

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

October 28, 2008

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Minutes of the Regular Meeting of the Power Authority of the State of New York held via video conference at the following participating locations, at 11:22 a.m.:

- 1) New York Power Authority, 123 Main Street, White Plains, New York
- 2) Niagara Power Project, 5777 Lewiston Road, Lewiston, New York

Members of the Board were present at the following locations:

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

Richard M. Kessell	President and Chief Executive Officer
Gil C. Quinones	Chief Operating Officer
Arthur T. Cambouris	Acting Executive Vice President and General Counsel
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer
Edward A. Welz	Executive Vice President and Chief Engineer – Power Supply
Steven J. DeCarlo	Senior Vice President – Transmission
Paul F. Finnegan	Senior Vice President – Public and Governmental Affairs
William J. Nadeau	Senior Vice President – Energy Resource Management and Strategic Planning
Joan Tursi	Senior Vice President – Enterprise Shared Services
James H. Yates	Senior Vice President – Marketing and Economic Development
Thomas P. Antenucci	Vice President – Power Supply
Arnold M. Bellis	Vice President and Controller
John M. Kahabka	Vice President – Environment, Health and Safety
Donald A. Russak	Vice President – Finance
Thomas Warmath	Vice President and Chief Risk Officer
Joseph J. Carline	Assistant General Counsel – Power and Transmission
Dennis T. Eccleston	Chief Information Officer
Richard Hackman	Chief Technology Development Officer
Albert Swansen	First Deputy Inspector General
Brian McElroy	Treasurer
Anne B. Cahill	Corporate Secretary
Lisa A. Cole	Deputy Treasurer
Angela D. Graves	Deputy Corporate Secretary
Joseph Leary	Director – Corporate Community Affairs
Mark D. O'Connor	Director – Real Estate
James F. Pasquale	Director – Marketing Analysis and Administration
Christine Pritchard	Director – Intergovernmental and Community Affairs
Michael A. Saltzman	Director – Media Relations
Victoria Simon	Director – Business Integration and Special Projects
Brian Ross	Senior Project Manager – Business Integration and Special Projects
Michael J. Mitchell	Project Manager – Power Supply
Lou Paonessa	Community Relations Manager – Niagara Power Project
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
Stephen P. Shoenholz	Public Affairs Consultant
Max R. Shulman	Counsel – Cravath, Swaine & Moore LLP

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

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1. **Consent Agenda:**

Acting Chairman Michael Townsend said that item #1c (Transfers of Industrial Power) (renumbered 4a) was being moved to the Discussion Agenda after Trustee Eugene Nicandri said that he owned some stock in Citigroup.

a. **Approval of the Minutes**

The Minutes of the Regular Meeting held on September 23, 2009 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 51 Power for Jobs (‘PFJ’) customers as listed in Exhibit ‘1b-A.’ These customers have been recommended to receive such benefits by the Economic Development Power Allocation Board (‘EDPAB’).

BACKGROUND

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

“The PFJ program originally made 400 megawatts (‘MW’) of power available and was to be phased in over three years. As a result of the initial success of the program, the Legislature amended the PFJ statute to accelerate the distribution of the power and increase the size of the program to 450 MW. In May 2000, legislation was enacted that authorized additional power to be allocated under the program. Legislation further amended the program in July 2002.

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

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

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

“In 2005, provisions of the approved State budget extended the period PFJ customers could receive benefits until December 31, 2006. Chapter 645 of the Laws of 2006 included provisions extending program benefits until June 30, 2007. Chapter 89 of the Laws of 2007 included provisions extending program benefits until June 30, 2008. Chapter 59 of the Laws of 2008 included provisions extending the program benefits until June 30, 2009.

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

DISCUSSION

“At its meeting on October 24, 2008, EDPAB recommended that the Authority’s Trustees approve electricity savings reimbursement rebates to the 51 businesses listed in Exhibit ‘1b-A.’ Collectively, these organizations have agreed to retain more than 32,000 jobs in New York State in exchange for the rebates. The rebate program will be in effect until June 30, 2009, the program’s sunset.

“The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit ‘1b-A’ in a total amount currently not expected to exceed \$6 million. Staff recommends that the Trustees

authorize a withdrawal of monies from the Operating Fund for the payment of such amount, provided that such amount is not needed at the time of withdrawal for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. Staff expects to present the Trustees with requests for additional funding for rebates to the companies listed in the Exhibit in the future for other rebate months.

FISCAL INFORMATION

“Funding of rebates for the companies listed on Exhibit ‘1b-A’ is not expected to exceed \$6 million. Payments will be made from the Operating Fund. To date, the Trustees have approved \$143.3 million in rebates.

RECOMMENDATION

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

“The Chief Operating Officer, the Acting Executive Vice President and General Counsel, the Senior Vice President – Marketing and Economic Development and I concur in the recommendation.”

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

WHEREAS, the Economic Development Power Allocation Board (“EDPAB”) has recommended that the Authority approve electricity savings reimbursements to the Power for Jobs (“PFJ”) customers listed in Exhibit “1b-A”;

NOW THEREFORE BE IT RESOLVED, That to implement such EDPAB recommendations, the Authority hereby approves the payment of electricity savings reimbursements to the companies listed in Exhibit “1b-A,” and that the Authority finds that such payments for electricity savings reimbursements are in all respects reasonable, consistent with the requirements of the PFJ program and in the public interest; and be it further

RESOLVED, That based on staff’s recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the attached memorandum of the President and Chief Executive Officer in the aggregate amount of up to \$6 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 Acting Executive Vice President and General Counsel; and be it further

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

**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	Jobs/MW	Type	Service
											KW			
1	AT&T	White Plains	Westchester	Con Ed	560	335	535	200	60%	Yes	560	955	Large	Telecommunications
2	Belmont Metals, Inc.	Brooklyn	Kings	Con Ed	400	84	83	-1	-1%	Yes	400	208	Large	Manufacturer of non-ferrous metals
3	Display Producers, Inc.	Bronx	Bronx	Con Ed	340	340	340	0	0%	Yes	340	1,000	Small	Display cases
4	IBM - Westchester	White Plains	Westchester	Con Ed	3,870	1559	2177	618	40%	Yes	3,870	563	Large	Computer Manufacturer
5	Kingsbrook Jewish Medical Center	Brooklyn	Kings	Con Ed	1,200	2403	2325	-78	-3%	Yes	1,200	1,938	NFP	Medical and Research Institution
6	Lincoln Center for the Performing Arts	New York	New York	Con Ed	3,000	3763	3763	0	0%	Yes	3,000	1,254	NFP	Performing Arts Center
7	Norampac New York City, Inc	Maspeth	Queens	Con Ed	600	213	204	-9	-4%	Yes	600	340	Large	Manufacturer of corrugated paper packaging
8	Streamline Plastics Co., Inc.	Bronx	Bronx	Con Ed	140	57	59	2	4%	Yes	140	421	Small	Miscellaneous plastics products
9	TanaSeybert, LLC	New York	New York	Con Ed	400	410	370	-40	-10%	Yes	400	925	Large	Printing trade services
10	Verizon	New York	New York	Con Ed	5,000	3832	3830	-2	0%	Yes	5,000	766	Large	Local and wireless phone service provider
	Total Con Ed		Subtotal	10	15,510	12,996	13,686				15,510			
11	American Technical Ceramics	Huntington Station	Suffolk	LIPA	200	331	386	55	17%	Yes	200	1,930	Small	Ceramic Capacitor
12	Ametek Hughes-Treitler	Garden City	Nassau	LIPA	500	183	172	-11	-6%	Yes	500	344	Large	Manufacturer of heat exchangers
13	Commercial Envelope Manufacturing Corp.	Deer Park	Suffolk	LIPA	700	199	203	4	2%	Yes	700	290	Large	Manufacturer of envelopes
14	Good Samaritan Hospital	West Islip	Suffolk	LIPA	800	2805	3088	283	10%	Yes	800	3,860	NFP	Healthcare Center
15	John Hassall, Inc.	Westbury	Nassau	LIPA	450	116	113	-3	-3%	Yes	450	251	Large	Manufacturer of specialty metal fasteners
16	Madelaine Chocolates	Rockaway Beach	Queens	LIPA	575	541	518	-23	-4%	Yes	575	901	Large	Manufactures chocolate
17	Standard Microsystems Corp.	Hauppauge	Suffolk	LIPA	1,050	403	449	46	11%	Yes	1,050	428	Large	Maker and supplier of computer circuits
	Total LIPA		Subtotal	7	4,275	4,578	4,929				4,275			
18	Albany Molecular Research, Inc.	Albany	Albany	N. Grid	600	395	393	-2	-1%	Yes	600	655	Large	Provider of customized pharmaceutical research
19	Applied Energy Solutions	Caledonia	Livingston	N. Grid	300	63	65	2	3%	Yes	300	217	Small	Electronics
20	BorgWarner Morse TEC Corp.	Cortland	Cortland	N. Grid	1,500	216	209	-7	-3%	Yes	1,500	139	Large	Manufacturer of Auto Components
21	Carville National Leather Corp.	Johnstown	Fulton	N. Grid	200	31	31	0	0%	Yes	200	155	Small	Quality leather production
22	Cooper Hand Tools	Cortland	Cortland	N. Grid	1,330	123	123	0	0%	Yes	1,330	92	Large	Metal machining and casting
23	Corning, Inc. (Canton)	Canton	St. Lawrence	N. Grid	1,500	245	261	16	7%	Yes	1,500	174	Large	Manufacturer of optical fiberglass and ceramics
24	Dielectric Laboratories, Inc.	Cazenovia	Madison	N. Grid	400	190	190	0	0%	Yes	400	475	Large	Ceramic capacitors and ceramic packaging
25	Fitzpatrick & Weller, Inc.	Ellicottville	Cattaraugus	N. Grid	1,000	95	93	-2	-2%	Yes	1,000	93	Large	Lumber & wood components
26	Natrium Products, Inc.	Cortland	Cortland	N. Grid	90	21	21	0	0%	Yes	90	233	Small	Manufacturer of sodium bicarbonate (baking soda)
27	OAB Holdings, Inc.	Buffalo	Erie	N. Grid	5,000	595	617	22	4%	Yes	5,000	123	Large	Metal manufacturing
28	Precision Systems Mfg., Inc.	Liverpool	Onondaga	N. Grid	200	71	63	-8	-11%	No	180	350	Small	Machining and sheet metal manufacturing
29	Queensboro Farm Products, Inc.	Canastota	Madison	N. Grid	500	79	81	2	3%	Yes	500	162	Large	Milk manufacturing and processing plant
30	Snyder Industries, Inc.	N. Tonawanda	Niagara	N. Grid	350	110	98	-12	-11%	Yes	350	280	Small	Machinery
31	Sorrento Lactalis, Inc.	Buffalo	Erie	N. Grid	1,500	364	496	132	36%	Yes	1,500	331	Large	Produces cheese as well as whey products
32	Syracuse China Company	Syracuse	Onondaga	N. Grid	460	324	303	-21	-6%	Yes	460	659	Large	Manufactures restaurant china
33	Syracuse Label Co., Inc.	Liverpool	Onondaga	N. Grid	200	86	88	2	2%	Yes	200	440	Small	Printing labels for consumer and industrial use
34	Turbine Engine Components Technologies	Whitesboro	Oneida	N. Grid	1,200	268	281	13	5%	Yes	1,200	234	Large	Precision forging plant
35	Welch Allyn Data Collection Inc.	Skaneateles Falls	Onondaga	N. Grid	2,000	1275	1302	27	2%	Yes	2,000	651	Large	Medical and dental equipment manufacturer
	Total National Grid		Subtotal	18	18,330	4,551	4,715				18,310			
36	A. T. Reynolds & Sons, Inc.	Kiamesha Lake	Sullivan	NYSEG	250	55	54	-1	-2%	Yes	250	216	Small	Spring water and Ice Mfr.
37	Audio Sears	Stamford	Delaware	NYSEG	190	85	89	4	5%	Yes	190	468	Small	Makes audio equipment
38	Barry Steel Fabrication, Inc.	Lockport	Niagara	NYSEG	50	31	35	4	13%	Yes	50	700	Small	Steel fabrication
39	Bison Foods - Div. of Upstate Farms	Buffalo	Erie	NYSEG	500	134	136	2	1%	Yes	500	272	Large	Dairy Products
40	BorgWarner Morse TEC Corp.	Ithaca	Tompkins	NYSEG	4,000	1318	1265	-53	-4%	Yes	4,000	316	Large	Manufacture of automotive components
41	Corning (Erwin Plant)	Corning	Steuben	NYSEG	1,500	652	614	-38	-6%	Yes	1,500	409	Large	Manufacturer of optical fiberglass and ceramics
42	Corning, Inc. (Costar Plant)	Oneonta	Otsego	NYSEG	900	172	165	-7	-4%	Yes	900	183	Large	Manufacturer of optical fiberglass and ceramics
43	Corning, Inc. (Northside)	Corning	Steuben	NYSEG	2,500	935	948	13	-2%	Yes	2,500	379	Large	Manufacturer of optical fiberglass and ceramics
44	Corning, Inc. (Southside)	Corning	Steuben	NYSEG	1,500	882	825	-57	-2%	Yes	1,500	550	Large	Manufacturer of optical fiberglass and ceramics
45	Endicott Interconnect Technologies	Endicott	Broome	NYSEG	3,500	4221	4207	-14	0%	Yes	3,500	1,202	Large	Electronic interconnect solutions
46	Milward Alloys	Lockport	Niagara	NYSEG	600	43	43	0	0%	Yes	600	72	Large	Produces and resells copper and aluminum alloys
47	Upstate Niagara Cooperative	Buffalo	Erie	NYSEG	600	150	154	4	3%	Yes	600	257	Large	Processes milk into a variety of milk products
48	Vail Ballou Press, Inc.	Binghamton	Broome	NYSEG	1,800	408	399	-9	-2%	Yes	1,800	222	Large	Book printer and distributor
	Total NYSEG		Subtotal	13	17,890	9,086	8,934				17,890			
49	Flower City Printing, Inc.	Rochester	Monroe	RGE	650	275	312	37	13%	Yes	650	480	Large	Commercial printer
50	Jada Precision Plastics Co.	Rochester	Monroe	RGE	300	59	98	39	66%	Yes	300	327	Small	Custom injection molder of thermoplastic materials
51	Seneca Foods Corporation	Marion	Wayne	RGE	1,100	115	115	0	0%	Yes	1,100	105	Large	Canned fruits & vegetables
	Total RG&E		Subtotal	3	2,050	449	525				2,050			

Total 51 58,055 31,660 32,789

58,035

c. Lease of Office Space – Clarence D. Rappleyea Building – Beacon Associates, LLC

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize a First Amendment of Assigned Lease (hereinafter ‘Amendment’) with an existing tenant, Beacon Associates, LLC (hereinafter ‘Beacon’). Beacon currently leases approximately 1,500 rentable square feet (‘rsf’) on the 9th floor of the Clarence D. Rappleyea Building (‘Rappleyea Building’) in White Plains. This Amendment would add approximately 1,600 rentable square feet of office space (see Exhibit ‘1c-A’) and extend the term of the lease an additional five years to March 31, 2017. The proposed rent for the additional premises is to commence upon the substantial completion of the build-out at an average annual base rent of \$27.44 per square foot plus electricity at an average annual rate of \$2.61 per square foot and adjustments to recover increases in taxes and operating expenses over a base year, as more specifically discussed in Exhibit ‘1c-B.’

BACKGROUND

“By deed dated July 10, 1991, the Authority acquired the Rappleyea Building, a commercial office building containing approximately 420,195 rentable square feet (hereinafter ‘rsf’). Currently, the Authority leases approximately 160,784 rsf. Beacon currently leases approximately 1,500 rsf of office space located on the 9th floor and the lease expires on March 31, 2012. Beacon is affiliated with and located adjacent to space leased by Danziger and Markhoff, LLP (‘Danziger’) since November 1981. Beacon’s lease provides for a right of first offer for any contiguous space on the 9th floor that becomes available for leasing to private tenants. The 1,600 rsf contiguous to Beacon is not needed by the Authority and is available to Beacon for rental. Beacon would like to lease this additional 1,600 rsf to support its business operations.

DISCUSSION

“Beacon is an investment company that uses trading and investment strategies, both directly and through other investment pools, with the objective of providing above-average rates of return while attempting to minimize risk. Beacon’s lease for the new space would commence upon the substantial completion date and terminate March 31, 2017. Upon completion of the buildout, Beacon’s leased area would total approximately 3,100 rsf. Preliminary negotiations have resulted in the basic lease terms set forth in Exhibit ‘1c-B.’

“A review of local market conditions indicates that this transaction compares favorably with other commensurate space being offered in downtown White Plains and the Rappleyea Building.

FISCAL INFORMATION

“Payment for tenant improvements and architectural and engineering fees as set forth in Exhibit ‘1c-B’ will be made from the Operating Fund.

RECOMMENDATION

“The Director – Real Estate and the Director – Corporate Support Services recommend that the Trustees approve entering into a lease amendment with Beacon Associates, LLC for additional office space in the Clarence D. Rappleyea Building on terms substantially in accordance with the foregoing and with Exhibit ‘1c-B’ attached hereto.

“The Acting Executive Vice President and General Counsel, the Senior Vice President – Enterprise Shared Services and I concur in the recommendation.”

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

RESOLVED, That the President and Chief Executive Officer or the Senior Vice President – Enterprise Shared Services be, and hereby is, authorized to enter into a lease amendment for office space in the Clarence D. Rappleyea Building with Beacon Associates, LLC on substantially the terms set forth in the foregoing report of the President and Chief Executive Officer and Exhibit “1c-B,” subject to approval of the lease documents by the Acting Executive Vice President and General Counsel or his designee; and be it further

RESOLVED, That the Senior Vice President – Enterprise Shared Services or the Director – Real Estate be, and hereby is, authorized on behalf of the Authority to execute any and all agreements, papers or instruments that may be deemed necessary or desirable to carry out the foregoing, subject to approval of the form thereof by the Acting Executive Vice President and General Counsel or his designee; and be it further

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

2. Financial Reports for the Nine Months Ended September 30, 2008

In response to a question from Trustee Jonathan Foster, Mr. Arnold Bellis said that the Authority's hydro generation was expected to continue at a similar pace for the short-term future because of high levels of rainfall over the Great Lakes. Responding to another question from Trustee Foster, Mr. Bellis said that the substantial amount of congestion on the transmission grid led to increased revenues at the FACTs project. In response to a question from Trustee Foster, Mr. Bellis said that the mark-to-market adjustment number on certain energy swaps was high because the Authority locked in some prices on future energy purchases the market value of which is now significantly lower, due largely to the precipitous drop in oil and gas prices. Nevertheless, the Authority achieved its objective of avoiding even higher energy prices which was its concern at the time. In response to a question from Trustee Nicandri, Mr. Bellis that that the difference between the budgeted and actual expenditures for headquarters related to timing differences in some Information Technology projects. Ms. Joan Tursi added that the actual expenditures were expected to be much closer to the budgeted amount by year's end, with total Operations and Maintenance ("O&M") expenditures projected to be \$1 million to \$2 million less than the \$295 million budgeted. In response to a question from Trustee Foster about ancillary services being over budget, Mr. Bellis said that these ancillary services were primarily a New York City load pocket issue, but that the bottom-line result would be that the Authority would recover these expenses as part of its Southeastern New York ("SENY") governmental customers' Energy Charge Adjustment. Responding to another question from Trustee Foster, Mr. Bellis that that the main reason "other" O&M expenses were \$70 million over budget was the Authority's additional \$60 million voluntary contribution to the New York State treasury. Trustees Foster and D. Patrick Curley both said that the voluntary contribution should have its own line item in next year's budget. In response to a question from Trustee Curley, Mr. Bellis said that the Authority combined the net generation totals for its Niagara and St. Lawrence plants because they were considered a single rate-making entity. Responding to a question from Trustee Foster, Mr. Bellis said that SENY's net revenue number was worse than budget because of the significant equipment replacement and writeoff at the 500 MW power plant. Ms. Tursi added that the higher site O&M was related to the fact that planned outages had been moved up in time.

3. Reports from the President and Chief Executive Officer and the Chief Operating Officer

Report from the President and Chief Executive Officer

Richard Kessel, the Authority's new President and Chief Executive Officer, said that it was good to be at his first Trustees' Meeting and thanked the Trustees, Governor Paterson and the Governor's staff for their confidence in him. He said that while the process of selecting him hadn't been as smooth as everyone would have liked it to be, everyone was working together now.

President Kessel said that in his two weeks on the job he had already learned that the Power Authority is a very different agency from the Long Island Power Authority. He said that he and Mr. Gil Quiniones had already met with the Governor's staff in Albany and attended an energy subcabinet meeting. While he was in Albany, he also met with Trustee James Besha, who has some great organizational ideas for the Authority's facilities.

President Kessel said that he had been in Buffalo and Niagara Falls two days the previous week and asked Trustee Curley, who had accompanied him to many of the 14 stops he made, to talk about the visit. Trustee Curley said that he and President Kessel had met with the Western New York Partnership, the Buffalo News editorial board, Congressman Brian Higgins, Buffalo Mayor Byron Brown, Assemblywoman Francine DelMonte from Niagara Falls and State Senator George Maziarz, who is also Chairman of the Senate Energy Committee. Trustee Curley said that people were surprised and impressed by the fact that President Kessel was coming to meet with them so soon after taking office. He said that President Kessel listened to and addressed the concerns (e.g., where the iceboom was going to go and the amount of power leaving Western New York) raised by the people with whom he met. President Kessel thanked Trustee Curley for accompanying him Western New York and told Trustee Elise Cusack that he looked forward to working with her as well. Trustee Curley said that the Western New York Partnership was going to host a reception the evening before the Trustees' November 19th meeting in Buffalo and that President Kessel would be attending at the invitation of Mayor Brown. President Kessel said that he was going to address a meeting of the Western New York Partnership in March. He said that he and Trustee Curley had a great meeting with the Buffalo News, including reporter Jim Heaney, and said that a package of news clippings on his meetings had been provided to the Trustees. President Kessel said that he and Niagara Falls Mayor Paul Dyster had held a press conference to

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launch the city's official entry into the Authority's Green Zones Program, with Niagara Falls being provided two GEM e4 vehicles, four-passenger EVs that will be used by the Niagara Falls Police Department instead of Crown Victorias. He also met with the editorial board of the Niagara Gazette.

President Kessel said that the Authority has a lot to do in Western New York to make the people there feel that the Authority cares about them. He said he believed that the Authority could serve as an engine to power economic development in the region. The purpose of his trip was to make the point that upstate New York is a priority for the Authority. President Kessel said that next month's Trustees' Meeting will be held in the City of Buffalo at 11 a.m. on November 19th. He said he had invited Mayor Brown, Assemblywoman DelMonte, Congressman Higgins and Senator Maziarz to that meeting.

President Kessel said that he and the Trustees would be looking at the Trustees' Meeting dates and locations for 2009 and announcing them at the November Trustees' Meeting. He said that he hoped to hold meetings in Niagara Falls, Syracuse, Utica, Rochester, Long Island and New York City.

He said that he visited the Authority's Niagara plant and met with senior staff there. President Kessel said the Trustees would have an opportunity to tour the Niagara project after the November 19th meeting.

President Kessel asked Mr. Quiniones to convene a group within the next couple of weeks to look at the Authority's wholesale and retail rates and how they compare with the other public power companies in the U. S. He wants that group to come up with recommendations to present to the Trustees at their January or February meeting so that the Trustees can in turn submit recommendations to Governor Paterson for consideration during the upcoming legislative session. President Kessel said that he wants to group to examine two issues: (1) how the Authority can do more with the power it has and (2) how the Authority can get more power (e.g., from Hydro Quebec, transmission infrastructure).

President Kessel said that his top priorities in his new position are:

- (1) Restoring the Authority's integrity, which includes cooperating fully with the ongoing investigation by the Office of the Attorney General.*
- (2) Focusing on upstate New York.*

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- (3) *Upgrading the State's transmission facilities, including the possibility of constructing a major north-south transmission line.*
- (4) *Continuing to pursue ambitious energy efficiency and renewable energy goals, recognizing that a "negawatt" is better than a megawatt.*

President Kessel said that the Authority has hired Navigant Consulting to look at the following:

- (1) *Determining whether the Authority should own a plane and, if the Authority decides to keep the plane, developing a protocol for how it is used.*
- (2) *The Office of the Inspector General, including whether the Authority should have such an office and, if the determination is made that it should, who that office should report to.*
- (3) *The travel office, including whether the Authority should use the State Office of General Services or outsource its travel arrangements.*
- (4) *Internal controls and audits and practices in terms of use of Authority facilities and vehicles.*

President Kessel said that he would be reporting back to the Trustees at their December meeting on these issues and presenting recommendations for their consideration and action in January. He said that the Authority will get a lot of credit for addressing these issues on its own in a timely manner. President Kessel said that the Authority has the potential to become the country's energy leader.

Trustee Foster said that he commended these efforts to look at the Authority's integrity and said that he hoped the Trustees would be able to address some of the issues in the very near term. President Kessel said that he would provide the Trustees with a significant update at their November meeting.

Acting Chairman Townsend said that he was very pleased that President Kessel had made such a good start on these issues and that he has the full support of the Trustees in this effort.

Report from the Chief Operating Officer

Mr. Quiniones said that he was thrilled with President Kessel's very fast start with the Authority and its stakeholders across the State. He said he wanted to highlight several developments that had occurred since the September Trustees' Meeting:

Financial Market: *Staff continues to monitor the financial markets very closely to optimize the Authority's ability to respond to the ongoing volatility. At their September meeting, the Trustees had authorized the use of up to \$150 million of additional operating funds through 2010 for the potential retirement of Authority debt. Of immediate concern were high interest rates affecting the Authority's plans to issue \$72 million of commercial paper on September 24th and 25th to refund the last of its remaining auction-rate securities. The market settled down enough for the Authority to place two evenly divided portions of the short-term debt at the rates of 3% and 3.25% through the February-to-April timeframe. As a result, the additional operating funds were not needed for this period, although the commercial paper markets remain under pressure.*

Regional Greenhouse Gas Initiative: *On September 25th, staff participated in the first auction for carbon dioxide allowances as part of New York's membership in the 10-state Northeast Regional Greenhouse Gas Initiative ("RGGI"). The Authority acquired 515,000 allowances at a clearing price of slightly more than \$3 a ton. The 44 winning bidders of the 59 organizations competing in the auction took all of the 12.5 million allowances. The next auction will be in mid-December.*

Energy Efficiency Projects: *The Authority's investment in energy efficiency and clean energy projects last month was \$8.6 million, bringing year-to-date financing for these initiatives to slightly more than \$78 million. Projects in the pipeline include an \$8.5 million lighting, heating and cooling project at the Williamsville Central School District in the Town of Amherst and an \$11 million upgrade of the heating system at a public housing development in the Bronx. Each of these initiatives will provide more than \$500,000 in annual energy savings. The Authority also recently placed in service an advanced battery energy storage system at the Metropolitan Transportation Authority's Long Island Bus Division in Garden City to reduce peak-power demand and fueling costs associated with the facility's natural gas compressor station.*

Generation and Transmission: *The Life Extension and Modernization Program ("LEM") at the Blenheim-Gilboa project continues to move forward. In the current phase of the work, the facility's upper reservoir was*

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dewatered to facilitate replacement of a valve that controls water flow into the powerhouse. The plant is expected to be returned to service by the first week of November, with three of the four pump-turbine-generating units in operation. The fourth unit will be returned to service in June, leaving only one remaining unit to be upgraded as part of the LEM. All of the Authority's other generation and transmission facilities are operating well and meeting all of their reliability targets.

4. 500 MW Combined Cycle Power Project and Richard M. Flynn Power Project – Spare Power Transformers

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve capital expenditures of \$8.3 million for the engineering, design, procurement, installation and testing of seven spare power transformers for the 500 MW Combined Cycle Power Project (‘500 MW Project’) and Richard M. Flynn Power Project (‘Flynn Project’).

BACKGROUND

“The 500 MW Project has been in commercial operation since 2005 and the Flynn Project since 1994. Power transformers are critical long-lead electrical components for the successful operation and maintenance of these plants. The transformers are subjected to high thermal stresses due to the high-load-cycle frequencies under which they operate and this in turn accelerates aging and potential failure mechanisms. Having a spare available for each class of transformer will mitigate the financial risk to the Authority should any of the existing transformers fail. Failure of a single transformer can result in widespread loss of services, with considerable loss of revenues, as well as replacement and collateral costs.

DISCUSSION

“The power transformers and ancillary equipment for the 500 MW and Flynn Projects are essential to maintaining the smooth operation of these plants, the loss of which would result in a significant revenue decrease. For the 500 MW Project, purchase of spare transformers would reduce the potential financial impact for the Authority’s Southeastern New York customers by approximately \$4 million per month if one of the transformers should fail. Lead time to procure, design, fabricate and deliver new transformers can be as long as 12 to 18 months.

“Authority staff has evaluated spares for each of these power projects. Four spare transformers will be purchased for the following 500 MW Project equipment: (i) either of the two Gas Turbine Generator Step-Up (‘GSU’) Transformers or the Steam Turbine GSU Transformer; (ii) the Gas Turbine Excitation Transformer; (iii) the Steam Turbine Excitation Transformer and (iv) either of the two Gas Turbine Isolation Transformers or the Steam Turbine Isolation Transformer. In addition, storage pads and containments, power panels, conduits, cables, grounding and bonding are also required for installation of these transformers. The total installed cost of these transformers, storage pads, containment and ancillary equipment is estimated at \$4.6 million.

“Three spare transformers will be purchased for the following Flynn Project equipment: (i) either the GSU Transformer or the Steam Turbine GSU Transformer; (ii) the Gas Turbine Static Excitation Equipment Transformer and (iii) the Gas Turbine Static Frequency Controller Transformer. In addition, storage pads and containments, power panels, conduits, cables, grounding and bonding are also required for installation of these transformers. The total installed cost of these transformers, storage pads, containment and ancillary equipment is estimated at \$3.7 million.

“Staff considered various options to transformer spares, including doing nothing, leasing, purchasing capacity insurance, joining a consortium and purchasing new or refurbished equipment. Their evaluation demonstrated that the benefits of purchasing the spare transformers, storage pads and containments far outweighs the cost and minimizes the risk exposure of operating the plants without these transformers.

“The engineering, procurement and installation of the spare transformer pads for both plants is scheduled to be completed by the fourth quarter of 2009, and the fabrication, delivery, installation and testing of the spare transformers for both plants are scheduled to be completed by the third quarter of 2010.

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“The total cost to purchase these spare transformers and store them in pads to keep them in ready mode for future use is estimated at \$8.3 million, as follows:

	<u>500 MW</u>	<u>Flynn</u>
Engineering	\$ 200,000	\$ 150,000
Procurement	2,900,000	2,300,000
Construction	1,081,000	724,000
Project Construction Management	150,000	300,000
Authority Direct and Indirect	<u>269,000</u>	<u>226,000</u>
Total	<u>\$ 4,600,000</u>	<u>\$ 3,700,000</u>

“The estimated expenditure of \$5.8 million in 2009 is being budgeted for the Trustees’ approval. The balance will be included in the 2010 budget.

FISCAL INFORMATION

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

RECOMMENDATION

“The Vice President – Project Management, the Vice President – Engineering, the Vice President – Business Development and Asset Management, the Regional Manager – Southeastern New York and the Project Manager – Power Supply recommend that the Trustees authorize capital expenditures of \$8.3 million for a total of seven spare transformers for the 500 MW Combined Cycle Power Project and the Richard M. Flynn Power Project.

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

Mr. Michael Mitchell presented the highlights of staff’s recommendations to the Trustees. In response to a question from Trustee Nicandri, Mr. Mitchell said that the spare transformers would not be connected unless needed.

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

RESOLVED, That pursuant to the Authority’s Expenditure Authorization Procedures, capital expenditures in the amount of \$8.3 million are hereby authorized in accordance with and as recommended in, the foregoing report of the President and Chief Executive Officer, in the amount and for the purpose listed below:

<u>Capital</u>	<u>Expenditure Approval</u>	
	<u>500 MW</u>	<u>Flynn</u>
Engineering, Procurement, Construction, Project Construction Management, Authority Direct and Indirect	\$ <u>4,600,000</u>	\$ <u>3,700,000</u>

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

4a. Transfers of Industrial Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the transfer of power allocations for 22 existing customers that have either changed their names for various business reasons and/or moved the location of their business.

BACKGROUND

“Ten companies have requested that the Authority grant approval of their requests for the continued delivery of Authority power allocations to facilities that have all gained prior approval for an allocation with pre-existing company names and/or ownership. Five companies have changed only their official corporate names. Seven companies have requested to transfer their allocations to other facilities, including one company that changed its official corporate name without a change in ownership. The reasons for such transfers are described below.

“The Trustees have approved transfers of this nature at past meetings.

DISCUSSION

“The proposed transferees are as follows:

“**American Axle & Manufacturing, Inc.** in Tonawanda, Erie County, manufactures automobile driveline and chassis systems and components, including axles and drive-shafts for light trucks and SUVs. This facility currently has three hydro allocations: 3,250 kW of Expansion Power (‘EP’), 1,300 kW of Replacement Power (‘RP’) and 2,600 kW of RP. The company requests that 1.5 MW of the 2.6 MW RP allocation be transferred to its Cheektowaga facility, since the Tonawanda facility is closing. However, equipment and 17 employees originally associated with the 2.6 MW allocation are being moved to the Cheektowaga facility. If this transfer is approved, American Axle will relinquish the remaining 5.65 MW as the closure proceeds. The allocation’s terms were extended until January 1, 2013. American Axle will honor the general terms and conditions set forth in its RP contract.

“**American Pharmaceutical Partners Inc.**, a specialty drug company in Grand Island, Niagara County, has been in business since 1996. American Pharmaceutical develops, manufactures and markets injectable pharmaceutical products, focusing on oncology, anti-infective and critical care markets, and is one of the largest manufacturers of generic injectables. The company is changing its name only, without any ownership change, to **APP Pharmaceuticals, LLC**. American Pharmaceutical has two RP allocations, 1 MW each, at two different locations on Grand Island. Both allocations’ terms were extended until January 1, 2013. The Trustees approved a 700 kW RP allocation for a building expansion next to the company’s existing facility at their June 24, 2008 meeting. American Pharmaceutical went through a structural/division change when it separated from its proprietary drug and discovery division, Abraxis Bioscience. The locations will remain the same, as will the business carried on at the locations. American Pharmaceutical requests that the Trustees approve its name change for contractual purposes.

“**Boston Scientific Corp./NAMIC Technology Center**, in Glens Falls, Warren County, has been in business at this site since 1969. BSC designs, manufactures and markets single-patient-use medical products, primarily for diagnosing and treating atherosclerotic cardiovascular disease. The company was awarded a 650 kW Power for Jobs (‘PFJ’) allocation, which the Trustees extended June 30, 2009. Recently, BSC and its assets and liabilities were purchased by Avista Capital Partners. The business conducted by BSC at the Glens Falls location remains unchanged. The company is now named **NAMIC/VA Inc.** The company will continue to honor all terms and commitments of its contract with the Authority.

“**Canajo Manufacturing Company**, located in Canajoharie, Montgomery County, is a candy manufacturer at a location where candy has been made by various owners since the early 1900s. Originally, a PFJ allocation of 700 kW was awarded to Richardson Brands Company. On September 23, 2003, the Trustees acknowledged Richardson Brands Company’s name change to Joyco USA Confectionery, Inc. by transferring the allocation. The Trustees transferred the allocation to Canajo Manufacturing Company at their May 25, 2004 meeting, as Canajo acquired most of Joyco’s assets and all of its equipment. When Canajo applied for PFJ benefits, it received a reduced allocation (600 kW) by the Trustees at their September 20, 2005 meeting due to lower reported employment. In 2006, the company merged with Richardson Brands Company, which is a portfolio company of Founders Equity, a capital management firm located in Manhattan. Canajo is now **Richardson Brands Company** and still manufactures candy. The Trustees recently extended the PFJ allocation through the end of the PFJ program on June 30, 2009. The company will honor all terms and commitments of its contract with the Authority.

“**Central Suffolk Hospital**, in Riverhead, Suffolk County, is a non-profit community hospital for the east end of Long Island, providing inpatient and outpatient services, intensive care, cardiac care, pediatrics, obstetrical services, radiology, rehabilitation, pharmacy and long-term care. The hospital is changing its name without any ownership change to **Peconic Bay Medical Center**. CSH originally received a 200 kW PFJ allocation, which was extended for rebates through June 30, 2009. The hospital will continue to honor all terms and commitments of its contract with the Authority.

“**Charmer Industries, Inc.**, in Astoria, Queens County, in business since 1944, is a wholesale distributor of wine and spirits. The company merged with Peerless Importers, Inc. in response to competitive pressures. In addition to merging, the company changed its name to **Empire Merchants LLC**. The business conducted by the company remains unchanged. The company operates out of the former Charmer and Peerless locations in Queens and Brooklyn. Charmer originally received a 750 kW PFJ allocation, which was extended for rebates through June 30, 2009. The company will continue to honor all terms and commitments of its contract with the Authority.

“**Citigroup, Inc.**, in New York, New York County, is one of the world’s largest brokerage houses and banking institutions. At their meeting on September 25, 1984, the Trustees approved a contract for the sale of 16,000 kW of High Load Factor (‘HLF’) power to Shearson Lehman/American Express, Inc. for use at the company’s Information Services Center at 390 Greenwich Street in New York City. On August 31, 1993, the Trustees approved the transfer of Shearson Lehman/American Express, Inc.’s Industrial Power allocation to a new firm known as Smith Barney Shearson which incorporated the brokerage unit of Shearson. At their meeting on November 29, 1994, the Trustees approved 388 Greenwich Street receiving a portion of the allocation. At their March 28, 2000 meeting, the Trustees approved the transfer of the allocation to Citigroup, Inc., recognizing the merger of Smith Barney with Salomon Brothers to create Salomon Smith Barney, Inc., and the subsequent merger of Smith Barney’s prior parent company Travelers Group, Inc. with Citibank, which created SSB’s current parent company, Citigroup, Inc. The 16 MW HLF allocation was extended through June 30, 2009, as were the corresponding Energy Cost Savings Benefits. At their June 26, 2001 meeting, the Trustees approved a 5 MW PFJ allocation for Citi for various New York City facilities, including 250 West Street. The 5 MW allocation was extended through June 30, 2009. Of this allocation, 1.5 MW was allotted to 250 West Street, from which all of the jobs have been relocated to other Citi locations in New York City. Citi requests that 250 West Street’s 1.5 MW portion of the 5 MW allocation be moved to 388 Greenwich Street. Currently, 6 MW of the 16 MW HLF allocation is at 388 Greenwich Street and 10 MW of the 16 MW allocation is at 390 Greenwich Street. Citi requests that 1.5 MW of the 6 MW at 388 Greenwich Street be moved to 390 Greenwich Street, resulting in 4.5 MW HLF power at 388 Greenwich Street and 11.5 MW HLF power at 390 Greenwich Street. Citi will continue to honor all terms and commitments associated with these allocations.

“**Delphi Automotive Systems, LLC**, located in Amherst, Niagara County, produces various essential parts for radiators through injection molding for its Lockport plant, in addition to placing gaskets on headers to form the seal on the radiators. Delphi has two hydro allocations and one PFJ allocation. At their July 31, 1986 meeting, the Trustees granted Ultra Tool and Plastics, Inc. a 1 MW RP allocation. An 800 kW EP allocation was approved by the Trustees for Ultra, at their May 30, 1990 meeting. On October 1, 1991, the Authority reduced the EP allocation to 500 kW. Ultra’s 150 kW PFJ allocation was approved by the Trustees at their April 27, 1999 meeting. The PFJ allocation went to the Pineview Drive location and the hydro allocations served the Commerce Drive location. At their September 23, 2003 meeting, the Trustees transferred Ultra’s RP, EP and PFJ allocations to Viking Industries,

LLC, which promised to honor all terms and commitments of those allocations. Viking closed the Pineview Drive facility in early 2004 and consolidated its equipment and jobs and PFJ allocation at the Commerce Drive facility. At their December 13, 2005 meeting, the Trustees transferred Viking's RP, EP and PFJ allocations to Delphi, which promised to honor all terms and commitments of those allocations. However, the PFJ allocation's employment commitment was reduced. The RP allocation's terms were extended until January 1, 2013. The EP allocation was extended five years by the Trustees at their October 30, 2007 meeting. The PFJ allocation received extended benefits for rebate through June 30, 2009. Delphi is relocating its Amherst plant functions to the Lockport plant in a critical move to stay competitive and increase efficiencies in process flow. The Amherst plant's functions and equipment will be called power train, or PTC, molding, consisting of 17 injection molding machines and two gasket lines at the Lockport plant. The company is transferring 101 workers from Amherst to Lockport. The transfer of allocations would also involve a change of service provider from National Grid to New York State Electric & Gas. Delphi will honor the general terms and conditions set forth in its existing hydropower contracts and the PFJ extended benefits program.

“EDO Corp., located in Amityville and Bohemia, Suffolk County, has been in business for more than 60 years. EDO is the leading systems integrator and producer of high-technology electronic products for the defense industry and government agencies, including avionics and tactical jamming equipment, as well as antennas, radar systems and space-based communications equipment. AIL Systems, Inc. was awarded a 2,700 kW PFJ allocation by the Trustees at their meeting of January 27, 1998. On May 1, 2000 AIL Systems, Inc. and EDO Corporation merged. The allocation was extended through June 30, 2009. On December 20, 2007, EDO was purchased by ITT Corporation. ITT acquired the assets and liabilities of EDO. The business conducted by the company and its locations remain unchanged. The company, now named **ITT Corporation**, will continue to honor the terms and commitments of its contract with the Authority.

“F. P. Pla Tool and Mfg. Co. Inc. in Buffalo, Erie County, is a contract precision machining business founded in 1944 that serves the aerospace, compressor, energy and general manufacturing industries, as well as being a cutting tool manufacturing business. The company originally received a 100 kW PFJ allocation. The allocation was extended for 50 kW through June 30, 2009. In order to accommodate the demand from new clients, the company moved from Buffalo to a new larger facility in Lackawanna. In addition to a location transfer, F. P. Pla changed its name without a change in ownership to **Alliance Innovative Manufacturing, Inc.** The company is continuing business as a precision manufacturing facility and will honor all terms and conditions of its Authority contract.

“Fordham University - Marymount College, in Tarrytown, Westchester County, has been a liberal arts college for women since 1907. Fordham's 400 kW PFJ allocation received extended benefits for rebate through June 30, 2009. The Marymount campus is closing and has been replaced by a new campus in West Harrison. Fordham wishes to transfer the PFJ allocation extended benefits to its Rose Hill campus in the Bronx. However, the jobs associated with the PFJ allocation have been transferred to three campuses: Harrison, Lincoln Center and Rose Hill. Fordham will honor all the terms and commitments of its contract with the Authority.

“General Electric Plastics, in Selkirk, Albany County, has been in operation at this site for more than 40 years. GEP develops and manufactures plastic materials and resins. The company was originally awarded a 5 MW PFJ allocation. In August 2002, the business component became GE Noryl, LLC, a wholly owned subsidiary of General Electric Company. The allocation received extended benefits for rebate through June 30, 2009. On August 31, 2007, GEP's was purchased by SABIC, including the company's assets and liabilities. The business conducted by the company and its location remain unchanged. The company, now named **SABIC Innovative Plastics**, will continue to honor the terms and commitments of its contract with the Authority.

“Glens Falls Lehigh Cement Company, in Glens Falls, Warren County, which is more than 110 years old, is the oldest cement plant in New York. GFLC was originally awarded a 1 MW PFJ allocation. The allocation was extended through June 30, 2009. In 2005, Lehigh Cement Company fully acquired GFLC, changing its name to **Lehigh Northeast Cement Company**. The business conducted by the company remains unchanged. The company will honor the terms and conditions of its contract with the Authority.

“**Greatbatch, Inc.**, founded in 1970 in Clarence, Erie County, designs, develops and manufactures batteries, capacitors, EMI filters, coated electrodes, stimulation leads, catheters, introducers and assemblies used in the implantable medical industry. The company originally received a 1,200 kW PFJ allocation. At their December 31, 2005 meeting, the Trustees recognized the company’s name change from Wilson Greatbatch, Ltd. to Greatbatch, Inc. The Trustees extended an allocation of 780 kW through June 30, 2009. The allocation is spread over four facilities in Clarence: 10000 Wehrle Drive, 9645 Wehrle Drive, 4100 Barton Road and 4098 Barton Road. Since the company is closing the 9645 Wehrle Drive facility, it wishes to transfer that portion of its PFJ allocation to the other facilities. Greatbatch will continue to honor the terms and commitments of its contract with the Authority.

“**Habasit Globe, Inc.**, in Buffalo, Erie County, has been in business since 1916. HGI is the worldwide leader in manufacturing industrial conveyor belts, with the Buffalo location specifically producing medium-weight conveyor belts. The company’s original 250 kW RP allocation was reduced to 200 kW in 2007. The allocation’s terms were extended until January 1, 2013. In 1996, HGI, then named Globe International, was purchased by the Swiss company Habasit Belting and renamed Habasit Globe, Inc. The business conducted by the company and its location remained unchanged. In early 2006, HGI changed its corporate structure for accounting purposes and is now named **Habasit Belting, LLC**. The company will continue to honor the terms and commitments of its contract with the Authority.

“**ISG Lackawanna LLC**, in Blasdell, Erie County, produces coal, steel bars and cold-rolled galvanized sheets for ship construction, off-shore drilling platforms, wire rope and railroad cars. Bethlehem Steel, Inc. was originally awarded a 37,500 kW RP allocation and a 10,400 kW EP allocation. The Authority reduced the 37,500 kW allocation to 25,750 kW on March 19, 2002. In 2003, ISG purchased all the steel-making and related assets of Bethlehem, which had been in operation since 1922. The Trustees approved a transfer of the 25,750 kW RP allocation and the 10,400 kW EP allocation to ISG at their June 24, 2003 meeting. In January 2006, the RP allocation’s terms were extended until January 1, 2013. At their October 24, 2006 meeting, the Trustees transferred the allocation to Mittal Steel Company N.V. dba Mittal Steel USA, Inc., which purchased ISG in 2005. The company recently changed its name, without any ownership change, to **ArcelorMittal Lackawanna LLC**. The company will continue to honor the terms and commitments of its contracts with the Authority.

“**Lancaster Steel Service Company, Inc.**, in Lancaster, Erie County, has been in business and owned by the same two families since 1936. From a large distribution center, Lancaster offers an extensive line of products and services, including structural steel, merchant bars, plates, reinforced steel fabrication and flat-rolled products. The company’s original 500 kW PFJ allocation was extended through June 30, 2009. On October 4, 2006, Lancaster was acquired by Ryerson Inc. The business conducted by the company, now named **Ryerson, Inc.**, and its location, remain unchanged. The company will continue to honor the terms and commitments of its contract with the Authority.

“**Merritt Plywood Machinery, Inc.**, in business for more than 150 years in Lockport, Niagara County, designs, manufactures and installs custom machinery for the hardwood veneer industry. Merritt originally received a 75 kW PFJ allocation, which received extended benefits for rebate through June 30, 2009. In June 2008, all of Merritt’s assets were purchased by **Merritt Machinery, LLC**. The business conducted by the company and its location remain unchanged. The company will continue to honor the terms and commitments of its contract with the Authority.

“**The New Museum of Contemporary Art**, founded in 1977 in New York, New York County, originally received a 50 kW PFJ allocation that received extended benefits for rebate through June 30, 2009. The New Museum, which moved to its new building in Manhattan in November 2007, requests that its PFJ allocation be transferred to the new facility. The museum will continue to honor the terms and commitments of its contract with the Authority.

“**Organichem, Inc.**, in Rensselaer, Rensselaer County, was established in 1999 and conducts large-scale pilot manufacturing of active pharmaceutical ingredients for medicinals, botanicals and diagnostic substances. Albany Molecular Research, Inc. owned 40% of the company, with management owning the rest, but AMRI acquired all of Organichem through warrants it received at the time the company was established. In 2007, the company

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changed its name only, without any ownership change, to **AMRI Rensselaer, Inc.** The company's original 1,000 kW PFJ allocation received extended benefits for rebate through June 30, 2009. The company will continue to honor the terms and commitments of its contract with the Authority.

"Sherwood, A Division of Harsco Corp., founded in 1923 and located in Wheatfield, Niagara County, manufactures gas control valves and regulators for compressed gas, refrigerants and scuba diving gear. The company has a 400 kW EP allocation. On December 7, 2007, Sherwood was purchased by Wind Point Partners, including all assets and liabilities. The business conducted by the company and its location remain unchanged. The company, now named **Sherwood Valve LLC**, will continue to honor the terms and commitments of its contract with the Authority.

"Valeo Engine Cooling – Truck USA, in Jamestown, Chautauqua County, manufactures engine-cooling parts for the trucking industry. Valeo has a 1 MW EP allocation. In May 2008, the company was purchased in its entirety by **TitanX Engine Cooling, Inc.** The business conducted by the company and its location remain unchanged. The company will continue to honor the terms and commitments of its contract with the Authority.

RECOMMENDATION

"The Director – Marketing Analysis and Administration recommends that the Trustees approve the transfer of power allocations for 17 existing customers that have changed their names or transferred their allocations for various business reasons and approve the transfer of 5 customers' existing allocations to other facilities while maintaining their current business operations and committing to the existing terms of their contracts.

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

Mr. James Pasquale presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Foster about whether any effort was under way to encourage the establishment of more jobs per kilowatt-hour, Mr. Pasquale said that most of these transfers involved customers of the Power for Jobs ("PFJ") program, which is closed to new customers. He added that PFJ was a job-retention program, while the hydropower allocation programs were targeted to job creation. President Kessel said that he wants to look at the criteria for all power allocations and that the Authority may need to change the way these programs operate to make them more efficient. He said that any recommendations for changes would need to be made to the State Legislature and the Governor. Acting Chairman Townsend said that he had received a call from Tony Collins, the President of Clarkson University, who had received a call from an alumnus of the college, a steel manufacturer, interested in obtaining 35 MW of low-cost power in exchange for bringing 200 new jobs to the North Country. President Kessel said that a large amount of Authority power is allocated to a small number of businesses. He said that power availability is important in order to attract new businesses, especially small businesses. Acting Chairman Townsend said that, historically, economic development tools have been used to assist large, glamorous companies, and that he would also like to see new and small business targeted. President Kessel said that he and Bob Wilmers, the new Chairman of Empire State Development Corporation ("ESDC"),

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had engaged in a good conversation. They plan to meet in November to coordinate both agencies' efforts.

Trustee Besha said that one of the problems is that the Authority is trying to divide up a pie that was created in the 1950s and that now the pie needs to be much, much larger so that the Authority won't have as many problems in trying to allocate this very scarce resource. President Kessel reiterated that purchasing power from Hydro Quebec makes sense, as does building a transmission cable from Buffalo to New York City and Long Island to be able to move power back and forth at critical times.

The following resolution, as submitted by the President and Chief Executive Officer, was adopted by a vote of 5-1 with Trustee Nicandri resusing himself.

RESOLVED, That the Authority hereby authorizes the transfers of 22 industrial power allocations in accordance with the terms described in the foregoing report of the President and Chief Executive Officer; and be it further

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

**5. Blenheim-Gilboa Power Project –
345 kV High-Pressure Fluid-Filled
Cable Replacement Program**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize capital expenditures of \$6.7 million for replacement of the 345 kV High-Pressure Fluid-Filled (‘HPFF’) cables at the Blenheim-Gilboa Power Project (‘B-G’).

BACKGROUND

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

“At approximately 4:00 p.m. on February 6, 2008, a cable ground fault occurred on the B-G Unit 2 HPFF 345 kV pipe-type cable, which spans a distance of approximately 1,000 linear feet in an underground tunnel between the unit transformer and the switching facilities. Four such cables, one for each unit, connect the units to the switchyard and thus to the electric grid.

“A review of the failure data and previous information gathered regarding the cable system, which was installed in 1973, concluded that a systematic failure mode is occurring in the B-G 345 kV pipe-type cable circuits, resulting in a loss of reliability. Based on Engineering’s evaluation and assessment, it was determined that total replacement of all four HPFF cables would be necessary in order to provide reliable service.

“On February 26, 2008, the President and Chief Executive Officer approved an interim request to increase the expenditure authorization limits of an existing emergency repair services contract to \$3 million to allow for the replacement of the Units 1 and 2 HPFF cables. At their March 25, 2008 meeting, the Trustees ratified this interim approval. The Trustees were informed that once the cost estimates were finalized, their authorization to replace all cables and appurtenances would be requested.

“A Capital Expenditure Authorization Request (‘CEAR’) has been developed to summarize the accumulated costs for the emergency repair of Units 1 and 2 and the total cost for all four units’ HPFF cable replacement.

DISCUSSION

“B-G Units 1 and 2 HPFF 345 kV cables were successfully replaced in April 2008 under the emergency repair contract with Underground Systems, Inc. This work was completed during the plant outage for the second Life Extension and Modernization (‘LEM’) unit. The associated cost for the repair of the first two HPFF cables is about \$3.2 million. The cost for Units 3 and 4 is estimated to be \$3.5 million due to the current higher material cost associated with cable procurement.

“The technical specification for the replacement of B-G Units 3 and 4 HPFF cables and termination requirements was prepared by Engineering and Project Management staff and issued for competitive bidding in July 2008. On August 28, 2008, a contract was awarded to the low bidder, W. A. Chester, to perform the work starting September 15, 2008 during the B-G Unit 3 LEM outage. Executing the cable replacements during the previously planned LEM outages eliminates the need for another dedicated outage to perform the work, thus minimizing any additional cost impact related to outage requirements.

“The following summarizes the CEAR for the four units’ HPFF cable replacements:

Engineering	\$ 60,000
Procurement	\$ 2,310,000
Construction	\$ 3,900,000
Authority Direct/Indirect	<u>\$ 430,000</u>
	<u>\$ 6,700,000</u>

FISCAL INFORMATION

“Payment will be made from the Capital Fund.

RECOMMENDATION

“The Vice President – Project Management, the Vice President – Engineering, the Regional Manager – Central New York and the Project Manager – Power Supply recommend that the Trustees authorize capital expenditures in the amount of \$6.7 million for replacement of all four Blenheim-Gilboa Power Project 345 kV High-Pressure Fluid-Filled cables.

“The Chief Operating Officer, the Acting Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Executive Vice President and Chief Engineer – Power Supply, the Vice President – Controller and I concur in the recommendation.”

Mr. Thomas Antenucci presented the highlights of staff’s recommendations to the Trustees. In response to a question from Trustee Nicandri, Mr. Antenucci said that the failed cables had lost dielectric strength on the outer layers of the insulation of the new cable because of the outmigration of the fluid installed at the factory. He said that the new cables have a different type of insulation and are expected to be much more resistant to this type of life cycle wear.

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

RESOLVED, That capital expenditures are hereby approved to be committed in accordance with the Authority’s Expenditure Authorization Procedures for the Blenheim-Gilboa 345 kV High-Pressure Fluid-Filled cable replacement in the amount and for the purpose listed below:

<u>Capital</u>	<u>Expenditure Request</u>
B-G 345 kV HPFF cable replacement – Engineering, Procurement, Construction and Authority Direct/Indirect	<u>\$6,700,000</u>

October 28, 2008

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

6. Hybrid-Electric School Bus Evaluation – Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a contract for \$185,808 to M. J. Bradley & Associates (‘MJB&A’) of Manchester, New Hampshire, for a three-year evaluation of two hybrid-electric school buses – one plug-in and one ‘standard’ or ‘no-plug’ – on urban, suburban and rural routes in New York State. The primary focus of the study will be to compare the fuel/energy efficiency and emissions reduction benefits of the no-plug and plug-in hybrid systems. The evaluation will include data collection and emissions testing. The New York State Energy Research and Development Authority (‘NYSERDA’) will partner with the Authority on this project and will reimburse the Authority for \$100,000 in project costs.

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. Funding for this project will be provided to the implementation contractor over a period of three years.

“Hybrid-electric and plug-in hybrid-electric drive systems are now being developed and introduced into all segments of the transportation industry, from light-duty passenger vehicles to heavy-duty trucks and industrial equipment. Urban/suburban school bus service, with its low speeds, many stops and starts and long periods of idling, could be an ideal application for hybrid technology.

“The Authority has purchased two hybrid-electric school buses manufactured by IC Corporation, a subsidiary of International Truck and Engine Corporation. One bus is a ‘standard’ charge-sustaining hybrid diesel-electric school bus and the other is a plug-in charge-depleting hybrid diesel-electric school bus. The Authority received co-funding for the bus purchases from NYSERDA and the National Association of State Energy Officials State Technologies Advancement Collaborative.

“The hybrid buses will be demonstrated with three school districts in New York State. The Authority will provide the buses to each school district for a period of one year. Schenectady Central School District will be the first district to participate in the program. The second and third school districts will be selected at a later date. The buses will be placed in service in Schenectady this fall.

DISCUSSION

“The Authority issued a Request for Proposals for the hybrid-electric school bus evaluation in August 2008 and on September 9, 2008 received two proposals, one from MJB&A and the other from Electric Engineering Transportation Company of Phoenix, Arizona. MJB&A was the low bidder and demonstrated significant experience in the evaluation and testing of hybrid bus technologies. MJB&A is therefore recommended as the implementation contractor for this project.

“MJB&A will collect in-service fuel use and maintenance data from participating school districts, as well as operational data downloaded from the on-board data collection system, and will analyze the data and present the results in monthly, quarterly and annual reports and a final project report. In addition to the in-service evaluation, MJB&A will also conduct emissions testing for each operating scenario. Emissions of carbon dioxide, carbon monoxide, total hydrocarbons and nitrogen oxides will be collected and analyzed.

“This will be the first side-by-side evaluation of a standard hybrid and a plug-in hybrid school bus nationwide. The project will provide valuable data on the comparative costs/benefits of the plug-in and standard hybrid systems. It will help the State prioritize program budgets and develop transportation policies that support the transportation sector’s transition toward cleaner, alternative fuels.

FISCAL INFORMATION

“Funding for the project will be provided from the Operating Fund. NYSERDA will reimburse the Authority for \$100,000 in project costs. Therefore, the total project cost to the Authority will be \$85,808.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology and the Chief Technology Development Officer recommend that the Trustees approve the award of a three-year contract to M. J. Bradley & Associates to perform the requisite evaluation services.

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts and the Expenditure Authorization Procedures adopted by the Authority, the Trustees hereby authorize the award of a three-year contract in the amount of \$185,808 to M. J. Bradley & Associates for implementation of the Hybrid-Electric School Bus Evaluation Project; and be it further

RESOLVED, That Operating Fund monies be used to fund project costs in the amount and for the purpose listed below:

<u>Contractor</u>	<u>Contract Approval</u>	<u>Projected Completion Date</u>
Hybrid-electric school bus evaluation – third-party contractor services		
M. J. Bradley & Associates	<u>\$185,808</u>	12/31/11

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

October 28, 2008

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

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

October 28, 2008

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

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

October 28, 2008

9. **Proposed Schedule of Trustees' Meetings in 2009**

This item was tabled.

10. Amendments to the Authority's By-Laws

The Acting Executive Vice President and General Counsel submitted the following report:

“The Trustees are requested to amend the Authority’s By-laws to: (i) describe the roles and responsibilities of the President and Chief Executive Officer and the Chief Operating Officer, (ii) reflect organizational changes in several business units and (iii) make incidental corrections resulting from the foregoing, as follows:

- (1) Amend Article II, Section 2 to add a reference to the Public Authorities Accountability Act of 2005 and to clarify the policies requiring review and approval by the Trustees;
- (2) Amend Article III, Section 4 to allow for notice of special meetings via electronic communication;
- (3) Amend Article IV, Section 2 to change the titles of Executive Vice President – Power Generation to Executive Vice President and Chief Engineer – Power Supply, Executive Vice President – Corporate Services and Administration to Executive Vice President – Chief Administrative Officer, Executive Vice President – Energy Marketing and Corporate Affairs to Executive Vice President – Energy Marketing and Business Development and Vice President of Internal Audits and Corporate Compliance to Vice President of Internal Audits and to provide that the Inspector General be appointed by and serve at the pleasure of the Governance Committee;
- (4) Amend Article IV, Section 3 to change the titles of Executive Vice President – Power Generation to Executive Vice President and Chief Engineer – Power Supply, Executive Vice President – Corporate Services and Administration to Executive Vice President – Chief Administrative Officer and Executive Vice President – Energy Marketing and Corporate Affairs to Executive Vice President – Energy Marketing and Business Development;
- (5) Amend Article IV, Section 4 to add the title of Chief Operating Officer to the list of offices that may not remain unfilled in the event of a vacancy;
- (6) Amend Article IV, Section 6(C) to amend the duties of the President and Chief Executive Officer;
- (7) Amend Article IV, Section 6(D) to amend the duties of the Chief Operating Officer;
- (8) Delete Article IV, Section 6(E) entitled ‘Vice President and Other Officers’ and substitute in its place a new Article IV, Section 6(E) entitled ‘Executive Vice President and Chief Engineer – Power Supply’ and describe therein the duties of that position;
- (9) Amend Article IV, Section 6(G) to change the title of the position from Executive Vice President – Corporate Services and Administration to Executive Vice President – Chief Administrative Officer and to amend the duties of the position;
- (10) Amend Article IV, Section 6(H) to delete the reporting structure therein;
- (11) Amend Article IV, Section 6(I) to change the title of Executive Vice President – Energy Marketing and Corporate Affairs to Executive Vice President – Energy Marketing and Business Development, to delete the reporting structure therein and to amend the duties of the position;
- (12) Amend Article IV, Section 6(M) to change the title of Vice President of Internal Audits and Corporate Compliance to Vice President of Internal Audits and to add the title of Chairman as one who may assign duties to the Vice President of Internal Audits;
- (13) Amend Article IV, Section 6(N) to amend the reporting structure therein;
- (14) Amend Article V, Section 6(O) to change the chain of succession;

October 28, 2008

- (15) Amend Article V, Section 1 to change the titles of Executive Vice President – Power Generation to Executive Vice President and Chief Engineer – Power Supply, Executive Vice President – Corporate Services and Administration to Executive Vice President – Chief Administrative Officer and Executive Vice President – Energy Marketing and Corporate Affairs to Executive Vice President – Energy Marketing and Business Development;
- (16) Amend Article X, Section 1 to provide that all regional managers and site executive officers be appointed by the Chief Operating Officer instead of the President and Chief Executive Officer;

“The amended By-laws are set forth in Exhibit ‘10-A-1’ attached hereto. A redlined version with strikethroughs denoting deletions and underlining reflecting new language is attached as Exhibit ‘10-A-2.’

“The President and Chief Executive Officer, the Chief Operating Officer, the Acting Executive Vice President – Corporate Services and Administration, the Executive Vice President and Chief Financial Officer and I recommend that the Trustees approve the proposed By-laws amendments.”

The following resolution, as submitted by the Acting Executive Vice President and General Counsel, was unanimously adopted.

RESOLVED, That the revisions to the By-laws, which By-laws were originally adopted on April 9, 1954, and last amended on October 30, 2007, and which revisions are discussed in the foregoing report of the Acting Executive Vice President and General Counsel and are attached hereto as Exhibit “10-A-1,” be hereby adopted; and be it further

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

October 28, 2008

Exhibit "10-A-1"
October 28, 2008

**BY-LAWS
of the
POWER AUTHORITY
OF THE STATE OF NEW YORK**

Statutory Authority
Public Authorities Law §1004

Originally Adopted April 9, 1954,
and amended..... July 28, 1954;
September 28, 1956;
May 1, 1961;
December 19, 1966;
July 1, 1968;
April 27, 1978;
November 28, 1978;
October 31, 1979;
December 18, 1984;
January 22, 1985;
October 29, 1985;
April 29, 1986;
February 28, 1989;
February 22, 1994;
April 26, 1994;
August 29, 1995;
December 17, 1996;
September 11, 1997;
December 15, 1998;
October 26, 1999;
November 28, 2000;
April 30, 2002;
February 28, 2006;
April 28, 2006;
April 24, 2007;
October 30, 2007
October 28, 2008

**Power Authority of the State of New York
30 South Pearl Street
Albany, New York 12207**

**BY-LAWS
of the
POWER AUTHORITY
OF THE STATE OF NEW YORK**

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ARTICLE I - Offices

Section 1. Principal Office

The principal office of the Power Authority of the State of New York (hereinafter referred to as the "Authority") shall be its Albany Office.

Section 2. Other Offices

The Authority may also have offices at such other places as the Trustees may from time to time determine or the business of the Authority may require.

Section 3. Books and Records

Except as otherwise determined by the Trustees, or as the business of the Authority may require, all books and records of the Authority shall be kept at its White Plains, New York office.

ARTICLE II - Trustees

Section 1. Number, Term, Appointment and Vacancies

The number and term of Trustees and the appointment and process of filling vacancies shall be governed by Title 1 of Article 5 of the Public Authorities Law, Chapter 870, Laws of New York, 1939, as amended (hereinafter referred to as "Power Authority Act").

Section 2. Powers and Duties

The powers and duties of the Trustees shall be governed by the Power Authority Act and the applicable provisions of the Public Authorities Accountability Act of 2005. To implement these powers and duties, the Trustees shall oversee the Authority's chief executive and other senior management in the effective and ethical management of the Authority; understand, review and monitor financial, management and operational decisions of the Authority and to review and approve annually the policies and procedures governing: (i) the salary, (ii) compensation, (iii) benefits and (iv) time and attendance of the chief executive and senior management.

ARTICLE III - Trustees' Meetings

Section 1. Place of Meetings

Meetings of the Trustees shall be held at the principal office of the Authority or at such other place as the Trustees may from time to time designate.

Section 2. Annual Meeting

The annual meeting of the Trustees shall be held in March of each year, unless otherwise determined by them and at such time and place as the Trustees may from time to time designate.

Section 3. Regular Meetings

Regular meetings of the Trustees shall be held in accordance with a schedule adopted annually by the Trustees for that purpose and may be changed from time to time within that year by the Chairman in consultation with the Trustees.

Section 4. Special Meetings

Special meetings of the Trustees may be called by the Chairman or Vice Chairman or upon the request of any three Trustees. The Corporate Secretary shall give notice of the time, place and purpose or purposes of each special meeting by mail at least three days before the meeting or in person or by telephone or facsimile or by other electronic communication at least two days before the meeting to each Trustee. The notice required to be given under this section may be waived by the Trustee to whom such notice is required to be given.

Section 5. Quorum

At all Trustees' meetings, the presence of four Trustees shall be necessary to constitute a quorum and shall be sufficient for the transaction of business. Any act shall be sufficient for the transaction of business if such four Trustees are in agreement and any act of such four Trustees present at a meeting and which constitutes a quorum shall be an act of the Trustees.

ARTICLE IV - Officers

Section 1. Officers

The statutory officers of the Authority shall be a Chairman and a Vice Chairman, whose offices are created by and named in Section 1004 of the Public Authorities Law and who shall be chosen from among the Trustees; the non-statutory officers of the Authority shall be a President and Chief Executive Officer, a Chief Operating Officer, one or more Executive Vice Presidents, an Executive Vice President and General Counsel, a Corporate Secretary, a Treasurer, a Controller, and such other officers as may be deemed necessary by the President and Chief Executive Officer to transact the business and exercise the general and special powers of the Authority, all of whom shall be employees of the Authority.

Section 2. Election and Appointment of non-statutory Officers

The President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President – and Chief Engineer – Power Supply, the Executive Vice President – Chief Administrative Officer, Executive Vice President – Chief Financial Officer, the Executive Vice President – Energy Marketing and Business Development and the Corporate Secretary shall be elected annually at the annual Trustees' meeting. In addition, such officers may be elected from time to time at any regular or special meeting of the Trustees. All other officers of the Authority shall be appointed by and serve at the pleasure of the President and Chief Executive Officer, except that the Vice President – Internal Audits shall be appointed by and serve at the pleasure of the Audit Committee and the Inspector General shall be appointed by and serve at the pleasure of the Governance Committee.

Section 3. Term of Office

The President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Corporate Secretary, the Executive Vice President and Chief Engineer - Power Supply, the Executive Vice President – Chief Financial Officer, the Executive Vice President – Energy Marketing and Business Development and the Executive Vice President – Chief Administrative Officer shall hold office for a term expiring at the next annual Trustees' meeting or until their successors are elected.

Section 4. Vacancies

The Trustees may leave unfilled any office except those of Chairman, Vice Chairman, President and Chief Executive Officer, Chief Operating Officer, Executive Vice President and General Counsel, or Corporate Secretary.

Section 5. Removal

Any officer elected by the board or appointed pursuant to Section two herein shall be subject to removal at any time by the appointing authority with or without cause.

Section 6. Powers and Duties

A. Chairman

The Chairman shall preside at all meetings of the Trustees and shall on behalf of the Trustees oversee the Authority's chief executive and senior management in the effective and ethical management of the Authority. The Chairman may appoint such assistants and employees as he may deem necessary in order to perform such function and may fix their power, duties and compensations. The Chairman may delegate to the Vice Chairman, President and Chief Executive Officer, or other officer or officers such of the Chairman's powers and functions in the general supervision of the business of the Authority.

B. Vice Chairman

The Vice Chairman shall possess such powers and shall perform such duties as may be assigned to him from time to time by the Trustees. The Vice Chairman shall be Acting Chairman in the absence or incapacity of the Chairman and shall assume the powers and perform all duties of the Chairman if the Chairman is unable to perform such duties for any reason. The Vice Chairman, when acting in the capacity of Acting Chairman under this section, may delegate the powers or duties of Chairman to another Trustee or the President and Chief Executive Officer during the period of disability or incapacity of the Chairman.

C. President and Chief Executive Officer

The President, when elected by the Trustees, shall be the Chief Executive Officer of the Authority and subject to such supervision as the Chairman or the Trustees may from time to time exercise, shall have such duties and powers as hereinafter described and as customarily pertain to such office. The President and Chief Executive Officer shall be responsible for developing and implementing the strategic vision and mission of the Authority, for the overall supervision of the Authority's operations, legal and financial matters and management of the Authority's relationships with elected officials, governmental agencies, authorities, commissions and the public. The President and Chief Executive Officer may sign, execute and deliver in the name of the Authority powers of attorney, contracts, agreements, leases, notes, checks, drafts, bonds, obligations and such documents other than those required by these By-laws, law or resolution to be executed by the Chairman and/or the Corporate Secretary. The President and Chief Executive Officer may, as deemed appropriate, delegate his or her powers and responsibilities to any non-statutory officers of the Authority.

D. Chief Operating Officer

The Chief Operating Officer, when elected by the Trustees, shall have such duties and powers as hereinafter described and as customarily pertain to such office. The Chief Operating Officer shall manage and monitor the day-to-day activities and operations of the Authority and shall report on same to the President and Chief Executive Officer. Except as may be prescribed by the Chairman or the Trustees, the Chief Operating Officer shall have primary responsibility for the property, business and affairs of the Authority and shall manage its several other officers, employees and agents other than, those officers and employees reporting directly to the Chairman, the Trustees or the President and Chief Executive Officer. The Chief Operating Officer may sign, execute and deliver in the name of the Authority powers of attorney, contracts, agreements, leases, notes, checks, drafts, bonds, obligations and such documents other than those required by these By-laws, law or resolution to be executed by the Chairman and/or the Corporate Secretary. The Chief Operating Officer may, as deemed appropriate, delegate his or her powers and responsibilities to any non-statutory officers of the Authority.

E. Executive Vice President and Chief Engineer – Power Supply

The Executive Vice President and Chief Engineer – Power Supply shall be responsible for the safe, reliable and cost-effective operation and maintenance of all Authority generating and transmission facilities; all engineering, construction, maintenance and project management services and staff functions of business development and asset management, environmental health and safety, technical training and project development and licensing.

F. Executive Vice President and General Counsel

There shall be an Executive Vice President and General Counsel of the Authority, who shall report to both the Trustees and the President and Chief Executive Officer and be the chief legal officer of the Authority. In that capacity, he shall advise and represent the Authority generally in all legal matters and proceedings, including legislative proceedings, shall designate those employees who shall be eligible to accept service of process on behalf of the Authority and possess such powers and shall have general supervision over the property, business and affairs of the Office of the General Counsel.

G. Executive Vice President – Chief Administrative Officer

The Executive Vice President – Chief Administrative Officer, shall supervise the Authority's procurement of goods and services, its real estate, fleet management and information technology operations and shall implement and manage its human resource policies.

H. Executive Vice President and Chief Financial Officer

The Executive Vice President and Chief Financial Officer shall supervise and direct the activities of the Business Services Division, give advice to the President and Chief Executive Officer regarding financial and investment policies of the Authority, supervise the Authority's investment program, recommend and

implement financial policies of the Authority, participate in the preparation of the financial reports of the Authority required by applicable law.

I. Executive Vice President – Energy Marketing and Business Development

The Executive Vice President – Energy Marketing and Business Development shall manage and direct the Authority's client-based programs, its economic development, energy services and technology, and power resource planning and acquisition activities and the development of new products and programs.

J. Corporate Secretary

The Corporate Secretary shall report to the Chairman and Board of Trustees and attend all meetings of the Trustees and record all votes and shall keep a record of the proceedings of the Trustees in a Minute Book to be kept for that purpose. The Corporate Secretary shall cause notice to be given of all meetings of the Trustees and shall be custodian of the records of the actions of the Trustees and shall keep in safe custody the seal of the Authority and shall have the authority to affix such seal to all documents and papers authorized to be executed by the Trustees or officers of the Authority requiring such seal to be affixed. The Corporate Secretary shall attest to the signatures of the Trustees and officers of the Authority and shall have the authority to cause copies to be made of all minutes, resolutions, records and documents of the Authority and to deliver certificates under seal to the effect that such copies are true and accurate and that all persons dealing with the Authority may rely on same.

K. Treasurer

The Treasurer shall have general custody of all funds and securities of the Authority and have general supervision of the collection and disbursement of Authority funds and shall endorse on behalf of the Authority for collection checks, notes and other obligations, and shall deposit the same to the credit of the Authority in such bank or banks or depositories as the Trustees may designate. The Treasurer may sign with the President and Chief Executive Officer, or such other person or persons as may be designated for such purpose by the Trustees, all bills of exchange or promissory notes of the Authority.

L. Controller

The Controller shall be in charge of the accounting operations, the preparation of fiscal accounts and the coordination of all external audits of the Authority.

M. Vice President - Internal Audits

There shall be a separate Office of Internal Audits which shall report to the Audit Committee and shall have such other powers and perform such other duties as customarily pertain to such officer and as may be assigned to it by the Chairman and the President and Chief Executive Officer. The Vice President of Internal Audits shall meet at least three times per year with the Audit Committee.

N. Inspector General

There shall be a separate Inspector General which shall report to the Trustees, the Governance Committee and the President and Chief Executive Officer and shall have such other powers and perform such other duties as customarily pertain to such officer. The Inspector General shall attend the meetings of the Governance Committee.

O. Succession – Absence or Vacancy of Office of President and Chief Executive Officer

In the event of the incapacity or absence of the President and Chief Executive Officer, the Chief Operating Officer shall perform the duties of President and Chief Executive Officer. If the office of Chief Operating Officer is vacant or the incumbent is absent, then the Executive Vice President and Chief Engineer – Power Supply shall perform the duties of the President and Chief Executive Officer. If the offices of Chief Operating Officer and Executive Vice President and Chief Engineer – Power Supply is vacant or the

respective incumbents are absent, then the Executive Vice President – General Counsel shall perform the duties of the President and Chief Executive Officer. If the offices of Chief Operating Officer, Executive Vice President and Chief Engineer – Power Supply and Executive Vice President and General Counsel are vacant or the respective incumbents are absent, then the Executive Vice President – Chief Financial Officer shall perform the duties of the President and Chief Executive Officer.

ARTICLE V - Committees

Section 1. Executive Management Committee

The President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Engineer - Power Supply, the Executive Vice President – Chief Administrative Officer , the Executive Vice President – Chief Financial Officer, the Executive Vice President – Energy Marketing and Business Development and such other officers as the President and Chief Executive Officer may from time to time designate shall be members of an Executive Management Committee which shall periodically review and propose Authority corporate strategies, policies and programs and shall report on and make recommendations, with the Chairman's concurrence, to the Trustees. Any officer so designated shall serve on the Executive Management Committee at the pleasure of the President and Chief Executive Officer.

The President and Chief Executive Officer, or in his absence or disability his designee, shall preside at Executive Management Committee meetings, which shall meet quarterly or more often as the President and Chief Executive Officer may designate.

Section 2. Audit Committee

The Audit Committee shall consist of three eligible Trustees and have oversight of such activities of the Authority as set forth in the Audit Committee Charter adopted by the Trustees and may exercise such powers as the Trustees shall from time to time determine.

Section 3. Governance Committee

The Governance Committee shall consist of three eligible Trustees, and have oversight of such activities of the Authority as set forth in the Governance Committee Charter adopted by the Trustees and may exercise such powers as the Trustees shall from time to time determine.

Section 4. Other Committees

The Trustees or the Chairman may appoint other committees which shall have and may exercise such powers as shall be authorized by the Trustees or by actions of the Chairman or President and Chief Executive Officer.

ARTICLE VI - Corporate Seal

Section 1. Seal

The seal of the Authority shall be a design symbolizing its activities and shall be surrounded by the words "Power Authority of the State of New York" as shown by the following impression of such seal:



ARTICLE VII - Fiscal Management

Section 1. Fiscal Year

The Trustees shall have the power to fix, and may, from time to time change by resolution, the fiscal year of the Authority. Unless otherwise fixed by the Trustees, the calendar year shall be the fiscal year.

Section 2. Strategic Plan

The Trustees shall annually review a strategic plan developed by the Executive Management Committee which shall become the basis for the development of departmental plans, the annual budget and the capital expenditure plan.

Section 3. Annual Budgets

The Trustees shall annually adopt an operation and maintenance budget and a capital budget for the Authority's operating facilities and support departments.

Section 4. Capital Expenditure Plan

The Trustees shall review an annual capital expenditure plan which shall summarize all present and proposed capital projects.

Section 5. Expenditure Authorization Procedures

The Trustees shall adopt expenditure authorization procedures which shall govern the annual budget, capital expenditure plan, contract executions and all approval authorizations.

Section 6. Disbursement of Funds

The Trustees, except as otherwise provided in these By-laws, may authorize any officer or other employee to execute any requisition, voucher, draft or check for the disbursement or transfer of funds of the Authority.

ARTICLE VIII - Execution of Instruments

Section 1. Execution of Instruments

The Trustees, except as otherwise provided in these By-laws, may authorize any officer, employee or agent pursuant to the expenditure authorization procedures or otherwise, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Authority, and such power to execute and deliver may be general or specific; unless so authorized, no officer, employee or agent shall have any power or authority to bind the Authority by any contract or engagement or pledge its credit or to render it liable pecuniarily for any purpose or in any amount.

ARTICLE IX - Amendment

Section 1. Amendment

The Trustees shall have the power to amend, alter or repeal any provision or provisions of these By-laws at any regular or special meeting.

ARTICLE X - Miscellaneous

Section 1. Additional Appointments

The Chief Operating Officer shall appoint all regional managers and site executive officers. The Trustees may extend employment contracts to one or more officers of the Authority, in order to insure continuity of senior management.

Section 2. Annual Reports

The Trustees shall submit an annual report, as prescribed by the Public Authorities Law, within ninety days after the close of the fiscal year.

Section 3. Defense and Indemnification of Trustees and Employees

The provisions of the Defense and Indemnification Policy ("Policy") of the Authority as amended and adopted on April 26, 1994, and the provisions of the resolution as amended and adopted by the Authority on April 26, 1994, conferring the benefits of Section 18 of the New York Public Officers Law ("POL § 18")

on the Authority's Trustees and Employees and agreeing to be held liable for the costs thereof, shall constitute a contract between the Authority and each of its Trustees and Employees, as such persons are defined in the Policy, and the Authority agrees that the benefits thereof shall be made available to each Trustee or Employee with respect to any act or omission which has occurred or may in the future occur during the period such Policy and the resolution conferring the benefits of POL § 18 are in effect, and no amendment to such Policy or such resolution which modifies the provisions thereof shall take effect with respect to any act or omission of a Trustee or Employee which occurred prior to the effective date of such amendment unless the effect of such amendment is to increase the defense and indemnification protection afforded to such Trustee or Employee prior to such effective date.

Section 4. Corporate Policies and Procedures

Unless otherwise provided by statute or these By-laws, every officer or employee of the Authority shall be subject to the Authority's corporate policies and procedures as embodied in its corporate policies program.

11. **Informational Item: Regional Greenhouse Gas Initiative**

This item was tabled.

12. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, November 19, 2008, at 11:00 a.m., at the Empire State Development Corporation, 424 Main Street, Buffalo, New York**, unless otherwise designated by the Acting Chairman with the concurrence of the Trustees.

Closing

On motion made and seconded, the meeting was adjourned by the Acting Chairman at approximately 2:13 p.m.



Anne B. Cahill
Corporate Secretary