) except that Real Property Disposed of by lease or exchange shall only be subject to (ii) through (iv) of this Section 5.4;
- (ii) Real Property leased for a term of five years or less, if the estimated fair annual rent exceeds one hundred thousand dollars (\$100,000.00) for any of such years;
- (iii) Real Property leased for a term of more than five years if total estimated rent over term is in excess of one hundred thousand dollars (\$100,000.00); and

(iv) Any Real Property or real and related personal property Disposed of by exchange, regardless of value, or any property any part of the consideration is for Real Property:

- 5.5 Each explanatory statement prepared in accordance with Section 5.4 above shall be transmitted to the State Comptroller, the Director of the Budget, the Commissioner of General Services, and the State Legislature not less than 90 days in advance of such Disposal, and a copy shall be kept by the Authority.
- 5.6 In the Authority's discretion, when it shall be deemed advantageous to the Authority and the State, the Authority may enter into an agreement with the Office of the Commissioner of General Services ("OGS") under which OGS may Dispose of the Authority's Real Property under terms and conditions agreed to by the Authority and the OGS. In Disposing of any such Real Property of the Authority, the OGS shall be bound by the relevant provisions of the PAAA.
- 5.7 The Guidelines shall not apply to any transfers of jurisdiction by the Authority pursuant to Public Lands Law §3(4).
- 5.8 The Director of Real Estate shall provide all relevant documentation to the Environmental Division for the purposes of determining, if applicable, whether the Disposal of Real Property is in compliance with the State Environmental Quality Review Act, and for whether it adheres to the American Society of Testing and Material's guidelines for Environmental Site Assessments, if applicable.

- 5.9 No Authority employee who is involved in the award of Authority grants or contracts, may ask any officer, director or employee of such current or prospective contractor or grantee to reveal: (a) the political party affiliation of the individual; (b) whether the individual or entity has made campaign contributions to any political party, elected official, or candidate for elective office; or (c) whether the individual voted for or against any political party, elected official or candidate for elective office.
- 5.10 No Authority employee may award or decline to award any grant or contract, or recommend, promise or threaten to do so because of a current or prospective grantee's or contractor's: (a) refusal to answer any inquiry prohibited by Section 5.9 above or (b) giving or withholding or neglecting to make any contribution of money, service or any other valuable thing for any political purpose.
- 5.11 No Authority employee may take part in any contracting decision involving the payment of more than \$1,000: (i) to a Relative; or (ii) to any entity in which a Relative owns or controls 10% or more of the stock of such entity (or 1% in the case of a corporation whose stock is regularly traded on an established securities exchange); or serves as an officer, director or partner of that entity. If a contracting matter arises relating to this Section 5.11, then the employee must advise his or her supervisor of the relationship, and must be recused from any and all discussions or decisions relating to the matter.

5.11.1 For purposes of this section 5.11, the term "Relative" shall mean any person living in the same household as the Authority employee or any person who is a direct descendant of the Authority employee's grandparents or the spouse of such descendant.

5.12 Restrictions 5.9 through 5.11 above also apply to procurements which are governed by the Authority's Procurement Guidelines.

VI. ANNUAL REPORTS BY AUTHORITY

6.1 The Director of Real Estate shall publish the following two separate reports in accordance with these Guidelines:

- (i) Pursuant to Section 2800 of the Public Authorities Law, the Director of Real Estate shall furnish a report for incorporation in the Authority's annual report which is distributed to the Governor, the Senate Finance Committee, the Assembly Ways and Means Committee, and the State Comptroller. This report shall include:
 - (a) a listing of all Authority Real Property having an estimated fair market value greater than fifteen thousand dollars (\$15,000.00) that the Authority intends to Dispose of;
 - (b) a listing of all Real Property having an estimated fair market value greater than fifteen thousand dollars (\$15,000.00) intended for Disposal but still owned by the Authority at the end of the fiscal reporting period;
 - (c) a listing of all Real Property having an estimated fair

market value greater than fifteen thousand dollars (\$15,000.00)

Disposed of during the fiscal reporting period including the name of the purchaser of the Real Property and the price paid for the Real Property.

- (ii) Pursuant to Public Authorities Law § 2896(3)(a), the Director of Real Estate shall prepare for distribution to the State Comptroller, the Director of the Budget, the Commissioner of General Services, and the State Legislature, an annual report which shall consist of a list and full description of all Real Property Disposed of during such the fiscal reporting period. This annual report shall include the price received by the Authority and the name of the purchaser of the Real Property.

VII. APPROVAL OF GUIDELINES BY THE AUTHORITY'S BOARD

- 7.1 The Guidelines shall be annually reviewed and approved by the Authority's Trustees. On or before the thirty-first day of March in each year, the Authority shall file with the State Comptroller a copy of the most recently reviewed and approved Guidelines, including the name of the Authority's designated Contracting Officer. At the time of filing such Guidelines with the State Comptroller, the Authority shall also post such Guidelines on its internet website.

VIII. REFERENCES

- 8.1 Chapter 766 of the Laws of 2005
- 8.2 Public Lands Law §3 (4)
- 8.3 Chapter 14 of the Laws of 2007

**POWER AUTHORITY OF THE STATE OF NEW YORK
2007 ANNUAL REPORT OF DISPOSAL OF PERSONAL PROPERTY OVER \$5,000
FLEET OPERATIONS**

DESCRIPTION	PURCHASER	PRICE RECEIVED by the Authority
1986 JOHN DEERE DOZER	GELASIO LOPEZ	\$5,203.59
1988 JOHN DEERE DOZER	CHRIS YAISER	\$14,203.58
1988 MICHIGAN L120	MIKE ZYNDORF, LLC	\$12,157.17
1988 JOHN DEERE DOZER	DENNIS DIEFFENBACH	\$12,203.59
1989 FREIGHTLINER SEMI	ROB ROY	\$6,500.00
1992 JOHN DEERE DOZER	DENNIS DIEFFENBACH	\$13,250.00
1992 JOHN DEERE DOZER	DENNIS DIEFFENBACH	\$11,800.00
1993 KENWORTH SEMI	ART WILLIAMS	\$9,200.00
1994 FORD LOADER BACKHOE	DON PARAG	\$6,200.00
1996 JOHN DEERE DOZER	WILLIAM TIERNAN	\$24,203.59
1996 JOHN DEERE DOZER	DENNIS DIEFFENBACH	\$11,203.59
1997 KAWASAKI LOADER	MIKE ZYNDORF, LLC	\$14,203.58
2000 FORD F550 PICKUP	WILLIAM TIERNAN	\$12,650.00

**POWER AUTHORITY OF THE STATE OF NEW YORK
2007 ANNUAL REPORT OF DISPOSAL OF PERSONAL PROPERTY OVER \$5,000
FLEET OPERATIONS**

DESCRIPTION	PURCHASER	PRICE RECEIVED by the Authority
2000 FORD F550 PICKUP	WILLIAM TIERNAN	\$12,203.59
2000 FORD F550 PICKUP	WILLIAM TIERNAN	\$6,703.58
2000 FORD F550 PICKUP	WILLIAM TIERNAN	\$6,750.00
2000 FORD F550 PICKUP	WILLIAM TIERNAN	\$6,750.00
2000 FORD F550 PICKUP	WILLIAM TIERNAN	\$6,750.00
2001 TOYOTA PRIUS	MICHAEL YOUNG	\$5,519.45
2001 TOYOTA PRIUS	AUTOFIELD OF NY, INC.	\$5,613.00
2001 TOYOTA PRIUS	NPB COMPUTERS	\$5,800.10
2001 TOYOTA PRIUS	AUTOFIELD OF NY, INC.	\$6,267.85
2001 FORD F350 PICKUP	JAMES EARL HORVATH	\$5,000.00
2003 HONDA CIVIC	ANN NYE	\$9,167.90
2004 CHEVROLET TAHOE	MARK GOTTENBERG	\$5,238.80
2004 CHEVROLET TAHOE	LLAYAS CHAUDHRY	\$7,109.80

POWER AUTHORITY OF THE STATE OF NEW YORK
2007 ANNUAL REPORT OF DISPOSAL OF PERSONAL PROPERTY OVER \$5,000
FLEET OPERATIONS

DESCRIPTION	PURCHASER	PRICE RECEIVED by the Authority
2000 CHEVROLET K2500	AL YAISER	\$5,000.00
2001 FORD F550	D&G EQUIPMENT	\$6,900.00
1977 DROP DECK TRAILER	ROB ROY	\$6,950.00
1997 TRAIL-EZE DG5022H3	MIKE ZYNDORF, LLC	\$10,600.00
1999 HICO TRAC	TNT EQUIPMENT	\$28,100.00
2001 JLG 600A	MIKE ZYNDORF, LLC	\$8,400.00
1998 NEW HOLLAND TRACTOR	ANTHONY JAPA	\$6,200.00
1996 KENWORTH SEMI T800	KT POWER	\$7,400.00
2000 FORD F550 PICKUP	BAYSHORE FORD	\$10,500.00
1987 GROVE MANLIFT MZ66A	ROYAL TRUCK & EQUIPMENT	\$5,200.00
1988 P & H CRANE CN122	ROYAL TRUCK & EQUIPMENT	\$38,000.00
1994 P & H CRANE CNT500	KT POWER	\$109,000.00
1999 JLG AERIAL MANLIFT 600SJ	MIKE ZYNDORF, LLC	\$6,400.00

POWER AUTHORITY OF THE STATE OF NEW YORK
2007 ANNUAL REPORT OF DISPOSAL OF PERSONAL PROPERTY OVER \$5,000
FLEET OPERATIONS

DESCRIPTION	PURCHASER	PRICE RECEIVED by the Authority
1999 JLG AERIAL MANLIFT 600SJ	MIKE ZYNDORF, LLC	\$4,900.00
1999 JLG AERIAL MANLIFT 600SJ	MIKE ZYNDORF, LLC	\$4,900.00
2000 NEW HOLLAND TRACTOR	DAVID IACONI	\$7,875.00
2001 NEW HOLLAND TRACTOR	ROYAL TRUCK & EQUIPMENT	\$7,875.00
FLEET SUBTOTAL:		\$516,052.76
+ SUBTOTAL Page 1:		\$3,241,026.45
GRAND TOTAL:		<u>\$3,757,079.21</u>

GUIDELINES

AND

PROCEDURES

FOR THE

DISPOSAL OF REAL PROPERTY

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**GUIDELINES AND PROCEDURES
FOR THE DISPOSAL OF REAL PROPERTY**

I. PURPOSE

The purpose of these Guidelines and Procedures for the Disposal of Real Property ("Guidelines"), which comply with ~~the applicable provisions of~~ Title 5-A, Article 9 of the Public Authorities Law, is to establish the procedures which detail the Authority's operative policy and instructions regarding the disposal of real property and designate a Contracting Officer who ~~is~~ shall be responsible for the Authority's compliance with, and enforcement of, such Guidelines.

II. DEFINITIONS

2.1 "Contracting Officer" shall mean the officer or employee of the Authority who shall be appointed by resolution of the Authority's Trustees to be responsible for the disposition of real property. The "Contracting Officer" is hereby designated to be the Vice President - Procurement ~~and~~ & Real Estate, or a designee so stated in writing.

2.2 For the purposes of these Guidelines, "~~D~~ispose" or "~~D~~isposal" shall mean transfer of title or any other beneficial interest in real property in accordance with these Guidelines.

- 2.3 For the purposes of these Guidelines, "~~R~~real ~~P~~roperty" shall mean real property, including land, owned by the Authority, and any other interest in such real property, to the extent that such interest may be conveyed to another person or entity for any purpose, excluding an interest securing a loan or other financial obligation of another party.
- 2.4 For purposes of these Guidelines, the term "Relative" is defined in Section 5.11.1.

III. CONTROLLING LEGISLATION

The Public Authorities Accountability Act of 2005 ("~~P~~AAA") requires the Authority to establish policy guidelines to accomplish the following:

- 3.1 Maintain inventory controls and accountability systems for all ~~R~~real ~~P~~roperty under the Authority's control.
- 3.2 Periodically inventory Authority ~~R~~real ~~P~~roperty to determine which ~~R~~real ~~P~~roperty shall be ~~D~~isposed of.
- 3.3 Dispose of Authority ~~R~~real ~~P~~roperty interests in accordance with the PAAA.
- 3.4 Prepare annual reports of ~~R~~real ~~P~~roperty ~~D~~isposal transactions.

IV. DUTIES OF THE DIRECTOR OF REAL ESTATE

- 4.1 The Director of Real Estate shall maintain adequate inventory controls and accountability systems for all ~~R~~real ~~P~~roperty under the Authority's control.
- 4.2 The Director of Real Estate shall annually inventory Authority ~~R~~real ~~P~~roperty to determine which Authority ~~R~~real ~~P~~roperty shall be ~~D~~isposed of and shall prepare a report identifying such ~~R~~real ~~P~~roperty for ~~D~~isposal.

4.4 The Director of Real Estate shall produce for publishing written reports of such ~~R~~real ~~P~~roperty as set forth in Section VI of these Guidelines.

4.5 The Director of Real Estate shall arrange for the transfer or ~~D~~isposal of any ~~R~~real ~~P~~roperty identified for ~~D~~isposal by the Authority in accordance with these Guidelines and the Authority's Expenditure Authorization Procedures and as soon as reasonably practical under the circumstances.

V. DISPOSITION OF REAL PROPERTY

5.1 The Authority may ~~D~~ispose of ~~R~~real ~~P~~roperty for not less than the fair market value of such ~~R~~real ~~P~~roperty by sale, exchange, or transfer, for cash, credit or other property, without warranty, and upon such other terms and conditions as the Contracting Officer deems proper under the provisions of the PAAA and as implemented by these Guidelines. Fair market value of the Authority ~~R~~real ~~P~~roperty subject to ~~D~~isposal shall be established by an independent appraiser. Such appraisal report shall be included in the record of the ~~R~~real ~~P~~roperty ~~D~~isposal transaction.

5.2 Except as set forth in Section 5.3 of the Guidelines, any ~~D~~isposal of ~~R~~real ~~P~~roperty with a fair market value in excess of fifteen thousand dollars (\$15,000.00) shall only be made after publicly advertising for bids in accordance with the following:

- (i) the advertisement for bids shall be made at such time prior to the ~~D~~isposal or contract, through such methods, and on such terms and conditions as shall permit full and free competition consistent with the value and nature of the ~~R~~real ~~P~~roperty;

- (ii) all bids shall be publicly disclosed at the time and place stated in the advertisement; and
- (iii) the award shall be made with reasonable promptness by notice to the responsible bidder whose bid, conforming to the invitation for bids, will be most advantageous to the Authority, price and other factors considered; provided, that all bids may be rejected when it is in the public interest to do so.

5.3 The ~~D~~isposal of Authority ~~R~~real ~~P~~roperty may be negotiated or made by public auction without regard to Section 5.2 but subject to obtaining such competition as is feasible under the circumstances, if:

- (i) the fair market value of the ~~R~~real ~~P~~roperty does not exceed fifteen thousand dollars (\$15,000.00);
- (ii) bid prices after advertising therefore are not reasonable, either as to all or some part of the ~~R~~real ~~P~~roperty, or have not ~~been~~ independently arrived at in open competition;
- (iii) the ~~D~~isposal will be to the state or any political subdivision, and the estimated fair market value of the ~~R~~real ~~P~~roperty and ~~other~~ satisfactory terms of ~~D~~isposal are obtained by negotiation;

- (iv) the Disposal is for an amount less than the estimated fair market value of the Rreal Property, the terms of such Disposal are obtained by public auction or negotiation, the Disposal of the Rreal Property is intended to further the public health, safety or welfare or an economic development interest of the state or a political subdivision (to include but not limited to, the prevention or remediation of a substantial threat to public health or safety, the creation or retention of a substantial number of job opportunities, or the creation or retention of a substantial source of revenues, or where the Authority's enabling legislation permits), and the purpose and the terms of such Disposal are documented in writing and approved by the Authority's Trustees; or
- (v) such action is otherwise authorized by law.

5.4 An explanatory statement detailing the Disposal by negotiation of Authority Rreal Property subject to the PAAA as set forth in Section 5.3 shall be made for any Disposal of:

- (i) Real Property with a fair market value in excess of one hundred thousand dollars (\$100,000.00) except that Rreal Property Disposed of by lease or exchange shall only be subject to (ii) through (iv) of this Section 5.4;

- (ii) Real ~~P~~roperty leased for a term of five years or less, if the estimated fair annual rent exceeds one hundred thousand dollars (\$100,000.00) for any of such years;
- (iii) Real ~~P~~roperty leased for a term of more than five years if total estimated rent over term is in excess of one hundred thousand dollars (\$100,000.00); and
- (iv) Any ~~R~~real ~~P~~roperty or real and related personal property ~~D~~isposed of by exchange, regardless of value, or any property any part of the consideration is for ~~R~~real ~~P~~roperty:

5.5 Each explanatory statement prepared in accordance with Section 5.4 above shall be transmitted to the State Comptroller, the Director of the Budget, the Commissioner of General Services, and the State Legislature not less than 90 days in advance of such ~~D~~isposal, and a copy shall be kept by the Authority.

5.6 In the Authority's discretion, when it shall be deemed advantageous to the Authority and the State, the Authority may enter into an agreement with the Office of the Commissioner of General Services ("~~O~~G~~S~~") under which ~~such~~ OGS may ~~D~~ispose of the Authority's ~~R~~real ~~P~~roperty under terms and conditions agreed to by the Authority and the OGS. In ~~D~~isposing of any such ~~R~~real ~~P~~roperty of the Authority, the OGS shall be bound by the relevant provisions of the PAAA.

- 5.7 The Guidelines shall not apply to any transfers of jurisdiction by the Authority pursuant to Public Lands Law §3(4).
- 5.8 The Director of Real Estate shall provide all relevant documentation to the Environmental Division for the purposes of determining, if applicable, whether the ~~D~~isposal of ~~R~~real ~~P~~roperty is in compliance with the State Environmental Quality Review Act, and for whether it adheres to the American Society of Testing and Material's guidelines for Environmental Site Assessments, if applicable.
- 5.9 No Authority employee who is involved in the award of Authority grants or contracts, may ask any officer, director or employee of such current or prospective contractor or grantee to reveal: (a) the political party affiliation of the individual; (b) whether the individual or entity has made campaign contributions to any political party, elected official, or candidate for elective office; or (c) whether the individual voted for or against any political party, elected official or candidate for elective office.
- 5.10 No Authority employee may award or decline to award any grant or contract, or recommend, promise or threaten to do so because of a current or prospective grantee's or contractor's: (a) refusal to answer any inquiry prohibited by Section 5.9 above or (b) giving or withholding or neglecting to make any contribution of money, service or any other valuable thing for any political purpose.
- 5.11 No Authority employee may take part in any contracting decision involving the payment of more than \$1,000: (i) to a Relative; or (ii) to any entity in which a

Relative owns or controls 10% or more of the stock of such entity (or 1% in the case of a corporation whose stock is regularly traded on an established securities exchange); or serves as an officer, director or partner of that entity. If a contracting matter arises relating to this Section 5.11, then the employee must advise his or her supervisor of the relationship, and must be recused from any and all discussions or decisions relating to the matter.

5.11.1 For purposes of this section 5.11, the term "Relative" shall mean any person living in the same household as the Authority employee or any person who is a direct descendant of the Authority employee's grandparents or the spouse of such descendant.

5.12 Restrictions 5.9 through 5.11 above also apply to procurements which are governed by the Authority's Procurement Guidelines.

VI. ANNUAL REPORTS BY AUTHORITY

6.1 The Director of Real Estate shall publish the following two separate reports in accordance with these Guidelines:

- (i) Pursuant to Section 2800 of the Public Authorities Law, the Director of Real Estate shall furnish a report for incorporation in the Authority's annual report which is distributed to the Governor, the Senate Finance Committee, the Assembly Ways and Means Committee, and the State Comptroller. This report shall include:

- (a) a listing of all Authority ~~R~~real ~~P~~roperty having an estimated fair market value greater than fifteen thousand dollars (\$15,000.00) that the Authority intends to ~~D~~ispose of; (b) a listing of all ~~R~~real ~~P~~roperty having an estimated fair market value greater than fifteen thousand dollars (\$15,000.00) intended for ~~D~~isposal but still owned by the Authority at the end of the fiscal reporting period; and (c) a listing of all ~~R~~real ~~P~~roperty having an estimated fair market value greater than fifteen thousand dollars (\$15,000.00) ~~D~~isposed of during the fiscal reporting period including the name of the purchaser of the ~~R~~real ~~P~~roperty and the price paid for the ~~R~~real ~~P~~roperty.
- (ii) Pursuant to Public Authorities Law § 2896(3)(a), the Director of Real Estate shall prepare for distribution to the State Comptroller, the Director of the Budget, the Commissioner of General Services, and the State Legislature, an annual report which shall consist of a list and full description of all ~~R~~real ~~P~~roperty ~~D~~isposed of during such the fiscal reporting period. This annual report shall include the price received by the Authority and the name of the purchaser of the ~~R~~real ~~P~~roperty.

VII. APPROVAL OF GUIDELINES BY THE AUTHORITY'S BOARD

7.1 The Guidelines shall be annually reviewed and approved by the Authority's Trustees. On or before the thirty-first day of March in each year, the Authority shall file with the State Comptroller a copy of the most recently reviewed and approved Guidelines, including the name of the Authority's designated Contracting Officer. At the time of filing such Guidelines with the State Comptroller, the Authority shall also post such Guidelines on its internet website.

VIII. REFERENCES

- 8.1 Chapter 766 of the Laws of 2005
- 8.2 Public Lands Law §3 (4)
- 8.3 Chapter 14 of the Laws of 2007

POWER AUTHORITY OF THE STATE OF NEW YORK
 2007 ANNUAL REPORT OF DISPOSAL (CONVEYANCE) OF REAL PROPERTY OVER \$15,000 IN VALUE

Exhibit "B-1"
 March 25, 2008

<u>Purchaser's Name</u>	<u>Price Realized by the Authority</u>	<u>Surplus Parcel Acres</u>	<u>Deed Filed in County Clerk</u>
TOWN OF WADDINGTON	\$1.00 P.W.*	11.61	3/8/2007
TOWN OF WADDINGTON	\$1.00 P.W.*	9.376	3/8/2007
TOWN OF WADDINGTON	\$1.00 P.W.*	0.749	3/8/2007
TOWN OF WADDINGTON	\$1.00 P.W.*	0.669	3/8/2007
TOWN OF WADDINGTON	\$1.00 P.W.*	6.914	3/8/2007
TOWN OF WADDINGTON	\$1.00 P.W.*	6.699	5/3/2007
TOWN OF WADDINGTON	\$1.00 P.W.*	13.66	5/3/2007
TOWN OF WADDINGTON	\$1.00 P.W.*	6.455	5/3/2007
TOWN OF WADDINGTON	\$1.00 P.W.*	33.09	5/3/2007
TOWN OF WADDINGTON	\$1.00 P.W.*	34.762	5/3/2007
TOWN OF LOUISVILLE	\$1.00 P.W.*	5.65	5/22/2007
TOWN OF LOUISVILLE	\$1.00 P.W.*	2.835	5/22/2007
TOWN OF LOUISVILLE	\$1.00 P.W.*	4.788	5/22/2007
TOWN OF LOUISVILLE	\$1.00 P.W.*	25.65	5/22/2007
TOWN OF MASSENA	\$1.00 P.W.*	95	8/30/2007
TOWN OF LISBON	\$1.00 P.W.*	23.12	8/30/2007
CONSOLIDATED EDISON CO. OF N.Y. INC. (utility easement)	\$125,000.00	0.2	N/A

Fee interest conveyed unless otherwise noted.

* Payment waived of the nominal fee for the conveyance as part of the St. Lawrence-FDR Power Project Comprehensive Relicensing Settlement Accord

POWER AUTHORITY OF THE STATE OF NEW YORK
2007 ANNUAL REPORT OF DISPOSAL (CONVEYANCE) OF REAL PROPERTY OVER \$15,000 IN VALUE COMMENCED BUT NOT COMPLETED IN 2007

Prospective Purchaser's Name

Appraisal Value Surplus Parcel Acres

ROBINSON F. DEAN	\$	15,200.00	7.59
PATRICK J. CURRAN and LORI K. CURRAN	\$	18,400.00	0.92
J. RICHARD MAYETTE	\$	25,300.00	5.06
JOHN BARTLETT and LINDA BARTLETT	\$	27,200.00	10.89
HAROLD A. McALLISTER	\$	31,000.00	0.412
KENNETH ALLEN OAKES and NANCY OAKES	\$	34,500.00	0.46
MARY M. MAYETTE	\$	39,000.00	0.78
FREDERICK C. RUDDY and ANN M. RUDDY	\$	60,000.00	0.5
GEORGE W. and DACIE CLEMENTS AGRICULTURAL RESEARCH INSTITUTE, INC.	\$	73,500.00	4.9
JOHN WING	\$	85,000.00	0.71
TRUSTEES OF FIRST CATHOLIC CONGREGATION IN MADRID	\$	98,000.00	0.98
LOWELL F. PUTNEY	\$	155,000.00	15.59
VILLAGE OF WADDINGTON	\$	126,000.00	2.255

f. Annual Review and Approval of Guidelines and Procedures for the Acquisition of Real Property

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the Guidelines and Procedures for the Acquisition of Real Property (‘Real Property Acquisition Guidelines’ or ‘Guidelines’) set forth in Exhibit ‘2f-A,’ attached hereto. These Guidelines comply with the requirements of the Public Authorities Accountability Act of 2005 (‘PAAA’).

BACKGROUND

“On January 13, 2006, Governor George E. Pataki signed the PAAA into law. The law codifies the Model Governance Principles established for public authorities in 2004 by the Governor’s Advisory Committee on Authority Governance chaired by Ira Millstein. Among its provisions, the PAAA requires public authority board members to establish written policies and procedures for the acquisition of real property.

DISCUSSION

“At their March 28, 2006 meeting, the Trustees approved the following: (1) Guidelines and Procedures for the Disposal of Personal Property (‘Personal Property Guidelines’) for the disposition of surplus or obsolete material, equipment and supplies; and (2) Guidelines and Procedures for the Disposal of Real Property (‘Real Property Guidelines’) for transfers of land.

“In order to further comply with the PAAA, staff has drafted the Real Property Acquisition Guidelines. Heretofore, the Authority has not had a formal policy for the acquisition of real property.

“The Guidelines set forth the methodology that the Authority will use in the following specific areas:

- Acquisition and Valuation of Real Property
- Duties of the Director of Real Estate
- Environmental Compliance
- Ethical Considerations
- Annual Reporting

FISCAL INFORMATION

“There will be no financial impact on the Authority.

RECOMMENDATION

“The Vice President – Procurement and Real Estate and the Director of Real Estate recommend that the Trustees approve the Guidelines and Procedures for the Acquisition of Real Property for acquisitions of land as set forth in Exhibit ‘2f-A.’

“The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Corporate Services and Administration, the Vice President – Internal Audits and I concur in the recommendation.”

March 25, 2008

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

RESOLVED, That pursuant to the provisions of the Public Authorities Accountability Act of 2005, the Authority hereby adopts Guidelines and Procedures for the Acquisition of Real Property (“Guidelines”) as set forth in Exhibit “2f-A” and attached hereto; and be it further

RESOLVED, That Authority staff may take any and all steps necessary or convenient to implement such Guidelines; and be it further

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

Exhibit "2f-A"
March 25, 2008

GUIDELINES

AND

PROCEDURES

FOR THE

ACQUISITION OF REAL PROPERTY

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GUIDELINES AND PROCEDURES FOR THE ACQUISITION OF REAL PROPERTY

I. PURPOSE

1.1 These Guidelines and Procedures for the Acquisition of Real Property (“Guidelines”), which comply with Title 2, Article 9 of the Public Authorities Law, establish the procedures which detail the Authority’s policy and instructions regarding the acquisition of real property and designate a Contracting Officer who is responsible for the Authority’s compliance with, and enforcement of, such Guidelines.

II. DEFINITIONS

2.1 “Contracting Officer” shall mean the officer or employee of the Authority who shall be appointed by resolution of the Authority’s Trustees to be responsible for the acquisition of real property. The “Contracting Officer” is hereby designated to be the Vice President -Procurement and Real Estate, or his designee so stated in writing.

2.2 “Acquisition” or “Acquire” shall mean to obtain title to or any other beneficial interest in real property in accordance with applicable statutes and these Guidelines.

2.3 “Real Property” or “Lands” shall be coextensive in meaning with “Lands” “Tenements”, “hereditaments” and shall mean real property, including land, owned by the Authority, and any other interest in such real property, to the extent

that such interest may be conveyed to another person or entity for any purpose, excluding an interest securing a loan or other financial obligation of another party.

III. CONTROLLING LEGISLATION

- 3.1 These Guidelines are being adopted consistent with the Public Authorities Accountability Act of 2005 (“PAAA”).
- 3.2 The Authority may Acquire Real Property through purchase, eminent domain, State transfers of jurisdiction, lease and by other legal means.
- 3.3 The Authority’s New York statutory authority for land acquisition includes, without limitation, the Public Authorities Law, the Real Property Law, the Public Lands Law, the Eminent Domain Procedure Law and the Highway Law, as amended.

IV. DUTIES OF THE DIRECTOR OF REAL ESTATE

- 4.1 The Director of Real Estate will maintain adequate inventory controls and accountability systems for all Real Property under the Authority’s control.
- 4.2 Lands to be Acquired by the Authority will be in support of existing operating and transmission facilities or in support of new initiatives being pursued by the Authority. The Director of Real Estate will, in consultation with the other appropriate Authority staff, determine what Lands are necessary or convenient for Acquisition by the Authority.

- 4.3 The compensation for and the procedure for such Acquisition must be consistent with these Guidelines and the Authority's Real Estate Expenditure Authorization Procedures as amended.
- 4.4 The Director of Real Estate will produce for publishing written reports of such Real Property Acquired in the last calendar year by March 31st of the following year, as set forth in Section VI of these Guidelines.
- 4.5 The Director of Real Estate will arrange for the transfer or Acquisition of any Real Property identified for Acquisition by the Authority in accordance with these Guidelines and the Authority's Expenditure Authorization Procedures and as soon as reasonably practical under the circumstances.
- 4.6 The Director of Real Estate will provide all relevant documentation to the Authority's Environmental Division to determine whether the Acquisition of Real Property is in compliance with the State Environmental Quality Review Act, and whether it adheres to the American Society of Testing and Material's Guidelines for Environmental Site Assessments, if applicable.

V. ETHICAL CONSIDERATIONS

- 5.1 No Authority employee who is involved in the Acquisition of Real Property, may ask any officer, director or employee of such current or prospective grantor or lessor to reveal: (a) the political party affiliation of the individual; (b) whether the individual or entity has made campaign contributions to any political party,

elected official, or candidate for elective office; or (c) whether the individual voted for or against any political party, elected official or candidate for elective office.

5.2 No Authority employee may take part in any Acquisition decision involving the payment of more than \$1,000: (i) to a Relative; or (ii) to any entity in which a Relative owns or controls 10% or more of the stock of such entity (or 1% in the case of a corporation whose stock is regularly traded on an established securities exchange); or serves as an officer, director or partner of that entity. If an Acquisition matter arises relating to this Section 5.2, then the employee must advise his or her supervisor of the relationship, and must be recused from any and all discussions or decisions relating to the matter.

5.2.1 For purposes of this section 5.2, the term “Relative” shall mean any person living in the same household as the Authority employee or any person who is a direct descendant of the Authority employee’s grandparents or the spouse of such descendant.

VI. ACQUISITION REPORTS BY THE AUTHORITY

6.1 The Director of Real Estate will publish, at each meeting of the Authority’s Governance Committee, a report detailing the Acquisitions of Real Property occurring in accordance with these Guidelines since the prior Governance Committee meeting.

VII. APPROVAL OF GUIDELINES BY THE AUTHORITY'S TRUSTEES

7.1 The Guidelines shall be annually reviewed and approved by the Authority's Trustees.

VIII. REFERENCES

8.1 Chapter 766 of the Laws of 2005

8.2 Public Lands Law §3 (4)

**g. Procurement (Services) Contracts –
Business Units 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 ‘2g-A’ for the Authority’s Business Units/Departments and Facilities. Detailed explanations of 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 or equipment purchase contracts in excess of \$3 million, as well as personal services contracts in excess of \$1 million if low bidder, or \$500,000 if sole source or non-low bidder.

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 \$90,000 to \$600,000. 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 re-bid these services annually.

Contracts in Support of Business Units/Departments and Facilities:

Corporate Services and Administration

“The contract with **Miller Advertising Agency, Inc. (‘Miller’) (Q08-4238; PO# TBA)** would become effective on April 1, 2008, subject to the Trustees’ approval. The purpose of this contract is to provide for recruitment advertising services in support of the Authority’s recruitment efforts in engineering and other specialized technical and financial areas, as well as administrative staff, for its offices and operating facilities. Services generally include, but are not limited to, refinement and placement of external recruitment advertisements/job postings (including copywriting and design), recommendations concerning which sources of media (i.e., industry-specific targeted websites, associations, schools and alumni groups, newspapers and trade journals, etc.) should be used, and actual placement of the job postings (on websites and in print media, as appropriate), as well as ‘resume mining’ of major and niche online resume databases. 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 Miller, the lowest-priced bidder that is qualified to perform such services and meets the bid requirements. The intended term of this contract is 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, \$550,000.

Energy Marketing and Corporate Affairs

Energy Services and Technology

“The contract with **Millennium Maintenance and Electrical Contractors, Inc. (‘Millennium’) (Q07-4192; PO# TBA)** would become effective on April 1, 2008, subject to the Trustees’ approval. The purpose of this contract is to provide for warranty work for lighting projects, as part of the Authority’s Energy Services Programs (‘ESPs’). Services include, but are not limited to, providing electrical installation services to replace lamps, ballasts, fixtures and/or other appurtenances that have been installed under the ESPs, primarily in the Southeastern New York region. Such replacement will be done on individual fixtures that fail within one year of installation, on an ‘as needed’ basis. Bid documents were downloaded electronically from the Authority’s Procurement website by three firms, including those that may have responded to a notice in the New York State Contract Reporter. One proposal was received and evaluated. Staff recommends award of a contract to Millennium, the sole responding bidder, which is qualified to perform such work and meets the bid requirements. The intended term of this contract is 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. All costs will be recovered by the Authority.

Marketing and Economic Development

“The contract with **Quantec LLC (Q08-4262; PO# TBA)** would become effective upon the filing of the next Consolidated Edison Company of New York, Inc. (‘Con Ed’) delivery service rate case, which is anticipated to occur on or about May 1, 2008, subject to the Trustees’ approval. The Public Service Commission is expected to grant Con Ed a one-year rate increase (rather than the three years requested by Con Ed). The anticipated filing by Con Ed is expected to request another rate increase for at least the two previously-requested years. The Authority is obligated to actively intervene in all Con Ed rate cases on behalf of its governmental customers. The purpose of this contract is to provide for consulting services in connection with the anticipated Con Ed delivery service rate case that Con Ed is expected to file. Quantec has spent the past eleven months as the Authority’s consultant on the Con Ed delivery service rate case filed in May 2007; the firm has been integral to the development of the Authority’s strategy and position. It would not be practical or cost-effective to hire a new consultant, since the next case will rely heavily upon the facts and circumstances of the case just concluded. The new award is therefore made on a sole source basis and meets the requirements set forth in the Procurement Guidelines, which allow for a sole source award where ‘services are required to extend or complement a prior procurement and it is impracticable or uneconomic to have a source other than the original source continue the work.’ The intended term of this contract is up to two years, 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, \$400,000 (including contingency). If additional funding should be required to support rate case work that cannot be projected at this time, approval of such additional funding will be in accordance with the Authority’s EAPs.

Power Generation

“Due to the need to commence services, the contract with **ICx Transportation Group, Inc. (‘ICx’; 4500154550)** became effective on February 28, 2008, subject to the Trustees’ subsequent approval as soon as practicable, in accordance with the Authority’s procurement policies and EAPs. The purpose of this contract is to provide for design services for security system upgrades at the Niagara Power Project. 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. Six proposals were received and evaluated. Staff recommends award of a contract to ICx, the lowest-priced qualified bidder that meets the bid requirements. The two lower-priced bidders were disqualified by the Evaluation Team on the basis of a lack of understanding of the specified design scope in the Request for Proposals or a lack of the product (e.g., sensors) experience required to perform the engineering scope of this project. The intended term of this contract is approximately twenty-two months, 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, \$430,000 (including contingency).

“Due to the need to commence services, the contract with **LaBella Associates, P. C. (‘LaBella’; 4500154519)** became effective on February 28, 2008, subject to the Trustees’ subsequent approval as soon as practicable, in accordance with the Authority’s procurement policies and EAPs. The purpose of this contract is to provide for engineering and design services for the wall and berm project for Niagara University (‘NU’), pursuant to an agreement between the Authority and NU for construction of a visual barrier between the Authority’s switchyard and NU property. Services include all labor, materials, equipment and supervision necessary to produce construction drawings, technical specifications, construction inspections and final as-built drawings of the NU wall and berm. Bid documents were downloaded electronically from the Authority’s Procurement website by 32 firms, including those that may have responded to a notice in the New York State Contract Reporter. Five proposals were received and evaluated. Staff recommends award of a contract to LaBella, the lowest-priced bidder that is qualified to perform the work and meets the bid requirements. The intended term of this contract is approximately 22 months, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$112,000 (including contingency).

“The contract with **PB Power, Inc. (Q08-4229; PO# TBA)** would become effective on April 1, 2008, subject to the Trustees’ approval. The purpose of this contract is to provide for the services of an independent consultant to perform dam safety inspections and reviews and issue reports for the Niagara and Jarvis Power Projects, as mandated by the Federal Energy Regulatory Commission (‘FERC’). The resume(s) of the specific independent consultant(s) employed by PB Power must also be approved by FERC. Bid documents were downloaded electronically from the Authority’s Procurement website by 23 firms, including those that may have responded to a notice in the New York State Contract Reporter. Five proposals were received and evaluated. Staff recommends award of a contract to PB Power, the lowest-priced evaluated bidder (including evaluation of hourly rates for potential additional work that may be required by FERC), which is qualified to perform such work, meets the bid requirements and which has provided satisfactory service under the current contract. FERC also requires the independent consultant to be available to respond to follow-up questions for a period of five years and, historically, FERC has required the Authority to use the FERC-approved independent consultant to perform follow-up work. The intended term of this contract is 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, \$220,000.

“The contract with **Professional Health Services, Inc. (‘PHS’) (BG-0108; PO# TBA)** would become effective on May 1, 2008, subject to the Trustees’ approval. The purpose of this contract is to provide for on-site annual medical/occupational physical examinations and other medical services for approximately 110 employees at the Blenheim-Gilboa Pumped Storage Power Project, in accordance with all applicable safety and health standards and Authority policy. Bid documents were sent to seven 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 PHS, the lowest-priced bidder, which is qualified to perform such work and meets the bid requirements. The intended term of this contract is 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, \$90,000.

“The contract with **RFJ Insulation Contractor, Inc. (‘RFJ’) (Q07-4204; PO# TBA)** would become effective on April 1, 2008, subject to the Trustees’ approval. The purpose of this contract is to provide for installation of new insulation and repair of existing insulation at the Poletti and 500 MW Power Projects and the Flynn and Small Clean Power Plants. Bid documents were downloaded electronically from the Authority’s Procurement website by 12 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 RFJ, the lowest-priced bidder, which is qualified to perform such work and meets the bid requirements. The intended term of this contract is 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, \$600,000.

“Due to the need to commence services, the contract with **Stantec Consulting Services, Inc. (‘Stantec’; 4500154532)** became effective on February 28, 2008, subject to the Trustees’ subsequent approval as soon as practicable, in accordance with the Authority’s procurement policies and EAPs. The purpose of this contract is to provide for design engineering services for rehabilitation of the Niagara River intake gate hoist structures at the Niagara Power Project. Bid documents were downloaded electronically from the Authority’s Procurement website by 30 firms, including those that may have responded to a notice in the New York State Contract Reporter. Three proposals were received and evaluated. Staff recommended award of the subject contract to Stantec, the lowest-

priced bidder, which is qualified to perform such services and meets the bid requirements. The intended term of this contract is three years, 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, \$287,000 (including contingency).

"The contract with **Stockholm Oil, Inc. dba Reliable Waste Systems ('RWS') (6000086751; PO# TBA)** would become effective on April 1, 2008, subject to the Trustees' approval. The purpose of this contract is to provide for refuse removal and disposal services for the St. Lawrence/FDR Power Project. Services include furnishing all necessary containers for refuse, recyclables and insulators, as needed, and include the container, hauling, landfill and disposal fees. 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 RWS, the lowest-priced bidder, which is qualified to perform such work and meets the bid requirements. The intended term of this contract is 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, \$175,000.

"The contract with **Walter T. Gorman, PE, PC (Q08-4230; PO# TBA)** would become effective on April 1, 2008, subject to the Trustees' approval. The purpose of this contract is to provide for engineering permitting services to support multiple projects at the Poletti and 500 MW Power Projects and the Small Clean Power Plants, as needed. Services include, but are not limited to, ensuring compliance with all applicable permitting requirements for power plants issued by the New York City Department of Buildings and the New York City Fire Department. Bid documents were downloaded electronically from the Authority's Procurement website by 22 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 WT Gorman, the lowest-priced bidder that meets the bid requirements and is qualified to perform the work. The intended term of this contract is 1.75 years, 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, \$170,000.

FISCAL INFORMATION

"Funds required to support contract services for various Business Units/Departments and Facilities have been included in the 2008 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the project's Capital Expenditure Authorization Request. Payment for the contracts 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 – Engineering, the Vice President – Project Management, the Vice President – Environment, Health and Safety, the Inspector General and Vice President – Corporate Security, the Director – Energy Services, the Director – Human Capital and Development, the Manager – Power Contracts, 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 '2g-A' for the purposes and in the amounts set forth above.

"The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Chief Financial Officer, the Executive Vice President – Corporate Services and Administration, the Executive Vice President – Energy Marketing and Corporate Affairs, the Senior Vice President – Energy Services and Technology, the Senior Vice President – Marketing and Economic Development, the Senior Vice President and Chief Engineer – Power Generation and I concur in the recommendation."

March 25, 2008

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 "2g-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 Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, General Counsel and Chief of Staff.

Procurement (Services) Contracts – Awards
 (For Description of Contracts See "Discussion")

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
CORP SERV & ADMIN - HC&D	MILLER ADVERTISING AGENCY, INC. (Q08-4238; PO# TBA)	04/01/08	Provide for recruitment advertising services	03/31/11 (+ option to extend for 2 additional years)	B/P			\$550,000*
*Note: represents total for up to 5-year term								
ENERGY MARKETING & CORP AFF - ES&T	MILLENNIUM MAINTENANCE & ELECTRICAL CONTRACTORS, INC. (Q07-4192; PO# TBA)	04/01/08	Provide for electrical installation services warranty work for lighting projects, as part of the Authority's Energy Services Programs	03/31/10 (+ option to extend for 1 additional year)	B/S			\$100,000*
*Note: represents total for up to 3-year term All costs will be recovered by the Authority.								
ENERGY MARKETING & CORP AFF - MED	QUANTEC LLC (Q08-4262; PO# TBA)	05/01/08 (on or about)	Provide for consulting services in connection with the anticipated follow-on Con Edison delivery service rate case	04/30/10	S/P			\$400,000*
*Note: represents estimated total for up to 2-year term (including contingency)								
POWER GEN - PROJ MGMT/ NIA	ICX TRANSPORTATION GROUP, INC. (Q07-4173; 4500154550)	02/28/08	Provide for design services for Security System upgrades at NIA	12/31/09	B/P	\$409,199	\$ 0	\$430,000*
*Note: represents total for 22-month term (including contingency)								
POWER GEN - PROJ MGMT/ NIA (contingency)	LABELLA ASSOCIATES, P.C. (Q07-4207; 4500154519)	02/28/08	Provide for engineering & design services for wall and berm project for Niagara University	12/31/09	B/P	\$106,750	\$ 0	\$112,000*
*Note: represents total for 22-month term (including contingency)								
POWER GEN - ENGINEERING/ NIA & Jarvis	PB POWER, INC. (Q08-4229; PO# TBA)	04/01/08	Provide for independent consultant to perform dam safety inspections, reviews and reports for NIA and Jarvis Projects, per FERC requirements	03/31/13	B/P			\$220,000*
*Note: represents total for 5-year term								

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
 2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement

Procurement (Services) Contracts – Awards
 (For Description of Contracts See "Discussion")

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
POWER GEN - B-G	PROFESSIONAL HEALTH SERVICES (BG-0108; PO# TBA)	05/01/08	Provide for on-site annual medical/occupational physical examinations & other medical services for B-G employees	04/30/11	B/P			\$90,000*
							*Note: represents total for 3-year term	
POWER GEN - POL, 500MW, FLN, SCPPs	RFJ INSULATION CONTRACTOR, INC. (Q07-4204; PO# TBA)	04/01/08	Provide for installation of new insulation and repair of existing insulation at SENY sites, as needed	03/31/11	B/S			\$600,000*
							*Note: represents total for 3-year term	
POWER GEN - PROJ MGMT/ NIA	STANTEC CONSULTING SERVICES, INC (Q07-4198; 4500154532)	02/28/08	Provide for design engineering services for rehabilitation of the Niagara River intake gate hoist structures at RMNPP	02/28/11	B/P	\$273,151	\$ 0	\$287,000*
							*Note: represents total for 3-year term (including contingency)	
POWER GEN - STL	STOCKHOLM OIL, INC dba RELIABLE WASTE SYSTEMS (6000086751; PO# TBA)	04/01/08	Provide for refuse removal and disposal services for STL	03/31/11	B/S			\$175,000*
							*Note: represents total for 3-year term	
POWER GEN - POL, 500MW, SCPPs	WALTER T. GORMAN, P.E., P.C. (Q08-4230; PO# TBA)	04/01/08	Provide for engineering permitting services to support multiple projects, as needed	12/31/09	B/P			\$170,000*
							*Note: represents total for 1.75-year term	

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
 2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement

**h. Procurement (Services) Contracts –
Business Units and Facilities –
Extensions, Additional Funding
and Increases in Compensation Ceilings**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the continuation and funding of the procurement (services) contracts listed in Exhibit ‘2h-A’ in support of projects and programs for the Authority’s Business Units/Departments and Facilities. The Trustees are also requested to approve increases in the compensation ceilings of the contracts with RJ Associates LLC and North American Energy Services, as well as an increase in the aggregate compensation ceiling of the contracts with LJ Gonzer Associates, Rotator Staffing Services, Inc. and SUN Technical Services, Inc. Detailed explanations of the nature of such services, the reasons for extension, the additional funding required and the projected expiration dates are set forth 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 when the cumulative change order value of a personal services contract exceeds the greater of \$250,000 or 35% of the originally approved contract amount not to exceed \$500,000, or when the cumulative change order value of a non-personal services, construction, equipment purchase or non-procurement contract exceeds the greater of \$500,000 or 35% of the originally approved contract amount not to exceed \$1 million.

DISCUSSION

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

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

Contracts in Support of Business Units/Departments and Facilities:

Energy Marketing and Corporate Affairs

Energy Services and Technology

“The contract with **Carrier Corporation (4500136990)** provides for the furnishing, delivery and installation of ventilation controls at the New York City Transit Kingsbridge Bus Depot, as part of the Authority’s Energy Services Programs. The original award, which was competitively bid, became effective on May 20, 2007 for a term of less than one year. An extension of approximately three months is now requested in order to include additional work requested by the customer. The current contract amount is \$958,020; staff estimates that an additional \$50,000 will be required for the additional work and extended term. The Trustees are requested to approve the extension of the subject contract through August 31, 2008, as well as the additional funding requested. All costs will be recovered by the Authority.

“The contract with **Optimal Energy, Inc. (4500138428)** provides for an energy conservation assessment/study of the Authority’s Southeast New York (‘SENY’) Governmental Customers and audits of their facilities, to identify additional cost-effective load management and energy conservation measures, as part of the Authority’s Energy Services Programs (‘ESPs’). The study examined the energy use by building type and end-use, as well as the forecast for energy consumption, and made recommendations to implement existing technologies and practices to lower end-use electricity requirements of the Authority’s customers over a ten-year period. The original award, which was competitively bid, became effective on April 2, 2007 for a term of less than one year. A two-month extension is now requested in order to complete the following two tasks: 1) perform an additional model run to develop the economic potential and maximum achievable potential based on updated load data and actual energy sale information; and 2) review and analyze completed projects and assess their cost-effectiveness under a variety of approaches. The current contract amount is \$350,000; staff estimates that an additional \$35,000 will be required for the extended term. The Trustees are requested to approve the extension of the subject contract through May 31, 2008, as well as the additional funding requested.

Law Department

“At their meeting of March 28, 2006, the Trustees approved the award of a two-year sole source contract to **Brian R. Meara Public Relations (4500122711)**, in the amount of \$160,000, to provide for the continuation of public relations consulting services in connection with the Authority’s various Southeastern New York generation facilities (‘Projects’). Mr. Meara’s knowledge of the substantive issues associated with the Projects, and of the parties involved with the projects, has proven to be and remains directly relevant and applicable, and the Authority has an ongoing need for the continuation of his services. His seasoned community liaison skills are critical to addressing imminent community concerns, as Mr. Meara possesses the ability to work professionally and personally with the New York City Council, borough presidents, and community board leaders. An extension of up to two years (to be issued in one-year increments) is now requested to continue Mr. Meara’s services. The current contract amount is \$160,000; staff projects that an additional \$160,000 may be required for the extended term. The Trustees are requested to approve the extension of the subject contract through March 31, 2010, as well as the additional funding requested.

Power Generation

Increases in Compensation Ceiling:

“At their meeting of March 28, 2006, the Trustees approved the award of a contract to **RJ Associates LLC (‘RJA’; 4500119574)**, in the amount of \$450,000, to provide for consulting services to perform comprehensive site-specific engineering analyses to calculate the Probable Maximum Precipitation (‘PMP’) and Probable Maximum Flood (‘PMF’) at the Blenheim-Gilboa Pumped Storage Power Project (‘B-G’), pursuant to Federal Energy Regulatory Commission (‘FERC’) requirements. The award was made on a sole source basis, since RJA, in concert with its subcontractor Applied Weather Associates, performed the initial study (which was awarded as the result of a competitive bidding process) and developed complex, detailed and unique numerical models for calculating the

PMF, specific to the B-G drainage basin. In addition, both firms possess unique qualifications and expertise in this very specialized field and their approach and analyses have been accepted by FERC for other projects. FERC also required that the Authority establish an independent Board of Consultants ('BOC'), approved by FERC, to oversee, assess and direct the engineering studies conducted by the Authority's consultant, RJA. Accordingly, the BOC requested that significant additional and more detailed supporting analyses be performed to justify assumptions and contemplated methodologies used in the original study/analysis. Additionally, in January 2008, the New York City Department of Environmental Protection ('NYC DEP') provided the Authority with a redesign of its Gilboa Dam spillway, which is situated directly upstream of the Authority's lower reservoir dam at B-G. The Authority must evaluate the impact of this redesign on the Authority's B-G Project, including possible remediation alternatives. It is critical for the Authority to be able to respond to FERC, NYC DEP, the New York State Department of Environmental Conservation ('NYS DEC') and the BOC, and to identify and manage any potential negative impacts of the redesign on the Authority in a timely manner. An additional \$250,000 was subsequently authorized, in accordance with the Authority's Guidelines for Procurement Contracts and EAPs, to meet these requirements. A 2.8-year extension is now requested in order to address the aforementioned issues using the models RJA developed and to respond to any emergent questions or issues raised by FERC, NYC DEP, NYS DEC and/or the BOC. The current contract amount is \$700,000; staff estimates that an additional \$500,000 will be required for the extended term. The Trustees are requested to approve the extension of the subject contract through December 31, 2010, and to approve the additional funding requested, thereby increasing the compensation ceiling to \$1.2 million.

"At their meeting of September 26, 2006, the Trustees approved the award of a contract to **North American Energy Services ('NAES'; 4500133069)**, in the amount of \$2,144,167, to provide for the operation and maintenance ('O&M') of the New York City Department of Environmental Protection's ('NYC DEP') East Delaware and Neversink hydroelectric facilities ('Facilities'). The original award, which was competitively bid, became effective on November 29, 2006 for an initial term of 19 months, with an option to extend for 2 additional years. (There are provisions in the contract to extend the contract term for additional periods of time, to a maximum of nine years; requests to exercise any such further renewal options and approval of additional funding beyond the current levels will be presented to the Trustees for review and approval as needs arise.) At their meeting of October 30, 2007, the Trustees approved an additional \$3.61 million to implement capital projects necessary for the proper maintenance and operation of the Facilities. A two-year extension is now requested to exercise the contract option for the continuation of such O&M services. The current contract amount is \$5,754,167; staff anticipates that an additional \$2.4 million will be required for the extended term. The Trustees are requested to approve the extension of the subject contract through June 30, 2010, as well as the additional funding requested, thereby increasing the compensation ceiling to \$8,154,167. All contract renewals between the Authority and NAES are subject to the Operating Agreement between the Authority and NYC DEP. The City of New York, acting through NYC DEP, will reimburse the Authority for all direct and administrative overhead costs.

Increase in Aggregate Compensation Ceiling:

"At their meeting of September 20, 2005, the Trustees approved the award of contracts to three firms, **LJ Gonzer Associates (4500112958), Rotator Staffing Services, Inc. (4500112954) and SUN Technical Services, Inc. (4500112957)**, in the aggregate amount of \$6 million, to provide the services of temporary engineering personnel to support the Authority's facilities, as needed. Services may include engineers and technicians in the following disciplines: electrical, mechanical, structural/civil, licensing, environmental, facility (heating, ventilation and air-conditioning and plumbing), fire protection, chemical, construction and construction management, cost and scheduling, instrumentation and control, estimating, quality assurance/quality control and code compliance, as well as warehousemen, engineering aides and clerical aides. The original awards, which were competitively bid, became effective on October 9, 2005, for an initial term of three years and three months, with an option to extend for an additional year. Such personnel have supported several long-term capital projects, including the Life Extension and Modernization ('LEM') and upgrade programs for the St. Lawrence/FDR, Niagara and Blenheim-Gilboa ('B-G') Projects. Currently, approximately 12 such temporary engineering personnel work under these three active contracts to provide continued support for the ongoing LEM programs, and also to provide additional support, including environmental, code compliance and construction support for the Niagara, B-G and small hydroelectric projects and the wind farms at the St. Lawrence/FDR Project. The current contract amounts total \$5,260,546 (of the \$6 million previously approved by the Trustees); staff estimates that an additional aggregate \$2 million will be required for the remaining year of the initial contract term, as well as for the option year (through December 2009), to support the aforementioned work, requiring the increased use of such services to meet the Authority's needs. It should be noted

that the contractors have agreed to hold their mark-up rates, which are among the lowest in the industry, firm through 2008. The Trustees are requested to ratify the extension of the subject contracts through December 31, 2009, as well as the additional funding requested, thereby increasing the compensation ceiling to \$8 million. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures.

Transmission

“The contract with **Navigant Consulting, Inc. (4500142537)** provides for the development, training and implementation of a Reliability Compliance Process (‘Process’) for the Authority. The primary objective of the Process is to ensure that the Authority’s facilities are operated in full compliance with all applicable new and existing reliability standards, criteria and regulatory requirements mandated by the Federal Energy Regulatory Commission (‘FERC’), the North American Electric Reliability Corporation (‘NERC’) and the Northeast Power Coordinating Council (‘NPCC’). The original award, which was competitively bid, became effective on June 15, 2007 for an initial term of one year, with an option to extend for an additional year. A 6.5-month extension is now requested to exercise part of the option year in order to complete the original scope of work, which was delayed due to changes in approach, as well as organizational changes in the consultant’s project team. Such extension will provide the additional time needed to complete the required tasks. The current contract amount is \$295,000; staff anticipates that no additional funding will be required for the extended term. The Trustees are requested to approve the extension of the subject contract through December 31, 2008, with no additional funding requested.

FISCAL INFORMATION

“Funds required to support contract services for various Headquarters Office Business Units/Departments and Facilities have been included in the 2008 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

RECOMMENDATION

“The Vice President – Engineering, the Vice President – Project Management, the Vice President – Environment, Health and Safety, the Vice President – Business Development and Asset Management, the Executive Director – Reliability Standards and Compliance, the Director – Energy Services, the Director – Cost Control and Electric Transportation, 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 extensions, additional funding and increases in compensation ceilings of the procurement contracts discussed within the item and/or listed in Exhibit ‘2h-A.’

“The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Chief Financial Officer, the Executive Vice President – Corporate Services and Administration, the Executive Vice President – Energy Marketing and Corporate Affairs, the Senior Vice President – Energy Services and Technology, the Senior Vice President and Chief Engineer – Power Generation, the Senior Vice President – Transmission and I concur in the recommendation.”

March 25, 2008

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, each of the contracts listed in Exhibit “2h-A,” attached hereto, is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Authority’s Expenditure Authorization Procedures, an increase in the compensation ceiling of the contracts with RJ Associates LLC and North American Energy Services, as well as an increase in the aggregate compensation ceiling of the contracts with LJ Gonzer Associates, Rotator Staffing Services, Inc. and SUN Technical Services, Inc., are hereby approved, as recommended in the foregoing report of the President and Chief Executive Officer, in the amounts and for the purposes listed below:

<u>O&M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Provide for the operation and maintenance of NYC DEP’s East Delaware and Neversink hydroelectric facilities:		
North American Energy Services 4500133069		
Previously approved amount	\$5,754,167	06/30/10
Additional amount requested	<u>2,400,000</u>	
REVISED COMP. CEILING	<u>\$ 8,154,167</u>	

<u>O&M and Capital</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Provide for the services of temporary engineering personnel to support the Authority's facilities, as needed:		
LJ Gonzer Associates 4500112958		
Rotator Staffing Services, Inc. 4500112954		
SUN Technical Services, Inc. 4500112957		
Previously approved amount	\$6,000,000	12/31/09
Additional amount requested	<u>2,000,000</u>	
REVISED COMP. CEILING	<u>\$8,000,000</u>	

O&M

Provide for Probable Maximum Flood studies for B-G and related analyses, as may be requested by FERC, NYC DEP, NYS DEC or Board of Consultants:

RJ Associates LLC
4500119574

Previously approved amount	\$ 450,000	12/31/10
Additional funding authorized per EAPs	250,000	
Additional amount requested	<u>500,000</u>	
REVISED COMP. CEILING	<u>\$1,200,000</u>	

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

Procurement (Services) Contracts – Extensions
(For Description of Contracts See "Discussion")

<u>Plant Site/ Bus. Unit</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
Contracts in support of Headquarters Business Units and the Facilities:								
ENERGY MARKETING AND CORP AFFAIRS - ES&T	CARRIER CORP. INC. 4500136990	05/20/07	Provide for F/D/I of ventilation controls at NYCT Kingsbridge Bus Depot	08/31/08	B/C	\$958,020	\$735,265	\$1,008,020*
						*Note: includes originally approved amount of \$958,020 + CURRENT REQUEST for an additional \$50,000. All costs will be recovered by the Authority.		
ENERGY MARKETING AND CORP AFFAIRS - ES&T	OPTIMAL ENERGY, INC. 4500138428	04/02/07	Conduct an energy conservation assessment of SENY Governmental Customers and perform audits of their facilities	05/31/08	B/P	\$350,000	\$339,500	\$385,000*
						*Note: includes originally approved contract amount of \$350,000 + CURRENT REQUEST for an additional \$35,000.		

LAW	BRIAN R. MEARA PUBLIC RELATIONS 4500122711	04/01/06	Provide for public relations consulting services in connection with the Authority's various SENY generation facilities	03/31/10 (includes 2-year extension to be issued in 1-year increments)	S/P	\$160,000	\$151,800	\$320,000*
						*Note: includes \$160,000 originally approved by the Trustees + CURRENT REQUEST for an additional \$160,000.		

Increase in Aggregate Compensation Ceiling:								
POWER GEN - Proj Mgmt, EH&S and Pow Gen Support Services	3 contracts: 1. LJ GONZER ASSOC. 4500112958 2. ROTATOR STAFFING SERVICES, INC. 4500112954 3. SUN TECHNICAL SERVICES, INC. 4500112957	10/09/05	Provide for the services of temporary engineering personnel to support the Authority's facilities, as needed	12/31/09	B/S	\$5,260,546	\$3,253,238	\$8,000,000*
						*Note: includes aggregate \$6M originally approved by the Trustees + CURRENT REQUEST for an additional aggregate \$2M.		

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
 2 Contract Type: P= Personal Service; S= (Non-Personal) Service, C= Construction; E= Equipment; N= Non-Procurement

Procurement (Services) Contracts – Extensions
 (For Description of Contracts See "Discussion")

<u>Plant Site/ Bus. Unit</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
<u>Increases in Compensation Ceiling:</u>								
POWER GEN - Proj Mgmt	NORTH AMERICAN ENERGY SERVICES 4500133069	11/29/06	Provide for the operation and maintenance of the NYC DEP's East Delaware and Neversink hydroelectric facilities	06/30/10	B/S	\$5,754,167	\$1,182,616	\$8,154,167*
								*Note: includes \$5,754,167 previously approved by the Trustees (\$2.144M for O&M and \$3.61M for capital projects) + CURRENT REQUEST for an additional \$2.4M for O&M. All direct and administrative overhead costs will be reimbursed to the Authority by the City of New York.
POWER GEN - Engineering / B-G	RJ ASSOCIATES LLC 4500119574	02/06/06	Provide for Probable Maximum Flood studies for B-G & related analyses, as may be requested by FERC, NYC DEP or the Board of Consultants	12/31/10	S/P	\$700,000	\$582,640	\$1,200,000*
								*Note: includes \$450,000 originally approved by the Trustees + an additional \$250,000 authorized per the EAPs + CURRENT REQUEST for an additional \$500,000.

TRANSMISSION - Reliability Stand- ards & Compliance	NAVIGANT CONSULT- ING INC. 4500142537	06/15/07	Provide for the development, training and implementation of a Reliability Compliance Process for the Authority	12/31/08	B/P	\$295,000	\$0	\$295,000*
								*Note: represents original award amount; NO ADDITIONAL FUNDING REQUESTED.

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
 2 Contract Type: P= Personal Service; S= (Non-Personal) Service, C= Construction; E= Equipment; N= Non-Procurement

March 25, 2008

3. **Financial Reports for the Two Months Ended February 29, 2008**

Mr. Arnold Bellis presented the highlights of the financial reports to the Trustees.

NEW YORK POWER AUTHORITY
FINANCIAL REPORTS
FOR THE TWO MONTHS ENDED FEBRUARY 29, 2008

Financial Reports
Table of Contents

1	Financial Summary
2	Statement of Net Revenues
3	Statement of Net Revenues by Facility
4	Net Revenues-Variance from Budget
5	Operations & Maintenance
6	Statement of Net Assets
7	Summary of Net Generation
8	Capital Expenditures
9	Demand Side Management Financial Report
10	Operating Fund
11	Portfolio Performance and Financing Rates

NEW YORK POWER AUTHORITY FINANCIAL REPORT FOR THE TWO MONTHS ENDED FEBRUARY 29, 2008

(\$ in millions)

<u>Financial Summary</u>	<u>2008 YTD</u>		<u>February 2008</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Net operating revenues	\$37.7	\$36.5	12.0	\$12.1
Net revenues	51.5	47.2	13.1	13.7
O&M (incl. administrative)	42.8	45.6	21.4	21.8
Generation (gwh's)	4,263	4,067	1,953	1,838
	<u>Current</u>	<u>Prior Month</u>	<u>December 2007</u>	
Reserves	\$274	\$314	\$284	

Net revenues through February 29, 2008 were \$51.5 which was \$4.3 higher than budgeted including higher non-operating income (\$3.1) and higher net operating revenues (\$1.2). Non-operating income included a higher than anticipated year-to-date mark-to-market gain on the Authority's investment portfolio (resulting from a drop in market interest rates) and lower costs on variable rate debt. Net operating revenues were higher at the transmission facilities (\$2.7, FACTS congestion rents), Blenheim Gilboa (\$2.4, higher market-based sales) and St. Lawrence (\$2.5, higher generation). These positives were partially offset by lower net operating revenues at Niagara (\$2.5, lower production) and the MSP market area (\$4.0, lower sales).

Net revenues for the month of February were \$13.1 which was \$0.6 lower than anticipated due primarily to lower non-operating income. Non-operating income included a mark-to-market loss on the Authority's investment portfolio partially offset by lower costs on variable rate debt. Higher net operating revenues at Blenheim Gilboa and the SCPP's (higher volumes and prices on market-based sales) were offset by lower than anticipated results in the MSP market area. Production for February was 6% higher than anticipated resulting in year-to-date generation (4,263 gwh) which was 5% higher than budgeted (4,067 gwh). Higher generation at St. Lawrence and the fossil fuel facilities was partially offset by lower Niagara production.

NYPA
Net Revenues
For The Two Months ended February 29, 2008
(\$ in 000'S)

	<u>Annual Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
Operating Revenues				
Customer	\$2,001,278	\$327,324	\$330,202	(\$2,878)
Market-Based Power Sales	723,815	167,340	113,671	53,669
Ancillary Services	60,181	14,624	12,485	2,139
NTAC and Other	92,647	17,225	16,693	532
Total Market-Based and ISO	<u>876,643</u>	<u>199,189</u>	<u>142,849</u>	<u>56,340</u>
	2,877,921	526,513	473,051	53,462
Operating Expenses				
Purchased Power	1,055,203	206,447	\$180,702	(25,745)
Ancillary Services	91,102	27,327	14,979	(12,348)
Fuel Consumed - Oil & Gas	542,804	112,557	98,615	(13,942)
Wheeling	384,331	47,062	43,895	(3,167)
Operations & Maintenance	294,993	42,834	45,594	2,760
Other expenses	140,879	23,153	23,480	327
Depreciation & Amortization	175,420	30,370	30,466	96
Allocation to Capital	(8,002)	(890)	(1,162)	(272)
	<u>2,676,730</u>	<u>488,860</u>	<u>436,569</u>	<u>(52,291)</u>
Net Operating Revenues	201,191	37,653	36,482	1,171
Interest Income and Realized Gains	144,416	26,453	26,566	(113)
Mark to Market Adjustment	12,000	9,389	7,000	2,389
Investment Income	<u>156,416</u>	<u>35,842</u>	<u>33,566</u>	<u>2,276</u>
Interest and Other Expenses	128,887	21,953	22,818	865
Net Revenues	<u><u>228,720</u></u>	<u><u>51,542</u></u>	<u><u>47,230</u></u>	<u><u>4,312</u></u>

New York Power Authority
Net Revenues by Facility
For the Two Months ended February 29, 2008
(\$ in 000's)

	Niagara	St. Lawrence	B-G	SENY	SCPP	Market Supply Power	Flynn	Transmission	Eliminations & Adjmts	Total
Operating Revenues										
Customer	\$ 51,751	\$ 20,923	\$ 999	\$ 177,510	\$ 120	\$ 42,442	\$ 23,436	\$ 14,584	\$ (4,441)	\$ 327,324
Market-Based Power Sales	25,658	6,305	22,067	106,025	18,992	6,555			(18,262)	167,340
Ancillary Services	11,367	347	(464)	3,251	123					14,624
NTAC and Other								17,225		17,225
Total Market-Based and ISO	37,025	6,652	21,603	109,276	19,115	6,555		17,225	(18,262)	199,189
Operating Expenses										
Purchased Power	88,776	27,575	22,602	286,786	19,235	48,997	23,436	31,809	(22,703)	526,513
Ancillary Services	30,486	14,068	13,047	118,680	1,304	52,528			(23,666)	206,447
Fuel Consumed - Oil & Gas	5,334	2,547	51	16,286	16	3,093				27,327
Wheeling	1,232	77		82,486	11,803		18,268			112,557
Operations & Maintenance	11,499	5,302	4,212	44,186	2,427	1,518	49	10,268		47,062
Other expenses	2,338	507	284	7,690	165	211	1,225	1,234	8,082	42,834
Depreciation & Amortization	4,967	2,565	1,204	1,921	8,373	8,373	249	1,234		23,153
Allocation to Capital	(257)	(126)	(108)	9,834	4,328	140	720	6,612		30,370
	55,599	24,940	18,690	280,932	20,039	65,863	20,482	17,899	(15,584)	488,860
Net Operating Revenues	33,177	2,635	3,912	5,854	(804)	(16,866)	2,954	13,910	(7,119)	37,653
Investment and Other Income							13		35,827	35,842
Interest and Other Expenses	(5,323)	(3,352)	87	(5,797)	(15)	(17)	(228)	(4,867)	(2,441)	(21,953)
Net Revenues (loss)	27,854	(715)	3,999	57 *	(819)	(16,883)	2,739	9,043	26,267	51,542
Budget	29,928	(3,190)	1,644	391	(1,141)	(12,882)	2,008	6,285	24,187	47,230
Variance	\$ (2,074)	\$ 2,475	\$ 2,355	\$ (334)	\$ 322	\$ (4,001)	\$ 731	\$ 2,758	\$ 2,080	\$ 4,312

* Revenues for SENY are presented net of a \$6.2 million reduction resulting from the application of an energy charge adjustment to recover variable costs under the LT Supplemental Energy Supply Agreement.

NEW YORK POWER AUTHORITY
VARIANCE FROM BUDGET
MAJOR FACTORS
For the Two Months ended February 29, 2008
(Millions)

		<u>Better/(Worse) than budget</u>	
Niagara	o Higher customer revenues (pass-through of purchased power costs)	\$ 10.7	
	o Higher market-based revenues (higher volumes)	6.3	
	o Higher purchased power costs (higher prices & volumes)	(17.6)	
	o Higher ancillary service costs (primarily local reliability)	(2.1)	
	o Other	<u>0.6</u>	(\$2.1)
St. Lawrence	o Higher revenues (primarily a higher volume of market-based sales)	5.7	
	o Higher purchased power costs (higher prices)	(2.3)	
	o Higher ancillary service costs	(0.8)	
	o Other	<u>(0.1)</u>	2.5
Blenheim-Gilboa	o Higher market-based revenues (higher prices & volumes)	3.1	
	o Higher purchased power costs (primarily higher volumes)	(1.1)	
	o Other	<u>0.4</u>	2.4
SENY	o Lower customer revenues (primarily ECA adjustment offset)	(7.4)	
	o Higher market-based sales (higher prices & volumes)	34.9	
	o Higher purchased power costs (primarily higher volumes)	(4.6)	
	o Higher ancillary service costs (primarily local reliability)	(8.1)	
	o Higher fuel costs (higher generation & higher prices)	(13.6)	
	o Other	<u>(1.5)</u>	(0.3)
SCPP	o Higher revenues (higher volume of market-based sales)	3.1	
	o Higher purchased power costs (higher volumes)	(0.9)	
	o Higher fuel costs (higher generation)	(2.5)	
	o Lower site O&M (less than anticipated maintenance charges)	0.9	
	o Other	<u>(0.3)</u>	0.3
Market Supply Power	o Lower revenues	(4.0)	
	o Lower purchased power costs (primarily lower congestion)	1.3	
	o Higher ancillary service costs (primarily local reliability)	(1.4)	
	o Other	<u>0.1</u>	(4.0)
Flynn	o Lower revenues	(1.7)	
	o Lower fuel costs (lower prices)	2.1	
	o Other	<u>0.3</u>	0.7
Transmission	o Higher revenues (including TCC revenues for the FACTS Project)	2.0	
	o Other (includes lower interest costs)	<u>0.7</u>	2.7
Consolidating adjustments (primarily higher mark-to-market gain)			<u>2.1</u>
Net Revenues			<u>\$ 4.3</u>

NYPA
Operations & Maintenance
For the Two Months Ended February 29, 2008

	(\$'s in millions)	
	<u>Actual</u>	<u>Budget</u>
Power Generation		
Headquarters Support	\$2.1	\$1.1
Blenheim-Gilboa	2.2	2.2
Charles Poletti	2.6	3.2
500 MW	1.3	1.8
R.M. Flynn	0.7	0.9
SCPP	2.2	3.1
Small Hydros	0.5	0.6
Niagara	6.3	6.2
St. Lawrence	<u>3.0</u>	<u>3.0</u>
	20.9	22.1
Transmission		
ECC/Headquarters	1.6	1.9
Transmission Facilities	<u>5.9</u>	<u>5.4</u>
	7.5	7.3
Corporate Support		
Executive Office	1.5	1.9
Business Services	4.9	5.8
HR & Corporate Support	2.4	3.0
Energy Marketing & Corporate Affairs	<u>3.0</u>	<u>3.2</u>
	11.8	13.9
Research & Development & Other	2.6	2.3
Total	<u>\$42.8</u>	<u>\$45.6</u>

Through February, O&M expenses were \$2.8 million under budget including underruns in HQ Corporate Support departments and Power Generation.

HQ Corporate Support expenses were under budget by \$2.1 million mostly due to early year under spending for legal consultants, HQ communications, IT contract services, industry dues and fuel cell maintenance.

Power Generation expenditures were \$1.2 million lower than anticipated due primarily to underruns at the SCPP's (\$0.9), Poletti (\$0.6) and the 500MW plant (\$0.5) partially offset by overruns at Power Generation HQ (\$1.0). SCPP under spending reflects less than expected maintenance and non-recurring charges. Poletti and the 500MW plant were under budget primarily due to lower than expected contract costs for routine maintenance.

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

	FEBRUARY <u>2008</u>	DECEMBER <u>2007</u>	<u>NET CHANGE</u>
ASSETS:			
Electric Plant In Service, Less Accumulated Depreciation	\$3,421,995	\$3,449,829	(27,834)
Construction Work In Progress	140,156	124,519	15,637
Net Utility Plant	<u>\$3,562,151</u>	<u>\$3,574,348</u>	(12,197)
Restricted Funds	94,325	93,683	642
Construction Funds	284,495	261,181	23,314
Investment In Decommissioning Trust Fund	984,836	979,336	5,500
Current Assets:			
Cash	72	72	-
Investments In Government Securities	862,909	861,405	1,504
Interest Receivable On Investments	21,305	20,067	1,238
Receivables-Customers	279,204	175,365	103,839
Materials & Supplies-Plant & General	75,380	75,604	(224)
-Fuel	34,576	33,809	767
Prepayments And Other	36,159	44,318	(8,159)
Notes Receivable-Nuclear Sale	139,068	193,533	(54,465)
Deferred Charges And Other Assets	<u>483,995</u>	<u>478,576</u>	5,419
TOTAL ASSETS	<u>\$6,858,475</u>	<u>\$6,791,297</u>	<u>\$67,178</u>
LIABILITIES AND OTHER CREDITS:			
Long-Term Debt - Bonds	\$1,795,314	\$1,869,236	(73,922)
Notes	150,000	150,000	-
Short-Term Notes Payable	294,053	268,488	25,565
Accounts Payable And Accrued Liabilities	907,511	846,161	61,350
Spent Nuclear Fuel Disposal	212,511	211,316	1,195
Decommissioning Of Nuclear Plants	984,836	979,336	5,500
Deferred Revenue	<u>194,318</u>	<u>198,369</u>	(4,051)
TOTAL LIABILITIES AND OTHER CREDITS	4,538,543	4,522,906	15,637
ACCUMULATED NET REVENUES-JANUARY 1	2,268,390	2,033,621	234,769
NET REVENUES	<u>51,542</u>	<u>234,770</u>	(183,228)
TOTAL LIABILITIES AND CAPITAL	<u>\$6,858,475</u>	<u>\$6,791,297</u>	<u>\$67,178</u>

NYPA
SUMMARY OF NET GENERATION (MWH'S)
FOR THE TWO MONTHS ENDED FEBRUARY 29, 2008

Facility	Year-to-date February			Month of February 2008				
	Actual	Budget	Variance (Actual vs Budget)	% Variance from Budget	Actual	Budget	Variance (Actual vs Budget)	% Variance from Budget
Niagara	2,211,003	2,289,495	(78,492)	-3.43%	952,997	989,495	(36,498)	-3.69%
St. Lawrence	996,337	895,277	101,060	11.29%	498,190	425,277	72,913	17.14%
Combined	3,207,340	3,184,772	22,568	0.71%	1,451,187	1,414,772	36,415	2.57%
Poletti	245,202	136,756	108,446	79.30%	126,926	68,399	58,527	85.57%
500MW	512,600	496,653	15,947	3.21%	225,003	237,752	(12,749)	-5.36%
SCPP	99,269	71,257	28,012	39.31%	55,466	26,207	29,259	111.65%
Blenheim Gilboa	(54,860)	(63,901)	9,041	-14.15%	(24,677)	(22,751)	(1,926)	8.46%
Small Hydro	41,321	30,804	10,517	34.14%	19,489	14,609	4,880	33.40%
R. M. Flynn	211,670	210,873	797	0.38%	99,410	99,412	(2)	0.00%
Total	4,262,542	4,067,214	195,328	4.80%	1,952,804	1,838,400	114,404	6.22%

NYPA
Capital Expenditures
For the Two Months Ended February 29, 2008

(\$'s in millions)

	<u>Actual</u>	<u>Budget</u>
Energy Services	14.1	13.0
Existing Facilities	9.1	14.4
Transmission	3.1	3.4
Headquarters	4.6	2.4
General Plant and Minor Additions	<u>2.8</u>	<u>0.5</u>
	<u>\$33.7</u>	<u>\$33.7</u>

Capital expenditures through February were on budget. **Existing Facilities** were under running the budget by \$5.3 million primarily due to less than anticipated usage of consultants for the Niagara Relicensing Project, coupled with minor schedule changes for the St. Lawrence & B-G LEM Projects. **Headquarters** expenditures were over the budget by \$2.2 million due to a timing difference related to the Billing System Project. The overrun in **Energy Services** of \$1.1 million was due to expenditures related to Governmental Services Program.

Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$ 0.9 million for 2008. There were no new expenditures this month.

**Demand Side Management
Cost Summary (Inception to Date)
February 29, 2008
(\$ in 000's)**

(A) DSM Projects

Authorized	Program	Prog	(A) Projects In-Progress	(B) Completed Projects	(C) Cumulative Cost	(D) Recoveries to Date	(E) Net Investment (C-D)
\$183,050	Electrotechnologies LTEPA	ES-EPN	10,095	74,534	84,629	50,636	33,993
433,000	NYPA Energy Services Program	ES-ESN	87,970	113,895	201,865	65,632	136,233
530,000	SENY Govt Cust Energy Serv	ES-GSN	85,277	20,374	105,651	39,615	66,036
130,000	SENY HELP LTEPA	ES-LTN	5,921	81,805	87,726	62,010	25,716
1,200	MUNI Vehicle Program	ES-MVN		508	458	359	99
140,000	Non-Elect End Use LTEPA	ES-NEN	32,872	57,634	90,506	53,576	36,930
35,000	Peak Load Mgmt	ES-PLN	8,788	165	8,953		8,953
	Completed Programs						
5,000	Coal Conversion LTEPA	ES-CCN		5,000	5,000	3,466	1,534
5,000	County & Muni's	ES-CMN		1,919	1,919	1,919	0
13,000	Distributed Generation	ES-DGN		\$1,440	\$1,787	\$1,182	\$605
14,600	Industrial	ES-IPN		6,875	6,875	6,875	0
51,000	LI HELP	ES-LIN		47,505	47,505	47,276	229
15,000	SENY New Constr	ES-NCN		2,992	2,992	2,992	0
75,000	Public Housing LTEPA	ES-PHN		72,081	72,081	72,081	0
40,000	Public Schools	ES-PSN		38,941	38,941	38,928	13
130,000	SENY HELP	ES-SEN		134,305	134,305	134,305	0
60,000	Statewide	ES-SWN		56,733	56,733	55,828	
4,085	Other			746	746	746	0
7,500	Wattbusters			5,441	5,441	5,441	0
<u>\$1,872,435</u>			<u>\$230,923</u>	<u>\$722,893</u>	<u>\$954,113</u>	<u>\$642,867</u>	<u>\$310,341</u>

(B) POCR Funding

LOANS

Authorized	Program	Loans Issued	Repayments	Outstanding Balance
\$ 16,390	Colleges & Universities	\$ 16,390	\$ 16,179 (1)	\$ 211

GRANTS

Authorized	Program	Issued
\$9,105	Coal Conversion Pilot	\$9,105
4,558	Hybrid Bus Program	4,558
663	Solar Grants	663
3,000	NYSERDA	3,000
25,768 (1)	Energy Services Programs	16,033
31,199 (1)	POCR Grants	13,647
<u>\$ 74,293</u>		<u>\$ 47,006</u>

(C) CASP Funding

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

(D) Board of Ed Funding

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

(E) NYC Housing Auth Funding

Authorized	Program	Issued
\$25,708 (2)	NYCHA Hot Water Heaters	\$21,644

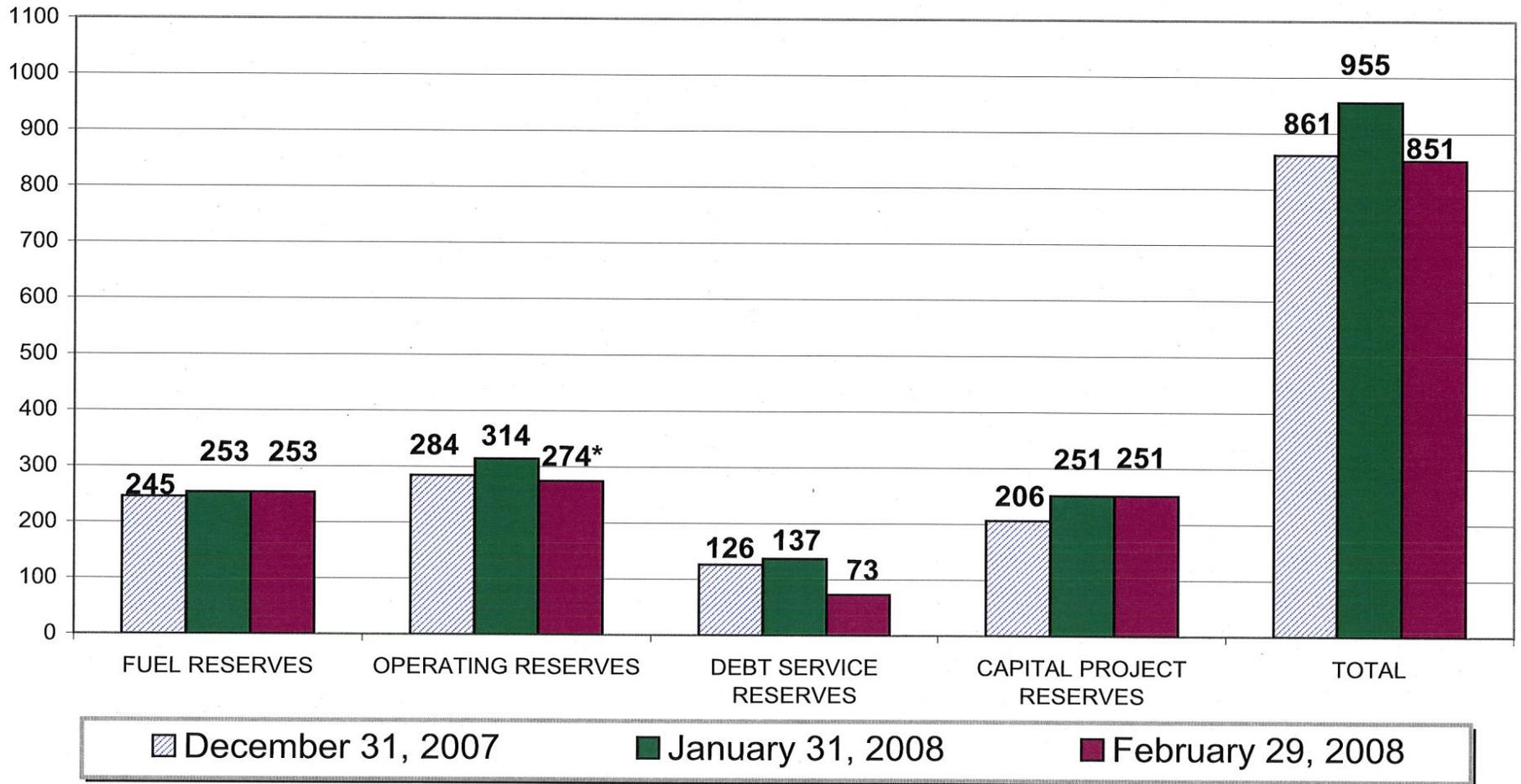
(F) Lower Manhattan Energy Independence Initiative Program

Authorized	Program	Issued
\$25,000 (2)	Lower Manhattan Energy Serv	\$6

(1) Funds recovered via loan repayments are available and assigned to be used as grants in the Energy Services Program and for POCR Grant Program.

(2) Authorized funds reflect both principal received and the interest earned on such principal.

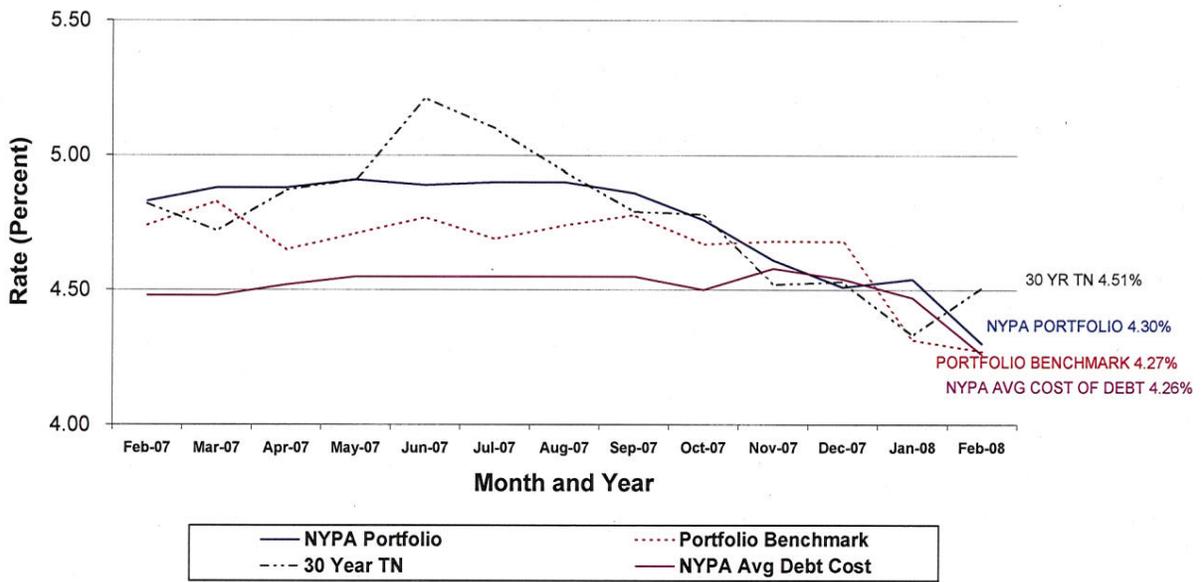
**NEW YORK POWER AUTHORITY
OPERATING FUND
(\$ MILLIONS)**



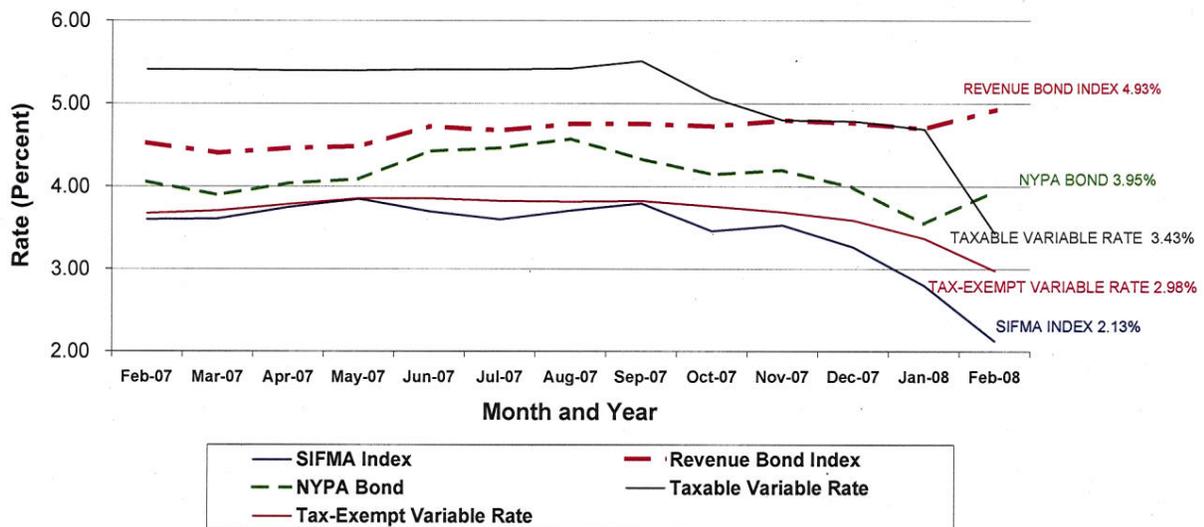
Fuel Reserves include \$212 million for Nuclear Spent Fuel and \$41 million for Energy Hedging Reserve Fund.

* Does not include \$41 million in NYC revenue paid in March.

Portfolio Performance



Financing Rates



4. Report from the President and Chief Executive Officer

President Roger Kelley mentioned the extraordinary events of the past weeks resulting in a change of leadership in the State. He said that the Authority had worked closely with Governor Paterson in his former role, supporting his ambitious goals for enhancing clean energy supplies and energy efficiency. President Kelley said that the Authority has been in touch with the Governor's Office since Governor Paterson's swearing-in and has conveyed the message that the management and staff of the Authority remain dedicated to carrying out the essential work we undertake every day operating hydroelectric and other clean generating facilities and transmission lines and in providing other key energy services. President Kelley added that he anticipated that the Authority's relationship with the Governor's Office would remain unchanged in the near term and that he expected the Governor to continue many of his predecessor's initiatives.

President Kelley reported on the following issues:

Unaccounted for Energy ("UFE") Charges: The January 2008 power bills for two of the Authority's full-requirements customers, the villages of Lake Placid and Tupper Lake, contained extraordinarily large UFE charges, which are imposed through the billing processes of the New York Independent System Operator ("NYISO"). Lake Placid's bill increased by approximately \$1.2 million, of which \$262,000 was for UFE and the balance for other NYISO charges. Tupper Lake's bill was nearly doubled by UFE and other NYISO charges. With the Chairman's consent, the Authority agreed to suspend the UFE charges pending an investigation into the cause and allow the two customers to spread the NYISO charges over several months, thus smoothing out the spikes. The biggest concern with regard to the UFE is that for Lake Placid and Tupper Lake the loss factor is reportedly 28.7% -- the average for a system is about 3%. Authority staff is involved in discussions with NYISO, the Public Service Commission and National Grid to address the UFE issue, and President Kelley will report back next month on the progress of those discussions.

RFP#5: Progress is continuing on RFP#5, which was issued in November 2007 to seek bids for up to an additional 500 MW of in-city (NYISO Zone J) capacity to meet the ongoing locational capacity requirements of the Authority's New York City Governmental Customer ("Governmental Customer") loads. The Authority's team, along with representatives of the Governmental Customers, continues to review and evaluate the bids received in response to the RFP and remains on track to have their analysis complete for a recommendation to the Trustees at next month's meeting.

March 25, 2008

15X15 Initiative: *Contracts authorized by the Trustees at the February meeting for energy audit services for the Governmental Customers program and the Statewide Energy Services Program have been executed and the work is proceeding.*

Clean Energy Collaborative and Executive Order 111 Meeting: *President Kelley will be attending this meeting in Albany on Friday, March 28th.*

State Budget: *The Authority has not heard much more about the budget than what has been reported in the media. Last week, the Authority forwarded the remaining \$30 million voluntary contribution payment to the State, bringing the total contribution paid for the 2007-08 State Fiscal Year to \$230 million.*

Recent Federal Energy Regulatory Commission ("FERC") Rulings: *During the last several weeks, FERC issued rulings regarding interconnection and deliverability that affects the Authority. Once Authority staff has completed their review of these rulings, the Trustees will be briefed on them at an upcoming meeting.*

5a. Allocation of 250 kW of Hydropower

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve an allocation of available Replacement Power (‘RP’) totaling 250 kW to Time Release Sciences, Inc. In addition, the Trustees are requested to adjust an allocation previously awarded to Time Release Sciences, Inc., as discussed below.

BACKGROUND

“Under Section 1005(13) of the Power Authority Act, as amended by Chapter 313 of the Laws of 2005, the Authority may contract to allocate or reallocate directly, or by sale for resale, 250 MW of firm hydroelectric power as Expansion Power (‘EP’) and up to 445 MW of RP to businesses in the State located within 30 miles of the Niagara Power Project, provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

“Each application for an allocation of EP or RP must be evaluated under criteria that includes, but need not be limited to, those set forth in Public Authorities Law Section 1005(13) (a), which sets forth general eligibility requirements.

“Among the factors to be considered when evaluating a request for an allocation of hydropower are the number of jobs created as a result of a power allocation; the business’ long-term commitment to the region as evidenced by the current and/or planned capital investment in the business’ facilities in the region; the ratio of the number of jobs to be created to the amount of power requested; the types of jobs created, as measured by wage and benefit levels, security and stability of employment and the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed.

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

DISCUSSION

“At their meeting of April 27, 2004 the Trustees approved a 600 kW allocation of Replacement Power to Time Release Sciences, Inc. in return for a commitment to add 206 jobs to a base of 108 positions. After the allocation was awarded, the company redesigned the process used to manufacture its product. As a result, the creation of jobs did not materialize as promised. Staff is requesting that the Trustees reduce the allocation and job commitment to 200 kW and 65 positions, respectively.

“Staff recommends and the Advisory Group supports the available power being allocated to Time Release Sciences, Inc as set forth in Exhibit ‘5a-A.’ The Exhibit shows, among other things, the amount of power requested, the recommended allocation and additional employment and capital investment information. This project will help maintain and diversify the industrial base of Western New York and provide new employment opportunities. It is projected to result in the creation of 5 jobs.

RECOMMENDATION

“The Director – Business Power Allocations, Compliance and Municipal and Cooperative Marketing recommends that the Trustees approve an allocation of 250 kW of hydropower to Time Release Sciences, Inc. and that the Trustees reduce the allocation and job commitment for a prior allocation to Time Release Sciences, Inc. to 200 kW and 65 positions, respectively.

March 25, 2008

“The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Energy Marketing and Corporate Affairs, 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 250 kW of Replacement Power, as detailed in Exhibit “5a-A,” be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the allocation and job commitment for an allocation previously awarded to Time Release Sciences, Inc. be reduced to 200 kW and 65 positions, respectively; and be it further

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

March 25, 2008

New York Power Authority
Replacement Power
Recommendations for Allocations

Exhibit "5a-A"

Exhibit Number	Company Name	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term
A-1	Time Release Sciences, Inc	Buffalo	Erie	250	5	\$900,000	\$35,000	250	Five Years
	Total RP Recommended				5	\$900,000		250	

APPLICATION SUMMARY
Replacement Power

Company: Time Release Sciences, Inc.

Location: Buffalo

County: Erie

IOU: National Grid

Business Activity: Manufacturer of consumer cleaning products

Project Description: The company plans to add an additional packaging line for its "Magic Eraser" product, which is a foam sponge product. The project will include the purchase and installation of a new hydraulic heated press with an air-purification system.

Existing Allocation: 600 kW of Replacement Power

Power Request: 250 kW

Power Recommended: 250 kW

Job Commitment:
Existing: 65 jobs
New: 5 jobs

New Jobs/Power Ratio: 20 jobs/MW

**New Jobs -
Avg. Wage and Benefits:** \$35,000

Capital Investment: \$900,000

Capital Investment per MW: \$3.6 million/MW

Summary: Time Release Sciences (TRS) has a major customer that has requested that the company bring a potential new product line in house to realize significant cost savings in transportation and inventory costs. This expansion will increase TRS' sales and, with a low-cost hydro allocation, make them more competitive. The project line is currently being produced in New Jersey. TRS' customer is having a New Jersey firm and Pennsylvania firms quote on this business because these two companies are the major providers of compressed foam in North America. The reason TRS has a very real opportunity to bring this business to Buffalo is that it has expertise in compressing foam. In addition, this project makes sense from a logistics standpoint since all other processes for this product line are performed at the Buffalo site.

**5. St. Lawrence/FDR Power Project – Switchyard
Circuit Breaker Replacement Project –
Capital Expenditure Authorization**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize capital expenditures of \$11.6 million for replacing 13 circuit breakers at the St. Lawrence/FDR Power Project (‘STL’) and Willis Substation (the ‘St. Lawrence/FDR Power Project Switchyard Circuit Breaker Replacement Project’ or ‘Project’) over a four-year period.

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

“In a number of operations, the ITE-type 230 KV circuit breakers in the St. Lawrence switchyard failed to operate properly, which caused backup protection circuits and additional circuit breakers to initiate. These events reduced system reliability and delayed system restoration.

“Recent inspections and further analysis have determined that 13 of the existing ITE-type 230 KV circuit breakers are susceptible to mis-operations during short current interruptions when clearing faults. Consequently, it is recommended that these circuit breakers be replaced with modern, state-of-the-art SF6 gas-type circuit breakers in use at other Authority facilities.

“In order to expedite and coordinate the circuit breaker replacement work over a four-year period, Project Management has been working with Project and Engineering staff to produce construction drawings and specifications. The Project includes replacing 12 ITE-type 230 KV breakers in the STL switchyard and 1 ITE-type 230 KV breaker at the Willis Substation.

“Due to the fabrication and lead time needed for the circuit breakers, the Authority plans to award the contract for all 13 SF6-type circuit breakers this year; 1 circuit breaker will be released, delivered and installed this year. Subsequent releases will be on a yearly basis, with 4 circuit breakers scheduled for release and installation each year. Proposals were solicited for these new circuit breakers and their installation through the competitive bid process. The required control, power and fiber optic cables will also be procured in 2008.

“Once the first circuit breaker has been installed, the Project team will compile ‘lessons learned’ and modify the design documents for the next set of construction documents before proceeding with installation of the remaining 12 circuit breakers. The overall project schedule will be April 2008 through December 2011.

“The Trustees are requested to approve the overall expenditure for this multiyear project, as summarized below:

<u>Description</u>	<u>Total</u>
Engineering	\$ 900,000
Construction Management	400,000
Procurement	2,600,000
Construction	6,700,000
Authority Direct/Indirect	<u>1,000,000</u>
Total	<u>\$11,600,000</u>

“Funds for installing the first circuit breaker have been included in the 2008 approved capital budget.

FISCAL INFORMATION

“Payments will be made from the Capital Fund.

RECOMMENDATION

“The Vice President – Project Management, the Vice President – Procurement and Real Estate, the Vice President – Engineering, the Regional Manager – Northern New York and the Project Manager recommend that the Trustees authorize capital expenditures of \$11.6 million in accordance with the Authority’s Expenditure Authorization Procedures for the St. Lawrence/FDR Power Project Switchyard Circuit Breaker Replacement Project.

“The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Corporate Services and Administration, the Senior Vice President and Chief Engineer – Power Generation, the Vice President – Controller and I concur in the recommendation.”

Mr. Michael Mitchell provided an overview of staff’s recommendations to the Trustees. In response to questions from Trustee Elise Cusack and Chairman McCullough, Mr. Mitchell said the previous circuit breakers had been in place for 35 years and that the expected life of the replacements was 35 years or longer. Responding to a question from Trustee James Besha, Mr. Mitchell said that switchyard operations should be unaffected for a period of time if some of the circuit breakers failed since the configuration of the system is a “breaker-and-a-half” arrangement.

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

RESOLVED, That in accordance with the Authority’s Guidelines for Procurement Contracts and Expenditure Authorization Procedures, capital expenditures are hereby approved, as recommended in the foregoing report to the President and Chief Executive Officer, in the

March 25, 2008

amount of \$11.6 million for the St. Lawrence/FDR Power Project Switchyard Circuit Breaker Replacement Project; and be it further

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

**6. Procurement (Services) Contracts – Emergency
Repair Services – Blenheim-Gilboa 345 kV
High-Pressure Fluid-Filled Cable Replacement**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to ratify the President and Chief Executive Officer's February 25, 2008 interim approval to increase the compensation ceiling limit of an existing contract with USi of Armonk, New York to allow for the emergency replacement of the Units 1 and 2 power feeder cables at the Blenheim-Gilboa Pumped Storage Plant ('B-G').

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 when the cumulative change order value of a personal services contract exceeds the greater of \$250,000 or 35% of the originally approved contract amount not to exceed \$500,000, or when the cumulative change order value of a non-personal services, construction, equipment purchase or non-procurement contract exceeds the greater of \$500,000 or 35% of the originally approved contract amount not to exceed \$1 million.

“On March 27, 2007, the Trustees approved three contracts to provide emergency repair services for the Authority's land-based high-pressure fluid-filled ('HPFF') and solid dielectric transmission systems up to 345 kV, installed in various locations throughout New York State, on an 'as-needed' basis. These contracts enable the Authority to respond, in a timely manner, to failures of critical land-cable transmission facilities, thereby minimizing system interruptions and associated costs and precluding the need for emergency sole-source awards.

“The contracts were awarded to Prysmian Cables & Systems of South Plainfield, New Jersey, USi of Armonk, New York and Infrasource Power, LLC DBA EHV Power Corporation of Pompey, New York for a period of up to four years and for a combined total amount of \$1 million for the term of the three contracts. It was intended that one of the companies would be selected to implement future repairs contingent on the nature of the repairs.

“At approximately 4:00 p.m. on February 6, 2008, a B-phase cable ground fault occurred on the B-G Unit 2, 345 kV HPFF pipe-type output feeder, which spans a distance of approximately 1,000 linear feet in an underground tunnel between the transformer and the switching facilities.

“After this failure, USi was contacted to make the repairs. USi was selected for this task because of its knowledge of this type of system and its previous experience at B-G.

DISCUSSION

“Based on a review of the failure data and previous information gathered regarding the feeder circuits, there is sufficient information to conclude that a systemic failure mode is occurring in the B-G 345 kV feeder circuits, thus resulting in a loss of reliability. Engineering has concluded that future failures are almost a certainty given the technical evidence. Accordingly, complete replacement is being recommended to provide a lasting solution.

“A sectionalized circuit repair, as was done in the past, was considered but eliminated because of the time associated with the repair and the concern that it would not address the inherent problem. As a result, Engineering endorsed the installation of a new three-phase circuit, in its entirety, from the transformer yard terminator to the switching yard terminator. Additionally, it appears that all four circuits at B-G are prone to the same failure mode and Engineering has recommended that Units 1, 3, and 4 345 kV feeder circuits also be replaced.

March 25, 2008

“USi has mobilized at the site and, along with a subcontractor, has begun removal of the existing cable and installation of a new 345 kV circuit. It is expected that this work will take approximately four weeks to complete, at which point Unit 2 will return to service providing power to the grid.

“Concurrently, Unit 1 is offline for life extension and modernization work. This outage is expected to last until June 1, 2008, at which point Unit 1 will be returned to service. The replacement of the Unit 1 345 kV circuit was not a planned activity. However, given the potential for failure, Authority staff recommends taking advantage of this time period before Unit 1 returns to service to replace the entire circuit and ensure reliability, particularly during the summer peak-load period. It is estimated that the potential revenue loss would be approximately \$690,000 if B-G Unit 1 exhibits a failure and is not available during a five-week summer period.

“The scope of work envisioned is beyond the contract awarded to USi for emergency repair services. As a result, costs associated with cable replacement may be above the \$1 million contract ceiling previously approved by the Trustees.

“It is recommended that the compensation ceiling be increased to \$3 million to allow USi to properly replace the 345 kV circuits associated with Units 1 and 2 at B-G.

“The intent is also to replace the feeder circuits on Units 3 and 4 at a later time. These installation activities will be competitively bid. A Capital Estimate Authorization Request summarizing all costs to date (Units 1 and 2) and any future costs (Units 3 and 4) will be prepared and presented to the Trustees in conjunction with another item later this year, at which point the Trustees will be asked to approve the accumulated costs associated with these current repairs together with the costs associated with the future replacement of Units 3 and 4.

FISCAL INFORMATION

“Payments will be made from the Authority’s Capital Fund.

RECOMMENDATION

“The Senior Vice President and Chief Engineer – Power Generation, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Procurement and Real Estate and the Regional Manager – Central New York recommend that the Trustees increase the USi contract compensation ceiling limit to \$3 million.

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

Mr. Ricardo Da Silva provided an overview of staff’s recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Da Silva said that this increased compensation ceiling had not been included in the Authority’s 2008 budget.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts and the Expenditure Authorization Procedures adopted by the Authority, the contract compensation ceiling for USi be increased to \$3 million as recommended in the foregoing report of the President and Chief Executive Officer in the amounts and for the purposes listed below:

March 25, 2008

**Purpose: Provide for emergency replacement of the
Units 1 and 2 power feeder cables at the
Blenheim-Gilboa Pumped Storage Plant**

Contractor: USi (Contract No. 4600001821)

<u>Capital</u>	<u>Contract Approval</u>
Contract Award	\$1,000,000
Change Order	\$2,000,000
Revised Contract Compensation Ceiling	\$3,000,000

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

**7. St. Lawrence/FDR Power Project –
Local Community Project Funding**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve a program for the payment of funds for public projects proposed by the towns of Lisbon, Waddington, Louisville and Massena and the Village of Waddington in connection with settlement agreements related to the relicensing of the St. Lawrence/FDR Power Project (‘Project’). The level of funding provided for projects within a municipality would approximate that collected from the sale of surplus lands in that municipality.

BACKGROUND

“At their meeting of October 30, 2001, the Trustees approved the filing of the application to the Federal Energy Regulatory Commission (‘FERC’) for a new license for the Project. Based on the Trustees’ actions, the Authority entered into settlement agreements with local governments, federal and State resource agencies and several non-governmental entities. On February 6, 2003, the Authority filed an Offer of Settlement with FERC, which incorporated these agreements, including the Relicensing Settlement Agreement (‘RSA’) between the Authority and the towns of Lisbon, Waddington, Louisville and Massena; villages of Massena and Waddington, St. Lawrence County and three school districts (collectively, the ‘Local Government Task Force’). Pursuant to the RSA, the Authority agreed to transfer to the four named towns, the Village of Waddington and several hundred adjoining landowners, for nominal fees, a total of approximately 600 acres of land formerly within the Boundary of the Project. Approximately 350 acres will be transferred to the four Towns and one Village and approximately 250 acres will be transferred to the several hundred adjoining landowners. By order issued October 23, 2003, FERC approved the settlement agreements and issued the Authority a new 50-year license for the Project.

“The New York State Office of the Attorney General (‘OAG’) subsequently reviewed the land transfer program and indicated a New York State constitutional infirmity to the effect that State lands to be conveyed to private persons must be conveyed for the fair market value and not merely a nominal sum. The OAG advised that land conveyances to the municipalities for nominal fees could proceed.

“Pursuant to the OAG determination, these lands have been independently appraised and the sale of the lands to adjoining landowners for fair market value is well under way.

DISCUSSION

“The determination by the OAG that lands be conveyed at fair market value created an inconsistency with the RSA. Many landowners stated that the Authority was breaching the RSA and negotiations should be reopened. After several public meetings with Authority and OAG staff, representatives of the Local Government Task Force and most adjoining landowners accepted the fact that the Authority has to receive fair market value for the parcels to be conveyed to adjoining landowners. To address these circumstances, the Authority proposed that funds be made available to the municipalities for community support for the purpose of funding municipal projects serving a public purpose. The level of funding provided for projects within a municipality would approximate that collected for land sold in that municipality. This approach is acceptable to the municipalities and is consistent with the RSA. The OAG indicated that it did not object to this concept. Since these payments relate to Project relicensing, the Authority’s corporate policy on Contributions and Sponsorships is not applicable.

“The conceptual elements of this community support program were previously discussed with the Trustees. Now the Authority has received a request from the Town of Lisbon for funds to support the reconstruction of a bathhouse at the Town Beach. With the receipt of this first request, the Trustees are requested to formally approve this program. As with the reconstruction of the Town Beach bathhouse, future individual projects funded by this program will be reviewed for compliance with the State Environmental Quality Review Act.

FISCAL INFORMATION

“Funds would be provided to the municipalities for community projects serving a public purpose in amounts proportional to the revenues collected in each municipality. Approximately \$1.4 million could be collected if all of the surplus lands were purchased by the adjoining owners at the current appraised value. To date, the Authority has received approximately \$177,000.

RECOMMENDATION

“The Executive Director – Licensing, Implementation and Compliance recommends that the Trustees approve a program for the disbursement of funds received from the sale of surplus lands within the towns of Lisbon, Waddington, Louisville and Massena and the Village of Waddington to these municipalities for municipal projects providing public benefit.

“The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Energy Marketing and Corporate Affairs, the Executive Vice President – Corporate Services and Administration, the Vice President – Intergovernmental and Corporate Affairs and I concur in the recommendation.”

Mr. John Suloway provided an overview of staff’s recommendations to the Trustees. In response to a question from Trustee Besha, Mr. Suloway said that this funding would be issued on a project-by-project basis following a resolution by the legislative body for the particular municipality seeking funding that the money being requested will be used for projects to benefit the public. Responding to a question from Chairman McCullough, Mr. Suloway said that this funding had not been anticipated as part of the relicensing process. Mr. Thomas Kelly said that the State Constitution requires that when State entities are selling land to private landowners, they receive fair market value for the land; however, land can be sold to municipalities at nominal value. In response to another question from Trustee Besha, Mr. Suloway said that the money from these land sales would be coming in over the next several years.

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

RESOLVED, That the President and Chief Executive Officer or his designee be, and hereby is, authorized to approve the payment of funds from the sale of certain lands to the towns of Lisbon, Waddington, Louisville and Massena and the Village of Waddington on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further

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

8. Tri-Lakes Reliability Project – Supplemental Final Environmental Impact Statement – Adoption of Findings

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to: (1) adopt the Certification and Statement of Findings (‘Findings’) set forth in Exhibit ‘8-A’ and (2) approve the actions adopted in the Findings. The Findings are based on the information collected and analyses performed as reflected in the Supplemental Final Environmental Impact Statement (‘SFEIS’) prepared for the Tri-Lakes Reliability Project and accepted on March 3, 2008. The action that is the subject of these Findings is the construction of a 3.4-mile Route 56 alternate route (‘Route 56 Alternative’) instead of the original Adirondack Park Agency-permitted route, which is a 6.9-mile section of the transmission line around the Raquette Boreal State Forest Preserve (‘Forest Preserve’).

BACKGROUND

“At their meeting of October 26, 2004, the Trustees authorized a settlement agreement among the Authority, National Grid and the villages of Tupper Lake and Lake Placid (‘Agreement’), which was ultimately approved by the Federal Energy Regulatory Commission (‘FERC’). The Agreement, in part, provides for two independent projects, the construction of substation equipment (the Static Var Compensator ‘SVC’ Project) to provide the Adirondack transmission system with better voltage regulation and a new transmission line and related substation/regulator facilities (the ‘Tri-Lakes Reliability Project’ or ‘Project’) to alleviate serious transmission deficiencies and enhance reliability in the Lake Placid, Tupper Lake and Saranac Lake area of the Adirondacks. As part of the Agreement, the Authority agreed to finance the two projects and license the transmission line and related facilities. National Grid agreed to design, construct, operate and maintain the transmission line and to license, design, construct and operate and maintain the SVCs. The transmission line and SVCs will be owned by the Authority until January 31, 2012, at which time the Project will be conveyed to National Grid and National Grid will pay the Authority the Project Cost.

“The transmission line consists of approximately 26 miles of a new 46 kilovolt (‘kV’) line sharing wood pole structures and right-of-way (‘ROW’) with existing distribution lines in some locations, new 46 kV lines on wood poles within new ROW in others, a new 115/46 kV substation facility in the Town of Parishville and a new regulator station in the vicinity of the existing Piercefield Substation in the Town of Piercefield.

“In May 2005, APA, the New York State Department of Environmental Conservation (‘NYSDEC’) and the New York State Department of Transportation (‘NYSDOT’) agreed that the Authority would be Lead Agency, pursuant to Article 8 of the Environmental Conservation Law, the State Environmental Quality Review Act (‘SEQRA’), for the Project. The Authority’s implementing regulations for SEQRA are found at 21 NYCRR Part 461.

“On December 12, 2005, the Authority issued a Positive Declaration for the Project that proposed to install a new 46 kV transmission line to upgrade the reliability of the electric system in the Tri-Lakes Region. Subsequently, a Draft Environmental Impact Statement (‘DEIS’) was developed, public hearings were held and a Final Environmental Impact Statement (‘FEIS’) was issued.

“On February 28, 2006, the Authority, as lead agency, adopted a Findings Statement that accepted the mitigation measures outlined in the FEIS and approved the proposed action. On March 13, 2006, APA issued its order approving the Project. This approval plus those issued by the U. S. Army Corps of Engineers on July 23, 2007 and the State Historic Preservation Office on July 6, 2007 completed all the necessary regulatory approvals to start construction on the new 46 kV transmission line along the route described in the FEIS.

“In April and May 2006, representatives of several environmental groups, policymakers and other opinion leaders requested that the Authority and National Grid consider modifying the permitted route so that it does not bypass the Forest Preserve but remains adjacent to the State Highway 56 ROW that crosses Forest Preserve lands, which requires an amendment to Article XIV of the New York State Constitution. After meeting with these various

interest groups, it was agreed that the Authority, National Grid and the interest groups would work together to gain a Constitutional Amendment permitting the exchange of certain lands from within and without the Forest Preserve. In the meantime, to maintain the FERC-approved project completion date, staff from the Authority and National Grid negotiated an agreement with NYSDEC, which has jurisdiction over the Forest Preserve, for the construction of the Route 56 Alternative to allow the construction of the line, in part, on Forest Preserve lands in anticipation of the passage of a Constitutional Amendment. The agreement was executed on February 7, 2008.

“On September 10, 2007, construction of the 46 kV line began and has been divided into three discrete segments: Northern, Southern and Central.

- Northern Segment: The entire 8.5 miles of ROW of the Northern Segment of the route has been cleared and all wood pole structures have been installed.
- Southern Segment: Work on the 11.5-mile Southern Segment of the facility began during the last week of January 2008. Approximately 4.5 miles of the Southern Segment ROW has been cleared and access has been established. Pole sleeve installation, wood pole delivery and on-site framing work are ongoing.
- Central Segment: Construction on the Central Segment of the line has been postponed in response to a request from various environmental groups to amend the route from around the Forest Preserve to the Route 56 Alternative.

“Authority and National Grid staff and their consultants developed and evaluated the Route 56 Alternative considering environmental impacts, engineering, constructability and cost. Based on the information collected and analyzed, the SFEIS and application to APA were prepared as summarized in the following Discussion section.

“As the Lead Agency, the Authority is responsible for preparing these Findings. Therefore, the Findings are prepared pursuant to Part 461 and, in particular, Section 461.13. Section 461.13 requires that before actions that are the subject of an Environmental Impact Statement (‘EIS’) can be approved by the Trustees, they must: (1) consider the EIS, (2) make the Findings specified in Exhibit ‘8-A’ and (3) prepare a written statement describing the basis for their Findings.

DISCUSSION

“The alternative route to the permitted 6.9-mile section of the transmission line around the Forest Preserve was evaluated by Authority and National Grid staff and their consultants. A supplemental Draft Environmental Impact Statement (‘SDEIS’), which evaluated the feasibility of re-routing a short segment of the transmission line and discussed the environmental impacts of the proposed alternate route, was prepared. The proposed alternate is to install the transmission line along and adjacent to the New York State Route 56 ROW for a distance of 3.4 miles rather than build the previously approved 6.9-mile cross-country segment around the Forest Preserve. The route along Route 56 impacts adjacent Forest Preserve lands for a distance of 1.46 miles.

“The Authority issued a Positive Declaration for the proposed Route 56 Alternative and a Notice of Completion of the SDEIS on January 3, 2008. The public comment period on the SDEIS ended on February 4, 2008. The SFEIS addresses the public comments received on the SDEIS and modifies the SDEIS to incorporate new or revised information about the Route 56 Alternative.

“After review of the public comments, a SFEIS was accepted on March 3, 2008 and filed with APA and NYSDEC on March 5, 2008. It is anticipated that APA’s Board will issue its order at either its April or May meeting. To enable APA Board action, APA staff has indicated to Authority staff that the Board wants the Authority’s Trustees to adopt a Statement of Findings based on the SFEIS, certify these findings and approve the actions adopted in the certificate of findings.

“The Findings in Exhibit ‘8-A’ are based on the evaluation of the actions as reflected in the SFEIS. The following facts and conclusions from the SFEIS support these Findings.

“Project operation is anticipated to have a beneficial effect on the Tri-Lakes Region. The Project will enhance the reliability of the power delivery system in the villages of Tupper Lake and Lake Placid and the Region and should significantly reduce the number of power outages in the area. Benefits of increased reliability include fewer outages during the winter when the loss of heat can create significant public safety concerns, fewer lost days of school and fewer losses to area businesses from closure due to outages. The Route 56 Alternative proposed is shorter and has potentially fewer environmental impacts. In the event the Route 56 Alternative is not approved by APA, the Authority and National Grid will construct and operate the Project as approved by APA in March 2006.

“The SFEIS and Appendices demonstrate that this Project will be capable of meeting all federal and State regulatory standards and criteria. Extensive efforts have been made to avoid negative impacts on environmental, agricultural, archaeological and historical resources; rare, threatened and endangered species; wetlands and water resources land use and visual resources. In cases where there are effects, mitigation measures have been identified and will be implemented so that the Project has the least possible negative impacts on the environment.

FISCAL INFORMATION

“Adoption of the Findings has no fiscal impact on the Authority.

RECOMMENDATION

“The Vice President, Environment, Health and Safety and the Executive Director – Licensing, Implementation and Compliance recommend that the Trustees adopt the Certification and Statement of Findings in Exhibit ‘8-A’ and approve the actions adopted in the Statement of Findings, consistent with the foregoing and the attached resolution.

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

Mr. Suloway presented an overview of staff’s recommendations to the Trustees. In response to a question from Trustee Besha regarding what happens in the event attaining the constitutional Amendment is unsuccessful, Mr. Suloway said that the New York State Department of Environmental Conservation (“NYSDEC”) expects the Authority to pursue a good-faith effort to gain passage of the amendment, which would permit the transmission line to cross over State Forest Preserve lands near an existing right-of-way. Mr. Kelly added that the Authority is working with NYSDEC on such an amendment and in the event the effort is unsuccessful, a legal basis exists for the facilities to remain. Chairman McCullough said that the Authority is making a good-faith effort to have such a constitutional amendment enacted, adding that the Tri-Lakes Reliability Project would be providing a very important redundant source of power to the North Country.

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

RESOLVED, That the Trustees adopt the Statement of Findings set forth in Exhibit “8-A” as supported by the Supplemental Final Environmental Impact Statement prepared for the Tri-Lakes Reliability Project as referenced in the foregoing report of the President and Chief Executive Officer; and be it further

March 25, 2008

RESOLVED, That the Vice President – Environment, Health and Safety be directed to sign, in the name of the Trustees, the Certification of Findings (Exhibit “8-A”) to Approve/Fund/Undertake the actions that were the subject of the Supplemental Final Environmental Impact Statement and that he cause that Certification to be served on all involved agencies; and be it further

RESOLVED, That the Trustees approve the actions adopted in the Certification and Statement of Findings, which were the subject of the Supplemental Final Environmental Impact Statement; and be it further

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

State Environmental Quality Review
FINDINGS STATEMENT

Pursuant to Article 8 State Environmental Quality Review Act (SEQRA) of the Environmental Conservation Law and 21 NYCRR Part 461, the New York State Power Authority (NYPA), as Lead Agency, makes the following Findings.

Name of Action: Construction of the Route 56 West Alternate Route (West Alternate), a section of the Tri-Lakes Reliability Project

Description of Action: The Tri-Lakes Reliability Project (the Project) consists of approximately 26 miles of 46 kilovolt (kV) transmission line beginning at a new substation facility in the Town of Parishville, NY and ending at a new regulator station located in the Town of Piercefield, NY. The proposed action is to construct the West Alternate on New York State Route 56 (Route 56) for a distance of 3.4 miles rather than build the previously approved 6.9-mile cross country route around the Grass River Wild Forest. The 1.0-mile segment of the West Alternate north of the northern boundary of the Grass River Wild Forest and the Raquette Boreal State Forest (Forest Preserve) is located on the west side of Route 56 on private lands. Prior to the northern boundary, the West Alternate crosses to the east side of Route 56 and remains on the east side for 1.46 miles on New York State-owned Forest Preserve lands. The southern segment of the West Alternate on private lands ends 0.05 mile south of the southern boundary of the Forest Preserve.

Summary of Administrative Record: A Draft Environmental Impact Statement (DEIS) for the Project was accepted as complete and made available for public review on November 30, 2005. A Final Environmental Impact Statement (FEIS) for the Project was deemed complete, and the Notice of Complete FEIS was published in the Environmental Notification Bulletin (ENB) on February 15, 2006. The NYPA Board of Trustees issued a Findings Statement and approved the original Project on February 28, 2006. A Supplemental Draft Environmental Impact Statement (SDEIS) for construction of an alternate route along Route 56 through the Forest Preserve was accepted as complete and made available for public review on January 3, 2008. The Supplemental Final Environmental Impact Statement (SFEIS) for the West Alternate was accepted as complete on March 3, 2008. Filing under 21 NYCRR Part 461.11 took place, including filing the Notice of Complete SFEIS with the ENB, before March 14, 2008.

Location (*Include street address and the name of the municipality and county.*): The West Alternate is located in the Town of Colton, in St. Lawrence County, NY.

See attached Findings.

Agency Jurisdiction(s): New York Power Authority (NYPA), Adirondack Park Agency (APA), New York State Department of Environmental Conservation (NYSDEC), New York State Department of Transportation (NYSDOT)

E.C.L.; 6 NYCRR Part 666 Regulation for Administration and Management of Wild, Scenic, and Recreational Rivers System in New York State Excepting Private Land in the Adirondack Park; Section 401 Water Quality Certification; APA Section 806 Shoreline Restriction, Section 814 State Agency Project; Part 575 Shoreline Restriction of the APA Rules and Regulations, Part 578 Special Provision Relating to Freshwater Wetlands, Part 579 Special Provision Relating to Project Undertaken by State Agencies, Part 577 Special Provision Relating to Wild, Scenic, and Recreational Rivers.

Date Final EIS Filed: March 5, 2008

Certification of Findings to Approve/Fund/Undertake

Having considered the Supplemental Draft and Final Environmental Impact Statements, and having considered the preceding written facts and conclusions relied upon to meet the requirements of 21 NYCRR 461.13, this Statement of Findings certifies that:

1. The requirements of 21 NYCRR Part 461 have been met;
2. Consistent with the social, economic and other essential considerations from among the reasonable alternatives thereto, the action approved is one which avoids or minimizes adverse environmental effects to the maximum extent practicable, and adverse environmental impacts will be avoided or minimized by incorporating as conditions to the decision those mitigative measures which were identified as practicable.

New York Power Authority
(Name of Agency)

(Signature of Responsible Official)

(Name of Responsible Official)

(Title of Responsible Official)

(Date)

123 Main Street, White Plains, New York 10601-3170
(Address of Agency)

FINDINGS STATEMENT

Tri-Lakes Reliability Project 46kV Line

Findings of Fact

I. Description of the Proposed Action and Administrative Record

Background

In response to initiatives of elected and municipal officials and interested citizens in the Tri-Lakes Region, an Agreement was executed in September 2004 by and among the villages of Lake Placid and Tupper Lake, National Grid, and NYPA to help alleviate longstanding power problems in the Region through short- and long-term solutions. The Project, a new 46 kilovolt (kV) line and associated facilities from Stark to Piercefield, is one of the long-term solutions identified by National Grid and NYPA. The purpose of the Project is to increase the reliability of the electric system in the Region.

A DEIS for the Project was accepted as complete and made available for public review on November 30, 2005. During the SEQRA process in 2005 and 2006, the analysis of alternatives included an evaluation of the feasibility of building a 1.46 mile portion of the line on Forest Preserve lands east and west of Route 56 known as the "Route 56 Alternate". An FEIS for the Project was filed and deemed complete, and the Notice of Complete FEIS was published in the ENB on February 15, 2006. The NYPA Board of Trustees issued a Findings Statement, which accepted the mitigation measures outlined in the FEIS, and approved the original Project on February 28, 2006.

The Route 56 Alternate, which would have generally sited the 46 kV line along Route 56 from Stark to Sevey Corners, was not selected as a part of the preferred route because of concerns about the potential need for an amendment to the New York State Constitution (Constitutional Amendment) if the 46kV line was sited along and adjacent to the Route 56 ROW, which includes 1.46 miles of Forest Preserve lands. Because of the pressing need to license and construct the Project, the Route 56 Alternate was not selected as the preferred route.

On March 13, 2006, the APA approved the routing for the Project from Stark to Piercefield (the "Stark Falls Alternate"). This approved route bypasses the Forest Preserve ("Bypass Route") rather than using the Route 56 corridor through the Forest Preserve. The Applicants obtained the required permits from federal, state, and municipal agencies to construct and operate the Stark Falls Alternate using the Bypass Route.

While the Applicants were moving forward with the Stark Falls Alternate using the Bypass Route, members of four environmental groups encouraged the Applicants to pursue, by Constitutional Amendment, a route through the Forest Preserve adjacent to Route 56. The Constitutional Amendment would allow the State to convey to National Grid six acres of Forest Preserve land adjoining Route 56 in exchange for conveyance to the State for incorporation into the Forest Preserve a forested parcel of at least 10 acres in Saint Lawrence County. The six acres of Forest Preserve land represent an area 1.46 miles long and 32 feet wide beyond the Route 56 roadway ROW. This area adjacent to the Route 56 ROW would provide sufficient ROW for the transmission line.

An alignment along Route 56 partly on Forest Preserve lands is a shorter route with potential for fewer environmental impacts than the cross-country Bypass Route, which is part of the Stark Falls Alternate. Construction of such a route through the Forest Preserve, instead of the approved and permitted 6.9-mile

Bypass Route, would necessitate a supplemental EIS under SEQRA to evaluate alternate alignments and the resulting environmental impacts.

In 2006, the Legislature passed a concurrent resolution authorizing the power line to be constructed on Forest Preserve lands. Second passage was planned for 2007, and it was expected that the measure would be approved by the voters at the 2007 general election. However, the concurrent resolution had technical flaws that were not discovered until 2007. Therefore, first passage of a concurrent resolution that corrected those flaws occurred in 2007. Second passage of the resolution is expected in 2009, after the 2008 intervening legislative election. The proposed amendment is expected to be on a state-wide ballot and approved by the voters in 2009.

In advance of the Constitutional Amendment and to accommodate the in-service date, the New York State Department of Environmental Conservation (NYSDEC) agreed to permit the use of lands that are in the Forest Preserve for the construction and operation of the Project. Under the Environmental Conservation Law and applicable regulations, NYSDEC has discretion to enforce compliance with the laws, regulations, rules, and policies affecting the Forest Preserve. NYSDEC has determined that the construction of the power line is in the best interests of the public and, in an agreement with NYPA and National Grid, has exercised its discretion in authorizing the use of the Forest Preserve lands for construction and operation of the 46 kV transmission line (the Agreement). Hazard tree removal has been included as part of the Agreement. A hazard tree is defined as “any tree that poses a threat to the transmission line because it is dead, diseased or leaning or subject to any other environmentally unstable condition.” This definition is not only based on the location and height of the tree but also its condition. This definition encompasses trees outside of the ROW on Forest Preserve lands.

The SDEIS

In the SDEIS, NYPA and National Grid evaluated three alternate alignments to the Bypass Route: the Route 56 East Alternate (East Alternate), the Route 56 West Alternate (West Alternate), and the Route 56 Underground Alternate (Underground Alternate), which would include a portion over Forest Preserve lands. The SDEIS was prepared due to the new impacts on Forest Preserve lands; otherwise, the proposed alternate routes would have substantially less impacts to environmental resources and would be compatible with the objectives of the Project. The SDEIS was accepted as complete and made available for public review on January 3, 2008; the public comment period on the SDEIS ended on February 4, 2008. The Adirondack Park Agency (APA) was the only commenter on the SDEIS.

The SFEIS

The West Alternate has been selected as the preferred route. The West Alternate begins on the west side of Route 56 approximately 1.0 mile north of the northern boundary of the Forest Preserve, crosses over to the east side of Route 56 prior to the northern boundary, continues along the east side through the Forest Preserve, and ends 0.05 mile south of the southern boundary of the Forest Preserve, for a total distance of approximately 3.40 miles. The SFEIS summarized the impacts of construction and operation of the West Alternate and the measures proposed to mitigate these impacts. The SFEIS responded to the comments of the APA in its letter dated February 4, 2008 and provided modifications to SDEIS text to incorporate corrected and/or new information. The SFEIS was accepted as complete on March 3, 2008 and made available for public review under 21 NYCRR Part 461.11, including filing the Notice of Complete SFEIS with the ENB, before March 14, 2008.

II. Environmental Impacts of Construction and Operation of the West Alternate and Mitigation Measures

1. Soils and Slopes

Soil erosion could occur as a result of soil disturbing activities during construction. This would be a short-term, temporary impact. The Environmental Work Plan (EWP), Appendix B of the SDEIS, provides mitigation techniques to avoid or minimize soil erosion. There are areas on the West Alternate where steep slopes and erodible soils coincide. The design of the transmission facilities would take these conditions into consideration, and wood pole structures appropriate for particular soil and slope conditions would be used. Once operational, the only activities that would occur on the ROW would be routine maintenance and emergency repairs to the 46 kV line and regular vegetation maintenance, neither of which are soil disturbing activities.

2. Forest Cover

The direct impact to forested areas as a result of ROW clearing would be the conversion of successional forest to herbaceous and open shrub cover and the conversion of forested wetlands to scrub-shrub and emergent vegetation. In addition, the removal of existing canopy species would increase moisture loss and surface temperature within the ROW. Approximately 5,003 trees would be cut in the West Alternate ROW, of which 3,077 would be on privately owned lands and 1,926 trees would be on Forest Preserve lands.

The northern 1.0 mile of the West Alternate is located on private lands and would consist of a 75 foot wide ROW with danger tree rights obtained for an additional 50 to 60 feet on either side of the ROW. A danger tree is defined as “any tree that could invade the wire security zone (within 15 feet of the wire).” This definition is based on the location of the tree and its height which determines if the tree could invade the wire security zone. This definition encompasses trees outside of the ROW on private lands (outside the Forest Preserve). On Forest Preserve lands, off ROW hazard trees must be removed outside of the 32 foot ROW; however a more selective process would be employed. After ratification of the Constitutional Amendment, the mechanism for hazard tree maintenance on Forest Preserve lands would be a temporary revocable permit (TRP) from the NYSDEC. A TRP is required from the NYSDEC for use of state lands for certain purposes, including the use and maintenance of ROWs or easements on Forest Preserve lands.

3. Wetlands and Streams

Wetland impacts on the West Alternate include only ROW vegetation removal. Wetland impacts have been avoided and minimized to the greatest extent practicable through careful design of the transmission line and associated access routes. To the extent the West Alternate goes through forested wetlands, operational maintenance of the line would cause the long-term conversion of those areas to low-growing shrub or scrub dominated wetlands.

The West Alternate crosses only two streams. Potential impacts to surface waters during construction are likely to be minimal. The Environmental Work Plan (EWP) provides construction methods to minimize impacts to surface waters. During operation, the relatively narrow ROW width proposed (75 feet on private lands and 32 feet in the Forest Preserve) and maintenance of a scrub-shrub or herbaceous cover adjacent to streams and wetlands would provide adequate amounts of shade to help sustain existing water temperatures.

Wild, Scenic, and Recreational Rivers are regulated by both the NYSDEC and the Adirondack Park Agency (APA). The Raquette River is classified as a Scenic River in the vicinity of the West Alternate and is subject to two sets of rules. The visual impact of the poles has been minimized to the greatest extent practical. The poles are located within the Route 56 corridor and

are heavily screened from the river and the river area by vegetation and topography. There will be no impact to the scenic nature of the river or the river areas as a result of the West Alternate.

4. Archaeological, Architectural, and Historical Resources

There have been no archeological sites identified on the West Alternate. The Forest Preserve is a National Historic Landmark (NHL) property based on its political history. Construction of the West Alternate would not impact the NHL status of the Forest Preserve. Operation and maintenance of West Alternate facilities would have no effect on archeological resources because no additional ground disturbing activities are anticipated.

5. Land Use

Construction of the West Alternate would not significantly impact the land use of the area. Construction would not encourage a shift in existing land uses nor encourage new land uses in the area. Operation of the West Alternate would not significantly impact land use in the area. The West Alternate would occupy land that is currently part of the Forest Preserve and part of the Route 56 highway ROW. When the Forest Preserve land comes under private control by National Grid it would have to be classified in accordance with Section 805 of the APA Act as either Resource Management or Rural Use. Major public utilities have a secondary compatibility rating on Rural Use and Resource Management lands. The transmission line ROW would be immediately adjacent to the Route 56 corridor and compatible with the character of the immediately surrounding land.

6. Visual

Expanding the utility ROW, introducing higher poles, tapering the ROW edge, and installing the transmission line in one area where no electric lines currently exist would impact the visual quality of that area. However, the West Alternate would be adjacent to and compatible with the Route 56 travel corridor. Visual impacts during construction would be very similar to those of routine roadway and local distribution ROW maintenance. Operation and maintenance activities, such as inspection, maintenance, repair, and vegetation management, would result in localized visual impacts. The structures and conductors would be viewed for the operational life of the West Alternate.

7. Transportation

Construction of the West Alternate would result in minor traffic delays and additional vehicular traffic on the local roadway network. Construction would cause short-term lane closures along the Route 56 corridor. Notification of any anticipated lane closures would be posted and provided to local media outlets for distribution prior to construction of that section of ROW. Operation and maintenance of the West Alternate would have little effect on area transportation systems.

8. Unavoidable and Adverse Environmental Impacts

As with any construction project, there will be short and long-term impacts related to erosion, habitat change, and new land use. The West Alternate will cause fewer changes in habitat, forest cover, wetland loss or alteration, and has a more limited risk of long-term soil damage than the Bypass Route. The following table summarizes unavoidable adverse impacts that would occur as the result of construction and operation of the West Alternate.

Unavoidable Adverse Impacts		
Impact	Long or Short-Term	Mitigation
Erosion and Sedimentation	Short-term for duration of construction	Detailed plans have been developed to minimize erosion and sedimentation.

Unavoidable Adverse Impacts		
Impact	Long or Short-Term	Mitigation
Displacement of species in edge habitat	Short-term for duration of construction	Displaced individuals would most likely move to adjacent undisturbed areas during construction.
Periodic disturbance and displacement of wildlife from ROW maintenance	Intermittent long-term	Limit maintenance activities during breeding and nesting seasons. Limited use of herbicides in ROW.
Alteration of wetlands	Long-term	Minimize vegetation removal in wetlands. Protect areas around wetlands. No herbicide applications in wetlands
Clearing or alteration of habitat in ROW	Long-term	Maximize use of previously disturbed road or utility corridors.
Loss of canopy tree species in forested wetlands/creation of scrub shrub wetlands	Long-term	Selective vegetation removal and selective retention of compatible low-growing species would be used in wetland areas.
Change in Land Use for Acquired ROW	Long-term	Maximize use of existing utility and roadway corridors/ROW.
Addition of new visual elements along Route 56 adjacent to Forest Preserve	Long-term	Consolidation of proposed 46 kV line with existing utilities. Use of wood poles. Routing along existing road or utility corridors wherever possible. Minimize vegetation removal on embankments and near shorelines. Use of selective clearing and plantings.

III. Conclusions

NYPA, as Lead Agency for the Tri-Lakes Reliability Project, which includes the preferred West Alternate, has determined that the issuance of permits is supported by the following:

1. The 3.4-mile West Alternate involves less construction activity and is adjacent to an existing roadway corridor, resulting in fewer environmental impacts compared to the previously approved 6.9-mile cross-country Bypass Route.
2. Extensive efforts have been made to avoid negative impacts on soils and slopes, forest cover, wetlands and waterbodies, archaeological and historical resources, land use, visual resources, and transportation. In cases where there are effects, mitigation measures have been identified and will be implemented so that the West Alternate has the least possible negative impacts on the environment.
3. NYPA has determined that the West Alternate is consistent with social, economic, and other essential considerations and avoids or minimizes adverse environmental effects to the maximum extent practicable.
4. NYPA has determined that the SFEIS and Attachments adequately demonstrate that the West Alternate will be capable of meeting all federal and state regulatory standards and criteria.

9. **Annual Review and Approval of Certain Authority Policies**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve certain Authority policies as required by Section 2824 of the Public Authorities Law and Section 2 of Article II of the Authority’s By-laws.

BACKGROUND AND DISCUSSION

“Section 2824 of the Public Authorities Law requires the Authority’s Trustees to, among other things, establish policies regarding the payment of salary, compensation and reimbursements to, and establish rules for the time and attendance of, the chief executive and senior management, and Section 2 of the Authority’s By-laws requires the Authority’s Trustees to approve annually the salary, compensation, and benefits as well as time and attendance policies of the chief executive and all senior management.

“The Authority’s policies relating to salary, compensation, benefits and time and attendance of its employees, inclusive of the chief executive and all senior management are attached as Exhibits ‘9-A’ through ‘9-I’ and respectively entitled:

- A. Salary Administration Policy (EP 2.1), last revised: 1/25/08;
- B. Variable Pay Plan (EP 2.6) , last revised: 1/2/08;
- C. Employee Benefits Eligibility (EP 3.1), last revised: 2/18/04;
- D. Reimbursement of Employee Meal Costs (CAP 1.5), last revised 4/06/07;
- E. Petty Cash (CAP 4.1), last revised: 6/15/06;
- F. Attendance & Flexible Hours (EP 4.6), last revised: 8/22/03;
- G. Vacation (EP 3.2), last revised: 1/1/08;
- H. Sick Time and FMLA (EP 3.3), last revised: 7/18/02; and
- I. Travel (CP 2-1), last revised: 11/15/06.

RECOMMENDATION

“It is recommended that the Trustees approve the Authority’s policies related to salary, compensation, benefits and time and attendance which are applicable to all Authority employees, including the chief executive and senior management personnel.

“I concur in the recommendation.”

Ms. Anne Cahill presented the highlights of staff’s recommendations to the Trustees. Following a discussion initiated by Trustee Besha, the item was tabled until later in the meeting.

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

RESOLVED, That pursuant to Section 2824 of the Public Authorities Law and Section 2 of Article II of the Authority’s By-laws, the below listed policies of the Authority relating to salary, compensation, benefits and time and attendance of its employees, including the chief executive and senior management, are hereby approved:

- A. Salary Administration Policy (EP 2.1), last revised: 1/25/08;**
- B. Variable Pay Plan (EP 2.6), last revised: 1/2/08;**

March 25, 2008

- C. Employee Benefits Eligibility (EP 3.1), last revised: 2/18/04;
- D. Reimbursement of Employee Meal Costs (CAP 1.5), last revised 4/6/07;
- E. Petty Cash (CAP 4.1), last revised: 6/15/06;
- F. Attendance & Flexible Hours (EP 4.6), last revised: 8/22/03;
- G. Vacation (EP 3.2), last revised: 1/1/08;
- H. Sick Time and FMLA (EP 3.3), last revised: 7/18/02; and
- I. Travel (CP 2-1), last revised: 11/15/06.

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

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

“Mr. Chairman, I move that the Authority conduct an executive session to discuss matters in connection with (i) a current or future investigation; and (ii) the proposed acquisition of securities or the sale and exchange of securities.” Upon motion duly made and seconded, an Executive Session was held.

March 25, 2008

11. Motion to Resume Meeting in Open Session

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

12. Annual Review and Approval of Guidelines for the Investment of Funds and 2007 Annual Report on Investment of Authority Funds

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to review and approve the attached 2007 Annual Report on Investment of Authority Funds (Exhibit ‘12-A’).

BACKGROUND

“Section 2925 of the Public Authorities Law requires the review and approval of an annual report on investments. Pursuant to the statute, the attached report includes Investment Guidelines that set standards for the management and control of the Authority’s investments, a summary of the Guidelines, the total investment income earned in 2007, a statement on fees paid for investment services, the results of an independent audit, a detailed inventory report for each of the Authority’s seven portfolios at December 31, 2007 and a summary of purchases from dealers and banks. The approved annual report is filed with the State Division of the Budget, with copies to the Office of the State Comptroller, the Senate Finance Committee and the Assembly Ways and Means Committee. The report is also available to the public upon written reasonable request.

DISCUSSION

“In 2007, the Authority’s investment portfolio averaged approximately \$1.04 billion and earned approximately \$52 million. This level of earnings is \$18 million more than in 2006. The increase in investment earnings is due to an increase in the average size of the portfolio combined with higher reinvestment rates in 2007. Income for the year from the Authority’s portfolios had an average yield of 4.79%, exceeding the Authority’s established performance measure by 7 basis points (7/100 of 1%). The performance benchmark for 2007 was the 3-year rolling average yield of the 2-year Treasury note plus an average of 60 basis points.

“At December 31, 2007, the portfolio consisted of 4% in direct obligations of the U. S. government; 9% in mortgages guaranteed by the U. S. government, 76% in agencies (government sponsored enterprises); 1% in Certificates of Deposit and Repurchase Agreements and 10% in Municipal Bonds.

“In December 2006, the Authority’s Trustees authorized staff to initiate the establishment of a trust for other post-employment benefits (‘OPEB’) obligations, with the trust fund to be held by an independent custodian. During 2007, the Authority partially funded its prior service OPEB obligation by contributing \$100 million to the trust fund, which is presently invested in a U. S. Treasury Money Market fund. Pursuant to prior Trustee resolution, the Authority will make additional contributions during 2008 so as to fund approximately 75% of its prior service OPEB obligation; allocate the contributions to the various approved asset classes and evaluate performance of the trust fund before making recommendations to the Trustees on additional actions.

“Investment management fees associated with the Nuclear Decommissioning Trust Fund totaled \$797,556 in 2007 and were paid from such Trust Fund. In accordance with Nuclear Regulatory Commission mandate, this Trust is managed by external managers beyond the Authority’s administrative control. It is noted that since the Nuclear Decommissioning Trust and the OPEB Trust are separately managed by external managers, these Trusts’ balances are not included in the portfolio figures listed above.

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“In connection with its examination of the Authority’s financial statements, Ernst & Young LLP (‘E&Y’) performed tests of the Authority’s compliance with certain provisions of the Investment Guidelines, the State Comptroller’s Investment Guidelines and Section 2925 of the Public Authorities Law. E&Y’s report, a copy of which is attached as Exhibit ‘12-B,’ states that the results of its examination disclosed no instances of noncompliance by the Authority. Consequently, staff believes the Authority is in compliance with the Investment Guidelines, the State Comptroller’s Investment Guidelines and Section 2925 of the Public Authorities Law.

“The Investment Guidelines and procedures have not been amended since last presented to and approved by the Trustees at their meeting of March 27, 2007. They remain fundamentally sound and meet the requirements of the Authority. Furthermore, these Guidelines continue to meet the requirements of Section 2824(1)(e) of the Public Authorities Accountability Act of 2005, which requires the Authority’s Trustees to establish written policies and procedures with respect to investments.

RECOMMENDATION

“The Treasurer recommends that the Trustees approve the attached 2007 Annual Report on Investment of Authority Funds.

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

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

RESOLVED, That the 2007 Annual Report on Investment of Authority Funds be, and hereby is, approved; and be it further

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

2007 Annual Report on
Investment of Authority Funds

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Section II	Explanation of the Investment Guidelines
Section III	A. Investment Income Record B. Fees Paid for Investment Services C. Results of the Annual Independent Audit
Section IV	Inventory of Investments Held on December 31, 2007
Section V	Summary of Dealers and Banks from Which Securities Were Purchased

Section I

New York Power Authority Guidelines for the Investment of Funds

I. General

These Guidelines for the Investment of Funds (the 'Guidelines') are intended to effectuate the applicable provisions of the General Resolution Authorizing Revenue Obligations, adopted February 24, 1998 (the 'Resolution'), the lien and pledge of which covers all accounts and funds of the Authority and that governs the Authority's existing policies and procedures concerning the investment of funds as contained in these Guidelines. In a conflict between the Guidelines and the Resolution, the latter shall prevail. In addition, these Guidelines are intended to effectuate the provisions of Section 2925 of the New York State Public Authorities Law.

II. Responsibility for Investments

The Treasurer and Deputy Treasurer have the responsibility for the investment of Authority funds under the general supervision of the Executive Vice President and Chief Financial Officer. The Treasurer shall ensure that an operating manual is maintained that provides a detailed description of procedures for maintaining records of investment transactions and related information.

III. Investment Goals

The Treasurer and Deputy Treasurer are responsible for maximizing the yield on investments consistent with requirements for safety, liquidity and minimization of risk. Monies will not be invested for terms in excess of the projected use of funds.

IV. Authorized Investments

A. Monies in funds established pursuant to the Resolution shall be invested in Authorized Investments or Authorized Certificates of Deposit, defined as follows:

'Authorized Investments' shall mean:

1. Direct obligations of or obligations guaranteed by the United States of America or the State of New York;
2. Bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association (including Participation Certificates), Government National Mortgage Association,

Federal Financing Bank, Federal Home Loan Mortgage Corporation and Federal Home Loan Banks, Federal Housing Administration, Federal Farm Credit Banks Funding Corporation, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks or any other agency controlled or supervised by and acting as an instrumentality of the United States government;

3. Obligations of any state of the United States of America or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision that shall be rated at the time of the investment in any of the three highest long-term Rating Categories, as such term is defined in the Resolution, or the highest short-term Rating Category by a Rating Agency, as such term is defined in the Resolution.
4. Public Housing Bonds issued by Public Housing Authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract with the United States of America; or Project Notes issued by Local Public Agencies, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; provided that such Bonds or Notes are guaranteed by the United States of America.

‘Authorized Certificate of Deposit’ shall mean a certificate of deposit authorized by the Resolution as an ‘Authorized Investment.’

- B. The Authority, as an issuer of tax-exempt obligations, must not engage in any arbitrage practice prohibited by the arbitrage regulations promulgated under the Internal Revenue Code. In no event shall Authority funds be invested in a manner that would violate the provisions of such arbitrage regulations.

V. Provisions Relating to Qualifications of Dealers and Banks

- A.1. The purchase and/or sale of Authorized Investments shall be transacted only through banks, trust companies or national banking associations (herein collectively termed ‘Banks’) that are members of the Federal Reserve System and government security dealers (herein termed ‘Dealers’), which are Banks and Dealers reporting to, trading with and recognized as primary dealers by the Federal Reserve Bank of New York. A list of authorized Banks and Dealers shall be maintained. Banks and Dealers shall have demonstrated an ability to:
 - a) offer superior rates or prices on the types and amounts of securities required;
 - b) provide a high degree of attention to the Authority's investment objectives; and
 - c) execute trades in a timely and accurate manner.

- A.2. Authorized Investments may also be purchased or sold through minority- and women-owned firms authorized to transact business in the U.S. government and municipal securities markets. Such qualified firms shall demonstrate the qualities detailed in clauses (a), (b) and (c) of Section V.A.1.
- A.3.A. Municipal securities qualifying as Authorized Investments may also be purchased or sold through any municipal bond dealer registered in the State of New York that demonstrates the qualities detailed in clauses (a), (b) and (c) of Section V.A.1.
- B. Authorized Certificates of Deposit and time deposits ('Time Deposits') shall be purchased directly from Banks that:
 - (1) are members of the Federal Reserve System transacting business in the State of New York;
 - (2) have capital and surplus aggregating at least \$50 million; and
 - (3) demonstrate all the qualities detailed in clauses (a), (b) and (c) of Section V.A.1.
- C. Authorized Investments purchased by the Authority or collateral securing its investments shall be deposited only with custodians designated by the Authority. Such custodians shall be Banks that are members of the Federal Reserve System transacting business in the State of New York.
- D. The Authority shall file with each qualified dealer a letter agreement that designates the (1) type of authorized investments, (2) Authority employees who are authorized to transact business and (3) delivery instructions for the safekeeping of investments.
- E. The Authority shall enter into a written contract with any (1) Dealer from which Authorized Investments are purchased subject to a repurchase agreement and (2) Bank from which Authorized Certificates of Deposit are purchased.

VI. General Policies Governing Investment Transactions

- A. Competitive quotations or negotiated prices shall be obtained except in the purchase of government securities at their initial auction or upon initial offering. A minimum of three quotes shall be obtained and documented from Dealers and/or Banks, except as indicated above, and the most favorable quote accepted. The Treasurer or Deputy Treasurer may waive this requirement on a single-transaction basis only if warranted by market conditions and documented in writing.
- B. Authorized Investments purchased shall be either delivered to the Authority's designated custodian or, in the case of securities held in a book-entry account maintained at the Federal Reserve Bank of New York or the Depository Trust Company, recorded in the Authority's name or in the name of a nominee agent or

custodian designated by the Authority on the books of the Federal Reserve Bank of New York or the Depository Trust Company. Payment shall be made to the Dealer or Bank only upon receipt by the Authority's custodian of (1) the securities or (2) in the case of securities held in a book-entry account, written advice or wire confirmation from the Federal Reserve Bank of New York or the Depository Trust Company that the necessary book entry has been made.

- C. Each purchase or sale of Authorized Investments or Authorized Certificates of Deposit shall be authorized by the Treasurer or Deputy Treasurer. Investment orders may be placed by Authority employees as designated by the Treasurer. The custodian shall have standing instructions to send a transaction advice to the Authority's Controller for purposes of comparison with internal records. The Controller shall advise the Treasurer of any variances, and the Treasurer shall ensure appropriate corrections are provided.

VII. Policies Concerning Certain Types of Investment Diversification Standards Required

A. Authorized Certificates of Deposit and Time Deposits

1. Authorized Certificates of Deposit and Time Deposits shall be purchased directly from a Bank in the primary market.
2. Authorized Certificates of Deposit and Time Deposits shall be continuously secured/collateralized by Authorized Investments defined in subsection (1) or (2) of Section IV.A., having a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such Certificates of Deposit or Time Deposits. Such Authorized Investments shall be segregated in a separate custodian account on behalf of the Authority. Collateral pledged for Certificates of Deposit or Time Deposits held as investments shall be market valued (marked to market) not less than once per week.
3. Investments in Authorized Certificates of Deposit or Time Deposits shall not exceed 25% of the Authority's invested funds. The par value of Authorized Certificates of Deposit purchased from any one Bank shall not exceed \$25 million.

B. Repurchase Agreements

The Authority may from time to time elect to enter into arrangements for the purchase and resale of Authorized Investments (known as 'Repurchase Agreements'). This type of investment transaction shall be used only when there is no other viable, short-term investment alternative.

1. A Repurchase Agreement shall be transacted only with a Dealer or Bank qualified to sell Authorized Investments to the Authority that is recognized by the Federal Reserve Bank as a primary dealer.
2. Authorized Investments purchased subject to a Repurchase Agreement shall be marked to market daily to ensure their value equals or exceeds the purchase price.
3. A Repurchase Agreement shall be limited to a maximum fixed term of five business days. Payment for the purchased securities shall be made against delivery to the Authority's designated custodian (which shall not be a party to the transaction as seller or seller's agent) or, in the case of securities held in a book-entry account maintained at the Federal Reserve Bank of New York or the Depository Trust Company, written advice that the securities are recorded in the Authority's name or in the name of a nominee, agent or custodian designated by the Authority on the books of the Federal Reserve Bank or the Depository Trust Company.
4. No more than \$50 million of Authorized Investments shall be purchased under a Repurchase Agreement with any one Dealer or Bank. This requirement may be waived by the Vice President – Finance on a single-transaction basis only if warranted by special circumstances and documented in writing.
5. The aggregate amount invested in Repurchase Agreements may not exceed the greater of 5% of the investment portfolio or \$100 million. The Executive Vice President and Chief Financial Officer may waive this requirement on a single-transaction basis only if warranted by cash-flow requirements and documented in writing.
6. The Authority may not enter into arrangements (known as Reverse Repurchase Agreements) for the purpose of borrowing monies by pledging Authorized Investments owned by the Authority.

VIII. Review

These Guidelines and any proposed amendments shall be submitted for Trustee review and approval at least once a year.

In addition to the Authority's periodic review, the Authority's independent auditors, in connection with their examination of the Authority, shall perform an annual audit of the investment portfolio, review investment procedures and prepare a report, the results of which will be made available to the Trustees.

IX. Reports

- A. The Treasurer shall submit an investment report to the Trustees, at least quarterly. Such report shall contain a (1) detailed description of each investment; (2) summary of the dealers and banks from which such securities were purchased and (3) a list of fees, commissions or other charges, if any, paid to advisors or other entities rendering investment services.
- B. The Treasurer shall submit an annual report for approval by the Trustees. In addition to the information provided quarterly, the Annual Report shall include (i) a copy of the Guidelines; (ii) an explanation of the Guidelines and any amendments thereto since the last annual report; (iii) the results of an annual independent audit of investment inventory and procedures and (iv) a record of income earned on invested funds. The approved report shall be submitted to the State Division of the Budget with copies distributed to the Office of the State Comptroller, the Senate Finance Committee and the Assembly Ways and Means Committee. Copies shall be made available to the public upon written reasonable request.
- C. Any waivers that occurred during the prior month shall be reported to the Executive Vice President and Chief Financial Officer.

X. Miscellaneous

- A. These Guidelines are intended for guidance of officers and employees of the Authority only, and nothing contained herein is intended or shall be construed to confer upon any person, firm or corporation any right, remedy, claim or benefit under, or by reason of, any requirement or provision thereof.
- B. Nothing contained in these Guidelines shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of these Guidelines.
- C. No provisions in these Guidelines shall be the basis of any claim against any Trustee, officer or employee of the Authority in his or her individual or official capacity or against the Authority itself.

Section II

EXPLANATION OF INVESTMENT GUIDELINES

Section II Responsibility for Investments

Establishes responsibility for the Investment of Authority Funds and limits the number of individuals authorized to place investment orders.

Section III Investment Goal

Establishes the policy that earning a reasonable return on investments must be consistent with standards set for minimization of risk and availability of funds when needed.

Section IV Authorized Investments

Details the types of investments the Authority can undertake as prescribed in Section 101 of the Resolution.

This section also requires that investments made in each of the Funds established under the Resolution be invested for a term commensurate with cash-flow expectations and that such investments not violate the arbitrage regulations of the Internal Revenue Code.

Section V Provisions Relating to Qualifications of Dealers and Banks

Establishes criteria for the selection of banks and dealers from which the Authority may buy or sell investments. Business is transacted with firms that have demonstrated financial strength and a high degree of reliability with respect to servicing the Authority's needs. This section also directs that custody of Authority investments be maintained by banks that are members of the Federal Reserve System transacting business in the State of New York.

This section also addresses the subject of contracts with banks and dealers for the purchase or sale of Authorized Investments. The Authority has written Letters of Agreement with authorized dealers that specify the types of securities in which the Authority may invest and identify those Authority individuals authorized to give instructions related to the purchase and sale of securities. In addition, the Authority shall have a written form of agreement for use in repurchase transactions with any authorized dealer with which the Authority may transact this type of investment.

Section VI General Policies Governing Investment Transactions

Requires that the Authority solicit no less than three bids for the purchase or sale of securities in order to ensure the most favorable rate except when securities are purchased at their initial auction, upon new issue or through negotiated prices.

Requires that the Authority or its custodian, prior to payment, take possession of such securities, or in the case of book-entry securities, obtain written advice or wire confirmation that transfer or ownership has been recorded.

Establishes authorized employees to approve the purchase or sale of securities.

Establishes control procedures whereby the Controller shall compare the custodian's confirmation to Authority records.

Section VII Policy Concerning Certain Types of Investment Diversification Standards Required

Establishes a policy concerning the purchase of Authorized Certificates of Deposit and Time Deposits intended to minimize the risk associated with such transactions. Authorized Certificates of Deposit or Time Deposits may be purchased directly from a bank that is a member of the Federal Reserve System transacting business in the State of New York. Such deposits shall be continuously secured by Authorized Investments as outlined in subsection (1) or (2) of Section IV.A. This collateral shall be regularly priced to current market to assure the Authority's security interest is continuously protected. Aggregate holdings of Authorized Certificates of Deposit shall not exceed 25% of the Authority's total investment. Authorized Certificates of Deposit purchased from any one bank shall not exceed \$25 million.

Establishes a policy intended to minimize the risk associated with arrangements for the purchase and resale of Authorized Investments known as Repurchase Agreements ('Repos'). Repos purchased from any one qualified dealer or bank shall not exceed \$50 million and shall be limited to a maximum fixed term of five business days. Aggregate investments in Repos shall not exceed the greater of 5% of the Authority's total investments or \$100 million. All securities purchased under the terms of a Repo shall be held in safekeeping by a designated custodian for the Authority. Such securities shall be priced to market on a daily basis to assure the Authority's security interest. Reverse Repurchase Agreements are not authorized transactions.

Section VIII Review

Establishes policy requiring review of the Guidelines at least once a year. Requires an annual audit by the Authority's independent auditors of the Authority's investment portfolio and compliance with the guidelines established by the Authority and the State Comptroller.

Section IX Reports

Establishes policy requiring submission of reports to the Authority's Trustees concerning the management and performance of the Authority's portfolio.

This Section also requires that an annual report be submitted for approval by the Authority's Trustees. Copies of the approved report shall be sent to the State Division of the Budget, Office of the State Comptroller, Senate Finance Committee and Assembly Way and Means Committee.

Section III

A. Investment Income Record

During 2007, the Authority's investment portfolio averaged approximately \$1.04 billion and earned approximately \$52 million.

The earnings, by fund, were as follows (dollars in millions):

Operating Fund	\$46
Capital/Construction Funds	4
Other (Energy Con./Note Res.)	<u>2</u>
Total	<u>\$ 52</u>

The 2007 investment income is \$18 million more than in 2006. The average size of the portfolio increased by \$268 million in 2007. The increase in the size of the portfolio, combined with higher re-investment rates in most of 2007, accounts for the increase in earnings.

B. Fees Paid for Nuclear Decommissioning Trust Fund Investment Services

\$345,118	Blackrock Financial Management, Inc.
\$353,700	Tattersall Advisory Group, Inc.
\$ 98,738	The Bank of New York

Investment management fees were paid by the Nuclear Decommissioning Trust Fund. By Nuclear Regulatory Commission mandate, the Trust is beyond the Authority's administrative control and is therefore not part of this Annual Report.

C. Results of the Annual Independent Audit

In connection with its examination of the Authority's financial statements, Ernst & Young, LLP, performed tests of the Authority's compliance with certain provisions of the Investment Guidelines, the State Comptroller's Investment Guidelines and Section 2925 of the Public Authorities Law. Ernst & Young LLP's report, a copy of which is attached as Exhibit '12-B,' states that the results of its examination disclosed no instances of noncompliance by the Authority. Consequently, staff believes the Authority is in compliance with the Investment Guidelines, the State Comptroller's Investment Guidelines and Section 2925 of the Public Authorities Law.

**NEW YORK POWER AUTHORITY
INVENTORY REPORT BY PORTFOLIO AND SECURITY TYPE
HOLDINGS AS OF: 12/31/07**

<u>CUSIP</u>	<u>SECURITY DESCRIPTION</u>	<u>PAR AMOUNT</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>B/E YLD TO MAT'Y</u>	<u>SETTLEMENT PRINCIPAL</u>	<u>SETTLEMENT INTEREST PURCHASED</u>	<u>TOTAL SETTLEMENT AMOUNT</u>
PORTFOLIO: FUEL CELL								
Municipal								
542690RT1	LIPA NY ELEC 3/5	200,000.00	5/1/2033	3.35	3.35	200,000.00		200,000.00
Subtotal:	Municipal	200,000.00			3.35	200,000.00		200,000.00
Subtotal: PORTFOLIO: FUEL CELL		200,000.00			3.35	200,000.00		200,000.00
PORTFOLIO: ENERGY CONSERV								
Treasury Bill								
912795C41	TREASURY BILL	12,150,000.00	1/24/2008		2.98	12,122,311.50		12,122,311.50
Subtotal:	Treasury Bill	12,150,000.00			2.98	12,122,311.50		12,122,311.50
Subtotal: PORTFOLIO: ENERGY CONSERV		12,150,000.00			2.98	12,122,311.50		12,122,311.50
PORTFOLIO: ESP CUST REPAY								
FHLN								
313384RN1	FHDN DISCOUNT NOTE	3,450,000.00	1/8/2008		4.06	3,445,783.33		3,445,783.33
Subtotal:	FHLN	3,450,000.00			4.06	3,445,783.33		3,445,783.33
Subtotal: ESP CUST REPAY		3,450,000.00			4.06	3,445,783.33		3,445,783.33
PORTFOLIO: NIAGARA T/E								
Municipal								
57585KNL8	MASMEDO 3/6	20,000,000.00	2/1/2034	3.27	3.27	20,000,000.00		20,000,000.00
59259NQM8	MTATRNO 3/6	8,100,000.00	11/1/2034	3.50	3.50	8,100,000.00		8,100,000.00
41315RGM0	HARMEDO 2/29	13,775,000.00	12/1/2041	4.25	4.25	13,775,000.00		13,775,000.00
Subtotal:	Municipal	41,875,000.00			3.64	41,875,000.00		41,875,000.00
Subtotal: NIAGARA T/E		41,875,000.00			3.64	41,875,000.00		41,875,000.00
PORTFOLIO: NIAGARA TAX								

**NEW YORK POWER AUTHORITY
INVENTORY REPORT BY PORTFOLIO AND SECURITY TYPE
HOLDINGS AS OF: 12/31/07**

	<u>CUSIP</u>	<u>SECURITY DESCRIPTION</u>	<u>PAR AMOUNT</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>B/E YLD TO MAT'Y</u>	<u>SETTLEMENT PRINCIPAL</u>	<u>SETTLEMENT INTEREST PURCHASED</u>	<u>TOTAL SETTLEMENT AMOUNT</u>
Treasury Bill									
	912795C25	TREASURY BILL	16,200,000.00	1/10/2008		2.56	16,176,186.00		16,176,186.00
	Subtotal:	Treasury Bill	16,200,000.00			2.56	16,176,186.00		16,176,186.00
FHLN									
	313384SU4	FHLB DISCOUNT NOTE	5,000,000.00	2/7/2008		4.30	4,962,577.78		4,962,577.78
	313384XS3	FHLB DISCOUNT NOTE	5,000,000.00	6/4/2008		4.19	4,897,625.00		4,897,625.00
	3133XFEQ5	FHLB	10,000,000.00	3/13/2009	5.25	3.82	10,175,500.00	119,583.33	10,295,083.33
	Subtotal:	FHLN	20,000,000.00			4.03	20,035,702.78	119,583.33	20,155,286.11
Municipal									
	8827202R5	TEXAS 3/4	2,300,000.00	12/1/2023	4.50	4.50	2,300,000.00		2,300,000.00
	8827196Y8	TEXAS 3/5	3,000,000.00	12/1/2029	5.08	4.93	3,000,000.00	3,245.00	3,003,245.00
	Subtotal:	Municipal	5,300,000.00			4.74	5,300,000.00	3,245.00	5,303,245.00
	Subtotal: PORTFOLIO: NIAGARA TAX		41,500,000.00			3.55	41,511,888.78	122,828.33	41,634,717.11
PORTFOLIO: NOTE DEBT RES.									
FHLN									
	3128X4M65	FHLMC	5,025,000.00	2/27/2008	5.13	5.20	5,017,950.03		5,017,950.03
	3128X1DP9	FHLMC CALL 05/20/08	5,000,000.00	11/20/2008	3.15	3.15	5,000,000.00		5,000,000.00
	31339XKN3	FHLB CALL 3/18/08	3,725,000.00	3/18/2011	4.00	5.18	3,582,705.00		3,582,705.00
	Subtotal:	FHLN	13,750,000.00			4.45	13,600,655.03		13,600,655.03
FNMA									
	31359MSB0	FNMA	6,330,000.00	6/15/2008	2.50	2.56	6,312,592.50		6,312,592.50
	Subtotal:	FNMA	6,330,000.00			2.56	6,312,592.50		6,312,592.50
	Subtotal: NOTE DEBT RES.		20,080,000.00			3.85	19,913,247.53		19,913,247.53
PORTFOLIO: OPER-SPENT FUEL									
Bond									
	708681BV2	PA CONVEN CTR AUTH REV BD	13,495,000.00	9/1/2008	4.77	4.77	13,495,000.00		13,495,000.00

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Subtotal:	Bond	13,495,000.00			4.77	13,495,000.00		13,495,000.00
FHLN (Mortgage)								
31393VUG4	FHR 2639 JE	10,000,000.00	1/15/2032	5.00	5.13	9,890,751.30		9,890,751.30
31394TNQ4	FHR 2762 LG	22,094,762.00	9/15/2032	5.00	5.24	21,521,679.11		21,521,679.11
31396E3Q7	FHR 3044 AJ	6,308,050.73	10/15/2035	5.50	5.60	6,274,046.36		6,274,046.36
Subtotal:	FHLN (Mortgage)	38,402,812.73			5.27	37,686,476.77		37,686,476.77
FHLN								
3133XAMT1	FHLB	25,000,000.00	2/15/2008	3.88	3.88	25,000,000.00		25,000,000.00
3128X4H95	FHLMC CL 2/22/08	10,000,000.00	2/22/2013	5.50	5.75	9,860,000.00		9,860,000.00
Subtotal:	FHLN	35,000,000.00			4.41	34,860,000.00		34,860,000.00
FNMA								
3136F64L0	FNMA CLL 2/9/08	19,725,000.00	5/9/2011	5.00	5.36	19,436,620.50		19,436,620.50
31359MZA4	FNMA CALL 03/01/08	25,000,000.00	9/1/2015	5.63	5.95	24,443,610.25		24,443,610.25
Subtotal:	FNMA	44,725,000.00			5.69	43,880,230.75		43,880,230.75
FNMA (Mortgage)								
31393YTA3	FANNIE MAE 2004-43 BH	3,694,601.51	6/25/2034	5.50	5.49	3,694,601.51		3,694,601.51
31393C4K6	FHR 2003-66 KA	7,414,159.14	1/25/2033	3.50	3.47	7,451,229.94		7,451,229.94
Subtotal:	FNMA (Mortgage)	11,108,760.65			4.14	11,145,831.45		11,145,831.45
GNMA (Mortgage)								
36224W4S9	GNMA POOL #341133	103.02	5/15/2008	6.50	6.77	101.83		101.83
36203JXH5	GNMA POOL #350880	160.06	8/15/2008	8.00	7.06	170.21		170.21
36224VEU5	GNMA POOL #339547	76.85	8/15/2008	6.50	6.76	75.96		75.96
36204DDT3	GNMA POOL #366514	5,337.80	9/15/2008	6.50	6.59	5,276.08		5,276.08
36224EJJ3	GNMA POOL #326165	995.29	10/15/2008	6.50	6.59	983.79		983.79
36225APP9	GNMA POOL #780430	10,525.57	10/15/2008	8.00	6.92	11,051.85		11,051.85
36204FAP9	GNMA POOL #368214	568.51	12/15/2008	6.50	6.59	561.93		561.93
36224BGH6	GNMA POOL #323400	998.55	12/15/2008	6.50	6.59	987.01		987.01
36203PL50	GNMA POOL #355048	345.32	1/15/2009	6.50	6.59	341.33		341.33
36204WXH5	GNMA POOL #382380	966.99	1/15/2009	6.50	6.59	955.81		955.81

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36204LKH3	GNMA POOL #372896	23,968.97	4/1/2009	6.50	6.59	23,691.83		23,691.83
36204YT37	GNMA POOL #384070	2,677.35	4/15/2009	6.50	6.59	2,646.39		2,646.39
36203VER7	GNMA POOL #360244	9,320.87	5/15/2009	6.50	6.59	9,213.10		9,213.10
36204TQB3	GNMA POOL #379450	5,554.32	5/15/2009	6.50	6.59	5,490.10		5,490.10
36204XND3	GNMA POOL #382988	19,965.51	5/15/2009	6.50	6.59	19,734.66		19,734.66
36206XKC6	GNMA POOL #G424291	68,393.83	2/20/2011	6.00	6.81	65,230.61		65,230.61
36202CNG4	GNMA POOL #G22191	13,282.70	3/20/2011	6.00	6.89	12,606.11		12,606.11
36202CN25	GNMA POOL #G22209	49,214.48	4/20/2011	6.00	6.96	46,497.71		46,497.71
36202CPF4	GNMA POOL #G22222	79,967.59	4/20/2011	5.50	6.70	74,369.86		74,369.86
36202CPG2	GNMA POOL #G22223	57,021.27	5/20/2011	6.00	6.91	54,037.29		54,037.29
38374C5X5	GNMA POOL 2003-85 BK	2,782,238.42	2/20/2024	4.50	4.38	2,815,929.58		2,815,929.58
36225BM21	GNMA POOL #781277	1,040,836.52	12/15/2028	7.00	6.76	1,071,736.35		1,071,736.35
38373TSA4	GNMA POOL #2002-62	2,012,414.35	1/20/2031	6.00	6.17	1,988,909.97		1,988,909.97
38375KQM7	GNMA POOL 2007-35 TD	15,000,000.00	8/20/2036	6.00	6.08	14,953,125.00		14,953,125.00
36208GX78	GNMA POOL #GN450802	18,177,058.20	9/15/2040	6.63	6.57	18,468,044.99		18,468,044.99
38373MAN0	GNMA POOL #GNR 2001-34	1,534,194.11	10/16/2020	6.38	6.43	1,534,194.11		1,534,194.11
Subtotal:	GNMA (Mortgage)	40,896,186.45			6.22	41,165,963.46		41,165,963.46
Project Loan (Mortgage)								
159996VD6	PROJ LN-REILLY #46	23,885.81	7/1/2012	6.86	6.95	23,796.24		23,796.24
158995MV9	PROJ LN-USGI 2028	516,477.54	5/1/2015	6.93	6.59	532,617.46		532,617.46
31342*E99	PL HS 10806 MORISANIA	2,518,086.84	4/1/2020	8.95	9.07	2,518,086.84		2,518,086.84
699999XW3	PROJ LN-REILLY #19	1,601,526.41	12/1/2020	7.43	6.64	1,737,656.16		1,737,656.16
30299WML7	PL CAMERON 1F	1,132,979.55	11/1/2021	7.35	8.61	968,875.68		968,875.68
149994WR2	PROJ LN-USGI 2083	943,657.25	7/1/2023	7.25	8.15	840,741.17		840,741.17
Subtotal:	Project Loan (Mortgage)	6,736,613.40			8.04	6,621,773.55		6,621,773.55
Subtotal: PORTFOLIO: OPER-SPENT FUEL		190,364,373.23			5.41	188,855,275.98		188,855,275.98
PORTFOLIO: OPERATING-LDP								
Certificates of Deposit								
	FIRST NIAGARA BANK	63,774.00	1/9/2008	0.25	0.25	63,774.00		63,774.00
	M & T TRUST CO	117,000.00	1/18/2008	1.85	1.88	117,000.00		117,000.00
	M & T TRUST CO	111,000.00	1/18/2008	1.85	1.88	111,000.00		111,000.00
	M & T TRUST CO	93,600.00	1/23/2008	2.88	2.92	93,600.00		93,600.00
	M & T TRUST CO	28,000.00	1/24/2008	1.86	1.89	28,000.00		28,000.00
	M & T TRUST CO	88,700.00	2/8/2008	2.18	2.21	88,700.00		88,700.00
	M & T TRUST CO	61,000.00	2/8/2008	3.15	3.19	61,000.00		61,000.00

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	M & T TRUST CO	50,000.00	2/8/2008	3.07	3.11	50,000.00		50,000.00
	M & T BANK	69,000.00	3/14/2008	2.93	2.97	69,000.00		69,000.00
	FIRST NIAGARA BANK	39,442.00	3/21/2008	2.64	2.68	39,442.00		39,442.00
	NBT BANK	61,638.00	3/28/2008	2.25	2.28	61,638.00		61,638.00
	TD BankNorth	37,987.00	4/4/2008		0.00	37,987.00		37,987.00
	FIVE STAR BANK	50,000.00	4/11/2008	2.06	2.09	50,000.00		50,000.00
	NBT BANK,NA	109,512.00	5/2/2008	1.59	1.61	109,512.00		109,512.00
	M & T Trust	353,000.00	5/9/2008	1.18	1.20	353,000.00		353,000.00
	M & T Trust	50,000.00	5/16/2008	3.18	3.22	50,000.00		50,000.00
	M & T Trust	45,000.00	5/23/2008	3.16	3.20	45,000.00		45,000.00
	CITIZEN'S BANK	423,720.00	5/30/2008	1.50	1.52	423,720.00		423,720.00
	M & T TRUST CO	90,720.00	7/3/2008	0.25	0.25	90,720.00		90,720.00
	M & T BANK	14,000.00	7/11/2008	1.88	1.91	14,000.00		14,000.00
	M & T BANK	84,000.00	8/8/2008	1.43	1.45	84,000.00		84,000.00
	M & T TRUST CO	54,000.00	8/29/2008	2.34	2.37	54,000.00		54,000.00
	M & T TRUST CO	78,000.00	8/29/2008	2.94	2.98	78,000.00		78,000.00
	KEY BANK	266,443.00	9/5/2008	2.80	2.84	266,443.00		266,443.00
	M & T TRUST CO	18,000.00	9/5/2008	2.22	2.25	18,000.00		18,000.00
	M & T TRUST CO	27,000.00	9/5/2008	2.30	2.33	27,000.00		27,000.00
	M & T TRUST CO	43,000.00	9/5/2008	2.15	2.18	43,000.00		43,000.00
	M & T BANK	36,000.00	9/19/2008	3.49	3.54	36,000.00		36,000.00
	M & T BANK	50,000.00	9/24/2008	3.08	3.12	50,000.00		50,000.00
	HSBC	65,336.00	9/26/2008	3.00	3.04	65,336.00		65,336.00
	M & T TRUST CO.	40,000.00	10/3/2008	2.32	2.35	40,000.00		40,000.00
	Northwest Savings Bank	88,568.00	10/3/2008	2.23	2.26	88,568.00		88,568.00
	Glens Falls National Bank & Trust	69,201.00	10/3/2008	1.16	1.18	69,201.00		69,201.00
	Glens Falls National Bank & Trust	209,241.00	10/3/2008	1.16	1.18	209,241.00		209,241.00
	ALLIANCE BANK	60,000.00	10/16/2008	1.65	1.67	60,000.00		60,000.00
	HSBC	52,612.00	10/17/2008	3.00	3.04	52,612.00		52,612.00
	M & T BANK	45,000.00	10/24/2008	2.69	2.73	45,000.00		45,000.00
	HSBC BANK	170,927.00	10/24/2008	1.81	1.84	170,927.00		170,927.00
	Bank of Akron	48,612.00	11/19/2008	1.99	2.02	48,612.00		48,612.00
	Genesee Regional Bank	133,873.00	11/19/2008	2.75	2.79	133,873.00		133,873.00
	Alliance Bank	62,757.00	11/26/2008	1.35	1.37	62,757.00		62,757.00
	M & T BANK	687,000.00	12/5/2008	1.79	1.82	687,000.00		687,000.00
	FIRST NIAGARA BANK	255,791.00	12/5/2008	2.89	2.93	255,791.00		255,791.00
	FIRST NIAGARA BANK	38,498.00	12/5/2008	2.94	2.98	38,498.00		38,498.00
	M & T BANK	57,000.00	12/12/2008	2.73	2.77	57,000.00		57,000.00
	TIOGA BANK	7,863.00	12/19/2008	2.33	2.36	7,863.00		7,863.00
Subtotal:	Certificates of Deposit	4,705,815.00			2.03	4,705,815.00		4,705,815.00
Subtotal: PORTFOLIO: OPERATING-LDP		4,705,815.00			2.03	4,705,815.00		4,705,815.00
PORTFOLIO: OPERATING FUND								

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FFCB								
31331XBQ4	FFCB	26,000,000.00	10/23/2009	5.00	4.29	26,347,100.00	28,888.89	26,375,988.89
31331YDG2	FFCB	9,665,000.00	11/8/2010	4.30	4.26	9,676,018.10		9,676,018.10
31331X5W8	FFCB	10,000,000.00	10/3/2011	4.70	4.01	10,243,900.00	71,805.56	10,315,705.56
31331YGE4	FFCB	38,950,000.00	12/4/2012	4.25	4.20	39,042,311.50		39,042,311.50
31331YGG9	FFCB CL 03/04/08	23,165,000.00	12/4/2015	5.55	5.57	23,141,835.00		23,141,835.00
Subtotal:	FFCB	107,780,000.00			4.50	108,451,164.60	100,694.45	108,551,859.05
FHLN								
3133X3P64	FHLB CALL CONT	3,000,000.00	2/4/2008	3.38	5.65	2,899,467.00		2,899,467.00
3134A4UY8	FHLMC	40,000,000.00	2/15/2008	3.63	5.22	39,510,800.00		39,510,800.00
313384UN7	FHLB DISCOUNT NOTE	11,500,000.00	3/20/2008		4.37	11,328,937.50		11,328,937.50
313396UN1	FMCDN	12,093,000.00	3/20/2008		4.35	11,913,963.14		11,913,963.14
313396US0	FMCDN	39,000,000.00	3/24/2008		5.22	37,389,061.67		37,389,061.67
3133XDBY6	FHLB	37,725,000.00	10/3/2008	4.38	4.89	37,521,285.00		37,521,285.00
3134A2UJ5	FHLMC	11,000,000.00	10/15/2008	5.13	4.09	11,615,175.00		11,615,175.00
3133X96A3	FHLB Cont Call	6,000,000.00	11/3/2008	3.75	5.02	5,913,900.00		5,913,900.00
3133X2BZ7	FHLB	15,800,000.00	11/14/2008	3.63	4.40	15,666,016.00		15,666,016.00
3128X1DP9	FHLMC CLL 05/20/08	5,000,000.00	11/20/2008	3.15	3.15	5,000,000.00		5,000,000.00
3133XJQP6	FHLB	15,000,000.00	2/4/2009	5.00	4.75	15,050,525.40	56,250.00	15,106,775.40
3133MTRK6	FHLB	10,920,000.00	11/13/2009	4.00	4.24	10,869,331.20		10,869,331.20
3133XMW64	FHLB CALL 5/13/08	32,000,000.00	11/13/2009	4.63	4.63	32,000,000.00		32,000,000.00
3128X1AS6	FHLMC	9,435,000.00	5/12/2010	4.13	4.29	9,398,580.90		9,398,580.90
Subtotal:	FHLN	248,473,000.00			4.76	246,077,042.81	56,250.00	246,133,292.81
FNMA								
313588TC9	FNDN	16,000,000.00	2/15/2008		5.25	15,418,755.56		15,418,755.56
31359MDJ9	FNMA	23,000,000.00	2/15/2008	5.75	5.03	23,194,120.00		23,194,120.00
313588US2	FNDN	18,000,000.00	3/24/2008		5.22	17,335,000.00		17,335,000.00
3136F3TM8	FNMA CLL 02/20/08	20,000,000.00	5/20/2008	4.00	4.02	19,985,000.00		19,985,000.00
31359MSB0	FNMA	38,500,000.00	6/15/2008	2.50	2.46	38,577,425.00		38,577,425.00
31359MZH9	FNMA	27,000,000.00	10/15/2008	4.50	4.38	27,031,158.00		27,031,158.00
31398AAF9	FNMA	30,000,000.00	11/3/2008	4.90	4.49	30,130,800.00		30,130,800.00
3136F5EB3	FNMA	4,700,000.00	3/3/2009	3.60	4.03	4,610,512.00		4,610,512.00
31359MVE0	FNMA	32,000,000.00	5/15/2009	4.25	4.23	32,008,320.00		32,008,320.00
31359MB28	FNMA	20,000,000.00	4/19/2010	4.75	4.29	20,214,200.00	31,666.67	20,245,866.67
31398AJK9	FNMA CALL 11/5/08	20,000,000.00	11/5/2010	4.75	4.71	20,022,200.00	7,916.67	20,030,116.67
Subtotal:	FNMA	249,200,000.00			4.24	248,527,490.56	39,583.34	248,567,073.90
Municipal								

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29270CKW4	ENERGY NORTHWEST WASHELEC	11,475,000.00	7/1/2009	4.34	4.34	11,475,000.00		11,475,000.00
649870HR6	NYS FIN AGY	2,880,000.00	9/15/2009	5.02	4.99	2,881,814.40		2,881,814.40
649870HS4	NYS FIN AGY	2,110,000.00	9/15/2010	4.96	4.93	2,111,856.80		2,111,856.80
64986BAK5	NYS FIN AGY 3/5	5,980,000.00	3/15/2011	4.45	4.45	5,980,000.00		5,980,000.00
2077468P6	CT HSG AUTH 3/6	5,000,000.00	11/15/2016	5.12	5.12	5,000,000.00		5,000,000.00
8827202R5	TEXAS 3/4	5,555,000.00	12/1/2023	4.50	4.50	5,555,000.00		5,555,000.00
575930S29	MASS ST 3/6	4,445,000.00	6/1/2034	4.60	4.60	4,445,000.00		4,445,000.00
57586PDJ2	MASS ST 3/6	3,025,000.00	4/1/2036	4.60	4.60	3,025,000.00		3,025,000.00
574217A54	MDSMEDO 3/6	200,000.00	7/1/2041	3.42	3.42	200,000.00		200,000.00
Subtotal:	Municipal	40,670,000.00			4.59	40,673,671.20		40,673,671.20
Repurchase Agreement								
	GN REPO O/N	6,000,000.00	1/2/2008	3.50	3.55	6,000,000.00		6,000,000.00
Subtotal:	Repurchase Agreement	6,000,000.00			3.55	6,000,000.00		6,000,000.00
Strip								
786091AC2	MUNI STRIP N/C	10,000,000.00	8/15/2008		3.46	8,406,100.00		8,406,100.00
912833CU2	STRIP N/C	15,000,000.00	8/15/2008		8.22	4,084,500.00		4,084,500.00
Subtotal:	Strip	25,000,000.00			6.32	12,490,600.00		12,490,600.00
Subtotal: PORTFOLIO: OPERATING FUND		677,123,000.00			4.56	662,219,969.17	196,527.79	662,416,496.96
PORTFOLIO: ST. LAW SPEC								
Municipal								
64986BAK5	NYS FIN AGY 3/5	220,000.00	3/15/2011	4.45	4.45	220,000.00		220,000.00
57586PDJ2	MASS ST 3/6	250,000.00	4/1/2036	4.60	4.60	250,000.00		250,000.00
Subtotal:	Municipal	470,000.00			4.53	470,000.00		470,000.00
Treasury Note								
912828DT4	TREASURY NOTE	8,000,000.00	5/15/2008	3.75	4.34	7,968,750.00		7,968,750.00
Subtotal:	Treasury Note	8,000,000.00			4.34	7,968,750.00		7,968,750.00
Subtotal: PORTFOLIO: ST. LAW SPEC		8,470,000.00			4.35	8,438,750.00		8,438,750.00
PORTFOLIO: STL CONSTRUCTN								

**NEW YORK POWER AUTHORITY
INVENTORY REPORT BY PORTFOLIO AND SECURITY TYPE
HOLDINGS AS OF: 12/31/07**

<u>CUSIP</u>	<u>SECURITY DESCRIPTION</u>	<u>PAR AMOUNT</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>B/E YLD TO MAT'Y</u>	<u>SETTLEMENT PRINCIPAL</u>	<u>SETTLEMENT INTEREST PURCHASED</u>	<u>TOTAL SETTLEMENT AMOUNT</u>
FFCB								
31331X4T6	FFCB	10,000,000.00	3/27/2009	4.55	4.03	10,067,600.00	60,666.67	10,128,266.67
31331XWU2	FFCB	6,000,000.00	4/25/2011	4.80	4.01	6,147,180.00	37,600.00	6,184,780.00
31331X5W8	FFCB	9,000,000.00	10/3/2011	4.70	4.00	9,219,420.00	81,075.00	9,300,495.00
31331X3S9	FFCB	20,000,000.00	10/17/2012	4.50	3.99	20,448,000.00	137,500.00	20,585,500.00
31331YHR4	FFCB CALL12/14/09	4,000,000.00	12/14/2012	4.40	4.43	3,995,600.00		3,995,600.00
31331YJB7	FFCB CALL12/17/09	5,420,000.00	12/17/2012	4.60	4.60	5,420,000.00		5,420,000.00
31331X3G5	FFCB	5,500,000.00	9/13/2013	4.95	4.65	5,581,950.00	46,131.25	5,628,081.25
31331YHL7	FFCB	6,500,000.00	12/16/2013	4.15	4.14	6,504,095.00		6,504,095.00
Subtotal	FFCB	66,420,000.00			4.14	67,383,845.00	362,972.92	67,746,817.92
FHLN								
3133X5DV7	FHLB	3,700,000.00	1/14/2008	3.15	4.85	3,570,981.00		3,570,981.00
313384RW1	FHDN DISCOUNT NOTE	9,800,000.00	1/16/2008		4.39	9,767,148.22		9,767,148.22
3133XAHL4	FHLB	3,000,000.00	2/11/2008	4.00	5.66	2,924,760.00		2,924,760.00
3133XBEE1	FHLB	9,210,000.00	4/7/2008	4.43	5.04	9,152,161.20		9,152,161.20
3133XBJQ9	FHLB	3,100,000.00	4/18/2008	4.13	5.03	3,070,419.80		3,070,419.80
3133XMYX3	FHLB CALL11/20/09	4,500,000.00	5/20/2011	4.50	4.16	4,547,812.50	12,375.00	4,560,187.50
3133XNND7	FHLB CL 12/9/09	5,000,000.00	12/9/2011	4.13	4.14	4,997,500.00		4,997,500.00
3137EAAR0	FHLMC	5,500,000.00	3/5/2012	4.75	4.41	5,571,667.42	50,072.92	5,621,740.34
3133XML66	FHLB	5,500,000.00	10/10/2012	4.63	4.50	5,529,201.98	27,557.29	5,556,759.27
3133XNMB2	FHLB CALL12/17/09	6,970,000.00	12/17/2012	4.25	4.28	6,961,287.50		6,961,287.50
Subtotal	FHLN	56,280,000.00			4.59	56,092,939.62	90,005.21	56,182,944.83
FNMA								
313588WT8	FNDN	2,000,000.00	5/12/2008		5.24	1,904,273.33		1,904,273.33
31359MXH1	FNMA	5,500,000.00	2/15/2010	3.88	4.07	5,476,845.00	52,689.24	5,529,534.24
3136F3J80	FNMA	7,100,000.00	7/14/2010	3.32	4.25	6,934,712.00	78,573.33	7,013,285.33
31398AGU0	FNMA	5,500,000.00	9/13/2010	4.38	4.14	5,534,595.00	40,772.57	5,575,367.57
Subtotal	FNMA	20,100,000.00			4.27	19,850,425.33	172,035.14	20,022,460.47
Municipal								
88056BGS6	Commercial Paper	2,000,000.00	1/7/2008	4.70	4.77	2,000,000.00		2,000,000.00
57586PDJ2	MASS ST 3/6	1,350,000.00	4/1/2036	4.60	4.60	1,350,000.00		1,350,000.00
575930J78	MASS ST 3/5	2,255,000.00	1/1/2044	4.45	4.45	2,255,000.00	3,104.93	2,258,104.93
Subtotal	Municipal	5,605,000.00			4.60	5,605,000.00	3,104.93	5,608,104.93
Treasury Note								

**NEW YORK POWER AUTHORITY
INVENTORY REPORT BY PORTFOLIO AND SECURITY TYPE
HOLDINGS AS OF: 12/31/07**

<u>CUSIP</u>	<u>SECURITY DESCRIPTION</u>	<u>PAR AMOUNT</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>B/E YLD TO MAT'Y</u>	<u>SETTLEMENT PRINCIPAL</u>	<u>SETTLEMENT INTEREST PURCHASED</u>	<u>TOTAL SETTLEMENT AMOUNT</u>
912828FJ4	TREASURY NOTE	4,900,000.00	6/30/2008	5.13	4.39	4,927,179.69		4,927,179.69
Subtotal:	Treasury Note	4,900,000.00			4.39	4,927,179.69		4,927,179.69
Subtotal: PORTFOLIO: STL CONSTRUCTN		153,305,000.00			4.35	153,859,389.64	628,118.20	154,487,507.84
GRAND TOTAL		1,153,223,188.23			4.56	<u>1,137,147,430.93</u>	<u>947,474.32</u>	<u>1,138,094,905.25</u>

March 25, 2008

Section 12-V

**POWER AUTHORITY OF THE STATE OF NEW YORK
Summary of Bids Solicited for the Purchase or Sale
of Securities and Transactions Consummated with Dealers
For the Year Ended December 31, 2007**

<u>Dealers</u>	<u>Bids Accepted</u>	<u>Bids Solicited</u>	<u>Total Principal Purchased/Sold</u>	<u>CDs and Repurchase Agreements</u>	<u>Total Transactions</u>
Citigroup	6	7	92,639,706	0	92,639,706
Deutsche Bank	103	395	929,954,356	160,000,000	1,089,954,356
Goldman Sachs	1	1	3,003,245	0	3,003,245
JP Morgan Chase	39	39	217,630,984	0	217,630,984
Key Bank	46	46	0	4,705,815	4,705,815
Lehman Brothers	42	306	232,568,423	953,000,000	1,185,568,423
Merrill Lynch	54	125	713,228,820	0	713,228,820
Mizuho Securities	305	449	1,440,397,388	8,282,167,000	9,722,564,388
SUB-TOTAL	596	1368	3,629,422,922	9,399,872,815	13,029,295,737
Minority Firms					
Blaylock & Partners	10	11	232,021,725	0	232,021,725
Magna Securities	46	47	638,767,584	0	638,767,584
Sandgrain	5	5	141,107,208	0	141,107,208
SUB-TOTAL	61	63	1,011,896,517	0	1,011,896,517
Grand Total	657	1431	4,641,319,440	9,399,872,815	14,041,192,255

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Power Authority of the State of New York
White Plains, New York

We have audited the financial statements of the Power Authority of the State of New York (the Authority), as of and for the year ended December 31, 2007, and have issued our report thereon dated February 29, 2008. We have also audited the Statement of Investments as of and for the year ended December 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the *Investment Guidelines for Public Authorities*, issued by the Office of the State Comptroller of the State of New York as required by the provisions of section 2925(3)(f) of the Public Authorities Law; and the investment guidelines established by the Authority.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and investment guidelines, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated February 29, 2008.

This report is intended solely for the information and use of the Audit Committee, management and the Office of the State Comptroller of the State of New York, and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

February 29, 2008

13. Annual Review and Approval of Guidelines for Procurement Contracts, 2007 Annual Report of Procurement Contracts and Open Procurement Service Contracts

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the 2007 Annual Report of Procurement Contracts (‘Annual Report’) (Exhibit ‘13-A-3’) and the Guidelines for Procurement Contracts (‘Guidelines’) (Exhibit ‘13-A-2’) and to review open service contracts exceeding one year that were active in 2007 as detailed in the Annual Report (Exhibit ‘13-A-3’). An Executive Summary is set forth in Exhibit ‘13-A-1.’

BACKGROUND

“Section 2879 of the Public Authorities Law (‘PAL’), which governs the administration and award of procurement contracts equal to or greater than \$5,000, requires public authorities to adopt comprehensive guidelines detailing their operative policy and instructions concerning the use, awarding, monitoring and reporting of procurement contracts. The Authority’s Guidelines were adopted by the Trustees at their meeting of October 31, 1989 and were implemented as of January 1, 1990. The Guidelines have been amended as required and approved annually since that date. The current Guidelines were approved by the Trustees at their meeting of April 24, 2007.

“Section 2879 of the PAL also requires authorities to review and approve such guidelines annually and to file a report regarding procurement contracts with the Division of the Budget, the Department of Audit and Control, the Department of Economic Development, the Senate Finance Committee and the Assembly Ways and Means Committee. The Annual Report must include a copy of the Authority’s current Guidelines, details concerning any changes to the Guidelines during the year and particular information concerning procurement contracts. For each procurement contract included in the report, the following information must be identified:

[A] listing of all procurement contracts entered into [by the Authority], all contracts entered into with New York State business enterprises and the subject matter and value thereof, all contracts entered into with foreign business enterprises, and the subject matter and value thereof, the selection process used to select such contractors, all procurement contracts which were exempt from the publication requirements of article four-C of the economic development law, the basis for any such exemption and the status of existing procurement contracts.

“Lastly, Section 2879 of the PAL requires an annual review by the Trustees of open service contracts exceeding one year. Those long-term service contracts exceeding one year and awarded after January 1, 1990 are also included in the Annual Report.

DISCUSSION

“The 2007 Annual Report is attached for the Trustees’ review and approval (Exhibit ‘13-A-3’). The Annual Report reflects activity for all procurement contracts equal to or greater than \$5,000, as identified by the Authority’s SAP computer system, that were open, closed or awarded in 2007, including contracts awarded in 1990 through 2007 that were completed in 2007 or were extended into 2007 and beyond. In addition, fossil fuels transactions as reported by the Fuels Planning and Operations group and financial-related services as reported by Corporate Finance, both part of the Business Services Business Unit, are included in the Annual Report of Procurement Contracts. All additional information required by the statute is also included. The Trustees are requested to approve the attached Annual Report pursuant to Section 2879 of the PAL prior to submittal thereof to the Division of the Budget, the Department of Audit and Control, the Department of Economic Development, the Senate Finance Committee and the Assembly Ways and Means Committee.

March 25, 2008

“A copy of the Guidelines effective March 25, 2008 (Exhibit ‘13-A-2’) is attached to the Annual Report. These Guidelines are amended in accordance with recently enacted Executive Orders, as set forth in Exhibit ‘13-A-1.’

“The Guidelines generally describe the Authority’s process for soliciting proposals and awarding contracts. Topics detailed in the Guidelines include solicitation requirements, evaluation criteria, contract award process, contract provisions, change orders, Minority/Women Business Enterprise (‘M/WBE’) requirements, employment of former officers and reporting requirements. The Guidelines have been designed to be self-explanatory.

RECOMMENDATION

“The Vice President – Procurement and Real Estate recommends that the Trustees approve the 2007 Annual Report of Procurement Contracts, the Guidelines for Procurement Contracts and the review of open service contracts as attached hereto in Exhibits ‘13-A-1’ through ‘13-A-3.’

“The Executive Vice President, General Counsel and Chief of Staff, the Executive Vice President – Corporate Services and Administration, the Executive Vice President – Chief Financial Officer, the Senior Vice President and Chief Engineer – Power Generation and I concur in the recommendation.”

Mr. John Hoff presented the highlights of staff’s recommendations to the Trustees. In response to a question from Trustee Besha, Mr. Hoff said that competitive searches were used to obtain information on the qualifications, key personnel and rates for such things as legal services that did not lend themselves for Requests for Proposals. Trustee Besha said that the report was extremely detailed and thorough, for which Mr. Hoff said that Ms. Diane Gil deserved the credit.

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

RESOLVED, That pursuant to Section 2879 of the Public Authorities Law and the Authority’s Procurement Guidelines, the Annual Report of Procurement Contracts, as listed in Exhibit “13-A-3,” and the Guidelines for the use, awarding, monitoring and reporting of Procurement Contracts (Exhibit “13-A-2”), as amended and attached hereto, be, and hereby are, approved; and be it further

RESOLVED, That the open service contracts exceeding one year be, and hereby are, reviewed and approved; and be it further

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

March 25, 2008

Exhibit "13-A-1"

**POWER AUTHORITY OF THE STATE OF NEW YORK
2007 ANNUAL REPORT OF PROCUREMENT CONTRACTS**

EXECUTIVE SUMMARY

The Power Authority of the State of New York (the "Authority") is a corporate municipal instrumentality and political subdivision of the State of New York. The Authority generates, transmits and sells electric power and energy principally at wholesale. The Authority's primary customers are municipal and investor-owned utilities and rural electric cooperatives located throughout New York State, high load factor industries and other businesses, various public corporations located within the metropolitan area of New York City, and certain out-of-state customers. The Authority does not use tax revenues or State funds or credit. It finances construction of its projects through bond and note sales to private investors and repays the debt holders with proceeds from operations.

The Authority continued a major effort to implement energy services programs which include the installation of high efficiency lighting, motors and controls; conversion to efficient chiller and boiler plants; and clean renewable distributed generation at customer sites statewide. Other efforts include an electric transportation program to promote the use of electric-drive vehicles (cars, pick-up trucks and buses) throughout the State.

The Authority requires the services of outside firms for accounting, engineering, legal, public relations, surveying and other work of a consulting, professional or technical nature to supplement its own staff, as well as to furnish varied goods and services and perform construction work. Many of these contracts are associated with the construction, maintenance and operation of the Authority's electric generating facilities and transmission lines, as well as with support of the energy efficiency projects noted above.

PROCUREMENT GUIDELINES (Exhibit "A-2")

In compliance with the applicable provisions of Section 2879 of the Public Authorities Law, as amended, the Authority has established comprehensive guidelines detailing its operative policy and instructions concerning the use, awarding, monitoring and reporting of procurement contracts.

The Guidelines describe the Authority's process for soliciting proposals and awarding contracts. Topics detailed in the Guidelines include solicitation requirements, evaluation criteria, contract award process, contract provisions, change orders, Minority/Women Business Enterprise ("M/WBE") requirements, employment of former officers and reporting requirements. The Guidelines have been designed to be self-explanatory.

These Guidelines, approved by the Authority's Trustees, were implemented on January 1, 1990, and have been reviewed annually and amended as necessary since then. A redlined copy of the Guidelines, which will become effective March 25, 2008, is attached hereto with the following changes as highlighted below.

1. DEFINITIONS Pages 1-2, Section 2, Paragraph B

Clarified types of services characterized as "Construction Service Contracts."

2. SOLICITATION REQUIREMENTS Page 5, Section 3.I Paragraph 3

Deleted entire paragraph as it is duplicative of Section 2.A.

3. EVALUATION OF PROPOSALS Page 10, Section 4 Insert paragraph H:

"H. The specifications set forth in any solicitation prepared under these Guidelines were based upon information available at the time of the preparation of the solicitation. Thus, the Authority may diverge from the

specifications of any solicitation if after review of the proposals responsive to such solicitation, the Authority deems it prudent in light of its experience, the circumstances of the solicitation and/or potential cost savings. Such divergence from the specifications should be immaterial, for example only, as to qualifications, quantity, quality, term, services and/or price.”

4. CONTRACT PROVISIONS Page 14, Section 7, Paragraph B

Deleted items 19 and 20 as they are now included in the contract appendices only.

5. REPORTING REQUIREMENTS & PROCUREMENT RECORD Page 18, Section 11, Paragraph B

This amendment provides that the Annual Report of Procurement Contracts will be posted to the Authority’s public website.

6. The remaining changes to the Guidelines are ancillary to those above and/or appropriate for clarity. Such editorial changes are set forth in the attached, redlined exhibit.

The revised Guidelines were presented to the Governance Committee on February 26, 2008, and are presented for reviewed and approved by the Trustees at this meeting of March 25, 2008.

ACCOMPLISHMENTS

Major procurement efforts in 2007 included purchase of goods, services and construction work in support of the Authority's operating projects and headquarters facilities, Life Extension and Modernization (“LEM”) Programs at Niagara and St. Lawrence, and the Energy Services and Technology (“EST”) Programs as mentioned above. Procurement is continuing efforts to optimize use of the Authority’s credit card system for procurements under \$5,000 and the SAP procurement and materials management system, as well as supporting the requirements of our operating and capital projects and headquarters operations.

(1) Credit Card Procurement System (“CCPS”)

The Credit Card Procurement System is used to procure goods and services valued under \$5,000. At the end of 2007, the Authority had approximately 145 cardholders in both headquarters and operating facilities. The average value of a single transaction was approximately \$460. The monthly average for the number of credit card transactions was 820 per month, with an average monthly value of \$379,000, totaling more than \$4,500,000 in the report year (compared to nearly \$4,400,000 in 2006).

(2) Negotiated Savings Program

The Authority’s procurement staff established a goal of achieving 1.6% of non-fuel expenditures (for contracts exceeding \$50,000) in additional savings by negotiating improved pricing and other commercial terms with recommended low bidders and resolving back charges and claims with the Authority’s outside vendors and contractors. Actual negotiated savings for 2007 by Corporate Procurement, White Plains Procurement Group exceeded \$5,035,000 or 1.92% of non fuel expenditures for contracts exceeding \$50,000.

(3) Supplier Diversity Program (“SDP”)

In 2007, the Authority continued to optimize the use of M/WBEs to provide goods and services in support of Authority operations. As noted in Attachment I, in 2007, the Authority awarded over \$17,000,000 for goods and services to M/WBE firms. This included direct and indirect procurements of office supplies, computer equipment, chemicals, consulting services, temporary engineering personnel and design. In 2007, 8.5% of total reportable procurement expenditures were spent with NYS certified M/WBEs, still exceeding NYPA’S New York State Goal of 6%.

March 25, 2008

The Authority includes subcontracting goals for M/WBE firms in non-construction procurements of more than \$25,000 and construction procurements of more than \$100,000. Staff will continue to pursue other direct and indirect procurement opportunities wherever possible.

The Authority continues to focus on increasing opportunities for M/WBE firms to participate in investment banking activities and Treasury bill investments, as well as including an M/WBE firm as a co-manager in the Tax-Exempt Commercial Paper Program. In 2007, M/WBE investment banking firms purchased and sold more than \$1 billion (in principal) of securities transactions for the Authority and we are looking to increase that amount for 2008.

In June 2007, the Authority hosted its 17th Annual Purchasing Exchange for M/WBEs in White Plains. The 18th Exchange will take place in June 2008.

Procurement representatives also worked closely with, and remain members of, the National Minority Business Council, the Association of Minority Enterprises of New York, the New York/New Jersey Minority Purchasing Council, the Long Island Hispanic Chamber of Commerce, Professional Women in Construction and the African American Chamber of Commerce for Westchester and Rockland Counties, to name a few.

ANNUAL REPORT - 2007 PROCUREMENT CONTRACTS (Exhibit "A-3")

The Annual Report includes specific details of procurements of \$5,000 or greater awarded since January 1, 1990 that were active in 2007. There were 2,415 such contracts with an estimated value of nearly \$3.3 billion, which also includes fossil fuel and corporate finance expenditures.

Total procurement expenditures in 2007 exceeded \$774 million. This included more than \$495 million for the purchase of fossil fuels.

Approximately 60% of the contracts active in 2007 were closed in 2007.

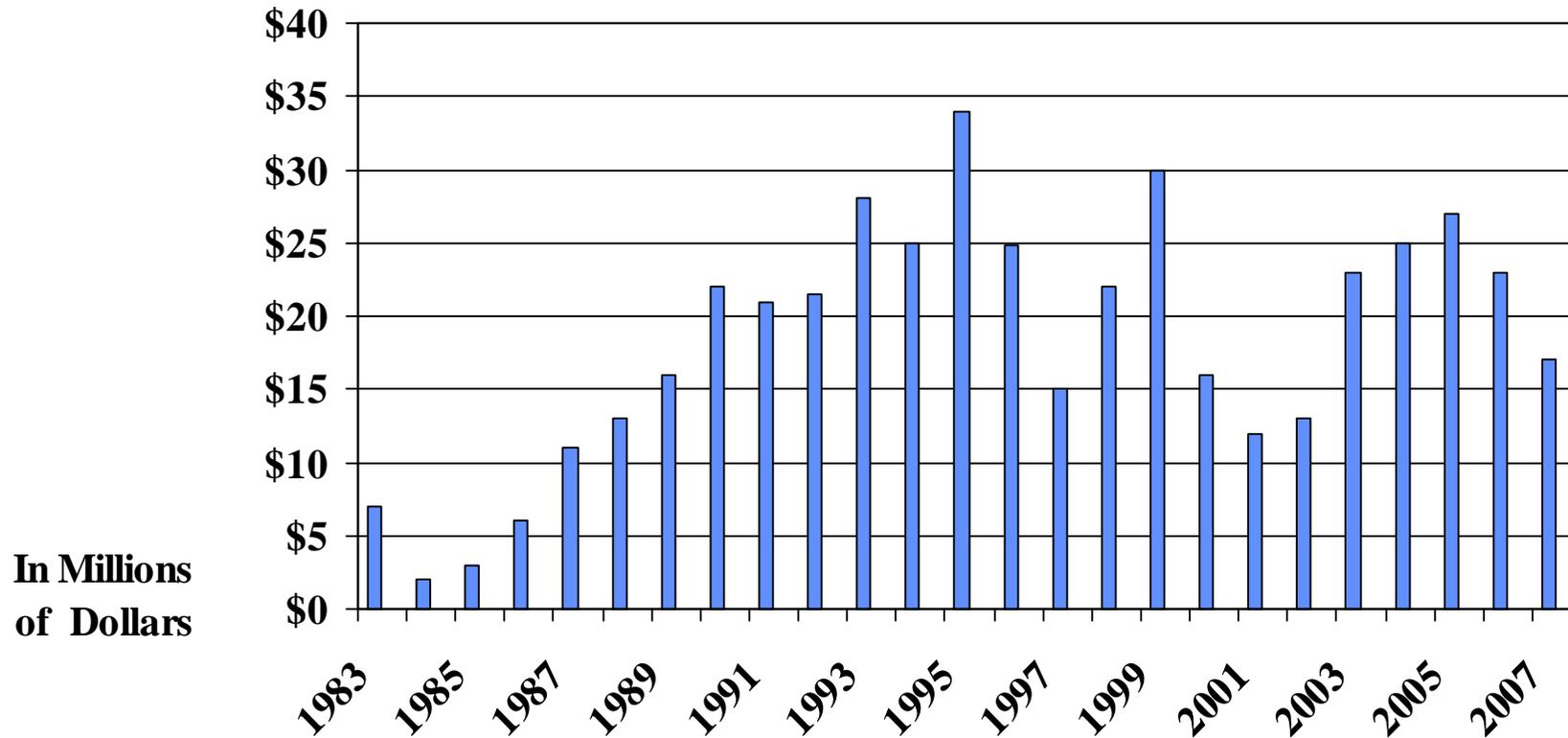
As noted in Attachment II:

- Approximately 7% of these contracts were for construction work;
- More than 53% were for the purchase of equipment and commodities;
- More than 10% were for consulting contracts (e.g., engineering, design, specialized analysis); and
- Other services, such as technician work and contracted personnel, accounted for 30%.

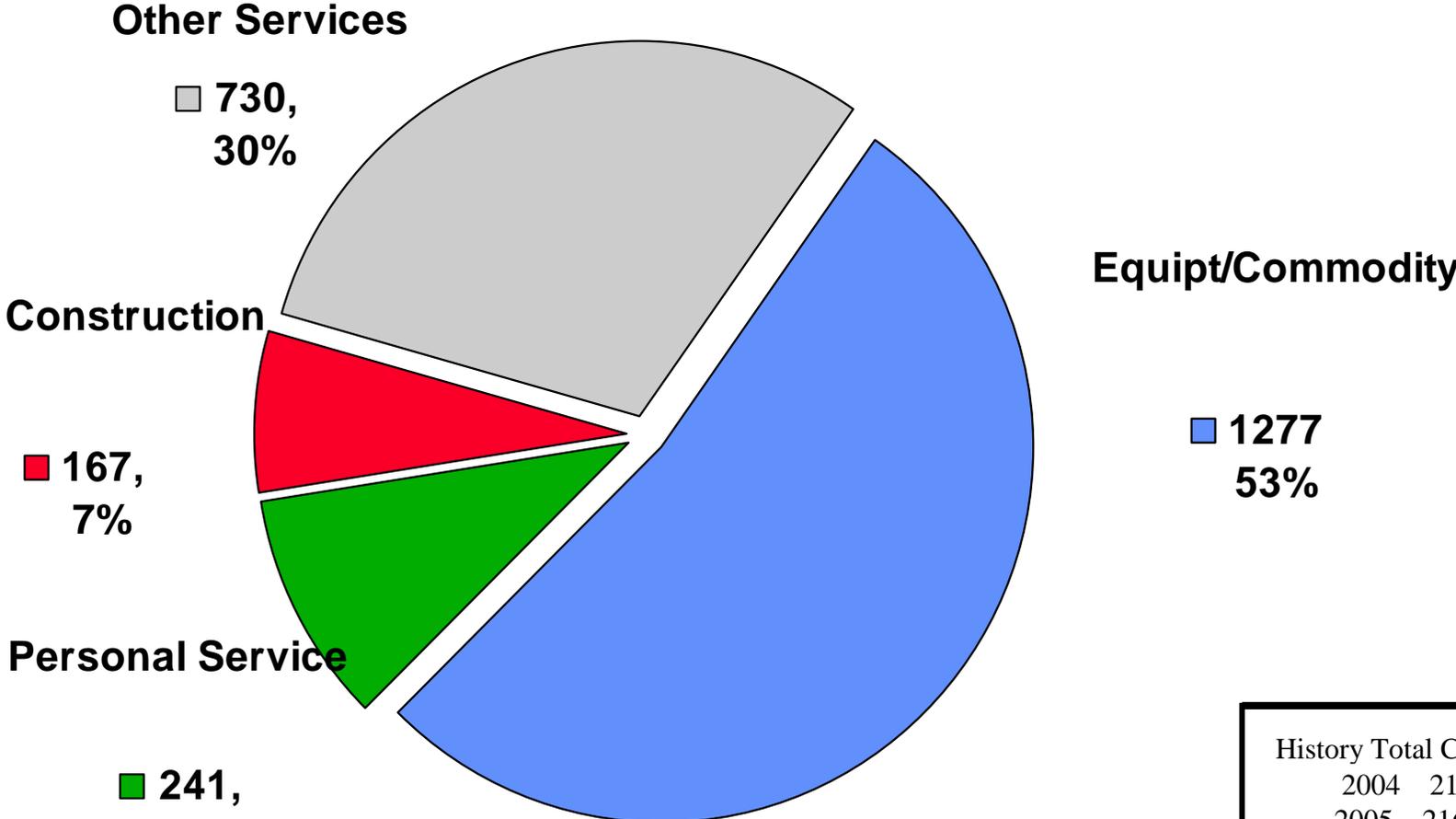
It should also be noted that while approximately 51% of the total number of 2007 non-fuel contracts covered by the Report exceeded \$25,000, the total value of those contracts was approximately 99% of the total non-fuel expenditures.

Attachment III indicates that, based on the total value of the contracts included in the Annual Report, approximately 97% of the total dollars expended (including fuels and corporate finance) were for contracts that were competitively bid. In terms of the numbers of contracts processed (Attachment IV), approximately 72% were competitively bid and 28% were sole Major reasons for the higher number of sole source awards in 2007 include the purchase of spare parts and services from original equipment manufacturers (OEM), particularly for initial procurement of the operating spares at the 500MW Combined Cycle Plant and the outages at the Flynn Power Plant, as well as procurement on an emergency basis and/or from proprietary sources.

2007 M/WBE Total Procurement Dollars Spent



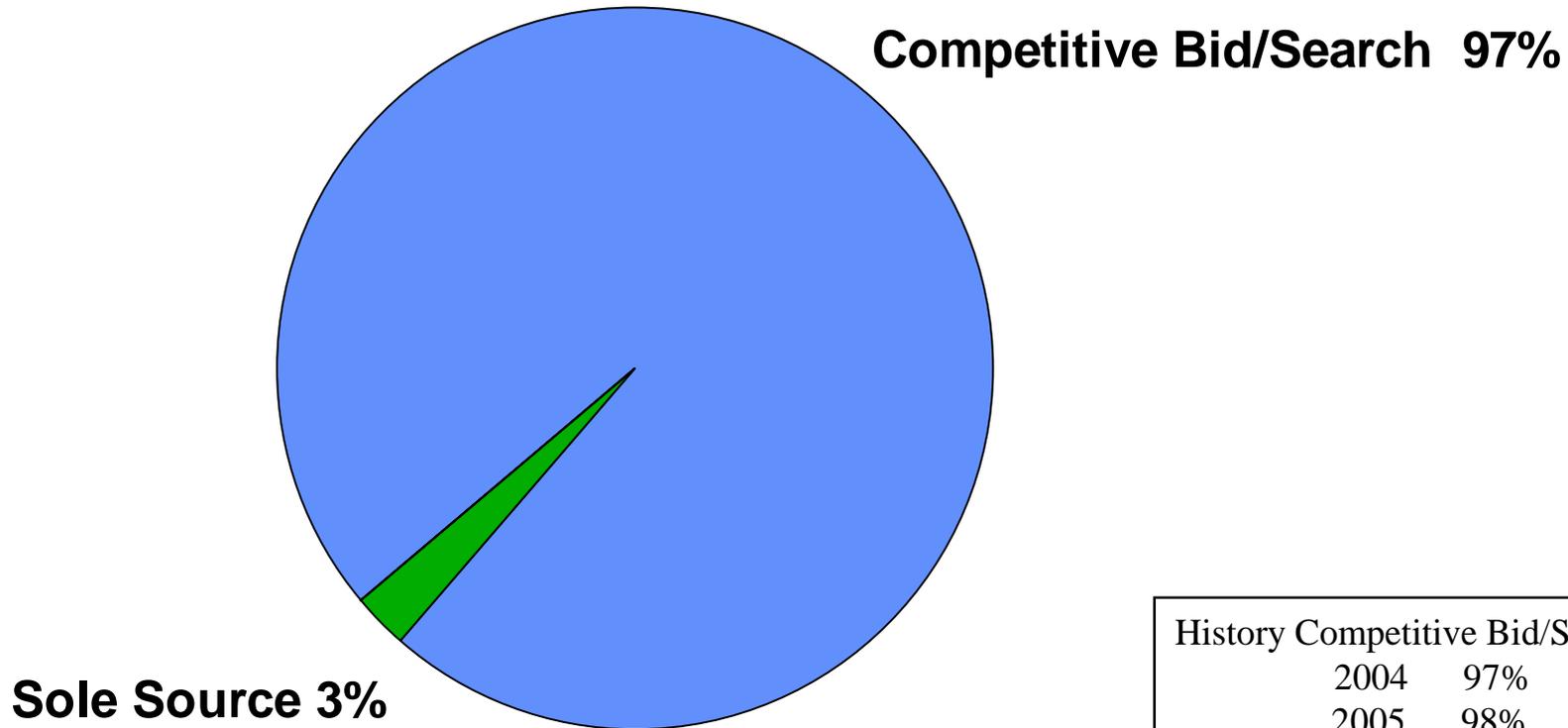
2007 Procurements Type of Contract



2007 Total Number of Contracts 2415

History Total Contracts	
2004	2141
2005	2162
2006	2268
2007	2415

2007 Procurements Method of Award by Dollar Value

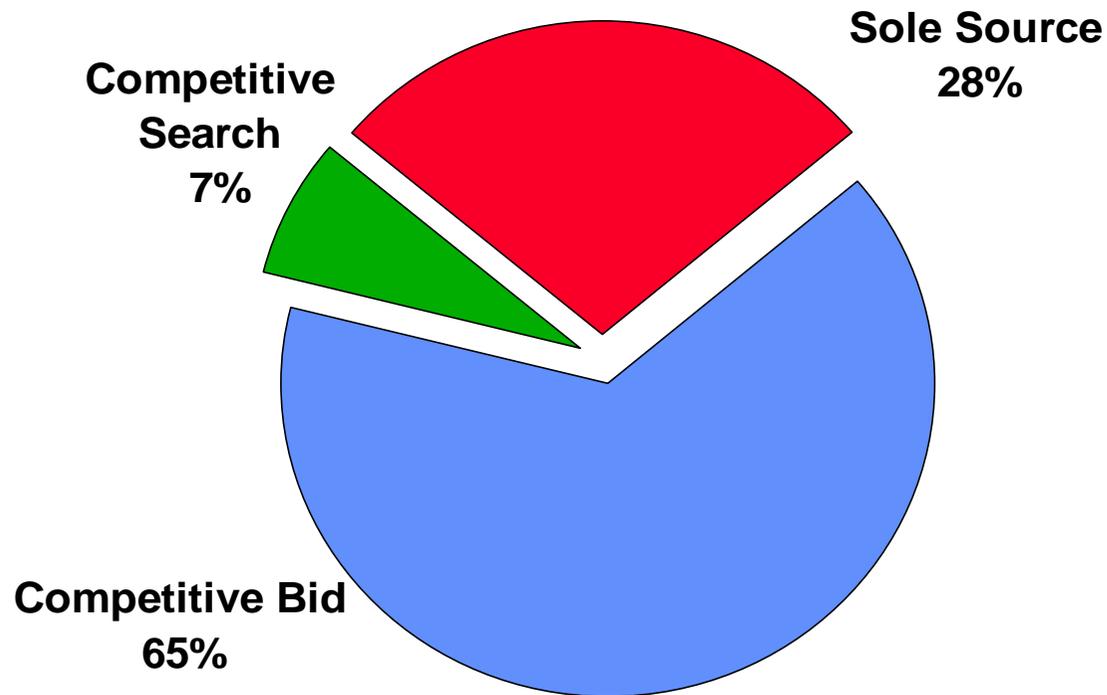


2007 Total Contract Award Amount \$3,297,000,000

History Competitive Bid/Search	
2004	97%
2005	98%
2006	98%
2007	97%

2007 Procurements

Method of Award by Volume of Contracts



2007 Total Number of Contracts 2415

History Competitive Bid/Search	
2004	76%
2005	79%
2006	76%
2007	72%

GUIDELINES FOR PROCUREMENT CONTRACTS

1. PURPOSE

These Guidelines for Procurement Contracts ("Guidelines") comply with the applicable provisions of Article 4-C of the Economic Development Law, §2879 of the Public Authorities Law and §§139-j and 139-k of the State Finance Law, and establish the basis for the Authority to solicit and evaluate proposals from individuals and/or firms providing goods and/or services as defined in Section 2 below. Consistent with these Guidelines, individual facilities, headquarters or departments may establish specific supplementary guidelines based on their own needs.

2. DEFINITIONS

- A. "Procurement Contracts" are contracts for the acquisition of goods and/or services in the actual or estimated amount of \$5,000 or more. Such goods and/or services are those necessary to support the Authority's headquarters, facilities, Operations and Maintenance ("O&M") and capital construction projects, including but not limited to: goods such as office supplies, major electrical equipment, construction and maintenance work and services as more fully described in Section 2. B below. Procurement Contracts do not include contracts for energy, capacity, ancillary services, transmission, distribution or related services in support of providing service to Authority customers; contracts for differences; financial hedge contracts (including but not limited to swaps, calls, puts or swap options) and credit rating services. In addition, Procurement Contracts do not include direct placement of advertisements with radio, television and print media, funding agreements, co-funding agreements, grants or memberships in various industry groups, professional societies or similar cooperative associations, nor any cooperative projects and procurement activities conducted or sponsored by such organizations in which the Authority participates.
- B. "Services Contracts" are Procurement Contracts for services of a consulting, professional or technical nature provided by outside consultants/contractors (individuals, partnerships or firms who are not and do not employ officers or employees of the Authority) for a fee or other compensation. Services Contracts comprise three specific types: Personal Services, Non-Personal Services and Construction. Personal Services include, but are not limited to: accounting, architectural, engineering, financial advisory, legal, public relations, planning, management consulting, surveying, training (when provided on Authority property and/or exclusively for Authority employees) and construction management. Non-Personal Services include, but are not limited to: skilled or unskilled temporary personnel, including clerical office staff, technicians or engineers working under Authority supervision; maintenance, repairs, and

printing services. Construction consists of craft labor and other services utilizing laborers and/or mechanics not otherwise considered Non-Personal Services.

Note: Use of such services may be appropriate (1) when a consultant/contractor possesses special experience, background or expertise; (2) when there is insufficient Authority staff and retention of a consultant/contractor is more appropriate or economical than hiring additional permanent staff; (3) to provide independent external review or a second opinion; (4) to meet unusual schedule requirements or emergencies or (5) for a combination of these factors.

- C. “Goods” include equipment, material and supplies of any kind.
- D. “Contact” means any oral, written or electronic communication with the Authority under circumstances where a reasonable person would infer that the communication was intended to influence the procurement.
- E. “Relative” is defined in Section 9.F.1 of these Guidelines.
- F. “M/WBE” is defined in Section 3.C of these Guidelines.

3. SOLICITATION REQUIREMENTS

- A. Solicitation of proposals for Procurement Contracts is the joint responsibility of the headquarters Procurement Department, or the facilities’ Procurement Departments and the initiating department. Except as otherwise authorized by these Guidelines, a Request for Proposals (“RFP”) or Request for Quotations (“RFQ”) will be made available to a minimum of three providers and/or firms (if available) for purchases valued under \$25,000 and a minimum of five providers and/or firms (if available) for purchases valued at \$25,000 and greater, commensurate with the magnitude and nature of the goods and/or services, and the schedule for performance. Whenever possible and practicable, RFP’s and RFQ’s should be sent to more than five providers.
- B. Prospective bidders on Procurement Contracts may be prequalified by invitation. In such cases, proposals are requested only from those providers and/or firms whose prequalification submittals demonstrate sufficient ability and competence to supply the particular goods and/or perform the particular services required.

The Authority may withdraw any pending solicitation (including but not limited to RFP's and RFQ's) at any time, for cause or no cause. Any person or entity submitting any responsive document to the Authority does so at its own cost or expense and will not be reimbursed by the Authority for the preparation of any responsive document, unless otherwise agreed to in writing and signed by an authorized Authority representative.

- C. In order to promote the use of minority and women-owned business enterprises ("M/WBE's"), the Authority will solicit offers from M/WBE's known to have experience in the type of goods and/or services to be provided, regardless of the type of contract. For the purpose of these Guidelines, an M/WBE is any business enterprise at least 51% of which is owned by black persons, Hispanics, Native Americans, Asians, Pacific Islanders and/or women, and as further described in the Authority's Supplier Diversity Program Policy and Procedures and Executive Law Article 15-A.
- D. To foster increased use of M/WBE's, a single proposal may be sought, negotiated and accepted for purchases of goods or services not exceeding \$5,000 from a New York State-certified M/WBE that offers a reasonable price for such goods or services (not exceeding \$5,000).
- E. It is the policy of New York State to promote the participation of and maximize the opportunities for New York State business enterprises and New York State residents in Procurement Contracts. The Authority will endeavor to promote such participation and to comply with the applicable statutory provisions. Pursuant to Public Authorities Law §2879,
 - 1. A New York State business enterprise is a business enterprise, including a sole proprietorship, partnership or corporation that offers for sale or lease or other form of exchange, goods sought by the Authority that are substantially manufactured, produced or assembled in New York State or services sought by the Authority that are substantially performed within New York State as further described in Public Authorities Law §2879.
 - 2. A New York State resident is a person who maintains a fixed, permanent and principal home in New York State to which such person, whenever temporarily located, always intends to return as further described in Public Authorities Law §2879.
 - 3. A foreign business enterprise is a business enterprise, including a sole proprietorship, partnership or corporation, that offers for sale, lease or other form of exchange, goods sought by the Authority that are substantially produced outside New York State, or services sought by the Authority that are substantially performed outside

New York State as further described in Public Authorities Law §2879.

- F. Pursuant to the Public Authorities Law §2879, the Authority will, where feasible, make use of the stock item specification forms of New York State manufacturers, producers and/or assemblers for any Procurement Contract for the purchase of goods when preparing an RFP, RFQ, purchase order, price inquiry, technical specifications or similar document. The headquarters Procurement Department will develop a system for collecting such data and disseminating a list of such New York State manufacturers for use by Authority employees preparing a specification or bill of materials for goods.
- G. Goods may be procured pursuant to Procurement Contracts let by any department, agency, officer, political subdivision or instrumentality of the State or Federal government or any city or municipality where the headquarters Procurement Department, or facility Procurement Departments, and the initiating department determine that a reasonable potential exists for cost savings or other benefits to the Authority and have approved the specifications and proposed terms and conditions of such contract.
- H. Solicitations will include a scope of work that defines the goods required and/or the services to be performed; milestone dates; the Authority's M/WBE Program requirements, if applicable; all other applicable Authority requirements and any special methods or limitations that the Authority chooses to govern the work. Telephone solicitation, usually for procurements valued at \$25,000 or less, may be used where time constraints do not permit issuance of an RFP, where issuance of an RFP is otherwise impracticable or for goods that are catalog items or do not require a detailed bill of materials or specification.
- I. For all Procurement Contracts with a value equal to or greater than \$15,000 (except for those contracts noted below), the Authority will, prior to soliciting proposals, submit the following information to the Commissioner of the New York State Department of Economic Development ("DED") to be included in the weekly New York State Contract Reporter ("Contract Reporter") (unless such publication would serve no useful purpose): (1) the Authority's name and address; (2) the solicitation number; (3) a brief description of the goods and/or services sought, the location where goods are to be delivered and/or services provided and the contract term; (4) the address where bids or proposals are to be submitted; (5) the due date for bids or proposals; (6) a description of any eligibility or qualification requirements or preferences; (7) a statement as to whether the contract requirements may be fulfilled by a subcontracting, joint venture or coproduction arrangement; (8) any other information deemed useful to

potential contractors; (9) the name, address, and phone number of the person to be contacted for additional information and (10) a statement as to whether the goods or services sought have, in the immediately preceding three-year period, been supplied by a foreign business enterprise. Such information will be submitted to the DED Commissioner in accordance with the schedule set forth by the DED. The due date for bids or proposals will be a minimum of 15 business days after the date of publication of such notice in the Contract Reporter.

This provision does not apply to Procurement Contracts awarded on an emergency basis as described below in Section 3.M; Procurement Contracts being rebid or re-solicited for substantially the same goods or services, within 45 business days after the original due date; and/or Procurement Contracts awarded to not-for-profit human services providers.

Certain Procurement Contracts may require purchases: (1) on the spot market; (2) needed prior to the time limits for noticing in the Contract Reporter or (3) that do not lend themselves to the solicitation process. In accordance with paragraph 3(h) of §2879 of the Public Authorities Law, such purchases, including, but not limited to, oil or gas purchases on the spot market, are exempted from the noticing requirements of Article 4-C of the Economic Development Law subject to the approval of the Vice President – Procurement and Real Estate and the head of the initiating department. Where appropriate, generic notices may be published from time to time in the Contract Reporter notifying potential bidders of such opportunities and soliciting qualification statements for consideration by the Authority.

- J. Proposals for certain Services Contracts may also be solicited by competitive search, as follows:

For contracts where the scope of work cannot be well defined or quantified, or where selection requires evaluation of factors such as breadth and depth of experience in a unique or highly specialized field and suitability as an Authority representative, a “competitive search” will be conducted to determine which consultants are most qualified, for reasonable compensation terms, to perform the work. Depending on market conditions, at least five potential sources should be evaluated; if there are fewer than five sources, all sources should be evaluated. The headquarters Procurement Department will work with the initiating department to gather information from potential sources, that will include a description of the consultant/firm’s qualifications, résumés of key personnel, past experience and proposed billing rates.

- K. A Procurement Contract may be awarded on a sole source basis where:

1. Compatibility of equipment, accessories or spare or replacement parts is the paramount consideration.
 2. Services are required to extend or complement a prior procurement and it is impracticable or uneconomic to have a source other than the original source continue the work.
 3. A sole supplier's item is needed for trial use or testing, or a proprietary item is sought for which there is only one source.
 4. Other circumstances or work requirements exist that cause only one source to be available to supply the required goods or services.
 5. The contract is awarded to a certified M/WBE firm for purchases not exceeding \$5,000, pursuant to Section 3.D.
- L. Subject to the Authority's Expenditure Authorization Procedures ("EAP's"), a Procurement Contract may be awarded without following the solicitation requirements that ordinarily apply (but using such competitive selection procedures as are practicable under the circumstances) where emergency conditions exist, such as:
1. A threat to the health or safety of the public or Authority employees or workers.
 2. Proper functioning of the Authority facilities or construction or operating projects requires adherence to a schedule that does not permit time for an ordinary procurement solicitation.
- M. Whenever an initiating department determines that a Procurement Contract should be awarded on either a sole source or an emergency basis, the head of the department will provide a written statement explaining the reasons therefor to the headquarters Procurement Department or the appropriate facility Procurement Department.
- N. It is the policy of New York State to discourage improper communications intended to influence a governmental procurement. The Authority will endeavor to control such practices and will comply with the applicable statutory provisions. Pursuant to State Finance Law §§139-j and 139-k,
1. A "Procurement Contract" is any contract or other agreement for a commodity, service, technology, public work, construction, revenue contract, the purchase, sale or lease of real property or an acquisition or granting of other interest in real property that is the subject of a governmental procurement. Grants, contracts between the Authority and non-profit organizations pursuant to Article 11-B of the State Finance Law, intergovernmental agreements, railroad and utility force accounts, utility relocation project agreements or orders and eminent domain transactions are not Procurement Contracts.

2. The “Restricted Period” is the period of time commencing with the earliest written notice, advertisement or solicitation of a request for proposal, invitation for bids, or solicitation of proposals, or any other method for soliciting a response from bidders/contractors intending to result in a procurement contract with the Authority and ending with the final contract award.
3. The Authority shall designate a person or persons who may be contacted, with respect to each Authority procurement, by bidders/contractors or persons acting on their behalf where a reasonable person would infer that the communication was intended to influence the procurement during the Restricted Period.

4. EVALUATION OF PROPOSALS

- A. Proposals will be evaluated using a fair and equitable comparison of all aspects of the proposals against the specifics of the solicitation and against each other, including an analysis of each offer that considers: the quality of the goods and/or the competence of the bidder, the technical merit of the proposal and the price for which the goods and/or services are to be supplied.
- B. In the event the price submitted by the bidder recommended to be awarded a contract exceeds the cost estimated on the solicitation at the time of bidding, the initiating department will prepare a written explanation to be reviewed by the headquarters Procurement Department and/or the appropriate facility Procurement Department and appropriate managers as stipulated in the EAP's. The following options should be considered: (1) rejecting the bids, resoliciting proposals and/or modifying the scope of work; (2) revising the cost estimate and proceeding with the contract award; and (3) negotiating with the low bidder(s), as determined by the Vice President – Procurement and Real Estate, to reduce the price quoted. Factors to be considered in reaching the proper course of action include but are not limited to the effects of a delay on both the schedule and the cost of the specific capital construction project or outage at an operating facility, the magnitude of the contract, available bidders, the ability to attract additional competition if the solicitation is reissued and the accuracy of the original cost estimate. The recommended course of action and the reasons therefor must be fully documented in a memorandum for consideration by the appropriate level of management prior to approval and placed in the appropriate procurement file.

- C. Factors to be considered in evaluating the goods to be supplied and/or the competence of the bidder are: previous experience (including applicable experience in New York State and evaluations from other clients for whom the bidder has provided goods and/or services); the abilities and experience of the personnel to be assigned to the Authority's work and the ability to provide any needed advanced techniques such as simulation and modeling. The approach proposed in meeting the exact requirements of the scope of work will be given consideration in evaluating the technical merit of the proposal, together with a well-organized task structure, the ability to timely supply the goods and/or perform the proposed services and the ability to meet M/WBE goals, if any. The need to purchase the goods from and/or subcontract performance of services to others will be evaluated as to their effects on cost, as well as quality, schedule and overall performance.
- D. For Services Contracts, the technical merits of the proposals and the experience and capabilities of the bidders will be the primary factors in determining the individual or firm to be awarded the contract, provided that the price for performing such work is reasonable and competitive.
- E. For Procurement Contracts other than Personal Services (as defined in Section 2.B of these Guidelines), the award should generally be made to the lowest-priced firm submitting a proposal that meets the commercial and technical requirements of the bid documents.
- F. Pursuant to §139-j of the State Finance Law, the Authority shall not award a Procurement Contract (as defined in Section 3.N.1. of these Guidelines) to a bidder/contractor who fails to provide timely, accurate and complete responses to inquiries about past determinations of non-responsibility (unless awarding the contract is necessary to protect public property or public health or safety and the bidder/contractor is the only source capable of supplying the required article of procurement within the necessary timeframe.)

A bidder's/contractor's knowing and willful violation of the Authority's policy providing for certain procurement disclosures shall result in a determination of non-responsibility of such bidder/contractor pursuant to State Finance Law §§139-j and 139-k only.

More than one determination of non-responsibility due to violations of State Finance Law §139-j in a four-year period shall render a bidder/contractor ineligible to submit bids for four years from the second determination of non-responsibility.

- G. An award to “other than low bidder” can be made only with the approval of appropriate management as stipulated in the EAP’s, and should be based on such a proposal providing a clear advantage to the Authority over the lower-priced proposal. Factors justifying an “other than low bidder” award may include, but are not limited to improved delivery schedules that will reduce outages, longer warranty periods, improved efficiency over the usable life of the equipment, reduced maintenance costs, the bidders’ financial resources or the ability to meet or exceed M/WBE goals.
- H. The specifications set forth in any solicitation prepared under these Guidelines were based upon information available at the time of the preparation of the solicitation. Thus, the Authority may diverge from the specifications of any solicitation if after review of the proposals responsive to such solicitation, the Authority deems it prudent in light of its experience, the circumstances of the solicitation and/or potential cost savings. Such divergence from the specifications should be immaterial, for example only, as to qualifications, quantity, quality, term, services and/or price.

5. RECOMMENDATION OF AWARD

- A. A recommendation for approval of a proposed award of a Procurement Contract is usually prepared in the form of a memorandum by the department requiring the goods and/or services. The recommendation must include an evaluation of proposals as specified in Section 4 above, as well as proposed specific compensation terms that provide a clear breakdown of cost factors and methods of calculation, including, as applicable:
 - 1. Lump sum and/or unit prices for equipment and construction work.
 - 2. Hourly or daily rates for personnel.
 - 3. Markups for payroll taxes, fringe benefits, overhead and fees, if the proposal is based on reimbursement of actual payroll costs.
 - 4. Terms for reimbursement of direct out-of-pocket expenses, such as travel and living costs, telephone charges, services of others and computer services.
 - 5. Provisions, if any, for bonus/penalty arrangements based on target person-hours and/or target schedule.

- B. The recommendation will also review any substantive exceptions to commercial and technical requirements of a price inquiry, RFP, RFQ or bidding documents, including but not limited to payment terms, warranties and bond requirements, if any.

6. AWARD OF CONTRACT

- A. Services Contracts to be performed for a period of more than 12 months are approved and reviewed annually by the Trustees. Services Contracts for a period of less than 12-months are approved by authorized designees in accordance with existing EAP's. Extending a contract for services with an initial duration of less than 12 months beyond 12 months will be approved by the Trustees at the request of the initiating department and will be reviewed by the Trustees annually. Extending a contract for services that has previously been approved by the Trustees for a cumulative term of more than 12 months requires further Trustees' approval. Extending a contract previously approved by the Trustees for 12 months or less requires approval by an authorized designee in accordance with existing EAP's.
- B. For Services Contracts to be performed for a period of more than 12 months that must be awarded prior to the next scheduled Trustees' meeting, the initial contract will be issued for the entire term of the contract. Based on its total value, such contract must be approved by the appropriate management as set forth in the EAP's. Such contract is subject to the Trustees' approval, at the next quarterly Trustees' meeting. If such approval is not granted, the contract will be terminated immediately.
- C. A contract or contract task is deemed to be for services in excess of 12 months where the contract does not specify a definite term and the work will not be completed within 12 months, and any "continuing services" contract with no fixed term that provides for the periodic assignment of specific tasks or particular requests for services. This includes Trustee-approved contracts for architect/ engineering services with the original engineers of operating facilities, as well as the original supplier of steam supply systems or boilers and turbine generating equipment. Each task authorized under such contracts (which may be referred to as a "Change Order," "Purchase Order" or "Task Number") is considered a separate commitment and must be separately approved in accordance with the EAP's.
- D. The term of a Personal Services contract is limited to a maximum of five (5) years, including any extensions.
- E. When time constraints or emergency conditions require extending an existing contract with an initial duration of less than a year beyond a year ,

and the cumulative monetary change order value does not exceed the appropriate limit set forth in the EAP's, the Business Unit Head, with the prior concurrence of the Vice President – Procurement and Real Estate, may authorize extending such contract, subject to the Trustees ratifying such action as soon as practicable.

- F. When the total estimated contract value or the value of the extension exceeds the monetary limits set forth in the EAP's, interim approval by the President and Chief Executive Officer is required, subject to the Trustees' ratifying such action as soon as practicable.
- G. When time constraints or emergency conditions require immediate commencement of services to be performed for a period of more than one year, and when the contract value exceeds the monetary approval limit for the President and Chief Executive Officer as set forth in the EAP's, the President and Chief Executive Officer, with the prior concurrence of the Vice President -Procurement and Real Estate, may authorize the commencement of such services. The initial compensation limitation may not exceed the authorization level for the President and Chief Executive Officer set forth in the EAP's. Such contracts will be subject to the Trustees' approval, which will be solicited at their next scheduled meeting.
- H. The headquarters Procurement Division or the facilities' Procurement Departments prepare the contract for execution by the Authority and the successful bidder. No work by the selected contractor will commence until the contract is executed by both parties, except that mutually signed letters of award or intent may initiate work prior to formal execution. Authority signatories of such letters must be authorized to approve contract awards pursuant to the EAP's.
- I. Pursuant to Public Authorities Law §2879, the Authority shall notify the Commissioner of Economic Development of the award of any Procurement Contract for the purchase of goods or services from a foreign business enterprise (as defined in Section 3.E.3 of these Guidelines) in an amount equal to or greater than \$1 million simultaneous with notifying the successful bidder therefor. The Authority shall not enter into the Procurement Contract for said goods until at least 15 days have elapsed from the notification of the award, except for a Procurement Contract awarded on an emergency or critical basis. The notification to the Commissioner shall include the name, address, telephone and facsimile number of the foreign business enterprise, the amount of the proposed Procurement Contract and the name of the individual at the foreign business enterprise or acting on behalf of same who is principally responsible for the proposed Procurement Contract.

7. CONTRACT PROVISIONS

- A. The following standard forms of contracts are available from the headquarters Procurement Department: purchase order format for standard procurements of goods or services; furnish-and-deliver format for major equipment purchases; letter agreements and agreement formats for consulting work and contract work orders (for construction work of small magnitude), construction contracts (for major construction work) and furnish, deliver and install contracts (for specialized, major procurements where single responsibility is required for procurement and installation). These contract forms are intended to govern the purchase of goods and/or performance of services. Authority departments proposing to initiate a Procurement Contract should review these forms to suggest any modifications and additions that may be required for the particular goods and/or services. Under no circumstances should contract forms be shown to proposed bidders without the prior approval of the Procurement Department, which, along with the facilities' Procurement Departments, is solely responsible for requesting proposals.
- B. The following types of provisions setting forth contractor responsibilities are to be contained in the standard forms of Procurement Contracts, except that any provisions listed below that are inapplicable or unnecessary because of the nature or duration of the work to be performed, the location(s) where the work is to be performed or the type of compensation being paid therefor, need not be included. Other provisions may be added as necessary and appropriate.
1. Schedule of Services or Specifications
 2. Time of Completion
 3. Compensation or Itemized Proposals
 4. Relationship of Parties
 5. Delays
 6. Termination
 7. Changes in the Work
 8. Claims and Disputes
 9. Warranty
 10. Insurance
 11. Records, Accounts, Inspection and Audit
 12. Assignment
 13. Notices
 14. Indemnification
 15. Governing Law
 16. Proprietary Nature of Work
 17. Testimony
 18. Entire Agreement

Contract Attachments

1. Compensation Schedule
2. Schedule of Services or Specifications
3. Appendix "A" (Miscellaneous Statutory Provisions)
4. Appendix "B" (Prompt Payment Provisions)
5. Appendix "C" (Minority and Women-Owned Business Enterprises Provisions)
6. Appendix "D" (Background Security Screening for Authority Contractors)
7. Appendix "E" (Omnibus Procurement Act of 1992 Requirements)
8. Appendix "G" (Equal Employment Opportunity Requirements)
9. Appendix "H" (Tax Law Requirements)
10. Appendix "J" (Bidder/Contractor Compliance with State Finance Law §§139-j and 139-k Providing for Certain Procurement Disclosures)

- C. Any firm, person or entity retained by the Authority to provide conceptual studies, designs or specifications is prohibited from being awarded future phases of work, including implementation, related to the original work. If there is no qualified response to the solicitation for future phases of work, including implementation, the approval of the Vice President -Procurement and Real Estate, applicable Business Unit Head, Assistant General Counsel and President and Chief Executive Officer is required to waive this restriction on a case-by-case basis.

8. CHANGE ORDERS

- A. Change Orders to existing contracts are justified in the following cases:
1. To incorporate additional work related to the original scope, to delete work or to otherwise modify the original work scope;
 2. To exercise options previously included in the original contract to perform additional work or to extend the contract term;
 3. To accommodate emergency conditions, defined in Section 3.L herein, that require the immediate performance of work by a firm already under contract;
 4. When rebidding would not be practical or in the best interests of the Authority's customers; and
 5. To meet the Authority's M/WBE goals in accordance with Executive Law Article 15-A.

- B. All Change Orders must be approved in accordance with the Authority's EAP's, and should include specific schedules for completion of work at the earliest possible time.

9. PROHIBITION OF CURRENT EMPLOYEES;EMPLOYMENT OF FORMER OFFICERS AND EMPLOYEES

- A. All current employees and their immediate families (spouse, parent, child or sibling), or entities in which such employees and their immediate families have an ownership interest, are prohibited from employment as Authority contractors, vendors or consultants.
- B. Former Authority officers and employees are eligible to be considered for employment as contractors and/or consultants provided that they meet all criteria for contractors and/or consultants generally as specified in these Guidelines; their employment is not barred by New York Public Officers Law §73(8); if requested, they obtain an opinion by the New York State Commission on Public Integrity that such employment is permissible; and upon approval of the President and Chief Executive Officer.
- C. Pursuant to the provisions of New York Public Officers Law §73(8):
 - 1. No Authority officer or employee is eligible, within a period of two years after the termination of Authority service to appear or practice before the Authority or receive compensation for any services rendered on behalf of any person, firm, corporation or association, in relation to any case, proceeding or application or other matter before the Authority.
 - 2. No Authority officer or employee is eligible, at any time after the termination of Authority service, to appear, practice, communicate or otherwise render services before the Authority or any other state agency or receive compensation for any such services rendered on behalf of any person, firm, corporation or other entity in relation to any case, proceeding, application or transaction that such person was directly concerned with and personally participated in during his or her period of service, or which was under his or her active consideration.
- D. No Authority employee who is involved in the award of Authority grants or contracts may ask any officer, director or employee of such current or prospective contractor or grantee to reveal: (a) the political party affiliation of the individual; (b) whether the individual or entity has made campaign contributions to any political party, elected official or candidate for elective office or (c) whether the individual voted for or against any political party, elected official or candidate for elective office.

- E. No Authority employee may award or decline to award any grant or contract, or recommend, promise or threaten to do so because of a current or prospective grantee's or contractor's: (a) refusal to answer any inquiry prohibited by Section 9.D above or (b) giving or withholding or neglecting to make any contribution of money, service or any other valuable thing for any political purpose.
- F. No Authority employee may take part in any contracting decision involving the payment of more than \$1,000: (i) to a Relative; or (ii) to any entity in which the Authority employee or a Relative of such Authority employee owns or controls 10% or more of the stock of such entity (or 1% in the case of a corporation whose stock is regularly traded on an established securities exchange); or serves as an officer, director or partner of that entity. If a contracting matter arises relating to this Section 9.F, then the employee must advise his or her supervisor of the relationship, and must be recused from any and all discussions or decisions relating to the matter.
 - 1. For purposes of Section 9.F, the term "Relative" is any person living in the same household as the Authority employee or any person who is a direct descendant of the Authority employee's grandparents or the spouse of such descendant.
- G. Restrictions 9.D through 9.F above also apply to disposal of property which is governed by the Authority's Disposal of Personal Property Guidelines and Disposal of Real Property Guidelines.

10. MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISE (M/WBE) REQUIREMENTS

The Authority strives to continue to foster the development of business opportunities on Authority contracts for M/WBE's. Article 15-A of the Executive Law established a Statewide office of M/WBE development that is responsible for developing rules and regulations for implementation of this statute, certifying M/WBE's and reviewing and monitoring goal plans, compliance reports and contract provisions to be included in all non-construction contracts for more than \$25,000 and construction contracts for more than \$100,000. The definition of an M/WBE is included in Section 3.C of these Guidelines. The Authority aims to solicit proposals from certified M/WBE's that are qualified to perform the required work. In addition, specific goals may be included in certain contracts for consulting work, construction and procurement of goods and other services requiring the contractor/vendor to subcontract a portion of the work to certified M/WBE's as required by law. Bidders' proposals will include Preliminary Subcontracting Plans for M/WBE's, where required, and such bidders failure to meet these requirements may be grounds for rejection of the proposal, or cancellation of the contract if a contractor did not make a good faith effort to meet its goals after contract award.

11. REPORTING REQUIREMENTS AND PROCUREMENT RECORD

- A. The headquarters Procurement Department maintains records of Procurement Contracts, including bidders' names, the selection processes used and the status of existing contracts, including goods provided and/or services performed and fees earned, billed and paid. At the facilities, such records will be kept by the facilities' Procurement Departments. After the end of each calendar year, the Vice President - Procurement and Real Estate will prepare and submit an annual report to the Trustees for their approval that will include:
1. A copy of the Guidelines;
 2. An explanation of the Guidelines and any amendments thereto since the last annual report;
 3. A list of all Procurement Contracts entered into since the last annual report, including all contracts entered into with New York State business enterprises and the subject matter and value thereof and all contracts entered into with foreign business enterprises and the subject matter and value thereof;
 4. A list of fees, commissions or other charges paid;
 5. A description of work performed, the date of the contract and its duration, the total amount of the contract, the amount spent on the contract during the reporting period and for the term of the contract to date and the status of open Procurement Contracts;

6. The method of awarding the contract (e.g., competitive bidding, sole source or competitive search); and
 7. The reasons why any procurements with a value greater than \$15,000 were not noticed in the Contract Reporter.
- B. Such annual report, as approved by the Trustees, shall be submitted to the New York State Division of the Budget within 90 days of the end of such calendar year, with copies and shall be distributed to the New York State Department of Audit and Control, the DED, the New York State Senate Finance Committee, and the New York State Assembly Ways and Means Committee and any other entity as may be required by law. The annual procurement report is posted on the Authority's website and copies shall be made available to the public upon reasonable written request therefor.
- C. State Finance Law §§139-j and 139-k.
1. A statement describing the basis for a determination of a bidder's/contractor's non-responsibility (per State Finance Law §§139-j and 139-k only) and the Authority's decision not to award a bidder/contractor the Procurement Contract must be included in the procurement contract record.
 2. The Authority shall notify the New York State Office of General Services of bidders/contractors who have been determined to be non-responsible bidders (per State Finance Law §§139-j and 139-k only) or debarred due to violations of §139-j of the State Finance Law.
 3. All forms entitled "Record of Contact" shall be included in the respective procurement contract record.
 4. A statement describing the basis for a termination of a Procurement Contract for providing an intentionally false certification must be included in the procurement contract record.

12. THIRD PARTY RIGHTS: VALIDITY OF CONTRACTS

- A. These Guidelines are intended for the guidance of officers and employees of the Authority only. Nothing contained herein is intended, nor should it be construed, to confer on any person, firm or corporation any right, remedy, claim or benefit under, or by reason of, any requirement or provision hereof.
- B. Nothing contained in these Guidelines alters or affects the validity of, modifies the terms of or impairs any contract or agreement entered into in violation of these Guidelines.

GUIDELINES FOR PROCUREMENT CONTRACTS

1. PURPOSE

~~The purpose of T~~these Guidelines for Procurement Contracts ("Guidelines"), ~~which~~ comply with the applicable provisions of Article 4-C of the Economic Development Law, § 2879 of the Public Authorities Law and §§-139-j and 139-k of the State Finance Law, ~~is~~ ~~to~~~~and~~ establish the basis for ~~the Authority to~~ soliciting and evaluating proposals from individuals and/or firms providing goods and/or services as defined in ~~S~~section 2 below. Consistent with these Guidelines, individual facilities, ~~or~~ headquarters ~~or~~ departments may establish specific supplementary guidelines based on their own needs.

2. DEFINITIONS

- A. "Procurement Contracts" are ~~all~~ contracts for the acquisition of goods and/or services in the actual or estimated amount of \$5,000 or more. Such goods and/or services ~~are~~ ~~shall consist of all~~ those necessary to support the Authority's headquarters, ~~f~~Facilities, Operations and Maintenance ("O&M") ~~and Operating~~ and ~~c~~Capital ~~c~~Construction ~~p~~Projects, including but not limited to: goods such as office supplies, major electrical equipment, construction and maintenance work and services as more fully described in ~~S~~section 2. B below. Procurement Contracts ~~shall do~~ not include contracts for energy, capacity, ancillary services, transmission, distribution or related services in support of ~~the provision of~~ service to Authority customers; contracts for differences; financial hedge contracts (including but not limited to swaps, calls, puts or swap options); and credit rating services. In addition, Procurement Contracts ~~do shall~~ not include ~~direct placement of advertisements with radio, television and print media,~~ funding agreements, co-funding agreements, grants or memberships in various industry groups, professional societies ~~and~~ similar cooperative associations, nor any cooperative projects and procurement activities conducted or sponsored by such organizations in which the Authority participates. ~~Direct placement of advertisements with radio, television and print media shall also be excluded.~~
- B. "Services Contracts" are Procurement Contracts for services of a consulting, professional or technical nature provided by outside consultants/contractors (individuals, partnerships or firms who are not ~~and do not employ~~ officers or employees of the Authority) for a fee or other compensation. Services Contracts comprise three specific types: Personal Services, Non-Personal Services and Construction. Personal Services include, but are not limited to: accounting, architectural, engineering, financial advisory, legal, public relations, planning, management consulting, surveying, training (when provided on Authority property and/or exclusively for Authority employees) and construction management. Non-Personal Services include, but are not limited to: skilled or

unskilled temporary personnel, including clerical office staff, technicians or engineers working under Authority supervision; maintenance, repairs, and printing services. Construction ~~consists of includes Procurement Contracts involving~~ craft labor and other services utilizing laborers and/or mechanics not otherwise considered Non-Personal Services.

Note: Use of such services may be appropriate (1) when a consultant/contractor possesses special experience, background or expertise; (2) when there is insufficient Authority staff and retention of a consultant/contractor is more appropriate or economical than hiring additional permanent staff; (3) to provide independent external review or a second opinion; (4) to meet unusual schedule requirements or emergencies or (5) for a combination of these factors.

- C. “Goods” include equipment, material and supplies of anyevery kind.
- D. “Contacts” ~~shall means~~ any oral, written or electronic communication with the Authority under circumstances where a reasonable person would infer that the communication was intended to influence the procurement.
- E. “Relative” is defined in Section 9.F.1 of these Guidelines.
- F. “M/WBE” is defined in Section 3.C of these Guidelines.

3. SOLICITATION REQUIREMENTS

- A. Solicitation of proposals for Procurement Contracts is the joint responsibility of the ~~headquarters Procurement Department~~ division at the headquarters offices, or the facilities’ Procurement Departments at the facilities and the initiating ~~unit~~ department. Except as otherwise authorized by these ~~G~~ guidelines, a ~~R~~ request for P ~~proposals~~ (“RFP”) or Request for Quotations (“RFQ”) ~~shall will~~ be made available to ~~sought from~~ a minimum of three providers and/or firms (if available) for purchases valued under \$25,000 and a minimum of five providers and/or firms (if available) for purchases valued at \$25,000 and greater, commensurate with the magnitude and nature of the goods and/or services, and the schedule for performance. Whenever possible and practicable, RFP’s and RFQ’s should be sent to ~~It is preferable that~~ more than five ~~providers proposals be requested whenever possible and practicable.~~
- B. Prospective bidders on Procurement Contracts may be prequalified by invitation. In such cases, proposals ~~are will be~~ requested only from those providers and/or firms whose prequalification submittals ~~demonstrates~~ show sufficient ability and competence to supply the particular goods and/or perform the particular services required.

~~C.~~ The Authority may withdraw any pending solicitation (including, but not limited to, ~~RFP~~'s requests for Proposals and ~~RFQ~~'s requests for Quotations) at any time, for cause or no cause. Any person or entity submitting any responsive document to the Authority does so at its own cost or expense and will not be reimbursed by the Authority for the preparation of any responsive document, unless otherwise agreed to in writing ~~by the Authority~~ and signed by an authorized ~~Authority~~ representative ~~of the Authority~~.

~~D.C.~~ ~~The Authority shall will, I~~n order to promote the use of minority and women-owned business enterprises ("M/WBE's"), ~~the Authority will~~ solicit offers from M/WBE's known to have experience in the ~~type~~area of goods and/or services to be provided, regardless of the type of contract. For the purpose of these Guidelines, an M/WBE ~~shall be is~~ any business enterprise at least 51% of which is owned by black ~~personss~~, Hispanics, Native Americans (~~"Indians"~~), Asians, Pacific Islanders and/or women, and as further described in the Authority's Supplier Diversity Program Policy and Procedures and Executive Law Article 15-A.

D. To foster increased use of M/WBE's, a single proposal may be sought, negotiated and accepted for purchases of goods or services not exceeding \$5,000 from a New York State-certified M/WBE that offers a reasonable price for such goods or services (not exceeding \$5,000).

~~F.E.~~ ~~Pursuant to Public Authorities Law § 2879, I~~t is the policy of New York State to promote the participation of and maximize the opportunities for New York State business enterprises and New York State residents in Procurement Contracts. The Authority ~~shall will endeavor use its best efforts~~ to promote such participation and ~~to shall will~~ comply with the applicable ~~statutory provisions of the Act~~. ~~Pursuant to Public Authorities Law §2879,~~

1. ~~For the purpose of this section, Aa~~ New York State business enterprise ~~shall mean is~~ a business enterprise, including a sole proprietorship, partnership or corporation that offers for sale or lease or other form of exchange, goods sought by the Authority that are substantially manufactured, produced or assembled in New York State or services sought by the Authority that are substantially performed within New York State as further described in Public Authorities Law §-2879.

2. ~~For the purpose of this section, Aa~~ New York State resident ~~means is~~ a person who maintains a fixed, permanent and principal home in New York State to which such person, whenever temporarily located, always intends to return as further described in Public Authorities Law §-2879.

3. ~~For the purpose of this section, A~~a foreign business enterprise shall ~~mean~~is a business enterprise, including a sole proprietorship, partnership or corporation, that offers for sale, lease or other form of exchange, goods sought by the Authority that are substantially produced outside New York State, or services sought by the Authority that are substantially performed outside New York State as further described in Public Authorities Law §-2879.

~~G.F.~~ Pursuant to the Public Authorities Law §-2879, the Authority ~~shall will~~, where feasible, make use of the stock item specification forms of New York State manufacturers, producers and/or assemblers for any Procurement Contract for the purchase of goods when preparing an ~~RFP, -RFQ~~request for proposals, purchase order, price inquiry, technical specifications ~~or similar document and the like~~. The headquarters Procurement ~~Department~~Group will develop a system for collecting such data and disseminating a list of such New York State manufacturers for ~~use~~consultation by Authority employees preparing a specification or bill of materials for goods.

~~H.G.~~ Goods may be procured pursuant to Procurement Contracts let by any department, agency, officer, political subdivision or instrumentality of the ~~S~~state or ~~F~~federal government or any city or municipality where the ~~headquarters~~ Procurement ~~Department~~ivision ~~at the headquarters offices~~, or ~~the facility~~ Procurement Departments ~~at the facilities~~, and the initiating ~~unit~~ department determine that a reasonable potential exists for cost savings or other benefits to the Authority and have approved the specifications and proposed terms and conditions of such contract.

~~I.H.~~ ~~An RFP's and RFQ's Solicitations~~ will include a scope of work that defines the goods required and/or the services to be performed; ~~the required completion of any "milestone" dates;~~ the Authority's M/WBE Program requirements, if applicable; ~~all other applicable Authority requirements and any special methods or limitations that the Authority wish~~chooses to govern the work. Telephone solicitation, usually for ~~those~~ procurements valued at \$25,000 or less, may be used where time constraints do not permit issuance of an RFP, where issuance of an RFP is otherwise impracticable or for goods that are catalog items or do not require a detailed bill of materials or specification.

~~J.I.~~ For all Procurement Contracts with a value equal to or greater than \$15,000 (except for those contracts noted below), the Authority ~~shall will~~, prior to solicitation ~~of~~ proposals, submit the following information to the Commissioner of the New York State Department of Economic Development ("~~DED~~") to be included in the weekly New York State Contract Reporter ("~~Contract Reporter~~") ~~published by that department~~ (unless such publication would serve no useful purpose): (1) the Authority's

name and address; (2) the ~~solicitation~~~~contract identification~~ number; (3) a brief description of the goods and/or services sought, the location where goods are to be delivered and/or services provided and the contract term; (4) the address where bids or proposals are to be submitted; (5) the due date ~~for when~~ bids or proposals ~~are due~~; - (6) a description of any eligibility or qualification requirements or preferences; (7) a statement as to whether the contract requirements may be fulfilled by a subcontracting, joint venture, or coproduction arrangement; (8) any other information deemed useful to potential contractors; (9) the name, address, and ~~telephone~~ number of the person to be contacted for additional information; and (10) a statement as to whether the goods or services sought ~~have~~ved, in the immediately preceding three-year period, been supplied by a foreign business enterprise. Such information ~~shall~~will be submitted to the DED Commissioner ~~of the New York State Department of Economic Development~~ in accordance with the schedule set forth by the DED Department of Economic Development, ~~in order that the pertinent information may be published in the New York State Contract Reporter. The due date for bids or proposals will be a~~ minimum of 15 business days ~~shall will be allowed between after~~ the date of publication of such notice in the Contract Reporter and the due date of the bid or proposal.

This provision ~~shall~~does not apply to Procurement Contracts awarded on an emergency basis as described below in Section 3-M; Procurement Contracts being rebid or re-solicited for substantially the same goods or services, within 45 business days after the original due date ~~bids or proposals were originally due~~; and/or Procurement Contracts awarded to not-for-profit human services providers ~~of human services~~.

~~—————In addition, this provision shall not apply to contracts for differences, energy, capacity, ancillary services, transmission, distribution or related services in support of the provision of service to Authority customers, financial hedge contracts, including, but not limited to, swaps, calls, puts or swap options and credit rating services, and shall not include memberships in various industry groups, professional societies and similar cooperative associations, nor any cooperative projects and procurement activities, conducted or sponsored by such organizations, in which the Authority participates. Advertising agreements with radio, television and print media shall also be excluded.~~

Certain Procurement Contracts may require purchases: (1) on the spot market; (2) ~~needed prior to the~~~~that require a completion time less than the~~ time limits for noticing in the Contract Reporter; or (3) that do not lend themselves to the solicitation ~~for proposal~~ process. In accordance with paragraph 3(h) of ~~—~~ §-2879 of the Public Authorities Law, ~~the Authority declares its policy to be that~~ such purchases, including, but not limited to, oil or gas purchases on the spot market, are exempted from the noticing requirements of Article 4-C of the Economic Development Law subject to the approval of the Vice President – Procurement and Real Estate and the head of the initiating ~~unit~~department. Where appropriate, generic ~~notices~~ads may be ~~published~~included from time to time in the Contract Reporter notifying potential bidders of such opportunities and soliciting qualification statements ~~from such firms~~ for consideration by the Authority.

K.J. Proposals for certain Services Contracts may also be solicited by competitive search, as follows:

For contracts where the scope of work cannot be well defined or quantified, or where selection requires evaluation of factors such as breadth and depth of experience in a unique or highly specialized field and suitability as an Authority representative, a “competitive search” ~~shall~~will be conducted to determine which consultants are most qualified, for reasonable compensation terms, to perform the work. Depending on market conditions, at least five potential sources should be evaluated; ~~if~~ there are ~~fewer~~less than five sources, all sources ~~shall~~shouldwill be evaluated. The ~~headquarters~~ Procurement ~~Department~~division ~~shall~~will ~~work~~interface with the initiating ~~unit~~department to gather information from potential sources, ~~that~~which ~~should~~will include a description of the ~~consultant/firm’s~~ qualifications ~~of the consultant or firm~~, résumés of key personnel, past experience and proposed billing rates.

L.K. A Procurement Contract may be awarded on a sole source basis where:

1. ~~The e~~Compatibility of equipment, accessories or spare or replacement parts is the paramount consideration.
2. Services are required to extend or complement a prior procurement and it is impracticable or uneconomic to have a source other than the original source continue the work.
3. A sole supplier’s item is needed for trial use or testing, or a proprietary item is sought for which there is only one source.
4. Other circumstances or work requirements exist that cause only one source to be available to supply the required goods or services.
5. ~~The contract is a~~Awarded to a certified M/WBE firms for purchases not exceeding \$5,000, pursuant to ~~S~~section 3.-D.

M.L. Subject to the Authority’s Expenditure Authorization Procedures (“EAP’s”), a Procurement Contract may be awarded without following the solicitation requirements that ~~would~~ ordinarily apply (but using such competitive selection procedures as are practicable under the circumstances) where emergency conditions exist, such as:

1. A threat to the health or safety of the public or Authority employees or workers.
2. ~~The~~ proper functioning of the Authority ~~facilities’s offices~~ or construction or operating projects requires adherence to a schedule that does not permit time for an ordinary procurement solicitation.

N.M. Whenever an initiating ~~unit department~~ determines that a Procurement Contract should be awarded on either a ~~sole source~~ or ~~an~~ emergency basis, the head of the ~~unit department shall will~~ provide ~~a written statement explaining the reasons therefor~~ to the ~~headquarters Procurement Department~~ ~~vision at headquarters~~ or ~~the appropriate facility Procurement Departments at the Facilities, a written statement explaining the reasons therefore.~~

O.N. ~~Pursuant to State Finance Law §§ 139-j and 139-k, it is the policy of New York State to discourage improper communications intended to influence a governmental procurement. The Authority shall will use its best efforts endeavor to control such practices and shall will comply with the applicable statutory provisions of the statutes. Pursuant to State Finance Law §§139-j and 139-k,~~

1. ~~For purposes of §§ 139-j and 139-k of the State Finance Law, a~~ “Procurement Contract” ~~shall mean~~ any contract or other agreement for a commodity, service, technology, public work, construction, revenue contract, the purchase, sale or lease of real property or an acquisition or granting of other interest in real property that is the subject of a governmental procurement. Grants, contracts between the Authority and non-profit organizations pursuant to Article 11-B of the State Finance Law, intergovernmental agreements, railroad and utility force accounts, utility relocation project agreements or orders and eminent domain transactions ~~shall are~~ not ~~be deemed~~ ~~P~~procurement ~~C~~contracts.

2. ~~For purposes of §§ 139 j and 139 k of the State Finance Law, the~~ “Restricted Period” ~~shall mean~~ is the period of time commencing with the earliest written notice, advertisement or solicitation of a request for proposal, invitation for bids, or solicitation of proposals, or any other method for soliciting a response from bidders/contractors intending to result in a procurement contract with the Authority and ending with the final contract award.
3. The Authority shall designate a person or persons who may be contacted, with respect to each Authority procurement, by bidders/contractors or persons acting on their behalf where a reasonable person would infer that the communication was intended to influence the procurement during the Restricted Period.

4. EVALUATION OF PROPOSALS

- A. ~~Proposals will be Eevaluated~~ edion of proposals shall will be made by a using a fair and equitable comparison of all aspects of the proposals against the specifics of the solicitation RFP and against each other, including an analyis ~~stie study~~ of each offer that ~~consider~~ sing: the quality of the goods and/or the competence of the bidder, the technical merit of the proposals and the price for which the goods and/or services are to be supplied.
- B. In the event ~~that~~ the price submitted by the bidder recommended to be awarded a contract exceeds the cost estimated on the solicitation RFP or RFQ ~~contract requisition~~ at the time of bidding, the initiating department ~~shall will~~ prepare an written explanation ~~of any reasons why the initial cost estimate was incorrect or should be revised.~~

~~This will to~~ be reviewed by the headquarters Procurement ~~Department~~ ivision at headquarters and/or the appropriate facility Procurement ~~Department~~ staffs at the Facilities and appropriate ~~managers~~ gement levels for approval as stipulated in the EAP's expenditure Authorization Procedures. The following options should be ~~c~~ Considered ~~ation will be given at that time for:~~ (1) rejecting the bids, resoliciting proposals and/or possibly modifying the scope of work; (2) revising the cost estimate and proceeding with the contract ~~award of~~ contract; and (3) negotiating with the low bidder(s), as determined by the Vice President – Procurement and Real Estate, to reduce the price quoted. Factors to be considered in reaching the proper course of action will include, but are not ~~be~~ limited to, the effects ~~(both schedule and cost)~~ of a delay on both the schedule and the cost of ~~to~~ the specific capital construction project or outage at an operating facility, the magnitude of the contract, available bidders, the ability to attract additional competition if the

~~solicitation is reissued~~ proposals are resolicited and the accuracy of the original cost estimate. The recommended course of action and the reasons therefor ~~must~~ will be fully documented in a memorandum for consideration by the appropriate level of management prior to approval and placed in the appropriate procurement file.

- C. ~~Important items~~ Ffactors to be considered in evaluating the goods to be supplied and/or the competence of the bidder are: previous experience (including applicable experience ~~within~~ New York State and evaluations from other clients ~~for~~ to whom the bidder has provided goods and/or services); the abilities and experience of the personnel to be assigned to the Authority's work and the ability to provide any needed advanced techniques such as simulation and modeling. The approach proposed in meeting the exact requirements of the scope of work will be given consideration in evaluating the technical merit of the proposals, together with a well-organized task structure, the ability to timely supply the goods and/or perform the proposed services and the ability to meet M/WBE goals, if any. The need to purchase the goods from and/or ~~the need to~~ subcontract performance of services to others will be evaluated as to their effects on cost, as well as quality, schedule and overall performance.
- D. For Services Contracts, the technical merits of the proposals and the experience and capabilities of the bidders will be the primary factors in determining the individual or firm to be awarded the contract, provided that the price for performing such work is reasonable and competitive.
- E. For Procurement Contracts other than Personal Services (as defined in Ssection 2.-B of these Guidelines), the award should ~~us~~generally be made to the lowest-priced firm submitting a proposal that meets the commercial and technical requirements of the bid documents.
- F. Pursuant to §-139-j of the State Finance Law, the Authority shall not award a Procurement Contract (as defined in Ssection 3.-~~N~~O. 1. of these ~~Procurement~~ Guidelines) to a bidder/contractor who fails to ~~provide~~ disclose timely, accurate and complete responses to inquiries about past determinations of non-responsibility (unless awarding the contract is necessary to protect public property or public health or safety and the bidder/contractor ~~is~~ is the only source capable of supplying the required article of procurement within the necessary timeframe.)

A bidder's/contractor's knowing and willful violation of the Authority's policy providing for certain procurement disclosures, shall result in a determination of non-responsibility of such bidder/contractor pursuant to State Finance Law §§-139-j and 139-k only.

More than one determination of non-responsibility due to violations of State Finance Law §-139-j in a four-year period shall render a bidder/contractor ineligible to submit bids for four years from the second determination of non-responsibility.

G. An award to “other than low bidder” can be made only with the approval of ~~the~~ appropriate management ~~level~~ as stipulated in the EAP’s, and should be based on such a proposal providing a clear advantage to the Authority over ~~that of~~ the lower-priced proposal. ~~Such factors~~ justifying an “other than low bidder” award may include, but are not ~~necessarily~~ limited to, improved delivery schedules that will reduce outages, longer warranty periods, improved efficiency over ~~the usable~~ life of ~~the equipment use~~, reduced maintenance costs, ~~the bidders’~~ financial resources ~~of the bidders~~ or ~~the~~ ability to meet or exceed M/WBE goals.

H. The specifications set forth in any solicitation prepared under these Guidelines were based upon information available at the time of the preparation of the solicitation. Thus, the Authority may diverge from the specifications of any solicitation if after review of the proposals responsive to such solicitation, the Authority deems it prudent in light of its experience, the circumstances of the solicitation and/or potential cost savings. Such divergence from the specifications should be immaterial, for example only, as to qualifications, quantity, quality, term, services and/or price.

5. RECOMMENDATION OF AWARD

A. A recommendation for approval of a proposed award of a Procurement Contract ~~is will~~ usually ~~be~~ prepared in the form of a memorandum by the ~~unit department~~ requiring the goods and/or services. The recommendation ~~must will~~ include an evaluation of proposals as specified in ~~S~~section 4, above, as well as proposed specific compensation terms that provide a clear breakdown of cost factors and methods of calculation, including, as applicable:

1. Lump sum and/or unit prices for equipment and construction work.
2. Hourly or daily rates for personnel.
3. Markups for payroll taxes, fringe benefits, overhead and fees, if the proposal is based on reimbursement of actual payroll costs.
4. Terms for reimbursement of direct out-of-pocket expenses, such as travel and living costs, telephone charges, services of others and computer services.

5. Provisions, if any, for bonus/penalty arrangements based on target person-hours and/or target schedule.

B. The recommendation ~~shall will~~ also review any substantive exceptions to commercial and technical requirements of a price inquiry, RFP, RFQ or bidding documents, including, but not limited to, payment terms, warranties and bond ~~(if any)~~ requirements, if any.

6. AWARD OF CONTRACT

A. Services Contracts to be performed ~~for over~~ a period ~~in excess of more than~~ 12 months ~~shall will be are~~ approved and reviewed annually by the Trustees. Services Contracts for a period of less than 12 months covering less than a 12 month period shall will be are approved by authorized designees in accordance with existing EAP's. Extending a contract for services with an initial duration of less than 12 months beyond 12 months ~~shall will~~ be approved by the Trustees at the request of the initiating department and ~~shall will~~ be reviewed by the Trustees annually. ~~The e~~Extending a contract for services that has previously been approved by the Trustees ~~extension~~ for a cumulative term ~~of more than exceeding~~ 12 months ~~of a contract for services that has previously been approved by the Trustees~~ requires further Trustees' approval. Extending a contract previously approved by the Trustees for of 12 months or less of the term of a contract previously requires ~~approved by the Trustees shall will be approved~~ by an authorized designee in accordance with existing EAP's.

B. For ~~those~~ Services Contracts to be performed for a period of more than 12 months in excess of one year, which that must be awarded prior to the next scheduled ~~quarterly~~ Trustees' meeting, the initial contract ~~shall will~~ be issued for the entire term of the contract. Based on ~~its the~~ total value, such contract must be approved by the appropriate management ~~level as~~ set forth in the EAP's. Such contract ~~shall will be is~~ subject to the Trustees' approval, ~~which shall will be solicited~~ at the next ~~earliest~~ quarterly Trustees' meeting. If such approval is not granted, the contract will be terminated immediately.

C. A contract or contract task ~~shall will be is~~ deemed to be for services in excess of 12 months where the contract# does not specify a definite term and the work will not be completed within 12 months, and any "continuing services" contract with no fixed term that provides for the periodic assignment of specific tasks or particular requests for services. This ~~would~~ includes Trustee-approved contracts for architect/ engineering services with the original engineers of operating facilities, as well as the original supplier of steam supply systems or boilers and turbine generating equipment, ~~that have been approved by the Trustees~~. Each task authorized under such contracts (which may be referred to as a "Change Order," "Purchase

Order” or “Task Number”) ~~shall will be is~~ considered a separate commitment and must be separately approved in accordance with the EAP’s.

- D. The term of a Personal Services contract ~~is will be~~ limited to a maximum of five (5) years, including ~~sive of any~~ extensions.
- E. When ~~re~~ time constraints or emergency conditions require ~~the extending sion~~ an existing contract with an initial duration of less than a year beyond a year ~~of an existing contract with an initial duration of less than a year~~, and the cumulative monetary change order value does not exceed the appropriate ~~monetary~~ limit set forth in the EAP’s, the Business Unit Head, with the prior concurrence of the Vice President – Procurement and Real Estate, may authorize ~~the extending sion of~~ such contracts, subject to the Trustees’ ~~ratifying ication of~~ such action as soon as practicable.
- F. ~~In cases w~~ When ~~re~~ the total estimated contract value or the value of the extension exceeds the monetary limits set forth in the EAP’s, interim approval by the President and Chief Executive Officer’s interim approval will be is required, subject to the Trustees’ ~~ratifying ication of~~ such action as soon as practicable.
- G. When ~~re~~ time constraints or emergency conditions require immediate commencement of services to be performed ~~ove~~ for a period ~~in excess of~~ more than one year, and when ~~re~~ the contract value exceeds ~~President’s the~~ monetary approval limit for the President and Chief Executive Officer as set forth in the EAP’s, the President and Chief Executive Officer, with the prior concurrence of the Vice President – Procurement and Real Estate, may authorize the commencement of such services. The initial compensation limitation may not exceed the President’s authorization level for the President and Chief Executive Officer set forth in the EAP’s. Such contracts ~~shall will~~ be subject to the Trustees’ approval, which ~~shall will~~ be solicited at their next scheduled meeting.
- H. The headquarters Procurement Division ~~at the headquarters offices~~, or the facilities’ Procurement Departments ~~at the project sites~~, will prepare the contract for execution by the Authority and the successful bidder ~~to be awarded the purchase order/contract~~. No work by the selected contractor shall will commence ~~by the selected contractor~~ until the contract is executed by both parties, except that mutually signed letters of award or intent may initiate work prior to formal execution. Authority signatories of such letters must be authorized to approve contract awards pursuant to the existing EAP’s.
- I. Pursuant to Public Authorities Law §-2879, the Authority shall notify the Commissioner of Economic Development of the award of any

Procurement Contract for the purchase of goods or services from a foreign business enterprise (as defined in ~~Section 3.-EF.-3~~ Section 3.-EF.-3 of these Guidelines) in an amount equal to or greater than \$1 ~~million,000,000~~ simultaneous with notifying the successful bidder therefor. The Authority shall not enter into the Procurement Contract for said goods until at least 15 days have elapsed from the notification of the award, except for a Procurement Contract awarded on an emergency or critical basis. The notification to the Commissioner shall include the name, address, telephone and facsimile number of the foreign business enterprise, the amount of the proposed Procurement Contract and the name of the individual at the foreign business enterprise or acting on behalf of same who is principally responsible for the proposed Procurement Contract.

7. CONTRACT PROVISIONS

- A. ~~The following s~~Standard forms of contracts ~~currently in use~~ are available from the headquarters Procurement ~~Department:ivision.~~ ~~They generally include:~~ purchase order format for standard procurements of goods or services; furnish-~~and-deliver~~ format for major equipment purchases; letter agreements and agreement formats for consulting work; and contract work orders (for construction work of small magnitude), construction contracts (for major construction work) and furnish, deliver, and install contracts (for specialized, major procurements where single responsibility is required for procurement and installation). These contract forms are intended to govern the purchase of goods and/or performance of ~~the~~ services. Authority ~~units~~departments proposing to initiate a Procurement Contract should review these forms to suggest any modifications and additions that may be required for the particular goods and/or services. Under no circumstances should contract forms be shown to proposed bidders without the prior approval of the Procurement ~~Department:ivision,~~ which, along with the facilities' Procurement Departments ~~at operating facilities,~~ is solely responsible for requesting proposals.
- B. The following types of provisions setting forth the contractor responsibilities ~~of contractors~~ are to be contained in the standard forms of Procurement Contracts, except that any ~~of the~~ provisions listed below that are inapplicable or unnecessary because of the nature or duration of the work to be performed, the location(s) ~~or locations~~ where they work is ~~are~~ to be performed or the type of compensation being paid therefor, need not be included. Other provisions may be added as necessary and appropriate~~the particular needs of the Authority may require.~~
1. Schedule of Services or Specifications
 2. Time of Completion
 3. Compensation or Itemized Proposals
 4. Relationship of Parties

5. Delays
6. Termination
7. Changes in the Work
8. Claims and Disputes
9. Warranty
10. Insurance
11. Records, Accounts, Inspection and Audit
12. Assignment
13. Notices
14. Indemnification
15. Governing Law
16. Proprietary Nature of Work
17. Testimony
18. Entire Agreement
19. ~~Minority and Women Owned Business Enterprise Program Requirements~~
20. ~~Omnibus Procurement Act of 1992 Requirements~~

Contract Attachments

1. Compensation Schedule
2. Schedule of Services or Specifications
3. Appendix "A" (Miscellaneous Statutory Provisions)
4. Appendix "B" (Prompt Payment Provisions)
5. Appendix "C" (Minority and Women-Owned Business Enterprises Provisions)
6. Appendix "D" (Background Security Screening for Authority Contractors)
7. Appendix "E" (Omnibus Procurement Act of 1992 Requirements)
8. Appendix "G" (Equal Employment Opportunity Requirements)
9. Appendix "H" (Tax Law Requirements)
10. Appendix "J" (Bidder/Contractor Compliance with State Finance Law §§-139-j and 139-k Providing for Certain Procurement Disclosures)

- C. -Any firm, person or entity retained by the Authority to provide conceptual studies, designs or specifications is prohibited from being awarded future phases of work, including implementation, related to the original work. If there is no qualified response to the solicitation for future phases of work, including implementation preparation of studies, design or specifications, the approval of the Vice President ~~—~~Procurement ~~and~~ Real Estate, applicable Business Unit Head, Assistant General Counsel, and President ~~and~~ Chief Executive Officer is required to waive the ~~requirement is~~ restriction on a case-by-case basis.

8. CHANGE ORDERS

- A. Change Orders to existing contracts are justified in the following cases:
 - 1. To incorporate additional work related to the original scope, to delete work or to otherwise modify the original work scope;
 - 2. To exercise options previously included in the original contract to perform additional work or to extend the contract term;
 - 3. To accommodate eEmergency conditions, defined in Ssection 3.-LM herein, that require the immediate performance of work by a firm already under contract;
 - 4. When rRebidding would not be practical or in the best interests of the Authority's customers; and
 - 5. To meet the Authority's M/WBE goals in accordance with Executive Law Article 15-A.
- B. All Change Orders must be approved in accordance with the Authority's EAP's, and should include specific schedules for completion of work at the earliest possible time.

9. PROHIBITION OF CURRENT EMPLOYEES;EMPLOYMENT OF FORMER OFFICERS AND EMPLOYEES

- A. All current employees and their immediate families (spouse, parent, child or sibling), or ~~individuals or~~ entities in which such employees and their immediate families have an ownership interest, are prohibited from employment as Authority contractors, vendors or consultants.
- B. Former Authority officers and employees are eligible to be considered for employment as contractors and/or consultants, provided that: they meet all criteria for contractors and/or consultants generally as specified in these Guidelines; their employment is not barred by ~~New York~~ Public Officers Law —§-73-(8); if requested, they obtain an opinion by the New York State ~~Ethics~~ Commission on Public Integrity that such employment is permissible; and upon ~~the~~ approval of the President and Chief Executive Officer.
- C. Pursuant to the provisions of ~~New York~~ Public Officers Law §-73-(8):
 - 1. No Authority officer or employee is eligible, within a period of two years after the termination of Authority service to appear or practice before the Authority or receive compensation for any services rendered on behalf of any person, firm, corporation or association, in

relation to any case, proceeding or application or other matter before the Authority.

2. No Authority officer or employee is eligible, at any time after the termination of Authority service, to appear, practice, communicate or otherwise render services before the Authority or any other state agency or receive compensation for any such services rendered on behalf of any person, firm, corporation or other entity in relation to any case, proceeding, application or transaction that such person was directly concerned with and personally participated in during his or her period of service, or which was under his or her active consideration.

- D. No Authority employee who is involved in the award of Authority grants or contracts, may ask any officer, director or employee of such current or prospective contractor or grantee to reveal: (a) the political party affiliation of the individual; (b) whether the individual or entity has made campaign contributions to any political party, elected official, or candidate for elective office; or (c) whether the individual voted for or against any political party, elected official or candidate for elective office.
- E. No Authority employee may award or decline to award any grant or contract, or recommend, promise or threaten to do so because of a current or prospective grantee's or contractor's: (a) refusal to answer any inquiry prohibited by Section 9.D above or (b) giving or withholding or neglecting to make any contribution of money, service or ~~any~~ other valuable thing for any political purpose.
- F. No Authority employee may take part in any contracting decision involving the payment of more than \$1,000: (i) to a Relative; or (ii) to any entity in which the Authority employee or a Relative of such Authority employee owns or controls 10% or more of the stock of such entity (or 1% in the case of a corporation whose stock is regularly traded on an established securities exchange); or serves as an officer, director or partner of that entity. If a contracting matter arises relating to this Section 9.F, then the employee must advise his or her supervisor of the relationship, and must be recused from any and all discussions or decisions relating to the matter.
1. For purposes of ~~this~~ Section 9.F, the term "Relative" ~~shall mean~~ any person living in the same household as the Authority employee or any person who is a direct descendant of the Authority employee's grandparents or the spouse of such descendant.
- G. Restrictions 9.D through 9.F above also apply to disposal of property which ~~is~~ governed by the Authority's Disposal of Personal Property Guidelines and Disposal of Real Property Guidelines.

10. **MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISE (M/WBE) REQUIREMENTS**

~~It is the objective of t~~The Authority strives to continue to foster the development of business opportunities on Authority contracts for M/WBE's firms. Article 15-A of the Executive Law established a Statewide office of M/WBE development that is responsible for developing rules and regulations for implementation of this statute, certifying M/WBE's firms and reviewing and monitoring goal plans, compliance reports, and contract provisions to be included in all non-construction contracts for more than \$25,000 and construction contracts for more than \$100,000. The definition of an M/WBE firm is included in Section 3.CD of these Guidelines. ~~It is t~~The Authority aims to's objective to solicit proposals from certified M/WBE's firms that are qualified to perform the required work. In addition, specific goals may be included in certain contracts for consulting work, construction and procurement of goods and other services requiring the contractor/vendor to subcontract a portion of the work to certified M/WBE's firms, as required by law. Bidders' proposals shall will include Preliminary Subcontracting Plans for M/WBE's firms, where required, ~~as part of their proposal~~, and ~~failure of~~ such bidders failure to meet these requirements may be grounds for rejection of the proposal, or cancellation of the contract if a contractor did not make a good faith effort to meet its goals after contract award.

11. **REPORTING REQUIREMENTS AND PROCUREMENT RECORD**

A. ~~At the headquarters offices, t~~The headquarters Procurement ~~Department~~division shall will maintains records of ~~such~~ Procurement Contracts, including bidder's' names, the selection processes used and the status of existing contracts, including goods provided and/or services performed and fees earned, billed and paid. At the ~~facilities~~project sites, such records shall will be kept by the facilities' Procurement Departments. After the end of each calendar year, the Vice President - Procurement and Real Estate shall will prepare and submit an annual report to the Trustees for their approval that shall will include:

1. ~~A c~~Copy of the Guidelines;
2. ~~An e~~Explanation of the Guidelines and any amendments thereto since the last annual report;
3. ~~A l~~ist of all Procurement Contracts entered into since the last annual report, including all contracts entered into with New York State business enterprises and the subject matter and value thereof and all contracts entered into with foreign business enterprises and the subject matter and value thereof;
4. ~~A l~~ist of fees, commissions or other charges paid;

5. ~~A d~~Description of work performed, the date of the contract and its duration, the total amount of the contract, the amount spent on the contract during the reporting period and for the term of the contract to date and the status of ~~open~~existing Procurement Contracts;
6. ~~The m~~Method of awarding the contract (e.g., competitive bidding, sole source or competitive search); and
7. ~~The r~~Reasons why any procurements with a value greater than~~over~~ \$15,000 ~~_~~were not noticed in the Contract Reporter.

B. Such annual report, as approved by the Trustees, shall be submitted to the New York State Division of the Budget within 90 days ~~of~~after the end of such calendar year, with and copies and shall be distributed to the New York State Department of Audit and Control, the ~~DE~~Department of Economic Development, the New York State Senate Finance Committee, and the New York State Assembly Ways and Means Committee and any other entity as may be required by law. The annual procurement report is posted on the Authority's website and copies shall be made available to the public upon reasonable written request therefor.

C. State Finance Law §§-139-j and 139-k.

1. A statement describing the basis for a determination of a bidder's/contractor's non-responsibility (per State Finance Law §§ 139-j and 139-k only) and the Authority's decision not to award a bidder/contractor the Procurement Contract must be included in the procurement contract record.
2. The Authority shall notify the New York State Office of General Services of bidders/contractors who have been determined to be non-responsible bidders (per State Finance Law §§-139-j and 139-k only) or debarred due to violations of §-139-j of the State Finance Law.
3. All forms entitled "Record of Contact" shall be included in the respective procurement contract record.
4. A statement describing the basis for a termination of a Procurement Contract for providing an intentionally false certification must be included in the procurement contract record.

12. THIRD PARTY RIGHTS: VALIDITY OF CONTRACTS

A. These Guidelines are intended for the guidance of officers and employees of the Authority only, ~~and~~ Nothing contained herein is intended, nor should it shall will be construed, to confer upon any person, firm or corporation any

right, remedy, claim or benefit under, or by reason of, any requirement or provision hereof.

- B. Nothing contained in these Guidelines ~~shall will be deemed to alter~~ or, affects the validity of, ~~modifies~~ the terms of or impairs any contract or agreement ~~made or~~ entered into in violation of, ~~or without compliance with,~~ ~~the provisions of~~ these Guidelines.

14. 2007 Financial Reports Pursuant to Section 2800 of the Public Authorities Law and Regulations of the Office of the State Comptroller

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the financial report for the year ended December 31, 2007 and authorize the Corporate Secretary to submit this report to the Governor, legislative leaders and the State Comptroller pursuant to Section 2800 of the Public Authorities Law, as amended by the Public Authorities Accountability Act of 2005. In accordance with regulations adopted by the Office of the State Comptroller (‘OSC’), the Trustees are also requested to approve a report of actual vs. budgeted results for the year 2007 and authorize making this report available for public inspection at not less than five convenient public places throughout New York State, and posting it on the Authority’s web site.

BACKGROUND

“The Public Authorities Accountability Act of 2005 (‘PAAA’) reflects the State’s commitment to maintaining public confidence in public authorities by ensuring that the essential governance principles of accountability, transparency and integrity are followed at all times. To facilitate these objectives, the PAAA established an Authority Budget Office (‘ABO’) that monitors and evaluates the compliance of State authorities with the requirements of the Act. The PAAA became effective with the Authority’s fiscal year beginning January 1, 2006. The PAAA amended Section 2800 of the Public Authorities Law to require that financial reports submitted by a State authority under Section 2800 be certified by the chief executive officer and chief financial officer and approved by the authority’s board.

“Following rulemaking proceedings undertaken pursuant to the State Administrative Procedure Act, OSC implemented regulations on March 29, 2006 that address the preparation of annual budgets and related reporting requirements by ‘covered’ public authorities, including the Authority. These regulations establish various procedural and substantive requirements relating to the budgets and require the chief financial officer to report publicly not later than 90 days after the close of each fiscal year on actual versus budgeted results.

DISCUSSION

“The Trustees are requested to approve the required financial report for the year ended December 31, 2007 (Exhibit ‘14-A’) and authorize the Corporate Secretary to submit this report to the Governor, legislative leaders and the State Comptroller pursuant to Section 2800 of the Public Authorities Law, as amended by the PAAA. This report was reviewed by the Audit Committee at its meeting of February 26, 2008. The Trustees are also requested to approve a report of actual vs. budgeted results for the year 2007 (Exhibit ‘14-B’) and authorize making this report available for public inspection at not less than five convenient public places throughout New York State, and posting it on the Authority’s website.

FISCAL INFORMATION

“There is no anticipated fiscal impact.

RECOMMENDATION

“The Vice President – Controller recommends that the Trustees approve and authorize submittal of the attached reports (Exhibits ‘14-A’ and ‘14-B’) as discussed herein.

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

March 25, 2008

Mr. Thomas Concadoro presented the highlights of staff's recommendations to the Trustees. Mr. Kelly said that the report required by the Office of the State Comptroller had been certified by both President Kelley, as Chief Executive Officer of the Authority, and Mr. Joseph Del Sindaco, as Chief Financial Officer of the Authority.

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

WHEREAS, pursuant to Section 2800(1) of the Public Authorities Law, the Authority is required to annually submit to the Governor, the Chairman and Ranking Minority Member of the Senate Finance Committee, the Chairman and Ranking Minority Member of the Assembly Ways and Means Committee and the State Comptroller, within 90 days after the end of its fiscal year, a complete and detailed report or reports setting forth certain information regarding, among other things, certain financial information; and

WHEREAS, pursuant to Section 2800(3), financial information submitted under Section 2800 shall be approved by the Authority's Board of Trustees and shall be certified in writing by the Chief Executive Officer and the Chief Financial Officer of the Authority that based on the officer's knowledge the information provided therein (a) is accurate, correct and does not contain any untrue statement of material fact; (b) does not omit any material fact which, if omitted, would cause the financial statements to be misleading in light of the circumstances under which such statements are made and (c) fairly presents in all material respects the financial condition and results of operations of the Authority as of, and for, the periods presented in the financial statements; and

WHEREAS, the Chief Executive Officer and Chief Financial Officer have so certified as to the financial information contained within the attached reports for the fiscal year ending December 31, 2007 as evidenced by a writing dated even date hereof;

NOW THEREFORE BE IT RESOLVED, That pursuant to Section 2800 of the Public Authorities Law, the financial reports attached hereto are adopted and the Corporate Secretary be, and hereby is, authorized to submit to the Governor, the Chairman and Ranking Minority Member of the Senate Finance Committee, the Chairman and Ranking Minority Member of the Assembly Ways and Means Committee, the State Comptroller, the Division of the Budget and the Authority Budget Office the attached financial report for the year ending 2007 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 attached report of actual vs. budgeted results for the year 2007 is approved in accordance with the foregoing report of the President and Chief Executive Officer; and the Corporate Secretary is authorized to make the approved report available for public inspection at not less than five convenient public places throughout New York State, and post the report on the Authority's website; and be it further

March 25, 2008

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Executive Vice President and Chief Financial 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, General Counsel and Chief of Staff.

FINANCIAL REPORT

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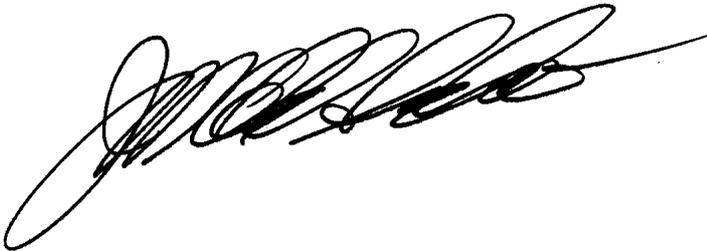
Report of Management

Management is responsible for the preparation, integrity and objectivity of the financial statements of the Power Authority of the State of New York (the Authority), as well as all other information contained in the Annual Report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, in some cases, reflect amounts based on the best estimates and judgments of management, giving due consideration to materiality. Financial information contained in the Annual Report is consistent with the financial statements.

The Authority maintains a system of internal controls to provide reasonable assurance that transactions are executed in accordance with management's authorization, that financial statements are prepared in accordance with accounting principles generally accepted in the United States and that the assets of the Authority are properly safeguarded. The system of internal controls is documented, evaluated and tested on a continuing basis. No internal control system can provide absolute assurance that errors and irregularities will not occur due to the inherent limitations of the effectiveness of internal controls; however, management strives to maintain a balance, recognizing that the cost of such system should not exceed the benefits derived.

The Authority maintains an internal auditing program to independently assess the effectiveness of internal controls and to report findings and recommend possible improvements to management. This program includes a comprehensive assessment of internal controls as well as testing of all key controls to ensure that the system is functioning as intended. In addition, the Authority's Inspector General is responsible for investigating allegations of wrongdoing; monitoring compliance with the Authority's rules and regulations; and initiating reviews and investigations into areas of special concern or vulnerability. Additionally, as part of its audit of the Authority's financial statements, Ernst & Young LLP, independent auditors, considers internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Authority's internal controls over financial reporting. Management has considered the recommendations of the internal auditors, the Office of the State Comptroller (OSC), and the independent auditors concerning the system of internal controls and has taken actions that it believed to be cost-effective in the circumstances to respond appropriately to these recommendations. Based on its structure and related processes, management believes that, as of December 31, 2007 and 2006, the Authority's system of internal controls provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition and the prevention and detection of fraudulent financial reporting.

The members of the Authority's Board of Trustees, appointed by the Governor, by and with the advice and consent of the Senate, are not employees of the Authority. The Trustees' Audit Committee meets with the Authority's management, its Vice President of Internal Audit and Compliance and its independent auditors periodically, throughout the year, to discuss internal controls and accounting matters, the Authority's financial statements, the scope and results of the audit by the independent auditors and the periodic audits by the OSC, and the audit programs of the Authority's internal auditing department. The independent auditors, the Vice President of Internal Audit and Compliance, the Inspector General and the Vice President of Ethics & Employee Resources have direct access to the Audit Committee.



Joseph M. Del Sindaco
Executive Vice President & Chief Financial Officer

Report of Independent Auditors

 ERNST & YOUNG LLP

To the Board of Trustees
Power Authority of the State of New York

We have audited the accompanying balance sheets and related statements of revenues, expenses, and change in net assets and of cash flows of the Power Authority of the State of New York (the "Authority") as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards for financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2008 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Funding Progress on pages 22 to 27 and page 50, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



5 Times Square
New York, NY 10036

February 29, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Environment

The Authority's mission is to provide clean, economical and reliable energy consistent with its commitment to safety, while promoting energy efficiency and innovation, for the benefit of its customers and all New Yorkers. To accomplish its mission, the Authority's strategic goals are as follows:

- **Providing value to our customers and the people of New York State** by creating more value through low cost power and energy services;
- **Optimization and potential expansion of generation assets** by preparing the Authority to get the most out of its existing generation assets and to build the capacity to see that future energy needs of its customers and the people of New York State are met;
- **Optimization and upgrade of transmission assets** by preparing the Authority to get the most out of its existing transmission assets and upgrade where necessary to see that the future energy needs of its customers and the people of New York State are met;
- **Employee development and readiness** by providing for a skilled, motivated and diverse workforce prepared to meet the challenges it needs to confront in order to fulfill its mission;
- **Supporting New York State Energy Policy** by advancing Energy Policy goals as outlined by the Governor and/or the Legislature and approved by the Board of Trustees ;
- **Planning for the future** by providing the capability to plan for the long term and to ensure that approved plans are implemented.

The Authority's financial performance goal is to have the resources necessary to achieve its mission, to maximize opportunities to serve its customers better and to preserve its strong credit rating.

To maintain its position as a low cost provider of power in a changing environment, the Authority has undertaken and continues to carry out a multifaceted program, including: (a) the upgrade and relicensing of the Niagara and St. Lawrence-FDR projects; (b) long-term supplemental electricity supply agreements with its governmental customers located mainly within the City of New York (NYC Governmental Customers); (c) construction of a 500-megawatt (MW) combined-cycle electric generating plant at the Authority's Poletti plant site (500-MW plant); (d) a significant reduction of outstanding debt; and (e) implementation of an energy and fuel risk management program. Major accomplishments during 2007 supporting this program include reaching an agreement in principle with Alcoa for the continued supply of hydropower from the Authority's St. Lawrence-FDR Power Project, initial funding of the Authority's Other Postemployment Benefits (OPEB) and initiating the development of a program to assess enterprise-wide risk across the Authority.

The Authority operates in a competitive and sometimes volatile market environment. Volatility in the energy market has unfavorably impacted the Authority in its role as a buyer and has resulted in higher costs of purchased power and fuel in its NYC Governmental Customer and other market areas. The NYC Governmental Customer market cost situation has been addressed and mitigated by both the cost-sharing provisions in the new long-term supplemental electricity supply agreements and generation from the 500-MW plant. It should be noted that higher energy prices have, in some cases, favorably impacted the Authority in its role as a seller (revenues) in the electricity market.

The Authority also operates in an environment where certain programs implemented by the State have been funded by voluntary contributions from the Authority.

Summary Statement of Revenues, Expenses, and Changes in Net Assets					
<i>(in Millions)</i>					
	2007	2006	2005	2007 vs.	2006 vs.
				2006	2005
				Favorable/ (Unfavorable)	Favorable/ (Unfavorable)
Operating Revenues	\$2,906	\$2,666	\$2,506	9%	6%
Operating Expenses					
Purchased power	1,182	1,067	1,158	(11%)	8%
Fuel	535	523	378	(2%)	(38%)
Operations & Maintenance	501	432	448	(16%)	4%
Wheeling	327	296	299	(10%)	1%
Depreciation	178	173	147	(3%)	(18%)
Total Operating Expenses	2,723	2,491	2,430	(9%)	(3%)
Net Operating Revenues	183	175	76	5%	130%
Investment and other income	166	72	60	131%	20%
Interest expense, net	114	110	78	(4%)	(41%)
Net Revenues	235	137	58	72%	136%
Net Assets – Beginning	2,033	1,896	1,838	7%	3%
Net Assets – Ending	\$2,268	\$2,033	\$1,896	12%	7%

The following summarizes the Authority's financial performance for the years 2007 and 2006:

The Authority had net revenues of \$235 million in the year 2007, compared to \$137 million in 2006. This \$98 million increase in net revenues is attributable to higher revenues (\$240 million) and non-operating income (\$87 million) partially offset by higher operating

expenses (\$232 million). The increase in revenues was primarily due to the recovery of higher energy costs incurred in serving the southeastern New York (SENY) Governmental Customers and higher market-based sales of power generated by the Authority's 500 MW plant and the Small Clean Power Plants. The increase in other income was primarily due to the recognition of an initial payment of \$72 million from subsidiaries of Entergy Corporation resulting from negotiation of revised agreements regarding the sharing of revenues generated by the nuclear power plants previously owned by the Authority. Operating expenses were higher due to increased purchased power and fuel costs combined with a higher voluntary contribution to New York State associated with the Power for Jobs program.

During 2007, total debt increased by \$124 million, or 6%, as a result of a debt issuance in October 2007 (\$602 million) partially used to refinance debt (\$370 million) as well as other reductions in debt (\$108 million). Interest expense was level with 2006 primarily due to lower average total debt during 2007 offset by the recognition of interest expense related to relicensing cost obligations. During the period 1997 to 2007, the Authority reduced its total debt/equity ratio from 1.81 to 1.01, which is the Authority's lowest debt/equity ratio since it implemented proprietary accounting in 1982.

The Authority had net revenues of \$137 million in the year 2006, compared to \$58 million in 2005. This \$79 million increase in net revenues is attributable to higher revenues (\$160 million) partially offset by increases in operating expenses (\$61 million) and net non-operating items (\$20 million). The increase in revenues was primarily due to higher market-based sales to the New York State Independent System Operator (NYISO) combined with an increase in rates charged to its SENY Governmental Customers. The increase in operating expenses (primarily fuel and depreciation) was primarily attributable to costs associated with the Authority's 500-MW plant which went into commercial operation on December 31, 2005. Non-operating expenses were higher due to an increase in interest cost associated with the new plant partially offset by an increase in investment income.

Operating Revenues

Operating revenues of \$2,906 million in 2007 were \$240 million or 9% higher than the \$2,666 million in 2006, primarily due to a rate increase and "Energy Charge Adjustment with Hedging" (ECA) cost recovery mechanism which resulted in the recovery of higher energy costs incurred in serving the SENY Governmental Customers and higher market-based sales of power generated by the Authority's 500-MW plant and the Small Clean Power Plants. See "Governmental Customers in the New York City Metropolitan Area" below for additional information.

Purchased Power and Fuel

Purchased power costs increased by 11% in 2007 to \$1,182 million from \$1,067 million in 2006, primarily due to the higher prices and increased volume related to purchased power for the NYC Governmental Customer market area. Fuel costs were \$12 million (2%) higher during 2007, reflecting higher fossil-fuel production at the 500 MW plant and SCPPs and related higher sales to the NYISO.

Operations and Maintenance

O&M expenses increased by 16% in 2007 to \$501 million due to higher accrued voluntary contributions to New York State (See Note M (8), "New York State Budget Matters and Other Issues" for related information on voluntary contributions to the State.) and the effect of fossil fuel plant maintenance outages at Flynn and Poletti.

Depreciation

Depreciation expense for the year 2007 increased by 3% to \$178 million primarily due to the initial amortization of Niagara relicensing costs in 2007 when the Authority received a new license to operate the plant. See Note M (10), "Niagara Relicensing," for Niagara relicensing costs.

Cash Flows

During 2007, the Authority generated cash flows of \$326 million from operations compared to \$358 million in 2006. Cash flows from operating activities for 2007 were lower than 2006 primarily due to an increase in the Authority's voluntary contribution to the State and an increase in purchased power cost due to increases in price and volume; offset partially by higher receipts from customers for the sale of power.

Investment and Other Income

For 2007, Investment Income increased by \$24 million or 44 % due to higher invested balances and an unrealized gain on the market value of the Authority's investment portfolio. Other Income includes income recognition of the initial \$72 million payment resulting from the negotiation of a revised revenue sharing agreement relating to revenues generated at the nuclear power plants sold to subsidiaries of Entergy Corp in 2000. See Note L (1), "Nuclear Plant Divestiture," for additional information.

Net Generation

Net generation for 2007 was 26.3 million megawatt-hours (MWh) compared to the 26.9 million MWh generated in 2006. The 2% decrease was attributable to lower production at the Authority's hydroelectric facilities. Combined net generation from the Niagara and St. Lawrence facilities at 19.8 million MWh was 3% lower than 2006 (20.3 million MWh). During 2007, combined net generation of the fossil fuel plants was 6.8 million MWh, level with 2006 (6.7 million MWh), with increased output from the newer plants offsetting decreases at the older plants due to maintenance outages.

Beginning in 1999 and continuing through 2003, below average water levels in the Great Lakes reduced the amount of water available to generate power at the Authority's Niagara and St. Lawrence-FDR projects, thereby requiring the periodic curtailment of the electricity supplied to the Authority's customers from these projects. Flow conditions have improved such that hydroelectric generation levels have returned to near long-term average from 2004 through 2007.

Governmental Customers in the New York City Metropolitan Area

In 2005, the Authority and its NYC Governmental Customers entered into long-term supplemental electricity supply agreements (Agreements). Under the Agreements, the NYC Governmental Customers agreed to purchase their electricity from the Authority through December 31, 2017, with the NYC Governmental Customers having the right to terminate service from the Authority at any time on three years' notice and, under certain limited conditions, on one year's notice, provided that they compensate the Authority for any above-market costs associated with certain of the resources used to supply the NYC Governmental Customers. Beginning in 2005, the Authority implemented a new annual price setting process under which the NYC Governmental Customers request the Authority to provide indicative electricity prices for the following year reflecting market-risk hedging options designated by the NYC Governmental Customers. Under the Agreements, such market-risk hedging options include a full cost pass-through arrangement relating to fuel, purchased power, and NYISO-related costs, including such an arrangement with some cost hedging.

Under the Agreements, the Authority will modify rates annually through a formal rate case where there is a change in fixed costs to serve the NYC Governmental Customers. Except for the minimum volatility price option, changes in variable costs, which include fuel and purchased power, will be captured through contractual pricing adjustment mechanisms. Under these mechanisms, actual and projected variable costs are reconciled and all or a portion of the variance is either charged or credited to the NYC Governmental Customers.

For 2007, the NYC Governmental Customers selected an "Energy Charge Adjustment with Hedging" cost recovery mechanism under which all Variable Costs are passed on to them. Under the Agreement, the ECA mechanism, once elected, applies for two consecutive years. Thus, an ECA will also apply during calendar year 2008. The Authority incorporated the Trustee-approved Fixed Costs, the Variable Costs determined under the Agreement's rate-setting process and the ECA set forth in the Agreement, into new rates effective for 2007 billings. Since an ECA mechanism was in effect for 2007, Authority invoices included an addition or subtraction each month that reflected changes in the cost of energy as described in the Agreement.

With the customers' guidance and approval, the Authority will continue to offer up to \$100 million annually in financing for energy efficiency projects and initiatives at governmental customers' facilities, with the costs of such projects to be recovered from such customers.

The Authority's other SENY Governmental Customers are Westchester County and numerous municipalities, school districts, and other public agencies located in Westchester County (collectively, the "Westchester Governmental Customers"). Effective January 1, 2007, the Authority entered into a new supplemental electricity supply agreement with Westchester County (County). Among other things, under the agreement, the County will remain a full requirements customer of the Authority through at least December 31, 2008 and an energy charge adjustment mechanism will be applicable. As of December 31, 2007, 100 out of 104 Westchester Governmental Customers had executed the new supplemental agreement and the Authority expects that all of the other Westchester Governmental Customers will execute this form of agreement with the Authority in the first quarter of 2008.

Energy Cost Savings Benefits

Legislation was enacted into law in July 2005 (Chapter 313, 2005 Laws of New York) (the "2005 Act") which amends the Act and the New York Economic Development Law ("EDL") in regard to several of the Authority's economic development power programs and the creation of energy cost savings benefits to be provided to certain Authority customers. Relating to the Energy Cost Savings Benefits ("ECS Benefits"), the 2005 Act revises the Act and the EDL to allow up to 70 MW of relinquished Replacement Power, up to 38.6 MW of Preservation Power that might be relinquished or withdrawn in the future, and for a limited period up to an additional 20 MW of unallocated St. Lawrence-FDR Project power to be sold by the Authority into the market and to use the net earnings, along with other funds of the Authority, as deemed feasible and advisable by the Authority's Trustees, for the purpose of providing ECS Benefits. The ECS Benefits are administered by New York State Economic Development Power Allocation Board (EDPAB) and awarded based on criteria designed to promote economic development, maintain and develop jobs, and encourage new capital investment throughout New York State. Initially, and through December 31, 2006, the ECS Benefits were available only for business customers served under the Authority's High Load Factor, Economic Development Power and Municipal Distribution Agency programs which would, in the absence of the ECS Benefits, face rate increases beginning November 1, 2005.

In August 2006, legislation was enacted into law that extended the ECS Benefits through June 30, 2007 and also provides that the Authority make available for allocation to customers the 70 MW of hydropower that had been utilized as a source of funding the ECS Benefits. In June 2007, legislation was enacted into law that extends the ECS Benefits through June 30, 2008. From the inception of the ECS Benefits program through December 31, 2007, there have been no ECS Benefits paid by the Authority from internal funds, as opposed to funds derived from the sale of hydropower. It is estimated that the Authority will pay from internal funds, as opposed to funds derived from the sale of hydropower, approximately \$17 million in ECS Benefits for the period January 1, 2008 through June 30, 2008.

The Governor's proposed budget for State Fiscal Year 2008-2009, among other things, provides for a new "Electricity Cost Discount" program to replace the Power for Jobs (PFJ) and ECS Benefits Programs that are proposed to expire after June 30, 2009. The new program would provide for electricity price discounts for up to 1,000 MW of eligible customer load, would be administered by the Authority with the assistance of the EDPAB, and would be funded by the Authority, as deemed feasible and advisable by its Trustees, in an amount up to \$120 million annually for seven years. It is uncertain at this time whether and to what extent these proposals may be enacted into law in the future.

Summary Balance Sheet

(in Millions)

	2007	2006	2005	2007 vs. 2006	2006 vs. 2005
Current Assets	\$1,370	\$1,300	\$1,310	5%	(1%)
Capital Assets	3,773	3,427	3,444	10%	-
Other Noncurrent Assets	1,865	1,672	1,635	12%	2%
Total Assets	\$7,008	\$6,399	\$6,389	10%	-
Current Liabilities	\$830	\$ 910	\$ 754	(9%)	21%
Long-term Liabilities	3,910	3,456	3,739	13%	(8%)
Total Liabilities	4,740	4,366	4,493	9%	(3%)
Net Assets	2,268	2,033	1,896	12%	7%
Total Liabilities and Net Assets	\$7,008	\$6,399	\$6,389	10%	-

The following summarizes the Authority's balance sheet variances for the years 2007 and 2006:

In 2007, current assets increased by \$70 million (5%) to \$1,370 million primarily due to an increase in investment in securities (\$260 million) partially offset by decreases in cash and cash equivalents (\$151 million), receivables (\$30 million), and risk management assets (\$9 million). Capital assets increased by \$346 million (10%) to \$3,773 million primarily due to the capitalization of the Niagara relicensing costs. Other noncurrent assets increased by \$193 million (12%) to \$1,865 million due to increases in capital funds (\$157 million) and restricted funds (\$84 million) partially offset by a decrease in other noncurrent assets (\$48 million). Current liabilities decreased by \$80 million (9%) to \$830 million primarily due to decreases in accounts payable (\$63 million) and current maturities of long-term debt (\$13 million). Long-term liabilities increased by \$454 million (13%) to \$3,910 million primarily due to increases in deferred credits and other long-term liabilities (\$312 million) and long-term debt (\$141 million). The changes in net assets for 2007 and 2006 are discussed on page 22, Summary Statement of Revenues, Expenses and Changes in Net Assets.

In 2006, current liabilities increased by \$156 million due to an increase in short-term debt (\$54 million) with balance due to an increase in accounts payable. Long-term liabilities decreased by \$283 million (8%) primarily due to a reduction in long-term debt (\$189 million) and a decrease in deferred revenues and other (\$176 million) partially offset by an increase the nuclear plant decommissioning liability to Entergy (\$72 million).

Capital Asset and Long-term Debt Activity

The Authority currently estimates that it will expend approximately \$1,196 million for various capital improvements over the five-year period 2008-2012. The Authority anticipates that these expenditures will be funded using existing construction funds, internally-generated funds and additional borrowings. Such additional borrowings are expected to be accomplished through the issuance of additional commercial paper notes and/or the issuance of long-term fixed rate debt. Projected capital requirements during this period include:

Projects	(in Millions)
Niagara Relicensing Compliance/Implementation	\$ 25
St. Lawrence-FDR Modernization Program	105
St. Lawrence-FDR Relicensing Process/ Implementation	32
Blenheim-Gilboa Modernization Program	78
Energy Services and Technology Projects	539
Transmission	133
Other	284
Total	\$1,196

On October 23, 2003, the Federal Energy Regulatory Commission (FERC) issued to the Authority a new 50-year license for the St. Lawrence-FDR project, effective November 1, 2003. The Authority estimates that the total costs associated with the relicensing of the St. Lawrence-FDR project for a period of 50 years will be approximately \$210 million of which approximately \$148 million has already been spent or will be spent in near future. These total costs could increase in the future as a result of additional requirements that may be imposed by FERC under the new license.

By order issued March 15, 2007, FERC issued the Authority a new 50-year license for the Niagara Project effective September 1, 2007. In doing so, FERC approved six relicensing settlement agreements entered into by the Authority with various public and private entities. The Authority currently expects that the costs associated with the relicensing of the Niagara Project will be at least \$495 million (2007 dollars) over a period of 50 years, which includes \$50.5 million in administrative costs associated with the relicensing effort and does not include the value of the power allocations and operation and maintenance expenses associated with several habitat and recreational elements of the settlement agreements. In mid-April 2007, two petitions for rehearing were filed by certain entities with FERC regarding its March 15, 2007 order, which petitions were denied by FERC in its order issued September 21, 2007. In November 2007, these entities filed a petition for review of FERC's orders in the Court of Appeals for the District of Columbia Circuit. It is expected that

briefing of the appeal will occur during the first quarter of 2008. The Authority is unable to predict the outcome of this matter but the Authority believes that FERC has available meritorious defenses and positions with respect thereto.

In addition to internally generated funds, the Authority issued additional debt obligations in October 2007 to fund, among other things, Niagara relicensing costs. The costs associated with the relicensing of the Niagara Project, including the debt issued therefor, were incorporated into the cost-based rates of the Project beginning in 2007.

More detailed information about the Authority's capital assets is presented in Notes B and E to the financial statements.

Capital Structure

(in Millions)

	2007	2006	2005
Long-term debt			
Senior			
Revenue bonds	\$1,283	\$1,052	\$1,167
Adjustable rate tender notes	144	150	156
Subordinated			
Subordinate revenue bonds	72	75	78
Commercial paper	394	474	540
Total long-term debt	\$1,893	\$1,752	\$1,941
Net assets	2,268	2,033	1,896
Total Capitalization	\$4,161	\$3,785	\$3,837

During 2007, long-term debt, net of current maturities, increased by \$141 million, primarily due to debt issuance (\$602 million) partially offset by its use to refinance debt (\$370 million) and scheduled maturities (\$116 million). During 2006, long-term debt, net of current maturities, decreased by \$189 million, primarily due to scheduled maturities (\$140 million), and early extinguishments of commercial paper debt (\$49 million). Total Debt to Equity as of December 31, 2007, decreased to a 1.01 to 1 from 1.06 to 1 as of December 31, 2006. The Total Debt to Equity ratio as of December 31, 2007 is the lowest ratio since the Authority implemented proprietary accounting in 1982.

In October 2007, the Authority issued \$82 million, \$257 million and \$264 million in principal amounts of Series A Revenue Bonds (A Bonds), Series B Revenue Bonds (B Bonds) and Series C Revenue Bonds (C Bonds) (collectively called "2007 Bonds"), respectively. The 2007 Bonds total \$602 million. The Series B issue is federally taxable. The \$633 million total for sources of funds in this transaction also includes a \$17 million bond issuance premium (from A Bonds and C Bonds); an \$8 million receipt from the termination of a hedge-related transaction; and \$6 million of other Authority funds. The proceeds of the 2007 Bonds and other funds were used to redeem \$102 million of Commercial Paper Notes, finance a portion of the costs of relicensing and modernization of the Authority's St. Lawrence-FDR Project (\$120 million) and of the relicensing of the Niagara Project (\$118 million), to refund a portion of the Authority's Series 2002 A Revenue Bonds (\$268 million) for a net present value savings of \$10 million, and to pay the costs of issuance of the 2007 Bonds. (See Note F, "Long-term Debt," for additional information.)

On February 15, 2008, in addition to redeeming the Series 1998 A Revenue Bonds maturing on that date (\$29 million), the Authority also redeemed all the outstanding Series 1998 A Revenue Bonds maturing after such date (\$47 million).

Debt Ratings

NYPA's Underlying Credit Ratings:	Moody's	Standard & Poor's	Fitch
Senior Debt:			
Long-term debt	Aa2	AA-	AA
Adjustable Rate Tender Notes	Aa2/VMIG1	AA-/A-1+	N/A
Subordinate Debt:			
Commercial Paper	P-1	A-1	F1+
Auction Rate Bonds	Aa3	A+	AA
Municipal Bond Insurance Support Ratings:			
Senior Debt:			
Series 2007 A, B & C Revenue Bonds due 2013 to 2047	Aaa	AAA	AAA
Series 2006 A Revenue Bonds due 2009 to 2020	Aa2*	AA	AA
Series 2003 A Revenue Bonds due 2008 to 2033	Aaa	AAA	AAA
Subordinate Debt:			
Auction Rate Bonds due 2025	Aaa	AAA	AAA

The Authority has a \$775 million line of credit with a syndicate of banks supporting the Commercial Paper Notes which line expires January 31, 2011. More detailed information about the Authority's debt is presented in Note F to the financial statements.

In late January 2008, S&P and Fitch downgraded the AAA rating of Financial Guaranty Insurance Co. (FGIC) to AA and consequently downgraded \$144.3 million of the Authority's 2006 A Revenue Bonds that are due November 15, 2010 through 2020 to reflect the insurer's new rating. In addition, in mid February 2008, Moody's downgraded FGIC from Aaa to A3. The underlying ratings of the Authority's insured bonds are set forth in the table above. In cases where the insurer's rating is downgraded below the underlying rating (*), the bonds carry the Authority's underlying rating.

Risk Management

The objective of the Authority's risk management program is to manage the impact of interest rate, energy price and fuel cost changes on its earnings and cash flows. To achieve these objectives, the Authority's trustees have authorized the use of various interest rate, energy-price and fuel-price hedging instruments.

The Vice President and Chief Risk Officer - Energy Risk Assessment and Control reports to the Executive Vice President and Chief Financial Officer and is responsible for establishing policies and procedures for identifying, reporting and controlling energy-price and fuel-price-related risk exposure and risk exposure connected with energy- and fuel-related hedging transactions. This type of assessment and control has assumed greater importance in light of the Authority's participation in the NYISO energy markets.

New York State Budget Matters

Legislation enacted into law, as part of the 2000-2001 State budget, as amended up to the present time, provides that the Authority "as deemed feasible and advisable by the Trustees, is authorized to make certain annual "voluntary contributions" into the "state treasury to the credit of the general fund," up to a maximum amount of \$424 million in connection with the PFJ Program.

In recent years, annual extensions of the PFJ Program have been signed into law. The most recent in June 2007 (1) extends the PFJ Program, including the PFJ Rebate provisions, to June 30, 2008; (2) authorizes the Authority to make an additional voluntary contribution of \$30 million for the State Fiscal year 2007-2008 with the aggregate amount of such contributions increasing to \$424 million; (3) authorizes certain customers that had elected to be served by PFJ contract extensions to elect to receive PFJ Rebates instead; and (4) requires the Authority to make payments to certain customers to reimburse them with regard to PFJ Program electric prices that are in excess of the electric prices of the applicable local electric utility.

As of the December 31, 2007, the Authority had made voluntary contributions to the State totaling \$394 million which includes \$175 million transferred in December 2007, representing the voluntary contributions associated with State Fiscal Years 2005-06 and 2006-07. The Authority's Trustees have, as of the date hereof, authorized additional voluntary contributions of \$30 million to be paid by March 31, 2008.

Prior to making any voluntary payment to the State, in accordance with the Authority's general bond resolution, the Authority must determine that the moneys applied to such voluntary payment are not needed for the payment of certain expenses, debt service payments or the funding of certain reserves specified in the general bond resolution.

In January 2008, the Governor introduced his proposed budget for the State Fiscal Year 2008-2009 in which it is proposed that the PFJ and ECSB Programs be extended for one more year, through June 30, 2009, and then be terminated at that time. The Governor's budget bill also proposes that the Authority be authorized to make an additional voluntary contribution, as deemed feasible and advisable by its Trustees, of up to \$25 million with the maximum aggregate amount of such contributions increasing to \$449 million.

The Governor's proposed budget for State Fiscal Year 2008-2009, among other things, also provides for a new "Electricity Cost Discount" program to replace the PFJ and ECSB Programs that are proposed to expire after June 30, 2009. The new program would provide for electricity price discounts for up to 1,000 MW of eligible customer load, would be administered by the Authority with the assistance of the EDPAB, and would be funded by the Authority, as deemed feasible and advisable by its Trustees, in an amount up to \$120 million annually for seven years. It is uncertain at this time whether and to what extent these proposals may be enacted into law in the future.

Contacting the Authority

This financial report is designed to provide our customers and other interest parties with a general overview of the Authority's finances. If you have any questions about this report or need additional financial information, contact the New York Power Authority, 123 Main Street, White Plains, New York 10601-3107.

BALANCE SHEETS

December 31, 2007 and 2006 (in Millions)

Assets		2007	2006
Current Assets	Cash and cash equivalents	\$ 6	\$ 157
	Investment in securities	854	594
	Interest receivable on investments	20	15
	Accounts receivable	192	222
	Materials and supplies:		
	Plant and general	76	66
	Fuel (Notes H and M(4))	34	33
	Risk management assets (Note H)	53	62
	Miscellaneous receivables and other	135	151
	Total Current Assets	1,370	1,300
Noncurrent Assets			
Restricted Funds	Cash and cash equivalents	7	4
	Investment in securities (Notes D, J and L)	1,066	985
	Total restricted funds	1,073	989
Capital Funds	Cash and cash equivalents	48	45
	Investment in securities	215	61
	Total capital funds	263	106
Capital Assets	Capital assets not being depreciated	271	279
	Capital assets, net of accumulated depreciation	3,502	3,148
	Total capital assets	3,773	3,427
Other Noncurrent Assets	Unamortized debt expense	20	13
	Deferred charges, long-term receivables and other	402	446
	Notes receivable - nuclear plant sale (Note L)	107	118
	Total other noncurrent assets	529	577
	Total Noncurrent Assets	5,638	5,099
	Total Assets	\$7,008	\$6,399
Liabilities and Net Assets			
Current Liabilities	Accounts payable and accrued liabilities	\$ 436	\$ 498
	Short-term debt (Note G)	268	272
	Long-term debt due within one year	126	140
	Total current liabilities	830	910
Noncurrent Liabilities			
Long-term Debt	Long-term debt (Notes C and F):		
	Senior		
	Revenue bonds	1,283	1,053
	Adjustable rate tender notes	144	150
	Subordinated		
	Subordinate revenue bonds	72	75
	Commercial paper	394	474
	Total long-term debt	1,893	1,752
Other Noncurrent Liabilities	Liability to decommission divested nuclear facilities (Note L)	979	923
	Disposal of spent nuclear fuel (Note L)	211	202
	Deferred revenues and other	827	579
	Total other noncurrent liabilities	2,017	1,704
	Total Noncurrent Liabilities	3,910	3,456
	Total Liabilities	4,740	4,366
Net Assets	Invested in capital assets, net of related debt	1,701	1,677
	Restricted	27	28
	Unrestricted	540	328
	Total Net Assets	2,268	2,033
	Total Liabilities and Net Assets	\$7,008	\$6,399

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years ended December 31, 2007 and 2006 (in Millions)

		2007	2006
Operating Revenues	Power sales	\$2,430	\$2,223
	Transmission charges	149	147
	Wheeling charges	327	296
	Total Operating Revenues	2,906	2,666
Operating Expenses	Purchased power	1,182	1,067
	Operations	420	351
	Fuel oil and gas (Notes H and M(4))	535	523
	Maintenance	81	81
	Wheeling	327	296
	Depreciation	178	173
	Total Operating Expenses	2,723	2,491
	Net Operating Revenue	183	175
Other Income	Investment income (Note D)	79	55
	Other	87	17
	Total Other Income	166	72
Other Expenses	Interest on long-term debt	103	110
	Interest - other	20	10
	Interest capitalized	(5)	(5)
	Amortization of debt discount/(premium) and expense	(4)	(5)
	Total Other Deductions	114	110
	Net Revenues	235	137
	Net Assets at January 1	2,033	1,896
	Net Assets at December 31	\$2,268	\$2,033

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2007 and 2006 (in Millions)

		2007	2006
Cash Flows From Operating Activities	Received from customers for the sale of power, transmission and wheeling	\$ 2,938	\$ 2,678
	Disbursements for:		
	Purchased power	(1,184)	(1,060)
	Operations and maintenance	(577)	(434)
	Fuel oil and gas	(531)	(534)
	Wheeling of power by other utilities	(320)	(292)
	Net Cash Provided by Operating Activities	326	358
Cash Flows From Capital and Related Financing Activities	Earnings received on Capital Fund investments	5	11
	Sale of commercial paper	33	110
	Issuance of bonds	602	173
	Repayment of notes	(6)	(5)
	Retirement of bonds	(117)	(311)
	Defeasance of Series 2002 A Bonds	(268)	
	Repayment of commercial paper	(120)	(177)
	Gross additions to capital assets	(137)	(106)
	Interest paid, net	(87)	(98)
	Net Cash Used in Capital and Related Financing Activities	(95)	(403)
Cash Flows From Noncapital-Related Financing Activities	Energy conservation program payments received from participants	84	63
	Energy conservation program costs	(88)	(62)
	Sale of commercial paper	85	104
	Repayment of commercial paper	(89)	(50)
	Interest paid on commercial paper	(10)	(8)
	OPEB funding	(100)	
	Entergy notes receivable	94	94
	Net Cash Provided by/(Used in) Noncapital-Related Financing Activities	(24)	141
Cash Flows From Investing Activities	Earnings received on investments	48	32
	Purchase of investment securities	(13,887)	(11,654)
	Sale of investment securities	13,487	11,565
	Net Cash Used in Investing Activities	(352)	(57)
	Net increase/(decrease) in cash	(145)	39
	Cash and cash equivalents, January 1	206	167
	Cash and Cash Equivalents, December 31	\$ 61	\$ 206

Reconciliation to Net Cash Provided by Operating Activities	Net Operating Revenues	\$ 183	\$ 175
	Adjustments to reconcile net revenues to net cash provided by operating activities:		
	Provision for depreciation	178	173
	Change in assets and liabilities:		
	Net (increase)/decrease in prepayments and other	15	(17)
	Net (increase)/decrease in receivables and inventory	18	(3)
	Net (decrease)/increase in accounts payable and accrued liabilities	(68)	30
	Net Cash Provided by Operating Activities	\$ 326	\$ 358
<p><i>The accompanying notes are an integral part of these financial statements.</i></p>			

NOTES TO FINANCIAL STATEMENTS

Note A - General

The Power Authority of the State of New York (Authority) is a corporate municipal instrumentality and political subdivision of the State of New York (State) created in 1931 by Title 1 of Article 5 of the Public Authorities Law, Chapter 43 -A of the Consolidated Laws of the State, as amended (Power Authority Act or Act).

The Authority is authorized by the Power Authority Act to help provide a continuous and adequate supply of dependable electricity to the people of the State. The Authority generates, transmits and sells electricity principally at wholesale. The Authority's primary customers are municipal and rural cooperative electric systems, investor-owned utilities, high-load-factor industries and other businesses, various public corporations located within the metropolitan area of New York City, including The City of New York, and certain out-of-state customers.

The Authority's Trustees are appointed by the Governor of the State, with the advice and consent of the State Senate. The Authority is a fiscally independent public corporation that does not receive State funds or tax revenues or credits. It generally finances construction of new projects through sales of bonds and notes to investors and pays related debt service with revenues from the generation and transmission of electricity. Accordingly, the financial condition of the Authority is not controlled by or dependent on the State or any political subdivision of the State. However, pursuant to the Clean Water/Clean Air Bond Act of 1996 (Bond Act), the Authority administers a Clean Air for Schools Projects program, for which \$125 million in Bond Act monies have been allocated for effectuation of such program. Also, in accordance with legislation enacted in 2006, the Authority was appropriated \$25 million to implement the Lower Manhattan Energy Independence Initiative involving certain clean energy and energy efficiency measures. Under the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by Governmental Accounting Standard (GAS) No. 39, "Determining Whether Certain Organizations Are Component Units," the Authority considers its relationship to the State to be that of a related organization.

Income of the Authority and properties acquired by it for its projects are exempt from taxation. However, the Authority is authorized by Chapter 908 of the Laws of 1972 to enter into agreements to make payments in lieu of taxes with respect to property acquired for any project where such payments are based solely on the value of the real property without regard to any improvement thereon by the Authority and where no bonds to pay any costs of such project were issued prior to January 1, 1972.

Note B - Accounting Policies

The Authority's accounting policies include the following:

(1) Accounts of the Authority are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). The Authority complies with all applicable pronouncements of the GASB. In accordance with GAS No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Authority also has elected to comply with all authoritative pronouncements applicable to non-governmental entities (i.e., Financial Accounting Standards Board (FASB) statements) that do not conflict with GASB pronouncements. The Authority also applies Financial Accounting Standard (FAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," as amended. This standard allows utilities to capitalize or defer certain costs or revenue based on management's ongoing assessment that it is probable these items will be recovered or reflected in the rates charged for electricity.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Capital assets are stated at original cost and consist of amounts expended for labor, materials, services and indirect costs to license, construct, acquire, complete and place in operation the projects of the Authority. Interest on amounts borrowed to finance construction of the Authority's projects is charged to the project prior to completion. Borrowed funds for a specific construction project are deposited in a capital fund account. Earnings on fund investments are held in this fund to be used for construction. Earnings on unexpended funds are credited to the cost of the related project (construction work in progress) until completion of that project. Construction work in progress costs are reduced by revenues received for power produced (net of expenditures incurred in operating the projects) prior to the date of completion. The costs of current repairs are charged to operating expense, and renewals and betterments are capitalized. The cost of capital assets retired less salvage is charged to accumulated depreciation.

(3) With the exception of the Authority's Small Clean Power Plants (SCPPs), depreciation of capital assets is provided on a straight-line basis over the estimated useful lives of the various classes of capital assets. The Authority is providing for depreciation of the SCPPs using the double-declining balance method based on a conclusion that the revenue-earning power of those units is greater during the earlier years of the units' lives. The Authority installed these eleven 44-MW natural-gas-fueled electric generation units at various sites in New York City and in the service territory of the Long Island Power Authority (LIPA) during the Summer of 2001 to meet capacity deficiencies and to meet ongoing local reliability requirements in the New York City metropolitan area.

(4) Capital assets, net of accumulated depreciation, at December 31, 2007 and 2006, and the related depreciation provisions expressed as a percentage of average depreciable capital assets on an annual basis were:

<i>(in Millions)</i> Type of Plant	2007	2006	Average Depreciation Rate	
			2007	2006
Production:				
Steam	\$ 13	\$ 35	5.1%	5.1%
Hydro	1,057	1,022	1.8%	1.8%
Gas Turbine\ Combined Cycle	908	951	3.7%	5.2%
Transmission	941	961	2.8%	2.8%
General	729	320	3.8%	4.2%
	3,648	3,289	3.1%	3.3%
Construction work in progress	125	138		
Total capital assets	\$3,773	\$3,427		

(5) The Authority applies FAS No. 143, "Accounting for Asset Retirement Obligations", which requires an entity to record a liability at fair value to recognize legal obligations for asset retirements in the period incurred and to capitalize the cost by increasing the carrying amount of the related long-lived asset. The Authority determined that it had legal liabilities for the retirement of certain SCPPs in New York City and, accordingly, has recorded a liability for the retirement of this asset. In connection with these legal obligations, the Authority has also recognized a liability for the remediation of certain contaminated soils discovered during the construction process.

In addition to the FAS No. 143 asset retirement obligations, the Authority has other cost of removal obligations that are being collected from customers, and, under the provisions of FAS No. 71, "Accounting for the Effects of Certain Types of Regulation," at December 31, 2007 and 2006 were approximately \$199 million and \$189 million, respectively, in Other Noncurrent Liabilities on the Balance Sheets.

Asset retirement obligations (ARO) and regulatory amounts included in Other Noncurrent Liabilities are as follows:

<i>(in Millions)</i>	ARO Amounts	Regulatory Amounts
Balance – December 31, 2006	\$19	\$189
Depreciation expense	--	10
Balance – December 31, 2007	\$19	\$199

(6) The Authority applies GAS No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", which states that asset impairments are generally recognized only when the service utility of an asset is reduced or physically impaired.

GAS No. 42 states that asset impairment is a significant, unexpected decline in the service utility of a capital asset. The service utility of a capital asset is the usable capacity that at acquisition was expected to be used to provide service, as distinguished from the level of utilization which is the portion of the usable capacity currently being used. Decreases in utilization and existence of or increases in surplus capacity that are not associated with a decline in service utility are not considered to be impairment.

(7) Cash includes cash and cash equivalents and short-term investments with maturities, when purchased, of three months or less. The Authority accounts for investments at their fair value. Fair value is determined using quoted market prices. Investment income includes changes in the fair value of these investments.

(8) The Authority uses financial derivative instruments to manage the impact of interest rate, energy price and fuel cost changes on its earnings and cash flows. The Authority has adopted FAS No. 133, "Accounting for Derivatives and Hedging Activities", as amended by FAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," to the extent appropriate under Governmental Accounting Standards. These financial accounting standards establish accounting and reporting requirements for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The standard requires that the Authority recognize the fair value of all derivative instruments as either an asset or liability on the Balance Sheet with the offsetting gains or losses recognized in earnings or deferred charges.

(9) Accounts receivable are classified as current assets and are reported net of an allowance for uncollectible amounts.

(10) Material and supplies are valued at the lower of average cost or market. These inventories are charged to expense during the period in which the maintenance or repair occurs.

(11) At December 31, 2007 and 2006, deferred charges included \$124 million and \$117 million, respectively, of energy services program costs. In addition, the deferred charges relating to the fair value of derivatives are included in this classification. See Note B(8) above and Note H for more detailed information. These deferred costs are being recovered from customers.

(12) Debt refinancing charges, representing the difference between the reacquisition price and the net carrying value of the debt refinanced, are amortized using the interest method over the life of the new debt or the old debt, whichever is shorter, in accordance with GAS No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities."

(13) The Authority accrues the cost of unused sick leave which is payable upon the retirement of its employees. The current year's cost is accounted for as a current operating expense in the Statement of Revenues, Expenses, and Changes in Net Assets and in other noncurrent liabilities on the Balance Sheet.

(14) Net Assets represent the difference between assets and liabilities and are classified into three categories:

- a. Investment in Capital Assets, Net of Related Debt – This reflects the net assets of the Authority that are invested in capital assets, net of related debt and accounts such as related risk management assets and liabilities. This indicates that these assets are not accessible for other purposes.
- b. Restricted Net Assets – This represents the net assets that are not accessible for general use because their use is subject to restrictions enforceable by third parties.
- c. Unrestricted Net Assets – This represents the net assets that are available for general use.

Restricted and unrestricted resources are utilized, as applicable, by the Authority for their respective purposes.

(15) Revenues are recorded when service is provided. Customers' meters are read, and bills are rendered, monthly. Wheeling charges are for costs incurred for the transmission of power over transmission lines owned by other utilities. Sales and purchases of power between the Authority's facilities are eliminated from revenues and operating expenses. Energy costs are charged to expense as incurred. Sales to three NYC Governmental Customers and three investor-owned utilities operating in the State accounted for approximately 44 and 45 percent of the Authority's operating revenues in 2007 and 2006, respectively. The Authority distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. The principal operating revenues are generated from the sale, transmission, and wheeling of power. The Authority's operating expenses include fuel, maintenance, depreciation, purchased power costs, and other expenses related to the sale of power. All revenues and expenses not meeting this definition are reported as other income and expenses.

(16) Realized and unrealized gains and losses on investments are recognized as investment income in accordance with GAS No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

(17) Certain prior year amounts have been reclassified to conform with the current year's presentation. These reclassifications had no effect on net income.

Note C - Bond Resolution

On February 24, 1998, the Authority adopted its “General Resolution Authorizing Revenue Obligations” (as amended and supplemented up to the present time, the “Bond Resolution”). The Bond Resolution covers all of the Authority’s projects, which it defines as any project, facility, system, equipment or material related to or necessary or desirable in connection with the generation, production, transportation, transmission, distribution, delivery, storage, conservation, purchase or use of energy or fuel, whether owned jointly or singly by the Authority, including any output in which the Authority has an interest authorized by the Act or by other applicable State statutory provisions, provided, however, that the term “Project” shall not include any Separately Financed Project as that term is defined in the Bond Resolution. The Authority has covenanted with bondholders under the Bond Resolution that at all times the Authority shall maintain rates, fees or charges, and any contracts entered into by the Authority for the sale, transmission, or distribution of power shall contain rates, fees or charges sufficient together with other monies available therefor (including the anticipated receipt of proceeds of sale of Obligations, as defined in the Bond Resolution, issued under the Bond Resolution or other bonds, notes or other obligations or evidences of indebtedness of the Authority that will be used to pay the principal of Obligations issued under the Bond Resolution in anticipation of such receipt, but not including any anticipated or actual proceeds from the sale of any Project), to meet the financial requirements of the Bond Resolution. Revenues of the Authority (after deductions for operating expenses and reserves, including reserves for working capital, operating expenses or compliance purposes) are applied first to the payment of, or accumulation as a reserve for payment of, interest on and the principal or redemption price of Obligations issued under the Bond Resolution and the payment of Parity Debt issued under the Bond Resolution.

The Bond Resolution also provides for withdrawal for any lawful corporate purpose as determined by the Authority, including but not limited to the retirement of Obligations issued under the Bond Resolution, from amounts in the Operating Fund in excess of the operating expenses, debt service on Obligations and Parity Debt issued under the Bond Resolution, and subordinated debt service requirements. The Authority has periodically reacquired revenue bonds when available at favorable prices.

Note D - Cash and Investments

Investment of the Authority’s funds is administered in accordance with the applicable provisions of the Bond Resolution and with the Authority’s investment guidelines. These guidelines comply with the New York State Comptroller’s investment guidelines for public authorities and were adopted pursuant to Section 2925 of the New York Public Authorities Law.

Credit Risk

The Authority’s investments are restricted to (a) collateralized certificates of deposit, (b) direct obligations of or obligations guaranteed by the United States of America or the State of New York, (c) obligations issued or guaranteed by certain specified federal agencies and any agency controlled by or supervised by and acting as an instrumentality of the United States government, and (d) obligations of any state or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which is rated in any of the three highest long-term rating categories, or the highest short-term rating category, by nationally recognized rating agencies. The Authority’s investments in the debt securities of Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB) and Federal Home Loan Mortgage Corp. (FHLMC) were rated Aaa by Moody’s Investors Services (Moody’s) and AAA by Standard & Poor’s (S&P) and Fitch Ratings (Fitch). All of the Authority’s investments in U.S. debt instruments are issued or explicitly guaranteed by the U.S. Government.

The Authority does not engage in securities lending or reverse repurchase agreements.

Interest Rate Risk

Securities that are the subject of repurchase agreements must have a market value at least equal to the cost of the investment. The agreements are limited to a maximum fixed term of five business days and may not exceed the greater of 5% of the investment portfolio or \$100 million. The Authority has no other policies limiting investment maturities.

Concentration of Credit Risk

There is no limit on the amount that the Authority may invest in any one issuer; however, investments in authorized certificates of deposit shall not exceed 25% of the Authority’s invested funds. At December 31, 2007, \$376 million (17 percent), \$214 million (10 percent), \$178 million (8 percent), and \$133 million (6 percent) of the Authority’s investments were in securities of Federal National Mortgage Association (FNMA or Fannie Mae), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB) and Federal Home Loan Mortgage Corp. (FHLMC or Freddie Mac), respectively.

Decommissioning Fund

The Decommissioning Trust Fund is managed by external investment portfolio managers. Under the Decommissioning Agreements (see Note L), the Authority will make no further contributions to the Decommissioning Funds. The Authority’s decommissioning responsibility will not exceed the amounts in each of the Decommissioning Funds. Therefore, the Authority’s obligation is not affected by various risks which include credit risk, interest rate risk, and concentration of credit risk. In addition, the Decommissioning Trust Fund is not required to be administered in accordance with the Authority’s or New York State investment guidelines.

Other

All investments are held by designated custodians in the name of the Authority. At December 31, 2007 and 2006, the Authority had investments in repurchase agreements of \$6.0 million and \$50.0 million, respectively. The bank balances were \$8.7 million and \$3.5 million, respectively, of which \$7.8 million and \$2.5 million, respectively, were uninsured and collateralized by assets held by the bank in the name of the Authority.

A summary of unexpended funds for projects in progress included in the Capital Fund at December 31, 2007 and 2006, is in the Investment Summary.

Investment Summary

(in Millions)

Estimated Fair Value

December 31, 2007

	Total	Total Restricted Funds	Restricted Funds			Capital Fund	Current Assets
			Decommissioning Trust Fund	POCR & CAS Projects Funds	ART Note Debt Reserve		
Cash and equivalents	\$ 61	\$ 7		\$ 7		\$ 48	\$ 6
U.S. Government /Agencies							
Treasury Bills	66	66		66			
Treasury Notes	13					13	
GNMA	52						52
	131	66		66		13	52
Other debt securities							
FNMA	376	6			\$ 6	20	350
FHLMC	133	14			14	6	113
FHLB	214					57	157
FFCB	178					68	110
All Other	119	1		1		51	67
	1,020	21		1	20	202	797
Repurchase Agreements	5						5
Portfolio Manager	979	979	\$979				
Total Investments	2,135	1,066	979	67	20	215	854
	\$2,196	\$1,073	\$979	\$74	\$20	\$263	\$860

Summary of Maturities Years

0-1	\$ 606	\$ 106	\$ 16	\$74	\$16	\$ 87	\$413
1-5	446	59	55		4	113	274
5-10	146	70	70			12	64
10+	651	491	491			51	109
Common Stock	347	347	347				
	\$2,196	\$1,073	\$979	\$74	\$20	\$263	\$860

Estimated Fair Value
December 31, 2006

	Total	Total Restricted Funds	Restricted Funds			Capital Fund	Current Assets
			Decommissioning Trust Fund	POCR & CAS Projects Funds	ART Note Debt Reserve		
Cash and equivalents	\$ 206	\$ 4		\$ 4		\$ 45	\$157
U.S. Government /Agencies							
Treasury Bills	76	42		42			34
Treasury Notes	38					12	26
GNMA	82						82
	196	42		42		12	142
Other debt securities							
FNMA	251	6			\$ 6	12	233
FHLMC	73	13			13	25	35
FHLB	35					7	28
FFCB	82						82
All Other	75	1		1		5	69
	516	20		1	19	49	447
Repurchase Agreements	5						5
Portfolio Manager	923	923	\$923				
Total Investments	1,640	985	923	43	19	61	594
	\$1,846	\$989	\$923	\$47	\$19	\$106	\$751

Summary of Maturities
Years

0-1	\$ 581	\$ 74	\$ 24	\$47	\$ 3	\$ 94	\$413
1-5	336	136	120		16	8	192
5-10	114	59	59				55
10+	486	391	391			4	91
Common Stock	329	329	329				
	\$1,846	\$989	\$923	\$47	\$19	\$106	\$751

Note E – Changes in Capital Assets
(in Millions)

The changes in Capital Assets are as follows:

	2007	2006
Gross Capital Assets, beginning balance	\$5,586	\$5,471
Add: Acquisitions	530	118
Less: Dispositions (including retirements)	27	3
Gross Capital Assets, ending balance	6,089	5,586
Less: Accumulated depreciation	2,441	2,297
Add: Construction work in progress	125	138
Capital Assets - net, ending balance	\$3,773	\$3,427

Note F - Long-term Debt

(in Millions)

Components

Long-term debt at December 31, 2007 and 2006 consists of:

	2007	2006
Senior Debt:		
Revenue Bonds	\$1,283	\$1,053
Adjustable Rate Tender Notes	144	150
Subordinated Debt:		
Subordinate Revenue Bonds	72	75
Commercial Paper	394	474
	\$1,893	\$1,752

Senior Debt	2007 Amount	2006 Amount	Interest Rate	Maturity	Earliest Redemption Date Prior to Maturity
1. Revenue Bonds					
Series 1998 A Revenue Bonds	\$ 76	\$ 118	4.5% to 5.0%	2/15/2008 to 2016	Redeemed on 2/15/2008
Series 2000 A Revenue Bonds					
Term Bonds	10	10	5.25%	11/15/2030	11/15/2010
Term Bonds	67	67	5.25%	11/15/2040	11/15/2010
Series 2001 A Revenue Bonds					
Serial Bonds	42	85	4.00% to 5.00%	11/15/2008	Non-callable
Series 2002 A Revenue Bonds					
Serial Bonds	190	479	2.75% to 5.25%	11/15/2008 to 2022	11/15/2012
Series 2003 A Revenue Bonds					
Serial Bonds	27	27	3.69% to 4.83%	11/15/2008 to 2013	Any date
Term Bonds	186	186	5.230% to 5.749%	11/15/2018 to 2033	Any date
Series 2006 A Revenue Bonds					
Serial Bonds	164	173	3.3% to 5.0%	11/15/2008 to 2020	11/15/2015
Series 2007 A Revenue Bonds					
Term Bonds	82		4.5% to 5.0%	11/15/2047	11/15/2017
Series 2007 B Revenue Bonds					
Serial Bonds	18		5.253% to 5.603%	11/15/2013 to 2017	Any date
Term Bonds	239		5.905% to 5.985%	11/15/37 & 11/15/43	Any date
Series 2007 C Revenue Bonds					
Serial Bonds	264		4.0% to 5.0%	11/15/2014 to 2021	11/15/2017
	1,365	1,145			
Plus: Unamortized premium	34	37			
Less: Deferred refinancing costs	9	15			
	1,390	1,167			
Less: Due within one year	107	114			
	\$1,283	\$1,053			

Interest on Series 2003 A and 2007 B Revenue Bonds is not excluded from gross income for bondholders' Federal income tax purposes.

In prior years, the Authority defeased certain Revenue Bonds and General Purpose Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At December 31, 2007 and 2006, \$515 million and \$300 million, respectively, of outstanding bonds were considered defeased.

In October 2007, the Authority issued its Series A, B and C Revenue Bonds (collectively called "2007 Bonds") listed in the table above. The 2007 Bonds total \$602 million. The proceeds of the 2007 Bonds and other funds (totaling \$633 million) were used to redeem \$102 million of Commercial Paper Notes, finance a portion of the costs of relicensing and modernization of the Authority's St. Lawrence -FDR Project (\$120 million) and of the relicensing of the Niagara Project (\$118 million), to refund a portion of the Authority's Series 2002 A Revenue Bonds (\$268 million) for a net present value savings of \$10 million, and to pay the costs of issuance of the 2007 Bonds.

Certain 2007 A Bonds are subject to mandatory redemption by way of various sinking fund installments beginning on November 15, 2043 through November 15, 2047. Certain 2007 B term bonds are subject to mandatory redemption by way of various sinking fund installments beginning on November 15, 2018 through November 15, 2043. The 2007 Bonds are subject to optional redemption, in whole or in part, by the Authority.

Principal of and interest payments on the 2007 Bonds are insured by MBIA Insurance Corporation and are rated "AAA" by Standard & Poor's Rating Services and Fitch Ratings; and "Aaa" by Moody's Investors Service, Inc.

On February 15, 2008, in addition to redeeming the Series 1998 A Revenue Bonds maturing on that date (\$29 million), the Authority also redeemed all the outstanding Series 1998 A Revenue Bonds maturing after such date (\$47 million).

Senior Debt	2007 Amount	2006 Amount	Interest Rate	Maturity
2. Adjustable Rate Tender Notes (Notes)				
2007 Notes		\$ 6		3/1/2007
2016 Notes	\$ 75	75	At 12/31/07: 3.64 %	3/1/2016
2020 Notes	75	75	At 12/31/07: 3.64 %	3/1/2020
	150	156		
Less: Due within one year	6	6		
	\$144	\$150		

The Notes may be tendered to the Authority by the holders on any adjustment date. The rate adjustment dates are March 1 and September 1. The Authority has entered into a revolving credit agreement (Agreement) with The Bank of Nova Scotia to provide a supporting line of credit. Under the Agreement, which terminates on September 1, 2015, the Authority may borrow up to \$150 million for the purpose of repaying, redeeming or purchasing the Notes. The Agreement provides for interest on outstanding borrowings (none outstanding at December 31, 2007 or 2006 under the previous revolving credit agreement) at either (i) the Federal Funds Rate plus a percentage, or (ii) a rate based on the London Interbank Offered Rate (LIBOR) plus a percentage. The Authority is confident that it will be able to renew or replace this Agreement as necessary. In accordance with the Adjustable Rate Tender Note Resolution, a Note Debt Service Reserve account has been established in the amount of \$20 million. See Note H for the Authority's risk management program relating to interest rates.

Subordinated Debt	2007 Amount	2006 Amount	Interest Rate At 12/31/07	Maturity
3. Subordinate Revenue Bonds				
Series 3	\$38	\$39	Auction Rate: 3.15%	02/15/2025
Series 4	37	39	Auction Rate: 3.30%	02/15/2025
	75	78		
Less: Due within one year	3	3		
	\$72	\$75		

Senior and Subordinate Revenue Bonds are subject to redemption prior to maturity in whole or in part as provided in the supplemental resolutions authorizing the issuance of each series of bonds, beginning for each series on the date indicated, at principal amount or at various redemption prices according to the date of redemption, together with accrued interest to the redemption date. Series 2003 A Revenue Bonds (2003 A Bonds) are subject to optional redemption on any date. The 2003 A Term Bonds are subject to sinking fund redemptions in specified amounts beginning four years prior to their respective maturities. Subordinate Revenue Bonds, Series 3 and 4, may be redeemed on any interest payment date.

At December 31, 2007 and 2006, the current market value of these bonds (both senior and subordinate revenue bonds) was approximately \$1.50 billion and \$1.26 billion, respectively. Market values were obtained from a third party that utilized a matrix-pricing model.

Subordinated Debt	Availability	2007	2006	Interest Rate At 12/31/07	Maturity
4. Commercial Paper (Long-term portion)					
EMCP (Series 1)	\$ 100	\$ 90	\$ 95	3.23%	2008 to 2025
CP (Series 2)	450	243	261	3.30%	2008 to 2015
CP (Series 3)	350	71	135	4.72%	2008 to 2017
CP (Series 4)	220				
	\$1,120	404	491		
Less: Due within one year		10	17		
		\$394	\$474		

Under the Extendible Municipal Commercial Paper (EMCP) Note Resolution, adopted December 17, 2002, and as subsequently amended and restated, the Authority may issue a series of notes, designated EMCP Notes, Series 1, maturing not more than 270 days from the date of issue, up to a maximum amount outstanding at any time of \$100 million (EMCP Notes).

The proceeds of the Series 2, 3, and 4 Commercial Paper Notes (CP Notes) were used to refund General Purpose Bonds and for other corporate purposes. The proceeds of the EMCP Notes issued in 2007 were used to refund Series 3 CP Notes. CP Notes and EMCP Notes have been used, and may in the future be used, for other corporate purposes. It is the Authority's intention to renew the Series 2 and 3 CP Notes and the EMCP Notes as they mature so that their ultimate maturity dates will range from 2008 to 2025, as indicated in the table above.

The Authority has a line of credit under a revolving credit agreement (the 2008 RCA) to provide liquidity support for the Series 1-3 CP Notes, with a syndicate of banks, providing \$775 million for such CP Notes until January 31, 2011, which succeeded another revolving credit agreement (the 2004 RCA) in January 2008. No borrowings have been made under the 2008 RCA or the 2004 RCA. The Authority has the option to extend the maturity of the EMCP Notes and would exercise such right in the event there is a failed remarketing. This option serves as a substitute for a liquidity facility for the EMCP Notes.

CP Notes and EMCP Notes are subordinate to the Series 1998 Revenue Bonds, the Series 2000 A Revenue Bonds, the Series 2001 A Revenue Bonds, the Series 2002 A Revenue Bonds, the Series 2003 A Revenue Bonds, the Series 2006 A Revenue Bonds, the Series 2007 A, B, and C Revenue Bonds and the Adjustable Rate Tender Notes.

Interest on the CP (Series 3) is taxable for Federal income tax purposes.

**Long-term Debt
Maturities and Interest Expense**

(in Millions)

Year	Principal	Interest	Total
2008	\$ 126	\$ 92	\$ 218
2009	115	86	201
2010	133	82	215
2011	113	77	190
2012	104	72	176
2013-2017	474	296	770
2018-2022	396	196	592
2023-2027	111	133	244
2028-2032	123	104	227
2033-2037	95	70	165
2038-2042	107	41	148
2043-2047	97	14	111
	1,994	1,263	3,257
Plus : Unamortized bond premium	34		34
Less: Deferred refinancing cost	9		9
	\$2,019	\$1,263	\$3,282

The interest rate used to calculate future interest expense on variable rate debt is the interest rate at December 31, 2007. The table above does not reflect redemptions subsequent to December 31, 2007.

Terms by Which Interest Rates Change for Variable Rate Debt:

Adjustable Rate Tender Notes

In accordance with the Adjustable Rate Tender Note Resolution adopted April 30, 1985 (Note Resolution), the Authority may designate a rate period of different duration, effective on any rate adjustment date. The Remarketing Agent appointed under the Note Resolution determines the rate for each rate period which, in the Agent's opinion, is the minimum rate necessary to remarket the Notes at par.

Subordinate Revenue Bonds

The Authority determines the rate period (or auction rate period) based on needs and/or advice of the Remarketing Agent (or the Auction Agent).

Series 3 and 4 Bonds - The Auction Agent appointed under the Subordinate Resolution determines the Auction Rate for each Auction Period based on the Auction Procedures set forth in the supplemental resolution authorizing the issuance of the Bonds.

CP Notes and EMCP Notes (Long-term portion)

The Authority determines the rate for each rate period which is the minimum rate necessary to remarket the Notes at par in the Dealer's opinion. If the Authority exercises its option to extend the maturity of the EMCP Notes, the reset rate will be $(1.35 \times \text{SIFMA}) + E$, where SIFMA is the Securities Industry and Financial Markets Association Municipal Swap Index, which is calculated weekly, and where "E" is a fixed percentage rate expressed in basis points (each basis point being 1/100 of one percent) that is determined based on the Authority's debt ratings. As of December 31, 2007, the reset rate would have been 5.79%.

Changes in Long-term Liabilities

(in Millions)

Changes in Long-term Debt	2007	2006	Changes in Other Long-term Liabilities	2007	2006
Long-term debt, beginning balance	\$1,752	\$1,941	Other long-term liabilities, beginning balance	\$1,704	\$1,798
Increases	800	347	Increases	380	152
Decreases	(533)	(396)	Decreases	(67)	(246)
	2,019	1,892			
Due within one year	126	140			
Long-term debt, ending balance	\$1,893	\$1,752	Other long-term liabilities, ending balance	\$2,017	\$1,704

Note G - Short-term Debt

CP Notes (short-term portion) outstanding was as follows:

<i>(in Millions)</i>	December 31, 2007		December 31, 2006	
	Availability	Outstanding	Availability	Outstanding
CP Notes (Series 1)	\$400	\$268	\$400	\$272

Under the Commercial Paper Note Resolution adopted June 28, 1994, as amended and restated on November 25, 1997, and as subsequently amended, the Authority may issue from time to time a separate series of notes maturing not more than 270 days from the date of issue, up to a maximum amount outstanding at any time of \$400 million (Series 1 CP Notes). See Note F - Long-term Debt for Series 2, 3 and 4 CP Notes and the EMCP Notes. The proceeds of the Series 1 CP Notes have been and shall be used to finance the Authority's current and future energy services programs and for other corporate purposes.

The changes in short-term debt are as follows:

(in Millions)

Year	Beginning Balance	Increases	Decreases	Ending Balance
2007	\$272	\$ 85	\$89	\$268
2006	\$218	\$104	\$50	\$272

CP Notes are subordinate to the Series 1998 Revenue Bonds, the Series 2000 A Revenue Bonds, the Series 2001 A Revenue Bonds, the Series 2002 A Revenue Bonds, the Series 2003 A Revenue Bonds, the Series 2006 A Revenue Bonds, the Series 2007 A,B, and C Revenue Bonds and the Adjustable Rate Tender Notes.

Note H - Risk Management and Hedging Activities

In addition to insurance, which is described in item (4) herein, another aspect of the Authority's risk management program is to manage the impacts of interest rate, energy and fuel market fluctuations on its earnings, cash flows and market values of assets and liabilities. To achieve its objectives the Authority's trustees have authorized the use of various interest rate, energy, and fuel hedging instruments that are considered derivatives under FAS No. 133. These standards establish accounting and reporting requirements for derivative instruments and hedging activities (see Note B (8)). The fair values of all Authority derivative instruments, as defined by FAS No. 133, are reported in Assets or Liabilities on the Balance Sheet.

(1) Interest Rate Risk Management

(a) Series 1998 B Revenue Bonds

In 1998, the Authority entered into forward interest rate swaps to fix rates on long-term obligations expected to be issued to refinance \$499.4 million of Series 1998 B Revenue Bonds required to be tendered in the years 2002 and 2001 (the 2002 SWAPS and 2001 SWAPS, respectively). Based upon the terms of these forward interest rate swaps, the Authority would pay interest calculated at fixed rates (4.7 percent to 5.1 percent) to the counterparties through February 15, 2015. In return, the counterparties would pay interest to the Authority based upon the SIFMA municipal swap index (SIFMA Index) on the established reset dates. In 2001, upon completion of the \$231.2 mandatory redemption of the Series 1998 B Revenue Bonds, the Authority terminated the 2001 SWAPS at a cost of \$12.7 million. Since the Authority anticipates the recovery of the swap termination cost from customers, the cost of terminating the 2001 SWAPS is being amortized as an adjustment to the hedged debt's interest cost over the shorter of the original Series 1998 B Revenue Bonds debt (hedged) period or the refinanced period.

On November 15, 2002 the Authority completed the remaining mandatory payment on the Series 1998 B Revenue Bonds from the proceeds of the issuance of Series 2 and Series 3 CP Notes. The 2002 SWAPS became active on November 15, 2002 and terminate on February 15, 2015. They are designated as a hedge on the interest cost of the Series 2 and Series 3 CP Notes that were issued to make the mandatory payments. During 2007 and 2006, net settlement payments on the 2002 SWAPS resulted in increases in interest costs of \$3.8 million and \$4.4 million, respectively. On December 31, 2007 and 2006, the fair values of the 2002 SWAPS were unrealized losses of \$16.1 million and \$14.7 million, respectively. Since the Authority anticipates the recovery from customers of any future settlement costs of the 2002 SWAPS, the unrealized losses have been deferred in Other Noncurrent Assets on the Balance Sheet.

(b) Adjustable Rate Tender Notes

On July 27, 2006 the Authority entered into a forward interest rate swap to continue with the objective of limiting exposure to rising interest rates on the Authority's Adjustable Rate Tender Notes (ART Notes) for the period September 1, 2006 to September 1, 2016 (ART Notes Swap). Based upon the terms of the forward interest rate swap, the Authority pays interest calculated at a fixed rate of 3.7585 percent on the initial notional amount of \$156 million. In return, the counterparty pays interest to the Authority based upon 67 percent of the six-month LIBOR established on the reset dates that coincide with the ART Notes rate reset dates. During 2007 and 2006, the net settlement payments on the ART Notes Swaps resulted in increases in interest cost of \$0.1 million and \$0.4 million, respectively. On December 31, 2007 and 2006, the fair values of the 2006 ART Notes Swap were unrealized losses of \$ 6.3 million and \$2.7 million, respectively. Since the Authority anticipates the recovery of these losses from customers these unrealized losses have been deferred in Other Noncurrent Assets on the Balance Sheet.

(c) 2007 Series B Revenue Bonds

On February 15, 2006, the Authority entered into a forward interest rate swap to effectively fix rates on long-term obligations anticipated to be issued in October of 2007 for the relicensing and modernization costs of the St. Lawrence/FDR and Niagara Power Projects. The forward interest swap had an initial notional amount of \$290 million to coincide with the then anticipated 2007 Series B Revenue Bond issuance and a commencement date of October 16, 2007 and ending date of November 15, 2037. The terms of the swap provided for early optional termination as well as for a mandatory termination on October 16, 2007. On October 10, 2007, the Authority priced the 2007 B Revenue Bonds and terminated the swap resulting in a net termination payment

of \$7.6 million from the counterparty. The termination calculation was based upon the Authority paying interest at a fixed rate of 5.1923 percent to the counterparty and the counterparty paying interest to the Authority based on three month USD-LIBOR. The termination proceeds are being amortized against interest cost over the life of the 2007 Series B Revenue Bond debt. On December 31, 2006 the fair value on the forward interest rate swap was an unrealized gain of \$3.0 million. Since the Authority anticipates that the proceeds from termination of the interest rate swap to pass-through as a benefit to customers, this unrealized gain has been deferred in Other Noncurrent Liabilities on the Balance Sheet.

Relating to items (1)(a) to (1)(c), if any of the underlying hedged debt were retired prior to maturity, the unamortized gain or loss of the related interest rate swaps would be included in the gain or loss on the extinguishment of the obligation.

(2) Energy Market Risk Management

(a) Customer Load Requirements

In 2001, the Authority entered into a long-term forward energy swap agreement to fix the cost of energy to meet certain long-term customer load requirements between 2004 and 2007. During 2007 and 2006, net settlements on this forward energy swap resulted in Purchased Power cost decreases of \$18.0 million and \$22.3 million, respectively. This forward energy swap terminated on December 31, 2007. On December 31, 2006, the fair value of this forward energy swap was an unrealized gain of \$16.7 million. Since the Authority anticipates the pass-through of any benefits to customers, these unrealized gains have been deferred in Other Noncurrent Liabilities on the Balance Sheets.

In 2003, the Authority entered into a long-term forward energy swap to fix the cost of energy to meet certain long-term customer load requirements between 2005 and 2008. During 2007 and 2006, net settlements on this forward energy swap resulted in Purchased Power cost decreases of \$13.2 million and \$10.9 million, respectively. On December 31, 2007 and 2006, the fair values of this forward energy swap were unrealized gains of \$18.5 million and \$28.6 million, respectively. Since the Authority anticipates the pass-through of any benefits to customers, these unrealized gains have been deferred in Other Noncurrent Liabilities on the Balance Sheets.

In 2005, the Authority entered into a long-term forward energy swap to fix the cost of energy to meet certain long-term customer load requirements between 2008 and 2010. On December 31, 2007 and 2006, the fair values of this forward energy swap were unrealized gains of \$29.0 million and \$13.1 million, respectively. Since the Authority anticipates the pass-through of any benefits to customers, these unrealized gains have been deferred in Other Noncurrent Liabilities on the Balance Sheets.

In 2006, the Authority entered into long-term forward energy swaps and purchase agreements based upon a portion of the generation of the counterparty's wind farm power generating facilities between 2008 and 2017. The fixed prices ranging from \$74 to \$75 per megawatt include the purchase of the related environmental attributes. The intent of the swap and purchase agreements is to assist specific governmental customers in acquiring such environmental attributes. On December 31, 2007 and 2006, the fair values of these forward energy swaps were unrealized losses of \$3.5 million and \$12.5 million, respectively. Since the customers are contractually obligated to pay the Authority for any net settlement costs resulting from these forward energy swaps the unrealized losses have been deferred in Other Noncurrent Assets on the Balance Sheet.

In 2007 and 2006, the Authority entered into a number of short-term energy swaps. The objective of these short-term energy swaps is to fix the price of purchases of energy in the New York Independent System Operator (NYISO) electric market to meet short-term forecasted load requirements for the Authority's Power for Jobs program. During 2007 and 2006, the net settlements of these short-term energy swaps resulted in an Purchased Power cost increases of \$0.4 million and \$22.0 million, respectively. On December 31, 2007 and 2006, the fair values of these short-term energy swaps were unrealized losses of \$0.3 million and \$1.2 million, respectively. Since the Authority anticipates recovery of any net settlement costs from customers, the unrealized losses have been deferred in Other Noncurrent Assets on the Balance Sheets.

Again in 2007 and 2006, the Authority entered into a number of additional short-term energy swaps. The objective of these short-term energy swaps was to either (a) fix the cost of energy purchases or (b) fix the margin between the prices of purchases and sales of energy in the NYISO electric market to the benefit of the Authority's NYC Governmental Customers. During 2007 and 2006, net settlements of these short-term energy purchases and sales swaps resulted in Purchased Power cost increases of \$22.3 million and \$37.4 million, respectively. On December 31, 2007 and 2006, the fair values of these short-term energy swaps were an unrealized gain of \$5.0 million and an unrealized loss of \$31.9 million, respectively. Since the Authority anticipates recovery of any net settlement costs from customers or the pass-through of any benefits to customers, these unrealized gains and losses have been deferred in Other Noncurrent Liabilities and Other Noncurrent Assets on the Balance Sheets.

In 2005, the Authority purchased a number of short-term energy options. The objective of these short-term energy options is to cap the price of purchases of energy in the NYISO electric market to meet short-term forecasted load requirements for the Authority's NYC Governmental Customers in 2006. During 2006 the Authority exercised a number of these short-term energy options that resulted in a decrease in Purchased Power costs of \$1.5 million. The premiums of \$7.2 million associated with the 2006 short-term energy options were amortized to Purchased Power costs during 2006.

(b) Generating Capacity

In 2006, the Authority entered into a number short-term energy swaps. The objective of these short-term energy swaps is to fix the price of purchases of energy in the NYISO electric market to meet short-term forecasted load requirements for operating the Authority's Lewiston Pump facility. During 2006, net settlements of these short-term energy swaps resulted in a Purchased Power increase of \$5.4 million. On December 31, 2007 and 2006, there were no open positions relating to the Lewiston Pump facility.

(3) Fuel Market Risk Management

In 2007 and 2006, the Authority purchased a number of natural gas swaps and NYMEX gas and oil futures contracts with the objective of limiting its exposure to the floating market price of natural gas required for electrical generation at its Poletti facilities. During 2007 and 2006, net settlements and liquidation of these natural gas swaps and gas and oil NYMEX futures contracts resulted in fuel cost increases of \$32.2 million and \$36.9 million, respectively. On December 31, 2007 and 2006, the fair values of these natural gas swaps and NYMEX gas and oil futures contracts were unrealized losses of \$5.1 million and \$29.4 million, respectively. Since the Authority anticipates recovery of any net settlements and liquidations of these natural gas swaps and NYMEX gas and oil futures contracts from customers, these unrealized losses have been deferred in Other Noncurrent Assets in the Balance Sheets.

In 2007 and 2006, the Authority entered into a number of natural gas basis swaps with the objective of limiting exposure to the floating market natural gas pipeline transportation costs to the New York City Gate. During 2007 and 2006, the net settlements of these natural gas basis swaps resulted in fuel cost increases of \$2.9 million and \$12.5 million, respectively. On December 31, 2007 and 2006, the fair values of these natural gas basis swaps were an unrealized gain of \$0.2 million and an unrealized loss of \$4.2 million, respectively. Since the Authority anticipates recovery of any net settlement costs

from customers or the pass-through of any benefits to customers, these unrealized gains and losses have been deferred in Other Noncurrent Liabilities and Other Noncurrent Assets in the Balance Sheets.

(4) Insurance

The Authority purchases insurance coverage for its operations, and in certain instances, is self-insured. Property insurance purchase protects the various real and personal property owned by the Authority and the property of others while in the care, custody and control of the Authority for which the Authority may be held liable. Liability insurance purchase protects the Authority from third-party liability related to its operations, including general liability, automobile, aircraft, marine and various bonds. The Authority self-insures a certain amount of its general liability coverage and the physical damage claims for its owned and leased vehicles. In addition, the Authority pursues subrogation claims against any entities that cause damage to its property.

Note I - Pension Plans, Other Postemployment Benefits, Deferred Compensation and Savings Plans

Pension Plans:

Substantially all employees of the Authority are members of the New York State and Local Employees Retirement System (System), which is a cost-sharing, multiple public employer defined benefit pension plan. Membership in and annual contributions to the System are required by the New York State Retirement and Social Security Law. The System offers plans and benefits related to years of service and final average salary, and, effective July 17, 1998, all benefits generally vest after five years of accredited service.

Members of the System with less than “10 years of service or 10 years of membership” contribute 3% of their gross salaries, and the Authority pays the balance of the annual contributions for these employees. The Authority pays the entire amount of the annual contributions for employees with at least 10 years of service. The Authority’s contributions to the System are paid in December of each year on the basis of the Authority’s estimated salaries for the System’s fiscal year ending the following March 31. Contributions are made in accordance with funding requirements determined by the actuary of the System using the aggregate cost method.

Current law requires, among other things, a minimum annual contribution by employers to the System. The objective of the law is to reduce the volatility of annual employer contributions by requiring employers to make a minimum contribution of 4.5% of gross salaries every year, including years in which investment performance by the fund would make a lower contribution possible. Under this plan, the Authority’s required contributions to the System were \$12.3 million, \$12.7 million, and \$15.3 million for the years ended March 31, 2008, 2007, and 2006, respectively (paid on or about December 15, 2007, 2006, and 2005). For detailed information concerning the System, reference is made to the State of New York Comprehensive Annual Financial Report of the Comptroller for the fiscal year ended March 31, 2007. In addition, the System issues a publicly available financial report that includes financial statements, expanded disclosures, and required supplementary information for the System. The report may be obtained by writing to the New York State and Local Retirement System, Office of the State Comptroller, 110 State Street, Albany, New York 12244-0001.

The Authority’s net Pension obligation as of December 31, 2007, 2006, and 2005 are as follows:

<i>(In Millions)</i>	2007	2006	2005
Annual required contribution	\$ 12	\$ 13	\$ 15
Contributions made to the System	(12)	(13)	(15)
Net pension obligation – end of year	\$ 0	\$ 0	\$ 0

Other Postemployment Benefits (OPEB):

The Authority provides certain health care and life insurance benefits for eligible retired employees and their dependents under a single employer non-contributory (except for certain optional life insurance coverage) health care plan. Employees and/or their dependents become eligible for these benefits when the employee has 10 years of service and retires or dies while working at the Authority. Approximately 1,900 participants were eligible to receive these benefits at December 31, 2007. The Authority applies GAS No. 45, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” Through 2006, OPEB provisions were financed on a pay-as-you-go basis and the plan was unfunded. In December 2006, the Authority’s Trustees authorized staff to initiate the establishment of a trust for OPEB obligations, with the trust fund to be held by an independent custodian. During 2007, the Authority partially funded its prior service OPEB obligation by contributing \$100 million to the trust fund. The Authority’s intention is to make additional contributions during 2008 so as to fund approximately seventy-five percent of its prior service OPEB obligation; and then to evaluate the performance of the trust fund before making decisions on additional actions.

The most current actuarial valuation date is January 1, 2006. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented, as required supplementary information, provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

<i>(In Millions)</i>	2007	2006	2005
Unfunded Actuarial Accrued Liability (UAAL):			
Beginning Balance	\$325	\$322	\$300
Medicare adjustment		24	
Discount rate change (6% to 7%)		(45)	
Adjusted beginning balance	325	301	300
Accrual	37	35	32
Payments to retirees during year	(12)	(11)	(10)
Payments to Trust Fund	(100)		
Ending Balance	\$250	\$325	\$322
Covered payroll	\$136	\$134	\$131
Ratio of UAAL to covered payroll	184%	243%	246%

In June 2006, GASB issued GASB Technical Bulletin No. 2006 -1, "Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D" (TB 2006 -1). Under TB 2006-1, payments from the Federal Government are accounted for as other revenue and are not used to offset current or future OPEB expenditures. The present value of the Authority's prior service OPEB obligation, as of January 1, 2006, of \$322 million, has been reduced by \$21 million to \$301 million. The \$21 million reduction includes the impact of an increase in the discount rate from 6% to 7% to reflect a higher estimated investment return after the establishment of the trust, partially offset by an increase to reflect TB 2006 -1. Additional changes result from a decrease in the assumed medical inflation rates and updated demographics and claims experience. The Authority's annual OPEB cost for the plan is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GAS No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years. The 2007, 2006 and 2005 OPEB provisions of \$37 million, \$35 million and \$32 million, respectively, include the amortization of the prior service obligation, a provision for active employees as of the beginning of the year, and an interest charge on the unfunded balance at year end. The Authority's net OPEB obligation as of December 31, 2007, 2006, and 2005 are as follows:

<i>(In Millions)</i>	2007	2006	2005
Annual required contribution	\$ 37	\$ 35	\$ 32
Contributions made (payment to retirees/trust fund)	(112)	(11)	(10)
Increase/(Decrease) in net OPEB obligation	(75)	24	22
Net OPEB obligation – beginning of year	113	89	67
Net OPEB obligation – end of year	\$ 38	\$ 113	\$ 89

The Authority does not issue a publicly available financial report for the plan.

Deferred Compensation and Savings Plans:

The Authority offers union employees and salaried employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. This plan permits participants to defer a portion of their salaries until future years. Amounts deferred under the plan are not available to employees or beneficiaries until termination, retirement, death or unforeseeable emergency.

The Authority also offers salaried employees a savings plan created in accordance with Internal Revenue Code, Section 401(k). This plan also permits participants to defer a portion of their salaries. The Authority matches contributions of employees, with a minimum of one year of service, up to limits specified in the plan. Such matching annual contributions for 2007 and 2006 totaled \$2.2 million and \$ 2.1 million respectively.

Independent trustees are responsible for the administration of the 457 and 401(k) plan assets under the direction of a committee of union representatives and non-union employees and a committee of non-union employees, respectively. Various investment options are offered to employees in each plan. Employees are responsible for making the investment decisions relating to their savings plans.

Note J - Petroleum Overcharge Restitution (POCR) Funds and Clean Air for Schools (CAS) Projects Funds

Legislation enacted into State law from 1995 to 2002 authorizes the Authority to utilize \$59.6 million in petroleum overcharge restitution (POCR) funds and \$0.6 million in other State funds (Other State Funds), to be made available to the Authority by the State pursuant to the legislation, for a variety of energy-related purposes, with certain funding limitations. The legislation also states that the Authority "shall transfer" equivalent amounts of money to the State prior to dates specified in the legislation. The use of POCR funds is subject to comprehensive Federal regulations and judicial orders, including restrictions on the type of projects that can be financed with POCR funds, the use of funds recovered from such projects and the use of interest and income generated by such funds and projects. Pursuant to the legislation, the Authority is utilizing POCR funds and the Other State Funds to implement various energy services programs that have received all necessary approvals.

The disbursements of the POCR funds and the Other State Funds to the Authority, and the Authority's transfers to the State totaling \$60.2 million to date, took place annually from 1996 to 2003. The POCR funds are included in restricted funds in the Balance Sheet. The funds are held in a separate escrow account until they are utilized. In April 2007, legislation was enacted into New York law authorizing the transfer of an additional \$0.7 million in POCR funds to the Authority and the transfer by the Authority of a like amount of monies to the State. These transfers were completed in 2007.

The New York State Clean Water/Clean Air Bond Act of 1996 made available \$125 million for Clean Air for Schools Projects (CAS Projects) for elementary, middle and secondary schools, with the Authority authorized to undertake implementation of the CAS Projects program. The CAS Projects are designed to improve air quality for schools and include, but are not limited to, projects that replace coal -fired furnaces and heating systems with furnaces and systems fueled with oil or gas. The Authority anticipates that the funding for the projects will allow the conversion of 80 schools, of which 76 have been completed. The conversion program is scheduled to be completed in 2008. CAS Projects funds totaling \$125 million to date were transferred to the Authority and held in an escrow account for the CAS Projects program.

Note K - NYISO

Pursuant to FERC Order No. 888, the New York investor -owned electric utilities (the IOUs), a subsidiary of the Long Island Power Authority (doing business as "LIPA" hereafter referred to as "LIPA") and the Authority, and certain other entities, established two not -for-profit organizations, the New York Independent System Operator (NYISO) and the New York State Reliability Council (Reliability Council). The mission of the NYISO is to assure the reliable, safe and efficient operation of the State's major transmission system, to provide open -access non-discriminatory transmission services and to administer an open, competitive and non-discriminatory wholesale market for electricity in the State. The mission of the Reliability Council is to promote and preserve the reliability of electric service on the NYISO's system by developing, maintaining, and from time to time, updating the reliability rules relating to the transmission system. The Authority, the current IOUs and LIPA are members of both the NYISO and the Reliability Council.

The NYISO is responsible for scheduling the use of the bulk transmission system in the State, which normally includes all the Authority's transmission facilities, and for collecting ancillary services, losses and congestion fees from transmission customers. Each IOU and the Authority retains ownership, and is responsible for maintenance, of its respective transmission lines. All customers of the NYISO pay fees to the NYISO. Each customer also pays a separate fee for the benefit of the Authority that is designed to assure that the Authority will recover its entire transmission revenue requirement.

The Authority dispatches power from its generating facilities in conjunction with the NYISO. The NYISO coordinates the reliable dispatch of power and operates a market for the sale of electricity and ancillary services within the State. The NYISO surveys the capacity of generating installations serving the State (installed capacity) and the load requirements of the electricity servers and provides an auction market for generators to sell installed capacity. The NYISO also administers day-ahead and hourly markets whereby generators bid to serve the announced requirements of the local suppliers of energy and ancillary services to retail customers. The Authority participates in these markets as both a buyer and a seller of electricity and ancillary services. A significant feature of the energy markets is that prices are determined on a location-specific basis, taking into account local generating bids submitted and the effect of transmission congestion between regions of the State. The NYISO collects charges associated with the use of the transmission facilities and the sale of power and services bid through the markets that it operates. It remits those proceeds to the owners of the facilities in accordance with its tariff and to the sellers of the electricity and services in accordance with their respective bids.

Because of NYISO requirements, the Authority is required to bid into the NYISO day-ahead market (DAM) virtually all of the installed capacity output of its units. The NYISO then decides which Authority units will be dispatched, if any, and how much of such units' generation will be dispatched. The dispatch of a particular unit's generation depends upon the bid prices for the unit submitted by the Authority and whether the unit is needed by the NYISO to meet expected demand. If an Authority unit is dispatched by the NYISO, the Authority receives a fixed price (the Market Clearing Price), based on NYISO pricing methodology, for the energy dispatched above that needed to meet Authority contractual load (the Excess Energy). For the energy needed to meet Authority contractual load (the Contract Energy), the Authority receives the price in its contracts with its customers (the Contract Price).

This procedure has provided the Authority with economic benefits from its units' operation when selected by the NYISO and may continue to do so in the future. However, such bids also obligate the Authority to supply the energy in question during a specified time period, which does not exceed two days (the Short Term Period), if the unit is selected. If a forced outage occurs at the Authority plant that is to supply such energy, then the Authority is obligated to pay during the Short Term Period (1) in regard to the Excess Energy amount, the difference between the price of energy in the NYISO hourly market and the Market Clearing price in the day-ahead market, and (2) in regard to the Contract Energy amount, the price of energy in the NYISO hourly market, which is offset by amounts received based on the Contract Price. This hourly market price is subject to more volatility than the day-ahead market price. The risk attendant with this outage situation is that, under certain circumstances, the Market Clearing Price in the day-ahead market and the Contract Price may be well below the price in the NYISO hourly market, with the Authority required to pay the difference. In times of maximum energy usage, this cost could be substantial. This outage cost risk is primarily of concern to the Authority in the case of its Poletti plant and its 500 -MW plant (discussed in Note M(6)) because of their size, nature and location.

In addition to the risk associated with the Authority bidding into the day-ahead market, the Authority could incur substantial costs, in times of maximum energy usage, by purchasing replacement energy for its customers in the NYISO day-ahead market or through other supply arrangements to make up for lost energy due to an extended outage of its units or failure of its energy suppliers to meet their contractual obligations. As part of an ongoing risk mitigation program, the Authority investigates financial hedging techniques to cover, among other things, future maximum energy usage periods.

Note L - Nuclear Plant Divestiture and Related Matters

(1) Nuclear Plant Divestiture

On November 21, 2000 (Closing Date), the Authority sold its nuclear plants (Indian Point 3 [IP3] and James A. FitzPatrick [JAF]) to two subsidiaries of Entergy Corporation (collectively Entergy or the Entergy Subsidiaries) for cash and non-interest bearing notes totaling \$967 million (subsequently reduced by closing adjustments to \$956 million) maturing over a 15-year period. The present value of these payments recorded on the Closing Date, utilizing a discount rate of 7.5%, was \$680 million.

As of December 31, 2007 and 2006, the present value of the notes receivable were:

<i>(in Millions)</i>	2007	2006
Notes receivable - nuclear plant sale	\$118	\$189
Less: Due within one year	11	71
	\$107	\$118

As a result of competitive bidding, the Authority has agreed to purchase energy from Entergy's IP3 and IP2 nuclear power plants in the total amount of 500 MW during the period 2005 to 2008.

On September 6, 2001, a subsidiary of Entergy Corporation completed the purchase of Indian Point 1 and 2 (IP1 and IP2) nuclear power plants from Consolidated Edison Company of New York Inc. Under an agreement between the Authority and Entergy, which was entered into in connection with the sale of the Authority's nuclear plants to Entergy, the acquisition of the IP2 nuclear plant by a subsidiary of Entergy resulted in the Entergy subsidiary which now owns IP3 being obligated to pay the Authority \$10 million per year for 10 years beginning September 6, 2003, subject to certain termination and payment reduction provisions upon the occurrence of certain events, including the sale of IP3 or IP2 to another entity and the permanent retirement of IP2 or IP3. The September 6, 2007 and 2006 payments were received and are included in Other Income.

As part of the Authority's sale of its nuclear projects to Entergy Subsidiaries in November 2000, the Authority entered into two Value Sharing Agreements (VSAs) with them. In essence, these contracts provide that the Entergy Subsidiaries will share a certain percentage of all revenues they receive from power sales in excess of specific projected power prices for a ten-year period (2005-2014). During 2006 and 2007, disputes arose concerning the calculation of the amounts due the Authority for 2005 and 2006, respectively. In October 2007, the parties reached an agreement resolving these disputes and amending the VSAs. In essence, these amended VSAs provide for the Entergy Subsidiaries to pay the Authority a set price (\$6.59 per MWh for IP3 and \$3.91 per MWh for JAF) for all MWhs metered from each plant between 2007 and 2014, with the Authority being entitled to receive annual payments up to a maximum of \$72 million. In all other material respects, the terms of the amended and original VSAs are substantially similar. The payments, related to the calendar years ending after December 31, 2008, are subject to continued ownership of the facilities by the Entergy Subsidiaries or affiliates. Payments totaling \$72 million have been accrued by the Authority and are reflected in Other Income in the Authority's Statements of Revenues, Expenses, and Changes in Net Assets.

(2) Nuclear Fuel Disposal

In accordance with the Nuclear Waste Policy Act of 1982, in June 1983, the Authority entered into a contract with the U.S. Department of Energy (DOE) under which DOE, commencing not later than January 31, 1998, would accept and dispose of spent nuclear fuel. In conjunction with the sale of the nuclear plants, the Authority's contract with the DOE was assigned to Entergy. The Authority remains liable to Entergy for the pre-1983 spent fuel obligation and retains the funds collected from customers to cover such fee. As of December 31, 2007, the liability to Entergy totaled \$211 million. The Authority retained its pre-closing claim against DOE under the DOE standard contract for failure to accept spent fuel on a timely basis.

(3) Nuclear Plant Decommissioning

The Decommissioning Agreements with each of the Entergy Subsidiaries deal with the decommissioning funds (the Decommissioning Funds) currently maintained by the Authority under a master decommissioning trust agreement (the Trust Agreement). Under the Decommissioning Agreements, the Authority will make no further contributions to the Decommissioning Funds.

The Authority will retain contractual decommissioning liability until license expiration, a change in the tax status of the fund, or any early dismantlement of the plant, at which time the Authority will have the option of terminating its decommissioning responsibility and transferring the plant's fund to the Entergy Subsidiary owning the plant. At that time, the Authority will be entitled to be paid an amount equal to the excess of the amount in the Fund over the Inflation Adjusted Cost Amount, described below, if any. The Authority's decommissioning responsibility is limited to the lesser of the Inflation Adjusted Cost Amount or the amount of the plant's Fund.

The Inflation Adjusted Cost Amount for a plant means a fixed estimated decommissioning cost amount adjusted in accordance with the effect of increases and decreases in the U.S. Nuclear Regulatory Commission (NRC) minimum cost estimate amounts applicable to the plant.

Certain provisions of the Decommissioning Agreements provide that if the relevant Entergy Subsidiary purchases, or operates, with the right to decommission, another plant at the IP3 site, then the Inflation Adjusted Cost Amount would decrease by \$50 million. In September 2001, a subsidiary of Entergy purchased the Indian Point 1 and Indian Point 2 plants adjacent to IP3.

If the license for IP3 or JAF is extended, an amount equal to \$2.5 million per year, for a maximum of 20 years, would be paid to the Authority by the relevant Entergy Subsidiary for each year of life extension. In August 2006 and April 2007, the NRC received license renewal applications (for an additional 20 years) for JAF and IP3, respectively. The current licenses for JAF and IP3 expire in 2014 and 2015, respectively.

Decommissioning Funds of \$979 million and \$923 million are included in Restricted Funds and Other Noncurrent Liabilities in the Balance Sheets at December 31, 2007 and 2006, respectively.

If the Authority is required to decommission IP3 or JAF pursuant to the relevant Decommissioning Agreement, an affiliate of the Entergy Subsidiaries, Entergy Nuclear, Inc. would be obligated to enter into a fixed price contract with the Authority to decommission the plant, the price being equal to the lower of the Inflation Adjusted Cost Amount or the plant's Fund amount.

Note M - Commitments and Contingencies

(1) Competition

The Authority's mission is to provide clean, economical and reliable energy consistent with its commitment to safety, while promoting energy efficiency and innovation, for the benefit of its customers and all New Yorkers. The Authority's financial performance goal is to have the resources necessary to achieve its mission, to maximize opportunities to serve its customers better and to preserve its strong credit rating.

To maintain its position as a low cost provider of power in a changing environment, the Authority has undertaken and continues to carry out a multifaceted program, including:

- (a) the upgrade and relicensing of the Niagara and St. Lawrence -FDR projects;
- (b) long-term supplemental electricity supply agreements with its eleven NYC Governmental Customers;
- (c) construction of a 500-megawatt (MW) combined-cycle electric generating plant at the Authority's Poletti plant site (500-MW plant);
- (d) a significant reduction of outstanding debt; and
- (e) implementation of an energy and fuel risk management program.

The Authority's restructuring of its long-term debt through open-market purchases and refundings, begun prior to the adoption of the Bond Resolution, has resulted in, and is expected to continue to result in, cost savings and increased financial flexibility. Since December 31, 1997, the Authority has reduced its total debt by \$0.6 billion, or 20%, resulting in the reduction of its debt/equity ratio from 1.81 to 1.01, which is the Authority's lowest debt/equity ratio since it implemented proprietary accounting in 1982. During 2007, long-term debt, net of current maturities, increased by \$141 million, or 8%, primarily due to debt issuance (\$602 million) partially offset by its use to refinance debt (\$370 million) and scheduled maturities (i.e., reclassifications to long-term debt due within one year of \$116 million). The Authority expects to continue debt retirements in the future to the extent funds are available and not needed for the Authority's expenses, reserves, or other purposes.

The Authority can give no assurance that even with these measures it will not lose customers in the future as a result of the restructuring of the State's electric utility industry and the emergence of new competitors or increased competition from existing participants. In addition, the Authority's ability to market its power and energy on a competitive basis is limited by provisions of the Act that restrict the marketing of Poletti and the 500-MW plant outputs, restrictions under State and Federal law as to the sale and pricing of a large portion of the output from the Niagara and St. Lawrence-FDR projects, and restrictions on marketing arising from Federal tax laws and regulations.

(2) Governmental Customers in the New York City Metropolitan Area

In 2005, the Authority and its eleven NYC Governmental Customers, including the Metropolitan Transportation Authority, The City of New York, the Port Authority of New York and New Jersey (Port Authority), the New York City Housing Authority, and the New York State Office of General Services, entered into long-term supplemental electricity supply agreements (Agreements). Under the Agreements, the NYC Governmental Customers agreed to purchase their electricity from the Authority through December 31, 2017, with the NYC Governmental Customers having the right to terminate service from the Authority at any time on three years' notice and, under certain limited conditions, on one year's notice, provided that they compensate the Authority for any above-market costs associated with certain of the resources used to supply the NYC Governmental Customers. Beginning in 2005, the Authority implemented a new annual price setting process under which the NYC Governmental Customers request the Authority to provide indicative electricity prices for the following year reflecting market-risk hedging options designated by the NYC Governmental Customers. Under the Agreements, such market-risk hedging options include a full cost pass-through arrangement relating to fuel, purchased power, and NYISO-related costs, including such an arrangement with some cost hedging.

Under the Agreements, the Authority will modify rates annually through a formal rate case where there is a change in fixed costs to serve the NYC Governmental Customers. Except for the minimum volatility price option, changes in variable costs, which include fuel and purchased power, will be captured through contractual pricing adjustment mechanisms. Under these mechanisms, actual and projected variable costs are reconciled and all or a portion of the variance is either charged or credited to the NYC Governmental Customers.

For 2007, the NYC Governmental Customers selected an "Energy Charge Adjustment with Hedging" cost recovery mechanism under which all Variable Costs are passed on to them. Under the Agreement, the ECA mechanism, once elected, applies for two consecutive years. Thus, an ECA will also apply during calendar year 2008. The Authority incorporated the Trustee-approved Fixed Costs, the Variable Costs determined under the Agreement's rate-setting process and the ECA set forth in the Agreement, into new rates effective for 2007 billings. Since an ECA mechanism was in effect for 2007, Authority invoices included an addition or subtraction each month that reflected changes in the cost of energy as described in the Agreement.

With the customers' guidance and approval, the Authority will continue to offer up to \$100 million annually in financing for energy efficiency projects and initiatives at governmental customers' facilities, with the costs of such projects to be recovered from such customers.

The NYC Governmental Customers are committed to pay for any supply secured for them by the Authority which results from a collaborative effort. At their November 2006 meeting, the Authority's Trustees authorized entering into negotiations for the execution of long-term supply agreements with Hudson Transmission Partners, LLC (Hudson) and FPL Energy, LLC (FPLE), as the winning bidders in response to the Authority's Request for Proposals (RFP) for Long-Term Supply of In-City Unforced Capacity and Optional Energy issued in March 2005. These supply agreements are intended to serve the long-term requirements of the NYC Governmental Customers under the Agreements.

The Authority would secure these long-term supplies through the transmission rights associated with Hudson's proposed transmission line extending from Bergen County, New Jersey, to Con Edison's West 49 Street substation and the Unforced Capacity associated with FPLE ownership of capacity produced at the existing Red Oak combined cycle power plant in Sayreville, New Jersey. In accordance with the bidders' proposals, the purchases would qualify as 500 MW of locational capacity in New York City, and facilitate the purchase of energy from the neighboring PJM Interconnection for resale into New York City. Subject to reaching final negotiated contract terms and the approval thereof by the NYC Governmental Customers, the costs associated with the contracts will be borne by the customers. Based on an impact study completed in June 2007, PJM Interconnection notified Hudson that it would be responsible for substantial interconnection and system upgrade costs in order to obtain the firm transmission withdrawal rights for the Bergen, New Jersey substation it had requested. Thereafter, Hudson agreed to sponsor the facilities study relating to such interconnection and upgrade facilities.

In November 2007, the Authority issued a non-binding request for proposals for up to 500 MW of In-City Unforced Capacity and Optional Energy to serve the needs of its NYC Governmental Customers as early as the summer of 2010. The schedule provides for bids to be filed by December 20, 2007 (a number of bids were filed), and a decision to be made by April 2008, subject to approval by the Authority's Trustees.

The Authority's other SENY Governmental Customers are Westchester County and numerous municipalities, school districts, and other public agencies located in Westchester County (collectively, the "Westchester Governmental Customers"). Effective January 1, 2007, the Authority entered into a new supplemental electricity supply agreement with Westchester County (County). Among other things, under the agreement, the County will remain a full requirements customer of the Authority through at least December 31, 2008 and an energy charge adjustment mechanism will be applicable. As of December 31, 2007, 100 out of 104 Westchester Governmental Customers had executed the new supplemental agreement and the Authority expects that all of the other Westchester Governmental Customers will execute this form of agreement with the Authority in the first quarter of 2008.

(3) Power for Jobs

In 1997, 1998, 2000, and 2002, legislation was enacted into New York law which authorized the PFJ Program to make available low-cost electric power to businesses, small businesses, and not-for-profit organizations. Under the PFJ Program, the New York State Economic Development Power Allocation Board (EDPAB) recommends for Authority approval allocations to eligible recipients of power from power purchased by the Authority through a competitive procurement process and power from other sources. Under the 2000 legislation, the Authority is authorized to provide power through an alternate method to the competitive procurement process if the cost of the power through the alternate method is lower than the cost of power available through a competitive procurement process, provided that the use of power from Authority sources does not reduce the availability of, or cause an increase in the price of, power provided by the Authority for any other PFJ Program. If the Authority decides to not make power available to an entity whose allocation has been recommended by EDPAB, the Authority must explain the reasons for such denial. The PFJ Program power is sold to the local utilities of the eligible recipients pursuant to sale for resale agreements at rates which are based on the cost of the competitive procurement (or alternative acquisition) power plus a charge for the transmission of such power.

In 2004, legislation was enacted into New York law which amended the PFJ Program in regard to contracts of certain PFJ Program customers. Under the amendment, certain customer contracts terminating in 2004 and 2005 could be extended by the affected customer, or the customer could opt for "Power for Jobs electricity savings reimbursements" (PFJ Rebates) from termination until December 31, 2005. Generally, the amount of such PFJ Reimbursements for a particular customer is based on a comparison of the current cost of electricity to such customer with the cost of electricity under the prior Power for Jobs contract during a comparable period. Annually from 2005 to 2007, provisions of the approved State budgets extended the PFJ Program, currently through June 30, 2008. As of December 31, 2007, 322 PFJ Program customers have opted to extend their contracts and 172 PFJ Program customers have opted to receive PFJ Rebates. The Authority approved PFJ Reimbursements payments of \$42 million and \$37 million for 2007 and 2006, respectively. (See Note M (8), "New York State Budget Matters and Other Issues" for related information on voluntary contributions to the State.)

Two Authority PFJ customers initiated an Article 78 proceeding challenging the Authority's implementation of Chapter 645 of the Laws of 2006, signed by the Governor on August 16, 2006. The Authority was served on February 8, 2007. The petition alleged three Authority misinterpretations of the new law: (a) the Authority limited the restitution benefits provided by the new law only to PFJ customers who chose to continue with the standard PFJ contracts; (b) the Authority refuses to pay those restitution benefits until late 2007; and (c) the Authority computes the rebates available to petitioners who now elect the PFJ Rebates option (in lieu of the standard contract) based on 2006 rates rather than 2003 and 2005 rates. The petition did not quantify the damages it sought but asked the court to order an inquest to determine the amount. In its responsive papers served on February 23, 2007, the Authority maintained that its implementation of the new legislation is lawful and appropriate in all respects. By decision dated April 26, 2007, the Court dismissed the petition and ruled in favor of the Authority. The petitioners appealed this decision to the Appellate Division, Third Department, briefing and oral argument have been completed, and a decision from that court is expected within several months after oral argument that was held on January 14, 2008. The Authority is unable to predict the outcome of this matter but the Authority believes it has meritorious defenses and positions with respect thereto.

(4) Legal and Related Matters

a. In 1982 and again in 1989, several groups of Mohawk Indians, including a Canadian Mohawk tribe, filed lawsuits against the State, the Governor of the State, St. Lawrence and Franklin counties, the St. Lawrence Seaway Development Corporation, the Authority and others, claiming ownership to certain lands in St. Lawrence and Franklin counties and to Barnhart, Long Sault and Croil islands (St. Regis litigation). These islands are within the boundary of the Authority's St. Lawrence-FDR Project and Barnhart Island is the location of significant Project facilities. Settlement discussions were held periodically between 1992 and 1998. In 1998, the Federal government intervened on behalf of all Mohawk Indians.

On May 30, 2001, the United States District Court (the Court) denied, with one minor exception, the defendants' motion to dismiss the land claims. However, the Court barred the Federal government and one of the tribal plaintiffs, the American Tribe of Mohawk Indians from relitigating a claim to 144 acres on the mainland which had been lost in the 1930s by the Federal government. The Court rejected the State's broader defenses, allowing all plaintiffs to assert challenges to the islands and other mainland conveyances in the 1800s, which involved thousands of acres.

On August 3, 2001, the Federal government sought to amend its complaint in the consolidated cases to name only the State and the Authority as defendants. The State and the Authority advised the Court that they would not oppose the motion but reserved their right to challenge, at a future date, various forms of relief requested by the Federal government.

The Court granted the Federal government's motion to file an amended complaint. The tribal plaintiffs still retain their request to evict all defendants, including the private landowners. Both the State and the Authority answered the amended complaint. In April 2002, the tribal plaintiffs moved to strike certain affirmative defenses and, joined by the Federal government, moved to dismiss certain defense counterclaims. The defendants filed their opposition papers in September 2002. In an opinion, dated July 28, 2003, the Court left intact most of the Authority's defenses and all of its counterclaims.

Thereafter, settlement discussions produced a land claim settlement, which if implemented would include, among other things, the payment by the Authority of \$2 million a year for 35 years to the tribal plaintiffs, the provision of up to 9 MW of low cost Authority power for use on the reservation, the transfer of two Authority-owned islands; Long Sault and Croil, and a 215-acre parcel on Massena Point to the tribal plaintiffs, and the tribal plaintiffs withdrawing any judicial challenges to the Authority's new license, as well as any claims to annual fees from the St. Lawrence-FDR project. Members of all three tribal entities voted to approve the settlement, which was executed by them, the Governor, and the Authority on February 1, 2005. The settlement would also require, among other things, Federal and State legislation to become effective. Litigation in the case had been stayed to permit time for passage of such legislation and thereafter to await decision of appeals in two relevant New York land claim litigations (Cayuga and Oneida) to which the Authority is not a party.

The legislation was never enacted and once the Cayuga and Oneida appellate decisions were issued in 2005 and 2006, respectively, efforts to obtain legislative approval for the settlement ceased. Because the recently issued appellate decisions dismissed land claims by the Cayugas and Oneidas based on the lengthy delay in asserting such claims (i.e., the defense of laches), on November 26, 2006, the defense in the instant St. Regis litigation moved to dismiss the three Mohawk complaints as well as the United States' complaint on similar delay grounds. The Mohawks and the Federal government filed papers opposing those motions in July 2007. The defendants filed reply papers December 5, 2007, and plaintiffs filed surreply papers on January 11, 2008.

The Authority had previously accrued an estimated liability based upon the provisions of the settlement described above. This liability is reflected in the Balance Sheet as of December 31, 2007.

The Authority is unable to predict the outcome of the matters described above, but believes that the Authority has meritorious defenses or positions with respect thereto. However, adverse decisions of a certain type in the matters discussed above could adversely affect Authority operations and revenues.

b. A customer of the Authority, the City of New York (City), recently reached a settlement with Consolidated Edison Company of New York, Inc. (Con Edison) for delivery overcharges and interest stemming from Con Edison's inaccurate register of the City's street lighting usage. The register failed to reflect certain energy efficient upgrades the City made beginning in the 1990s and ending in 2003. The City has taken the position that the Authority, due to Con Edison's inaccurate register, overcharged the City and estimates that such overcharges could approximate \$6 to \$7 million in increased delivery and production charges. The Authority has not yet performed an analysis of this claim or made an estimate of its maximum potential liability. In July 2007, the Authority entered into a tolling agreement with the City that allows the Authority time to review the City's claim.

c. In addition to the matters described above, other actions or claims against the Authority are pending for the taking of property in connection with its projects, for negligence, for personal injury (including asbestos-related injuries), in contract, and for environmental, employment and other matters. All of such other actions or claims will, in the opinion of the Authority, be disposed of within the amounts of the Authority's insurance coverage, where applicable, or the amount which the Authority has available therefore and without any material adverse effect on the business of the Authority.

(5) Construction Contracts and Net Operating Leases

Estimated costs to be incurred on outstanding contracts in connection with the Authority's construction programs aggregated approximately \$ 123 million at December 31, 2007.

Non-cancelable operating leases primarily include leases on real property (office and warehousing facilities and land) utilized in the Authority's operations. Commitments under non-cancelable operating leases are as follows:

<i>(in Millions)</i>	Total	2008	2009	2010	2011
Gross Operating Leases	\$10.3	\$7.1	\$1.9	\$1.2	\$0.1
Less: Subleases/Assignments	8.5	6.5	1.5	0.5	-
Net Operating Leases	\$ 1.8	\$0.6	\$0.4	\$0.7	\$0.1

Subleases/assignments resulted primarily from consolidation of Authority headquarters' offices and assignment of a certain office lease to an Entergy subsidiary.

(6) Small, Clean Power Plants and 500-MW Plant

To meet capacity deficiencies and on going local requirements in the New York City metropolitan area, which could also adversely affect the statewide electric pool, the Authority placed in operation, in the Summer of 2001, the Small, Clean Power Plants (SCPPs), consisting of eleven natural -gas-fueled combustion-turbine electric units, each having a nameplate rating of 47 MW at six sites in New York City and one site in the service region of LIPA.

As a result of the settlement of litigation relating to certain of the SCPPs, the Authority has a greed under the settlement agreement to cease operations at one of the SCPP sites, which houses two units, as early as the commercial operation date of either the 500 -MW plant (December 31, 2005) or another specified plant being constructed in the New York City area, if the Mayor of New York City directs such cessation. No such cessation has occurred.

To serve its New York City governmental load and to comply with the NYISO in -City capacity requirement in the New York City area, the Authority has constructed a 500-MW combined-cycle natural-gas-and-distillate-fueled power plant at the Poletti site (the 500-MW plant) as the most cost-effective means of effectuating such compliance. The 500 -MW plant is centered around two combustion turbines, each exhausting to a dedicated heat recovery steam generator, and also includes a steam turbine, and an air-cooled condenser. At a cost of approximately \$745 million, the Authority's 500-MW plant began commercial operation on December 31, 2005.

In June 2007, the Authority awarded a long-term service agreement (LTSA) for the 500-MW plant with a term of up to 15 years and at a cost of up to \$105 million. The LTSA will cover scheduled major maintenance, including parts and labor; contingencies for escalation of materials and labor; and potential extra work.

In connection with the licensing of the 500-MW plant, the Authority has entered into an agreement which will require the closure of the Authority's existing Poletti Project in 2010. The agreement also imposes restrictions on the Authority's fuel oil use at the existing Poletti Project and limitations on the overall amount of potential generation that could be generated from the existing Poletti Project each year.

In October 2006, the Authority filed a complaint, in the Supreme Court, Albany County, against General Electric (GE) and five of its subcontractors in connection with the construction of the Authority's 500 -MW plant. This action sought to recover damages due to delays and cost overruns attributable to inadequate engineering and design services, and defective equipment provided by GE and its subcontractors. GE has asserted that it will seek recovery of damages it incurred due to delays in construction caused by the Authority. In December 2007, the Authority and GE resolved all current claims related to the 500-MW plant.

(7) Sound Cable Repair

The Iroquois Gas Transmission System, L.P. (Iroquois) contracted with Horizon Offshore Contractors, Inc. (Horizon) for the construction of a 24 -inch diameter gas pipeline between Northport, Long Island, and Hunts Point, New York. It appears that on February 27, 2003, while working on the project, a barge owned by Horizon damaged one of the four underwater lines of the Authority's Sound Cable (the Cable) by dragging an anchor of the barge over the Cable line. The damaged portion of the Cable was located about two miles from New Rochelle, New York, in about 90 feet of water.

Under the terms of the Authority's contract with LIPA, the Authority was obligated to repair the Cable. The repair has been completed. The total costs of repair were \$17.8 million. The Authority relied on the indemnification provisions of the contract with Iroquois to seek compensation from Iroquois and also sought compensation from Horizon and other Iroquois contractors and subcontractors and their insurers. In addition, the Authority has insurance coverage in the amount of \$10 million, all of which was paid to the Authority to help cover the costs of repair.

In July 2007, a settlement satisfactory to the Authority was reached resolving all issues in volving LIPA, the Authority, and its insurer. In accord with that agreement, the Authority was paid \$7.3 million, which when added to the \$10 million it had already received from its insurer, and other cost reimbursements, will approximate the costs incurred by the Authority to complete the repair of the damaged cable.

(8) New York State Budget Matters and Other Issues

a. Section 1011

Section 1011 of the Power Authority Act (Act) constitutes a pledge of the State to holders of Authority obligations not to limit or alter the rights vested in the Authority by the Act until such obligations together with the interest thereon are fully met and discharged or unless adequate provision is made by law for the protection of the holders thereof. Several bills have been introduced into the State Legislature, some of which propose to limit or restrict the powers, rights and exemption from regulation which the Authority currently possesses under the Act and other applicable law or otherwise would affect the Authority's financial condition or its ability to conduct its business, activities, or operations, in the manner presently conducted or contemplated by the Authority. It is not possible to predict whether any of such bills or other bills of a similar type which may be introduced in the future will be enacted.

In addition, from time to time, legislation is enacted into New York law which purports to impose financial and other obligations on the Authority, either individually or along with other public authorities or governmental entities. The applicability of such provisions to the Authority would depend upon, among other things, the nature of the obligations imposed and the applicability of the pledge of the State set forth in Section 1011 of the Act to such provisions. There can be no assurance that in the case of each such provision, the Authority will be immune from the financial obligations imposed by such provision.

b. Budget / Power for Jobs

Legislation enacted into law, as part of the 2000 -2001 State budget, as amended up to the present time, provides that the Authority "as deemed feasible and advisable by the Trustees, is authorized to make certain annual "voluntary contributions" into the "state treasury to the credit of the general fund," up to a maximum amount of \$424 million in connection with PFJ Program.

In recent years, annual extensions of the PFJ Program have been signed into law. The most recent in June 2007 (1) extends the PFJ Program, including the PFJ Rebate provisions, to June 30, 2008; (2) authorizes the Authority to make an additional voluntary contribution of \$ 30 million for the State Fiscal year 2007-2008 with the aggregate amount of such contributions increasing to \$424 million; (3) authorizes certain customers that had elected to be served by PFJ contract extensions to elect to receive PFJ Rebates instead; and (4) requires the Authority to make payments to certain customers to reimburse them with regard to PFJ Program electric prices that are in excess of the electric prices of the applicable local electric utility.

As of the December 31, 2007, the Authority had made voluntary contributions to the State totaling \$ 394 million which includes \$175 million transferred in December 2007, representing the voluntary contributions associated with State Fiscal Years 2005-06 and 2006-07. The Authority's Trustees have, as of the date hereof, authorized additional voluntary contributions of \$30 million to be paid by March 31, 2008. The financial statements for the year ended December 31, 2007 reflect an accrued liability and charge against net revenues determined on that basis.

Prior to making any voluntary payment to the State, in accordance with the Authority's general bond resolution, the Authority must determine that the moneys applied to such voluntary payment are not needed for the payment of certain expenses, debt service payments or the funding of certain reserves specified in the general bond resolution.

Legislation was enacted into law in July 2005 (Chapter 313, 2005 Laws of New York) (the "2005 Act") which amends the Act and the New York Economic Development Law ("EDL") in regard to several of the Authority's economic development power programs and the creation of new energy cost savings benefits to be provided to certain Authority customers. Relating to the Energy Cost Savings Benefits ("ECS Benefits"), the 2005 Act revises the Act and the EDL to allow up to 70 MW of relinquished Replacement Power, up to 38.6 MW of Preservation Power that might be relinquished or withdrawn in the future, and for a limited period up to an additional 20 MW of unallocated St. Lawrence -FDR Project power to be sold by the Authority into the market and to use the net earnings, along with other funds of the Authority, as deemed feasible and advisable by the Authority's Trustees, for the purpose of providing ECS Benefits. The ECS Benefits are administered by New York State Economic Development Power Allocation Board (EDPAB) and awarded based on criteria designed to promote economic development, maintain and develop jobs, and encourage new capital investment throughout New York State. Initially, and through December 31, 2006, the ECS Benefits were available only for business customers served under the Authority's High Load Factor, Economic Development Power and Municipal Distribution Agency programs which would, in the absence of the ECS Benefits, face rate increases beginning November 1, 2005. In August 2006, legislation was enacted into law that extended the ECS Benefits through June 30, 2007 and also provided that the Authority make available for allocation to customers the 70 MW of hydropower that has been utilized as a source of funding the ECS Benefits. In June 2007, legislation was enacted into law that extends the ECS Benefits through June 30, 2008. From the inception of the ECS Benefits program through December 31, 2007, there have been no ECS Benefits paid by the Authority from internal funds, as opposed to funds derived from the sale of hydropower. It is estimated that the Authority will pay from internal funds, as opposed to funds derived from the sale of hydropower, approximately \$17 million in ECS Benefits for the period January 1, 2008 through June 30, 2008.

In January 2008, the Governor introduced his proposed budget for the State Fiscal Year 2008-2009 in which it is proposed that the PFJ and ECSB Programs be extended for one more year, through June 30, 2009, and then be terminated at that time. The Governor's budget bill also proposes that the Authority be authorized to make an additional voluntary contribution, as deemed feasible and advisable by its Trustees, of up to \$25 million with the maximum aggregate amount of such contributions increasing to \$449 million.

The Governor's proposed budget for State Fiscal Year 2008-2009, among other things, provides for a new "Electricity Cost Discount" program to replace the PFJ and ECSB Programs that would expire after June 30, 2009. The new program would provide for electricity price discounts for up to 1,000 MW of eligible customer load, would be administered by the Authority with the assistance of the EDPAB, and would be funded by the Authority, as deemed feasible and advisable by its Trustees, in an amount up to \$120 million annually for seven years. It is uncertain at this time whether and to what extent these proposals may be enacted into law in the future.

c. Accountability Act and Other Issues

Legislation entitled "Public Authorities Accountability Act of 2005" (PAAA), which addresses public authority reform, was signed into law by the Governor in January 2006. The PAAA is effective for and applied to the Authority beginning with its 2006 calendar year.

The Authority's previous and current procedures include many of the practices and information submittals now required by the PAAA including adoption of a code of ethics; filing of an annual report; independent audits by a certified public accounting firm; oversight by an audit committee; and the posting of key information on a website available to the general public. Other PAAA provisions including additional reporting requirements, accelerated filing of budgetary information; report certification by management; and the expanded role of the Board of Trustees have been addressed by the Authority. The PAAA also established a State Inspector General's Office and a Public Authority Budget Office.

Effective March 29, 2006, the Office of the State Comptroller (OSC) issued regulations that are applicable in whole or in part to many public authorities in New York State, including the Authority. Among other things, the regulations require public authorities, including the Authority, to adhere to prescribed budgeting and financial plan procedures, certain financial reporting and certification requirements, and detailed investment guidelines and procedures, including obtaining the approval of the OSC before adoption of certain changes in accounting principles.

(9) Relicensing of St. Lawrence and Niagara

On October 23, 2003, FERC issued to the Authority a new 50-year license (New St. Lawrence License) for the St. Lawrence-FDR project, effective November 1, 2003. The Authority estimates that the total costs associated with the relicensing of the St. Lawrence -FDR project, compliance with license conditions, and compliance with settlement agreements, for a period of 50 years will be approximately \$210 million, of which approximately \$148 million has already been spent or will be spent in the near future. These total costs could increase in the future as a result of additional requirements that may be imposed by FERC under the New St. Lawrence License.

By order issued March 15, 2007, FERC issued the Authority a new 50-year license (New Niagara License) for the Niagara Project effective September 1, 2007. In doing so, FERC approved six relicensing settlement agreements entered into by the Authority with various public and private entities. The Authority currently expects that the costs associated with the relicensing of the Niagara Project will be at least \$495 million (2007 dollars) over a period of 50 years, which includes \$50.5 million in administrative costs associated with the relicensing effort and does not include the value of the power allocations and operation and maintenance expenses associated with several habitat and recreational elements of the settlement agreements. In mid-April 2007, two petitions for rehearing were filed by certain entities with FERC regarding its March 15, 2007 order, which petitions were denied by FERC in its order issued September 21, 2007. In November 2007, these entities filed a petition for review of FERC's orders in the Court of Appeals for the District of Columbia Circuit. It is expected that briefing of the appeal will occur during the first quarter of 2008. The Authority is unable to predict the outcome of this matter but the Authority believes that FERC has available meritorious defenses and positions with respect thereto.

In addition to internally generated funds, the Authority issued additional debt obligations in October 2007 to fund, among other things, Niagara relicensing costs. The costs associated with the relicensing of the Niagara Project, including the debt issued therefor, were incorporated into the cost-based rates of the Project beginning in 2007.

(10) Advanced Clean Coal Power Plant Initiative

In September 2006, as part of New York State's Advanced Clean Coal Power Plant Initiative, the Authority issued a non-binding request for proposals that solicited up to 600 MW of electric capacity and energy from one or more clean coal facilities that may be developed in the State by one or more private sector entities and which would be subject to one or more purchased power agreements with the Authority. On December 19, 2006, the Authority's Trustees, in response to proposals from four bidders, determined that NRG Energy, Inc. (NRG) was the highest evaluated bidder but that the pricing terms

of NRG's bid (and the other highly evaluated bidders) were too high to be workably competitive for the Authority. The Trustees authorized the Authority to negotiate a strategic alliance with NRG, to explore approaches for bringing down the cost of the project and its output, including securing additional financial assistance, grants, or tax credits. The Trustees also conditionally awarded a power purchase agreement to NRG, contingent upon, among other things, the success of the strategic alliance and future Trustee approval. Depending on the success of the strategic alliance and other subsequent developments, Authority staff in the future may seek authorization from the Trustees to establish a clean coal initiative fund in the amount of \$50 million, to be financed by deposits of \$10 million per year for five years, which would be available to be awarded to NRG for the actual deployment of carbon sequestration technologies at the project.

(11) Natural Gas Contract

In 1990, the Authority entered into a long-term contract (Enron Contract) with Enron Gas Marketing, Inc., which was succeeded in interest by Enron North America Corp. (Enron NAC).

On November 30, 2001, pursuant to the terms of the Enron Contract, the Authority issued its notice of termination of the Enron Contract, with an effective termination date of December 14, 2001. On December 2, 2001, Enron Corp. and certain of its subsidiaries, including Enron NAC, filed for Chapter 11 bankruptcy protection. It appears from bankruptcy court filings that Enron NAC had listed the Enron Contract as one of its executory contracts.

By letter to the Authority dated February 12, 2003, counsel to Enron NAC asserted that the Authority's attempted termination of the Enron Contract was invalid and that the Authority owes Enron NAC a termination payment. In the letter, it was also asserted that the termination was invalid because of the intervening bankruptcy filing between the date that notice of termination was given by the Authority and the termination date. The letter also asserted that, even if the Enron Contract had terminated, Enron NAC should be entitled to a termination payment, notwithstanding the fact that the Enron Contract had no provision which would have allowed Enron NAC such a termination payment. The letter stated that "NYPA's failure to comply with its contractual provisions will force Enron to pursue its rights under the contract and the Bankruptcy Code."

By letter dated February 28, 2003, the Authority responded to Enron NAC's assertions by restating its view that the termination of the Enron Contract was valid and by asserting that no termination payment was due because the Enron Contract did not provide for such termination payment.

In a subsequent letter to the Authority dated March 21, 2003, counsel for Enron NAC proposed a reduction in Enron NAC's termination payment claim to settle the dispute. The Authority determined that it would not respond to this proposal.

On July 15, 2004, the Enron Contract was not included as an assumed executory contract in the reorganization plan for Enron Corp. and its subsidiaries confirmed by the bankruptcy court. By the terms of the reorganization plan, all contracts not assumed are deemed rejected. It should be noted that the disclosure statement filed in connection with the reorganization plan listed the Authority as a party against whom Enron NAC held a potential collection action for accounts receivable.

On December 8, 2006, counsel for Enron sent a letter to counsel for the Authority and presented a previously unasserted theory to the effect that the Authority's November 30, 2001 notice establishing a termination date for the Enron Contract constituted a violation of the automatic stay that was effective as of the filing of Enron's bankruptcy petition on December 2, 2001. Enron's counsel claimed the Authority's notice, which was dispatched on November 30, 2001, did not arrive at Enron's offices in Houston until after the time of the bankruptcy petition. Enron's counsel also demanded that the Authority provide access to the Authority's historical gas purchase records in order for an amount of damages to be ascertained.

Based on various sources including contemporaneous documentation, the Authority refuted Enron's factual assertions and rejected the request for access to business records. Enron's counsel has not replied to the Authority's response.

No formal action on this matter was commenced in the bankruptcy proceeding, and no litigation on this matter has yet been commenced. The Authority is unable to predict the outcome of the matter described above, but believes that the Authority has meritorious defenses or positions with respect thereto. The Authority is not involved in any transaction with Enron Corp. or any of its subsidiaries, except for the terminated gas contract and a small claim by the Authority against an Enron Corp. subsidiary for certain NYISO-related services provided by the Authority.

New York Power Authority
Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress
For the Retiree Health Plan
(in Millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)*	Actuarial Accrued Liability (AAL) --- Projected Unit Credit Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/06	\$0	\$301	\$301	0.0%	\$130	232%
1/1/04	0	279	279	0.0%	116	240%
1/1/02	0	271	271	0.0%	107	254%

* During 2007, a trust for the Authority's OPEB obligations was funded with an initial amount of \$100 million. This amount will be reflected in the table above as of the 1/1/08 Actuarial Valuation Date when such actuarial study is completed and will be included in the 2008 Annual Report table. See Note I, "Pension Plans, Other Postemployment Benefits, Deferred Compensation and Savings Plans," for additional information.

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Page Reserved for Trustees and Officers

NYPA
Net Revenues-Actual vs. Budgeted
For The Year ended December 31, 2007
(\$ in 000'S)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
Operating Revenues			
Customer	\$1,852,304	\$1,826,709	\$25,595
NYISO Market Revenues	<u>1,054,709</u>	<u>904,320</u>	<u>150,389</u>
	2,907,013	2,731,029	175,984
Operating Expenses			
Purchased Power:	1,182,546	1,055,810	(126,736)
Fuel Consumed - Oil & Gas	534,816	519,481	(15,335)
Wheeling	327,467	325,867	(1,600)
Operations & Maintenance	268,369	268,473	104
Other expenses	237,637	142,607	(95,030)
Depreciation & Amortization	<u>179,356</u>	<u>176,446</u>	<u>(2,910)</u>
	2,730,191	2,488,684	(241,507)
Net Operating Revenues	176,822	242,345	(65,523)
Investment Income	95,949	57,743	38,206
Entergy Value Sharing Agreements	72,000	-	72,000
Interest and Other Expenses	110,001	124,194	14,193
	<hr/>	<hr/>	<hr/>
Net Revenues	<u>234,770</u>	<u>175,894</u>	<u>58,876</u>

Net revenues for the year ended December 31, 2007 were \$234.8 million which was \$58.9 million higher than budgeted. Results for the year included net non-recurring charges of \$18 million not included in the budget. These items included the accrual of an additional voluntary contribution to the State Treasury of \$90 million partially offset by the recognition of \$72 million additional income related to the revised value sharing agreements with Entergy. Excluding these items, net revenues were \$76.9 million higher than budgeted including higher non-operating income (\$52.4) and higher net operating revenues (\$24.5 million). Net operating revenues were higher due mainly to a higher volume of market-based sales, higher prices for capacity and higher than anticipated congestion payments from the New York State ISO. Non-operating income included higher earnings on investments due to higher balances, a mark-to-market gain on the Authority's investment portfolio due to a drop in market interest rates in 2007, and lower than anticipated costs on variable rate debt. Net generation at the Authority's production facilities totalled 26.3 million megawatt-hours, which was slightly lower than the budget. Higher production at the Authority's fossil fuel facilities was offset by lower generation at the Niagara and St. Lawrence facilities resulting from lower than expected water flows.

15. **Election of Authority Non-Statutory Officers**

The Chairman submitted the following report:

SUMMARY

“The Trustees are requested to consider the election of certain non-statutory officers of the Authority.

BACKGROUND AND DISCUSSION

“Article IV, Section 2 of the Authority’s By-laws provides for the election of certain non-statutory officers by the Trustees. Section 3 of the same Article provides that such non-statutory officers shall hold office for a term expiring at the Trustees’ next Annual Meeting, or until their successor is elected.

RECOMMENDATION

“It is recommended that the below named non-statutory officers provided for in Article IV of the By-laws, adopted December 18, 1984, and last amended on October 30, 2007, be elected by the Trustees to hold office for terms expiring at the next annual meeting of the Trustees in 2009, or until their successor is elected. In addition, the current salary of each below named officer, as approved by the Compensation Committee, is hereby approved and shall be subject to adjustment during such term in accordance with applicable Authority policies, as amended.

Roger B. Kelley	President and Chief Executive Officer
Joseph M. Del Sindaco	Executive Vice President – Chief Financial Officer
Thomas J. Kelly	Executive Vice President and General Counsel
Gil C. Quiniones	Executive Vice President – Energy Marketing and Corporate Affairs
Vincent C. Vesce	Executive Vice President – Corporate Services and Administration
Edward Welz	Executive Vice President – Power Generation
Anne B. Cahill	Corporate Secretary”

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

RESOLVED, That pursuant to Article IV, Section 2 of the Authority’s By-laws, the following individuals are hereby appointed to the position listed next to their name for terms expiring at the next annual meeting of the Trustees in 2008, or until their successor is elected:

Roger B. Kelley	President and Chief Executive Officer
Joseph M. Del Sindaco	Executive Vice President – Chief Financial Officer
Thomas J. Kelly	Executive Vice President and General Counsel

March 25, 2008

Gil C. Quiniones	Executive Vice President –Energy Marketing and Corporate Affairs
Vincent C. Vesce	Executive Vice President – Corporate Services and Administration
Edward Welz	Executive Vice President – Power Generation
Anne B. Cahill	Corporate Secretary

AND BE IT FURTHER RESOLVED, That the current salary of each above named officer is hereby approved and shall be subject to adjustment during such term in accordance with applicable Authority policies, as amended.

March 25, 2008

16. **Presentation: Status – NYPA Power Allocations**

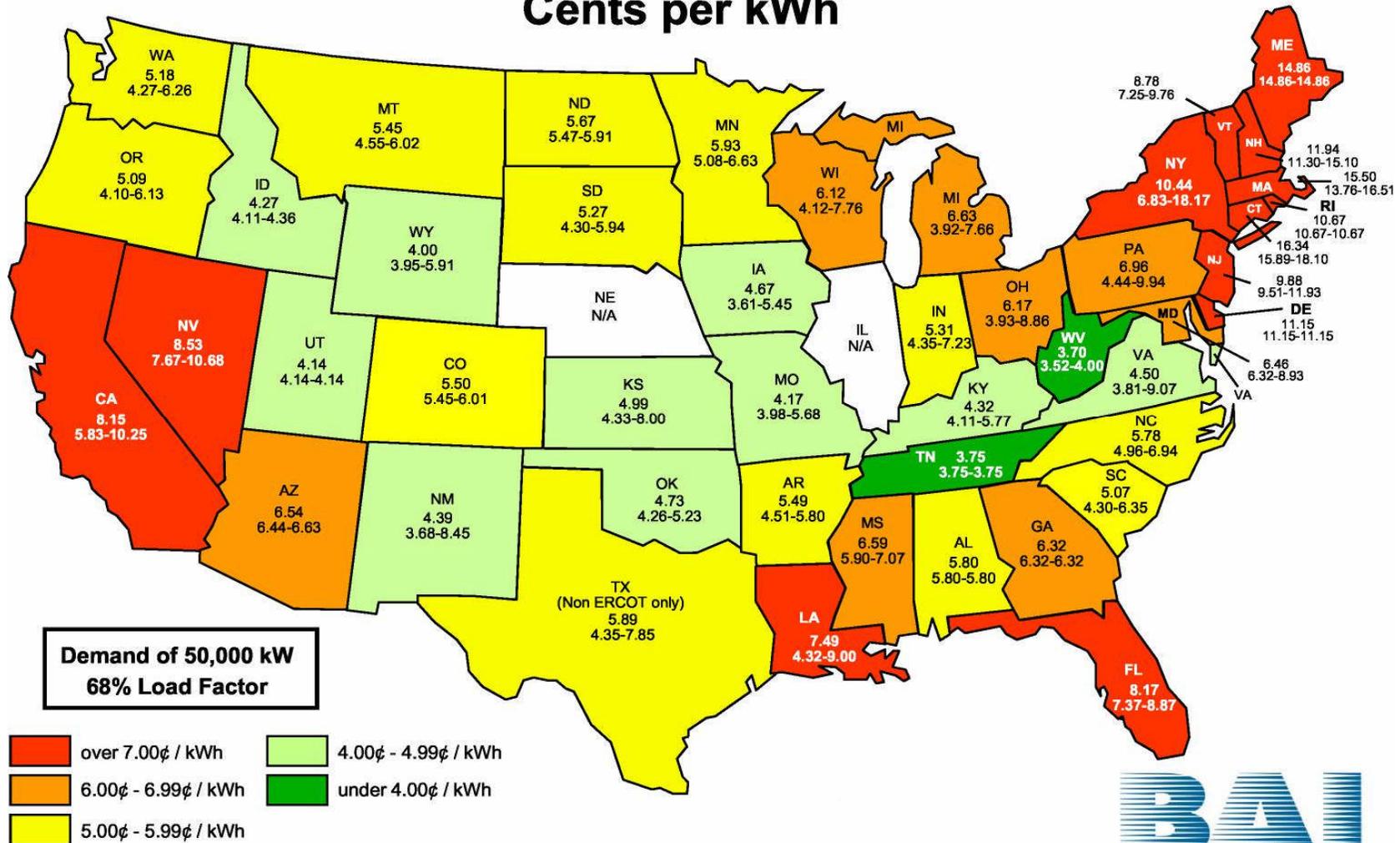
Mr. James Yates made a presentation on the status of the Authority's power programs. Afterwards, Chairman McCullough thanked Mr. Yates for the terrific overview.

Marketing and Economic Development

James H. Yates
Senior Vice President

March 25, 2008

Year 2007 Industrial Firm Power Rates For Investor Owned Utilities Cents per kWh



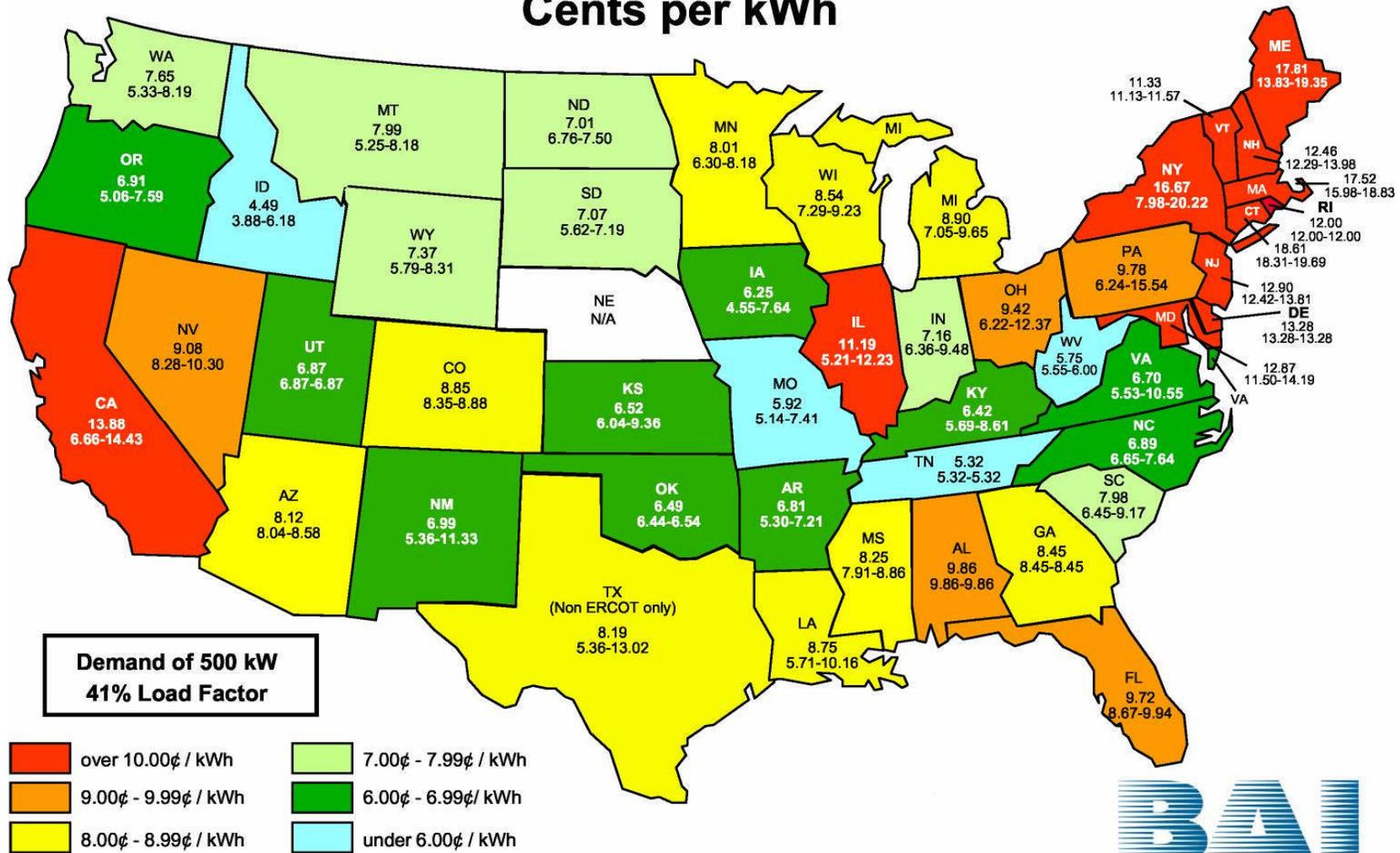
Source: Rates: Edison Electric Institute, Winter 2007 & Summer 2007
Weighting: Energy Information Administration/Electric Sales and Revenue

January 2008



BRUBAKER & ASSOCIATES, INC.
Phone: (314) 275-7007
E-mail: bai@consultbai.com
Web page: www.consultbai.com

Year 2007 Commercial Electric Rates For Investor Owned Utilities Cents per kWh



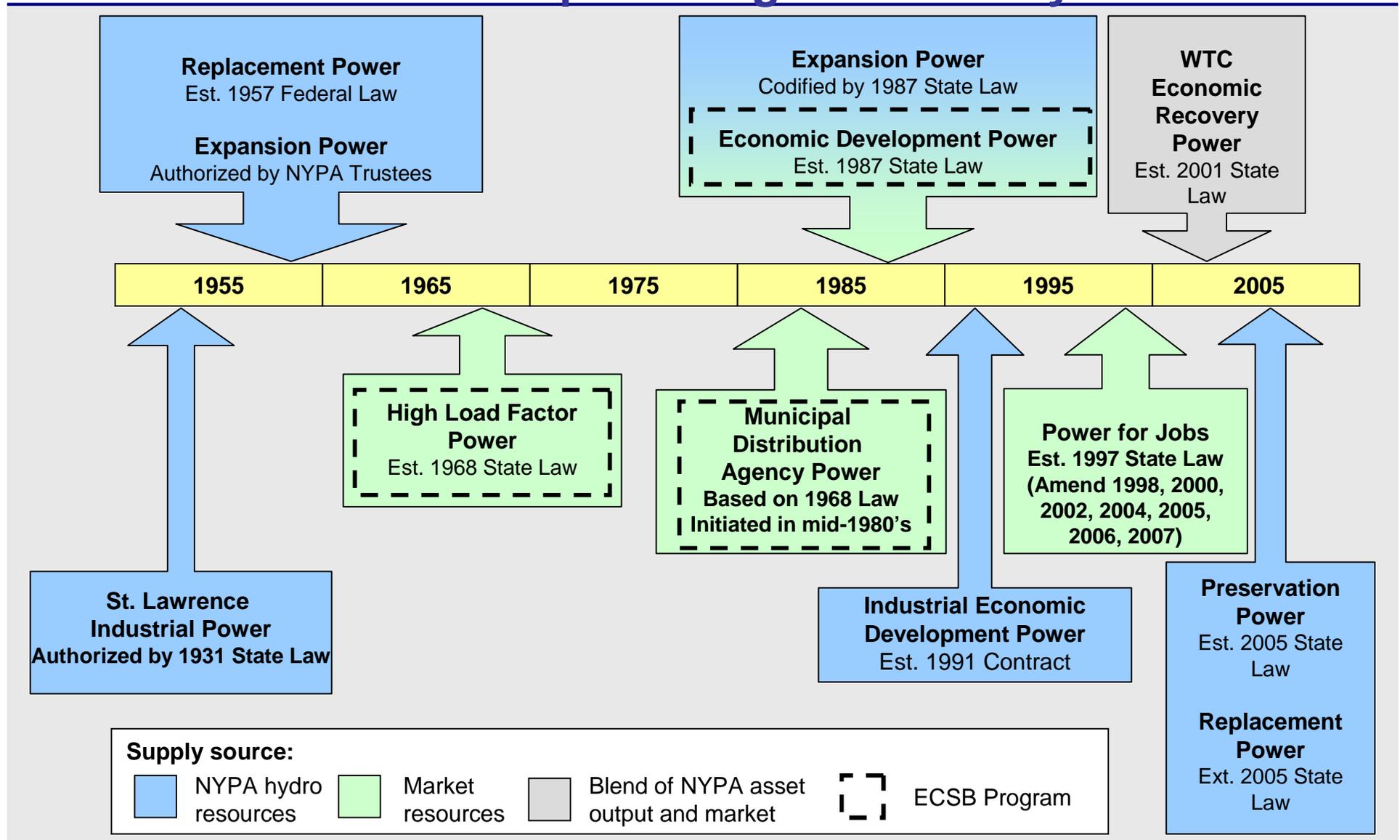
Source: Rates: Edison Electric Institute, Winter 2007 & Summer 2007
Weighting: Energy Information Administration/Electric Sales and Revenue

January 2008



BRUBAKER & ASSOCIATES, INC.
Phone: (314) 275-7007
E-mail: bai@consultbai.com
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Each of NYPA's Programs Has a Unique Vintage and History



Overview of the Hydro-Resourced Programs

	Replacement Power	Expansion Power	Preservation Power	Industrial Economic Development Power
Power Supply	Niagara		St. Lawrence-FDR	Niagara
Program Size	445 MW <i>(Up to 70 MW – Energy Cost Savings Benefit)</i>	250 MW	490 MW Firm & Peaking Power <i>(Up to 38.6 MW - Energy Cost Savings Benefit)</i>	54 MW
Service Area	Western NY 30-mile radius of Niagara Project	Western NY 30-mile radius of Niagara Project and up to 20MW in Chautauqua Co.	North Country <i>Jefferson, St. Lawrence and Franklin Counties</i>	Municipal Electric Systems & Rural Electric Cooperatives 51 Systems across New York State
Program Criteria	<ul style="list-style-type: none"> • New jobs/ New load • Expanded facility and/or new equipment • Minimum 100 kW of new load 		<ul style="list-style-type: none"> • New jobs/ New load • Expanded facility and/or new equipment 	<ul style="list-style-type: none"> • Minimum of 25 jobs/MW • Minimum 200 kW of new load • MEUA Board approval required
Current Allocations	633 MW 130 Customers 45,400 jobs		490 MW 2 Customers 1,500 jobs	20 MW 20 Customers 2,900 jobs.

Estimated economic benefit: ~\$11 per MWh hydropower cost vs. market prices (\$50 - \$75+ / MWh)

Overview of the Market-Resourced Programs

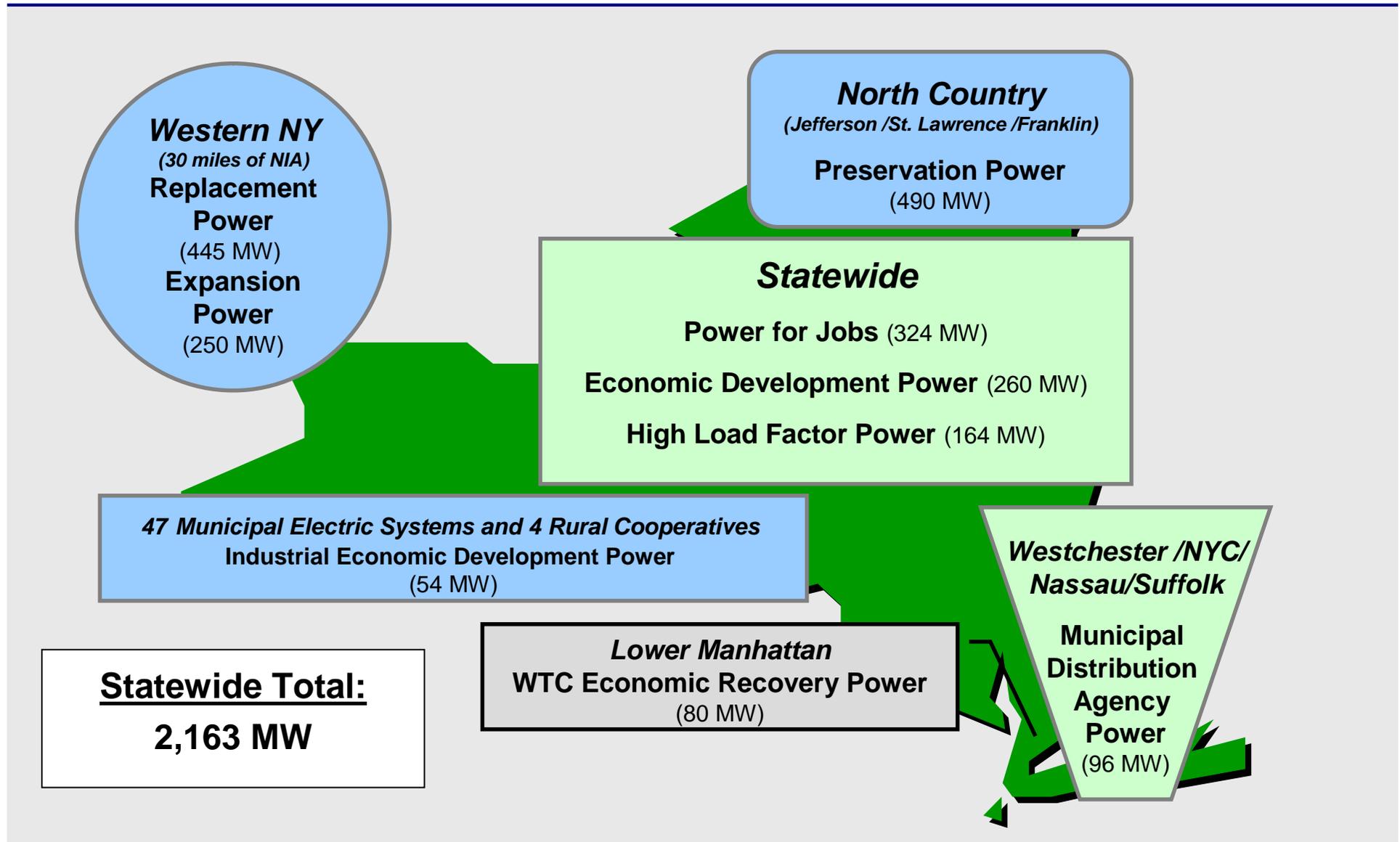
	Power for Jobs	Energy Cost Savings Benefit Programs		
		Economic Development	High Load Factor	Municipal Distribution Agency
Power Supply	Purchased Power	Market Purchase	Market Purchase	Market Purchase
Program Size	324 MW	260MW	164 MW	96 MW
Service Area	Statewide	Statewide	Statewide	Downstate NYC, Westchester, Nassau, Suffolk
Program Criteria	<ul style="list-style-type: none"> <u>Business</u>: Create or retain jobs Risk of closure or out-of-state relocation <u>Not-for-profit</u>: Critical community services or benefits at risk 	<ul style="list-style-type: none"> Create new jobs Business revitalization (upstate) Job retention (downstate) Avoid closure or relocation 	<ul style="list-style-type: none"> Manufacturing industry expansion 5-plus MW load Electricity 7.5% or more of product costs 	<ul style="list-style-type: none"> Create and retain jobs Business revitalization MDA review & recommend to NYPA
Current Allocations	324 MW 494 Customers 250,700 jobs. <ul style="list-style-type: none"> <i>Rebates currently serve 172 customers (170 MW)</i> <i>Power contract extensions serve 322 customers (154 MW).</i> 	193 MW 60 Customers 68,000 jobs	164 MW 7 Customers 4,700 jobs	71 MW 32 Customers 22,300 jobs

Estimated economic benefit: difference between grandfathered energy cost during past program participation and current market prices

World Trade Center Economic Recovery Power

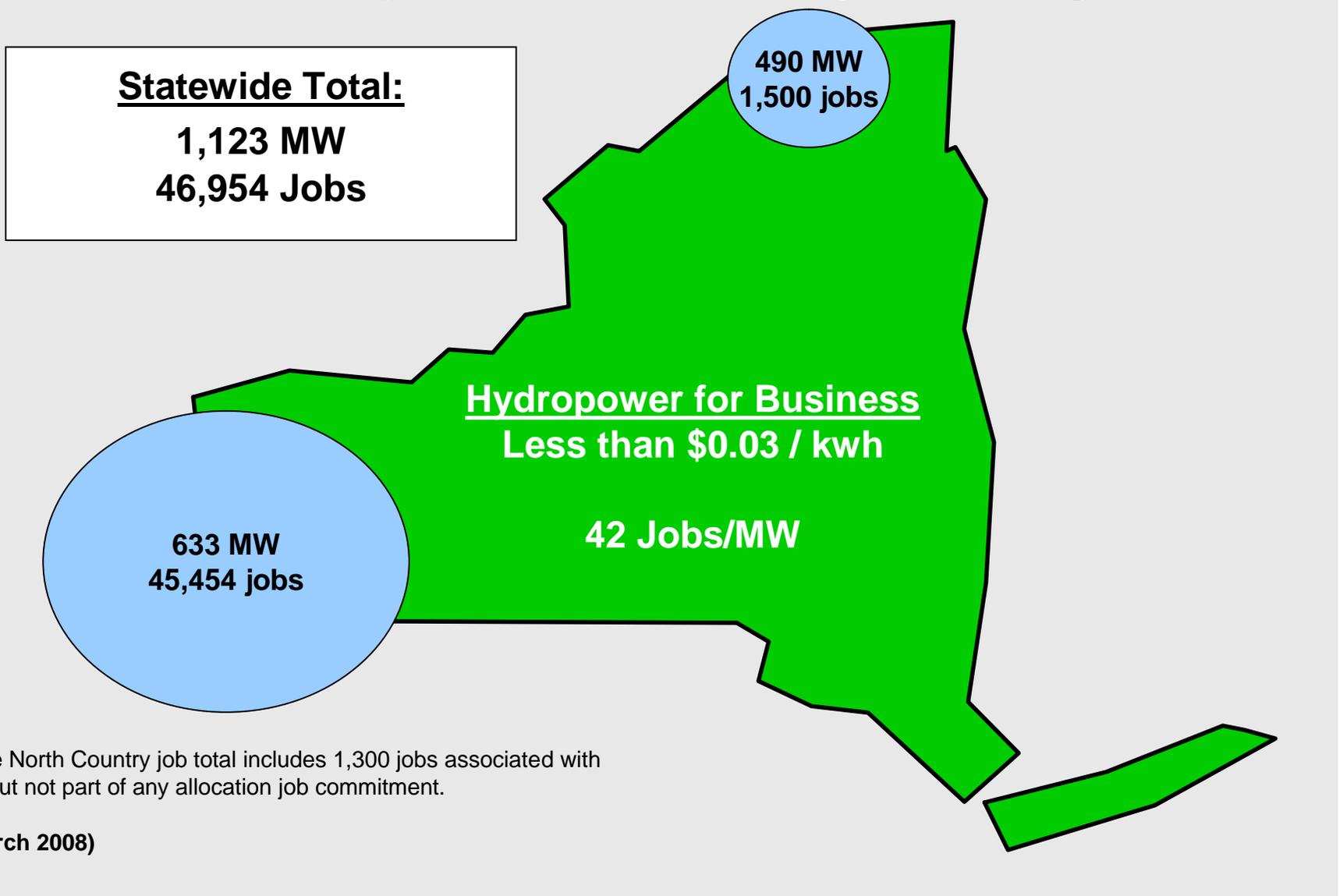
World Trade Center Economic Recovery Power	
Power Supply	NYPA Generation & Purchased Power
Program Size	80 MW
Service Area	Lower Manhattan <i>Liberty and Resurgence Zones</i>
Program Criteria	<ul style="list-style-type: none">• Former WTC tenant displaced by 9/11 or business in eligible zone• Retain or create jobs in those areas
Current Allocations	80 MW 38 Customers 48,000 jobs

Geographic Scope of the Existing Programs Varies



Hydropower Programs

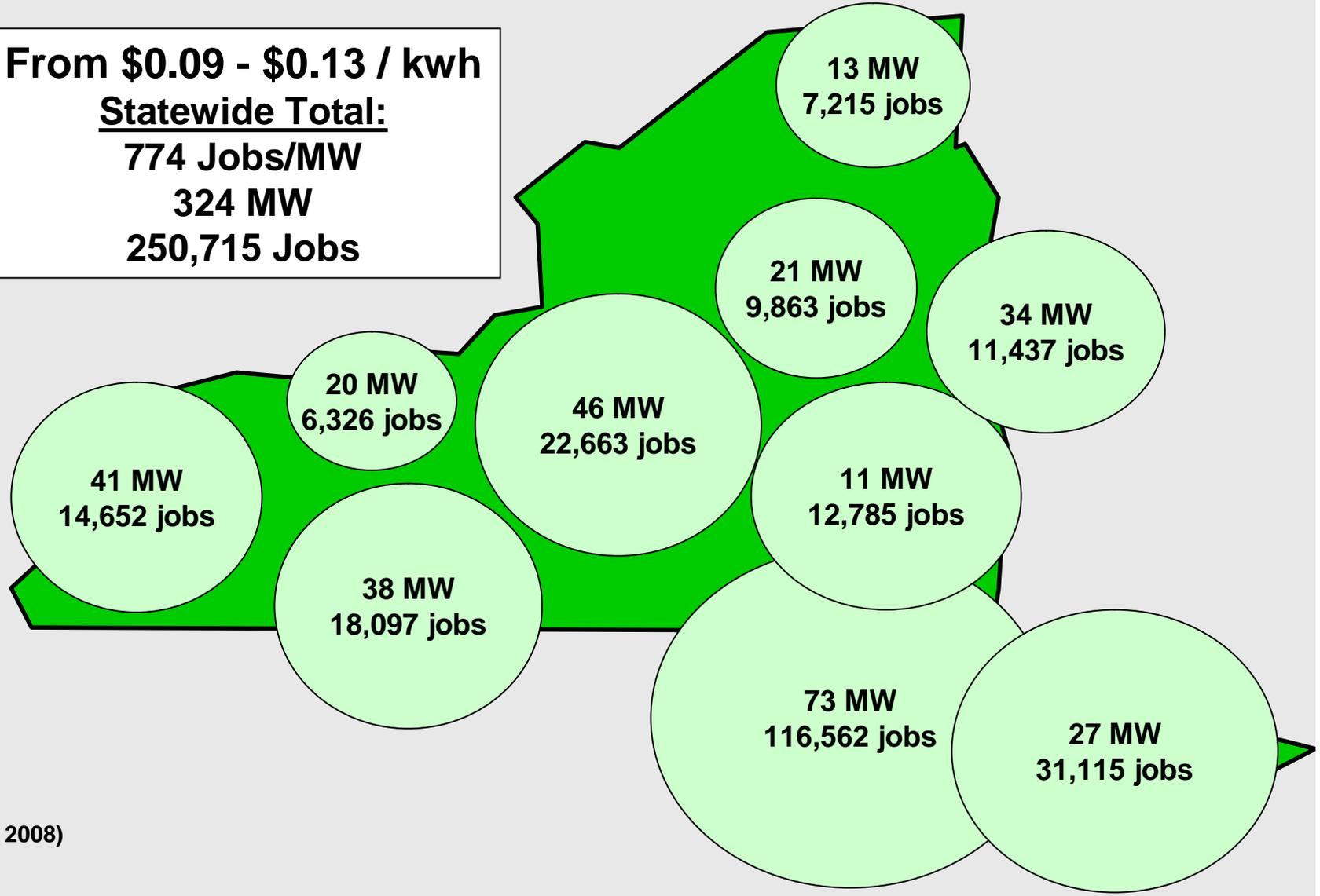
MW and Jobs by Economic Development Region



Power for Jobs

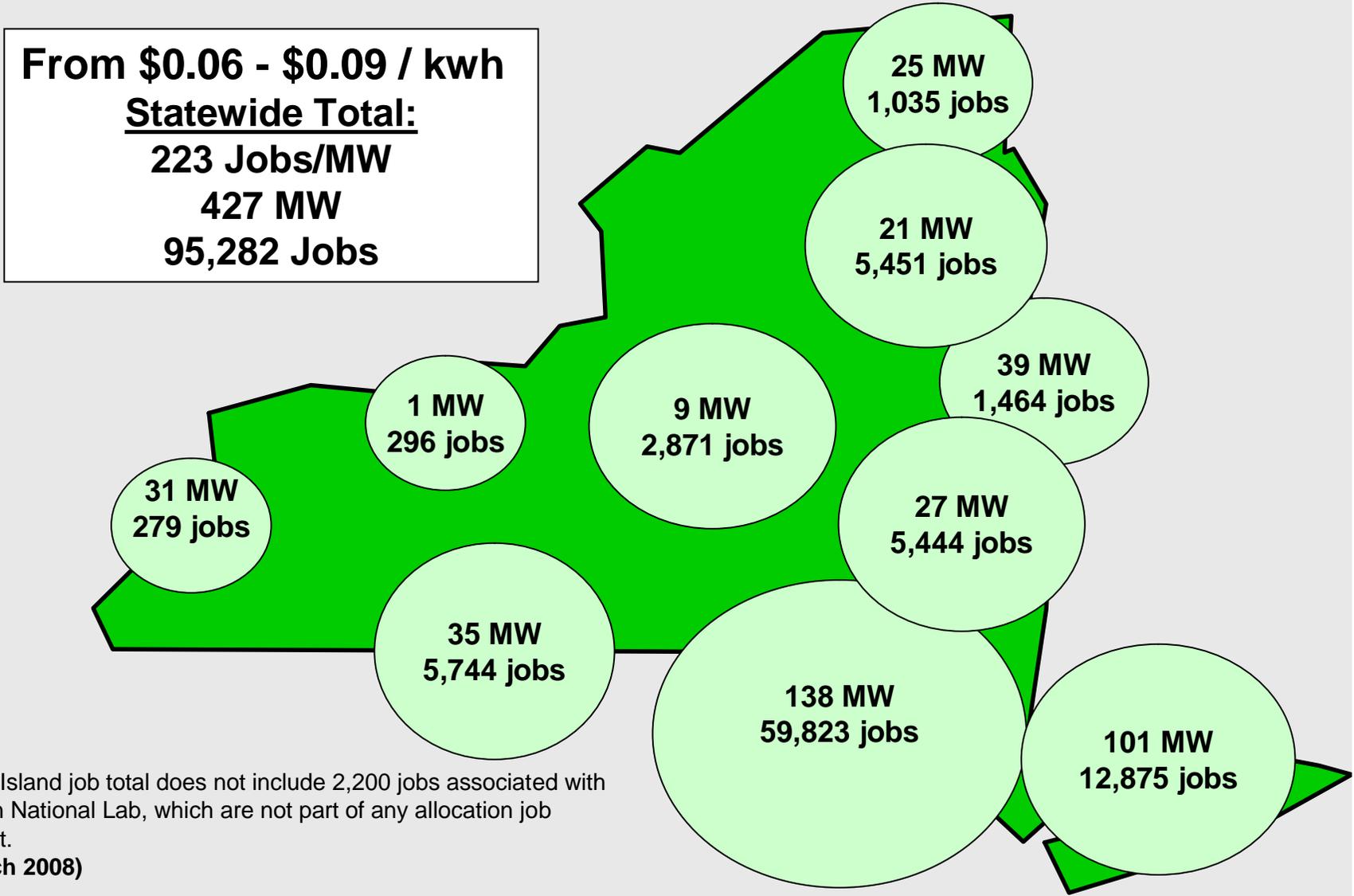
MW and Jobs by Economic Development Region

From \$0.09 - \$0.13 / kwh
Statewide Total:
774 Jobs/MW
324 MW
250,715 Jobs

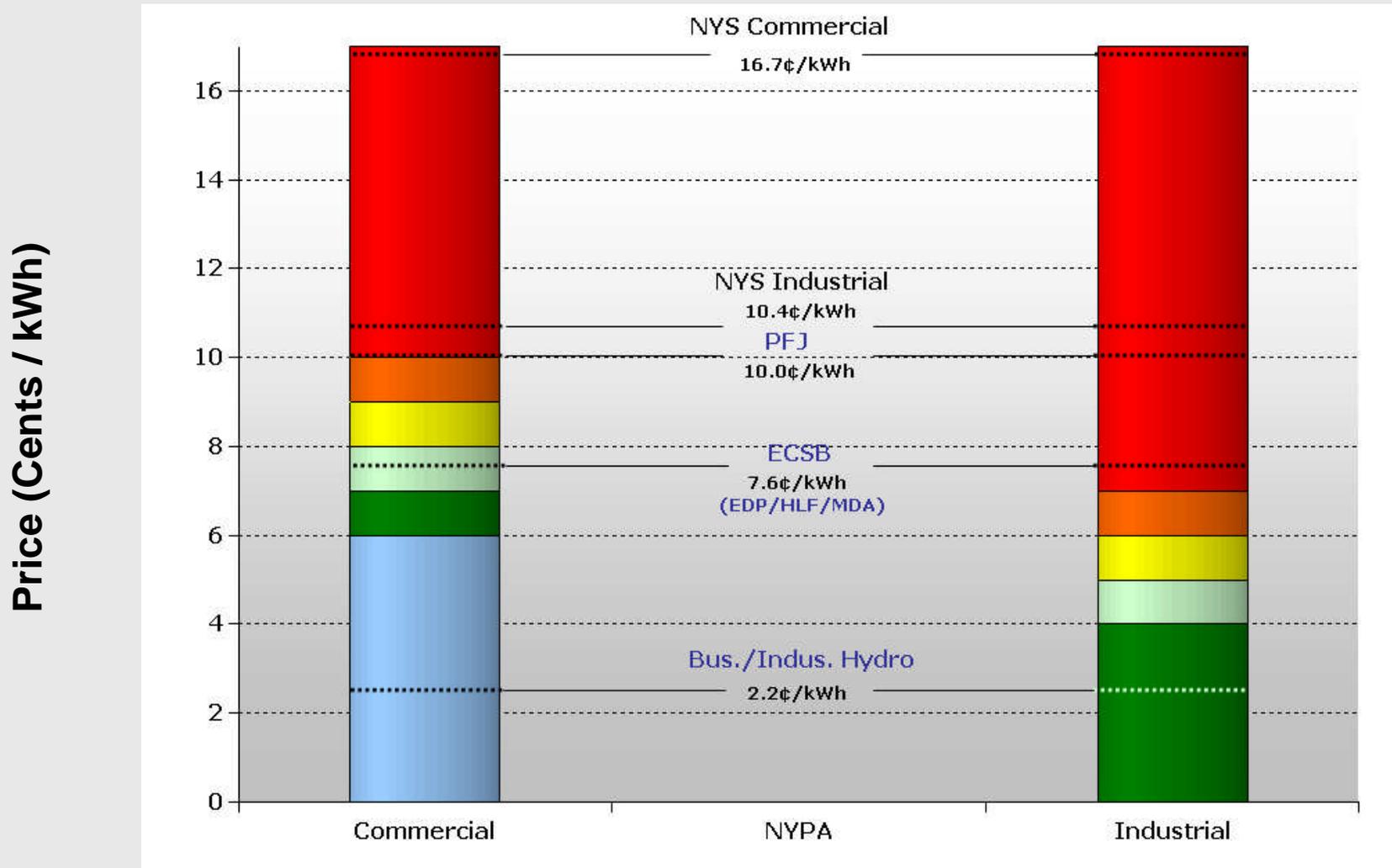


(as of March 2008)

Energy Cost Savings Benefit (EDP/HLF/MDA) MW and Jobs by Economic Development Region



2007 National Commercial / Industrial Rates as Compared to NYPA Total Delivered Rates



March 25, 2008

17. **Next Meeting**

The next Regular Meeting of the Trustees will be held on **Tuesday, April 29, 2008, at 11:00 a.m., at the Clarence D. Rappleyea Building, White Plains, New York**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

March 25, 2008

Closing

On motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 1:40 p.m.

A handwritten signature in blue ink, appearing to read "ABCahill".

Anne B. Cahill
Corporate Secretary