

As proposed: February 28, 2006

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

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Public Authorities Law §1004

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and February 28, 2006.

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

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POWER AUTHORITY
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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 principal 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. To implement these power 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 approve annually the salary, compensation, and benefits, as well as time and attendance policies, of the chief executive and all 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 April 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 ~~two-three~~ Trustees. The 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 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 ~~three-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 ~~three-four~~ Trustees are in agreement and any act of such ~~three-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, a Secretary and an Executive Vice President and General Counsel, a Secretary, one or more Senior Vice Presidents, one or more Vice Presidents, one Deputy General Counsel, a Treasurer, a Controller and one or more Deputy and/or Assistant Secretaries, 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, ~~Secretary~~ and General Counsel, the Executive Vice President - Power Generation, ~~and~~ the Executive Vice President - ~~Business-Corporate~~ Services and Administration and the 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 ~~Chairman~~ President and Chief Executive Officer, except that the ~~Inspector General~~, Deputy General Counsel and Deputy and Assistant Secretaries shall be appointed by and serve at the pleasure of the Executive Vice President, ~~Secretary~~ and General Counsel and the Secretary, as the case may be, and the Director – Internal Audits and Corporate Compliance shall be appointed by and serve at the pleasure of the Audit Committee.

Section 3. Term of Office

The President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President, ~~Secretary~~ and General Counsel, the Secretary, the Executive Vice President - Power Generation, and the Executive Vice President - ~~Business-Corporate~~ Services and Administration 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 for any such period any office except those of Chairman, Vice Chairman, President and Chief Executive Officer, ~~or Executive Vice President, Secretary~~ and General Counsel, or 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 Trustees appointing authority with or without cause.

Section 6. Powers and Duties

A. Chairman

The Chairman shall preside at all -meetings of the Trustees ~~and where elected by the Trustees, may also be the Chief Executive Officer of the Authority~~ and shall ~~exercise such duties and powers as hereinafter described and as customarily pertain to the Office of Chairman. In carrying out the policies as determined by the Trustees, the Chairman shall have the general supervision and control of the affairs of the Authority~~ 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 ~~administer the affairs of the Authority~~ 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, ~~administration and control~~ 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, where elected by the Trustees, ~~may also~~ 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 ~~of officers~~. Except as may be prescribed by the Chairman or the Trustees, the President and Chief Executive Officer shall have general supervision over the property, business and affairs of the Authority and over its several officers, employees and agents other than the Chairman, the Vice Chairman and those officers reporting directly to the Chairman. 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 Secretary. The President and Chief Executive Officer may delegate to such officers as he or she appoints such of the President and Chief Executive Officer's powers and functions in the general supervision and control of the business of the Authority as he or she deems appropriate.

D. Vice Presidents

Executive Vice Presidents, Senior Vice Presidents, Vice Presidents and Inspector General, shall have such powers and perform such duties as customarily pertain to such officers and as may be assigned to them by the Chairman, Trustees, or the President and Chief Executive Officer, subject, however, at all times to the supervision and control of the Chairman and Trustees and subject further to any limitations which the Chairman or Trustees may from time to time prescribe. The activities of the Authority shall be organized into offices and departments as determined by the President and Chief Executive Officer after consultation with the Chairman and Trustees. In addition to the foregoing, there shall be a separate ~~departments of Inspector General and Office of~~ Internal Audit ~~and Corporate Compliance~~ which shall report to the ~~Executive Vice President, Secretary and General Counsel~~ Audit Committee. The Inspector General and Director of Internal Audit and Corporate Compliance shall meet at least annually three times per year with a the Audit Committee of Trustees composed of Trustees other than the Chairman. All other departments of the Authority ~~except for the Law Department~~ shall report directly to the President and Chief

Executive Officer. Any Senior or Executive Vice President at the direction of the Chairman, Trustees or President and Chief Executive Officer, may perform any of the duties of the President and Chief Executive Officer.

E. Executive Vice President and General Counsel

There shall be an Executive Vice President and General Counsel of the Authority, who ~~may also serve as Secretary~~, shall report to both the ~~Chairman, Trustees and the President and Chief Executive Officer~~ and shall 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 ~~legal, secretaries, inspector general and internal audit offices~~ Office of the General Counsel and shall perform such other duties as customarily pertain to such office or may be from time to time assigned by the Chairman or prescribed by the Trustees, or by the President and Chief Executive Officer, subject, however, at all times to the supervision and control of the Chairman, ~~and the Trustees~~ and the President and Chief Executive Officer and subject further to any limitations which the Chairman or Trustees may from time to time prescribe. The Deputy General Counsel shall have such powers and perform such other duties of the Executive Vice President and General Counsel as customarily pertain to the office in the absence or disability of the Executive Vice President and General Counsel.

F. Secretary

The Secretary shall report to the Chairman and Board of Trustees and attend all meetings of the Trustees and ~~act as Secretary thereof~~ 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 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 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. The Secretary shall appoint one or more Deputy and/or Assistant Secretaries and shall possess such powers and perform such other duties as customarily pertain to the office or may be from time to time assigned by the Chairman, President and Chief Executive Officer or prescribed by the Trustees, subject, however, at all times to the supervision and control of the Chairman and the Trustees and subject further to any limitations which the Chairman or the Trustees may from time to time prescribe.

G. 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, 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 and shall possess such powers and shall perform such other duties as customarily pertain to the office or as may be assigned from time to time by the President and Chief Executive Officer or prescribed by the Chairman or Trustees, subject, however at all times to the supervision and control of the President and Chief Executive Officer, Chairman and the Trustees and subject further to any limitations which the President and Chief Executive Officer, Chairman or Trustees may from time to time prescribe.

H. 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 and shall possess such powers and shall perform such duties as customarily pertain to the office or as may be assigned by the President and Chief Executive Officer or prescribed by the Chairman or Trustees, subject, however, at all times to the supervision and control of the President and Chief Executive Officer, Chairman and the Trustees and subject further to any limitations

which the President, Chairman or Trustees may from time to time prescribe.

I. Deputy and Assistant Secretaries

The Deputy and Assistant Secretaries shall possess such powers and shall perform such duties as may be assigned from time to time by the Secretary or Chairman or prescribed by the Trustees, subject, however, at all times to the supervision and control of the Secretary, Chairman and the Trustees and subject further to any limitations which the Secretary, Chairman or the Trustees may from time to time prescribe. Each Deputy and Assistant Secretary may, in the absence or incapacity of the Secretary, assume and perform all powers and duties of the Secretary.

ARTICLE V - Committees

Section 1. Executive Management Committee

The ~~Chairman,~~ President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President, ~~Secretary~~ and General Counsel, the Executive Vice President - Power Generation, Executive Vice President - ~~Business-Corporate~~ Services and Administration and such other officers as the Chairman-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 at the pleasure of the Chairman-President and Chief Executive Officer.

The President and Chief Executive Officer, or in his absence or disability ~~the Chairman~~ 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 two Trustees, ~~other than the Chairman. The Audit Committee and shall~~ 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 two 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 43. 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 ~~annually~~ 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 President **and Chief Executive 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, the Trustees and 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.