

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

September 29, 2015

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the Clarence D. Rappleyea Building, 123 Main Street, White Plains, New York at approximately 10:30 a.m.

Members of the Board present were:

John R. Koelmel, Chairman
Eugene L. Nicandri, Trustee
Jonathan F. Foster, Trustee
Anthony Picente, Jr., Trustee
Tracy B. McKibben, Trustee

Terrance P. Flynn, Trustee – excused
Dr. Anne M. Kress, Trustee – excused

Gil Quiniones	President and Chief Executive Officer
Edward Welz	Chief Operating Officer
Robert Lurie	Executive Vice President and Chief Financial Officer
Justin Driscoll	Executive Vice President and General Counsel
Jill Anderson	Senior Vice President – Public and Regulatory Affairs
Jennifer Faulkner	Senior Vice President – Internal Audit
Joseph Kessler	Senior Vice President – Power Generation
James Pasquale	Senior Vice President – Economic Development & Energy Efficiency
Kristine Pizzo	Senior Vice President – Human Resources
Bradford Van Auken	Senior Vice President – Operations Support Services & Chief Engineer
Karen Delince	Vice President and Corporate Secretary
Rocco Iannarelli	Vice President and Senior Advisor – President's Office
John Canale	Vice President – Procurement
Keith Hayes	Vice President – Marketing
Joseph Leary	Vice President – Community and Government Relations
Ethan Riegelhaupt	Vice President – Corporate Communications
Philip Toia	Vice President – Transmission
Brian McElroy	Treasurer
Steven Gosset	Manager – Media Relations
Patricia Meehan	Manager Project Development and Licensing
Eric Alemany	Program Manager – Energy Efficiency
Daniella Piper	Project Manager – Project Management - Transmission
Silvia Louie	Senior Project Manager – Executive Office/Public and Regulatory Affairs
Glenn Martinez	Senior Network Analyst – Infrastructure
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Baughman	Senior Assistant Corporate Secretary
Peter Prunty	Director – Infrastructure
Joseph Rivera	Network Architect - Infrastructure
Jaijah Gottor	Lead Network Analyst – Infrastructure
Glen Martinez	Senior Network Analyst – Infrastructure
John Rhodes	President and Chief Executive Officer – NYSERDA

Chairman Koelmel presided over the meeting. Corporate Secretary Delince kept the Minutes.

Introduction

Chairman Koelmel welcomed the Trustees, staff members and guests who were present at the meeting. He said that the meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to the Authority's Bylaws, Article III, Section 3.

1. **Adoption of the September 29, 2015 Proposed Meeting Agenda**

Upon motion made and seconded, the meeting Agenda was adopted.

Conflicts of Interest

Members declared no conflicts of interest based on the list of companies provided by the Corporate Secretary for their review.

2. CONSENT AGENDA:

Upon motion made and seconded, the Consent Agenda was approved.

a. **Governance Matters:**

i. **Approval of the Minutes**

The Minutes of the Regular Meeting held on July 30, 2015 were unanimously adopted.

b. Rate Making:

**i. Decrease in New York City Governmental Customers
Fixed Costs – Notice of Proposed Rulemaking**

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to authorize a Notice of Proposed Rulemaking (‘NOPR’) to decrease the Fixed Costs component of the production rates by \$3.8 million or 2.8%, not including Astoria Energy II (‘AE II’) plant expenses which will be charged in 2016 to the New York City Governmental Customers (‘Customers’). AE II plant expenses, although part of the Fixed Costs component, are not subject to this NOPR proceeding as recovery of such costs has been agreed to by contract. The proposal is based on Authority staff’s Preliminary 2016 Cost of Service (‘COS’).

In addition, the Trustees are requested to direct the Corporate Secretary to file the NOPR with the New York State Department of State for publication in the New York State Register in accordance with the requirements of the State Administrative Procedure Act (‘SAPA’). This year, the Customers have requested a modification in the 2016 COS process for the Authority to issue updated Fixed Costs component values once they are firmed up. As a result, the Authority will be issuing updated proposed Fixed Costs if they change and will extend the 45-day statutory comment period concerning this proposed rate action to February 1, 2016; the Customers will comment on the updated Fixed Costs component as it is made available per the mutually agreed-upon timeline. Upon closure of the aforementioned extended comment period, Authority staff will take into consideration any concerns raised and return to the Trustees at their March 2016 meeting to seek final adoption of this proposal.

BACKGROUND

In 2005, the Authority and the Customers entered into supplemental agreements for the purchase of electric service through December 31, 2017. These agreements (the 2005 ‘Long-Term Agreements,’ or ‘LTAs’) replaced prior agreements entered into during the mid-1990s with these Customers. The LTAs established a new relationship between the Authority and the Customers that reflects the costs of procuring electricity in the marketplace managed by the New York Independent System Operator (‘NYISO’). The LTAs define specific cost categories with respect to providing electric service, and prescribe a collaborative process for acquiring resources, managing risk and selecting a cost-recovery mechanism.

The LTAs separate all costs into two distinct categories: Fixed Costs and Variable Costs. Fixed Costs include Operation and Maintenance (‘O&M’), Shared Services, Capital Cost, Other Expenses (i.e., certain directly assignable costs) and a credit for investment and other income. Under the LTAs, the Authority must establish Fixed Costs based on cost-of-service principles and make changes based on a filing in accordance with SAPA requirements. This year, the Customers have requested to receive an update to the Fixed Costs proposal closer to the time of the Authority’s development of its 2016 budget if the values change from the currently estimated values. Any modifications to the O&M and Shared Services Fixed Costs will be issued to the Customers once available. At that time, if there are significant changes from the currently proposed O&M and Shared Services Fixed Costs, the Authority will issue updated values for publication in the New York *State Register*. With an extension of the 45-day public comment period to February 1, 2016, Customers will be given ample time to understand and analyze the revised proposal and submit comments on the modified Fixed Costs, if warranted.

On July 10, 2008, the Authority and the Customers entered into an agreement (‘Agreement’) that implemented Article XI of the LTAs concerning the acquisition of long-term resources under a request for proposal (‘RFP’) process. The RFP resulted in the Authority contracting with Astoria Energy II LLC for the full product toll of a 500 MW combined-cycle unit over a twenty-year period. The full product toll allows

the Authority to capture all energy, capacity and ancillary services output of the generating unit for the benefit of the Customers. Under the Agreement, the costs incurred by the Authority are to be included as part of the COS based rate, and in order to ensure full recovery of all costs related to the full product toll, the Authority may use a true-up mechanism to assess charges for under-recovery and apply credits for over-recovery of costs. The 2016 costs related to the AE II service are \$141.2 million and have been included in the Fixed Costs component of the Preliminary 2016 COS but are not subject to this NOPR proceeding and not part of the proposed 2.8% decrease in Fixed Costs.

Also, pursuant to the LTAs, the Authority develops the Variable Costs on an annual basis. These are costs the Authority expects to incur to serve the Customers in the upcoming rate year; specifically for fuel and purchased power, risk management, NYISO ancillary services and O&M reserve, less a credit for NYISO revenues from the Authority's generation dedicated to these Customers. The Variable Costs are subject to the Customers' review and comment throughout the year and are not part of the Trustee approval. The cost-recovery mechanisms for the upcoming year's Variable Costs are selected by the Customers from the choices set forth in the LTAs. These cost-recovery mechanisms were previously approved by the Trustees and therefore do not require further approval.

In the rate-setting process for the 2016 rate year, the Customers selected an 'Energy Charge Adjustment ('ECA') with Hedging' option as the cost-recovery mechanism. Under this mechanism, all Variable Costs are passed on to the Customers. In other words, the charges for electric service during the rate year are subject to adjustment based on the difference between the Variable Costs actually incurred to serve the Customers and the Variable Costs recovered by the Authority under its tariffs in the rate year; costs associated with hedging activities for the purpose of reducing volatility are normally assigned to the Variable Costs upon the Customers' selection of hedging strategy.

DISCUSSION

Based on the Preliminary 2016 COS, the decrease in Fixed Costs is \$3.8 million, or 2.8% lower than the Fixed Costs included in the Final 2015 COS. These Fixed Costs are subject to review under this SAPA proceeding. Although AE II costs are included in the Preliminary 2016 COS, they are outside this NOPR because recovery of the Authority's AE II costs has been separately agreed to through contracts between the Authority and the Customers. Contributing to the 2.8% reduction in Fixed Costs is a projected \$6.2 million decrease in Capital Costs. The reduction in Capital Costs is largely due to the expiration of the Small Hydro facilities bond deferral debt payments. The decrease in Capital Costs is partially offset by the projected increases in O&M and Shared Services Fixed Costs. The increase in O&M is driven by a planned increase in non-recurring work at Small Hydro facilities, mainly the cost of tainter gate painting and concrete repair at the Crescent Plant, a small hydro facility. Variable Costs are projected to increase by a total of \$8.9 million, or 2.2% as compared to the Final 2015 COS.

Based on preliminary analyses, Authority staff projects that the overall 2016 production COS, combining the Fixed and Variable Costs, will increase by \$7.1 million or 1.0% as compared to the Final 2015 COS.

Under the LTAs, any change in the Fixed Costs component of the Customers' production rates must be done in accordance with a SAPA proceeding. After closure of the comment period concerning the revised proposal, Authority staff will take into consideration any concerns raised and will return to the Trustees to seek final adoption of an appropriate Fixed Costs rate at their meeting in March 2016. Subsequent to such final adoption, staff will incorporate the approved Fixed Costs and the final Variable Costs that are determined in the rate-setting process with the Customers into new production rates to become effective with the March 2016 billing period.

FISCAL INFORMATION

The adoption of this proposal would result in the Authority recovering the appropriate Fixed Costs incurred with serving these Customers.

RECOMMENDATION

The Manager – Pricing and Energy Market Analysis and the Director – Financial Planning recommend that the Trustees authorize the Corporate Secretary to file a Notice of Proposed Rulemaking in the New York *State Register* for the adoption of a decrease in the Fixed Costs component of the production rates (comprising non-Astoria Energy II costs) by \$3.8 million to be charged in 2016 to the New York City Governmental Customers.

It is also recommended that the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be authorized to issue written notice of the proposed action to the affected Customers under the provisions of the Authority's tariffs.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

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

RESOLVED, That the Authority projects a decrease in the Fixed Costs of serving the New York City Governmental Customers when comparing those costs contained in current rates to 2016 projected costs; and be it further

RESOLVED, That the Authority has entered into supplemental Long-Term Agreements with the New York City Governmental Customers and those agreements provide for the recovery of Fixed Costs through a rate filing under the State Administrative Procedure Act; and be it further

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

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

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and

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execute and deliver any and all certificates, agreements and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.

ii. Increase in Westchester County Governmental Customers Rates – Notice of Proposed Rulemaking

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to approve a Notice of Proposed Rulemaking (‘NOPR’) to increase the production rates by 10.64% as compared to 2015 rates for the Westchester County Governmental Customers (‘Customers’).

In addition, the Trustees are requested to direct the Corporate Secretary to file the NOPR with the New York State Department of State for publication in the New York *State Register* in accordance with the requirements of the State Administrative Procedure Act (‘SAPA’). This year, the Authority will extend the 45-day statutory comment period concerning this proposed rate action to February 1, 2016.

Further, since the proposed increase includes an increase to the Fixed Costs by more than 2%, a public forum will be held in accordance with Authority policy. Trustee authorization is also requested to direct the Corporate Secretary to provide all appropriate notice for such public forum.

Upon closure of the extended 45-day statutory comment period concerning this proposed rate action, Authority staff will take into consideration concerns that have been raised and return to the Trustees at their meeting in March 2016 to seek final adoption of this proposal.

BACKGROUND

The Authority provides electricity to 103 Governmental Customers in Westchester County, which includes the County of Westchester, school districts, housing authorities, cities, towns and villages. The County of Westchester is the largest single customer, accounting for about one-third of sales.

The basis of providing service is contained in the Supplemental Electricity Agreements (‘Agreements’) with the Customers. The Agreements were approved by the Trustees at their December 19, 2006 meeting and were signed by each of the 103 Customers. Among other things, the Agreements permit the Authority to modify the Customers’ rates (for Rate Years subsequent to 2007) at any time based on a fully-supported *pro forma* cost-of-service (‘COS’) subject to Customer review and comment and compliance with the SAPA process; permit the Customers to fully terminate service on one year’s written notice, which, if given, could be effective no earlier than March 1, 2017; and allow the Authority to apply an Energy Charge Adjustment (‘ECA’) mechanism to the Customers’ bills each month.

The current 2015 base production rates were adopted by the Trustees at their March 26, 2015 meeting when they approved a 12.85% decrease over 2014 rates. Staff is now proposing a 2016 rate increase which is largely due to expected increases over 2015 rates in energy and capacity prices that are part of the Variable Costs component to be purchased from the New York Independent System Operator (‘NYISO’) market to serve these Customers. In addition, the Fixed Costs component is also expected to increase.

The Authority’s policies and procedures call for a public forum if the Fixed Costs component of the proposed rate increase exceeds 2.0%. Since the proposed increase is greater than 2%, Authority staff recommends that a public forum be held. A public forum allows the Customers an additional opportunity to voice their concerns regarding the increase in the proposed 2016 Fixed Costs component. Trustee authorization is also requested to direct the Corporate Secretary to provide all appropriate notice for such public forum.

DISCUSSION

Consistent with the Authority's past rate-making practices and with the rate-setting process set forth in the Agreements, the proposed production rate increase is based on a *pro forma* COS for next year. The Preliminary 2016 COS for the Westchester Customers is \$36.72 million, compared to \$33.15 million in 2015.

The Variable Costs component is projected to increase from \$30.58 million to \$34.04 million, an approximate \$3.46 million or 11.3% increase as compared to the Final 2015 COS. The primary cost element, energy purchases, is \$27.39 million and accounts for 74.6% of the total production costs. Although these Customers receive a pro-rated share of energy from the small hydro generation facilities, most of their energy requirements are purchased from the market (in NYISO Zones 'G' (Hudson Valley) and 'A' (Western New York)). The projected 2016 prices for these two zones are expected to be higher than those that were projected for 2015 and incorporated into the rates that are currently in effect.

As part of the proposed production rate increase, the Fixed Costs component is expected to increase from \$2.57 million to \$2.68 million, an approximate \$108,000 or 4.2% increase as compared to the Final 2015 COS. The proposed net increase is mainly due to a \$234,000 increase in Operations & Maintenance ('O&M') costs related to painting and repairing of the tainter gate at the Crescent Plant, a small hydro facility. This increase in O&M is partially offset by a \$140,000 decrease in Capital Costs related to lower fixed debt and zero variable debt in calendar year 2016. Pursuant to the Authority's policies and procedures, this increase in Fixed Cost is subject to a public forum.

Applying current rates to the 2016 Customers sales forecast results in projected revenues of \$33.19 million, representing an under-collection of \$3.53 million from the Customers. Therefore, staff is proposing a 10.64% increase in base production rates to reflect the rise in the purchased energy costs contained in the currently effective 2015 rates.

Under SAPA, there is a 45-day public comment period on the rate change. The Authority will extend the public comment period to February 1, 2016 to allow for additional time to review and submit comments regarding the proposed increase. At the close of the comment period, Authority staff will review any comments which have been filed and address any concerns raised. If warranted, staff will make any necessary changes to the proposed rates and return to the Trustees at their March 2016 meeting to request approval of the final rate modification, to become effective with the March 2016 billing period. Subsequent to the approval of this proposed action by the Trustees, the Final Staff Report containing the Final 2016 COS will be made available to the Customers.

FISCAL INFORMATION

The proposed production rates are cost-based, and with the application of the Energy Charge Adjustment mechanism, staff anticipates that the Authority will recover all costs incurred in serving the Customers.

RECOMMENDATION

The Manager – Pricing and Energy Market Analysis and the Director – Financial Planning recommend that the Trustees authorize the Corporate Secretary to file a Notice of Proposed Rulemaking in the New York *State Register* for the adoption of a production rate increase applicable to the Westchester County Governmental Customers.

It is also recommended that the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be authorized to issue written notice of the proposed action to the affected Customers under the provisions of the Authority's tariffs.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

RESOLVED, That the Authority projects an increase in the production rates applicable to the Westchester County Governmental Customers as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be, and hereby is, authorized to issue written notice of this proposed action to the affected Customers; and be it further

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

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

c. Power Allocations:

i. Contract for the Sale of Western New York Hydropower – Transmittal to the Governor

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to:

(1) Approve the proposed final contract ('Contract') for the sale of 100 kilowatts ('kW') of Replacement Power ('RP') to Finger Food Products, Inc. (the 'Company'), in accordance with Public Authorities Law ('PAL') §1009. This matter is described in Exhibit '2c i-A.'

(2) Authorize transmittal of the Contract to the Governor for his review and requested authorization for the Authority to execute the Contract pursuant to PAL §1009. The Contract is attached as Exhibit '2c i-B.'

BACKGROUND

Under PAL §1005(13), the Authority may allocate and sell directly or by sale for resale, 250 megawatts ('MW') of Expansion Power ('EP') and 445 MW of RP to businesses located within 30 miles of the Niagara Power Project, provided that the amount of EP allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county. Under PAL §1005(13), the Authority may allocate and sell directly or by sale for resale, 490 megawatts ('MW') of Preservation Power ('PP') to businesses located in Jefferson, Franklin and St. Lawrence Counties.

At their meeting on July 30, 2015, the Trustees awarded an allocation of 100 kW of RP to Finger Food Products, Inc. as described in Exhibit '2c i-A.' At this meeting, the Trustees also authorized a public hearing on the Contract pursuant to PAL §1009.

The Contract before the Board would provide for the sale of this allocation to the Company. The sale of this allocation would be made under a direct sale arrangement. Transmission and delivery service would be provided by the Company's local utility in accordance with the utility's Public Service Commission-filed delivery service tariff. The following is a summary of some pertinent provisions of the Contract:

- The Contract would provide for the direct billing of all production charges (*i.e.* demand and energy) as well as all New York Independent System Operator, Inc. ('NYISO') charges, plus taxes or any other required assessments, as set forth in the Trustee approved Service Tariff WNY-1 ('ST WNY-1') and the Service Tariff-10 ('ST-10').
- The Contract includes the Company's agreed-upon commitments with respect to employment, power utilization and capital investments. The Authority would retain the right to reduce or terminate the allocation if employment, power utilization, or capital investment commitments are not met.
- The Contract provides for the sale of additional allocations of EP and/or RP to the Company in appropriate circumstances by incorporating new allocations into Schedule A of the Contract. The Trustees approved this convention in the 2010 long-term extension contract for hydropower, which simplifies contract administration.
- To accommodate non-payment risk that could result from the direct billing arrangement with the Authority, the Contract includes commercially reasonable provisions concerning,

among other things, the ability to require deposits in the event of a customer's failure to make payment for any two monthly bills. This is consistent with recent Authority contracts that incorporate direct billing, including the Authority's Recharge New York sales contracts.

- The Contract requires the Company to perform an energy efficiency audit at least once within five years at the facility receiving the low-cost power to help ensure the hydropower is utilized as effectively as possible.

The Authority has discussed the Contract with the Company and has received the Company's consent to the Contract. The Company has also acknowledged application of the appropriate tariff, discussed above, to the allocation.

As required by PAL §1009, when the Authority has reached agreement with its co-party on such a contract, it is required to transmit the proposed contract to the Governor and other elected officials and hold a public hearing on the proposed contract. At least 30-days' notice of the hearing must be given by publication once in each week during such period in each of six selected newspapers. Following the public hearing, the contract may be modified, if advisable.

Upon approval of the final proposed contract by the Authority, the Authority 'reports' the proposed contract, along with its recommendations and the public hearing record, to the Governor and other elected officials. Upon authorization of the Governor, the Authority may execute the contract.

DISCUSSION

As noted above, the Trustees, at their July 30, 2015 meeting, awarded the aforementioned allocation to the Company, and also authorized the Corporate Secretary to schedule a public hearing on the Contract.

A public hearing for the Contract was held on September 10, 2015 at the Niagara Power Project's Power Vista Visitors' Center in Lewiston, New York. There were no oral statements made at the public hearing and no written statements were submitted. The official transcript of the public hearing is attached as Exhibit '2c i-C.'

RECOMMENDATION

The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the Contract for the sale of Replacement Power to Finger Food Products, Inc. and authorize the transmittal of the Contract to the Governor for his review pursuant to PAL §1009.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

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

RESOLVED, That the contract for the sale of 100 kilowatts of Replacement Power to Finger Food Products, Inc. (the “Contract”) is in the public interest, and in accordance with Public Authorities Law §1009 should be submitted to the Governor for his review, and that a copy of the Contract, along with the record of the public hearing thereon, be forwarded to the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee,

the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee; and be it further

RESOLVED, That the Chairman and the Corporate Secretary be authorized and directed to execute such Contract in the name of and on behalf of the Authority if the Contract is approved by the Governor; and be it further

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be, and hereby is, authorized, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to negotiate and execute any and all documents necessary or desirable to implement the Contract with the business as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

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

ii. Western New York Hydropower Allocations and Notice of Public Hearing

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Trustees are requested to approve allocations of (1) 300 kilowatts ('kW') of Expansion Power ('EP') to RockTenn CP, LLC ('RockTenn'), which is proposing to modernize its machinery at its North Tonawanda facility in Niagara County; and (2) 400 kW of EP to Confer Plastics, Inc. ('Confer'), which is proposing to expand its product output at its North Tonawanda facility, as further described in Exhibits '2c ii-A,' '2c ii-A-1' and '2c ii-A-2.' The allocations would support capital investment of at least \$10.1 million and the creation of at least 33 jobs in Western New York ('WNY').

The Trustees are also requested to authorize a public hearing pursuant to Public Authorities Law ('PAL') §1009 on the proposed direct sale contract for RockTenn, the current form of which is attached as Exhibit '2c ii-B.'

Confer is an existing Authority customer with a hydropower contract that has already been subject to the public review and approval process of PAL § 1009. The existing contract provides that additional allocations (and associated commitments) may be added to the contract. Accordingly, there is no need to subject this contract to the public hearing and other process in connection with the proposed EP allocation for Confer.

BACKGROUND

Under PAL §1005(13), the Authority may contract to allocate 250 megawatts ('MW') of firm hydroelectric power as EP and up to 445 MW of Replacement Power ('RP') to businesses in the State located within 30 miles of the Niagara Power Project, provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

Each application for an allocation of EP and RP must be evaluated under criteria that include, but need not be limited to, those set forth in PAL §1005(13)(a), which details general eligibility requirements. Among the factors to be considered when evaluating a request for an allocation of hydropower are the number of jobs created as a result of the allocation; the business' long-term commitment to the region as evidenced by the current and/or planned capital investment in the business' facilities in the region; the ratio of the number of jobs to be created to the amount of power requested; the types of jobs to be created, as measured by wage and benefit levels, security and stability of employment, and the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed.

The Authority works closely with business associations, local distribution companies and economic development entities to garner support for the projects to be recommended for allocations of Authority hydropower. Discussions routinely occur with National Grid, Empire State Development ('ESD'), the Buffalo Niagara Enterprise and Niagara County Center for Economic Development ('NCCED') and Erie County Industrial Development Agency ('ECIDA') to coordinate other economic development incentives that may help bring economic development to New York State. Staff confers with these entities to help maximize the value of hydropower to improve the economy of WNY and the State of New York. Each organization has expressed support for today's recommended allocations.

DISCUSSION

Background

At this time, 7,455 kW of unallocated EP and 29,113 kW of unallocated RP is available to be awarded to businesses under the criteria set forth in PAL §1005(13)(a).

RockTenn CP, LLC

RockTenn is a leading provider of packaging solutions and manufacturer of containerboard and paperboard. The company operates 200 facilities throughout North America, including four in New York State: North Tonawanda (which produces containerboard packaging); Solvay (paper supplier); Camillus (corrugated packaging); and Deerpark (corrugated packaging). Combined, RockTenn employs 719 in New York State.

In an effort to increase efficiency and production, RockTenn is looking at upgrading outdated manufacturing equipment at its North Tonawanda facility. It has requested 600 kW of hydropower. The new equipment would produce finished die cut trays, wraps, interior packaging and merchandise displays for the food and beverage industry.

Other company-owned plants in Winston-Salem and Rogers, AZ, are under consideration for this upgrade/expansion.

A total of \$7.5 million would be invested in the project and at least nine new jobs (on top of the current 119) would be created. RockTenn currently operates two shifts. The modernization of machinery would result in a new third shift.

The project would begin in the fall and the new equipment would be powered-up and operational in November.

The job creation ratio for the proposed allocation of 300 kW is 30 new jobs per MW. This ratio is above the historic average of 28.5 new jobs per MW based on allocations made during the past five years. The total project investment of at least \$7.5 million would result in a capital investment ratio of \$25 million per MW. This ratio is above the five-year historic average of \$24.4 million per MW.

Staff recommends that an allocation of 300 kW of EP be awarded to RockTenn in support of an investment of at least \$7.5 million and the creation of at least 9 new jobs at its new facility, as further detailed in Exhibits '2c ii-A' and '2c ii-A-1.'

Confer Plastics, Inc.

Confer uses blow molding to manufacture a wide variety of proprietary and custom goods, including swimming pool ladders and accessories, fuel funnels, terrariums, piggy banks, kayaks, docks, spa cabinets and stand-up paddleboards. The family-owned company was founded by Ray Confer in 1973.

Confer is an existing Authority customer, with a 300 kW RP allocation and a 420 kW Recharge New York ('RNY') allocation and is in compliance with its existing contractual commitments relating to both allocations.

Confer is seeking to expand its product output through the purchase of a new, large 14-foot blow molding machine in order to meet customer demands to produce larger kayaks and stand-up paddleboards. The company anticipates producing 40,000 more boats per year with a new machine. The new machine would be installed at Confer's facility in North Tonawanda. It has requested 500 kW of hydropower.

If the expansion moves forward, the minimal construction needed within the facility would begin in September 2015 with expanded operations starting in November. Confer would hire at least 24 new employees within the first two years of the expanded operations.

Confer believes the project cannot move forward without the economic benefits of hydropower as their customer can only justify additional large product purchases if the per unit costs are kept at competitive levels.

The job creation ratio for the proposed allocation of 400 kW is 60 new jobs per MW. This ratio is above the historic average of 28.5 new jobs per MW based on allocations made during the past five years. The total project investment of \$2.6 million would result in a capital investment ratio of \$6.5 million per MW. This ratio is below the five-year historic average of \$25 million per MW.

Staff recommends that an allocation of 400 kW of EP be awarded to Confer in support of an investment of at least \$2.6 million and the creation of at least 24 new jobs at its North Tonawanda facility as further detailed in Exhibits '2c ii-A' and '2c ii-A-2.'

Contract Information

The Authority is in the process of discussing the proposed hydropower sales contract with RockTenn and anticipates receiving approval of a contract substantially similar to the form attached as Exhibit '2c ii-B.' Accordingly, the Trustees are requested to authorize a public hearing, pursuant to PAL §1009, on the contract form for RockTenn attached as Exhibit '2c ii-B.'

As required by PAL §1009, when the Authority believes it has reached agreement with its prospective co-party on a contract for the sale of EP or RP, it will transmit the proposed form of the contract to the Governor and other elected officials, and hold a public hearing on the contract. At least 30-days' notice of the hearing must be given by publication once in each week during such period in each of six selected newspapers. Following the public hearing, the form of the contract may be modified, if advisable. Staff will report to the Board of Trustees on the public hearing and the proposed contract at a later time and make additional recommendations regarding the proposed contract.

Upon approval of the final proposed contract by the Authority, the Authority must 'report' the proposed contract, along with its recommendations and the public hearing records, to the Governor and other elected officials. Upon approval by the Governor, the Authority may execute the contract.

The general form of the proposed contract is consistent with recently-approved contracts for the sale of EP and RP. Some pertinent provisions of the proposed form of the contract include the provision for direct billing of all production charges (i.e., demand and energy) as well as all New York Independent System Operator, Inc. ('NYISO') charges, plus taxes or any other required assessments, as set forth in the Authority's Service Tariff No. WNY-1. The proposed form of contract would also include (i) commercially reasonable provisions relating to financial security to reflect a direct billing arrangement between the Authority and its EP/RP customers, and (ii) provisions authorizing data transfers and addressing other utility-driven requirements which are necessary for efficient program implementation. Such provisions have been used in other Authority contract forms, including the Authority's RNY Power Program contracts.

The provision of electric service for all hydropower allocations are subject to enforceable employment and usage commitments. The standard contract form includes annual job reporting requirements and a job compliance threshold of 90%. Should actual jobs reported by any company receiving a hydropower allocation fall below the compliance threshold, the Authority has the right to reduce the allocation on a pro-rata basis as provided for in the contract.

The recommended allocations would be sold pursuant to the Authority's Service Tariff No. WNY-1, which applies to all allocations of EP and RP. Transmission and delivery service would be provided by National Grid or New York State Electric & Gas in accordance with its Public Service Commission-filed service tariffs.

RECOMMENDATION

The Vice President – Marketing, recommends that the Trustees approve an allocation of 300 kW of Expansion Power to RockTenn CP, LLC, and 400 kW of Expansion Power to Confer Plastics, Inc., as further described herein and in Exhibits ‘2c ii-A,’ ‘2c ii-A-1’ and ‘2c ii-A-2.’

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

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

RESOLVED, That (i) an allocation of 300 kilowatts (“kW”) of Expansion Power (“EP”) to RockTenn CP, LLC (“RockTenn”), and (ii) an allocation of 400 kW of EP to Confer Plastics, Inc., as detailed in the foregoing memorandum of the President and Chief Executive Officer and Exhibits “2c ii-A,” “2c ii-A-1” and “2c ii-A-2” be, and hereby are approved; and be it further

RESOLVED, That the Trustees hereby authorize a public hearing pursuant to Public Authorities Law (“PAL”) §1009 on the terms of the proposed form of the direct sale contract for the sale of EP finally negotiated with RockTenn (the “Contract”), the current form of which is attached as Exhibit “2c ii-B,” subject to rates previously approved by the Trustees; and be it further

RESOLVED, That the Corporate Secretary be, and hereby is, authorized to transmit a copy of the proposed contract to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee pursuant to PAL §1009; and be it further

RESOLVED, That in connection with the proposed Contract, the Corporate Secretary be, and hereby is, authorized to arrange for the publication of a notice of public hearing in six newspapers throughout the State, in accordance with the provisions of PAL §1009; and be it further

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

iii. Preservation Power Allocation and Notice of Public Hearing

The President and Chief Executive Officer presented the following report:

SUMMARY

The Trustees are requested to approve a 300 kilowatt ('kW') allocation of available Preservation Power ('PP') to New York Air Brake LLC ('NYAB') for use at its location in Watertown, Jefferson County, NY, as further described herein and in Exhibits '2c iii-A' and '2c iii-A-1.' This allocation would support capital investment of at least \$6.6 million and the creation of 10 jobs in Northern New York ("NNY"). The Trustees are also requested to authorize a public hearing pursuant to Public Authorities Law ('PAL') §1009 on the proposed direct sale contract, the current form of which is attached as Exhibit '2c iii-B.'

BACKGROUND

Chapter 313 of the Laws of 2005 established the PP program set forth in § 1005(13) of PAL. In summary, PAL § 1005(13) authorizes the allocation of up to 490 megawatts ('MW') of PP to businesses in Franklin, Jefferson and St. Lawrence counties, and applies the same allocation criteria that pertain to the allocations of Replacement Power and Expansion Power.

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

The Authority works closely with business associations, local distribution companies and economic development entities to garner support for the projects to be recommended for allocations of Authority hydropower. For PP, the Authority confers with Franklin, Jefferson and St. Lawrence counties along with the NNY representative of the Empire State Development Corporation ('ESD') to coordinate other economic development incentives that may help bring projects to New York State. Staff discusses potential recommendations with these entities to help maximize the value of hydropower to improve the economy of NNY and New York State. Each organization has expressed support for the following recommended allocation.

There is currently 3.65 MW of PP available to allocate to qualified businesses.

DISCUSSION

New York Air Brake LLC

Founded 125 years ago in Watertown, NYAB is a heavy-haul freight supplier of braking systems for the rail locomotive and freight car industry, both domestic and international. NYAB currently employs 560 workers at its facility.

In an effort to grow and develop new products, NYAB is planning to build a new 7,000-square-foot addition to its existing engineering lab, remodel a 2,500-square-foot building that has been used for cold storage, and purchase a variety of new equipment in order to test current products and develop new products. It has requested 600 kW of PP.

NYAB indicates that it is at a significant disadvantage compared to foreign-based competitors, who can sell at 10% below NYAB prices. NYAB believes spending on Research & Development will help

produce technology advance braking systems and, along with an allocation of PP, allow it to compete more effectively.

A total of at least \$6.6 million would be invested in the project and 10 new, high-paying jobs (\$93,807 salary/benefits) would be created.

Most of the spending would center on the building expansion (\$2.3 million), and new testing oil free compressors and other equipment (\$4.3 million). The project would begin in the third quarter of 2015 and is expected to be completed by winter 2016. Some of the new equipment would be installed and operational in the fourth quarter of 2017.

NYAB has also received support and incentives from the Jefferson County IDA and is in discussions with ESD.

The job creation ratio for the proposed allocation of 300 kW is 33 new jobs per MW. This ratio is above the historic average of 28.5 new jobs per MW based on allocations made during the past five years. The total project investment of at least \$6.6 million would result in a capital investment ratio of \$22.2 million per MW. This ratio is below the five-year historic average of \$24.4 million per MW.

Staff recommends that an allocation of 300 kW of PP be awarded to NYAB in support of an investment of at least \$6.6 million and the creation of at least 10 new jobs at its new facility, as further detailed in Exhibits '2c iii-A' and '2c iii-A-1.'

Contract Information

The Authority is in the process of discussing the proposed hydropower sales contract with NYAB and anticipates receiving approval of a contract substantially similar to the form attached as '2c iii-B.' Accordingly, the Trustees are requested to authorize a public hearing, pursuant to PAL §1009, on the contract form attached as Exhibit '2c iii-B.'

As required by PAL §1009, when the Authority believes it has reached agreement with its prospective co-party on a contract for the sale of PP, it will transmit the proposed form of the contract to the Governor and other elected officials, and hold a public hearing on the contract. At least 30-days' notice of the hearing must be given by publication once in each week during such period in each of six selected newspapers. Following the public hearing, the form of the contract may be modified, if advisable. Staff will report to the Board of Trustees on the public hearing and the proposed contract at a later time and make additional recommendations regarding the proposed contract.

Upon approval of the final proposed contract by the Authority, the Authority 'reports' the proposed contract, along with its recommendations and the public hearing records, to the Governor and other elected officials. Upon approval by the Governor, the Authority may execute the contract.

The general form of the proposed contract is consistent with recently-approved contracts for the sale of PP. Some pertinent provisions of the proposed form of the contract include the provision for direct billing of all production charges (i.e., demand and energy) as well as all New York Independent System Operator, Inc. ('NYISO') charges, plus taxes or any other required assessments, as set forth in the Authority's Service Tariff No. 10. The proposed form of contract would also include (i) commercially reasonable provisions relating to financial security to reflect a direct billing arrangement between the Authority and its PP customers, and (ii) provisions authorizing data transfers and addressing other utility-driven requirements which are necessary for efficient program implementation. Such provisions have been used in other Authority contract forms, including the Authority's Recharge New York Power Program contracts.

The provision of electric service for all hydropower allocations are subject to enforceable employment and usage commitments. The standard contract form includes annual job reporting

requirements and a job compliance threshold of 90%. Should actual jobs reported by any company receiving a hydropower allocation fall below the compliance threshold, the Authority has the right to reduce the allocation on a pro-rata basis as provided for in the contract.

The recommended allocation would be sold pursuant to the Authority's Service Tariff No. 10, also included in Exhibit '2c iii-B.' Transmission and delivery service would be provided by National Grid or New York State Electric & Gas in accordance with its Public Service Commission-filed service tariffs.

RECOMMENDATION

The Vice President – Marketing, recommends that the Trustees approve an allocation of 300 kW of Preservation Power to New York Air Brake ('NYAB') as further described herein and in Exhibits '2c iii-A' and '2c iii-A-1.'

The Trustees are also requested to authorize the Corporate Secretary to convene a public hearing on the form of the proposed contract finally negotiated with NYAB, the current form of which is attached as Exhibit '2c iii-B,' and transmit copies of the proposed form of contract to the Governor and legislative leaders pursuant to PAL §1009.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

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

RESOLVED, That an allocation of 300 kilowatts ("kW") of Preservation Power ("PP") to New York Air Brake LLC, as detailed in the foregoing memorandum of the President and Chief Executive Officer and Exhibits "2c iii-A" and "2c iii-A-1," be, and hereby is approved; and be it further

RESOLVED, That the Trustees hereby authorize a public hearing pursuant to Public Authorities Law ("PAL") §1009 on the terms of the proposed form of the direct sale contract for the sale of PP finally negotiated with New York Air Brake LLC (the "Contract"), the current form of which is attached as Exhibit "2c iii-B," subject to rates previously approved by the Trustees; and be it further

RESOLVED, That the Corporate Secretary be, and hereby is, authorized to transmit a copy of the proposed Contract to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee pursuant to PAL §1009; and be it further

RESOLVED, That in connection with the proposed Contract, the Corporate Secretary be, and hereby is, authorized to arrange for the publication of a notice of public hearing in six newspapers throughout

the State, in accordance with the provisions of PAL §1009; and be it further

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

iv. Transfers and Redistribution of Power Allocations

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to authorize:

1. The transfer of a 40 kilowatt ('kW') Recharge New York ('RNY') Power allocation awarded to Universal Photonics Inc. ('Universal Photonics') from Universal Photonics' facility at 495 West John Street, Hicksville to Universal Photonics' new facility at 85 Jetson Lane, Central Islip.
2. The transfer of a 250 kW RNY Power allocation from Delphi Automotive Systems, LLC and/or Delphi Properties Management LLC (collectively, 'Delphi'), which was awarded to Delphi for use at its Amherst, New York facility, to MAHLE Manufacturing Management, Inc. (or MAHLE Industries, Incorporated ('MAHLE Manufacturing'), as appropriate), in connection with the sale of the thermal management business of Delphi Automotive PLC to the MAHLE GmbH family of companies.
3. The transfer of a 500 kW allocation of Expansion Power ('EP') and a 1,000 kW allocation of Replacement Power ('RP') from Delphi, which was awarded to Delphi for use at its Lockport, New York facility, to MALHE Manufacturing (or MAHLE Behr Troy Inc., as appropriate), in connection with the Delphi Automotive PLC-MAHLE GmbH transaction.

At its September 28, 2015 meeting, the Economic Development Power Allocation Board ('EDPAB') approved the transfers of the RNY Power allocation described in items 1 and 2 above. EDPAB's approval is not necessary for the transfer of the Western New York Hydropower allocations described in item 3.*

DISCUSSION

1. Universal Photonics

Universal Photonics operates a manufacturing facility in Hicksville, Nassau County, ('Hicksville Facility') which produces critical surface preparation materials. The Authority currently sells 40 kW of RNY Hydropower to Universal Photonics for use at the Hicksville Facility. When the Authority made the RNY Power award to Universal Photonics on April 24, 2012, the parties understood Universal Photonics would be moving to a new facility at some point. Universal Photonics has now decided to relocate its facilities to 85 Jetson Lane, Central Islip ('Central Islip Facility'). Universal Photonics is currently in compliance with its contractual commitments, and will continue to honor the job and capital investment commitments provided for in its RNY Power contract with the Authority

2. Delphi

Delphi operates several chemical manufacturing facilities in New York, including facilities located in Amherst and Lockport in Erie County. The Authority sells Delphi a 250 kW RNY Hydropower allocation for use at its Amherst facility ('Amherst Facility'), and a 500 kW EP allocation and 1,000 kW RP allocation for use at Delphi's Lockport facility ('Lockport Facility').

* EDPAB also authorized the transfer of a 750 kW allocation of RNY Power for Hi-Tech Pharmacal, Inc. ('Hi-Tech'), which operates a facility in Amityville, NY, in connection Hi-Tech's recent purchase by Akorn, Inc. Hi-Tech will continue to operate the Amityville facility for the foreseeable future. Therefore, staff is not seeking to take any action to implement EDPAB's transfer authorization regarding Hi-Tech's RNY Power allocation at this time.

MAHLE GmbH ('MAHLE') has purchased the thermal business of Delphi Automotive PLC. In connection with this transaction, MAHLE formed MAHLE Manufacturing to serve as the interim owner and operator of the Delphi Amherst Facility and Lockport Facility. MAHLE also formed MAHLE Industries, Incorporated and MAHLE Behr Troy Inc., which it expects to take ownership and operational control of the Amherst Facility and Lockport Facility, respectively, at some point in the future.

Delphi and MAHLE have requested that: (1) the 250 kW RNY Hydropower allocation be transferred to MAHLE Manufacturing (or MAHLE Industries, Incorporated, as appropriate), for continued use at the Amherst Facility; and (2) the 500 kW EP allocation and 1,000 kW RP allocation be transferred from Delphi to MAHLE Manufacturing (or MAHLE Behr Troy Inc., as appropriate), for continued use at the Lockport Facility.

Delphi is currently in compliance with its commitments under its power sale contracts with the Authority. MAHLE Manufacturing (or the other MAHLE entities, as appropriate) would agree to assume Delphi's rights and obligations under Delphi's power sale agreements with the Authority relating to the Amherst Facility and the Lockport Facility, including Delphi's job and capital investment commitments.

3. Transfer implementation

If the transfer for Universal Photonics is approved, Universal Photonics' contract would be amended to reflect the transfer of the allocation to its new facility. If the other transfers are approved, they would be implemented through appropriate contractual documents containing such terms and conditions determined by the Authority to be appropriate to effectuate the transfers.

RECOMMENDATIONS

Based on the foregoing, the Vice President – Marketing recommends that the Trustees:

- (1) Authorize transfer of the 40 kW Recharge New York ('RNY') Power allocation from Universal Photonics Inc.'s Hicksville Facility to its Central Islip Facility.
- (2) Authorize transfer of the 250 kW RNY Hydropower allocation from Delphi Automotive Systems, LLC and/or Delphi Properties Management LLC ('Delphi') to MAHLE Manufacturing (or MAHLE Industries, Incorporated, as appropriate) for continued use at the Amherst Facility.
- (3) Authorize transfer of the 500 kW Expansion Power allocation and 1,000 kW Replacement Power allocation from Delphi to MAHLE Manufacturing (or MAHLE Behr Troy Inc., as appropriate) for continued use at the Lockport Facility.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

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

RESOLVED, That the transfer of a 40 kilowatt ("kW") Recharge New York ("RNY") Power allocation awarded to Universal Photonics Inc. ("Universal Photonics") from Universal Photonics' facility at 495 West John Street, Hicksville to a new facility at 85 Jetson Lane, Central Islip, as described in the foregoing report of the President and Chief Executive Officer be, and hereby is, approved, contingent upon the execution of contract documents containing terms and conditions

determined by the Authority to be appropriate to effectuate the transfer; and be it further

RESOLVED, That the transfer of a 250 kW RNY Power allocation from Delphi Automotive Systems, LLC and/or Delphi Properties Management LLC (collectively, "Delphi"), which used the allocation at its Amherst, NY facility, to MAHLE Manufacturing Management, Inc. (or MAHLE Industries, Incorporated, as appropriate), be, and hereby is, approved subject to such conditions as set forth in the foregoing report of the President and Chief Executive Officer and execution of contract documents containing terms and conditions determined by the Authority to be appropriate to effectuate the transfer; and be it further

RESOLVED, That the transfer of a 500 kW allocation of Expansion Power ("EP") and a 1,000 kW allocation of Replacement Power ("RP") from Delphi, which used the allocations at its Lockport, New York facility, to MAHLE Manufacturing Management, Inc. (or MAHLE Behr Troy Inc., as appropriate), as described in the foregoing report of the President and Chief Executive Officer be, and hereby is, approved subject to such conditions as set forth in the foregoing report of the President and Chief Executive Officer and execution of contract documents containing terms and conditions determined by the Authority to be appropriate to effectuate the transfer; and be it further

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

d. Procurement (Services) Contracts:

**i. Procurement (Services) Contracts –
Business Units and Facilities – Awards,
Extensions and/or Additional Funding Award**

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to approve the award and funding of the multiyear procurement (services) contracts listed in Exhibit ‘2d i-A,’ as well as the continuation and/or funding of the procurement (services) contracts listed in Exhibit ‘2d i-B,’ in support of projects and programs for the Authority’s Business Units/Departments and Facilities. Detailed explanations of the recommended awards and extensions, including the nature of such services, the bases for the new awards if other than to the lowest-priced bidders and the intended duration of such contracts, or the reasons for extension and the projected expiration dates, are set forth in the discussion below.

BACKGROUND

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

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

The Authority’s EAPs also require the Trustees’ approval when the cumulative change-order value of a personal services contract exceeds \$500,000, or when the cumulative change-order value of a non-personal services, construction, equipment purchase, or non-procurement contract exceeds the greater of \$1 million or 25% of the originally approved contract amount not to exceed \$3 million.

DISCUSSION

Awards

The terms of these contracts will be more than one year; therefore, the Trustees’ approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority’s convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, which range in estimated value from \$50,000 to \$10 million. Except as noted, these contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

Extensions

Although the firms identified in Exhibit ‘2d i-B’ have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing

these contracts. The Trustees' approval is required because the terms of these contracts will exceed one year including the extension, the term of extension of these contracts will exceed one year and/or because the cumulative change-order limits will exceed the levels authorized by the EAPs in forthcoming change orders. The subject contracts contain provisions allowing the Authority to terminate the services at the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

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

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

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

Business Services

Treasury

The contract with **NEPC, LLC (Q15-5892MR; PO# TBA)** would provide for investment management consulting services with respect to the Other Post-Employment Benefits ('OPEB') and Nuclear Decommissioning Trust ('NDT') Funds. Services include, but are not limited to, providing advice and analysis regarding the management of such Funds, assisting the Authority in updating its investment policy and guidelines for management of the Trusts, reviewing and recommending appropriate asset allocation and rebalancing, selecting managers providing investment of assets, performance reporting, monitoring portfolio compliances, and any other services required to manage trust investments. The consultant may also be requested, from time to time, to perform special analytical work or provide advice with respect to investment or other asset management issues of particular importance to the Authority. Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 56 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Four proposals were received and evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of a contract to NEPC, the most technically qualified bidder, which meets the bid requirements. The firm's expertise in providing a comprehensive array of investment advisory services and extensive experience in developing / evaluating investment policies and reviewing asset allocations for institutional clients nationwide, as well as its expertise in conducting money manager searches and portfolio management functions, are critical strengths that will best meet the needs of the Authority and provide the most benefit. The contract would become effective on or about October 1, 2015, for an intended term of up to five years (comprising an initial term of three years with an option to extend for up to two additional years), subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the initial three-year term of the contract, \$870,000. (It should be noted that the fees for services directly related to the OPEB and NDT Trust Funds will be paid from the respective Trusts.)

Finance

The contracts with **The Brattle Group, Inc., First Infrastructure, LLC and Wellford Portfolio Management (Q15-5888MR; PO#s TBA)** would provide for project finance advisory services, comprising on-call assistance for future Authority initiatives, activities and planning in order to better analyze,

evaluate and structure various project financings, on an ad hoc basis. Such services would include, but not be limited to: developing comprehensive financial models for generation and transmission projects; assisting in the development of financing structures consistent with the Authority's enabling legislation, drafting term sheets, and preparing project presentations for review and approval by executive management and the Board of Trustees; proposing and evaluating various financing structures and methods to be considered for accomplishing the Authority's objectives; assisting in the negotiation of financing terms and conditions; assisting in the due diligence process with respect to the review of project contracts, construction arrangements, fuel studies, equipment suppliers, environmental reports, independent engineering scopes and work, insurance, legal documents, permitting, project timelines, credit assessment, financial statements, operating assumptions and projects, and consultants' technical and financial reports; assisting in the management and coordination of certain activities related to the financing process, including continued support for transactions through financial project closeout; and providing financial advisory and structuring assistance for emergent work, as may be requested by the Chief Financial Officer and/or the Vice President - Finance. To that end, bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 68 firms / entities, including duplicates or those that may have responded to a notice in the New York State *Contract Reporter*; one additional firm obtained the bid documents from an alternate source. Seven proposals were received and evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of contracts to the three aforementioned firms, which were determined to be the most technically qualified to meet the Authority's requirements, as set forth in the bid documents, and possess the high level of requisite project finance advisory experience and expertise sought by the Authority to best meet its needs and bring the most benefit to the Authority. The contracts would become effective on or about October 1, 2015, for an intended term of up to five years (comprising an initial term of three years with an option to extend for up to two additional years), subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, \$2.5 million. Such contracts will be monitored for utilization levels, available approved funding and combined total expenditures.

Economic Development & Energy Efficiency

Customer Energy Solutions

The K-Solar program is the largest multiagency solar-buying consortium project in the United States. Under this program, the Authority serves as an energy advisor to public and non-profit K-12 schools in New York State ('NYS'), assisting them in the complex process of entering into solar power purchase agreements with solar developers. Authority staff has previously recommended (as the result of a competitive bid) two solar developers to school districts throughout the state and has also crafted standardized documentation for use by the school districts. By having the solar arrays owned and operated by a private third party (viz., the solar developers), various state and federal tax benefits can be monetized and used to lower the cost of solar energy to the school districts. The program has resulted in a substantial reduction in the potential cost of solar energy in NYS and is expected to result in a significant amount of construction projects. In addition to the aforementioned assistance, the Authority has also agreed to assist the New York State Education Department ('NYSED') by providing for and funding expedited permitting services, in order to augment NYSED's ability / resources to review and process expeditiously the influx of building permit applications expected to result from the K-Solar program. To that end, bid documents (**Q15-5885MH**) were developed by staff and were downloaded electronically from the Authority's Procurement website by 88 firms / entities, including duplicates or those that may have responded to a notice in the New York State *Contract Reporter*. Six proposals were received and evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of contracts to two firms, **The Cadmus Group, Inc. ('Cadmus')** and **Tectonic Engineering & Surveying Consultants, PC ('Tectonic')**, the most experienced and technically qualified firms that meet the bid requirements, and possess the high level of experience and expertise with rooftop solar technology, permitting in NYS and working with school districts, etc. required. Due to the need to commence services, interim approval was obtained in accordance with the Authority's Guidelines for

Procurement Contracts and EAPs to award contracts to **Cadmus (460003049)** and **Tectonic (460003050)**, effective September 11, 2015, in the aggregate interim award amount (Target Value) of up to \$180,000, subject to the Trustees' ratification and approval as soon as practicable. Initial services include developing a streamlined drawing review process and an online document portal. In addition to providing expedited permitting services, these firms may be requested to perform random inspections of solar arrays, in order to gauge the quality of the work performed and document the 'lessons learned'. The Trustees are hereby requested to ratify and approve award of the subject contracts for an intended term of up to three years. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, \$1 million. Such contracts will be monitored for utilization levels, available approved funding and combined total expenditures.

Energy Efficiency

The contracts with **Haider Engineering, PC ('Haider')**, **HAKS Engineers, Architects and Land Surveyors, PC ('HAKS')**, **Municipal Testing Laboratory, Inc. ('MTL')** and **Tectonic Engineering & Surveying Consultants, PC ('Tectonic') (Q15-5869AT; PO#s TBA)** would provide for special inspection/consulting and laboratory testing services to support Energy Efficiency projects at various customer facilities in New York City and where the New York City Department of Buildings ('NYCDOB') Code jurisdictions apply. (Typical Energy Efficiency projects include lighting upgrades, boiler upgrades, chiller replacement, distributed generation, solar photovoltaic/thermal panels, building controls, etc., with the primary goal of reducing energy consumption.) Services provided under these contracts are required for compliance with New York State ('NYS') and New York City ('NYC') Building Codes and may include, but are not limited to: performing special inspections of selected materials, equipment, installation, methods of construction, fabrication, erection or placement of components and connections to ensure compliance with code and approved construction documents, as regulated by the NYS and NYC Building, Plumbing, Mechanical and Fuel Gas Codes and in compliance with all other applicable codes and regulations; performing material testing, field, plant and laboratory sampling, measurements, observations, testing, analyses, interpretations and recommendations; as well as testing and inspection of elevators, progress inspection items, electrical, plumbing and drainage, chemical analysis and other services as may be required. Such Special Inspection firms, including calibration and testing laboratories, must also be approved by the NYCDOB and accredited by International Accreditation Services or an equivalent agency. To that end, bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 65 firms / entities, including those that may have responded to a notice in the New York State *Contract Reporter*. Six proposals were received and evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of contracts to the four aforementioned firms, which are technically qualified to perform such work, commercially acceptable and meet the bid requirements. The recommended firms have the experience, qualifications and breadth of expertise to respond quickly and handle multiple tasks, thereby ensuring the Authority of adequate resources during peak workload periods. The award of contracts to multiple firms would also benefit the Authority by providing more flexibility and cost-effective options, and would allow the Authority to obtain competitive proposals and award tasks to the firm/s with the requisite expertise, depending on the schedule and specific inspection requirements. It should be noted that one of the recommended firms has provided satisfactory services under a prior contract for such work. Due to the need to commence services and support ongoing projects, interim approval was obtained in accordance with the Authority's Guidelines for Procurement Contracts and EAPs to award a contract to **Municipal Testing Laboratory, Inc. ('MTL') (460003044)**, effective September 11, 2015, in the initial award amount of \$100,000, subject to the Trustees' ratification and approval at their next scheduled meeting. The Trustees are hereby requested to ratify and approve award of the subject contract with MTL and to approve the award of contracts to Haider, HAKS and Tectonic, which would become effective on or about October 1, 2015, for an intended term of up to five years. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, \$10 million. Such contracts will be monitored for utilization levels, available approved funding and combined total expenditures. It should be noted that Haider is a New York State-certified Minority-owned Business Enterprise. It should also be noted that all costs will be recovered by the Authority.

Enterprise Shared Services

Corporate Support Services

The contract with **Core Facility Services, LLC ('Core') (Q15-5920TB; PO# TBA)** would provide for the services of operating engineers to provide maintenance engineering support for the Authority's Clarence D. Rappleyea Building (the White Plains Office). Such engineers are primarily affiliated with Local 30 of the International Union of Operating Engineers ('IUOE'). In addition to providing the services of up to seven operating maintenance engineers who oversee all aspects of the physical plant associated with the safe, efficient operation of the building, services also include administration of the contract and negotiation of the collective bargaining agreement with the IUOE. Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 43 firms / entities, including those that may have responded to a notice in the New York State *Contract Reporter*. Three proposals were received and evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of a contract to Core, the lowest-priced bidder, which is qualified to perform such services and meets the bid requirements. The contract would become effective on or about October 1, 2015, for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$4.5 million (comprising \$222,000 for administrative costs plus \$4.278 million for the pass-through evaluated cost of salary and benefits for the operating engineers).

Operations / Operations Support Services

Power Generation / Support Services / Licensing

Due to the need to commence services in order to meet and maintain the overall project schedule, the contract with **Brooks Washburn Architect, PC ('Brooks Washburn') (4500261322)** became effective on August 18, 2015, in the interim award amount of \$10,000, subject to the Trustees' ratification and approval as soon as practicable, in accordance with the Authority's Guidelines for Procurement Contracts and EAPs. Such contract provides for architectural / engineering services in connection with the construction of a new gazebo, facilities building (including bathrooms) and other site improvements at Island View Park, as part of the Authority's commitment to the Village of Waddington pursuant to the Agreement completing the Ten-Year Review of the St. Lawrence/FDR Power Project Relicensing Settlement Agreement with the Local Government Task Force. Services include, but are not limited to, design services, preparation of construction documents, construction support and submittal of 'as-built' drawings and other documentation. Since the Authority has committed to promptly move this project forward and the Village of Waddington previously engaged Brooks Washburn to create a conceptual plan, the firm is familiar with the project requirements as well as the site, which will help expedite this licensing commitment. Additionally, Brooks Washburn is a New York State Small Business Enterprise and, as such, meets the criteria for procurement contracts that may be awarded without a formal competitive process, pursuant to the Public Authorities Law and the Authority's Guidelines for Procurement Contracts. Based on the foregoing, staff recommends the award of a contract to Brooks Washburn on a single-source basis. The intended term of the subject contract is up to 18 months, subject to the Trustees' ratification and approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$50,000.

The contracts with **Hohl Industrial Services, Inc. ('Hohl') and M.G. McLaren, PC ('McLaren') (Q15-5887HM; PO#s TBA)** would provide for underwater inspection services to support the operation and maintenance of Authority facilities located throughout New York State, on an 'on-call, as needed' basis. Such services include, but are not limited to, underwater engineering inspections, debris management and minor underwater equipment / structural repairs, as well as an inspection report containing results, dive videos, drawings, photos, repair recommendations and cost estimate. To that end, bid documents were developed by staff and were downloaded electronically from the Authority's

Procurement website by 59 firms / entities, including those that may have responded to a notice in the New York State *Contract Reporter*. Eight proposals were received and evaluated, as further set forth in the Award Recommendation documents. The proposals were first screened to determine each bidder's technical qualifications. Based on this initial review, three firms were removed from further consideration. The remaining firms were evaluated in greater detail and were all determined to be technically qualified to perform the required services. For cost comparison purposes, a composite hourly rate was then calculated for each qualified bidder. Based on the foregoing, staff recommends the award of contracts to two firms, Hohl and McLaren, the lowest-priced qualified bidders, which meet the bid requirements. It should be noted that one of the recommended firms has provided satisfactory services under an existing contract for such work. The award of contracts to two firms will provide a good range of capabilities and services (from engineering to construction) as well as good geographic coverage for all Authority facilities throughout the state, and will afford the Authority the opportunity to solicit estimates for specific tasks and/or underwater repair recommendations and also allow the Authority to award tasks to the firm with the requisite expertise, depending on the nature of the situation, schedule and specific requirements. The contracts would become effective on or about January 1, 2016, for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, \$2 million. Such contracts will be monitored for utilization levels, available approved funding and combined total expenditures.

The contract with **Information Technology Corp. ('Info Tech') (Q15-5904SR; PO# TBA)** would provide for Apple / Macintosh desktop support services to the Authority. Such services include maintenance as well as on-site and remote technical support of the Authority's Apple / Macintosh computer hardware and software primarily for the Communications & Marketing Services (Graphic Communications) and Video Production Services groups at the Authority's White Plains Office. Bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 68 firms / entities, including those that may have responded to a notice in the New York State *Contract Reporter*. One proposal was received and evaluated, as further set forth in the Award Recommendation documents. (Reasons for the lack of other proposals include, but are not limited to: the vendor could not satisfy one or more of the mandatory evaluation requirements set forth in the Request for Quotations, the scope of work did not fit the vendor's business model, the vendor did not have the skillset to support the specified equipment or did not have sufficient resources to develop a response, or they downloaded the bid documents for information purposes only.) Staff recommends the award of a contract to Info Tech, which is qualified to provide such services, meets the bid requirements and has provided satisfactory services under the prior contract for such work. The new contract would become effective on or about October 1, 2015, for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$250,435.

The Authority's Niagara Power Project campus and Niagara University's ('NU') campus are immediately adjacent to, and interconnected with, one another and share the use of certain roadways and appurtenant properties. Although the Authority and NU have historically performed their own grounds maintenance and landscaping on their respective properties, they have determined that since the properties are interconnected, it would be more efficient if such services were consolidated. To that end, in May 2013, the parties entered into a Memorandum of Understanding, entitled the 'Shared Campus Initiative', which, in part, set forth mutual responsibilities for performing certain grounds maintenance and landscaping work on their shared roadways and appurtenant properties. Due to limited Authority maintenance staff resources, NU agreed to perform certain additional grounds maintenance and landscaping work on property owned by the Authority, and the Authority agreed that it would be mutually beneficial to permit NU access to said property to perform such work and to reimburse NU for same, pursuant to the 'Grounds Maintenance Agreement' of August 2015. Due to the need to commence services and to reimburse NU for ongoing maintenance work already performed during the summer months, the corresponding contract with **Niagara University ('NU') (4500262061)** became effective on June 1, 2015, in the interim award amount of \$90,000, subject to the Trustees' ratification and approval as soon as practicable, in accordance with the Authority's Guidelines for Procurement Contracts and EAPs. Based on the foregoing, staff recommends the award of a contract to NU on a single-source

basis, for an intended term of up to five years, subject to the Trustees' ratification and approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contract, \$430,000.

Public, Governmental & Regulatory Affairs

Licensing

The contract with **Gomez and Sullivan Engineers, DPC ('G&S') (PO# TBA)** would provide for continued hosting and support services for the SharePoint-based Blenheim-Gilboa Information System ('BGIS') used by the Authority to capture, manage, store, preserve and deliver content related to the B-G relicensing initiative. The BGIS provides a tool set for the entire Relicensing team to meet their support needs, including administration, document management and operational support, and also enables the Authority to securely collaborate and exchange information with entities external to the Authority's information technology infrastructure. The BGIS has become instrumental to the B-G relicensing process and is used heavily to manage the work of Authority staff as well as consultants associated with the B-G relicensing effort. The original contract for the development and implementation of the BGIS was awarded to G&S as the result of a competitive bid, and was approved by the Trustees at their meeting of October 26, 2010 for a five-year term. Since the existing contract will be expiring at the end of November and the B-G relicensing initiative will continue at least through 2019, the need for such services is ongoing. As the developer of the BGIS, G&S is uniquely qualified and knowledgeable of the system's features, capabilities and programming. Licensing staff recommend the continuation of the BGIS, including the ability to keep it readily aligned with emerging needs of the B-G relicensing initiative. Licensing staff reached out to the Authority's Information Technology group ('NYPA IT') to review the specifications of the BGIS and to assess technology and security needs for its continued use consistent with Authority standards; NYPA IT supported pursuing a new contract with G&S. To that end, Authority staff requested a proposal / quote from G&S to provide for continued support and maintenance of the BGIS. An evaluation of the submitted proposal indicated that the G&S quote provides for a one-time 3.8% increase over the 2010 rates for the services to be provided under the new contract. With this modest increase in rates, it is unlikely that a new vendor could possibly provide the same services with respect to both quality/expertise as well as cost. Based on the foregoing, staff recommends the award of a new contract to G&S on a single-source basis. Pursuant to the Authority's Guidelines for Procurement Contracts, a procurement contract may be awarded without a formal competitive process where services are required to extend or complement a prior procurement and it is impracticable or uneconomic to have a source other than the original source continue the work. The new contract would become effective on or about December 1, 2015, for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$540,000.

Corporate Communications

The contract with **Newsweaver, Inc. (Q15-5926SR; PO# TBA)** would provide for an FYI Corporate Messaging Software Solution (including internal communications software, services and support) that can produce visually attractive messages, is simple to administer, compatible with the Authority's e-mail system, provides viewing capability on Authority-supported mobile devices, and promotes greater staff engagement. To that end, bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 80 firms / entities, including those that may have responded to a notice in the New York State *Contract Reporter*. One proposal was received and evaluated, as further set forth in the Award Recommendation documents. (Reasons for the lack of other proposals include, but are not limited to: it was not their scope of work, they were unable to submit a competitive bid at this time, they did not have enough time to prepare a proposal, or they downloaded the bid documents for information purposes only.) Staff recommends the award of a contract to Newsweaver, which was determined to be qualified to provide such services and meets the bid requirements. The contract would become effective on or about October 1, 2015, for an intended term of

up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$51,500.

Risk Management

Insurance Management

The Authority has been self-insured for Workers' Compensation since 1995 and has awarded contracts, as a result of competitive bidding at five-year intervals, to provide third-party administrative ('TPA') services for its Workers' Compensation program. Such services include, but are not limited to, claims administration, claims assumption, reporting, loss information and financial reporting for the Authority's Workers' Compensation program. Since the current contract for such services expires in December 2015, bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 46 firms / entities, including those that may have responded to a notice in the New York State *Contract Reporter*. Six proposals were received and evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of a contract to **PMA Management Corp. ('PMA', a wholly owned subsidiary of PMA Capital Corp.) (Q15-5839DK; PO# TBA)**, the most technically qualified bidder, which meets the Authority's evaluative criteria and requirements and has provided satisfactory services under the existing contract for such work. The new contract would become effective on or about January 1, 2016, for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$970,000. It should be noted that this amount does not include actual claims funding.

Contract Extensions and/or Additional Funding:

Executive Offices

At their meeting of March 21, 2013, the Trustees approved the award of competitively bid contracts to nine firms, **Alexander Scott and Associates (4600002693), Buro Happold Consulting Engineers, PC d/b/a Happold Consulting (4600002689), Customer Care Network, Inc. (4600002687), ICF Resources, LLC (4600002685), McKinsey & Company, Inc. (4600002690), MJ Bradley & Associates, LLC (4600002686), Navigant Consulting, Inc. (4600002691), PA Consulting Group, Inc. (4600002688) and UMS Group, Inc. (4600002692)**, to provide for management consulting services for the Executive Offices in connection with high-level projects related to the Authority's strategic initiatives, for a term of up to five years, in the aggregate amount of \$8 million. Such initiatives include, but are not limited to: facilitation of a strategic planning process, implementation of a strategic plan, organizational review, asset optimization, financial analysis, program review, communications assessment, benchmarking studies and recommendations, succession planning, and regulatory and energy policy analysis, as needed. The scope of services outlined in the original Request for Proposals ('RFP') was deliberately broad to encompass the wide range of Executive Office functions, as well as any special and ad-hoc assignments. Qualified firms were those with a broad range of diverse consulting expertise and experience in the electric utility and energy industries. As strategic initiatives were developed, it became evident that the amount of work to be performed under the subject contracts had been underestimated. An additional \$500,000 was subsequently authorized to support ongoing work, in accordance with the Authority's EAPs. The current approved aggregate total ('Target Value') is \$8.5 million. The aggregate 'Released' (committed) amount is currently approaching the approved aggregate total, with significant programs yet to be implemented. As work continues to evolve and develop with the implementation of the strategic initiatives, a new RFP is being developed to better define the specific needs identified through work performed under the existing contracts. Until new contracts are rebid, evaluated, approved and awarded, additional funding in the aggregate amount of \$3 million will be required to continue services under the existing contracts, in order to support the development and implementation of the

Authority's strategic objectives / initiatives, such as the development of business unit operational plans, development of business intelligence function, reorganizational studies and other business unit studies, as may be required. In order to address these immediate needs, the Trustees are requested to approve the additional funding requested, thereby increasing the approved aggregate total amount to \$11.5 million. Such contracts will continue to be monitored for utilization levels, available approved funding and combined total expenditures.

Operations / Operations Support Services

Power Generation / Support Services

At their meeting of July 31, 2012, the Trustees approved the award of a competitively bid contract to **Atlas Painting & Sheeting Corp. ('Atlas') (4600002548)** to provide for services in connection with the Barnhart Island Bridge painting and rehabilitation project at the St. Lawrence/FDR Power Project, for a term of two years, in the amount of \$10,014,000. The original award became effective on August 1, 2012. The scope of work included surface preparation and painting, abrasive blasting, containment and disposal of lead-containing paint, replacement of runway rail and refurbishment of the existing maintenance trolley, as well as storm water collection and drainage system improvements. The lead time and fabrication cycle for the trolley refurbishment parts were much longer than originally anticipated. A one-year extension to accommodate this and other emergent issues, as well as additional funding in the cumulative amount of \$1,393,865, were subsequently authorized in accordance with the Authority's Guidelines for Procurement Contracts and EAPs. The major elements of the work have been substantially completed. However, punch list items and site restoration (e.g., cleaning and sealing the sidewalk and removing paint overspray on the guide rails) must still be completed. Interim approval for an additional three-month extension through October 30, 2015 was authorized to complete the work, subject to the Trustees' ratification and approval, which is hereby requested. The current Target Value of the contract is \$11,407,865; staff anticipates that no additional funding will be required for the extended term. It should be noted that since this is a joint work project, Ontario Power Generation will reimburse the Authority for 50% of the cost of the project.

The contract with **Aviat U.S., Inc. ('Aviat') (4500248767)** provides for services required to complete the upgrade of the existing microwave communication system from the St. Lawrence/FDR Power Project ('STL') to the Frederick R. Clark Energy Center ('CEC'). This system supports the operation of the Bulk Power System transmission lines that are routed from STL to the Marcy Switchyard at CEC and serves as a back-up communication link for the relay protection and control systems. The upgraded digital microwave system will ensure system reliability, provide a more efficient communication medium for data and expand the Authority's capabilities to implement future 'Smart Grid' technology. The subject contract, which was awarded pursuant to a procurement contract let by the New York State Office of General Services, became effective on August 18, 2014 for an initial term of less than one year, in the amount of \$498,452, and was subsequently extended to one year. System construction is now complete. However, documentation work is still in progress (e.g., final 'as-built' drawings must be completed by Aviat and reviewed by the respective Authority sites before communications traffic can be put onto the system). Interim approval for an additional six-month extension was authorized in order to allow sufficient time to complete such work, subject to the Trustees' ratification and approval. The current contract amount is \$498,452; staff anticipates that no additional funding will be required for the extended term. The Trustees are therefore requested to ratify and approve an extension of the subject contract through February 17, 2016, with no additional funding requested.

The contract with **DiDonato Associates Engineering & Architecture, PC ('DiDonato') (4500252036)** provides for architectural / engineering services comprising assessment, design and construction support services in connection with the fishing pier access elevator project at the Robert Moses Niagara Power Plant. The original award, which was competitively bid, became effective on November 10, 2014 for an initial term of less than one year, in the amount of \$65,300, and was subsequently extended to one year. Delays resulting from a longer timeframe needed for review of the design options, as well as a longer lead time required for delivery of the specialized equipment have, in

turn, impacted the construction schedule. Such delays would extend the construction schedule into the winter months, which may make the work environment unsafe, due to icing and other harsh weather conditions. The projected construction schedule will therefore assume that work will cease from January through March of 2016. An extension of up to 14 months is now requested in order to allow sufficient time to complete the original scope of work, including the preparation and submittal of 'as-built' drawings and other documentation, as well as other project closeout functions, as may be required. The current contract amount is \$65,300; staff anticipates that no additional funding will be required for the extended term. The Trustees are requested to approve extension of the subject contract through December 31, 2016, with no additional funding requested.

FISCAL INFORMATION

Funds required to support contract services for various Business Units/Departments and Facilities have been included in the 2015 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the project's Capital Expenditure Authorization Request. Payment for contracts in support of Energy Efficiency projects will be made from the Energy Conservation Effectuation and Construction Fund.

RECOMMENDATION

The Senior Vice President – Operations Support Services and Chief Engineer, the Senior Vice President – Public Affairs & Business Development / Chief of Staff, the Senior Vice President – Power Generation, the Senior Vice President & Chief Risk Officer, the Acting Senior Vice President – Enterprise Shared Services, the Vice President – Environment, Health & Safety, the Vice President – Project Management, the Vice President – Procurement, the Vice President – Engineering, the Vice President – Transmission, the Vice President – Information Technology / Chief Information Officer, the Senior Director and Acting Vice President – Energy Efficiency, the Vice President – Customer Energy Solutions, the Vice President – Finance, the Treasurer, the Vice President – Corporate Communications, the Vice President – Project & Business Development, the Regional Manager – Western New York, the Regional Manager – Northern New York, the Regional Manager – Central New York and the Regional Manager – Southeastern New York recommend that the Trustees approve the award of multiyear procurement (services) contracts to the companies listed in Exhibit '2d i-A' and the extension and/or funding of the procurement (services) contracts listed in Exhibit '2d i-B,' for the purposes and in the amounts discussed within the item and/or listed in the respective exhibits.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement services contracts set forth in Exhibit “2d i-A,” attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the contracts listed in Exhibit "2d i-B," attached hereto, are hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

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

**ii. Procurement (Services) Contract –
White Plains Office – Garage Centroplex
Repairs – Phase 4 – Contract Award**

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to approve the award of a five-year contract to Structural Preservation Systems (‘SPS’) of Hawthorne, NJ in the amount of \$2,329,505 to perform the White Plains Office Garage Centroplex Phase 4 Repairs (the ‘Project’) at the White Plains Office Garage Centroplex (the ‘Facility’). This amount includes the Level 2 (‘L2’) Concrete and Unit Price Allowances.

BACKGROUND

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

The Authority’s Expenditure Authorization Procedures (‘EAPs’) require the Trustees’ approval for an award of non-personal services, construction, equipment purchases and non-procurement contracts in excess of \$3 million, if low bidder, or \$500,000, if sole-source, single-source or non-low bidder.

The Facility has been undergoing annual repairs since 2011 which included Phases 1 through 3 Repair Contracts. Due to increasing repairs, scope and costs, an assessment was performed in 2014 to identify the root cause of the Facility’s deterioration. As a result of the assessment, capital improvements and a five-year rehabilitation program (O&M work) were approved by the Executive Management Committee (‘EMC’) in March of 2015. The work under this Contract award request is for O&M work to perform Phase 4 (2015 work) and the necessary repairs to complete the five-year rehabilitation program as approved by the EMC.

Lessons learned from Phases 1, 2 and 3 of the project required 23%, 20%, and 38%, respectively, in Change Orders because of underlying conditions. As a result, unit prices were requested in this bid and it is recommended to award the contract with a 27% Unit Price Allowance (avg. of Phases 1-3) for expected unforeseen conditions based on the total bid amount. Evaluation of the bids included reviewing the competitiveness of the lump-sum pricing as well as each bidder’s individual unit prices.

EVALUATION

In response to the Authority’s Request for Proposal (Q15-5906JT) advertised in the New York State *Contract Reporter* on May 28, 2015, fifty-eight (58) firms downloaded the bid document. On June 26, 2015, two proposals were received. Following clarifications with the bidders, the final bids included an L2 Concrete Allowance and Unit Price Allowances and are listed below:

Bidder	City, State	Bid*	L2 Concrete Allowance	Unit Prices Allowance	Total
Structural Preservation Systems, LLC (SPS)	Hawthorne, NJ	\$1,593,596.00	\$240,660.00	\$495,249.00	\$2,329,505.00

Specialty Construction Systems, Inc. (SCS)	Mount Vernon, NY	\$1,622,080.00	\$168,000.00	\$483,321.00	\$2,273,401.00
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Fair Cost Estimate (FCE) \$1,539,331.00 \$1,539,331.00

**Performance and Payment Bonds included in Prices*

A bid clarification meeting to review the approach to work, project logistics and schedule, and to review and confirm various technical and commercial aspects of their bid was held on July 8, 2015 with each of the two bidders and the Evaluation Committee consisting of representatives from Project Management, Procurement, Civil Engineering, Cost & Scheduling, Facilities and the Authority’s Engineer of Record, Greenman-Pedersen, Inc. (‘GPI’).

Both bidders confirmed that they had a complete understanding of the scope-of-work, and their bids included all Unit Price Items requested and the required allowance for concrete repairs after the waterproofing membrane is removed.

Based on the interviews, bids submitted, Unit Pricing and experience, the Evaluation Committee deemed SPS as the most responsive and technically acceptable bidder. Both firms have previously worked with the Authority on past Garage Repair Projects and the quality and workmanship provided by SPS was found to be of better quality. SPS meets all the requirements of the bidding documents and presented the best phasing plan for the work, minimizing laydown areas and loss of parking spaces during execution of the work which is paramount to the Authority. In addition, SPS’s Unit Price Items are more competitive, and, based on the requested 27% Unit Price Allowances, SPS is the evaluated lowest bidder.

FISCAL INFORMATION

Payments associated with this project will be made from the Facilities Maintenance Fund budgeted for 2015 through 2020.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Procurement, and the Facilities Manager – White Plains Office recommend that the Trustees approve the award of a five-year contract to Structural Preservation Systems, LLC of Hawthorne, NJ in the amount of \$2,329,505 for the White Plains Office Garage Centroplex Phase 4 Repairs.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority’s Expenditure Authorization Procedures, approval is hereby granted to award a five-year contract to Structural Preservation Systems, LLC of Hawthorne,

NJ in the amount of \$2,329,505 for the White Plains Office Garage Centroplex Phase 4 Repairs Project as recommended in the foregoing report of the President and Chief Executive Officer.

<u>Contractor</u>	<u>Contract Approval</u>
Structural Preservation Systems, LLC Hawthorne, NJ	5 Years <u>\$2,329,505</u>
(Q15-5906JT)	

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

**iii. Procurement (Services) Contract –
Coopers Corners Shunt Reactor Project –
Revision to Capital Expenditure Authorization
Request and Increase in Contract Authorization**

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to authorize an increase in Capital Expenditure Authorization in the amount of \$3.491 million for additional construction services for the Coopers Corners Shunt Reactor Project ('Project'). This Project entails the installation of a 200 MVAR Shunt Reactor at the 345 kV Coopers Corners Substation owned and operated by the New York State Electric & Gas Corporation ('NYSEG'). Phases 1 and 2, in the amounts of \$5.130 million and \$4.685 million, were approved by the Trustees at their December 2012 and May 2014 meetings, respectively.

The Trustees are also requested to approve an increase in the amount of \$1.828 million to the contract authorization for O'Connell Electric Company, Inc. ('OCE') of Victor, NY to provide additional construction services, for a total amount of \$5.685 million, for the Coopers Corners Shunt Reactor Project.

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.

In accordance with the Authority's Expenditure Authorization Procedures, Capital Expenditures in excess of \$3 million require the Trustees' approval. Also, in accordance with the Authority's Expenditure Authorization Procedures, additional funding that exceeds 25-percent of the originally approved contract amount requires the Trustees' approval.

During periods when there is low electric demand on the system, the electric load can be below 11,000 MW. While this results in lightly loaded transmission lines, the resulting voltages are above acceptable operating limits. Historically, high voltages have been observed at the Coopers Corners 345 kV Substation and surrounding area. These voltage problems may be worsened if other transmission equipment is also out-of-service (e.g. Fraser Static VAR Compensator and/or UE1-7 345 kV transmission line).

The New York Independent Systems Operator ('NYISO') performed a System Impact Study ('SIS') to evaluate the impact of the Project on the reliability of the New York State Transmission System. The SIS results show that installation of a 200 MVAR shunt reactor is the ideal solution for high voltage issues during light load conditions.

In July 2012, the Authority and NYSEG executed an Engineering & Procurement Agreement for the installation of a 200 MVAR shunt reactor at Coopers Corners 345 kV Substation, located in the Town of Liberty, NY. The Authority will own the shunt reactor and associated equipment; NYSEG will operate and maintain the equipment subject to the executed Facilities Agreement.

The Project is structured to be performed in two phases;

Phase 1 (previously approved): Engineering, Procurement, Project Management (2012 – 2013)

Phase 2 (previously approved): Construction (2014– 2015)

The Phase 1 scope-of-work, including preliminary engineering, detailed design engineering and major equipment procurement, was completed in 2013. The Authority awarded a construction contract to OCE, the lowest-cost and technically acceptable bidder, to perform the construction work. Phase 2 construction commenced in October 2014 following the execution of a Facilities Agreement between the Authority and NYSEG and is expected to be completed by the end of October 2015.

DISCUSSION

This request for additional funding is attributed to construction delays due to late delivery of major equipment, inclement weather and schedule adjustments to accommodate NYSEG's availability to support the Project.

The Trustees previously authorized Capital Expenditures in the amount of \$9.815 million for Phases 1 and 2 of the Project. This additional Capital Expenditure request will cover additional costs for NYSEG's support and installation services provided by OCE for Phase 2 of the Project:

	Previous Estimate (\$000)	Current Total Estimate (\$000)	Requested Amount (\$000)
Preliminary Engineering/Licensing	100	100	
Engineering/Design	1,015	1,185	
Procurement	2,940	2,940	
Construction/Installation	4,685	7,840	
Authority Direct/Indirect	1,075	1,241	
	9,815	13,306	3,491

The requested revision to the OCE contract is attributed to the cost of additional work to accommodate NYSEG's standards, unknown at the time of award, as well as costs due to delays of the delivery of major equipment, inclement weather and schedule revisions to accommodate NYSEG's availability to support the Project. Based on current projections, the revised contract amount, a 'not-to-exceed' value, will allow closeout of the Project. The Reactor was energized on July 31, 2015 and the completion of all outstanding Reactor work is scheduled for the end of September 2015.

OCE	Contract (\$000)	Requested Amount (\$000)
Original Contract Award	\$3,866,751.30	
Cumulative Change Orders to Date	\$1,068,280.28	
Pending Change Orders not to exceed	\$750,000.00	
Revised OCE Contract Amount	5,685,031.58	1,828
% above authorized	47.02%	

FISCAL INFORMATION

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

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Transmission, the Vice President – Procurement, the Project Manager, and the Regional Manager – Central New York recommend that the Trustees approve additional Capital Expenditures in the amount of \$3.491 million for the Coopers Corners Shunt Reactor Project and an increase of \$1.828 million to the contract authorization for O'Connell Electric Company, Inc. ('OCE') of Victor, NY, for a total amount of \$5.685 million, for additional construction support for the Coopers Corners Shunt Reactor Project.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

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, additional Capital Expenditures in the amount of \$3.491 million are hereby authorized for additional engineering and construction support for the Coopers Corners Shunt Reactor Project;

<u>Capital</u>	<u>Additional Expenditure Authorization</u>
Coopers Corners Shunt Reactor Project	<u>\$3.491 million</u>

AND BE IT FURTHER RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, approval is hereby granted for an increase of \$1.828 million to the contract authorization for O'Connell Electric Company, Inc. ("OCE") of Victor, NY for a total amount of \$5.685 million for additional construction support for the Coopers Corners Shunt Reactor Project.

<u>Contact</u>	<u>Contract Approval</u>
Coopers Corners Shunt Reactor Project	<u>\$1.828 million</u>

**O'Connell Electric Company, Inc.
PO #4500244404**

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

NIAGARA

**iv. Procurement (Services) Contract –
Niagara and St. Lawrence River Flow Forecasts –
Technical Consultation – Contract Award**

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to approve the award of a single-source contract to Clarkson University for the services of Dr. Hung Tao Shen, Professor and Chair, Department of Civil and Environmental Engineering at Clarkson University for a not-to-exceed value of \$249,800 and a term of three years and four months, to evaluate new models being developed by the Great Lakes Environmental Research Laboratory ('GLERL') for Niagara and St. Lawrence River flows for long-term forecasting of stream flow in the Niagara and St. Lawrence Rivers to predict hydropower generation.

Interim approval for an initial amount of \$10,000 was granted by the Chief Operating Officer to allow Dr. Shen to begin preparations on September 1, 2015 for GLERL's project kick-off meeting which will be held on or about October 1, 2015.

BACKGROUND

Section 2879 of the Public Authorities Law, the Authority's Guidelines for Procurement Contracts, and the Authority's Expenditure Authorization Procedures require the Trustees' approval when the term of a personal services contract, including any extensions or options, exceeds one year.

Concerned with recent forecast inaccuracies, NYPA is partnering with Ontario Power Generation ('OPG') to improve hydropower generation forecasts and to incorporate the appropriate level of risk assessment regarding forecasts into future budgets. In this connection, NYPA and OPG are participating with the National Oceanic and Atmospheric Administration ('NOAA') and GLERL to study and improve flow modeling through the Postdocs Applying Climate Expertise ('PACE') program, which pairs early-career climate scientists with institutions that provide climate research expertise guidance and funding.

As NYPA's technical consultant, Dr. Shen and his staff will monitor technical progress and evaluate improvements and/or changes to modeling procedures proposed by GLERL and the PACE fellow. In addition, Dr. Shen will evaluate the current Advanced Hydrologic Prediction System ('AHPS') modeling procedures used by NYPA.

DISCUSSION

Dr. Shen and Clarkson University have a long history and extensive experience in the hydrology of the Great Lakes. Dr. Shen has conducted numerous research projects in river behavior including the preparation and analysis of mathematical and numerical models. Dr. Shen's expertise as an expert in ice sluice modeling was effectively used by the Federal Energy Regulatory Commission ('FERC') and the International Joint Commission ('IJC'), in the successful FERC relicensing of the Niagara Power Project, to determine the relationship between the operation of the project and the ice flows. Dr. Shen's unique area of expertise at Clarkson University is river ice engineering and he is very familiar with the dynamics of the St. Lawrence and Niagara Rivers. He has served as Chairman of the Committee on Ice Research and Engineering of the International Association for Hydraulic Engineering and Research from 2000 to 2004. He has received numerous honors for his excellence including the 2007 American Society of Civil Engineers ('ASCE') award for significant contribution to cold regions engineering through his long and prestigious career in teaching and his long history in the development of ice engineering models. He also received the 2007 ASCE award for his dedication, research, publications, teaching and volunteer contributions to cold regions engineering and professional relationships between civil engineers in Canada and the United States.

Dr. Shen has written numerous publications on mathematical and numerical modeling of river ice processes, ice booms, dynamics of ice jam formation and release and many other river related topics.

RECOMMENDATION

Staff recommends an award of a single-source contract to Clarkson University for the services of Dr. Hung Tao Shen, Professor and Chair, Department of Civil and Environmental Engineering at Clarkson University for a not-to-exceed value of \$249,800 and a term of three years and four months.

FISCAL INFORMATION

Payment will be made from the Authority's Operating Fund.

RECOMMENDATION

The Senior Vice President – Operations Support Services and Chief Engineer, the Vice President – Engineering and the Vice President – Procurement recommend that the Trustees approve the award of a single-source contract to Clarkson University for the services of Dr. Hung Tao Shen, Professor and Chair, Department of Civil and Environmental Engineering at Clarkson University for a not-to-exceed value of \$249,800 and a term of three years and four months.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, the award and funding of a single-source contract for a term of three years four months, and a not-to-exceed value of \$249,800, is hereby approved as recommended in the foregoing report of the President and Chief Executive Officer;

<u>Contractor</u>	<u>Contract Approval</u>
Clarkson University (Single Source)	Multi-year (3 years 4 months)
(#4600003048)	<u>\$249,800</u>

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

BLLENHEIM-GILBOA

**v. Procurement (Services) Contract –
Blenheim-Gilboa Cellular Communication
Improvement Project – Contract Award**

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to approve a single-source contract award to Verizon Wireless (“Verizon”), located in Basking Ridge, NJ, in the not-to-exceed amount of \$2.8 million to develop the Gilboa, Breakabeen and Brown Mountain sites to provide reliable wireless coverage along Route NY-30 in Schoharie County.

The Authority owns the land and the telecommunications tower at the Gilboa site and the construction of the Gilboa Tower, a capital minor addition project, is to be under a separate contract. The estimated contract value is \$499K and it does not require the Trustees’ approval. The remaining two tower sites are owned by Vertical Bridge Holdings, LLC and Crown Atlantic Company, LLC, respectively.

BACKGROUND

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

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

This single-source contract award is subject to prior review and approval by the Office of the New York State Comptroller (‘OSC’) pursuant Public Authorities Law §2879-a.

The Schoharie County region experienced severe flooding during and after Hurricane Irene and Tropical Storm Lee in August, 2011, resulting in the failure of landline communications and compromising the effectiveness of local and state emergency management teams due to lack of local cellular coverage.

The Authority recognized the need to improve cellular communication in the Blenheim-Gilboa (‘B-G’) area. As a result, the Authority issued a Request for Proposal (‘RFP’) in the fall of 2012 to solicit interest in partnering with the Authority to improve the cellular communications in the B-G area. Unfortunately, the Authority did not receive any proposal and subsequently canceled the RFP in February, 2013.

Considering the importance of improving cellular coverage in the B-G area from both an operations and public safety standpoint, the Authority reached out directly to cellular carriers, including AT&T and Verizon. Only Verizon indicated any interest in pursuing the project. Verizon proposed a not-to-exceed cost of \$2.8 million to provide adequate cellular coverage to the B-G area. Approvals from the Trustees and the NYS Comptroller’s Office will be required in order to award this contract to Verizon.

DISCUSSION

In order to obtain adequate cellular coverage along the Route NY-30 corridor between Grand Gorge and Middleburgh, the targeted affected area, a multi-site design is required. The Authority will need to reimburse Verizon the costs to develop the three sites (Breakabeen Tower, the Brown Mountain

Tower, and the Gilboa Tower) required to complete the coverage along Route NY-30 in Schoharie County. The goal is to have an improved cellular communication system operating by June 2016.

Verizon shall be responsible for providing all necessary equipment, accessory structures, and utilities required for its operations at the Gilboa, Brown Mountain, and Breakabeen sites at the not-to-exceed costs of \$767,225, \$1,102,475, and \$932,825, respectively. Since the Authority will own the Gilboa tower, the Authority will enter into a co-location agreement with Verizon allowing for the installation of Verizon's equipment on the Gilboa tower, for a term not to exceed thirty (30) years, in support of the cellular services request by the Authority, and at no additional cost to Verizon.

Public Authorities Law Section 2819-a became effective on March 1, 2010. The statute requires OSC's prior review and approval of contracts with values in excess of one million dollars and which were not subject to a competitive bidding process; this includes single-source awards.

FISCAL INFORMATION

Payments associated with this project will be made from the Authority's Capital and O&M budgets.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Vice President – Procurement, and the Regional Manager – Central New York recommend that the Trustees approve a single-source contract award to Verizon Wireless in the not-to-exceed amount of \$2.8 million for the cellular communication improvement in the Blenheim-Gilboa area and for the use of space by Verizon on the Gilboa tower for a term not to exceed thirty years and at no additional cost to Verizon.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, and the Authority's Expenditure Authorization Procedures, approval is hereby granted to award a single-source contract to Verizon Wireless in the amount of \$2.8 million to develop three sites located at Breakabeen, Brown Mountain, and Gilboa to provide cellular coverage to the Blenheim-Gilboa area;

CONTRACTOR

Verizon Wireless
Basking Ridge, NJ

PO #: 4500263388

CONTRACT APPROVAL

\$2.8 million

AND BE IT FURTHER RESOLVED, that an agreement between the Authority and Verizon Wireless, whereby Verizon shall have the right to use the Authority's Gilboa tower for Verizon's communication

services be approved on substantially the terms and conditions as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

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

e. Real Estate:

i. **Marcy-South Transmission Facilities – Hudson River Crossing – Renewal and Extension of Easement – New York State Office of General Services**

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Trustees are requested to approve the renewal and extension of an easement granted by the New York State Office of General Services, Bureau of Land Management ('OGS') for the installation, operation and maintenance of the submarine portion of the Marcy-South Transmission Facilities in the Hudson River, as shown on the attached Exhibit '2e i-A', for consideration of \$103,495.

BACKGROUND

In accordance with the Authority's Authorization Procedures, the Trustees' approval is required for the acquisition of real property interests (including easements), where the value exceeds \$10,000.

DISCUSSION

The Authority's Marcy-South Transmission Facilities cross under the Hudson River between the Authority's West Transition Station at Roseton in the Town of Newburgh, County of Orange, and the Authority's East Transition Station in the Town of Wappinger, County of Dutchess. On August 31, 1989, OGS granted the Authority the 'right, privilege and easement for the construction, use and maintenance of underwater electric conduits' in the Hudson River bed. OGS is charged with administration of the use and occupancy of lands underneath certain public waterways in the State of New York. The term of the easement was 25 years and expired on August 31, 2015. The parties have agreed that the easement should now be renewed and extended for an additional 25-year term.

Renewal of the subject easement is in support of the ongoing operation of the Marcy-South Transmission Line and thus the Authority's core mission.

Fees for utility easements in waterways under OGS' jurisdiction are determined by using a rate-per-linear-foot established by the Commissioner of the OGS and is adjusted annually based on the Consumer Price Index. Under the OGS formula, the Authority paid \$53,715 to acquire the original easement in 1989. OGS has advised that the current fee due for a 25-year renewal term is \$103,495.

FISCAL INFORMATION

In accordance with the foregoing, the Authority will secure a renewed and extended easement from the New York State Office of General Services for the sum of \$103,495.

RECOMMENDATION

The Vice President – Procurement and the Director – Site Purchasing, Materials Management and Real Estate, recommend that the Trustees approve the renewal and extension of an easement granted by the New York State Office of General Services ('OGS') for the installation, operation and maintenance of the submarine portion of the Marcy-South Transmission Facilities in the Hudson River.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

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

RESOLVED, That the President and Chief Executive Officer, the Vice President – Procurement, and the Director of Site Purchasing, Materials Management and Real Estate be, and hereby are, authorized to enter into the renewal and extension of an easement underneath the Hudson River in the Town of Newburgh, County of Orange and the Town of Wappinger, County of Dutchess, with the New York State Office of General Services for the installation, operation and maintenance of the submarine portion of the Marcy-South Transmission Facilities (Exhibit “2e i-A”), for a term of 25 years, subject to approval of the transfer documents by the Executive Vice President and General Counsel, or his designee; and be it further

RESOLVED, That the Vice President – Procurement and the Director of Site Purchasing, Materials Management and Real Estate are hereby authorized to execute any and all other agreements, papers or instruments on behalf of the Authority that may be deemed necessary or desirable to carry out the foregoing, subject to the approval by the Executive Vice President and General Counsel; and be it further

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

f. Finance:

i. New York Power Authority Nuclear Decommissioning Trust Funds – Selection of Fixed-Income Investment Managers

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to approve the award of multiyear procurement contracts to Prudential Investment Management, Inc. ('Prudential'), Earnest Partners LLC ('Earnest'), Garcia Hamilton & Associates LP ('Garcia Hamilton'), and Bradford & Marzec, LLC ('Bradford & Marzec') for professional investment management services in connection with the Authority's Nuclear Decommissioning Trust ('NDT') Fund. Specifically, Earnest will replace fixed-income manager Schroder Investment Management North America Inc. ('Schroders').

BACKGROUND

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

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

Pursuant to U. S. Nuclear Regulatory Commission ('NRC') ruling NUR-0584, the Authority established the NDT Fund in 1990. The purpose of the fund is to ensure that there are sufficient funds available to pay for the decommissioning costs (i.e., removing the spent fuel and dismantling any systems or components containing activation products) of the James A. FitzPatrick ('FitzPatrick') and Indian Point 3 ('IP3') Power Plants at their license expiration. On November 21, 2000, the Authority completed the sale of its IP3 and FitzPatrick nuclear plants to two subsidiaries of Entergy Corporation pursuant to a purchase-and-sale agreement dated March 28, 2000. In accordance with the Decommissioning Agreements, the Authority retains contractual decommissioning liability until its license expiration, a change in the tax status of the fund or any early dismantlement of the plants, at which time the Authority will have the option to terminate its decommissioning responsibility and transfer the plant's fund to the Entergy subsidiary owning the plant. At that time, the Authority will be entitled to be paid an amount equal to the excess of the amount in the fund over the Inflation-Adjusted Cost Amount (a fixed estimated decommissioning cost amount adjusted in accordance with the effect of increases and decreases in the NRC's minimum cost-estimate amounts applicable to the plant), if any. The Authority's decommissioning liability is limited to the lesser of the Inflation-Adjusted Cost Amount or the amount of the plant's fund, guaranteeing that no additional cost burdens may be placed on the Authority.

As of July 31, 2015, the market value of assets held in the NDT Fund totaled \$1.44 billion, of which \$550 million were invested in equities and \$887 million were invested in fixed-income securities. The fixed-income portion of the NDT Fund is currently managed by five portfolio managers: Prudential, with assets under management of \$240 million; Garcia Hamilton, with assets under management of \$230 million; Schroders, with assets under management of \$127 million; Bradford & Marzec, with assets under management of \$132 million; and CS McKee, with assets under management of \$158 million. All agreements, with the exception of CS McKee, are scheduled to expire in accordance with their terms on or about October 26, 2015.

DISCUSSION

On April 2, 2015, staff solicited proposals for professional fixed income investment management services for the NDT Fund by notice to a number of firms providing such services and advertisement in the New York State *Contract Reporter*. On or before May 5, 2015 the Authority received a total of thirty-one proposals.

Authority staff, with the support of its financial advisor, PFM Advisors ('PFM'), evaluated each proposal taking into consideration quantitative and qualitative criteria. From a quantitative standpoint, staff evaluated historical performance; various risk metrics (including, but not limited to, each manager's standard deviation, Sharpe Ratio, tracking error and Information Ratio), and the schedule of fees. From a qualitative standpoint, firms were evaluated based on team duration and experience, investment style and research capabilities. After conducting an extensive review and analysis of each proposal, Authority staff, with the concurrence of PFM, invited the six firms with the top tier rankings to give oral presentations. The six firms were Schroders, Lazard, Prudential, Pyramis, Earnest, and Sit Investment Associates. In addition, two incumbent managers with top tier rankings, Garcia Hamilton and Bradford & Marzec, were not required to give oral presentations because of their outperformance in managing the Authority's NDT assets and strategy consistency. Based on the above criteria, portfolio diversification benefits evaluation and oral presentations, the following firms were identified to have the highest overall rankings to manage the fixed-income assets in the NDT Fund: Prudential, Garcia Hamilton, Bradford & Marzec, and Earnest. These firms have identified M/WBE firms to fulfill the Minority and Women-owned Business Enterprise ('M/WBE') goal requirements as set forth in the RFPs.

Prudential is an existing manager in the NDT Fund that employs an enhanced index strategy, which makes minor adjustments in sector and quality exposures versus the Barclays Aggregate Bond Index. Prudential serves as an index-like anchor to help dampen portfolio volatility, and has had success in managing according to NDT's strict guidelines. It is recommended to retain Prudential.

Garcia Hamilton and Bradford & Marzec are existing managers in the NDT Fund that have outperformed the Barclays Aggregate Bond Index since its inception. They have proven to be able to manage around the restrictive NDT guidelines and still be able to generate excess returns. As such, it is recommended that Garcia Hamilton and Bradford & Marzec continue to manage its current assets.

Schroders is an existing manager in the NDT Fund and has underperformed the Barclays Aggregate Bond Index since its inception. In addition, Schroders has displaced its focus from municipal securities to the credit sector. Prior to this displacement, the municipal allocation was a diversifying complement to the other strategies in the portfolio. As such, it is recommended to not retain Schroders.

Earnest is a minority-owned firm whose fixed income strategies have high government backed exposure making it very compatible to the NDT guidelines. Almost a third of the portfolio is invested in smaller agency bonds that many larger managers do not invest in. This allocation difference serves as a good source of diversification to complement the strategies of NDT's incumbent managers. Where Earnest does invest in credit, they seek to own secured bonds, which act as a better buffer to protect against downside risks. Earnest places a strong emphasis on selecting higher quality bonds with returns that can match or exceed lower quality bonds through their 'Gap Framework.' Furthermore, Earnest has shown the propensity to deliver strong performances, historically, through security selection, good down market protection, and has low residual correlation over longer periods compared to other candidates. It is recommended that Earnest manage a portion of NDT's assets.

It is recommended that the four firms be awarded five-year contracts, with asset allocations as noted below, subject, however, to early termination at any time by the Authority on 60 days' notice. The allocation amounts are based on the assets' ending market value as of July 31, 2015 and will be adjusted proportionally for the actual asset value on the transition date of the assets.

	<u>Asset Allocations (in \$millions)</u>
Prudential	213
Garcia Hamilton	155
Bradford & Marzec	132
Earnest	<u>154</u>
Total	<u>654</u>

FISCAL INFORMATION

The fees for the four recommended investment managers are expected to range from 12 basis points to 35 basis points (a basis point is equal to 1/100th of 1%, or 0.01%) dependent on investment management style and the amount of assets under management, subject to negotiation, and will be paid from the NDT Fund.

RECOMMENDATION

The Deputy Treasurer recommends that the Trustees approve the award of multiyear service contracts to Prudential Investment Management, Inc., Earnest Partners LLC, Garcia Hamilton & Associates LP, and Bradford & Marzec, LLC for professional investment management services in connection with the Authority’s Nuclear Decommissioning Trust (‘NDT’) Fund.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, and the Authority’s Expenditure Authorization Procedures, the award of the multiyear investment management service contracts to Prudential Investment Management, Inc., Earnest Partners LLC, Garcia Hamilton & Associates LP, and Bradford & Marzec, LLC, for professional investment management services in connection with the Authority’s Nuclear Decommissioning Trust Fund, as recommended in the foregoing report of the President and Chief Executive Officer, is hereby approved; and be it further

RESOLVED, That the execution of such contracts by the Executive Vice President and Chief Financial Officer or the Treasurer, subject to the approval of the form thereof by the Executive Vice President and General Counsel, on behalf of the Authority, is hereby approved; and be it further

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

ii. Tenth Supplemental Resolution Authorizing 2015 Revenue Bonds

The President and Chief Executive Officer submitted the following report:

“Set forth below is a summary of the actions to be taken by the Board of Trustees regarding the Tenth Supplemental Resolution Authorizing 2015 Revenue Bonds (Exhibits ‘2f ii-A’ and ‘2f ii-B’).

A. Series 2015 Revenue Bonds

The Trustees are being requested to adopt the Tenth Supplemental Resolution authorizing the issuance of the Series 2015 Revenue Bonds (‘Series 2015 Bonds’) in an aggregate principal amount not to exceed \$80,000,000. The purposes of the 2015 Bonds are to: (i) refund up to \$74.590 million of the Authority’s Series 2006 A Revenue Bonds; and (ii) pay the costs of issuance of the Series 2015 Bonds.

The 2015 Bonds would be issued as senior lien revenue bonds under the Authority’s General Resolution Authorizing Revenue Obligations, adopted February 24, 1998, as amended and supplemented. The 2015 Bonds would be issued either as fixed rate or variable rate bonds or a combination thereof. The 2015 Bonds are expected to be federally tax-exempt although it is possible that a portion of said bonds would be federally-taxable. The purpose of the plan of finance is to produce present value savings on debt service.

B. The Resolutions Regarding the 2015 Bonds

A summary of the principal terms of the resolutions to be put before the Trustees for consideration is set forth below.

(1) Tenth Supplemental Resolution

Adoption of the Tenth Supplemental Resolution Authorizing Series 2015 Revenue Bonds (‘Tenth Supplemental Resolution’), which authorizes the issuance of the Series 2015 Bonds, in an aggregate principal amount not to exceed \$80 million, to refund the Authority’s Series 2006 A Revenue Bonds and pay the costs of issuance of the Series 2015 Bonds.

(2) 2015 Bonds

(a) The sale of the Series 2015 Bonds to one or more underwriters as may be selected by the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or Treasurer from the prequalified underwriting pool approved by the Trustees at their July 29, 2014 Board meeting, at such prices as any such officer may accept and as will be in compliance with the requirements of the Tenth Supplemental Resolution is authorized.

(b) The Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or Treasurer and other specified officers to execute a Contract of Purchase, providing for the sale of the Series 2015 Bonds to such underwriters, a Continuing Disclosure Agreement with The Bank of New York Mellon relating to the Series 2015 Bonds and miscellaneous other documents and instruments is authorized.

(c) The Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or Treasurer and other specified officers are authorized to approve the issuance of the Preliminary Official Statement and final Official Statement relating to the Series 2015 Bonds.

(3) Registrar, Paying Agent and Escrow Agent

The Bank of New York Mellon is appointed as Registrar and Paying Agent for the Series 2015 Bonds.

The Tenth Supplemental Resolution Authorizing 2015 Revenue Bonds, as submitted by the President and Chief Executive Officer, was unanimously adopted.”

DISCUSSION AGENDA:

3. Staff Reports:

a. Report of the President and Chief Executive Officer

President Quiniones provided the following report on the Authority's performance for August 2015 (Exhibit "3a-A"):

Performance Scorecard

President Quiniones said although some of the measures were below target for the month of August, all measures are now trending positively. Overall, NYPA continues to perform well.

Generation Market Readiness

As previously reported, the Authority had issues with some of its assets, namely, the 500 MW Generator Step-up Transformer repairs; ice conditions at the STL/FDR Hydro Plant; B-G Unit 1 heat exchanger tube failure; and a rotor rebuild at the Pouch Small Clean Power Plant, located in Staten Island. Because of these issues the Generation Market Readiness measure will not meet its year-end target. Nevertheless, the performance is trending in the right direction.

Energy Efficiency

The Energy Efficiency measure did not meet its target because of timing issues; however, the Authority expects to meet this target by the end of the year.

Safety

The DART (Days Away, Restricted or Transferred) Rate, the Authority's health and safety measure, is below target. Authority staff continues to work toward meeting its aggressive target for this measure, instituting various activities at the sites and administrative offices on safety and accidents issues, striving for zero DART injuries.

Debt Coverage Ratio

As previously reported, it has been a challenging year for the Authority in terms of price of wholesale electricity and also water flows in the early part of this year. As a result, the debt service coverage ratio measure did not meet its target.

Strategy Dashboard

Strategic Initiatives

The six key strategic initiatives have been launched. Progress has been made with each of the initiatives and the Authority is undertaking pilot programs and demonstrations in some of the initiatives such as Process Excellence, with short-term projects being completed throughout the year.

Financials

Revenues and other benefits associated with the initiatives will start being measured and reported in 2016.

Performance Metrics

Implementation efforts for the initiatives are underway. The teams have been directed to develop initial performance metrics for each initiative by the end of the year. These metrics will be aligned to, and integrated with, the Authority's corporate metrics which are currently being redefined to reflect its 2020 vision.

In response to a question from Trustee Foster, President Quiniones said, to date, approximately \$17.5 million has been spent to launch the six strategic initiatives. Responding to further questioning from Trustee Foster, President Quiniones said since new groups are being formed, such as Customer Energy Solutions, components of that spending include hiring staff and for consulting studies. Mr. Lurie added that, in addition, large capital expenditures will be undertaken in future years; therefore, the Authority will also need to determine the amounts of those expenditures as part of the consulting analysis.

In response to a question from Chairman Koelmel, President Quiniones said the Budgeted Expenditures would be defined as those expenditures that are presented at submittal of the Business Plans for the initiatives. And Mr. Lurie said Expected Expenditures include the amounts forecasted to be spent on the initiatives during the year. At the present time, the Authority is behind in the amounts it originally expected its expenses to be because of delays in expending funds for hiring and consulting services.

Implementation Capability Gaps

The gaps identified with the implementation of the six new initiatives are being addressed through the Strategic Planning governance structure. These include:

1. **Communications** – *A well-defined communication plan is needed to make sure that all employees have a sense of ownership for the strategic initiatives.*
2. **Change Management** – *In executing the new Strategic Plan, it is important to keep the enthusiasm of the staff in driving the Plan forward.*
3. **Enterprise technology and Governance** – *Technology and the utility industry is rapidly changing; therefore, the Authority has to make sure it is able to adapt to the changes, and determine how it will integrate new technology innovations with what it currently has at the Authority.*
4. **Access to Necessary Resources** – *The Authority is competing with other utilities and large OEMs for the same talent. Although the Authority can acquire talents from internal employees, it also necessary to have a pool of consultants and contractors to supplement its needs and/or provide specific expertise when it may not be prudent to hire full-time.*

Mr. Lurie continued that the Authority will need to increase its pace with regards to gaps and barriers, making sure staff is aligned with the strategic initiatives and that it has a governance process in place to make quick decisions.

The Authority plans to introduce corporate metrics at the top level of the organization and drive those metrics down into each of the strategic initiatives, then to all the business units and finally tie it into individual performance reviews. In January, he will be introducing to the Board the strategic initiative level performance metrics being developed by each of the initiative teams.

In response to a suggestion from Trustee Foster and also Chairman Koelmel, President Quiniones said staff will work on standardizing the Performance Scorecard to include more specific information for the Trustees' edification.

President Quiniones continued that the Governor has asked that state agencies be more visible at the local and regional levels of the state. To that end, he and Trustee Picente and participated in cabinet meetings on "Capital for a Day" in Utica where they provided information on value-added services the Authority could offer the various local customers in the Mohawk Valley region. He also plans to attend another "Capital for a Day" event in Central New York.

President Quiniones ended by saying that, as part of the Transmission Life Extension and Modernization Program, the Authority has to install fiber optic cables between its transmission towers to digitize its transmission system. He invited the Board to view a video showing

examples of the work being done by Operations staff to get equipment to the facilities in order to put in the right communication infrastructure in the Authority's transmission system.

In response to a question from Chairman Koelmel, President Quiniones said in the next five years the Authority will be completely different than it is today, primarily because of the low price of wholesale electricity. The belief is that gas prices will continue to be persistently low, which means that electric prices will continue to be low. Also, the view is that the Authority's Net Income will be in the range of \$50 - \$100 million. To that end, bearing in mind the key investments that can be made with its capacity for the benefit of its customers and the state, the Authority has to change its outlook regarding productivity savings while, at the same time, making sure that it is creating an environment that will enable its staff to execute the new Strategic Plan.

In response to comments by Chairman Koelmel, President Quiniones said the Authority has the necessary conditions for the transition with the new strategic investments. In addition to the resources, the Authority has a supportive Board, state government and staff to execute the Plan. The goal is to reimagine and fully transform the Power Authority. In his view, after three to five years the New York Power Authority will be the most innovative utility in the country.

b. Report of the Chief Risk Officer

Chairman Koelmel welcomed the new Chief Risk Officer, Mr. Subhagya Parija to the meeting and asked him to present his report to the Board.

Mr. Soubhagya Parija provided highlights of NYPA's top risks and the process changes being introduced in order to make the Authority's Risk Management Program more robust and the findings easier to communicate. The goal is to aid risk-based decision-making and assist management in protecting and enhancing the value of the organization. (Exhibit "3b-A")

Risk Dashboard

The Risk Dashboard has been grouped in three categories: External, Internal and Strategic.

EXTERNAL RISK – Risk events that are beyond the Authority's control. The Authority has to make sure it has processes in place to manage external risks events. Examples of external risk events are market volatility, cyber security, hydro volumes and catastrophic events.

- **Commodity Price Risk** – in a low energy price environment the market volatility is also low. However, this is an exposure that needs to be tracked and managed appropriately.
- **Cyber Security** – Risk Management staff is taking steps to understand the ramifications of cyber and physical security risks in the context of NYPA's business and to protect the Authority's cyber assets from hackers.

A Cyber Security Insurance has recently been procured.

- **Hydro Volumes** – Approximately seventy percent of the Authority's energy comes from NYPA-based electricity. Since the Authority has been exposed to low water flows in the Niagara River this year, hydro volumes will be a high risk event.
- **Catastrophic Events** – The Authority has a plan in place to address catastrophic events.

INTERNAL RISKS – Risks that are caused by lack of internal processes or their failures.

- **Workforce Skills** – One third of the Authority's workforce is scheduled to retire over the next 5 – 6 years. Risk Management staff is working on strategies to address the effects of employees leaving the workforce.

- **Critical Asset Failure** – Risk Management staff, working with the Generation and Transmission group, is in the process of defining the critical assets so that the Authority can have a plan in place to address this risk.

STRATEGIC RISKS – Risks that are considered to be value-added.

- **Disruptive Technology** – the Authority needs to react to risks as they relate to the changing energy landscape, while at the same time be the lead in the energy industry in managing those risks.
- **Shifting Customer Preferences** – Customers now have control over what kind of electricity they want to consume and how they want to consume it. The Authority has to develop a strategic plan to address those issues.
- **Low Energy Prices** – Risk Management staff is working with the Strategy Team to address this issue in terms of the Authority's options since some capacity will probably leave the market because they cannot continue to produce in this low energy price environment.

Mr. Parija said from his interviews with the Executive Management Committee, Executive Risk Management Committee and front-line managers, the foregoing is the general consensus view of the top risks at NYPA. He will continue to review those risks and quantify them appropriately. He ended by saying that at the next meeting of the Board he will report on the action plans in place to address these risks and how the Risk Management staff is tracking the progress.

In response to a question from Chairman Koelmel, Mr. Parija said NYPA has already developed a draft paper on Risk Appetite. However he will be working to operationalize this concept.

c. Report of the Chief Operating Officer

Mr. Joseph Kessler, Senior Vice President of Power Generation, provided highlights of the Chief Operating Officer's report to the Trustees (Exhibit "3c-A").

Generation Market Readiness

Generation Market Readiness was below target for the month of August.

- *There were no significant forced outage events in August.*
- *Several significant maintenance outages have been scheduled as follows:*
 - *LPGP 2 - LEM*
 - *Autobank #4 – T-LEM*
 - *Flynn [9/29-11/21]*
 - *500 MW - 15 day outage [10/2-10/19]*
 - *Gowanus 5*
 - *CR Unit #3 & VF Unit #4 - LEM*
 - *BG Unit #2 Rotor repair*
 - *STL Generator 17 Rotor*

Transmission

Target for August was not met; however, it is expected that the target will be met by the end of the year.

There were no Transmission events for the month of August.

Environmental Incidents

There were three reportable environmental incidents in August:

- *500 MW - Unit 4 condenser coil 52 lbs R-22 Release – reportable to NYDEC70 – repairs complete.*
- *NIA - Unit No. 6 – governor oil line – 30 gallons – contained, but reportable.*
- *STL – Air Conditioning Unit at Line crew building 8.7 lbs R-22.*

Safety

- *The DART (Days Away, Restricted or Transferred) Rate for August is 0.92. For the year, the DART Rate is 0.92 compared to the target of 0.78.*
- *The Operations DART Rate for August is 1.24. For the year, the DART Rate for Operations has a target of 1.08.*
- *There were no lost time incidents in August that met the DART criteria.*

APPA-American Public Power Association 2014 average DART rate for similar-sized (Group G) public electric utilities is 1.74.

In response to a question from Trustee Foster, Mr. Tartaglia said the ratio is calculated based on the number of incidents per the number of hours worked.

Employee Engagement

- **Post-Collective Bargaining Agreement**

Operations Department is planning employee training programs to re-engage the union workers.

- *Apprenticeship Program – discussions are ongoing with the managers to invigorate that program focusing on the need for skilled crafts competency in the organization to be back up and running.*
- *Safety – Chuck Evans was engaged to address staff at all of the sites and the White Plains office regarding an industrial accident he had on the job and how it impacted him and his family; this was well-received by the staff. Operations plan to continue engagements of this nature in order to raise employees' safety awareness, going forward.*
- *Walk-around – Operations senior management conducted safety “walk-around” at each of the sites in order to get an understanding of employees' issues and concerns. This was also well-received by the staff and management received positive feedback from the staff regarding this activity.*

Strategic Initiatives

- *Asset Management and Smart Generation & Transmission Initiative is being accelerated.*
- *Maintenance program and training underway.*
- *GAP analysis moving beyond the study phase towards the implementation stage.*

d. Report of the Chief Financial Officer

Mr. Robert Lurie presented highlights of the Chief Financial Officer's report to the Trustees (Exhibit "3d-A").

- *During the month of August, the Authority had net income of \$25.1 million, which was \$3.1 million less than the budgeted \$28.2 million, due primarily to a lower net margin on sales (\$10.2 million), partially offset by lower operating expenses. The lower net margin on sales was substantially attributable to lower market energy prices. Hydro production for the month was 7% above the budget.*
- *Net income for the year-to-date was \$46 million, which was \$108.8 million lower than budgeted due to lower hydro production (\$56 million), and lower market energy prices (\$114 million), partially offset by lower O&M expenses (\$61 million). Lower production resulted from low precipitation and a less than normal winter ice thaw early in the year. Lower O&M and other expenses reflect delays in programs including Five City Master Plan, Western NY Workforce Development and Customer Energy Solutions.*
- *Increased hydro volume expected towards the end of 2015 and for 2016. The September update includes a .1Twh increase in hydro production related to 2015 (compared to last month's projection).*
- *Energy Zone A (Western NY) prices continue to be significantly below budget. Current projection is 22% below budget for the year.*
- *Net income for the year is projected to be \$39 million, \$167 million lower than the budget primarily due to the lower hydro production and lower market energy prices (projections for hydro production increased .1 Twh since last month, and energy margins are projected to be slightly higher than previously anticipated).*

New Metrics

Mr. Lurie said the Performance Scorecard will be changed to reflect three major areas of metrics at the top corporate level, namely: 1) Customer Value – which measures how much energy the Authority saves its customers; 2) Financial – to measure Return on Invested Capital ("ROIC"). ROIC is the measure used to assess how much of a return the Authority is making on its investments each year; and 3) Operational – which measures whether the Authority is earning enough on capital investments compared to the cost incurred to raise the capital for that investment.

In response to a question from Chairman Koelmel, Mr. Lurie said the cost of capital is a weighted average of the cost of borrowing debt, looking forward. For example, if the Authority has to borrow debt today, it would have to determine what its new cost of capital would be on its debt. A market index is used to calculate the cost of borrowing based on how much money we get from debt vs how much money we get from equity and we come up with a weighted average that we use which is 7%. This is also the same methodology that regulators use to measure how much we should be setting our prices at to compensate us for our cost of capital and other expenses. In addition, this is an accepted methodology for the regulatory authority (FERC) and regulatory law.

In response to a question from Trustee Foster, Mr. Lurie said the low Net Income is due, in part, to delay in expenses; therefore, based on the risk factors we are seeing this year the Authority is looking at ways to be more cost-efficient in the way it conducts its business, by looking at ways to streamline its expenses.

In response to a question from Trustee McKibben, Mr. Lurie said, as indicated at the last meeting, the Authority will be reevaluating its forecasting methodology. Every month staff updates its forecast using the forecasts that are available by the experts, including its own. The scorecard represents an update in the numbers as opposed to a change in them.

In response to a question from Chairman Koelmel, Mr. Lurie said at this point the Authority is taking the assumption that the low energy prices will be sustained. Electricity prices are low and indications are that it will remain that way. President Quiniones added that, at the sustained prices, some of the generators will not be able to survive and may have to exit the market. If the situation changes and there is an upward push on price, since the Authority's assets are very competitive, it will disproportionately harvest the benefits of a recovery.

In response to a question from Chairman Koelmel, Mr. Lurie said for the fourth quarter the Authority will see a continuation of some of the expenditures on the initiatives and a continuation of the very low energy prices which is not going to help offset some of those operating expenses. Expenses, however, are under control for the remainder of the year.

In response to a question from Trustee Nicandri Mr. Lurie said the forecast expectations are conservative this year; the Authority plans to mark down its hydro forecast by at least five percent for next year's budget.

Power Allocations and Proceeds:

4. Award of Fund Benefits from the Western New York Economic Development Fund Recommended by the Western New York Power Proceeds Allocation Board

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to accept the recommendations of the Western New York Power Proceeds Allocation Board (the ‘Allocation Board’) and make awards of Fund Benefits from the Western New York Economic Development Fund to the eligible applicants listed in Exhibit ‘4-A’ in the amounts indicated on Exhibit ‘4-A’ as discussed in more detail below, and authorize the other actions described herein with respect to such applicants and recommended awards.

BACKGROUND

1. Western New York Power Proceeds Allocation Act

On March 30, 2012, Governor Cuomo signed into law the Western New York Power Proceeds Allocation Act (the ‘Act’). The Act provides for the creation, by the Authority, of the Western New York Economic Development Fund. The Fund consists of the aggregate excess of revenues received by the Authority from the sale of Expansion Power (‘EP’) and Replacement Power (‘RP’) produced at the Niagara Power Project that was sold in the wholesale energy market over what revenues would have been received had such energy been sold on a firm basis to an eligible EP or RP customer under the applicable tariff or contract.

Under the Act, an ‘eligible applicant’ is a private business, including a not-for-profit corporation. ‘Eligible projects’ is defined to mean ‘economic development projects by eligible applicants that are physically located within the State of New York within a thirty-mile radius of the Niagara power project located in Lewiston, New York that will support the growth of business in the state and thereby lead to the creation or maintenance of jobs and tax revenues for the state and local governments.’ Eligible projects include, for example, capital investments in buildings, equipment, and associated infrastructure owned by an eligible applicant for fund benefits; transportation projects under state or federally approved plans; the acquisition of land needed for infrastructure; research and development where the results of such research and development will directly benefit New York state; support for tourism and marketing and advertising efforts for western New York state tourism and business; and energy-related projects.

Eligible projects do not include public interest advertising or advocacy; lobbying; the support or opposition of any candidate for public office; the support or opposition to any public issue; legal fees related to litigation of any kind; expenses related to administrative proceedings before state or local agencies; or retail businesses as defined by the board, including without limitation, sports venues, gaming and gambling or entertainment-related establishments, residential properties, or places of overnight accommodation.

Fund Benefits have been provided to successful eligible applicants in the form of grants. Generally, Fund Benefits are disbursed as reimbursement for expenses incurred by an Eligible Applicant for an Eligible Project. Occasionally, Fund Benefits are disbursed in advance for proposed eligible expenditures to be incurred by the Eligible Applicant for an Eligible Project when NYPA determines this approach is appropriate for a project, NYPA has authorized the approach in advance, and proposed expenses can be appropriately documented.

At least 15% percent of Fund Benefits must be dedicated to eligible projects which are ‘energy-related projects, programs and services,’ which is ‘energy efficiency projects and services, clean energy

technology projects and services, and high performance and sustainable building programs and services, and the construction, installation and/or operation of facilities or equipment done in connection with any such projects, programs or services.'

Allocations of Fund Benefits may only be made on the basis of moneys that have been deposited in the Fund. No award may encumber future funds that have been received but not deposited in the Fund.

2. Western New York Power Proceeds Allocation Board

Under the Act, the Allocation Board is charged with soliciting applications for Fund Benefits, reviewing applications, making eligibility determinations, and evaluating the merits of applications for Fund Benefits. The Allocation Board uses the criteria applicable to EP, RP and PP, and for revitalization of industry as provided in Public Authorities Law §1005. Additionally, the Allocation Board is authorized to consider the extent to which an award of Fund Benefits is consistent with the strategies and priorities of the Regional Economic Development Council having responsibility for the region in which an eligible project is proposed. A copy of these criteria (collectively, 'Program Criteria'), adapted from the Allocation Board's 'Procedures for the Review of Applications for Fund Benefits,' is attached as Exhibit '4-B.'

The Allocation Board met on March 4, 2013 and, in accordance with the Act, adopted by-laws, operating procedures, guidelines related to the application, and a form of application. At that time, the Allocation Board defined 'retail business' to mean a business that is primarily used in making retail sales of goods or services to customers who personally visit such facilities to obtain goods or services.

The Allocation Board also designated the Western New York Regional Director of Empire State Development Corporation ('ESD') to be its designee ('Designee') to act on its behalf on all administrative matters. Among other things, the Designee was authorized to perform analyses of the applications for Fund Benefits and make recommendations to the Allocation Board on the applications.

Under the Act, a recommendation for Fund Benefits by the Allocation Board is a prerequisite to an award of Fund Benefits by the Authority, and the Act authorizes the Authority to award Fund Benefits to an applicant upon a recommendation of the Allocation Board. Upon a showing of good cause, the Authority has discretion as to whether to adopt the Allocation Board's recommendation, or to award benefits in a different amount or on different terms and conditions than proposed by the Allocation Board. In addition, the Authority is authorized to include within the contract covering an award ('Award Contract') such other terms and conditions the Authority deems appropriate.

3. Application Process

In an effort to provide for the efficient review of applications and disbursement of Fund Benefits, the Allocation Board established a schedule of dates through the end of 2015 on which the Allocation Board would meet to consider applications. At this time, applications are being accepted on a rolling basis. In addition, the application process was promoted through a media release and with assistance from state and local entities, including the Western New York and Finger Lakes Regional Economic Development Councils, the Empire State Development Corporation and other local and regional economic development organizations within the State. A webpage was created that is hosted on WWW.NYPA.GOV/WNYPPAB with application instructions, a link to the approved application form and other program details including a contact phone number and email address staffed by the Western New York Empire State Development regional office.

DISCUSSION

At its September 1, 2015 meeting, the Allocation Board considered applications from (1) Amos Zittel & Sons, Inc. ('Zittel') seeking \$380,000 in Fund Benefits; (2) Tulip Molded Plastics Corporation ('Tulip') seeking \$1,500,000; (3) Martin House Restoration Corporation ('MHRC') seeking \$820,000; (4)

D'Youville College ('D'Youville') seeking \$1,657,627; and (5) 43 North LLC ('43N') seeking \$6,000,000. The Allocation Board's staff analyzed the applications and made recommendations to the Allocation Board based on eligibility requirements and Program Criteria. Copies of the recommendation memoranda provided to the Allocation Board for Zittel, Tulip, MHRC, D'Youville and 43N are attached as Exhibits '4-C-1,' '4-C-2,' '4-C-3,' '4-C-4,' and '4-C-5,' respectively. The applications themselves have also been made available to the Trustees for review. The Allocation Board has recommended that these applicants receive awards in the amounts indicated on Exhibit '4-A.'

Based on information provided in the application before the Trustees, the proposed projects would directly create or retain approximately 21 jobs in Western New York. The total to be expended on the proposed projects is expected to be approximately \$51 million.

Given the nascent stage of the proposed project, it was not possible at this time to identify all of the terms and conditions that would be applicable to the award and memorialized in an Award Contract. With the Trustees' authorization, it is anticipated that the Authority, in consultation with ESD, will negotiate final terms and conditions with the successful applicants after receipt of more detailed information concerning the projects and proposed schedules. Award Contracts may include scheduled payments keyed to commitment milestones, such as employment creation and retention. In addition, staff anticipates that Award Contracts will contain provisions for periodic audits of the successful applicants for the purpose of determining contract and program compliance and, where appropriate, terms providing for the partial or complete recapture of Fund Benefits disbursements if an applicant fails to maintain agreed-upon commitments, relating to, among other things, employment levels and/or project element due dates.

RECOMMENDATION

The Vice President – Marketing recommends that:

- (1) the Trustees accept the recommendations of the Allocation Board and make awards of Fund Benefits to the applicants and in the amounts identified in Exhibit '4-A,' conditioned upon an agreement to be negotiated with each applicant on the final terms and conditions that would be applicable to the awards to be contained in an Award Contract approved by the President and Chief Executive Officer and approved by the Executive Vice President and General Counsel as to form;
- (2) the Senior Vice President – Economic Development and Energy Efficiency, or his designee(s), in consultation with ESD, be authorized to negotiate with the applicants concerning such final terms and conditions that will be applicable to the awards; and
- (3) the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be authorized to execute on behalf of the Authority an Award Contract for each award listed on Exhibit '4-A' subject to the forgoing conditions.

For the reasons stated, I recommend the approval of the above-requested actions by adoption of the resolution below."

Mr. Keith Hayes provided highlights of staff's recommendation to the Trustees. In response to comments from Chairman Koelmel, Mr. Pasquale said, unlike the applicants for hydropower allocations, applicants for Proceeds funds can submit their applications through a "Track" that does not require job creation. Mr. Hayes added that since its inception, the Proceeds

Board has approved 33 projects; \$30 million in total awards; more than \$305 million in project investments; and more than 3100 jobs has been retained or created.

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

WHEREAS, the Western New York Power Proceeds Allocation Board (“Allocation Board”) has recommended that the Authority make awards of Fund Benefits from the Western New York Economic Development Fund (“Fund”) to the eligible applicants listed in Exhibit “4-A” in the amounts indicated;

NOW THEREFORE BE IT RESOLVED, That the Authority hereby accepts the recommendations of the Allocation Board and authorizes an award of Fund Benefits to the applicants listed in Exhibit “4-A” in the amounts indicated, conditioned upon an agreement between the Authority and each applicant on the final terms and conditions that would be applicable to the awards and set forth in written award contracts (“Award Contracts”) between the Authority and the applicants approved by the President and Chief Executive Officer and approved by the Executive Vice President and General Counsel as to form; and be it further

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency, or his designee, is authorized to negotiate with the applicants concerning such final terms and conditions that will be applicable to the awards; and be it further

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency, or his designee, is authorized to execute on behalf of the Authority an Award Contract for each of the awards listed on Exhibit “4-A” subject to the foregoing conditions; and be it further

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

Capital Expenditure Authorization Request:

Mr. Philip Toia, Vice President of Transmission introduced the next two transmission projects being recommended for funding request. He said the first project is the replacement of the Plattsburg-Vermont (PV-20) submarine cable that runs under Lake Champlain and connects to the New York and Vermont electrical grids. The new cable will replace cables originally installed in 1958 and 1970 and is part of the multi-year Transmission Life Extension and Modernization (T-LEM) Program scheduled to be completed in 2025. The T-LEM program includes other projects that will upgrade, rebuild and replace equipment at NYPA's substations and transmission lines.

The second project is the Moses-Adirondack 230 kV transmission line rebuild, also known as SMART Path. This project will replace two overhead transmission lines originally constructed more than 70 years ago. While not technically part of the T-LEM program, this project is part of the overarching plan of reinvestment in NYPA's transmission and generation assets.

These two projects represent a portion of the significant investment NYPA is making in its Transmission system. These facilities are integral parts of the New York State electrical grid and demonstrate the commitment NYPA has made in strengthening the system to benefit the residents of the State for decades to come.

Mr. Toia ended by saying that getting these projects to this point involved a cross-section of NYPA employees with considerable stakeholder management, both internally and externally, and he wanted to acknowledge the tremendous efforts of NYPA staff. He then invited Ms. Daniella Piper to present the item on the PV 20 Project and Ms. Patricia Meehan to follow with the presentation on the SMART Path Moses-Adirondack project.

In response to a question from Trustee Foster, Mr. Toia said the decision to replace equipment is part of the Asset Management program. Operations and Transmission departments have always done a portion of it, but the process is now being formalized. The Authority's engineers and staff continually review the optimal time for reinvestment versus replacement of the Authority's assets. Mr. Lurie added that the technical analysis will determine whether the future expenses will be better for maintaining or replacing the assets. A financial analysis is done to determine the return on investment.

President Quiniones said rebuilding this transmission line is a critical project for the Authority and so he wanted to commend Ed Welz, Phil Toia and the rest of the Operations team working on this project. He also wanted to commend Jill Anderson and her team for their decision-making efforts that led to the Authority going forward with this project.

**5. Transmission Life Extension and Modernization Program –
PV-20 Submarine Cable Replacement –
Capital Expenditure Authorization Request and Contract Award**

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to authorize Capital Expenditures in the amount of \$68,726,100 for all works associated with the replacement of the existing seven (7) submarine cables and associated terminal structures of the PV-20 interconnecting line between the Authority’s (‘NYPA’) Plattsburgh Substation and the Vermont Electric Power Company’s (‘VELCO’) Sand Bar Substation. The Trustees are also requested to authorize O&M Expenditures in the amount of \$7,139,200 for the removal and disposal of the existing cables and terminal structures, and approve the award of multi-year turnkey services contracts in the amount of \$46,708,461 to LS Cable & System of South Korea, to design, fabricate, test, deliver and install these cables and new terminal structures, and in the amount of \$2,651,650 to Miller Environmental Group of Calverton, NY for the removal and disposal of the existing submarine cables and accessories.

Additionally, the Trustees are also requested to authorize the acquisition, in fee, by purchase or eminent domain of approximately 1.6 acres of real property to accommodate a new transition station and appurtenances and a temporary easement of approximately 0.1 acre of real property for construction in the immediate vicinity of the Authority’s existing transition station property in the Town of Plattsburgh, County of Clinton, as generally shown on the attached Exhibit ‘5-A,’ for a sum not to exceed \$25,000. These proposed acquisitions are reasonably necessary for the improvement of the Authority’s PV-20 Transmission Facilities.

The Capital Expenditures amount includes \$2,100,000 for Preliminary Engineering/Licensing that was previously approved by the President and Chief Executive Officer.

BACKGROUND

In accordance with the Authority’s Expenditure Authorization Procedures, Capital Expenditures in excess of \$3 million require the Trustees’ approval.

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. Also, in accordance with the Authority’s Expenditure Authorization Procedures, the award of non-personal services or equipment purchase contracts exceeding \$3 million require Trustee approval.

Pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority is authorized, subject to Trustee approval, to acquire real property by purchase or eminent domain.

The existing PV-20 115 kV circuit connects NYPA’s Plattsburgh Substation in Beekmantown, NY to VELCO’s Sand Bar Substation in Milton, VT. The circuit is comprised of a combination of 115 kV overhead line sections, 115 kV fluid-filled submarine cable section, and 230kV rated nitrogen-filled high pressure pipe-type cable section.

Once PV-20 reaches the Cumberland Head Transition Station, it transitions to oil-filled submarine cables that are laid on the Lake Champlain bottom for approximately 1.7 miles where it emerges at the Grand Isle terminal in Vermont. The submarine cable portion consists of four (1 spare) original 500 kcmil cables, installed in 1958, and three additional 1000 kcmil cables, installed in 1970. One of the original 500 kcmil cables failed in 1970 and was not replaced. The cables are an oil-filled design with gravity fed oil reservoirs at each termination. The terminations at either end of the cable are virtually identical. This

project will replace and dispose the existing seven (7) cables with four (4), single-core 3553 kcmil XLPE submarine cables (3 phase conductors and 1 spare), to be installed at 230kV-rated insulation and operated at 115kV, including the replacement of existing terminal structures with new terminal structures.

Due to its location, the existing Transition Station is insufficient to accommodate installation of the replacement submarine cables while keeping the existing facilities in service. A new transition station will be built, offset to the north from the existing transmission line, on a 1.6-acre parcel westerly of the existing transition station. This location will provide better access and utility for construction and maintenance and will facilitate any future upgrade to the existing overhead transmission line. Likewise, a 0.1-acre temporary construction easement is required to facilitate placement of the submarine cables within the Authority's existing property prior to removing the existing cables.

As part of the Transmission Life Extension and Modernization ('T-LEM') Program, Quanta Technology assessed the PV-20 upgrade options. Two primary objectives were considered: 1) upgrade options for future consideration if a circuit upgrade becomes necessary due to load increases; and 2) assessment of the condition of the submarine cable portion of the PV-20 circuit with recommendations for addressing any condition-based risk.

The assessment of the PV-20 circuit concluded that no immediate upgrade is required for load-serving capability. However, the submarine portion of the circuit is regarded as being at risk for disruption of continued service. This conclusion is due to the operating history of the submarine cable which includes thermal runaways, indicating overheating for some time of its operation. Further, the cables are approaching the end of their design life and there is no viable replacement cable available in case of a cable failure. The fluid pressurization systems which are critical to the operational well-being of the cable insulation are obsolete. If a major defect occurred at any of the reservoirs, the systems could not be replaced without extraordinary expense and long lead time due to the custom manufacture that would be required.

A memorandum of Understanding between NYPA and VELCO was entered into on September 18, 2013. NYPA and VELCO agreed to pursue the project as described above. The project costs will be split on a 50%-50% basis.

DISCUSSION

In response to an advertisement, issued on February 18, 2015, in the New York State *Contract Reporter* for the installation of the new submarine cables, Inquiry Q15-5813RH, and for the removal of the existing cables, Inquiry Q15-5815RH, two proposals were received for the removal of the existing cables on April 30, 2015, and three proposals were received for the installation of the new cables on May 14, 2015.

All proposals were evaluated by a committee of Authority and VELCO Engineering, Environmental, Transmission, Quality Assurance, Asset Management, Project Management and Procurement staff.

The proposals were evaluated based on:

- Compliance with commercial, technical and quality assurance requirements
- Execution plan
- Price
- Engineering and Quality Assurance support and travel associated with overseeing the design, fabrication, and testing.

As part of the bid evaluation process, written technical clarifications were required of all bidders. The technically qualified bidders were asked to provide written clarifications of their manufacturing and design capabilities and understanding of the bidding documents.

LS Cable & System and Miller Environmental Group were determined to have submitted the lowest-price, evaluated bids and demonstrated adequate understanding of the project and the ability to successfully complete the project as planned.

The Project work will be performed over a four-year period with design taking place in 2015. Manufacturing, shipment, installation, testing and commissioning of the new cables will commence in 2016 and will be completed in 2017. The removal of the existing submarine cables will commence in 2017 and will be completed in 2018.

The Capital Expenditure Authorization Request is comprised of the following:

Preliminary Engineering/Licensing (previously authorized)	\$ 2,100,000
Engineering and Design	\$ 3,749,000
Procurement	\$ 10,597,200
Construction/Installation	\$ 45,330,600
Authority Indirect and Direct Expenses	\$ <u>7,030,200</u>
TOTAL	\$ <u>68,726,100</u>
Agencies/Utilities Reimbursement (VELCO Share)	\$ 29,219,000

The O&M Expenditure Authorization Request is comprised of the following:

Payment and Performance Bond	\$ 41,600
Mobilization & Demobilization	\$ 358,000
Removal of Cables	\$ 2,055,000
Divers and Excavation	\$ 2,500,000
Oil Disposal	\$ 7,000
Cable Disposal	\$ 147,000
All Other Disposals	\$ 53,000
Removal of Old Terminal Stations	\$ <u>1,977,600</u>
TOTAL	\$ <u>7,139,200</u>
Agencies/Utilities Reimbursement (VELCO Share)	\$ 3,569,600

FISCAL INFORMATION

Payments associated with this Project will be made from the Authority's Capital and O&M Funds.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Vice President – Transmission, the Vice President – Procurement, and the Project Manager recommend that the Trustees authorize Capital Expenditures in the amount of \$68,726,100 and O&M Expenditures in the amount of \$7,139,200; approve the awards multi-year contracts to LS Cable & System in the amount of \$46,708,461 and Miller Environmental Group in the amount of \$2,651,650; and approve the acquisition of the real estate rights for the Authority’s PV-20 Submarine Cable Replacement Project as set forth above.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

Ms. Daniella Piper provided highlights of staff’s recommendation to the Trustees. In response to a question from Trustee Nicandri, Ms. Piper said the old cable will be removed and disposed of.

Responding to a question from Chairman Koelmel, Ms. Piper said three companies responded to the RFP. However, one of the requirements of the RFP was that the bidder be the original equipment manufacturer, so that the person replacing the cable is also the manufacturer of the cable and this company met that requirement.

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 \$68,726,100 and O&M Expenditures in the amount of \$7,139,200, are hereby authorized for the PV-20 Submarine Cable Replacement, in accordance with, and as recommended in, the foregoing report of the President and Chief Executive Officer;

<u>Capital</u>	<u>Expenditure Authorization</u>
PV-20 Submarine Cable Replacement	<u>\$68,726,100</u>
 <u>O&M</u>	
Disposal of Existing Terminal Structure and Cables	<u>\$7,139,200</u>

AND BE IT FURTHER RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority’s Expenditure Authorization Procedures, approval is hereby granted to award multi-year contracts to LS Cable & System, of South Korea, in the amount of \$46,708,461 for the

design, fabrication, testing, delivery, installation of the PV-20 cables and new terminal structures, and to Miller Environmental Group, of Calverton, NY, in the amount of \$ 2,651,650 for the removal of the existing submarine cables;

<u>Contractors</u>	<u>Contract Approval</u>
LS Cable & System (South Korea) Q15-5813RH	<u>\$ 46,708,461</u>
Miller Environmental Group (Calverton, NY) Q15-5815RH	<u>\$ 2,651,650</u>

AND IT BE FURTHER RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds it necessary to acquire by purchase or eminent domain the real properties shown and described on the map attached hereto as Exhibit "5-A" for a sum not to exceed \$25,000 and hereby finds and determines that such real property is required for a public use and is reasonably necessary for the PV-20 Submarine Cable Replacement Project;

AND IT BE FURTHER RESOLVED, That the Vice President – Procurement and the Director of Site Purchasing, Materials Management and Real Estate are hereby authorized to execute any and all other agreements, papers or instruments on behalf of the Authority that may be deemed necessary or desirable to acquire the real property identified above by purchase or by eminent domain, subject to the approval by the Executive Vice President and General Counsel;

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

Licensing:

6. Licensing of the SMART Path Moses-Adirondack 1&2 Rebuild Project and Contract Award

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to authorize staff to proceed with licensing of the SMART Path Moses-Adirondack 1&2 Rebuild Project (‘SMART Path’ or ‘Project’) to replace the Moses-Adirondack Transmission Lines 1 & 2 (‘MA 1&2’) with 230 kV lines on double circuit steel monopole structures. The Trustees are also requested to approve the issuance of a Purchase Order Release (‘POR’) against the existing value contract, #4600002872, with Louis Berger & Associates, P.C., in the amount of \$2.76 million, for the studies and environmental assessments required in the Public Service Law Article VII licensing process.

BACKGROUND

Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the Trustees’ approval for procurement contracts involving services to be rendered for a period in excess of one year. The licensing process for SMART Path is expected to take two years and the entire Project is expected to be completed by 2023.

In accordance with the Authority’s Guidelines for Procurement Contracts and Expenditure Authorization Procedures, the Trustees will be asked to approve funding at three different times for SMART Path for the following tasks: (1) POR to obtain the necessary environmental permits and licensing certificates; (2) contract award to perform the engineering design of the new transmission lines; and (3) contract award for the labor and materials to construct SMART Path. The awards for the environmental permits and licensing certificates are being requested today. The award to perform the engineering design work will be presented at the December 2015 Trustee meeting and the award to construct the project is anticipated to be requested during the third quarter 2018.

The existing MA1&2 lines originate in the St. Lawrence Moses Substation in Massena, New York. From Moses Substation, the lines generally traverse in a south and southwestern direction for approximately 85 miles, terminating in the Adirondack substation in Croghan, New York. The MA 1&2 Lines are on double circuit steel lattice structures for the first eight miles, and for the remaining 77 miles are attached onto single circuit wooden H frame structures. The two circuits were originally constructed by the United States Department of Defense in 1942 and acquired by the Authority in 1953. The MA 1&2 lines use old technology that is costly to maintain and prone to experiencing failures due to equipment fatigue. The lines have also reached the end of their useful life.

The MA1&2 lines were originally constructed with wood pole H-frame structures that require periodic replacement. At their July 30, 2015 Trustees’ Meeting, the Trustees approved funds to replace wooden poles, as needed, on the MA 1&2 and the Moses-Plattsburgh lines.

The MA 1&2 lines continue to play an essential role in the reliability of the State’s electrical grid, including system restoration (blackstart capability) and as a complement and back-up to the Authority’s 765 kV transmission line.

DISCUSSION

The Authority performed a constructability assessment of the MA 1&2 lines and recommends that the line be rebuilt as follows: two 230 kV transmission lines consisting of new conductor installed on new, double circuit steel monopole structures on concrete caissons. The recommendation is based on lowest-

cost, improved power flow, potential for future growth, an existing cost recovery mechanism, and minimal adverse environmental impact. The Project, as proposed, will allow for an increased power flow of up to 200 MW along the MA1&2 lines due to technological improvements. The double circuit steel monopole structure has been chosen due to low-cost, narrow footprint, increased durability, ease of maintenance, and beneficial constructability.

The Project will require the issuance of a Certificate of Environmental Compatibility and Public Need by the Public Service Commission ('PSC'), pursuant to Public Service Law Article VII, which requires studies, environmental assessments and public hearings.

The Authority distributed a Request for Quotation ('RFQ') to twelve firms who currently have Master Service Agreements ('MSA') with the Authority to perform needed permitting and licensing activities. Ten responses were received. The Authority is recommending that a POR be issued to the lowest-priced evaluated bidder, Louis Berger & Associates, P.C., in the amount of \$2.76 million. This work will form the basis for an application to the PSC for approval to construct the Project.

The project work will be performed from 2016 to 2023, with the licensing work expected to be performed from 2016 to 2018.

The Trustees are requested to authorize staff to proceed with the licensing effort for the Project and approve the POR for Louis Berger & Associates.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Senior Vice President – Public Affairs and Business Development, the Vice President – Project and Business Development, the Vice President – Transmission and the Director – Project Development and Licensing, recommend that the Trustees authorize staff to proceed with the licensing of the SMART Path Moses-Adirondack 1&2 Rebuild Project and authorize the issuance of a Purchase Order Release to Louis Berger & Associates in the amount of \$2.76 million for the studies and environmental assessments required in the Public Service Law Article VII licensing process.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

Ms. Patricia Meehan provided highlights of staff's recommendation to the Trustees. In response to a question from Trustee Nicandri regarding upgrading the line to 345 kV, Ms. Meehan said that NYPA considers the Moses-Adirondack line a transmission line, but it is really half of a transmission line. The Adirondack substation is a switching station and does not distribute to load. The other half consists of the Adirondack-Porter transmission line which is owned by National Grid. The Adirondack-Porter transmission line was built 20 years after the Moses-Adirondack line and National Grid has stated that they do not plan to upgrade their portion of the line at this time.

In response to a question from Trustee Nicandri, President Quiniones said the optimum configuration for this project is to keep the voltage at 230 kV and using better technology and

conductors increase its transfer capability. He continued that, as mentioned by Ms. Meehan, this project is a back-up to the Authority's 765 kV line, therefore, when National Grid replaces their line transfer capability will be increased.

Responding to further questioning from Trustee Nicandri, Ms. Meehan said the amount the Authority will recoup for the copper conductor being disposed of will depend on commodity prices; however, it is currently estimated at approximately \$5 million. At the time of actual construction, the contract will be reduced by the value of the copper being recycled.

In response to still further questioning from Trustee Nicandri, President Quiniones said the new line is not going down the middle of the two existing lines, but offset on the side.

In response to a question from Trustee McKibben, Ms. Meehan said the height of the new structures will be taller than the height of the existing structures. The existing wood pole structures are about 70 feet tall on average. The final design of the new poles is not yet completed, it is anticipated that the mono-pole will be approximately 105 feet tall. So even though the mono-pole will be a taller structure, it will not be as tall as the Authority's 765 kV structures which, on average, are 150 feet tall.

In response to further questioning from Trustee McKibben, Ms. Meehan said staff is now requesting funding to start that project which includes environmental studies and public outreach.

In response to a question from Trustee Foster, Ms. Meehan said construction is anticipated to start in 2018. The project requires two years for licensing, two years for design, and then actual construction.

In response to a question from Chairman Koelmel, Ms. Meehan said the existing Moses-Adirondack infrastructure consists of 77 miles of wood structures which is approximately 1700 structures in total.

President Quiniones added that this project puts a real perspective on the kinds of modernization and investment that NYPA is undertaking. These assets, once built, will be in place for more than 70 years. The interchange between Vermont and New York will be facilitated; and

the interchange between not only the Authority's power plant but also Quebec and New York, will be enhanced.

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

RESOLVED, The Trustees authorize the Authority's staff to proceed with licensing services for the SMART Path Moses-Adirondack 1&2 Rebuild Project, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, that pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, approval is hereby granted to authorize the issuance of a Purchase Order Release against the existing value contract, #4600002872, with Louis Berger & Associates, P.C. of New York, New York, in the amount of \$2.76 million, to provide licensing services for the Project as recommended in the foregoing report of the President and Chief Executive Officer and as set forth below:

<u>Contractor</u>	<u>Purchase Order Release Amount</u>
Louis Berger & Associates, P.C. New York, NY	<u>\$2.76 million</u>
#4600002872	

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

Energy Efficiency

7. Energy Efficiency Program – Authorization to Expand Program Funding and Award Services Contracts to Support the Program

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to approve additional funding in the amount of \$600 million, in aggregate, for the Governmental Customer Energy Efficiency Program ('GCEEP') and the Statewide Energy Efficiency Program ('Statewide EEP') to support additional future energy efficiency projects for eligible program participants across New York State ('NYS'). The increased funding would be in addition to the \$2.33 billion and \$950 million previously approved by the Trustees for the GCEEP and Statewide EEP, respectively. These funds will bring the GCEEP to \$2.73 billion and Statewide EEP to \$1.15 billion.

The Trustees are also requested to authorize the award of contracts (as described below) to seventeen firms to provide investment grade audit ('IGA'), design, engineering, procurement, and installation services. The aggregate total for all seventeen contracts is \$600 million. The term of each contract will be three years with the option of two, one-year extensions. These seventeen contracts will be used to support both GCEEP and Statewide EEP, and funding of these contracts will be allocated from the aforementioned \$2.73 billion GCEEP and \$1.15 billion Statewide EEP. These funds will generally be recovered directly from program participants except for certain types of grants.

BACKGROUND

In December 1997, the Trustees approved initial funding of \$30 million under the Statewide EEP to support energy projects for program participants throughout New York State, not including New York City and Westchester County governmental customers. Subsequent requests for funding were approved in an aggregate amount of \$920 million to support projects under the Statewide EEP for a total of \$950 million. In addition, in June 2005, the Trustees approved initial funding of \$500 million under the GCEEP to support energy projects for the Authority's governmental customers located in New York City and Westchester County. Subsequent requests for funding were approved in an aggregate amount of \$1.83 billion to support projects under the GCEEP for a total of \$2.33 billion.

Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval of procurement contracts involving services to be rendered for a period in excess of one year. In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personnel services or equipment contracts in excess of \$3 million require the Trustee approval.

To meet the goal of increasing energy efficiency set forth in Executive Order 88, Governor Andrew Cuomo launched 'Build Smart NY,' emphasizing cost-effective improvements for energy savings. Build Smart NY also supports the Governor's economic development goals to accelerate energy efficient projects that will create jobs and improve infrastructure within the State. The addition of funding and new contracts will enhance the Authority's Energy Efficiency Programs and further support the Governor's Executive Order 88 (EO88) initiatives.

DISCUSSION

The Energy Efficiency Program provides energy efficiency and renewable energy services to customers meeting the eligibility criteria under the Public Authorities Law, Section 1005. Energy efficiency services provided through the Energy Efficiency Program include IGA, design, engineering, procurement, and installation services related to a wide variety of energy technologies and renewables.

The Authority is expanding its offerings to program participants by offering flexible service delivery models and additional customer services, including stand-alone audits and operation and maintenance services. The additional funding will support the Authority as it expands its GCEEP and Statewide EEP offerings.

On April 21, 2015, the Authority advertised a Request for Proposals ('RFP') (Inquiry Q15-5881LW) in the New York State *Contract Reporter*, soliciting firms interested in providing expedited implementation services including, but not limited to, the development, design, engineering, construction, and management of energy, resiliency, reliability, or sustainability related projects and programs in support of the New York Power Authority energy efficiency services program. The following are the regions defined in the RFP:

- ❑ Region 1 – Central New York Region which includes the following counties: Broome, Cayuga, Chemung, Chenango, Cortland, Jefferson, Lewis, Madison, Oneida, Onondaga, Oswego, Schuyler, Seneca, Tioga, Tompkins, and Yates.
- ❑ Region 2 – Long Island which includes Nassau County and Suffolk County.
- ❑ Region 3 – New York City Region which includes the following counties: Bronx, Kings, New York, Queens, and Richmond.
- ❑ Region 4 – Northern New York Region which includes the following counties: Albany, Clinton, Columbia, Delaware, Essex, Franklin, Greene, Hamilton, Herkimer, Montgomery, Otsego, Rensselaer, Saratoga, Schenectady, Schoharie, St. Lawrence, Sullivan, parts of Ulster, Warren, and Washington.
- ❑ Region 5 – Southeastern New York Region which includes the following counties: Dutchess, Orange, Putnam, Rockland, Sullivan, and parts of Ulster.
- ❑ Region 6 – Western New York Region which includes the following counties: Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Livingston, Monroe, Niagara, Ontario, Orleans, Steuben, Wayne, and Wyoming.
- ❑ Region 7 – Westchester County Region

In response to the advertisement and invitation to bid, there were 235 downloads of the RFP from the Authority's website. On June 18, 2015, twenty (20) firms submitted bids for the Energy Efficiency programs. The bids were reviewed by an evaluation committee comprised of Energy Efficiency, Customer Energy Solutions, and Procurement representatives. The bids were evaluated based upon the following criteria detailed in the RFP:

- ❑ Quality and completeness of submittal – required documents submitted and understanding of the scope-of-work;
- ❑ Relevant experience – firm's project history and experience;
- ❑ Proposed project team and staffing – qualifications of the firm's staff, overview and contracting capabilities, and ability to meet M/WBE goals;
- ❑ Reference checks - validation of the claims.

Commercial evaluations of all bids were conducted by Procurement to ensure the firms' financial viability and determine if any exceptions requested were acceptable.

Based upon a thorough evaluation of the proposals, reference checks, and evaluation scores, Authority staff recommends the award of contracts to the following seventeen (17) bidders for a term of three years with the option of two, one-year extensions: AECOM USA, Inc., ARCADIS of New York, Inc, Bette & Cring, LLC, CDM Constructors, Inc., Dynamic Mechanical Contractors, Inc., Ecosystem/LiRo

Energy Group II JV, ENERActive Solutions, LLC, The Fulcrum Group, Genesys Engineering, P.C., Johnson Controls, Inc., JW Danforth, NRG Energy, Inc., PRES Services, LLC, RCM Technologies, SmartEdge, Inc., Wendel Energy Services, LLC, and Willdan Energy Solutions. Allocation of funding will be made based upon successfully responding to bid solicitations on a per project basis.

FISCAL INFORMATION

The additional funding will be provided from the Authority's operating funds and/or from the proceeds of the Authority's Commercial Paper Notes or other financing instruments, as deemed appropriate. In addition, projects may be funded, in part, with monies from Petroleum Overcharge Restitution ('POCR') funds. Funding will be allocated as projects are assigned based on each firm's performance and workload, subject to the Approval Limits for Execution of Commitments in the Authority's Expenditure Authorization Procedures. All Authority costs, including Authority overheads and the costs of advancing funds, but excluding the POCR and certain types of grants, will be recovered.

RECOMMENDATION

The Senior Vice President – Economic Development and Energy Efficiency, the Vice President – Customer Energy Solutions, and the Senior Director/Acting Vice President – Energy Efficiency recommend that \$400 million in additional funding for Governmental Customer Energy Efficiency Program ('GCEEP') and \$200 million in additional funding for Statewide Energy Efficiency Program ('Statewide EEP') be approved. It is also recommended that the seventeen (17) contract awards be approved in the aggregate amount of \$600 million for a term of three years with the option of two, one-year extensions to the following firms: AECOM USA, Inc., ARCADIS of New York, Inc, Bette & Cring, LLC, CDM Constructors, Inc., Dynamic Mechanical Contractors, Inc., Ecosystem/LiRo Energy Group II JV, ENERActive Solutions, LLC, The Fulcrum Group, Genesys Engineering, P.C., Johnson Controls, Inc., JW Danforth, NRG Energy, Inc., PRES Services, LLC, RCM Technologies, SmartEdge, Inc., Wendel Energy Services, LLC, and Willdan Energy Solutions.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

Mr. Eric Alemany provided highlights of staff's recommendation to the Trustees. In response to questioning from Trustee McKibben and Chairman Koelmel, Mr. Lurie said the program actually serves as short-term loans to program participants, New York City being the largest participant, and the loans are usually repaid in three to ten years. President Quiniones added that the Authority provides construction and financing to government entities and, to date, the Authority has recovered its financing in full.

In response to a question from Trustee McKibben, Mr. Alemany said although the \$700 million under the original contract approval has not yet been allocated, it has already been assigned to specific contractors.

In response to a question from Trustee Nicandri, President Quiniones said the projects in the program are structured; hence, when the Authority finances a project there is a net positive cash flow over the ten years.

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

RESOLVED, That the Trustees authorize the President and Chief Executive Officer, the Chief Operating Officer, the Senior Vice President – Economic Development and Energy Efficiency, the Vice President – Customer Energy Solutions, the Senior Director/Acting Vice President – Energy Efficiency, and/or such officer designated by the President and Chief Executive Officer to execute agreements and other documents between the Authority, the Governmental Customers Energy Efficiency Program (“GCEEP”) and the Statewide Energy Efficiency Program (“Statewide EEP”) participants and to execute agreements and other documents with contractors, these agreements having such terms and conditions as the executing officer may approve, subject to the approval of the form thereof by the Executive President and General Counsel, to facilitate the implementation of the GCEEP and Statewide EEP that the authorized funding level be increased by \$400 million and \$200 million, respectively, as listed below:

<u>Commercial Paper Program / Operating Fund / POCR</u>	<u>GCEEP Authorization</u>	<u>Statewide EEP Authorization</u>
Previously Authorized	\$2.33 billion	\$950 million
Additional Funding	<u>\$400 million</u>	<u>\$200 million</u>
Total Amount	<u>\$2.73 billion</u>	<u>\$1.15 billion</u>

AND BE IT FURTHER RESOLVED, That in accordance with the Guidelines for Procurement Contracts adopted by the Authority and the Authority’s Expenditure Authorization Procedures, an aggregate \$600 million be allocated among the two programs, GCEEP and Statewide EEP, to perform expedited implementation services which includes investment grade audit (“IGA”), design, engineering, procurement, and installation services:

<u>Commercial Paper Program/ Operating Fund/POC</u>	<u>Ceiling</u>	<u>Termination Date</u>
AECOM USA, Inc., ARCADIS of New York, Inc, Bette & Cring, LLC, CDM Constructors, Inc., Dynamic Mechanical Contractors, Inc., Ecosystem/LiRo Energy Group II JV, ENERActive Solutions, LLC, The Fulcrum Group, Genesys Engineering, P.C., Johnson Controls, Inc., JW Danforth, NRG Energy, Inc., PRES Services, LLC, RCM Technologies, SmartEdge, Inc., Wendel Energy Services, LLC, and Willdan Energy Solutions	\$600 million (Aggregate)	September 28, 2020

AND BE IT FURTHER RESOLVED, That the Authority's Commercial Paper Notes, Series 1, Series 2 and Series 3, and Operating Fund monies may be used to finance GCEEP and Statewide EEP cost; and be it further

RESOLVED, That the Vice President – Customer Energy Solutions and the Senior Director/Acting Vice President – Energy Efficiency are authorized to determine which projects will be deemed to be energy efficiency projects within the meaning of Section (7) of Part P of Chapter 84 of the Laws of 2002 (the “Section (7) POCR Legislation”) to be funded, in part, with Petroleum Overcharge Restitution (“POCR”) Funds allocated pursuant to the Section (7) POCR Legislation; and be it further

RESOLVED, That POCR funds allocated to the Authority by the Section (7) POCR Legislation may be used to the extent authorized by such legislation, in such amounts as may be deemed necessary or desirable by the Senior Vice President – Economic Development and Energy Efficiency, the Vice President

**– Customer Energy Solutions, and Senior Director/
Acting Vice President – Energy Efficiency to finance
projects within both Energy Efficiency Programs; and be
it further**

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

8. **Informational Item:**
New York State Energy Plan

Chairman Koelmel invited Mr. John Rhodes, President and Chief Executive Officer of the New York State Energy Research and Development Authority (“NYSERDA”) to address the Board on the New York State Energy Plan (Exhibit “8-A”).

President Quiniones said NYSEDA is the lead agency that develops the State Energy Plan and NYPA is one of the many groups that are integral to its implementation. NYSEDA has recently issued the Plan which Mr. Rhodes will present to the Board.

Mr. Rhodes then provided highlights of the State’s Energy Action Plan to the Trustees which comprise the following categories:

- *Renewable Energy*
- *Buildings and Energy Efficiency*
- *Clean Energy Financing*
- *Sustainable and Resilient Communities*
- *Energy Infrastructure Modernization*
- *Innovation and Research and Development and*
- *Transportation*

He said the Plan is a comprehensive plan which touches every state agency that deals with energy and is an extension of the Governor’s “Reforming the Energy Vision” (“REV”) initiative to build a clean, resilient and affordable energy system. Mr. Rhodes also said that NYPA is the most advanced utility in the country in terms of putting technology to work as it relates to the Energy Infrastructure Modernization initiatives.

In response to a question from Trustee Nicandri, Mr. Rhodes said the state has certain standards that are required for school construction. The rate of rebuild for schools in NYS is not high. There are approximately 4400 schools in the state; the number of rebuild is 10 per year and the number of significant renovations is also low. Therefore, based on the standards in place for school construction in the state, energy efficiency projects for school campuses will not be completed for more than fifty years.

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

Mr. Chairman, I move that the Authority conduct an executive session pursuant to the Public Officers Law of the State of New York section §105 to discuss an ongoing investigation, contract negotiations, labor negotiations, and matters leading to the promotion or demotion of a particular person. Upon motion made and seconded an Executive Session was held.

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

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

11. **Next Meeting**

The next meeting of the Trustees will be held on **December 17, 2015 at the Clarence D. Rappleyea Building, White Plains, New York**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

Upon motion made and seconded, the meeting was adjourned by the Chairman at approximately 1:10 p.m.

Karen Delince
Corporate Secretary

September 29, 2015

EXHIBITS

For

September 29, 2015

Regular Meeting

Minutes

POWER AUTHORITY

OF THE

STATE OF NEW YORK

30 South Pearl Street
10th Floor
Albany, New York 12207-3425

AGREEMENT FOR THE SALE
OF EXPANSION POWER AND/OR REPLACEMENT POWER
to
FINGER FOOD PRODUCTS, INC.

The POWER AUTHORITY OF THE STATE OF NEW YORK (“Authority”), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title I of Article V of the New York Public Authorities Law (“PAL”), having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Expansion Power and/or Replacement Power (“Agreement”) with Finger Food Products, Inc. (“Customer”) with offices at 2045 Niagara Falls Blvd., Niagara Falls, New York, 14304. The Authority and the Customer are from time to time referred to in this Agreement as “Party” or collectively as “Parties” and agree follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, Federal Energy Regulatory Commission (“FERC”) Project No. 2216, known as “Expansion Power” (or “EP”), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, FERC Project No. 2216, known as “Replacement Power” (or “RP”), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, EP consists of 250 megawatts (“MW”) of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, RP consists of 445 MW of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, the Authority is authorized pursuant to PAL § 1005(13)(a) to award EP and/or RP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant’s long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient’s facilities are located;

WHEREAS, the Customer applied to the Authority for an allocation of hydropower to support operations at a new and/or expanded facility to be constructed and operated by the Customer (defined in Section I of this Agreement as the “Facility”);

WHEREAS, on July 30, 2015, the Authority’s Board of Trustees (“Trustees”) approved a 100 kilowatt (“kW”) allocation of RP to the Customer for a seven (7) year term (defined in Section I of this Agreement as the “Allocation”) in connection with the construction and operation of the Facility as further described in this Agreement;

WHEREAS, on July 30, 2015, the Trustees authorized the Authority to, among other things, take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate its approval of the Allocation;

WHEREAS, the provision of Electric Service associated with the Allocation is an

unbundled service separate from the transmission and delivery of power and energy to the Customer, and delivery service will be performed by the Customer's local electric utility in accordance with the Utility Tariff;

WHEREAS, the Parties have reached an agreement on the sale of the Allocation to the Customer on the terms and conditions provided for in this Agreement;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for certain contracts negotiated by the Authority; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3).

NOW THEREFORE, in consideration of the mutual covenants herein, the Authority and the Customer agree as follows:

NOW THEREFORE, the Parties hereto agree as follows:

I. Definitions

- A. **Agreement** means this Agreement.
- B. **Allocation** refers to the allocation of EP and/or RP awarded to the Customer as specified in Schedule A.
- C. **Contract Demand** is as defined in Service Tariff No. WNY-1.
- D. **Electric Service** is the Firm Power and Firm Energy associated with the Allocation and sold by the Authority to the Customer in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules.
- E. **Expansion Power** (or **EP**) is 250 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).
- F. **Facility** means the Customer's facilities as described in Schedule A to this Agreement.
- G. **Firm Power** is as defined in Service Tariff No. WNY-1.
- H. **Firm Energy** is as defined in Service Tariff No. WNY-1.
- I. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- J. **FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which became effective September 1, 2007 after expiration of the Project's original license which became effective in 1957.

- K. **Hydro Projects** is a collective reference to the Project and the Authority's St. Lawrence-FDR Project, FERC Project No. 2000.
- L. **Load Serving Entity** (or **LSE**) means an entity designated by a retail electricity customer (including the Customer) to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.
- M. **NYISO** means the New York Independent System Operator or any successor organization.
- N. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.
- O. **Project** means the Niagara Power Project, FERC Project No. 2216.
- P. **Replacement Power** (or **RP**) is 445 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).
- Q. **Rules** are the applicable provisions of Authority's rules and regulations (Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by the Authority.
- R. **Service Tariff No. WNY-1** means the Authority's Service Tariff No. WNY-1, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement.
- S. **Schedule A** refers to the Schedule A entitled "Expansion Power and/or Replacement Power Allocations" which is attached to and made part of this Agreement.
- T. **Schedule B** refers to the Schedule B entitled "Expansion Power and/or Replacement Power Commitments" which is attached to and made part of this Agreement.
- U. **Schedule C** refers to the Schedule C entitled "Takedown Schedule" which is attached to and made part of this Agreement.
- V. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectricity that would otherwise have been supplied to the Customer under this Agreement. Unless otherwise agreed upon by the Parties, Substitute Energy refers to energy purchased by the Authority for the Customer from markets administered by the NYISO.
- W. **Taxes** is as defined in Service Tariff No. WNY-1

- X. **Unforced Capacity (or “UCAP”)** means the electric capacity required to be provided by LSEs to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.
- Y. **Utility Tariff** means the retail tariff(s) of the Customer’s local electric utility filed and approved by the PSC applicable to the delivery of EP and/or RP.

II. Electric Service

- A. The Authority shall make available Electric Service to enable the Customer to receive the Allocation in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules. The Customer shall not be entitled to receive Electric Service under this Agreement for any EP and/or RP allocation unless such EP and/or RP allocation is identified on Schedule A.
- B. The Authority will provide, and the Customer shall pay for, Electric Service with respect to the Allocation specified on Schedule A. If Schedule C specifies a Takedown Schedule for the Allocation, the Authority will provide, and the Customer shall take and pay for, Electric Service with respect to the Allocation in accordance with such Takedown Schedule.
- C. The Authority shall provide UCAP in amounts necessary to meet the Customer’s NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs. The Customer shall be responsible to pay the Authority for such UCAP in accordance with Service Tariff No. WNY-1.
- D. The Customer acknowledges and agrees that Customer’s local electric utility shall be responsible for delivering the Allocation to the Facility specified in Schedule A, and that the Authority has no responsibility for delivering the Allocation to the Customer.
- E. The Contract Demand for the Customer’s Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as EP or RP from the Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. Any such modification will be made on a pro rata basis to all EP and RP customers, as applicable, based on the terms of such ruling, order, or decision.
- F. The Contract Demand may not exceed the Allocation.

III. Rates, Terms and Conditions

- A. Electric Service shall be sold to the Customer based on the rates, terms and conditions provided for in this Agreement, Service Tariff No. WNY-1 and the Rules.
- B. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates for Electric Service shall be subject to increase by Authority at any time upon 30 days prior written notice to Customer if, after consideration by Authority of its legal obligations, the marketability of the output or use of the Project and Authority’s

competitive position with respect to other suppliers, Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in Authority's bond and note resolutions and covenants with the holders of its financial obligations. Authority shall use its best efforts to inform Customer at the earliest practicable date of its intent to increase the power and energy rates pursuant to this provision. Any rate increase to Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers after giving consideration to the factors set forth in the first sentence of this subsection. With respect to any such increase, Authority shall forward to Customer with the notice of increase, an explanation of all reasons for the increase, and shall also identify the sources from which Authority will obtain the total of increased revenues and the bases upon which Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

IV. Expansion Power and/or Replacement Power Commitments

- A. Schedule B sets forth the Customer's specific "Expansion Power and/or Replacement Power Commitments." The commitments agreed to in Schedule B are in addition to any other rights and obligations of the Parties provided for in the Agreement.
- B. The Authority's obligation to provide Electric Service under this Agreement, and the Customer's obligation to take and pay for such Electric Service, are expressly conditioned upon the Customer's timely completion of the commitments described in Schedule B.
- C. In the event of partial completion of the Facility which has resulted in such Facility being partly operational and the partial attainment of the Base Employment Level, the Authority may, upon the Customer's request, provide Electric Service to the Customer in an amount determined by the Authority to fairly correspond to the completed portion of the Facility, provided that the Customer demonstrates that the amount of requested Electric Service is needed to support the operations of the partially completed Facility.
- D. The Customer shall give the Authority not less than ninety (90) days' advance notice in writing of the anticipated date of partial or full completion of the Facility. The Authority will inspect the Facility for the purpose of verifying the completion status of the Facility and notify Customer of the results of the inspection. The Authority will thereafter commence Electric Service within a reasonable time after verification based on applicable operating procedures of the Authority, the Customer's local electric utility and the NYISO.
- E. In the event the Customer fails to complete the Facility by July 30, 2018 (*i.e.*, within three (3) years of the Authority's award of the Allocation), the Allocation, at the option and discretion of the Authority, may be canceled or reduced by the total amount of kilowatts determined by the Authority to fairly correspond to the uncompleted portion of the Facility, provided that in such event, and upon request of the Customer, such date may be extended by the Authority in its sole discretion.

V. Rules and Service Tariff

Service Tariff No. WNY-1, as may be modified or superseded from time to time by the Authority, is hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts, or differences between the provisions of Service Tariff No. WNY-1 and the Rules, the provisions of Service Tariff No. WNY-1 shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and Service Tariff No. WNY-1, the provisions of this Agreement shall govern.

VI. Transmission and Delivery of Firm Power and Firm Energy; Responsibility for Charges

- A. The Customer shall be responsible complying with all requirements of its local electric utility that are necessary to enable the Customer to receive delivery service for the Allocation. Delivery of the Allocation shall be subject to the Utility Tariff.
- B. The Customer shall be solely responsible for paying its local electric utility for delivery service associated with the Allocation in accordance with the Utility Tariff. Should the Authority incur any charges associated with such delivery service, the Customer shall reimburse the Authority for all such charges.
- C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the LSE with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf. The Customer agrees and understands that it shall be responsible to the Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO Tariff, or other applicable tariff ("NYISO Charges"), as set forth in Service Tariff No. WNY-1 or any successor service tariff, regardless of whether such NYISO Charges are transmission-related. Such NYISO Charges shall be in addition to the charges for power and energy.
- D. By entering into this Agreement, the Customer consents to the exchange of information between the Authority and the Customer's local electric utility pertaining to the Customer that the Authority and the local electric utility determine is necessary to provide for the Allocation, sale and delivery of EP and/or RP to the Customer, the proper and efficient implementation of the EP and/or RP programs, billing related to EP and/or RP, and/or the performance of such parties' obligations under any contracts or other arrangements between them relating to such matters.
- E. The provision of Electric Service by the Authority shall be dependent upon the existence of a written agreement or other form of understanding between the Authority and the Customer's local electric utility on terms and conditions that are acceptable to the Authority.
- F. The Customer understands and acknowledges that the Authority may from time to time require the Customer to complete forms, provide documentation, execute consents and provide other information (collectively, "Information") which the Authority determines is necessary for the provision of Electric Service, the delivery of EP and/or RP, billing

related to the EP and/or RP program, the effective and proper administration of the EP and/or RP program, and/or the performance of contracts or other arrangements between the Authority and the Customer's local electric utility. The Customer's failure to provide such Information shall be grounds for the Authority in its sole discretion to withhold or suspend Electric Service to the Customer.

VII. Billing and Billing Methodology

- A. The billing methodology for the Allocation shall be determined on a "load factor sharing" basis in a manner consistent with the Utility Tariff and any agreement between the Authority and the Customer's local electric utility. An alternative basis for billing may be used provided the Parties agree in writing and the local electric utility provides its consent if such consent is deemed necessary.
- B. The Authority will render bills by the 10th business day of the month for charges due for the previous month. Such bills shall include charges for Electric Service, NYISO Charges associated with the Allocation (subject to adjustment consistent with any later NYISO re-billings to the Authority), and other applicable charges.
- C. The Authority may render bills to the Customer electronically.
- D. The Authority and the Customer may agree in writing to an alternative method for the rendering of bills and for the payment of bills, including but not limited to the use of an Authority-established customer self-service web portal.
- E. The Authority will charge and collect from the Customer all Taxes (including local, state and federal taxes) the Authority determines are applicable, unless the Customer furnishes the Authority with proof satisfactory to the Authority that (i) the Customer is exempt from the payment of any such Taxes, and/or (ii) the Authority is not obligated to collect such Taxes from the Customer. If the Authority is not collecting Taxes from the Customer based on the circumstances described in (i) or (ii) above, the Customer shall immediately inform the Authority of any change in circumstances relating to its tax status that would require the Authority to charge and collect such Taxes from the Customer.
- F. Unless otherwise agreed to by the Authority and the Customer in writing, if the Customer fails to pay any bill when due, an interest charge of two percent (2%) of the amount unpaid shall be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent (1 1/2%) of the sum unpaid shall be added on the first day of each succeeding billing period until the amount due, including interest, is paid in full.
- G. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of any bill rendered by Authority, the Customer shall pay such bill in full within the time provided for by this Agreement, and adjustments, if appropriate, will be made thereafter.
- H. If at any time after commencement of Electric Service the Customer fails to make complete and timely payment of any two (2) bills for Electric Service, the Authority shall

have the right to require the Customer to deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit shall be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. If the Customer fails or refuses to provide the deposit within thirty (30) days of a request for such deposit, the Authority may, in its sole discretion, suspend Electric Service to the Customer or terminate this Agreement.

- I. All other provisions with respect to billing are set forth in Service Tariff No. WNY-1 and the Rules.
- J. The rights and remedies provided to the Authority in this Article are in addition to any and all other rights and remedies available to Authority at law or in equity.

VIII. Hydropower Curtailments and Substitute Energy

- A. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served by the Authority from the Hydro Projects, curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy associated with the Allocation to which the Customer is entitled shall be applied on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with Service Tariff No. WNY-1 as applicable.
- B. The Authority shall provide reasonable notice to Customer of any curtailments referenced in Section VIII.A of this Agreement that could impact Customer's Electric Service under this Agreement. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the Firm Power and Firm Energy that would otherwise have been supplied pursuant to this Agreement.
- C. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO charges and taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.
- D. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

IX. Effectiveness, Term and Termination

- A. This Agreement shall become effective and legally binding on the Parties upon execution of this Agreement by the Authority and the Customer.
- B. Once commenced, Electric Service under the Agreement shall continue until the earliest of: (1) termination by the Customer with respect to its Allocation upon ninety (90) days prior written notice to the Authority; (2) termination by the Authority pursuant to this Agreement, Service Tariff No. WNY-1, or the Rules; or (3) expiration of the Allocation by its own term as specified in Schedule A.
- C. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days' notice prior written notice to the Authority. The termination shall be effective commencing with the first billing period as defined in Service Tariff No. WNY-1.
- D. The Authority may cancel service under this Agreement or modify the quantities of Firm Power and Firm Energy associated with the Allocation: (1) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency); or (2) as otherwise provided in this Agreement, Service Tariff No. WNY-1, or the Rules.

X. Additional Allocations

- A. Upon proper application by the Customer, the Authority may in its discretion award additional allocations of EP or RP to the Customer at such rates and on such terms and conditions as the Authority establishes. If the Customer agrees to purchase Electric Service associated with any such additional allocation, the Authority will (i) incorporate any such additional allocations into Schedule A, or in its discretion will produce a supplemental schedule, to reflect any such additional allocations, and (ii) produce a modified Appendix to Schedule B, as the Authority determines to be appropriate. The Authority will furnish the Customer with any such modified Schedule A, supplemental schedule, and/or a modified Appendix to Schedule B, within a reasonable time after commencement of Electric Service for any such additional allocation.
- B. In addition to any requirements imposed by law, the Customer hereby agrees to furnish such documentation and other information as the Authority requests to enable the Authority to evaluate any requests for additional allocations and consider the terms and conditions that should be applicable of any additional allocations.

XI. Notification

- A. Correspondence involving the administration of this Agreement shall be addressed as follows:

To: The Authority

New York Power Authority

123 Main Street
White Plains, New York 10601
Email:
Facsimile: _____
Attention: Manager – Business Power Allocations and Compliance

To: The Customer

Finger Food Products, Inc.
2045 Niagara Falls Blvd.
Niagara Falls, New York 14304
Email:
Facsimile:
Attention:

The foregoing notice/notification information pertaining to either Party may be changed by such Party upon notification to the other Party pursuant to Section XI.B of this Agreement.

- B. Except where otherwise herein specifically provided, any notice, communication or request required or authorized by this Agreement by either Party to the other shall be deemed properly given: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (2) if sent by a nationally recognized overnight delivery service, two (2) calendar days after being deposited for delivery to the appropriate address set forth above; (3) if delivered by hand, with written confirmation of receipt; (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (5) if sent by electronic mail to the appropriate address as set forth above, with written confirmation of receipt. Either Party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing.

XII. Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License and the Niagara Redevelopment Act (16 USC §§836, 836a).

XIII. Venue

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction for adjudication of any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement.

XIV. Successors and Assigns; Resale of Hydropower

- A. The Customer may not assign or otherwise transfer an interest in this Agreement.

- B. The Customer may not resell or allow any other person to use any quantity of EP and/or RP it has purchased from the Authority under this Agreement.
- C. Electric Service sold to the Customer pursuant to this Agreement may only be used by the Customer at the Facility specified in Schedule A.

XV. Previous Agreements and Communications

- A. This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the subject matter hereof, and supersedes all prior negotiations, representations, warranties, commitments, offers, contracts and writings, written or oral, with respect to the subject matter hereof.
- B. Except as otherwise provided in this Agreement, no modification of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

XVI. Severability and Voidability

- A. If any term or provision of this Agreement shall be invalidated, declared unlawful or ineffective in whole or in part by an order of the FERC or a court of competent jurisdiction, such order shall not be deemed to invalidate the remaining terms or provisions hereof.
- B. Notwithstanding the preceding paragraph, if any provision of this Agreement is rendered void or unenforceable or otherwise modified by a court or agency of competent jurisdiction, the entire Agreement shall, at the option of either Party and only in such circumstances in which such Party's interests are materially and adversely impacted by any such action, be rendered void and unenforceable by such affected Party.

XVII. Waiver

- A. Any waiver at any time by either the Authority or the Customer of their rights with respect to a default or of any other matter arising out of this Agreement shall not be deemed to be a waiver with respect to any other default or matter.
- B. No waiver by either Party of any rights with respect to any matter arising in connection with this Agreement shall be effective unless made in writing and signed by the Party making the waiver.

XVIII. Execution

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall

not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

FINGER FOOD PRODUCTS, INC.

By: _____

Title: _____

Date: _____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____
John R. Koelmel, Chairman

Date: _____

**SCHEDULE A TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER TO
CUSTOMER**

EXPANSION POWER AND/OR REPLACEMENT POWER ALLOCATIONS

Customer: Finger Food Products, Inc.				
Type of Allocation	Allocation Amount (kW)	Facility	Trustee Approval Date	Expiration Date
Replacement Power	100	Vantage International Point Business Park, Wheatfield, NY 14120	July 30, 2015	Seven (7) years from commencement of Electric Service of any portion of this Allocation.

**SCHEDULE B TO AGREEMENT FOR THE SALE OF EXPANSION POWER
AND/OR REPLACEMENT POWER TO CUSTOMER**

EXPANSION POWER AND/OR REPLACEMENT POWER COMMITMENTS

I. Employment Commitments

A. Employment Levels

The provision of EP and/or RP to the Customer hereunder is in consideration of, among other things, the Customer's creation and/or maintenance of the employment level set forth in the Appendix of this Schedule (the "Base Employment Level"). Such Base Employment Level shall be the total number of full-time positions held by: (1) individuals who are employed by the Customer at Customer's Facility identified in the Appendix to this Schedule, and (2) individuals who are contractors or who are employed by contractors of the Customer and assigned to the Facility identified in such Appendix (collectively, "Base Level Employees"). The number of Base Level Employees shall not include individuals employed on a part-time basis (less than 35 hours per week); provided, however, that two individuals each working 20 hours per week or more at such Facility shall be counted as one Base Level Employee.

The Base Employment Level shall not be created or maintained by transfers of employees from previously held positions with the Customer or its affiliates within the State of New York, except that the Base Employment Level may be filled by employees of the Customer laid off from other Customer facilities for *bona fide* economic or management reasons.

The Authority may consider a request to change the Base Employment Level based on a claim of increased productivity, increased efficiency or adoption of new technologies or for other appropriate reasons as determined by the Authority. Any such change shall be within Authority's sole discretion.

B. Employment Records and Reports

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Base Level Employees who are employed at or assigned to the Customer's Facility identified in the Appendix to this Schedule, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify the individuals who are employed by the Customer, and the individuals who are contractors or who are employed by contractors of the Customer, and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice

all non-confidential written and electronic records and data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

II. Reductions of Contract Demand

A. Employment Levels

If the year-end monthly average number of employees is less than 90% of the Base Employment Level set forth in this Schedule B, for the subject calendar year, the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount of reduction will be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average monthly employment during the subject calendar year divided by the Base Employment Level. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, the Agreement shall automatically terminate.

B. Power Utilization Levels

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the Facility receiving the power covered by the Agreement. If the average of the Customer's six (6) highest Billing Demands (as such term is described in Service Tariff No. WNY-1) for Expansion Power and/or Replacement Power is less than 90% of the Customer's Contract Demand in such calendar year the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest Billing Demands for in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

C. Capital Investment

The Customer agrees to undertake the capital investment set forth in the Appendix to this Schedule.

Notwithstanding any other provision of the Agreement, the Customer shall provide the Authority with such access to the Facility, and such documentation, as the Authority deems necessary to determine the Customer's compliance with the Customer's obligations provided for in this Schedule B.

D. Notice of Intent to Reduce Contract Demand

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced pursuant to this Schedule , the Authority shall provide the Customer with at least thirty (30) days prior written notice of such reduction, specifying the amount of the reduction of Contract Demand and the reason for the reduction, provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or Facility upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

III. Energy Efficiency Audits; Information Requests

Unless otherwise agreed to by the Authority in writing, the Customer shall undergo an energy efficiency audit of its Facility and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement but in any event not less than once every five years. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the Facility.

The Customer agrees to cooperate to make its Facility available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.

APPENDIX TO SCHEDULE B

BASE EMPLOYMENT LEVEL

Within three (3) years of commencement of Electric Service, the Customer shall employ at least twenty-nine (29) full-time employees (“Base Employment Level”) at the Customer’s Facility. The Base Employment Level shall be maintained thereafter for the term of the Allocation in accordance with Article I of Schedule B.

CAPITAL INVESTMENT

The Customer shall make a total capital investment of a minimum of \$3,000,000 to renovate and furnish the Facility (the “Capital Investment”). The Capital Investment for the Facility is expected to consist of the following specific expenditures:

Machinery:	\$2,655,000
Property Procurement:	\$ 37,500
Coolers, Fryers, etc.:	\$ 315,000

Total Capital Investment: \$3,007,500

The Capital Investment shall be made, and the Facility shall be completed and fully operational, no later than July 30, 2018 (*i.e.*, within three (3) years of the date of the Authority’s award of the Allocation). Upon request of the Customer, such date may be extended in the sole discretion of the Authority.

**SCHEDULE C TO AGREEMENT FOR THE SALE OF EXPANSION POWER
AND/OR REPLACEMENT POWER TO CUSTOMER**

TAKEDOWN SCHEDULE

N/A



POWER AUTHORITY OF THE STATE OF NEW YORK
30 SOUTH PEARL STREET
ALBANY, NY 12207

Schedule of Rates for Sale of Firm Power to Expansion and
Replacement Customers located
In Western New York

Service Tariff No. WNY-1

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Schedule of Rates for Firm Power Service

I. Applicability

To sales of Expansion Power and/or Replacement Power (as defined below) directly to a qualified business Customer (as defined below) for firm power service.

II. Abbreviations and Terms

- kW kilowatt(s)
- kW-mo. kilowatt-month
- kWh kilowatt-hour(s)
- MWh megawatt-hour(s)
- NYISO New York Independent System Operator, Inc. or any successor organization
- PAL New York Public Authorities Law
- OATT Open Access Transmission Tariff

Agreement: An executed “Agreement for the Sale of Expansion and/or Replacement Power and Energy” between the Authority and the Customer (each as defined below).

Annual Adjustment Factor or **AAF:** This term shall have the meaning set forth in Section V herein.

Authority: The Power Authority of the State of New York, a corporate municipal instrumentality and a political subdivision of the State of New York created pursuant to Chapter 772 of the New York Laws of 1931 and existing and operating under Title 1 of Article 5 of the PAL, also known as the “New York Power Authority.”

Customer: A business customer who has received an allocation for Expansion Power and/or Replacement Power from the Authority and who purchases Expansion Power and/or Replacement Power directly from the Authority.

Electric Service: The power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

Expansion Power and/or **Replacement Power:** Firm Power and Firm Energy made available under this Service Tariff by the Authority from the Project for sale to the Customer for business purposes pursuant to PAL § 1005(5) and (13).

Firm Power: Capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the Agreement between the Authority and the Customer and this Service Tariff. Firm Power shall not include peaking power.

Firm Energy: Energy (kWh) associated with Firm Power.

Load Serving Entity or **LSE**: This term shall have the meaning set forth in the Agreement.

Load Split Methodology or **LSM**: A load split methodology applicable to a Customer's allocation. It is usually provided for in an agreement between the Authority and the Customer's local electric utility, an agreement between the Authority and the Customer, or an agreement between the Authority, the Customer and the Customer's local electric utility, or such local utility's tariff, regarding the delivery of WNY Firm Power. The load split methodology is often designated as "Load Factor Sharing" or "LFS", "First through the Meter" or "FTM", "First through the Meter Modified" or "FTM Modified", or "Replacement Power 2" or "RP 2".

Project: The Authority's Niagara Power Project, FERC Project No. 2216.

Rate Year or **RY**: The period from July 1 through June 30 starting July 1, 2013, and for any year thereafter.

Rules: The Authority's rules and regulations set forth in 21 NYCRR § 450 *et seq.*, as they may be amended from time to time.

Service Tariff: This Service Tariff No. WNY-1.

Target Rate: This term shall have the meaning set forth in Section III herein.

All other capitalized terms and abbreviations used but not defined herein shall have the same meaning as set forth in the Agreement.

III. Monthly Rates and Charges

A. Expansion Power (EP) and Replacement Power (RP) Base Rates

Beginning on July 1, 2013, there will be a 3-year phase-in to new base rates. The phase-in will be determined by the rate differential between the 2012 EP/RP rates and a "Target Rate." The Target Rate, specified in Section III.A.1. below, is based on the rates determined by the Authority to be applicable in RY 2013 for sales of "preservation power" as that term is defined in PAL § 1005(13). The following Sections III.A.1-4 describe the calculation and implementation of the phase-in.

1. The initial rate point will be established by the EP/RP rates (\$/kW and \$/MWh), determined by mid-April 2012 and made effective on May 1, 2012 in accordance with the Authority's then-applicable EP and RP tariffs. The Target Rate (*i.e.* demand and energy rates) for RY 2013 shall be \$7.99/kW and \$13.66/MWh.
2. The difference between the two rate points is calculated and divided by 3 to correspond with the number of Rate Years over which the phase-in will occur. The resulting quotients (in \$/kW and \$/MWh) are referred to as the "annual increment."
3. The annual increment will be applied to the base rates for the 3-year period of the 2013, 2014 and 2015 Rate Years, which shall be as follows:

RY 2013: July 1, 2013 to June 30, 2014
RY 2014: July 1, 2014 to June 30, 2015
RY 2015: July 1, 2015 to June 30, 2016

The annual rate adjustments normally made effective on May 1, 2013 under then-applicable EP and RP tariffs will be suspended, such that demand and energy rates established in 2012 shall be extended through June 30, 2013.

4. Effective commencing in RY 2013, the Annual Adjustment Factor ("AAF") described in Section V herein, shall be applied as follows:
 - A. For the RY 2013 only, the AAF will be suspended, and the RY 2013 rate increase will be subject only to the annual increment.
 - B. For the RYs 2014 and 2015, the AAF will be applied to the demand and energy rates after the addition of the annual increment to the rates of the previous RY rates. Such AAF will be subject to the terms and limits stated in Section V herein.
 - C. Beginning in RY 2016, the AAF will be applied to the previous RY rates, and the annual increment is no longer applicable.

B. EP and RP Rates no Lower than Rural/Domestic Rate

At all times the applicable base rates for demand and energy determined in accordance with Sections III.A and V of this Service Tariff shall be no lower than the rates charged by the

Authority for the sale of hydroelectricity for the benefit of rural and domestic customers receiving service in accordance with the Niagara Redevelopment Act, 16 U.S.C. § 836(b)(1) and PAL § 1005(5) (the "Rural/Domestic Rate"). This provision shall be implemented as follows: if the base rates, as determined in accordance with Sections III.A and V of this Service Tariff, are lower than the Rural/Domestic Rate on an average \$/MWh basis, each set of rates measured at 80% load factor which is generally regarded as representative for EP and RP Customers, then the base rates determined under Sections III.A and V of this Service Tariff will be revised to make them equal to the Rural/Domestic Rate on an average \$/MWh basis. However, the base rates as so revised will have no effect until such time as these base rates are lower than the Rural/Domestic Rate.

C. Monthly Base Rates Exclude Delivery Service Charges

The monthly base rates set forth in this Section III exclude any applicable costs for delivery services provided by the local electric utility.

D. Minimum Monthly Charge

The minimum monthly charge shall equal the product of the demand charge and the contract demand (as defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges or Taxes (each as defined herein) incurred by the Authority with respect to the Customer's Allocation.

E. Estimated Billing

If the Authority, in its sole discretion, determines that it lacks reliable data on the Customer's actual demand and/or energy usage for a Billing Period during which the Customer receives Electric Service from the Authority, the Authority shall have the right to render a bill to the Customer for such Billing Period based on estimated demand and estimated usage ("Estimated Bill").

For the purpose of calculating a Billing Demand charge for an Estimated Bill, the demand charge will be calculated based on the Customer's Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated demand (kW) will be calculated based on an average of the Customer's Billing Demand (kW) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated demand (kW) value for the Estimated Bill will equal the Customer's Takedown (kW) amount.
- For Customers whose allocation is subject to a First through the Meter/ FTM, FTM Modified, or RP 2 LSM, the estimated demand (kW) value will equal the Customer's Takedown (kW) amount.

For the purpose of calculating a Billing Energy charge for an Estimated Bill, the energy charge will be calculated based on the Customer's Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated energy (kWh) will be based on the average of the Customer's Billing Energy (kWh) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated energy value (kWh) will be equal to the Takedown (kW) amount at 70 percent load factor for that Billing Period.

- For Customers whose allocation is subject to a First through the Meter/FTM, FTM Modified, or RP 2 LSM, the estimated energy (kWh) will be equal to the Takedown (kW) amount at 100 percent load factor for that Billing Period.

If data indicating the Customer's actual demand and usage for any Billing Period in which an Estimated Bill was rendered is subsequently provided to the Authority, the Authority will make necessary adjustments to the corresponding Estimated Bill and, as appropriate, render a revised bill (or provide a credit) to the Customer.

The Minimum Monthly Charge provisions of Section III B.D. shall apply to Estimated Bills.

The Authority's discretion to render Estimated Bills is not intended to limit the Authority's rights under the Agreement.

F. Adjustments to Charges

In addition to any other adjustments provided for in this Service Tariff, in any Billing Period, the Authority may make appropriate adjustments to billings and charges to address such matters as billing and payment errors, the receipt of actual, additional, or corrected data concerning Customer energy or demand usage.

G. Billing Period

Any period of approximately thirty (30) days, generally ending with the last day of each calendar month but subject to the billing cycle requirements of the local electric utility in whose service territory the Customer's facilities are located.

H. Billing Demand

The billing demand shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

I. Billing Energy

The billing energy shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

J. Contract Demand

The contract demand of each Customer will be the amount of Expansion Power and/or Replacement Power, not to exceed their Allocation, provided to such Customer by the Authority in accordance with the Agreement.

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

1. Subject to Section IV.B.2, the Authority shall provide to the Customer in any billing period Firm Energy associated with Firm Power. The offer of Firm Energy for delivery shall fulfill the Authority's obligations for purposes of this provision whether or not the Firm Energy is taken by the Customer.
2. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of NYPA's Firm Power customers served from the Hydro Projects, hydropower curtailments (*i.e.* reductions) in the amount of Firm Power and Energy to which the Customer is entitled shall be applied on a *pro rata* basis to all Firm Power and Energy customers served from the Hydro Projects. Reductions as a percentage of the otherwise required Firm Power and Energy sales will be the same for all Firm Power and Energy customers served from the Hydro Projects. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Customer in later billing periods. The Customer will receive appropriate bill credits as provided under the Rules.

C. Delivery

For the purpose of this Service Tariff, Firm Power and Firm Energy shall be deemed to be offered when the Authority is able to supply Firm Power and Firm Energy to the Authority's designated NYISO load bus. If, despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Adjustment of Rates

To the extent not inconsistent with the Agreement, the rates contained in this Service Tariff may be revised from time to time on not less than thirty (30) days written notice to the Customer.

E. Billing Methodology and Billing

Unless otherwise specified in the Agreement, the following provisions shall apply:

1. The billing methodology to be used to render bills to the Customer related to its Allocation shall be determined in accordance with the Agreement and delivery agreement between the Authority and, as applicable, the Customer or local electric utility or both.

2. **Billing Demand** –The Billing Demand charged by the Authority to each Customer will be the highest 15 or 30-minute integrated demand, as determined by the local utility, during each Billing Period recorded on the Customer’s meter multiplied by a percentage based on the Load Split Methodology provided for in any contract between the Authority and the Customer’s local electric utility, any contract between the Authority and the Customer, or any contract between the Authority, the Customer and the Customer’s local electric utility for delivery of WNY Power. Billing Demand may not exceed the amount of the Contract Demand.
3. **Billing Energy** –The kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer’s meter for the Billing Period multiplied by a percentage based on the methodology provided for in any contract between the Authority and the Customer’s local electric utility for delivery of WNY Power.

F. Payment by Customer to Authority

1. Demand and Energy Charges, Taxes

The Customer shall pay the Authority for Firm Power and Energy during any billing period the higher of either (i) the sum of (a), (b) and (c) below or (ii) the monthly minimum charge as defined herein:

- a. The demand charge per kilowatt for Firm Power specified in this Service Tariff or any modification thereof applied to the Customer’s billing demand (as defined in Section IV.E, above) for the billing period; and
- b. The energy charge per MWh for Firm Energy specified in this Service Tariff or any modification thereof applied to the Customer’s billing energy (as defined in Section IV.E, above) for the billing period; and
- c. A charge representing reimbursement to the Authority for all applicable Taxes incurred by the Authority as a result of providing Expansion Power and/or Replacement Power allocated to the Customer.

2. Transmission Charge

The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the Allocation, including such costs that are charged pursuant to the OATT.

3. NYISO Transmission and Related Charges (“NYISO Charges”)

The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority for services provided by the NYISO pursuant to its OATT or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with providing Electric Service to the Customer:

- A. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;
- B. Marginal losses;

- C. The New York Power Authority Transmission Adjustment Charge ("NTAC");
- D. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;
- E. Any and all other charges, assessments, or other amounts associated with deliveries to Customers or otherwise associated with the Authority's responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and
- F. Any charges assessed on the Authority with respect to the provision of Electric Service to Customers for facilities needed to maintain reliability and incurred in connection with the NYISO's Comprehensive System Planning Process (or similar reliability-related obligations incurred by the Authority with respect to Electric Service to the Customer), applicable tariffs, or required to be paid by the Authority in accordance with law, regardless of whether such charges are assessed by the NYISO or another third party.

The NYISO Charges, if any, incurred by the Authority on behalf of the Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

The method of billing NYISO charges to the Customer will be based on Authority's discretion.

4. Taxes Defined

Taxes shall be any adjustment as the Authority deems necessary to recover from the Customer any taxes, assessments or any other charges mandated by federal, state or local agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer if and to the extent such taxes, assessments or charges are not recovered by the Authority pursuant to another provision of this Service Tariff.

5. Substitute Energy

The Customer shall pay for Substitute Energy, if applicable, as specified in the Agreement.

6. Payment Information

Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by the Authority. In the event that there is a dispute on any items of a bill rendered by the Authority, the Customer shall pay such bill in full. If necessary, any adjustments will be made thereafter.

G. Rendition and Payment of Bills

1. The Authority will render bills to the Customer for Electric Service on or before the tenth (10th) business day of the month for charges due for the previous Billing Period. Bills will reflect the amounts due and owing, and are subject to adjustment as provided for in the Agreement, Service Tariff No. WNY-1 and the Rules. Unless otherwise agreed to by the Authority and the Customer in writing, the Authority shall render bills to the Customer electronically.
2. Payment of bills by the Customer shall be due and payable by the Customer within twenty (20) days of the date the Authority renders the bill.
3. Except as otherwise agreed by the Authority in writing, if the Customer fails to pay any bill when due an interest charge of two percent of the amount unpaid will be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent of the sum unpaid shall be added on the first day of each succeeding Billing Period until the amount due, including interest, is paid in full.
4. If at any time after commencement of Electric Service the Customer fails to make complete payment of any two (2) bills for Electric Service when such bills become due pursuant to Agreement, the Authority shall have the right to require that the Customer deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit will be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. The failure or refusal of the Customer to provide the deposit within thirty (30) days of a request for such deposit will be grounds for the Authority in its sole discretion to suspend Electric Service to the Customer or terminate this Agreement.

H. Adjustment of Charges

1. Distribution Losses

The Authority will make appropriate adjustments to compensate for distribution losses of the local electric utility.

I. Conflicts

The Authority's Rules shall apply to the Electric Service provided under this Service Tariff. In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern.

J. Customer Resales Prohibited

The Customer may not resell any quantity of Expansion Power and/or Replacement Power.

V. Annual Adjustment Factor

A. Adjustment of Rates

1. The AAF will be based upon a weighted average of three indices described below. For each new Rate Year, the index value for the latest available calendar year (“Index Value for the Measuring Year”) will be compared to the index value for the calendar year immediately preceding the latest available calendar year (the Index Value for the Measuring Year -1”). The change for each index will then be multiplied by the indicated weights. As described in detail below, these products are then summed, producing the AAF. The AAF will be multiplied by the base rate for the current Rate Year to produce the base rates for the new Rate Year, subject to a maximum adjustment of $\pm 5.0\%$ (“ $\pm 5\%$ Collar”). Amounts outside the $\pm 5\%$ Collar shall be referred to as the “Excess.”

Index 1, “BLS Industrial Power Price” (35% weight): The average of the monthly Producer Price Index for Industrial Electric Power, commodity code number 0543, not seasonally adjusted, as reported by the U.S. Department of Labor, Bureau of Labor Statistics (“BLS”) electronically on its internet site and consistent with its printed publication, “Producer Price Index Detailed Report”. For Index 1, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

Index 2, “EIA Average Industrial Power Price” (40% weight): The average weighted annual price (as measured in cents/kWh) for electric sales to the industrial sector in the ten states of CT, MA, ME, NH, NJ, NY, OH, PA, RI and VT (“Selected States”) as reported by Coal and Electric Data and Renewables Division; Office of Coal, Nuclear, Electric and Alternate Fuels; Energy Information Administration (“EIA”); U.S. Department of Energy Form EIA-861 Final Data File. For Index 2, the Index Value for the Measuring Year will be the index for the calendar year two years preceding July 1 of the new Rate Year.

Index 3, “BLS Industrial Commodities Price Less Fuel” (25% weight): The monthly average of the Producer Price Index for Industrial Commodities less fuel, commodity code number 03T15M05, not seasonally adjusted, as reported by the U.S. Department of Labor, BLS electronically on its internet site and consistent with its printed publication, “Producer Price Index Detailed Report”. For Index 3, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

2. Annual Adjustment Factor Computation Guide

- Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.
- Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the AAF.
- Step 3: Commencing RY 2014, modifications to the AAF will be subject to $\pm 5\%$ Collar, as described below.
 - a) When the AAF falls outside the $\pm 5\%$ Collar, the Excess will be carried over to the subsequent RY. If the AAF in the subsequent RY is within the $\pm 5\%$ Collar, the current RY Excess will be added to/subtracted from the subsequent Rate Year’s AAF, up to the $\pm 5\%$ Collar.

- b) Excesses will continue to accrue without limit and carry over such that they will be added to/subtracted from the AAF in any year where the AAF is within the $\pm 5\%$ Collar.

Step 4: Multiply the current Rate Year base rate by the AAF calculated in Step 2 to determine the new Rate Year base rate.

The foregoing calculation shall be performed by the Authority consistent with the sample presented in Section V.B below.

3. The Authority shall provide the Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15th of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.
4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

B. Sample Computation of the AAF (hypothetical values for July 1, 2014 implementation):

STEP 1

Determine the Index Value for the Measuring Year (MY) and Measuring Year - 1 (MY-1) for Each Index

- Index 1 - Producer Price Index, Industrial Power

	Measuring Year <u>(2013)</u>	Measuring Year - 1 <u>(2012)</u>
January	171.2	167.8
February	172.8	167.6
March	171.6	168.2
April	173.8	168.6
May	175.1	171.6
June	185.7	180.1
July	186.4	182.7
August	184.7	179.2
September	185.5	181.8
October	175.5	170.2
November	172.2	168.8
December	171.8	166.6
Average	177.2	172.8
Ratio of MY/MY-1		1.03

- Index 2 – EIA Industrial Rate

<u>State</u>	<u>Revenues</u> (\$000s)	<u>Sales</u> (MWh)	<u>Avg. Rate</u> (cents/kWh)
<u>Measuring Year (2012)</u>			
CT	590,972	6,814,757	
MA	1,109,723	13,053,806	
ME	328,594	4,896,176	
NH	304,363	2,874,495	
NJ	1,412,665	15,687,873	
NY	2,001,588	26,379,314	
OH	3,695,978	78,496,166	
PA	3,682,192	63,413,968	
RI	152,533	1,652,593	
VT	<u>155,903</u>	<u>2,173,679</u>	
TOTAL	13,434,511	215,442,827	6.24
<u>Measuring Year -1 (2011)</u>			
CT	579,153	6,678,462	
MA	1,076,431	12,662,192	
ME	310,521	4,626,886	
NH	298,276	2,817,005	
NJ	1,370,285	15,217,237	
NY	1,891,501	24,928,452	
OH	3,622,058	76,926,243	
PA	3,571,726	61,511,549	
RI	144,144	1,561,700	
VT	<u>152,785</u>	<u>2,130,205</u>	
TOTAL	13,016,880	209,059,931	6.23
	Ratio of MY/MY-1		1.00

• Index 3 – Producer Price Index, Industrial Commodities Less Fuel

	Measuring Year <u>(2013)</u>	Measuring Year -1 <u>(2012)</u>
January	190.1	187.2
February	190.9	188.0
March	191.6	188.7
April	192.8	189.9
May	194.7	191.8
June	195.2	192.3
July	195.5	192.3
August	196.0	193.1
September	196.1	193.2
October	196.2	193.8
November	196.6	193.7
December	196.7	194.0
Average	194.4	191.5
Ratio of MY/MY-1		1.02

STEP 2

Determine AAF by Summing the Weighted Indices

<u>Index</u>	<u>Ratio of MY to MY-1</u>	<u>Weight</u>	<u>Weighted Factors</u>
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	<u>0.255</u>
AAF			1.016

STEP 3

Apply Collar of ±5.0% to Determine the Maximum/Minimum AAF.

-5.0% < 1.6% < 5.0%; collar does not apply, assuming no cumulative excess.

STEP 4

Apply AAF to Calculate the New Rate Year Base Rate

	<u>Demand</u> \$/kW-mo.	<u>Energy</u> \$/MWh
Current Rate Year Base Rate	7.56	12.91
New Rate Year Base Rate	7.68	13.12

*New York State Power Authority
Niagara Power Project Visitors' Center*

*Public Hearing
September 10, 2015*



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New York State Power Authority
Thursday, September 10, 2015
2:30 p.m. - 6:30 p.m.
Niagara Power Project Visitors' Center
5777 Lewiston Road
Lewiston, New York 14092

Patricia A. Schreier

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SPEAKERS :

MS . DELINCE 3 , 8
MR . PASQUALE 5

1 MS. DELINCE: Good afternoon. This is a public
2 hearing required by law and authorized by the New York
3 Power Authority's Board of Trustees on the proposed
4 Direct Sale Contract for the sale of hydropower to
5 Finger Food Products, Inc.

6 My name is Karen Delince and I'm the Authority's
7 Corporate Secretary.

8 The New York State Public Authorities Law, Section
9 1009, sets forth procedures for executing certain
10 contracts negotiated by the Authority.

11 First, prior to the hearing, it requires that
12 notice of the hearing be provided. Therefore, a notice
13 was sent to: The Governor, the Senate's Pro Temp. The
14 Senate's Minority Leader and the Senate Finance
15 Committee Chair, the Assembly Speaker, the Assembly
16 Minority Leader and the Assembly Ways and Means
17 Committee Chair.

18 In addition, notice appeared in the following
19 newspapers, once a week, for the four weeks leading up
20 to this hearing: Niagara Gazette, Buffalo News, Buffalo
21 Business First, Lewiston Porter Sentinel, Albany Times -
22 Union, Dunkirk Observer.

23 The public was also given access to the proposed

1 contract on the Authority's website and at the
2 Authority's White Plains office during the 30 day period
3 prior to today's hearing.

4 After the hearing the public will be given access
5 to the hearing transcript, once it is completed, at
6 www.nypa.gov and at the White Plains office.

7 The next step in the process set forth in Section
8 1009 will be for the NYPA Trustees to reconsider the
9 proposed contract in light of public comments.

10 Once the Trustees have completed their final
11 review, the contract will be forwarded to the Governor
12 for his consideration and approval.

13 If you plan to make an oral statement at this
14 hearing, I ask that you so indicate on the sign-in
15 sheet. Also, if you have a written statement, please
16 give a copy to Lorna Johnson and one to the reporter.

17 Written statements may be of any length and will
18 appear in the record of the hearing in addition to oral
19 statements.

20 The record of the hearing will remain open for
21 additional comments through close of business, Friday,
22 September 11, 2015.

23 Additional comments should be mailed, faxed or

1 e-mailed to the Corporate Secretary at 123 Main Street,
2 11-P, White Plains, New York, 10601 or (914)390-8040 or
3 secretaries.office@nypa.gov.

4 At this point I would like to introduce Maribel
5 Cruz Brown, the Authority's Business Power Allocations
6 and Compliance Manager, who will provide additional
7 details on the proposed direct sale contract.

8 Thank you.

9 MS. CRUZ BROWN: Thank you, Ms. Delince.

10 My name is Maribel Cruz Brown and I'm the Manager
11 of Business Power Allocations and Compliance within
12 NYPA's Economic Development and Energy Efficiency
13 Department. I'm here today to present a summary of the
14 proposed hydropower contract.

15 Regarding the contract, under Public Authorities
16 Law Section 1005, Subsection 13, the Authority may
17 allocate and sell directly or by sale-for-resale 250 MW
18 of Expansion Power, known as EP, and 445 MW of
19 Replacement Power, known as RP, to businesses located
20 within 30 miles of the Niagara Power Project, provided
21 that the amount of EP allocated to businesses in
22 Chautauqua County on January 1, 1987 shall continue to
23 be allocated in Chautauqua County.

1 Finger Food Products, Inc., has been awarded a
2 hydropower allocation by the Authority's Trustees in
3 return for commitments made to create or expand its
4 business in Western New York.

5 Specifically, Finger Food Products, the
6 manufacturer of Original Pizza Logs, was awarded 100
7 kilowatts of RP in support of building a new,
8 30,000-square-foot facility in the Vantage International
9 Point Business Park in the Town of Wheatfield in Niagara
10 County. Finger Food Products will invest at least three
11 million dollars and create 11 new jobs.

12 To summarize some of the pertinent provisions of
13 the proposed contract: The contract provides for the
14 direct billing of all hydropower supply charges, all New
15 York Independent System Operator, Inc., (NYISO) charges
16 and taxes.

17 The contract includes the customer's agreed upon
18 commitments with respect to employment and capital
19 investment. The contract retains the Authority's right
20 to reduce or terminate a customer's allocation if
21 employment, power utilization or capital investment
22 commitments are not met.

23 For example, the contract includes an annual job

1 reporting requirement and a job compliance threshold of
2 90 percent. Should a company's average annual
3 employment fall below the compliance threshold of
4 90 percent of the employment commitment, the Authority
5 has the right to reduce the allocation on a pro rata
6 basis.

7 The contract compels the Authority to perform an
8 energy audit at the facility at least once within five
9 years, helping to ensure the customer uses the
10 hydropower efficiently. Additionally, to accommodate
11 nonpayment risk that could result from the direct
12 billing arrangement, the contract includes commercially
13 reasonable provisions concerning the Authority's ability
14 to charge late payment fees and to require deposits in
15 the event of a customer's failure to make payment for
16 any two monthly bills. These contract provisions are
17 consistent with other Authority direct sale contracts,
18 including the Recharge New York sales contracts.

19 The contract will serve the allocations in
20 accordance with the Authority's Service Tariff WNY-1
21 which specifies the rates and other terms applicable to
22 all EP and RP allocations. The Service Tariff specifies
23 a three year rate phase-in to a target rate based on the

1 rate of the Authority's other hydropower program -
2 Preservation Power - to ultimately ensure consistency
3 among the Authority's three hydropower programs.
4 Transmission and delivery service for these allocations
5 will be provided by National Grid or NYSEG, in
6 accordance with the utilities' Public Service Commission
7 approved delivery service tariffs.

8 As Mr. Delince stated earlier, the Authority will
9 accept your comments on the proposed contracts until the
10 close of business on Friday, September 11.

11 I will now turn the hearing back to Ms. Delince.

12 MS. DELINCE: Thank you, Ms. Cruz Brown. We
13 will recess now and reconvene when speakers arrive.

14 (recess)

15 MS. DELINCE: The September 10, 2015 public
16 hearing on the proposed Direct Sale Contract to Finger
17 Food Products, Inc. is now officially closed.

18 As I previously stated, the record of the hearing
19 will remain open for additional comments through close
20 of business, Friday, September 11, 2015.

21 Thank you.

22
23 (Hearing closed at 6:30 p.m.)

1 STATE OF NEW YORK
2 COUNTY OF ERIE

3 I, Patricia A. Schreier, a Notary Public in and for
4 the State of New York, do hereby certify:

5 That the witness, whose testimony appears herein
6 before, was, before the commencement of his testimony, duly
7 sworn to testify the truth, the whole truth and nothing but
8 the truth; that such testimony was taken pursuant to notice at
9 the time and place herein set forth; that said testimony was
10 taken down in shorthand by me and thereafter under my
11 supervision transcribed into the English language, and hereby
12 certify the foregoing testimony is a full, true and correct
13 transcription of the shorthand notes so taken.

14 I further certify that I am neither counsel for nor
15 related to any parties to said action, nor in anywise
16 interested in the outcome thereof.

17 IN WITNESS WHEREOF, I have here unto subscribed my
18 name this 14th day of September, 2015.

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22
23



Notary Public
State of New York

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Exhibit Number	Company Name	Program	City	County	Base Jobs	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage & Benefits	Power Requested (kW)	Power Recommended (kW)	Contract Term
A-1	RockTenn CP, LLC	EP	North Tonawanda	Niagara	119	9	\$7,503,000	\$64,822	600	300	7 Years
A-2	Confer Plastics, Inc.	EP	North Tonawanda	Niagara	180	24	\$2,600,000	\$29,500	500	400	7 Years
Totals						33	\$10,103,000			700	

APPLICATION SUMMARY
Expansion Power

Company: RockTenn CP, LLC

Project Location: City of North Tonawanda

County: Niagara

IOU: National Grid

Business Activity: Producer of containerboard packaging

Project Description: The applicant is considering replacing outdated manufacturing equipment with new equipment aimed at increasing efficiency and production.

Existing Allocation(s): None

Power Request: 600 kW

Power Recommended: 300 kW

Job Commitment:

Base: 119 jobs

New: At least 9 jobs

New Jobs/Power Ratio: 30 jobs/MW

New Jobs - Avg. Wage and Benefits: \$64,822

Capital Investment: At least \$7.5 million

Capital Investment/MW: \$25 million/MW

Other ED Incentives: Potential Support from Empire State Development and National Grid.

Summary: RockTenn is one of North America's leading providers of packaging solutions in North America and currently employs 719 New Yorkers at four facilities in NYS. While other locations are being considered, RockTenn is looking to upgrade its North Tonawanda facility with new packaging and processing equipment in order to increase production in an ever-growing market.

APPLICATION SUMMARY
Expansion Power

Company: Confer Plastics, Inc.

Project Location: City of North Tonawanda

County: Niagara

IOU: National Grid

Business Activity: Manufacturer of swimming pools, kayaks and other molded plastic products.

Project Description: Applicant is seeking to purchase a new, large blow molding machine to increase production capacity of kayak and paddleboard product lines.

Existing Allocation(s): 300 kilowatts ("kW") of Replacement Power and 420 kW of Recharge New York Power.

Power Request: 500 kW

Power Recommended: 400 kW

Job Commitment:

Current: 180 jobs

New: At least 24 jobs

New Jobs/Power Ratio: 60 jobs/megawatt ("MW")

New Jobs - Avg. Wage and Benefits: \$29,500

Capital Investment: At least \$2.6 million

Capital Investment/MW: \$6.5M/MW

Other ED Incentives: None

Summary: The purchase of a new blow molding machine would enable Confer Plastics to produce more than 40,000 more kayaks and paddleboards annually to meet the requirements of an existing customer. Low cost hydropower would facilitate this increased production on satisfactory economic terms, which in turn would result in additional jobs and further enable Confer Plastics to expand its production of other plastic products.

POWER AUTHORITY

OF THE

STATE OF NEW YORK

30 South Pearl Street
10th Floor
Albany, New York 12207-3425

AGREEMENT FOR THE SALE
OF EXPANSION POWER AND/OR REPLACEMENT POWER
To

ROCKTENN CP, LLC

The POWER AUTHORITY OF THE STATE OF NEW YORK (“Authority”), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title I of Article V of the New York Public Authorities Law (“PAL”), having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Expansion Power and/or Replacement Power (“Agreement”) with RockTenn CP, LLC (“Customer”) with offices at 51 Robinson Street, North Tonawanda, New York, 14120. The Authority and the Customer are from time to time referred to in this Agreement as “Party” or collectively as “Parties” and agree follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, Federal Energy Regulatory Commission (“FERC”) Project No. 2216, known as “Expansion Power” (or “EP”), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, FERC Project No. 2216, known as “Replacement Power” (or “RP”), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, EP consists of 250 megawatts (“MW”) of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, RP consists of 445 MW of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, the Authority is authorized pursuant to PAL § 1005(13)(a) to award EP and/or RP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant’s long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient’s facilities are located;

WHEREAS, the Customer applied to the Authority for an allocation of hydropower to support operations at a new and/or expanded facility to be constructed and operated by the Customer (defined in Section I of this Agreement as the “Facility”);

WHEREAS, on September 29, 2015, the Authority’s Board of Trustees (“Trustees”) approved a 300 kilowatt (“kW”) allocation of EP to the Customer for a seven (7) year term (defined in Section I of this Agreement as the “Allocation”) in connection with the construction and operation of the Facility as further described in this Agreement;

WHEREAS, on September 29, 2015, the Trustees authorized the Authority to, among other things, take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate its approval of the Allocation;

WHEREAS, the provision of Electric Service associated with the Allocation is an

unbundled service separate from the transmission and delivery of power and energy to the Customer, and delivery service will be performed by the Customer's local electric utility in accordance with the Utility Tariff;

WHEREAS, the Parties have reached an agreement on the sale of the Allocation to the Customer on the terms and conditions provided for in this Agreement;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for certain contracts negotiated by the Authority; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3).

NOW THEREFORE, in consideration of the mutual covenants herein, the Authority and the Customer agree as follows:

NOW THEREFORE, the Parties hereto agree as follows:

I. Definitions

- A. **Agreement** means this Agreement.
- B. **Allocation** refers to the allocation of EP and/or RP awarded to the Customer as specified in Schedule A.
- C. **Contract Demand** is as defined in Service Tariff No. WNY-1.
- D. **Electric Service** is the Firm Power and Firm Energy associated with the Allocation and sold by the Authority to the Customer in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules.
- E. **Expansion Power** (or **EP**) is 250 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).
- F. **Facility** means the Customer's facilities as described in Schedule A to this Agreement.
- G. **Firm Power** is as defined in Service Tariff No. WNY-1.
- H. **Firm Energy** is as defined in Service Tariff No. WNY-1.
- I. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- J. **FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which became effective September 1, 2007 after expiration of the Project's original license which became effective in 1957.

- K. **Hydro Projects** is a collective reference to the Project and the Authority's St. Lawrence-FDR Project, FERC Project No. 2000.
- L. **Load Serving Entity** (or **LSE**) means an entity designated by a retail electricity customer (including the Customer) to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.
- M. **NYISO** means the New York Independent System Operator or any successor organization.
- N. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.
- O. **Project** means the Niagara Power Project, FERC Project No. 2216.
- P. **Replacement Power** (or **RP**) is 445 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).
- Q. **Rules** are the applicable provisions of Authority's rules and regulations (Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by the Authority.
- R. **Service Tariff No. WNY-1** means the Authority's Service Tariff No. WNY-1, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement.
- S. **Schedule A** refers to the Schedule A entitled "Expansion Power and/or Replacement Power Allocations" which is attached to and made part of this Agreement.
- T. **Schedule B** refers to the Schedule B entitled "Expansion Power and/or Replacement Power Commitments" which is attached to and made part of this Agreement.
- U. **Schedule C** refers to the Schedule C entitled "Takedown Schedule" which is attached to and made part of this Agreement.
- V. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectricity that would otherwise have been supplied to the Customer under this Agreement. Unless otherwise agreed upon by the Parties, Substitute Energy refers to energy purchased by the Authority for the Customer from markets administered by the NYISO.
- W. **Taxes** is as defined in Service Tariff No. WNY-1

- X. **Unforced Capacity (or “UCAP”)** means the electric capacity required to be provided by LSEs to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.
- Y. **Utility Tariff** means the retail tariff(s) of the Customer’s local electric utility filed and approved by the PSC applicable to the delivery of EP and/or RP.

II. Electric Service

- A. The Authority shall make available Electric Service to enable the Customer to receive the Allocation in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules. The Customer shall not be entitled to receive Electric Service under this Agreement for any EP and/or RP allocation unless such EP and/or RP allocation is identified on Schedule A.
- B. The Authority will provide, and the Customer shall pay for, Electric Service with respect to the Allocation specified on Schedule A. If Schedule C specifies a Takedown Schedule for the Allocation, the Authority will provide, and the Customer shall take and pay for, Electric Service with respect to the Allocation in accordance with such Takedown Schedule.
- C. The Authority shall provide UCAP in amounts necessary to meet the Customer’s NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs. The Customer shall be responsible to pay the Authority for such UCAP in accordance with Service Tariff No. WNY-1.
- D. The Customer acknowledges and agrees that Customer’s local electric utility shall be responsible for delivering the Allocation to the Facility specified in Schedule A, and that the Authority has no responsibility for delivering the Allocation to the Customer.
- E. The Contract Demand for the Customer’s Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as EP or RP from the Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. Any such modification will be made on a pro rata basis to all EP and RP customers, as applicable, based on the terms of such ruling, order, or decision.
- F. The Contract Demand may not exceed the Allocation.

III. Rates, Terms and Conditions

- A. Electric Service shall be sold to the Customer based on the rates, terms and conditions provided for in this Agreement, Service Tariff No. WNY-1 and the Rules.
- B. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates for Electric Service shall be subject to increase by Authority at any time upon 30 days prior written notice to Customer if, after consideration by Authority of its legal obligations, the marketability of the output or use of the Project and Authority’s

competitive position with respect to other suppliers, Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in Authority's bond and note resolutions and covenants with the holders of its financial obligations. Authority shall use its best efforts to inform Customer at the earliest practicable date of its intent to increase the power and energy rates pursuant to this provision. Any rate increase to Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers after giving consideration to the factors set forth in the first sentence of this subsection. With respect to any such increase, Authority shall forward to Customer with the notice of increase, an explanation of all reasons for the increase, and shall also identify the sources from which Authority will obtain the total of increased revenues and the bases upon which Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

IV. Expansion Power and/or Replacement Power Commitments

- A. Schedule B sets forth the Customer's specific "Expansion Power and/or Replacement Power Commitments." The commitments agreed to in Schedule B are in addition to any other rights and obligations of the Parties provided for in the Agreement.
- B. The Authority's obligation to provide Electric Service under this Agreement, and the Customer's obligation to take and pay for such Electric Service, are expressly conditioned upon the Customer's timely completion of the commitments described in Schedule B.
- C. In the event of partial completion of the Facility which has resulted in such Facility being partly operational and the partial attainment of the Base Employment Level, the Authority may, upon the Customer's request, provide Electric Service to the Customer in an amount determined by the Authority to fairly correspond to the completed portion of the Facility, provided that the Customer demonstrates that the amount of requested Electric Service is needed to support the operations of the partially completed Facility.
- D. The Customer shall give the Authority not less than ninety (90) days' advance notice in writing of the anticipated date of partial or full completion of the Facility. The Authority will inspect the Facility for the purpose of verifying the completion status of the Facility and notify Customer of the results of the inspection. The Authority will thereafter commence Electric Service within a reasonable time after verification based on applicable operating procedures of the Authority, the Customer's local electric utility and the NYISO.
- E. In the event the Customer fails to complete the Facility by September 29, 2018 (*i.e.*, within three (3) years of the Authority's award of the Allocation), the Allocation, at the option and discretion of the Authority, may be canceled or reduced by the total amount of kilowatts determined by the Authority to fairly correspond to the uncompleted portion of the Facility, provided that in such event, and upon request of the Customer, such date may be extended by the Authority in its sole discretion.

V. Rules and Service Tariff

Service Tariff No. WNY-1, as may be modified or superseded from time to time by the Authority, is hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts, or differences between the provisions of Service Tariff No. WNY-1 and the Rules, the provisions of Service Tariff No. WNY-1 shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and Service Tariff No. WNY-1, the provisions of this Agreement shall govern.

VI. Transmission and Delivery of Firm Power and Firm Energy; Responsibility for Charges

- A. The Customer shall be responsible complying with all requirements of its local electric utility that are necessary to enable the Customer to receive delivery service for the Allocation. Delivery of the Allocation shall be subject to the Utility Tariff.
- B. The Customer shall be solely responsible for paying its local electric utility for delivery service associated with the Allocation in accordance with the Utility Tariff. Should the Authority incur any charges associated with such delivery service, the Customer shall reimburse the Authority for all such charges.
- C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the LSE with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf. The Customer agrees and understands that it shall be responsible to the Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO Tariff, or other applicable tariff ("NYISO Charges"), as set forth in Service Tariff No. WNY-1 or any successor service tariff, regardless of whether such NYISO Charges are transmission-related. Such NYISO Charges shall be in addition to the charges for power and energy.
- D. By entering into this Agreement, the Customer consents to the exchange of information between the Authority and the Customer's local electric utility pertaining to the Customer that the Authority and the local electric utility determine is necessary to provide for the Allocation, sale and delivery of EP and/or RP to the Customer, the proper and efficient implementation of the EP and/or RP programs, billing related to EP and/or RP, and/or the performance of such parties' obligations under any contracts or other arrangements between them relating to such matters.
- E. The provision of Electric Service by the Authority shall be dependent upon the existence of a written agreement or other form of understanding between the Authority and the Customer's local electric utility on terms and conditions that are acceptable to the Authority.
- F. The Customer understands and acknowledges that the Authority may from time to time require the Customer to complete forms, provide documentation, execute consents and provide other information (collectively, "Information") which the Authority determines is necessary for the provision of Electric Service, the delivery of EP and/or RP, billing

related to the EP and/or RP program, the effective and proper administration of the EP and/or RP program, and/or the performance of contracts or other arrangements between the Authority and the Customer's local electric utility. The Customer's failure to provide such Information shall be grounds for the Authority in its sole discretion to withhold or suspend Electric Service to the Customer.

VII. Billing and Billing Methodology

- A. The billing methodology for the Allocation shall be determined on a "load factor sharing" basis in a manner consistent with the Utility Tariff and any agreement between the Authority and the Customer's local electric utility. An alternative basis for billing may be used provided the Parties agree in writing and the local electric utility provides its consent if such consent is deemed necessary.
- B. The Authority will render bills by the 10th business day of the month for charges due for the previous month. Such bills shall include charges for Electric Service, NYISO Charges associated with the Allocation (subject to adjustment consistent with any later NYISO re-billings to the Authority), and other applicable charges.
- C. The Authority may render bills to the Customer electronically.
- D. The Authority and the Customer may agree in writing to an alternative method for the rendering of bills and for the payment of bills, including but not limited to the use of an Authority-established customer self-service web portal.
- E. The Authority will charge and collect from the Customer all Taxes (including local, state and federal taxes) the Authority determines are applicable, unless the Customer furnishes the Authority with proof satisfactory to the Authority that (i) the Customer is exempt from the payment of any such Taxes, and/or (ii) the Authority is not obligated to collect such Taxes from the Customer. If the Authority is not collecting Taxes from the Customer based on the circumstances described in (i) or (ii) above, the Customer shall immediately inform the Authority of any change in circumstances relating to its tax status that would require the Authority to charge and collect such Taxes from the Customer.
- F. Unless otherwise agreed to by the Authority and the Customer in writing, if the Customer fails to pay any bill when due, an interest charge of two percent (2%) of the amount unpaid shall be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent (1 1/2%) of the sum unpaid shall be added on the first day of each succeeding billing period until the amount due, including interest, is paid in full.
- G. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of any bill rendered by Authority, the Customer shall pay such bill in full within the time provided for by this Agreement, and adjustments, if appropriate, will be made thereafter.
- H. If at any time after commencement of Electric Service the Customer fails to make complete and timely payment of any two (2) bills for Electric Service, the Authority shall

have the right to require the Customer to deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit shall be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. If the Customer fails or refuses to provide the deposit within thirty (30) days of a request for such deposit, the Authority may, in its sole discretion, suspend Electric Service to the Customer or terminate this Agreement.

- I. All other provisions with respect to billing are set forth in Service Tariff No. WNY-1 and the Rules.
- J. The rights and remedies provided to the Authority in this Article are in addition to any and all other rights and remedies available to Authority at law or in equity.

VIII. Hydropower Curtailments and Substitute Energy

- A. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served by the Authority from the Hydro Projects, curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy associated with the Allocation to which the Customer is entitled shall be applied on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with Service Tariff No. WNY-1 as applicable.
- B. The Authority shall provide reasonable notice to Customer of any curtailments referenced in Section VIII.A of this Agreement that could impact Customer's Electric Service under this Agreement. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the Firm Power and Firm Energy that would otherwise have been supplied pursuant to this Agreement.
- C. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO charges and taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.
- D. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

IX. Effectiveness, Term and Termination

- A. This Agreement shall become effective and legally binding on the Parties upon execution of this Agreement by the Authority and the Customer.
- B. Once commenced, Electric Service under the Agreement shall continue until the earliest of: (1) termination by the Customer with respect to its Allocation upon ninety (90) days prior written notice to the Authority; (2) termination by the Authority pursuant to this Agreement, Service Tariff No. WNY-1, or the Rules; or (3) expiration of the Allocation by its own term as specified in Schedule A.
- C. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days' notice prior written notice to the Authority. The termination shall be effective commencing with the first billing period as defined in Service Tariff No. WNY-1.
- D. The Authority may cancel service under this Agreement or modify the quantities of Firm Power and Firm Energy associated with the Allocation: (1) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency); or (2) as otherwise provided in this Agreement, Service Tariff No. WNY-1, or the Rules.

X. Additional Allocations

- A. Upon proper application by the Customer, the Authority may in its discretion award additional allocations of EP or RP to the Customer at such rates and on such terms and conditions as the Authority establishes. If the Customer agrees to purchase Electric Service associated with any such additional allocation, the Authority will (i) incorporate any such additional allocations into Schedule A, or in its discretion will produce a supplemental schedule, to reflect any such additional allocations, and (ii) produce a modified Appendix to Schedule B, as the Authority determines to be appropriate. The Authority will furnish the Customer with any such modified Schedule A, supplemental schedule, and/or a modified Appendix to Schedule B, within a reasonable time after commencement of Electric Service for any such additional allocation.
- B. In addition to any requirements imposed by law, the Customer hereby agrees to furnish such documentation and other information as the Authority requests to enable the Authority to evaluate any requests for additional allocations and consider the terms and conditions that should be applicable of any additional allocations.

XI. Notification

- A. Correspondence involving the administration of this Agreement shall be addressed as follows:

To: The Authority

New York Power Authority

123 Main Street
White Plains, New York 10601
Email:
Facsimile: _____
Attention: Manager – Business Power Allocations and Compliance

To: The Customer

RockTenn CP, LLC
51 Robinson Street
North Tonawanda, New York 14120
Email:
Facsimile:
Attention:

The foregoing notice/notification information pertaining to either Party may be changed by such Party upon notification to the other Party pursuant to Section XI.B of this Agreement.

- B. Except where otherwise herein specifically provided, any notice, communication or request required or authorized by this Agreement by either Party to the other shall be deemed properly given: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (2) if sent by a nationally recognized overnight delivery service, two (2) calendar days after being deposited for delivery to the appropriate address set forth above; (3) if delivered by hand, with written confirmation of receipt; (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (5) if sent by electronic mail to the appropriate address as set forth above, with written confirmation of receipt. Either Party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing.

XII. Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License and the Niagara Redevelopment Act (16 USC §§836, 836a).

XIII. Venue

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction for adjudication of any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement.

XIV. Successors and Assigns; Resale of Hydropower

- A. The Customer may not assign or otherwise transfer an interest in this Agreement.

- B. The Customer may not resell or allow any other person to use any quantity of EP and/or RP it has purchased from the Authority under this Agreement.
- C. Electric Service sold to the Customer pursuant to this Agreement may only be used by the Customer at the Facility specified in Schedule A.

XV. Previous Agreements and Communications

- A. This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the subject matter hereof, and supersedes all prior negotiations, representations, warranties, commitments, offers, contracts and writings, written or oral, with respect to the subject matter hereof.
- B. Except as otherwise provided in this Agreement, no modification of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

XVI. Severability and Voidability

- A. If any term or provision of this Agreement shall be invalidated, declared unlawful or ineffective in whole or in part by an order of the FERC or a court of competent jurisdiction, such order shall not be deemed to invalidate the remaining terms or provisions hereof.
- B. Notwithstanding the preceding paragraph, if any provision of this Agreement is rendered void or unenforceable or otherwise modified by a court or agency of competent jurisdiction, the entire Agreement shall, at the option of either Party and only in such circumstances in which such Party's interests are materially and adversely impacted by any such action, be rendered void and unenforceable by such affected Party.

XVII. Waiver

- A. Any waiver at any time by either the Authority or the Customer of their rights with respect to a default or of any other matter arising out of this Agreement shall not be deemed to be a waiver with respect to any other default or matter.
- B. No waiver by either Party of any rights with respect to any matter arising in connection with this Agreement shall be effective unless made in writing and signed by the Party making the waiver.

XVIII. Execution

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall

not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

ROCKTENN CP, LLC

By: _____

Title: _____

Date: _____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____
John R. Koelmel, Chairman

Date: _____

SCHEDULE A TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER TO CUSTOMER

EXPANSION POWER AND/OR REPLACEMENT POWER ALLOCATIONS

Customer: RockTenn CP, LLC				
Type of Allocation	Allocation Amount (kW)	Facility	Trustee Approval Date	Expiration Date
Expansion Power	300	51 Robinson Street, North Tonawanda, NY 14120	September 29, 2015	Seven (7) years from commencement of Electric Service of any portion of this Allocation.

**SCHEDULE B TO AGREEMENT FOR THE SALE OF EXPANSION POWER
AND/OR REPLACEMENT POWER TO CUSTOMER**

EXPANSION POWER AND/OR REPLACEMENT POWER COMMITMENTS

I. Employment Commitments

A. Employment Levels

The provision of EP and/or RP to the Customer hereunder is in consideration of, among other things, the Customer's creation and/or maintenance of the employment level set forth in the Appendix of this Schedule (the "Base Employment Level"). Such Base Employment Level shall be the total number of full-time positions held by: (1) individuals who are employed by the Customer at Customer's Facility identified in the Appendix to this Schedule, and (2) individuals who are contractors or who are employed by contractors of the Customer and assigned to the Facility identified in such Appendix (collectively, "Base Level Employees"). The number of Base Level Employees shall not include individuals employed on a part-time basis (less than 35 hours per week); provided, however, that two individuals each working 20 hours per week or more at such Facility shall be counted as one Base Level Employee.

The Base Employment Level shall not be created or maintained by transfers of employees from previously held positions with the Customer or its affiliates within the State of New York, except that the Base Employment Level may be filled by employees of the Customer laid off from other Customer facilities for *bona fide* economic or management reasons.

The Authority may consider a request to change the Base Employment Level based on a claim of increased productivity, increased efficiency or adoption of new technologies or for other appropriate reasons as determined by the Authority. Any such change shall be within Authority's sole discretion.

B. Employment Records and Reports

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Base Level Employees who are employed at or assigned to the Customer's Facility identified in the Appendix to this Schedule, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify the individuals who are employed by the Customer, and the individuals who are contractors or who are employed by contractors of the Customer, and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice

all non-confidential written and electronic records and data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

II. Reductions of Contract Demand

A. Employment Levels

If the year-end monthly average number of employees is less than 90% of the Base Employment Level set forth in this Schedule B, for the subject calendar year, the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount of reduction will be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average monthly employment during the subject calendar year divided by the Base Employment Level. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, the Agreement shall automatically terminate.

B. Power Utilization Levels

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the Facility receiving the power covered by the Agreement. If the average of the Customer's six (6) highest Billing Demands (as such term is described in Service Tariff No. WNY-1) for Expansion Power and/or Replacement Power is less than 90% of the Customer's Contract Demand in such calendar year the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest Billing Demands for in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

C. Capital Investment

The Customer agrees to undertake the capital investment set forth in the Appendix to this Schedule.

Notwithstanding any other provision of the Agreement, the Customer shall provide the Authority with such access to the Facility, and such documentation, as the Authority deems necessary to determine the Customer's compliance with the Customer's obligations provided for in this Schedule B.

D. Notice of Intent to Reduce Contract Demand

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced pursuant to this Schedule , the Authority shall provide the Customer with at least thirty (30) days prior written notice of such reduction, specifying the amount of the reduction of Contract Demand and the reason for the reduction, provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or Facility upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

III. Energy Efficiency Audits; Information Requests

Unless otherwise agreed to by the Authority in writing, the Customer shall undergo an energy efficiency audit of its Facility and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement but in any event not less than once every five years. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the Facility.

The Customer agrees to cooperate to make its Facility available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.

APPENDIX TO SCHEDULE B

BASE EMPLOYMENT LEVEL

Within three (3) years of commencement of Electric Service, the Customer shall employ at least one hundred twenty-eight (128) full-time employees (“Base Employment Level”) at the Customer’s Facility. The Base Employment Level shall be maintained thereafter for the term of the Allocation in accordance with Article I of Schedule B.

CAPITAL INVESTMENT

The Customer shall make a total capital investment of a minimum of \$7,503,000 to renovate and furnish the Facility (the “Capital Investment”). The Capital Investment for the Facility is expected to consist of the following specific expenditures:

Bobst DRO 1632 Rapidset:	\$2,500,000
Geo Martin Stacker, Bundle Lines:	\$1,316,000
ACS Conveyor:	\$1,137,000
New Electrical Service:	\$1,300,000
Other Equipment, Lighting:	\$1,250,000

Total Capital Investment: **\$7,503,000**

The Capital Investment shall be made, and the Facility shall be completed and fully operational, no later than September 29, 2018 (*i.e.*, within three (3) years of the date of the Authority’s award of the Allocation). Upon request of the Customer, such date may be extended in the sole discretion of the Authority.

**SCHEDULE C TO AGREEMENT FOR THE SALE OF EXPANSION POWER
AND/OR REPLACEMENT POWER TO CUSTOMER**

TAKEDOWN SCHEDULE

N/A



POWER AUTHORITY OF THE STATE OF NEW YORK
30 SOUTH PEARL STREET
ALBANY, NY 12207

Schedule of Rates for Sale of Firm Power to Expansion and
Replacement Customers located
In Western New York

Service Tariff No. WNY-1

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Schedule of Rates for Firm Power Service

I. Applicability

To sales of Expansion Power and/or Replacement Power (as defined below) directly to a qualified business Customer (as defined below) for firm power service.

II. Abbreviations and Terms

- kW kilowatt(s)
- kW-mo. kilowatt-month
- kWh kilowatt-hour(s)
- MWh megawatt-hour(s)
- NYISO New York Independent System Operator, Inc. or any successor organization
- PAL New York Public Authorities Law
- OATT Open Access Transmission Tariff

Agreement: An executed “Agreement for the Sale of Expansion and/or Replacement Power and Energy” between the Authority and the Customer (each as defined below).

Annual Adjustment Factor or **AAF**: This term shall have the meaning set forth in Section V herein.

Authority: The Power Authority of the State of New York, a corporate municipal instrumentality and a political subdivision of the State of New York created pursuant to Chapter 772 of the New York Laws of 1931 and existing and operating under Title 1 of Article 5 of the PAL, also known as the “New York Power Authority.”

Customer: A business customer who has received an allocation for Expansion Power and/or Replacement Power from the Authority and who purchases Expansion Power and/or Replacement Power directly from the Authority.

Electric Service: The power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

Expansion Power and/or **Replacement Power**: Firm Power and Firm Energy made available under this Service Tariff by the Authority from the Project for sale to the Customer for business purposes pursuant to PAL § 1005(5) and (13).

Firm Power: Capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the Agreement between the Authority and the Customer and this Service Tariff. Firm Power shall not include peaking power.

Firm Energy: Energy (kWh) associated with Firm Power.

Load Serving Entity or **LSE**: This term shall have the meaning set forth in the Agreement.

Load Split Methodology or **LSM**: A load split methodology applicable to a Customer's allocation. It is usually provided for in an agreement between the Authority and the Customer's local electric utility, an agreement between the Authority and the Customer, or an agreement between the Authority, the Customer and the Customer's local electric utility, or such local utility's tariff, regarding the delivery of WNY Firm Power. The load split methodology is often designated as "Load Factor Sharing" or "LFS", "First through the Meter" or "FTM", "First through the Meter Modified" or "FTM Modified", or "Replacement Power 2" or "RP 2".

Project: The Authority's Niagara Power Project, FERC Project No. 2216.

Rate Year or **RY**: The period from July 1 through June 30 starting July 1, 2013, and for any year thereafter.

Rules: The Authority's rules and regulations set forth in 21 NYCRR § 450 *et seq.*, as they may be amended from time to time.

Service Tariff: This Service Tariff No. WNY-1.

Target Rate: This term shall have the meaning set forth in Section III herein.

All other capitalized terms and abbreviations used but not defined herein shall have the same meaning as set forth in the Agreement.

III. Monthly Rates and Charges

A. Expansion Power (EP) and Replacement Power (RP) Base Rates

Beginning on July 1, 2013, there will be a 3-year phase-in to new base rates. The phase-in will be determined by the rate differential between the 2012 EP/RP rates and a "Target Rate." The Target Rate, specified in Section III.A.1. below, is based on the rates determined by the Authority to be applicable in RY 2013 for sales of "preservation power" as that term is defined in PAL § 1005(13). The following Sections III.A.1-4 describe the calculation and implementation of the phase-in.

1. The initial rate point will be established by the EP/RP rates (\$/kW and \$/MWh), determined by mid-April 2012 and made effective on May 1, 2012 in accordance with the Authority's then-applicable EP and RP tariffs. The Target Rate (*i.e.* demand and energy rates) for RY 2013 shall be \$7.99/kW and \$13.66/MWh.
2. The difference between the two rate points is calculated and divided by 3 to correspond with the number of Rate Years over which the phase-in will occur. The resulting quotients (in \$/kW and \$/MWh) are referred to as the "annual increment."
3. The annual increment will be applied to the base rates for the 3-year period of the 2013, 2014 and 2015 Rate Years, which shall be as follows:

RY 2013: July 1, 2013 to June 30, 2014
RY 2014: July 1, 2014 to June 30, 2015
RY 2015: July 1, 2015 to June 30, 2016

The annual rate adjustments normally made effective on May 1, 2013 under then-applicable EP and RP tariffs will be suspended, such that demand and energy rates established in 2012 shall be extended through June 30, 2013.

4. Effective commencing in RY 2013, the Annual Adjustment Factor ("AAF") described in Section V herein, shall be applied as follows:
 - A. For the RY 2013 only, the AAF will be suspended, and the RY 2013 rate increase will be subject only to the annual increment.
 - B. For the RYs 2014 and 2015, the AAF will be applied to the demand and energy rates after the addition of the annual increment to the rates of the previous RY rates. Such AAF will be subject to the terms and limits stated in Section V herein.
 - C. Beginning in RY 2016, the AAF will be applied to the previous RY rates, and the annual increment is no longer applicable.

B. EP and RP Rates no Lower than Rural/Domestic Rate

At all times the applicable base rates for demand and energy determined in accordance with Sections III.A and V of this Service Tariff shall be no lower than the rates charged by the

Authority for the sale of hydroelectricity for the benefit of rural and domestic customers receiving service in accordance with the Niagara Redevelopment Act, 16 U.S.C. § 836(b)(1) and PAL § 1005(5) (the "Rural/Domestic Rate"). This provision shall be implemented as follows: if the base rates, as determined in accordance with Sections III.A and V of this Service Tariff, are lower than the Rural/Domestic Rate on an average \$/MWh basis, each set of rates measured at 80% load factor which is generally regarded as representative for EP and RP Customers, then the base rates determined under Sections III.A and V of this Service Tariff will be revised to make them equal to the Rural/Domestic Rate on an average \$/MWh basis. However, the base rates as so revised will have no effect until such time as these base rates are lower than the Rural/Domestic Rate.

C. Monthly Base Rates Exclude Delivery Service Charges

The monthly base rates set forth in this Section III exclude any applicable costs for delivery services provided by the local electric utility.

D. Minimum Monthly Charge

The minimum monthly charge shall equal the product of the demand charge and the contract demand (as defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges or Taxes (each as defined herein) incurred by the Authority with respect to the Customer's Allocation.

E. Estimated Billing

If the Authority, in its sole discretion, determines that it lacks reliable data on the Customer's actual demand and/or energy usage for a Billing Period during which the Customer receives Electric Service from the Authority, the Authority shall have the right to render a bill to the Customer for such Billing Period based on estimated demand and estimated usage ("Estimated Bill").

For the purpose of calculating a Billing Demand charge for an Estimated Bill, the demand charge will be calculated based on the Customer's Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated demand (kW) will be calculated based on an average of the Customer's Billing Demand (kW) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated demand (kW) value for the Estimated Bill will equal the Customer's Takedown (kW) amount.
- For Customers whose allocation is subject to a First through the Meter/ FTM, FTM Modified, or RP 2 LSM, the estimated demand (kW) value will equal the Customer's Takedown (kW) amount.

For the purpose of calculating a Billing Energy charge for an Estimated Bill, the energy charge will be calculated based on the Customer's Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated energy (kWh) will be based on the average of the Customer's Billing Energy (kWh) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated energy value (kWh) will be equal to the Takedown (kW) amount at 70 percent load factor for that Billing Period.

- For Customers whose allocation is subject to a First through the Meter/FTM, FTM Modified, or RP 2 LSM, the estimated energy (kWh) will be equal to the Takedown (kW) amount at 100 percent load factor for that Billing Period.

If data indicating the Customer's actual demand and usage for any Billing Period in which an Estimated Bill was rendered is subsequently provided to the Authority, the Authority will make necessary adjustments to the corresponding Estimated Bill and, as appropriate, render a revised bill (or provide a credit) to the Customer.

The Minimum Monthly Charge provisions of Section III B.D. shall apply to Estimated Bills.

The Authority's discretion to render Estimated Bills is not intended to limit the Authority's rights under the Agreement.

F. Adjustments to Charges

In addition to any other adjustments provided for in this Service Tariff, in any Billing Period, the Authority may make appropriate adjustments to billings and charges to address such matters as billing and payment errors, the receipt of actual, additional, or corrected data concerning Customer energy or demand usage.

G. Billing Period

Any period of approximately thirty (30) days, generally ending with the last day of each calendar month but subject to the billing cycle requirements of the local electric utility in whose service territory the Customer's facilities are located.

H. Billing Demand

The billing demand shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

I. Billing Energy

The billing energy shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

J. Contract Demand

The contract demand of each Customer will be the amount of Expansion Power and/or Replacement Power, not to exceed their Allocation, provided to such Customer by the Authority in accordance with the Agreement.

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

1. Subject to Section IV.B.2, the Authority shall provide to the Customer in any billing period Firm Energy associated with Firm Power. The offer of Firm Energy for delivery shall fulfill the Authority's obligations for purposes of this provision whether or not the Firm Energy is taken by the Customer.
2. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of NYPA's Firm Power customers served from the Hydro Projects, hydropower curtailments (*i.e.* reductions) in the amount of Firm Power and Energy to which the Customer is entitled shall be applied on a *pro rata* basis to all Firm Power and Energy customers served from the Hydro Projects. Reductions as a percentage of the otherwise required Firm Power and Energy sales will be the same for all Firm Power and Energy customers served from the Hydro Projects. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Customer in later billing periods. The Customer will receive appropriate bill credits as provided under the Rules.

C. Delivery

For the purpose of this Service Tariff, Firm Power and Firm Energy shall be deemed to be offered when the Authority is able to supply Firm Power and Firm Energy to the Authority's designated NYISO load bus. If, despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Adjustment of Rates

To the extent not inconsistent with the Agreement, the rates contained in this Service Tariff may be revised from time to time on not less than thirty (30) days written notice to the Customer.

E. Billing Methodology and Billing

Unless otherwise specified in the Agreement, the following provisions shall apply:

1. The billing methodology to be used to render bills to the Customer related to its Allocation shall be determined in accordance with the Agreement and delivery agreement between the Authority and, as applicable, the Customer or local electric utility or both.

2. **Billing Demand** –The Billing Demand charged by the Authority to each Customer will be the highest 15 or 30-minute integrated demand, as determined by the local utility, during each Billing Period recorded on the Customer’s meter multiplied by a percentage based on the Load Split Methodology provided for in any contract between the Authority and the Customer’s local electric utility, any contract between the Authority and the Customer, or any contract between the Authority, the Customer and the Customer’s local electric utility for delivery of WNY Power. Billing Demand may not exceed the amount of the Contract Demand.
3. **Billing Energy** –The kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer’s meter for the Billing Period multiplied by a percentage based on the methodology provided for in any contract between the Authority and the Customer’s local electric utility for delivery of WNY Power.

F. Payment by Customer to Authority

1. Demand and Energy Charges, Taxes

The Customer shall pay the Authority for Firm Power and Energy during any billing period the higher of either (i) the sum of (a), (b) and (c) below or (ii) the monthly minimum charge as defined herein:

- a. The demand charge per kilowatt for Firm Power specified in this Service Tariff or any modification thereof applied to the Customer’s billing demand (as defined in Section IV.E, above) for the billing period; and
- b. The energy charge per MWh for Firm Energy specified in this Service Tariff or any modification thereof applied to the Customer’s billing energy (as defined in Section IV.E, above) for the billing period; and
- c. A charge representing reimbursement to the Authority for all applicable Taxes incurred by the Authority as a result of providing Expansion Power and/or Replacement Power allocated to the Customer.

2. Transmission Charge

The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the Allocation, including such costs that are charged pursuant to the OATT.

3. NYISO Transmission and Related Charges (“NYISO Charges”)

The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority for services provided by the NYISO pursuant to its OATT or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with providing Electric Service to the Customer:

- A. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;
- B. Marginal losses;

- C. The New York Power Authority Transmission Adjustment Charge ("NTAC");
- D. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;
- E. Any and all other charges, assessments, or other amounts associated with deliveries to Customers or otherwise associated with the Authority's responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and
- F. Any charges assessed on the Authority with respect to the provision of Electric Service to Customers for facilities needed to maintain reliability and incurred in connection with the NYISO's Comprehensive System Planning Process (or similar reliability-related obligations incurred by the Authority with respect to Electric Service to the Customer), applicable tariffs, or required to be paid by the Authority in accordance with law, regardless of whether such charges are assessed by the NYISO or another third party.

The NYISO Charges, if any, incurred by the Authority on behalf of the Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

The method of billing NYISO charges to the Customer will be based on Authority's discretion.

4. Taxes Defined

Taxes shall be any adjustment as the Authority deems necessary to recover from the Customer any taxes, assessments or any other charges mandated by federal, state or local agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer if and to the extent such taxes, assessments or charges are not recovered by the Authority pursuant to another provision of this Service Tariff.

5. Substitute Energy

The Customer shall pay for Substitute Energy, if applicable, as specified in the Agreement.

6. Payment Information

Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by the Authority. In the event that there is a dispute on any items of a bill rendered by the Authority, the Customer shall pay such bill in full. If necessary, any adjustments will be made thereafter.

G. Rendition and Payment of Bills

1. The Authority will render bills to the Customer for Electric Service on or before the tenth (10th) business day of the month for charges due for the previous Billing Period. Bills will reflect the amounts due and owing, and are subject to adjustment as provided for in the Agreement, Service Tariff No. WNY-1 and the Rules. Unless otherwise agreed to by the Authority and the Customer in writing, the Authority shall render bills to the Customer electronically.
2. Payment of bills by the Customer shall be due and payable by the Customer within twenty (20) days of the date the Authority renders the bill.
3. Except as otherwise agreed by the Authority in writing, if the Customer fails to pay any bill when due an interest charge of two percent of the amount unpaid will be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent of the sum unpaid shall be added on the first day of each succeeding Billing Period until the amount due, including interest, is paid in full.
4. If at any time after commencement of Electric Service the Customer fails to make complete payment of any two (2) bills for Electric Service when such bills become due pursuant to Agreement, the Authority shall have the right to require that the Customer deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit will be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. The failure or refusal of the Customer to provide the deposit within thirty (30) days of a request for such deposit will be grounds for the Authority in its sole discretion to suspend Electric Service to the Customer or terminate this Agreement.

H. Adjustment of Charges

1. Distribution Losses

The Authority will make appropriate adjustments to compensate for distribution losses of the local electric utility.

I. Conflicts

The Authority's Rules shall apply to the Electric Service provided under this Service Tariff. In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern.

J. Customer Resales Prohibited

The Customer may not resell any quantity of Expansion Power and/or Replacement Power.

V. Annual Adjustment Factor

A. Adjustment of Rates

1. The AAF will be based upon a weighted average of three indices described below. For each new Rate Year, the index value for the latest available calendar year (“Index Value for the Measuring Year”) will be compared to the index value for the calendar year immediately preceding the latest available calendar year (the Index Value for the Measuring Year -1”). The change for each index will then be multiplied by the indicated weights. As described in detail below, these products are then summed, producing the AAF. The AAF will be multiplied by the base rate for the current Rate Year to produce the base rates for the new Rate Year, subject to a maximum adjustment of $\pm 5.0\%$ (“ $\pm 5\%$ Collar”). Amounts outside the $\pm 5\%$ Collar shall be referred to as the “Excess.”

Index 1, “BLS Industrial Power Price” (35% weight): The average of the monthly Producer Price Index for Industrial Electric Power, commodity code number 0543, not seasonally adjusted, as reported by the U.S. Department of Labor, Bureau of Labor Statistics (“BLS”) electronically on its internet site and consistent with its printed publication, “Producer Price Index Detailed Report”. For Index 1, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

Index 2, “EIA Average Industrial Power Price” (40% weight): The average weighted annual price (as measured in cents/kWh) for electric sales to the industrial sector in the ten states of CT, MA, ME, NH, NJ, NY, OH, PA, RI and VT (“Selected States”) as reported by Coal and Electric Data and Renewables Division; Office of Coal, Nuclear, Electric and Alternate Fuels; Energy Information Administration (“EIA”); U.S. Department of Energy Form EIA-861 Final Data File. For Index 2, the Index Value for the Measuring Year will be the index for the calendar year two years preceding July 1 of the new Rate Year.

Index 3, “BLS Industrial Commodities Price Less Fuel” (25% weight): The monthly average of the Producer Price Index for Industrial Commodities less fuel, commodity code number 03T15M05, not seasonally adjusted, as reported by the U.S. Department of Labor, BLS electronically on its internet site and consistent with its printed publication, “Producer Price Index Detailed Report”. For Index 3, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

2. Annual Adjustment Factor Computation Guide

- Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.
- Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the AAF.
- Step 3: Commencing RY 2014, modifications to the AAF will be subject to $\pm 5\%$ Collar, as described below.
 - a) When the AAF falls outside the $\pm 5\%$ Collar, the Excess will be carried over to the subsequent RY. If the AAF in the subsequent RY is within the $\pm 5\%$ Collar, the current RY Excess will be added to/subtracted from the subsequent Rate Year’s AAF, up to the $\pm 5\%$ Collar.

- b) Excesses will continue to accrue without limit and carry over such that they will be added to/subtracted from the AAF in any year where the AAF is within the $\pm 5\%$ Collar.

Step 4: Multiply the current Rate Year base rate by the AAF calculated in Step 2 to determine the new Rate Year base rate.

The foregoing calculation shall be performed by the Authority consistent with the sample presented in Section V.B below.

3. The Authority shall provide the Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15th of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.
4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

B. Sample Computation of the AAF (hypothetical values for July 1, 2014 implementation):

STEP 1

Determine the Index Value for the Measuring Year (MY) and Measuring Year - 1 (MY-1) for Each Index

- Index 1 - Producer Price Index, Industrial Power

	Measuring Year <u>(2013)</u>	Measuring Year - 1 <u>(2012)</u>
January	171.2	167.8
February	172.8	167.6
March	171.6	168.2
April	173.8	168.6
May	175.1	171.6
June	185.7	180.1
July	186.4	182.7
August	184.7	179.2
September	185.5	181.8
October	175.5	170.2
November	172.2	168.8
December	171.8	166.6
Average	177.2	172.8
Ratio of MY/MY-1		1.03

- Index 2 – EIA Industrial Rate

<u>State</u>	<u>Revenues</u> (\$000s)	<u>Sales</u> (MWh)	<u>Avg. Rate</u> (cents/kWh)
<u>Measuring Year (2012)</u>			
CT	590,972	6,814,757	
MA	1,109,723	13,053,806	
ME	328,594	4,896,176	
NH	304,363	2,874,495	
NJ	1,412,665	15,687,873	
NY	2,001,588	26,379,314	
OH	3,695,978	78,496,166	
PA	3,682,192	63,413,968	
RI	152,533	1,652,593	
VT	<u>155,903</u>	<u>2,173,679</u>	
TOTAL	13,434,511	215,442,827	6.24
<u>Measuring Year -1 (2011)</u>			
CT	579,153	6,678,462	
MA	1,076,431	12,662,192	
ME	310,521	4,626,886	
NH	298,276	2,817,005	
NJ	1,370,285	15,217,237	
NY	1,891,501	24,928,452	
OH	3,622,058	76,926,243	
PA	3,571,726	61,511,549	
RI	144,144	1,561,700	
VT	<u>152,785</u>	<u>2,130,205</u>	
TOTAL	13,016,880	209,059,931	6.23
	Ratio of MY/MY-1		1.00

• Index 3 – Producer Price Index, Industrial Commodities Less Fuel

	Measuring Year (2013)	Measuring Year -1 (2012)
January	190.1	187.2
February	190.9	188.0
March	191.6	188.7
April	192.8	189.9
May	194.7	191.8
June	195.2	192.3
July	195.5	192.3
August	196.0	193.1
September	196.1	193.2
October	196.2	193.8
November	196.6	193.7
December	196.7	194.0
Average	194.4	191.5
Ratio of MY/MY-1		1.02

STEP 2

Determine AAF by Summing the Weighted Indices

<u>Index</u>	<u>Ratio of MY to MY-1</u>	<u>Weight</u>	<u>Weighted Factors</u>
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	<u>0.255</u>
AAF			1.016

STEP 3

Apply Collar of ±5.0% to Determine the Maximum/Minimum AAF.

-5.0% < 1.6% < 5.0%; collar does not apply, assuming no cumulative excess.

STEP 4

Apply AAF to Calculate the New Rate Year Base Rate

	<u>Demand</u> \$/kW-mo.	<u>Energy</u> \$/MWh
Current Rate Year Base Rate	7.56	12.91
New Rate Year Base Rate	7.68	13.12

New York Power Authority
 Recommendation for Preservation Power Allocation

Exhibit "A"
 September 29, 2015

	Company Name	Program	City	County	Base Jobs	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Requested (kW)	Power Recommended (kW)	Contract Term
A-1	New York Air Brake LLC	PP	Watertown	Jefferson	560	10	\$6,655,500	\$93,807	600	300	7 Years
	Totals					10	\$6,655,500			300	

APPLICATION SUMMARY
Preservation Power

Company:	New York Air Brake LLC
Location:	Watertown
County:	Jefferson
IOU:	National Grid
Business Activity:	Producer of locomotive and freight car braking systems
Project Description:	New York Air Brake LLC ("NYAB") is planning to build a 7,000-square-foot addition to its existing engineering lab, remodel an existing building and purchase new machinery and equipment to grow and support development of new products.
Existing Allocation(s):	None
Power Request:	600 kW
Power Recommended:	300 kW
Job Commitment:	
Base:	560
New:	At least 10 jobs
New Jobs/Power Ratio:	33 jobs/MW
New Jobs - Avg. Wage and Benefits:	\$93,807
Capital Investment:	At least \$6.6 million
Capital Investment/MW:	\$22 million/MW
Other ED Incentives:	Support from the Jefferson County IDA and Empire State Development's Excelsior Job's Program
Summary:	NYAB believes the planned expansion would help the company compete more effectively and lead to additional innovations and product development, laying the groundwork for additional growth and a long-term commitment to Watertown and New York State.

POWER AUTHORITY
OF THE
STATE OF NEW YORK

30 South Pearl Street
10th Floor
Albany, New York 12207-3425

**AGREEMENT FOR THE SALE OF
PRESERVATION POWER AND ENERGY**
to

NEW YORK AIR BRAKE LLC

The Power Authority of the State of New York (“Authority”), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title 1 of Article 5 of the New York Public Authorities Law (“PAL”), having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Preservation Power and Energy (“Agreement”) to New York Air Brake LLC, with offices at 748 Starbuck Avenue, Watertown, New York, 13601 (“Customer”). The Authority and the Customer are from time to time referred to in this Agreement individually as a “Party” or collectively as the “Parties” and agree as follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the St. Lawrence-FDR Power Project known as Preservation Power (or “PP”), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, PP consists of 490 megawatts (“MW”) of firm hydroelectric power and associated energy produced by the St. Lawrence-FDR Power Project;

WHEREAS, St. Lawrence-FDR Power Project hydroelectric power plays an important role in providing competitively priced power for sale to attract and retain business investment and to promote economic development in New York State;

WHEREAS, the Authority has the authority under PAL § 1005(13)(a) to award allocations of PP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant’s long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient’s facilities are located;

WHEREAS, the Customer has applied for an allocation of PP for use at facilities located at 748 Starbuck Avenue, Watertown, New York, 13601 (defined in Article I of this Agreement as the “Facility”) to be received upon completion of an expansion of the Facility as provided for in the Capital Expansion Program described in this Agreement;

WHEREAS, on September 29, 2015, the Authority’s Board of Trustees (“Trustees”) approved a 300 kilowatt allocation of PP (defined in Article I of this Agreement as the “Allocation”) to the Customer for a seven year term, as further described in this Agreement;

WHEREAS, the provision of Electric Service (defined in Article I of this Agreement) associated with the Allocation is an unbundled service separate from the transmission and delivery service necessary for the Customer to receive the Allocation which will be performed by the Customer’s local utility company;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for contracts negotiated by the Authority; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3).

NOW THEREFORE, in consideration of the mutual covenants herein, the Authority and the Customer agree as follows:

Article I. Definitions

- A. **Agreement** means this Agreement as further described in the preamble, including all documents and other matters attached to and incorporated into the Agreement.
- B. **Allocation** refers to the total amount of PP and associated energy set forth in Schedule A to this Agreement awarded to the Customer.
- C. **Contract Demand** has the meaning set forth in the Service Tariff.
- D. **Electric Service** is Firm Power and Firm Energy associated with the Allocation and sold to the Customer in accordance with the provisions of this Agreement, the Service Tariff, and the Rules.
- E. **Energy Efficiency Audit** means a physical inspection of a building in a manner approved by the Authority that should include the following elements: (1) an assessment of a building's energy use, cost and efficiency which produces an energy utilization index for the building (such as an Energy Use Intensity or Energy Performance Indicator); (2) a comparison of the building's index to indices for similar buildings; (3) an analysis of low-cost/no-cost measures for improving energy efficiency; (4) a listing of potential capital improvements for improving energy consumption; and (5) an initial assessment of potential costs and savings from such measures and improvements.
- F. **Facility** means the Customer's facility identified in Schedule A.
- G. **Firm Energy** has the meaning set forth in the Service Tariff.
- H. **Firm Power** has the meaning set forth in the Service Tariff.
- I. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- J. **FERC License** means the license issued by FERC to the Authority for the continued operation and maintenance of the St. Lawrence Project, pursuant to Section 15 of the Federal Power Act, which became effective October 22, 2003 after expiration of the Project's original license issued in 1953.
- K. **Hydro Projects** is a collective reference to the Authority's Niagara Project and St. Lawrence-FDR Project.

- L. **International Joint Commission** (or **IJC**) refers to the entity with responsibility to prevent and resolve disputes between the United States of America and Canada under the *1909 Boundary Waters Treaty* and pursues the common good of both countries as an independent and objective advisor to the two governments. The IJC rules upon applications for approval of projects affecting boundary or transboundary waters and may regulate the operation of these projects.
- M. **Load Serving Entity** (or **LSE**) means an entity designated by a retail electricity customer to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.
- N. **NYISO** means the New York Independent System Operator, Inc. or any successor organization.
- O. **NYISO Charges** has the meaning set forth in the Service Tariff.
- P. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.
- Q. **PAL** means the New York Public Authorities Law.
- R. **Preservation Power** (or **PP**) has the meaning set forth in the Service Tariff.
- S. **Niagara Project** means the Authority's Niagara Power Project, FERC Project No. 2216.
- T. **Rules** refers to the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by Authority.
- U. **Service Tariff** means the Authority's Service Tariff No. 10, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement.
- V. **St. Lawrence Project** means the Authority's St. Lawrence-FDR Power Project, FERC Project No. 2000.
- W. **Schedule A** refers to the Schedule A to this Agreement entitled "Preservation Power Allocations" which is attached to and made part of this Agreement.
- X. **Schedule B** refers to the Schedule B to this Agreement entitled "Preservation Power Commitments" which is attached to and made part of this Agreement.
- Y. **Schedule C** refers to Schedule C to this Agreement entitled "Takedown Schedule" which is attached to and made part of this Agreement.

- Z. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectric power that would otherwise have been supplied to the Customer under this Agreement.
- AA. **Taxes** have the meaning set forth in the Service Tariff.
- BB. **Unforced Capacity** (or **UCAP**) is the electric capacity required to be provided by Load Serving Entities to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

Article II. Electric Service

- A. The Authority shall provide Electric Service to the Customer to enable the Customer to receive the Allocation in accordance with this Agreement, the Service Tariff and the Rules. The Customer shall not be entitled to receive Electric Service for any PP Allocation that is not specified in Schedule A.
- B. The Authority will provide, and the Customer shall pay for, Electric Service with respect to the Allocation specified on Schedule A. If Schedule C specifies a Takedown Schedule for the Allocation, the Authority will provide, and the Customer shall take and pay for, Electric Service with respect to the Allocation in accordance with such Takedown Schedule.
- C. The Authority shall provide UCAP in amounts necessary to meet the Customer's NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs. The Customer shall be responsible to pay the Authority for such UCAP in accordance with the Service Tariff.
- D. The Customer acknowledges and agrees that Customer's local electric utility shall be responsible for delivering the Allocation to the Facility specified in Schedule A, and that the Authority has no responsibility for delivering the Allocation to the Customer.
- E. The Contract Demand and the Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as PP from the St. Lawrence Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. Any such modification will be made on a pro rata basis to all PP customers, as applicable, based on the terms of such ruling, order, or decision. The Authority will use reasonable efforts to provide at least thirty (30) days prior written notice to the Customer of any such modification unless such notice is inconsistent with such ruling, order or decision.
- F. The Contract Demand may not exceed the Allocation.
- G. By entering into this Agreement, the Customer consents to the exchange of information between the Authority and the Customer's local electric utility pertaining to the Customer that such parties determine is necessary to provide for the allocation, sale and delivery of PP to the

Customer, the proper and efficient implementation of the PP power program, billing related to PP Power, and/or the performance of such parties' obligations under any contracts or other arrangements between them relating to such matters. In addition, the Customer agrees to complete such forms and consents the Authority determines are necessary to effectuate such exchanges of information.

- H. The provision of Electric Service by the Authority shall be dependent upon the existence of a written agreement between the Authority and the Customer's local electric utility providing for the delivery of PP on terms and conditions that are acceptable to the Authority.
- I. The Customer understands and acknowledges that the Authority may from time to time require the Customer to complete forms, provide documentation, execute consents and provide other information (collectively, "Information") the Authority determines is necessary for the provision of Electric Service, the delivery of PP, billing related to the PP program, the effective and proper administration of the PP program, and/or the performance of contracts or other arrangements between the Authority and the Customer's local electric utility. The Customer's failure to provide such Information shall be grounds for the Authority in its sole discretion to withhold or suspend Electric Service to the Customer.

Article III. Rates, Terms and Conditions

- A. The Authority will provide Electric Service to the Customer based on the rates, terms and conditions established in accordance with this Agreement, the Service Tariff and the Rules.
- B. The Service Tariff and the Rules may be amended from time to time by the Authority. The Authority shall provide at least thirty (30) days prior written notice to the Customer of any proposed change in the Service Tariff or the Rules. No subsequent amendment to the Service Tariff or the Rules shall affect the determination of rates for PP to the Customer during the term of the Agreement except insofar as otherwise authorized by this Agreement. This provision shall not limit the Authority's discretion to determine rates applicable to allocations of power and energy awarded to the Customer beyond or in addition to the Allocation.
- C. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates shall be subject to increase by the Authority at any time upon 30 days prior written notice to Customer if, after consideration by the Authority of its legal obligations, the marketability of the output or use of the St. Lawrence Project and the Authority's competitive position with respect to other suppliers, the Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in the Authority's bond and note resolutions and covenants with the holders of its financial obligations. The Authority shall use its best efforts to inform the Customer at the earliest practicable date of its intent to increase the power and energy rates pursuant to this provision. Any rate increase to the Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers that are subject to the Service Tariff after giving consideration to the

factors set forth in the first sentence of this subsection. With respect to any such increase, the Authority shall forward to the Customer with the notice of the increase, an explanation of all reasons for the increase, and shall also identify the sources from which the Authority will obtain the total of increased revenues and the bases upon which the Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as the Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

Article IV. Billing and Billing Methodology

- A. The billing methodology for the Allocation shall be determined on a “load factor sharing” basis in a manner consistent with the local electric utility’s applicable tariffs and any agreement between the Authority and the Customer’s local electric utility. An alternative basis for billing may be used provided the Parties agree in writing and the local electric utility provides its consent if such consent is deemed necessary.
- B. The Authority shall render bills for power and energy by the tenth (10th) business day of the month for charges due for the previous month. Such bills shall include the NYISO Charges and Taxes (as such terms are defined in the Service Tariff) associated with the Allocation. NYISO Charges and Taxes billed to the Customer are subject to adjustments consistent with any subsequent NYISO re-billings to Authority.
- C. The Authority may render bills to the Customer electronically.
- D. The Authority and the Customer may agree in writing to an alternative method for the rendering of bills and for the payment of bills, including but not limited to the use of an Authority-established customer self-service web portal.
- E. The Authority will charge and collect from the Customer all Taxes (including local, state and federal taxes) the Authority determines are applicable, unless the Customer furnishes the Authority with proof satisfactory to the Authority that (i) the Customer is exempt from the payment of any such Taxes, and/or (ii) the Authority is not obligated to collect such Taxes from the Customer. If the Authority is not collecting Taxes from the Customer based on the circumstances described in (i) or (ii) above, the Customer shall immediately inform the Authority of any change in circumstances relating to its tax status that would require the Authority to charge and collect such Taxes from the Customer.
- F. Unless otherwise agreed to by the Authority and the Customer in writing, if the Customer fails to pay any bill when due, an interest charge of two percent (2%) of the amount unpaid shall be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent (1 1/2%) of the sum unpaid shall be added on the first day of each succeeding billing period until the amount due, including interest, is paid in full.
- G. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of any bill rendered by Authority, the Customer shall pay such

bill in full within the time provided for by this Agreement, and adjustments, if appropriate, will be made thereafter.

- H. If at any time after commencement of Electric Service the Customer fails to make complete and timely payment of any two (2) bills for Electric Service, the Authority shall have the right to require the Customer to deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit shall be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. If the Customer fails or refuses to provide the deposit within thirty (30) days of a request for such deposit, the Authority may, in its sole discretion, suspend Electric Service to the Customer or terminate this Agreement.
- I. All other provisions with respect to billing are set forth in the Service Tariff.
- J. The rights and remedies provided to the Authority in this Article are in addition to any and all other rights and remedies available to Authority at law or in equity.

Article V. Transmission and Delivery of Power and Energy

- A. The Customer shall be responsible for securing arrangements with its local utility for transmission and delivery service associated with the Allocation unless otherwise agreed to by the Parties.
- B. The Customer will pay its local utility for transmission and delivery service associated with the Allocation in accordance with applicable contracts and all applicable tariffs, rulemakings, and orders, in order to deliver to the Customer the Firm Power and Firm Energy supplied by the Authority under this Agreement. To the extent the Authority incurs transmission and delivery service charges or other costs associated with the Allocation during the term of this Agreement, the Customer agrees to compensate the Authority for all such charges and costs incurred.
- C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the LSE with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf as may be required under the applicable local utility company tariffs. In no event shall the Authority act as the LSE for the power and energy consumed by Customer other than Electric Service (inclusive of Substitute Energy, if any) sold by the Authority under this Agreement. The Customer understands and acknowledges that it will be responsible to the Authority for all charges and other costs incurred by the Authority associated with the provision of Electric Service to enable the Customer to receive the Allocation, including charges and costs contained in the NYISO Tariffs or other applicable tariffs (including local utility company tariffs), regardless of whether such charges and costs are transmission-related. Such charges and costs are in addition to the charges for power and energy.

Article VI. Preservation Power Commitments

- A. Schedule B sets forth the Customer's specific "Preservation Power Commitments." Such commitments are in addition to any other rights and obligations of the Parties provided for in the Agreement.
- B. The Authority's obligation to provide Electric Service to the Customer under this Agreement is expressly conditioned upon the Customer's timely completion of the Capital Expansion Program regarding the Facility as described in Schedule B.
- C. In the event of partial completion of the Capital Expansion Program which results in the Facility expansion being partially completed, the Authority may, upon the Customer's request, provide Electric Service to the Customer in an amount determined by the Authority to fairly correspond to the completed portion of the Facility expansion, provided that the Customer demonstrates that the amount of requested Electric Service is needed to support operations thereat.
- D. The Customer shall give the Authority not less than ninety (90) days' advance notice in writing of the anticipated date of partial or full completion of the Facility expansion. The Authority will inspect the Facility expansion for the purpose of verifying the completion status of the Facility expansion and notify Customer of the results of the inspection. The Authority will thereafter commence Electric Service in accordance with this provision within a reasonable time after verification based on applicable operating procedures of the Authority, the Customer's local electric utility and the NYISO.
- E. In the event the Customer fails to complete the Facility expansion by September 29, 2018 (*i.e.*, within three (3) years of the Authority's award of the Allocation), (i) the Authority may, at its option and discretion, cancel the Allocation, or reduce it by the total amount of kilowatts determined by the Authority to fairly correspond to the uncompleted portion of the Facility expansion, or (ii) upon request of the Customer, such date may be extended by the Authority in its sole discretion.

Article VII. Rules and Service Tariff; Conflicts

The Service Tariff is hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariff and the Rules, the provisions of the Service Tariff shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and the Service Tariff, the provisions of this Agreement shall govern.

Article VIII. Hydropower Curtailments and Substitute Energy

- A. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served by the Authority from the Hydro Projects,

curtailments (*i.e.*, reductions) in the amount of Firm Power and Firm Energy associated with the Allocation to which the Customer is entitled shall be applied on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with the Service Tariff as applicable.

- B. The Authority shall provide reasonable notice to the Customer of any curtailments referenced in Article VIII.A of this Agreement that could impact Customer's Electric Service under this Agreement.
- C. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the hydroelectricity that would otherwise have been supplied under this Agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.
- D. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO charges and taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.
- E. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

Article IX. Additional Allocations

- A. Upon application by the Customer, the Authority may award additional allocations of PP to the Customer at such rates and on such terms and conditions as set forth in the Service Tariff. Once the Customer agrees to purchase Electric Service associated with such additional allocations, the Authority will produce modified or supplemental Schedules A and B which will reflect any such additional allocations and other pertinent terms as appropriate. The Authority will furnish the Customer with any such modified or supplemental Schedules within thirty (30) days of the commencement of Electric Service for any such additional allocation.
- B. The Customer shall furnish such documentation and other information as the Authority requests to enable the Authority to evaluate (i) whether any additional allocations should be made to the Customer, and (ii) the terms relating to any additional allocation.

Article X. Notification

A. Correspondence involving the administration of this Agreement shall be addressed as follows:

To: The Authority

New York Power Authority
123 Main Street
White Plains, New York 10601
Telephone:
Facsimile: (914) 390-8156
Electronic mail:
Attention: Manager – Business Power Allocations and Compliance

To: Customer

New York Air Brake LLC
748 Starbuck Avenue
Watertown, New York 13601
Telephone:
Facsimile:
Electronic mail:
Attention:

B. Except where otherwise herein specifically provided, any notice, communication or request required or authorized by this Agreement by either Party to the other shall be deemed properly given: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (2) if sent by a nationally recognized overnight delivery service, two (2) calendar days after being deposited for delivery to the appropriate address set forth above; (3) if delivered by hand, with written confirmation of receipt; (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (5) if sent by electronic mail to the appropriate address as set forth above, with written confirmation of receipt. Either Party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing. Any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License and rulings by the IJC and without regard to conflicts of law provisions.

Article XI. Venue

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction for adjudication of any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement.

Article XII. Successors and Assigns; Transfers; Resale of PP

- A. This Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the legal successors and assigns of either Party hereto; provided, however, that no assignment by either Party or any successor or assignee of such Party of its rights and obligations hereunder shall be made or become effective without the prior written consent of the other Party in each case obtained.
- B. The transfer of any portion of the Allocation, or any benefits relating the Allocation, by the Customer to any person, to a different owner or operator of the Facility, or to a different facility, is prohibited unless (i) specifically approved by the Authority, and, (ii) all other legal requirements applicable to such a transfer are complied with. Any transfer that occurs without such approval and compliance shall be invalid and transfer may in the Authority's sole discretion subject the transferor to revocation or modification of the Allocation and/or this Agreement.
- C. The Customer may not resell any portion of the Allocation to any person. If such a sale occurs, the Authority may, in its sole discretion, terminate the Allocation and/or this Agreement.

Article XIII. Previous Agreements and Communications

This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the sale of PP, and supersedes all previous communications between the Parties hereto, either oral or written, with respect to the sale of PP. No modifications of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

Article XIV. Waiver

- A. Any waiver at any time by either the Authority or the Customer of their rights with respect to a default or of any other matter arising out of this Agreement shall not be deemed to be a waiver with respect to any other default or matter.
- B. No waiver by either Party of any rights with respect to any matter arising in connection with this Agreement shall be effective unless made in writing and signed by the Party making the waiver.

Article XV. Severability and Voidability

- A. If any term or provision of this Agreement is invalidated, declared unlawful or ineffective in whole or in part by an order of the FERC or a court of competent jurisdiction, such order shall not invalidate the remaining terms or provisions hereof.
- B. Notwithstanding the preceding paragraph, if any provision of this Agreement is rendered void or unenforceable or otherwise modified by a court or agency of competent jurisdiction, the entire Agreement shall, at the option of either Party and only in such circumstances in which such Party's interests are materially and adversely impacted by any such action, be rendered void and unenforceable by such affected Party.

Article XVI. Term, Modification, Termination and Effect

- A. Electric Service under this Agreement shall continue with respect to an Allocation until the earliest of: (1) termination by the Customer with respect to all of the Allocation upon at least ninety (90) days prior written notice to the Authority; (2) termination by Authority pursuant to the Rules upon required notice; or (3) expiration of the Allocation by its own term as specified in Schedule A.
- B. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days prior written notice to the Authority. The termination shall be effective commencing with the first "Billing Period" as defined in the Service Tariff following the required notice.
- C. The Authority may modify or terminate Electric Service hereunder or modify the quantities of power and energy associated with an Allocation: (1) if such termination or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency); or (2) as otherwise provided in this Agreement or in the Rules.
- D. This Agreement shall become legally binding and effective only upon satisfaction of the following conditions precedent: (1) receipt of approval of this Agreement by the Authority Board of Trustees; (2) receipt of approval of this Agreement by the Governor of the State of New York pursuant to PAL § 1009; and (3) execution of this Agreement by the Authority and the Customer.

Article XVII. Execution

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery

of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

NEW YORK AIR BRAKE LLC

BY: _____

Title: _____

Date: _____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____
John R. Koelmel, Chairman

Date: _____

SCHEDULE A

PRESERVATION POWER (“PP”) ALLOCATIONS

Customer: New York Air Brake LLC

Type of Allocation	Allocation (kW)	Trustee Approval Date	Expiration Date	Facility
PP	300	September 29, 2015	Seven (7) years from commencement of Electric Service of any portion of this Allocation	748 Starbuck Avenue, Watertown, NY 13601

SCHEDULE B

PRESERVATION POWER COMMITMENTS

ARTICLE I. EMPLOYMENT COMMITMENTS

A. Base Employment Level

The Customer shall establish and maintain the employment level as provided for in the Appendix to this Schedule B (the “Base Employment Level”). Unless otherwise provided for in Schedule B, such Base Employment Level shall be the total number of full-time positions held by: (1) individuals employed by the Customer at the Facility identified in the Appendix to this Schedule B; and (2) individuals who are contractors or are employed by contractors of the Customer and who are assigned to such Facility (collectively, “Base Level Employees”). The number of Base Level Employees shall not include individuals employed on a part-time basis (less than 35 hours per week); provided, however, that two individuals each working at least 20 hours but not more than 35 hours per week shall be counted as one Base Level Employee.

The Customer shall not establish or maintain the Base Employment Level by transfers of employees from previously held positions with the Customer or its affiliates located within New York State, except that the Base Employment Level may be filled by employees of the Customer laid off from other Customer facilities for bona fide economic or management reasons.

The Authority may consider a request to change the Base Employment Level based on a claim of increased productivity, increased efficiency, or adoption of new technologies or for other appropriate reasons as determined by the Authority. The Authority shall have the sole discretion to make any such change.

B. Employment Records and Reports

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Customer employees and contractor employees at the Facility, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify Customer employees and contractor employees and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice all non-confidential written and electronic records and

data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

ARTICLE II. REDUCTIONS OF CONTRACT DEMAND

A. Employment Levels

If the year-end monthly average number of employees is less than 90% of the Base Employment Level set forth in this Schedule B, for the subject calendar year, the Authority may reduce the Contract Demand subject to Article II.C of this Schedule. The maximum amount of reduction will be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average monthly employment during the subject calendar year divided by the Base Employment Level. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, the Agreement shall automatically terminate.

B. Power Utilization Levels

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the facilities receiving the power covered by the Agreement. If the average of the Customer's six (6) highest Billing Demands (as such term is defined in the Service Tariff) for PP is less than 90% of the Customer's Contract Demand in such calendar year the Authority may reduce the Contract Demand subject to Article II.C of this Schedule. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest Billing Demands for in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

C. Notice of Intent to Reduce Contract Demand

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced pursuant to this Schedule, the Authority shall provide the Customer with at least thirty (30) days prior written notice of such reduction, specifying the amount of the reduction of Contract Demand and the reason for the reduction, provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or facilities upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

ARTICLE III. CAPITAL INVESTMENT

The Customer agrees to undertake the Capital Expansion Program set forth in the Appendix to this Schedule B.

ARTICLE IV. ENERGY EFFICIENCY AUDITS AND INFORMATION REQUESTS

The Customer shall undergo an Energy Efficiency Audit of its facilities and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement but in any event not less than once every five years. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the facilities.

The Customer agrees to cooperate to make its facilities available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.

APPENDIX TO SCHEDULE B

I. Base Employment Level

In accordance with Article I of Schedule B, the Customer agrees to a Base Employment Level at the Customer’s Facility as indicated below.

Base Employment Level	Facility	Miscellaneous/Notes
Not less than five hundred seventy (570) persons in full-time positions at the Facility within three (3) years of the commencement of Electric Service of any portion of the Allocation to the Facility.	748 Starbuck Avenue, Watertown, NY 13601	

II. Capital Expansion Program

The Customer shall make a total capital investment of at least \$6,655,500 in connection with an expansion of the Facility (the “Capital Investment”). The Capital Investment is expected to consist of the following specific expenditures:

Construction/Lab Set Up:	\$2,300,000
New Equipment:	\$4,355,500
<u>Total Capital Investment:</u>	<u>\$6,655,500</u>

The Capital Investment shall be made, and the expansion of the Facility shall be completed and fully operational, not later than September 29, 2018 (*i.e.*, within three (3) years of the date of the Authority’s award of the Allocation). Upon request of the Customer, such date may be extended in the sole discretion of the Authority.

SCHEDULE C
TAKEDOWN SCHEDULE

N/A



POWER AUTHORITY OF THE STATE OF NEW YORK
30 SOUTH PEARL STREET
ALBANY, NY 12207

**Schedule of Rates for Sale of Firm Power to
Preservation Power Customers**

Service Tariff No. 10

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Schedule of Rates for Firm Power Service

I. Applicability

To sales of Preservation Power (as defined below) directly to a qualified business Customer (as defined below) for firm power service.

II. Abbreviations and Terms

A. The following abbreviations are used:

kW	kilowatt(s)
kW-mo.	kilowatt-month
kWh	kilowatt-hour(s)
MWh	megawatt-hour(s)
NYISO	New York Independent System Operator, Inc. or any successor organization
PAL	New York Public Authorities Law
OATT	Open Access Transmission Tariff

B. The term "Agreement" means an executed Agreement for the Sale of Preservation Power and Energy between the Authority and the Customer (each as defined below).

C. The term "Annual Adjustment Factor" or "AAF" shall have the meaning set forth in Section V herein.

D. The term "Authority" means the Power Authority of the State of New York, a corporate municipal instrumentality and a political subdivision of the State of New York created pursuant to Chapter 772 of the New York Laws of 1931 and existing and operating under Title 1 of Article 5 of the PAL, also known as the "New York Power Authority."

E. The term "Customer" means a business customer who has received an allocation for Preservation Power from the Authority and who purchases Preservation Power directly from the Authority.

F. The term "Electric Service" means the power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

- G. The term "Preservation Power" means Firm Power and Firm Energy made available under this Service Tariff by the Authority from the Project for sale to the Customer for business purposes pursuant to PAL § 1005(5) and (13).
- H. The term "Firm Power" means capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the Agreement between the Authority and the Customer and this Service Tariff. Firm Power shall not include peaking power.
- I. The term "Firm Energy" means energy (kWh) associated with Firm Power.
- J. The term "Load Serving Entity" or "LSE" shall have the meaning set forth in the Agreement.
- K. The term "Project" means the Authority's St. Lawrence-FDR Power Project, FERC Project No. 2000.
- L. The term "Rate Year" or "RY" means the period from July 1 through June 30 of the following year.
- M. The term "Rules" means the applicable provisions of Authority's rules and regulations (Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by the Authority.
- N. The term "Service Tariff" means this Service Tariff No. 10.

All other capitalized terms and abbreviations used but not defined herein shall have the same meaning as set forth in the Agreement.

III. Monthly Rates and Charges

A. Preservation Power Base Rates

The monthly base rates for demand and energy charges paid by Customer to Authority shall be:

<u>Rate Year</u>	<u>Demand Charge</u> \$/kW-mo.	<u>Energy Charge</u> \$/MWh
2010	6.15	10.52
2011	6.71	11.48
2012	7.32	12.52
2013	7.99	13.66

Beginning with the 2014 Rate Year (July 1, 2014), and for each Rate Year thereafter, such rates shall be subject to an Annual Adjustment Factor set forth in Section V herein.

B. Preservation Power Rates No Lower Than Rural/Domestic Rate

At all times the applicable base rates for demand and energy determined in accordance with Sections III.A and V of this Service Tariff shall be no lower than the rates charged by the Authority for the sale of hydroelectricity for the benefit of rural and domestic customers receiving service in accordance with the Niagara Redevelopment Act, 16 U.S.C. § 836(b)(1) and PAL § 1005(5) (the "Rural/Domestic Rate"). This provision shall be implemented as follows: if the base rates, as determined in accordance with Sections III.A and V of this Service Tariff, are lower than the Rural/Domestic Rate on an average \$/MWh basis, each set of rates measured at 80% load factor which is generally regarded as representative for Preservation Power Customers, then the base rates determined under Sections III.A and V of this Service Tariff will be revised to make them equal to the Rural/Domestic Rate on an average \$/MWh basis. However, the base rates as so revised will have no effect until such time as these base rates are lower than the Rural/Domestic Rate.

C. Monthly Base Rates Exclude Delivery Service Charges

The monthly base rates set forth in this Section III exclude any applicable costs for delivery services provided by the local electric utility.

D. Minimum Monthly Charge

The minimum monthly charge shall equal the product of the demand charge and the contract demand (as defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges or Taxes (each as defined herein) incurred by the Authority with respect to the Customer's Allocation.

E. Billing Period

Any period of approximately thirty (30) days, generally ending with the last day of each calendar month but subject to the billing cycle requirements of the local electric utility in whose service territory the Customer's facilities are located.

F. Billing Demand

The billing demand shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

G. Billing Energy

The billing energy shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

H. Contract Demand

The contract demand of each Customer will be the amount of Preservation Power, not to exceed the Customer's Allocation, provided to such Customer by the Authority in accordance with the Agreement. The minimum Contract Demand for any Preservation Power Allocation is 100 kW.

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

1. Subject to Section IV.B.2, the Authority shall provide to the Customer in any billing period Firm Energy associated with Firm Power. The offer of Firm Energy for delivery shall fulfill the Authority's obligations for purposes of this provision whether or not the Firm Energy is taken by the Customer.
2. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of NYPA's Firm Power customers served from the Hydro Projects, hydropower curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy to which the Customer is entitled shall be applied on a *pro rata* basis to all Firm Power and Firm Energy customers served from the Hydro Projects. Reductions as a percentage of the otherwise required Firm Power and Firm Energy sales will be the same for all Firm Power and Firm Energy customers served from the Hydro Projects. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Customer in later billing periods. The Customer will receive appropriate bill credits as provided under the Rules.

C. Delivery

For the purpose of this Service Tariff, Firm Power and Firm Energy shall be deemed to be offered when the Authority is able to supply Firm Power and Firm Energy to the Authority's designated NYISO load bus. If, despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Adjustment of Rates

To the extent not inconsistent with the Agreement, the rates contained in this Service Tariff may be revised from time to time on not less than thirty (30) days written notice to the Customer.

E. Billing Methodology and Billing

Unless otherwise specified in the Agreement, the following provisions shall apply:

1. The billing methodology to be used to render bills to the Customer related to its Allocation shall be determined in accordance with the Agreement and delivery agreement between the Authority and, as applicable, the Customer or local electric utility or both.
2. Billing Demand – Unless separately metered, the billing demand charged by the Authority to each Customer will be the highest 15-minute integrated demand during each billing period recorded on the Customer's meter multiplied by a percentage based on load factor sharing, as applicable.
3. Billing Energy – Unless separately metered, the kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer's meter for the billing period multiplied by a percentage based on load factor sharing, as applicable.

F. Payment by Customer to Authority

1. Demand and Energy Charges, Taxes

The Customer shall pay the Authority for Firm Power and Firm Energy during any billing period the higher of either (i) the sum of (a), (b) and (c) below or (ii) the monthly minimum charge as defined herein:

- a. The demand charge per kilowatt for Firm Power specified in this Service Tariff or any modification thereof applied to the Customer's billing demand (as defined in Section IV.E, above) for the billing period; and
- b. The energy charge per MWh for Firm Energy specified in this Service Tariff or any modification thereof applied to the Customer's billing energy (as defined in Section IV.E, above) for the billing period; and
- c. A charge representing reimbursement to the Authority for all applicable Taxes incurred by the Authority as a result of providing Preservation Power allocated to the Customer.

2. Transmission Charge

The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the Allocation, including such costs that are charged pursuant to the OATT.

3. NYISO Transmission and Related Charges ("NYISO Charges")

The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority for services provided by the NYISO pursuant to its OATT or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with providing Electric Service to the Customer:

- A. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;
- B. Marginal losses;
- C. The New York Power Authority Transmission Adjustment Charge ("NTAC");
- D. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;
- E. Any and all other charges, assessments, or other amounts associated with deliveries to Customers or otherwise associated with the Authority's responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and
- F. Any charges assessed on the Authority with respect to the provision of Electric Service to Customers for facilities needed to maintain reliability and incurred in connection with the NYISO's Comprehensive System Planning Process (or similar reliability-related obligations incurred by the Authority with respect to Electric Service to the Customer), applicable tariffs, or required to be paid by the Authority in accordance with law, regardless of whether such charges are assessed by the NYISO or another third party.

The NYISO Charges, if any, incurred by the Authority on behalf of the Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

4. Taxes Defined

Taxes shall be any adjustment as the Authority deems necessary to recover from the Customer any taxes, assessments or any other charges mandated by federal, state or local agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer if and to the extent such taxes, assessments or charges are not recovered by the Authority pursuant to another provision of this Service Tariff.

5. Substitute Energy

The Customer shall pay for Substitute Energy, if applicable, as specified in the Agreement.

6. Payment Information

Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by the Authority. In the event that there is a dispute on any items of a bill rendered by the Authority, the Customer shall pay such bill in full. If necessary, any adjustments will be made thereafter.

G. Adjustment of Charges

1. Distribution Losses

The Authority will make appropriate adjustments to compensate for distribution losses of the local electric utility.

2. Transformer Losses

If delivery is made at transmission voltage but metered on the low-voltage side of the Customer's substation, the meter readings will be increased two percent to compensate for transformer losses.

3. Power Factor

Power factor is the ratio of real power (kW) to apparent power (kVa) for any given load and time. The Authority may require the Customer to maintain a power factor of not less than 90%, lagging or leading, at the point of delivery, or as may otherwise be imposed upon the Authority by the local electric utility providing delivery and/or NYISO.

H. Conflicts

In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of the Agreement and this Service Tariff, the provisions of the Agreement shall govern.

I. Customer Resales Prohibited

The Customer may not resell any quantity of Preservation Power.

V. Annual Adjustment Factor

A. Adjustment of Rates

1. The AAF will be based upon a weighted average of three indices described below. For each new Rate Year, the index value for the latest available calendar year ("Index Value for the Measuring Year") will be compared to the index value for the calendar year immediately preceding the latest available calendar year (the Index Value for the Measuring Year -1"). The change for each index will then be multiplied by the indicated weights. As described in detail below, these products are then summed, producing the AAF. The AAF will be multiplied by the base rate for the current Rate Year to produce the base rates for the new Rate Year."

Index 1, "BLS Industrial Power Price" (35% weight): The average of the monthly Producer Price Index for Industrial Electric Power, commodity code number 0543, not seasonally adjusted, as reported by the U.S. Department of Labor, Bureau of Labor Statistics ("BLS") electronically on its internet site and consistent with its printed publication, "Producer Price Index Detailed Report". For Index 1, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

Index 2, "EIA Average Industrial Power Price" (40% weight): The average weighted annual price (as measured in cents/kWh) for electric sales to the industrial sector in the ten states of CT, MA, ME, NH, NJ, NY, OH, PA, RI and VT ("Selected States") as reported by Coal and Electric Data and Renewables Division; Office of Coal, Nuclear, Electric and Alternate Fuels; Energy Information Administration ("EIA"); U.S. Department of Energy Form EIA-861 Final Data File. For Index 2, the Index Value for the Measuring Year will be the index for the calendar year two years preceding July 1 of the new Rate Year.

Index 3, "BLS Industrial Commodities Price Less Fuel" (25% weight): The monthly average of the Producer Price Index for Industrial Commodities less fuel, commodity code number 03T15M05, not seasonally adjusted, as reported by the U.S. Department of Labor, BLS electronically on its internet site and consistent with its printed publication, "Producer Price Index Detailed Report". For Index 3, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

2. Annual Adjustment Factor Computation Guide

- Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.
- Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the AAF.
- Step 3: Multiply the current Rate Year base rate by the AAF calculated in Step 2 to determine the new Rate Year base rate.

The foregoing calculation shall be performed by the Authority consistent with the sample presented in Section V.B below.

3. The Authority shall provide the Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15th of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.
4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

B. Sample Computation of the AAF (hypothetical values for July 1, 2014 implementation):

STEP 1

Determine the Index Value for the Measuring Year (MY) and Measuring Year - 1 (MY-1) for Each Index

- Index 1 - Producer Price Index, Industrial Power

	Measuring Year <u>(2013)</u>	Measuring Year - 1 <u>(2012)</u>
January	171.2	167.8
February	172.8	167.6
March	171.6	168.2
April	173.8	168.6
May	175.1	171.6
June	185.7	180.1
July	186.4	182.7
August	184.7	179.2
September	185.5	181.8
October	175.5	170.2
November	172.2	168.8
December	171.8	166.6
Average	177.2	172.8
Ratio of MY/MY-1		1.03

- Index 2 – EIA Industrial Rate

<u>State</u>	<u>Revenues</u> (\$000s)	<u>Sales</u> (MWh)	<u>Avg. Rate</u> (cents/kWh)
<u>Measuring Year (2012)</u>			
CT	590,972	6,814,757	
MA	1,109,723	13,053,806	
ME	328,594	4,896,176	
NH	304,363	2,874,495	
NJ	1,412,665	15,687,873	
NY	2,001,588	26,379,314	
OH	3,695,978	78,496,166	
PA	3,682,192	63,413,968	
RI	152,533	1,652,593	
VT	<u>155,903</u>	<u>2,173,679</u>	
TOTAL	13,434,511	215,442,827	6.24

Measuring Year -1 (2011)

CT	579,153	6,678,462	
MA	1,076,431	12,662,192	
ME	310,521	4,626,886	
NH	298,276	2,817,005	
NJ	1,370,285	15,217,237	
NY	1,891,501	24,928,452	
OH	3,622,058	76,926,243	
PA	3,571,726	61,511,549	
RI	144,144	1,561,700	
VT	<u>152,785</u>	<u>2,130,205</u>	
TOTAL	13,016,880	209,059,931	6.23

Ratio of MY/MY-1 **1.00**

- Index 3 – Producer Price Index, Industrial Commodities Less Fuel

	Measuring Year <u>(2013)</u>	Measuring Year -1 <u>(2012)</u>
January	190.1	187.2
February	190.9	188.0
March	191.6	188.7
April	192.8	189.9
May	194.7	191.8
June	195.2	192.3
July	195.5	192.3
August	196.0	193.1
September	196.1	193.2
October	196.2	193.8
November	196.6	193.7
December	196.7	194.0
Average	194.4	191.5
Ratio of MY/MY-1		1.02

STEP 2

Determine AAF by Summing the Weighted Indices

<u>Index</u>	<u>Ratio of MY to MY-1</u>	<u>Weight</u>	<u>Weighted Factors</u>
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	<u>0.255</u>
AAF			1.016

STEP 3

Apply AAF to Calculate the New Rate Year Base Rate

	<u>Demand</u> \$/kW-mo.	<u>Energy</u> \$/MWh
Current Rate Year Base Rate	7.99	13.66
New Rate Year Base Rate	8.12	13.88

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

EXHIBIT "A"
September 29, 2015

<u>Bus Unit/ Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
BUSINESS SERVICES - TREASURY	NEPC, LLC Boston, MA (HQ) (Q15-5892MR; PO# TBA)	10/01/15 (on or about)	Provide for investment management consulting services with respect to the OPEB and NDT Funds	09/30/20 (includes initial 3-year term + 2-year option)	B/P			\$870,000*
						*Note: represents total for the initial 3-year term; the fees for services directly related to the OPEB and NDT Trust Funds will be paid from the respective Trusts		
BUSINESS SERVICES - FINANCE	Q15-5888MR; 3 awards: 1. THE BRATTLE GROUP, INC. Cambridge, MA (HQ) Washington, DC (Branch Office) 2. FIRST INFRASTRUCTURE, LLC Montclair, NJ 3. WELLFORD PORTFOLIO MANAGEMENT New York, NY (PO#s TBA)	10/01/15 (on or about)	Provide for project finance advisory services	09/30/20 (includes initial 3-year term + 2-year option)	B/P			\$2,500,000*
						*Note: represents aggregate total for up to 5-year term		
ECONOMIC DEVELOPMENT & ENERGY EFFICIENCY - CUSTOMER ENERGY SOLUTIONS	Q15-5885MH; 2 awards: 1. THE CADMUS GROUP, INC. Waltham, MA (4600003049) 2. TECTONIC ENGINEERING & SURVEYING CONSULTANTS, PC Mountainville, NY (4600003050)	09/11/15	Provide for expedited permitting services in connection with the K-Solar program	09/10/18	B/P	\$180,000 (Aggregate Interim Award Amount)		\$1,000,000*
						*Note: represents aggregate total for up to 3-year term		

♦ **M / WBE:** New York State-certified Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)
 1 **Award Basis:** B= Competitive Bid; S= Sole Source; Si= Single Source; C= Competitive Search
 2 **Contract Type:** P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; A= Architectural & Engineering Service; L= Legal Service

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

EXHIBIT "A"
September 29, 2015

<u>Bus Unit/ Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
ECONOMIC DEVELOPMENT & ENERGY EFFICIENCY - ENERGY EFFICIENCY	Q15-5869AT; 4 awards:		Provide for special inspection/consulting and laboratory testing services to support the implementation of Energy Efficiency projects at various customer facilities in New York City		B/P			\$10,000,000*
	1. HAIDER ENGINEER- ING, PC ♦ Farmingdale, NY (PO# TBA)	10/01/15 (on or about)		09/30/20			*Note: represents aggregate total for up to 5-year term All costs will be recovered by the Authority.	
	2. HAKS ENGINEERS, ARCHITECTS AND LAND SURVEYORS, PC New York, NY (PO# TBA)	10/01/15 (on or about)		09/30/20				
	3. MUNICIPAL TESTING LABORATORY, INC. Hauppauge, NY (4600003044)	09/11/15		09/10/20		\$100,000 (Interim Award Amount)		
4. TECTONIC ENGINEER- ING & SURVEYING CONSULTANTS, PC Forest Hills, NY (PO# TBA)	10/01/15 (on or about)		09/30/20					
ENTERPRISE SHARED SERVICES - CORP SUPP SERVICES	CORE FACILITY SERVICES, LLC New York, NY (Q15-5920TB; PO# TBA)	10/01/15 (on or about)	Provide for services of Operating Engineers at the Clarence D. Rapple- yea Building (WPO)	09/30/20	B/S			\$4,500,000*
							*Note: represents total for up to 5-year term (comprising \$222K for administrative costs + \$4.278M for pass-through evaluated cost of salary and benefits for the Operating Engineers)	

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

EXHIBIT "A"
September 29, 2015

<u>Bus Unit/ Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
OPERATIONS SUPPORT SERVICES - PROJ MGMT + STL	BROOKS WASHBURN ARCHITECT, PC (a NYS Small Business Enterprise) Potsdam, NY (4500261322)	08/18/15	Provide for A/E and con- struction support services for site improvements at Island View Park	02/17/17	Si/A	\$10,000 (Interim Award Amount)		\$50,000*
						*Note: represents total for up to 18-month term		
OPERATIONS SUPPORT SERVICES - ENGINEERING	Q15-5887HM; 2 awards: 1. HOHL INDUSTRIAL SERVICES, INC. Tonawanda, NY 2. M.G. MCLAREN, PC West Nyack, NY (PO#s TBA)	01/01/16 (on or about)	Provide for underwater inspection services for Authority facilities state- wide, as needed	12/31/20	B/S			\$2,000,000*
						*Note: represents aggregate total for up to 5-year term		
OPERATIONS SUPPORT SERVICES - IT	INFORMATION TECH- NOLOGY CORP. Paramus, NJ (Q15-5904SR; PO# TBA)	10/01/15 (on or about)	Provide for mainte- nance and technical support of the Authority's Apple/Macintosh desktop computer hardware and software	09/30/18	B/S			\$250,435*
						*Note: represents total for up to 3-year term		
OPERATIONS SUPPORT SERVICES - PROJ MGMT + NIAGARA	NIAGARA UNIVERSITY Lewiston, NY (4500262061)	06/01/15	Provide for grounds maintenance and land- scaping services at Nia- gara Project property adja- cent to Niagara University	05/31/20	Si/S	\$90,000 (Interim Award Amount)		\$430,000*
						*Note: represents total for up to 5-year term		

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

EXHIBIT "A"
September 29, 2015

<u>Bus Unit/ Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
PUBLIC, GOV & REGULATORY AFFAIRS - LICENSING	GOMEZ AND SULLIVAN ENGINEERS, DPC Utica, NY (PO# TBA)	12/01/15 (on or about)	Provide for hosting and support services for the Blenheim-Gilboa Informa- tion System (developed by G&S) used to capture, manage, store, preserve and deliver content related to the B-G relicensing initiative	11/30/20	Si/S			\$540,000*
						*Note: represents total for up to 5-year term		
PUBLIC, GOV & REGULATORY AFFAIRS - CORP COM- MUNICATIONS	NEWSWEAVER, INC. Waltham, MA (Q15-5926SR; PO# TBA)	10/01/15 (on or about)	Provide for FYI Corporate Messaging Software Solu- tion (including service and support)	09/30/20	B/S			\$51,500*
						*Note: represents total for up to 5-year term		
RISK MANAGEMENT - INSURANCE MANAGEMENT	PMA MANAGEMENT CORP. (a wholly owned subsidiary of PMA Capital Corp.) Dewitt, NY (Q15-5839DK; PO# TBA)	01/01/16 (on or about)	Provide for third party administrative services for the Authority's self- insured Workers' Comp- ensation program	12/31/20	B/S			\$970,000*
						*Note: represents total for up to 5-year term (does not include actual claims funding)		

◆ M / WBE: New York State-certified Minority / Women-owned Business Enterprise (indicated by the ◆ symbol after the Company Name)
1 Award Basis: B= Competitive Bid; S= Sole Source; Si= Single Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; A= Architectural & Engineering Service; L= Legal Service

Procurement (Services) Contracts – Extensions and/or Additional Funding
 (For Description of Contracts See "Discussion")

EXHIBIT "B"
September 29, 2015

<u>Plant Site/ Bus. Unit</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
EXECUTIVE OFFICES	9 related contracts: 1. ALEXANDER SCOTT & ASSOCIATES Decatur, GA 4600002693 2. BURO HAPPOLD CONSULTING ENGINEERS, PC d/b/a HAPPOLD CONSULTING New York, NY 4600002689 3. CUSTOMER CARE NETWORK, INC. Marietta, GA 4600002687 4. ICF RESOURCES, LLC Fairfax, VA 4600002685 5. MCKINSEY & COMPANY, INC. Washington, D.C. 4600002690 6. MJ BRADLEY & ASSOCIATES, LLC Concord, MA 4600002686 7. NAVIGANT CONSULTING, INC. Chicago, IL (HQ) New York, NY (Branch Office) 4600002691	Various Effective Dates (of which the earliest is 04/25/13)	Provide for manage- ment consulting ser- vices for the Executive Offices, on an "on-call, as required" basis	03/31/18	B/P	\$8,500,000 (Aggregate Target Value)	\$8,207,630 (Aggregate Released Amount)	\$11,500,000*

*Note: includes originally approved aggregate total of \$8 million + an additional \$500,000 authorized per the EAPs + **CURRENT REQUEST for \$3 million**

[continued on next page]

◆ **M / WBE:** New York State-certified Minority / Women-owned Business Enterprise (indicated by the ◆ symbol after the Company Name)
 1 **Award Basis:** B= Competitive Bid; C= Competitive Search; S= Sole Source; Si = Single Source
 2 **Contract Type:** P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; L= Legal Service

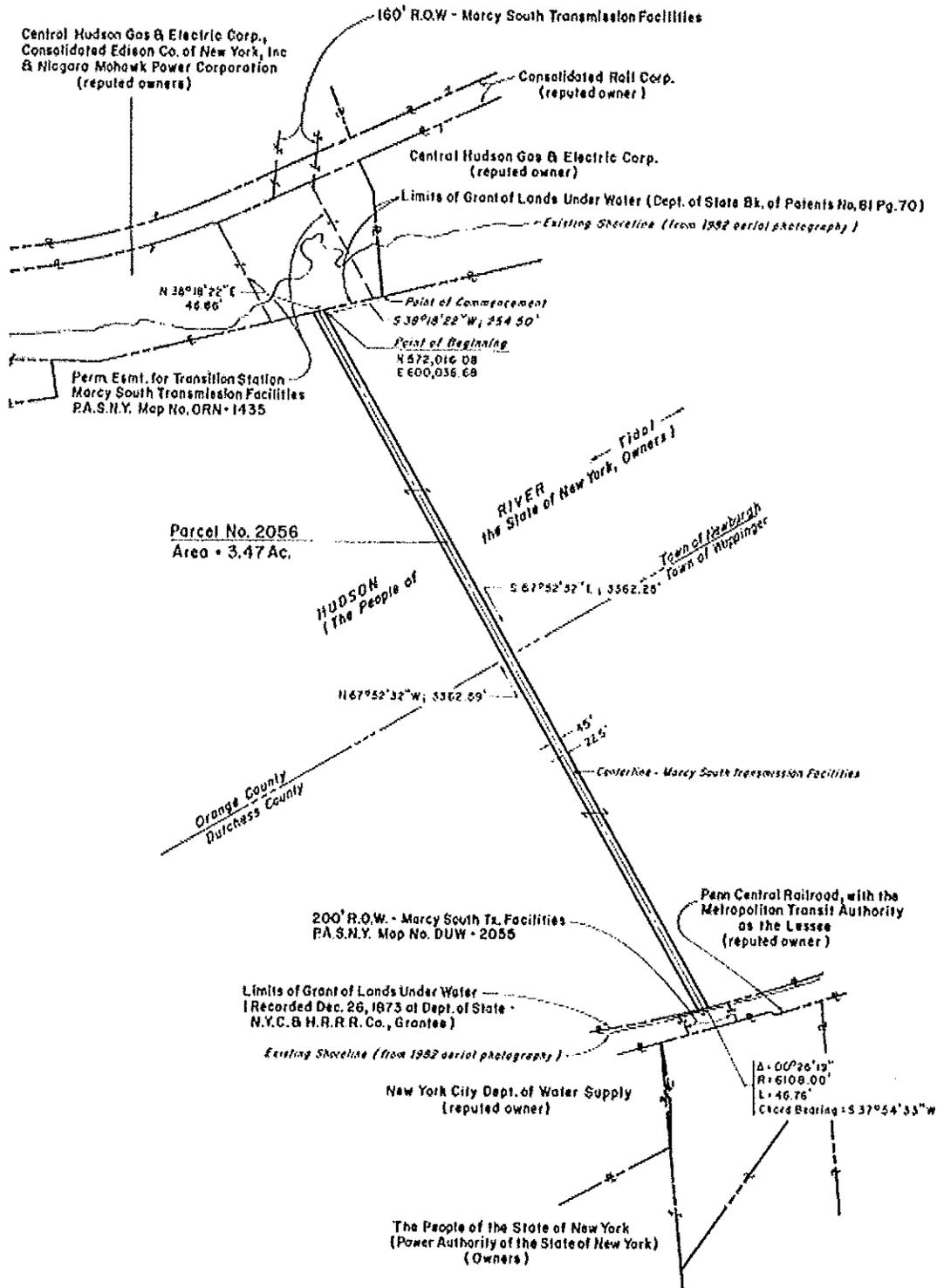
Procurement (Services) Contracts – Extensions and/or Additional Funding
(For Description of Contracts See "Discussion")

EXHIBIT "B"
September 29, 2015

<u>Plant Site/ Bus. Unit</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
	8. PA CONSULTING GROUP, INC. New York, NY 4600002688							
	9. UMS GROUP, INC. Parsippany, NJ 4600002692							
OPERATIONS SUPP SERV - PROJ MGMT + STL	ATLAS PAINTING & SHEETING CORP. Amherst, NY 4600002548	08/01/12	Provide for services in connection with the Barnhart Island Bridge painting and rehabilita- tion project at STL	10/30/15	B/C	\$11,407,865 ("Target Value")	\$11,407,865 ("Released Amount")	\$11,407,865*
						*Note: includes original award amount of \$10,014,000 + an additional \$1,393,865 authorized per the EAPs; NO additional funding requested; Ontario Power Generation will reimburse the Authority for 50% of the project costs.		
OPERATIONS SUPP SERV - PROJ MGMT + CEC and STL	AVIAT U.S., INC. Santa Clara, CA 4500248767	08/18/14	Provide for services required to complete the upgrade of the microwave communication system from STL to CEC	02/17/16	B/C	\$498,452	\$297,991	\$498,452*
						*Note: represents original award amount; NO additional funding requested		
OPERATIONS SUPP SERV - PROJ MGMT + NIA PROJ	DIDONATO ASSOC- IATES ENGINEERING & ARCHITECTURE, PC Buffalo, NY 4500252036	11/10/14	Provide for A/E services (including assessment, design and construction support) for the fishing pier access elevator project at the Robert Moses Niagara Power Plant	12/31/16	B/A	\$65,300	\$41,250	\$65,300*
						*Note: represents original award amount; NO additional funding requested		

♦ **M / WBE:** New York State-certified Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)
1 **Award Basis:** B= Competitive Bid; C= Competitive Search; S= Sole Source; Si = Single Source
2 **Contract Type:** P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; L= Legal Service

EXHIBIT "A"



POWER AUTHORITY OF THE STATE OF NEW YORK

PROPOSED ISSUANCE OF ONE OR MORE SERIES OF 2015 REVENUE BONDS AND RELATED ACTIONS AND APPROVALS

WHEREAS, the Authority proposes to issue one or more series of Revenue Bonds (the “Series 2015 Bonds”), in an aggregate principal amount of not more than \$80,000,000 for the following purposes: (i) to refund up to \$74,590,000 of the Authority’s Series 2006 A Revenue Bonds (the “Series 2006 A Bonds”); and (ii) to pay financing costs related to the issuance of the Authority’s debt obligations, including underwriters’ discount, structuring fees, any insurance premiums, credit enhancement or liquidity fees related to obtaining any municipal bond insurance policy, other credit enhancement or liquidity facilities determined to be necessary or desirable and other costs incurred by the Authority in connection therewith;

WHEREAS, implementation of any refunding will depend upon market conditions and other factors, and the Authority expects to issue the Series 2015 Bonds either as fixed rate or variable rate bonds or a combination thereof;

WHEREAS, any fixed rate Series 2015 Bonds will have a true interest cost not to exceed 3.00 percent and any variable rate Series 2015 Bonds will have an initial interest rate not to exceed 3.00 percent;

WHEREAS, on February 24, 1998, the Authority adopted its General Resolution Authorizing Revenue Obligations (the “General Bond Resolution”), which, consistent with the Power Authority Act, Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended from time to time, authorizes special obligations of the Authority (hereinafter “Bonds”), in accordance with the terms thereof for any lawful purpose;

WHEREAS, the General Bond Resolution requires that the issuance of each series of Bonds by the Authority shall be authorized by a supplemental resolution or resolutions of the Authority adopted at or prior to the time of issuance, subject to further delegation to certain officers to establish the details of the terms of such Bonds;

WHEREAS, duly authorized officers of the Authority have caused to be prepared and submitted to the Trustees a form of the Tenth Supplemental Resolution to the General Bond Resolution, attached to this resolution as **Exhibit**

1, which authorizes the issuance of one or more series of Series 2015 Bonds in an aggregate principal amount of not more than \$80,000,000 for the purposes of implementing the associated plan of finance;

WHEREAS, in connection with the Series 2015 Bonds, the Authority may enter into one or more interest rate exchange agreements in accordance with its Policy for the Use of Interest Rate Exchange Agreements adopted on January 25, 2011, relating to such agreements;

WHEREAS, it is anticipated that one or more contracts of purchase would be entered into with underwriters selected by the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, or Treasurer (each a “Designated Officer”) from a prequalified underwriting pool of Senior Managers, Co-Managers and Selling Group members approved by the Trustees at the July 29, 2014, Board Meeting (the “Prequalified Underwriting Pool”) which such contracts of purchase will be in substantially the form of the Contract of Purchase previously entered into in connection with the sale of the Authority’s Series 2011 A Revenue Bonds (the “Series 2011 Bonds”);

WHEREAS, a preliminary official statement relating to the Series 2015 Bonds is expected to be made available to potential purchasers of the Series 2015 Bonds, a draft form of which is attached to this resolution as **Exhibit 2**; and

WHEREAS, the Finance Committee of the Trustees has reviewed and considered the proposed issuance of the Series 2015 Bonds and the associated plan of finance and has recommended the approval thereof.

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

Section 1. One or more series of the Series 2015 Bonds shall be sold, subject to the limitations described below, to underwriters selected by a Designated Officer from the Prequalified Underwriting Pool, at such prices, with accrued interest, if any, on such Bonds from the date of issue of said Bonds to the date of delivery and payment for said Bonds, as any Designated Officer may accept and as will be in compliance with the requirements of the Tenth Supplemental Resolution, pursuant to a Contract of Purchase, and upon the basis of the representations therein set forth.

Section 2. The Designated Officers shall be, and each of them hereby is, authorized on behalf of the Authority, subject to the limitations described below, to execute one or more Contracts of Purchase substantially in the form entered into in connection with the Series 2011 Bonds, providing for the sale of one or more series

of the Bonds to said purchasers, with such changes, insertions, deletions, amendments and supplements as any Designated Officer may approve, subject to the requirements of the Tenth Supplemental Resolution, and to deliver it to said purchasers; and that said officers and all other officers of the Authority are each hereby authorized and directed to carry out or cause to be carried out all obligations of the Authority set forth in said Contracts of Purchase upon execution thereof and that the execution of the Contracts of Purchase relating to the Series 2015 Bonds by any of said authorized officers be conclusive evidence that any conditions imposed by the Trustees have been satisfied and the sale and issuance of the Series 2015 Bonds has been authorized by the Authority's Board of Trustees.

Section 3. The Tenth Supplemental Resolution in the form presented to this meeting (attached hereto as **Exhibit 1**) and made a part of this resolution as though set forth in full herein, is hereby approved and adopted. The Designated Officers shall be, and each of them hereby is, authorized on behalf of the Authority to deliver the Tenth Supplemental Resolution to the Trustee (as defined in the General Resolution), with such amendments, supplements, changes, insertions and omissions thereto as may be approved by the Chairman and the President and Chief Executive Officer, which amendments, supplements, insertions and omissions shall be deemed to be part of such resolution as approved and adopted hereby.

Section 4. The Designated Officers shall be, and each of them hereby is, authorized to make such changes, insertions, deletions, amendments and supplements, to or from the draft form of the Preliminary Official Statement relating to the Series 2015 Bonds (attached hereto as **Exhibit 2**) as may be approved by any such officer, and upon the completion of any such modifications, such officer is authorized to execute such certificates as may be requested by the underwriters to certify on behalf of the Authority that such Preliminary Official Statement is "deemed final" for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, subject to the omission of such information as is permitted by such Rule. The distribution of one or more Preliminary Official Statements relating to the Series 2015 Bonds to all interested persons in connection with the sale of such Bonds is hereby approved.

Section 5. The Designated Officers shall be, and each of them hereby is, authorized to adopt and execute on behalf of the Authority one or more final Official Statements of the Authority relating to the Series 2015 Bonds, in such form and substance as such officer deems necessary or desirable, and the delivery of each said Official Statement to the purchasers of said Bonds is hereby authorized, and the Authority hereby authorizes each said Official Statement and

the information contained therein to be used in connection with the sale and delivery of the Series 2015 Bonds.

Section 6. If it is determined to be necessary or advisable, the Designated Officers shall be, and each of them hereby is, authorized on behalf of the Authority to obtain one or more bond insurance policies, credit enhancement facilities or liquidity facilities for each series of the Series 2015 Bonds with such terms and conditions as such officer deems necessary or advisable, and which a Designated Officer may select, covering scheduled payments of principal of and interest on such Bonds, including mandatory sinking fund redemption payments.

Section 7. If it is determined to be necessary or advisable, the Designated Officers shall be, and each of them hereby is, authorized on behalf of the Authority to enter into one or more interest rate exchange agreements relating to any Series 2015 Bonds in a notional amount not greater than the principal amount of the related Series 2015 Bonds, with such terms and conditions and with such counterparties as such officer deems necessary or advisable.

Section 8. The Designated Officers and all other officers of the Authority shall be, and each of them hereby is, authorized and directed, for and in the name and 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, including but not limited to those actions, certificates, agreements and other documents described in the Tenth Supplemental Resolution, the Contracts of Purchase and the other documents approved today or required in connection with the obtaining of one or more bond insurance policies, credit enhancement facilities, or liquidity facilities, which they, or any of them, may deem necessary or advisable in order to (i) consummate the lawful sale, issuance and delivery of the Series 2015 Bonds; (ii) implement any action permitted to be taken by the Authority under the Tenth Supplemental Resolution, the Contracts of Purchase and the other agreements and documents approved today following the issuance of the Series 2015 Bonds; and (iii) effectuate the purposes of the transactions and documents approved today.

Section 9. The Bank of New York Mellon is hereby appointed as Registrar and Paying Agent for the Series 2015 Bonds under the General Resolution and as escrow agent for the refunded Series 2006 A Bonds if an escrow account is established for such refunded Series 2006 A Bonds.

Section 10. The Designated Officers shall be, and each of them hereby is, authorized to execute one or more Continuing Disclosure Agreements relating to

the Series 2015 Bonds between the Authority and The Bank of New York Mellon, as Trustee under the General Resolution, in substantially the form of the continuing disclosure agreement executed by the Authority in connection with the issuance of the Series 2011 Bonds, each with such changes, insertions, deletions, and supplements, as such authorized executing officer deems in his or her discretion to be necessary or appropriate, including, without limitation, such changes as are necessary to conform to recent amendments to Rule 15c2-12 under the Securities Exchange Act of 1934, such execution to be conclusive evidence of such approval.

Section 11. The Designated Officers, and all other officers of the Authority shall be, and each of them hereby is, authorized and directed, for and in the name and 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, which they, or any of them, may deem necessary or advisable in order to effectuate the foregoing resolutions.

EXHIBITS

- Exhibit 1: Tenth Supplemental Resolution Authorizing Series 2015 Bonds
- Exhibit 2: Draft of Preliminary Official Statement relating to the Series 2015 Bonds

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER XX, 2015

NEW ISSUE—BOOK ENTRY ONLY

In the opinion of Co-Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2015 A Revenue Bonds (the “2015 A Bonds”) is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2015 A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. See “Tax Matters” herein. In addition, in the opinion of Co-Bond Counsel, under existing statutes, interest on the 2015 A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the 2015 A Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers.

\$ _____,_____,_____*

**Power Authority of the State of New York
Series 2015 A Revenue Bonds**

Dated: Date of Delivery

Due: November 15, as shown on inside cover page

The Power Authority of the State of New York (the “Authority”), a corporate municipal instrumentality and political subdivision of the State of New York, is issuing the above-captioned bonds (the “2015 A Bonds”) to refund the Authority’s Series 2006 A Revenue Bonds and to pay the costs of issuance of the 2015 A Bonds.

The 2015 A Bonds will be issued only as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the 2015 A Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the 2015 A Bonds purchased. So long as DTC or its nominee is the registered owner of the 2015 A Bonds, payments of the principal of, and premium, if any, and interest on the 2015 A Bonds will be made directly to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursements of such payments to the beneficial owners is the responsibility of DTC Participants and Indirect Participants. See “PART 1—APPENDIX B—Book-Entry-Only System Procedures” herein. The Bank of New York Mellon is the Trustee under the General Resolution Authorizing Revenue Obligations herein described. Principal of the 2015 A Bonds will be payable as provided on the inside cover page of this Official Statement. Interest on the 2015 A Bonds will be payable on November 16, 2015 and semiannually thereafter on May 15 and November 15.

The 2015 A Bonds will be payable from and secured by a pledge of the Trust Estate (subject to no prior pledge or lien), after the payment of Operating Expenses, including all revenues derived directly or indirectly from any of the Authority’s operations other than those revenues attributable directly or indirectly to the ownership or operation of any Separately Financed Projects as described herein. The 2015 A Bonds are on a parity with other Obligations and the Parity Debt of the Authority. See “PART 1—SECURITY FOR THE 2015 A BONDS” herein.

The Authority has no taxing power and its obligations are not debts of the State of New York or of any political subdivision of the State, other than the Authority.

The 2015 A Bonds are offered when, as and if issued and accepted by the Underwriters, and subject to the approval of legality by Hawkins Delafield & Wood LLP and Bryant Rabbino LLP, each Co-Bond Counsel to the Authority. Certain legal matters are subject to the approval of Nixon Peabody LLP and Love and Long, LLP, each Co-Special Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Gonzalez, Saggio & Harlan LLP. It is expected that the 2015 A Bonds in definitive form will be available for delivery in New York, New York, on October [__], 2015.

Goldman, Sachs & Co.

Loop Capital Markets LLC

October __, 2015

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change, without notice. The securities described herein may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

\$____,____,____^{*}
Series 2015 A Revenue Bonds

SERIAL BONDS

<u>Maturity November 15</u>	<u>Principal Amount[*]</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP (64989K)[†]</u>
2016	\$____,____,____			
2017	____,____,____			
2018	____,____,____			
2019	____,____,____			
2020	____,____,____			

^{*} Preliminary, subject to change.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Authority or the Underwriters and are included solely for the convenience of the registered owners of the applicable 2015 A Bonds. Neither the Authority nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable 2015 A Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2015 A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2015 A Bonds.

No dealer, broker, salesperson or other person has been authorized by the Power Authority of the State of New York (the "Authority") to give any information or to make any representations, other than as contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2015 A Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the Authority and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

The statements contained in this Official Statement that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "illustrate," "example," and "continue," or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumption and estimates and possible changes or developments in various important factors. Accordingly, actual business and financial results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material.

In connection with the offering of the 2015 A Bonds, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of such bonds at levels above those which might otherwise prevail in the open market. Such stabilization or maintenance, if commenced, may be discontinued at any time.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONSISTS OF THE COVER PAGE, THE INSIDE FRONT COVER, THE TABLES OF CONTENTS, THE SUMMARY AND THIS PART 1, INCLUDING THE APPENDICES TO THIS PART 1 (ALL OF THE FOREGOING ARE REFERRED TO COLLECTIVELY AS "PART 1"), AND THE ATTACHED PART 2, INCLUDING ALL APPENDICES THERETO (COLLECTIVELY, "PART 2"). BOTH THIS PART 1 AND PART 2 ARE DATED OCTOBER __, 2015. THIS PART 1, TOGETHER WITH PART 2, CONSTITUTES THE AUTHORITY'S OFFICIAL STATEMENT RELATING TO THE 2015 A BONDS (AND ONLY SUCH BONDS). BOTH PART 1 AND PART 2 MUST BE READ IN THEIR ENTIRETY.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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SUMMARY

The following summary does not purport to be complete and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Official Statement and any supplement or amendment hereto. Capitalized terms used in this Summary and not defined herein have the meanings given to such terms elsewhere in this Official Statement.

Issuer	Power Authority of the State of New York (the “Authority”) is a corporate municipal instrumentality and political subdivision of the State of New York (the “State”). The Authority generates, transmits and sells electric power and energy at both wholesale and retail. The Authority’s primary customers are municipal and investor-owned utilities and rural electric cooperatives located throughout the State, high load factor industries and other businesses, various public corporations located within the metropolitan area of New York City (the “City”), and certain neighboring states. The Authority owns and operates five major generating facilities, 11 small electric generating facilities, and four small hydroelectric facilities, with a total installed capacity of 6,051 MW, and a number of transmission lines, including major 765-kV and 345-kV transmission facilities.
The 2015 A Bonds	<p>The 2015 A Bonds are being offered in the principal amount per maturity and bearing the interest rates set forth on the cover and inside front cover pages of this Official Statement.</p> <p>The 2015 A Bonds will be issued pursuant to the Authority’s General Resolution Authorizing Revenue Obligations, adopted on February 24, 1998, as amended and supplemented (the “General Resolution”).</p>
Denominations	\$5,000 or any integral multiple thereof.
Interest Payment Dates	November 16, 2015 and semiannually thereafter on each May 15 and November 15.
Security for the 2015 A Bonds.....	The 2015 A Bonds will be payable from and secured by a pledge of the Trust Estate (subject to no prior pledge or lien), including all revenues derived directly or indirectly from any of the Authority’s operations other than those revenues attributable directly or indirectly to the ownership or operation of any Separately Financed Projects and not including any Federal or State grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose. The General Resolution provides that the amounts in the Operating Fund are to be used to pay debt service on the Obligations, including the 2015 A Bonds, and to pay Parity Debt after the payment of Operating Expenses. See “PART 1—SECURITY FOR THE 2015 A BONDS.”
Rate Covenant.....	The Authority has covenanted in the General Resolution that it shall at all times maintain rates, fees or charges sufficient, together with other moneys available therefor, to pay all Operating Expenses of the Authority and to pay the debt service on all Obligations, including the 2015 A Bonds. See “PART 1—SECURITY FOR THE 2015 A BONDS.”

	<p>The Authority is a party to various power sales agreements which impose limitations on the Authority’s discretion to establish rate increases. See “PART 2—POWER SALES.”</p>
Application of Proceeds.....	<p>The proceeds of the 2015 A Bonds will be used to refund \$74,590,000 of the Authority’s Series 2006 A Revenue Bonds and to pay the costs of issuance of the 2015 A Bonds. See “Part 1—USE OF PROCEEDS.”</p>
General Resolution Funds.....	<p>Two funds are established under the General Resolution: the Operating Fund and the Capital Fund, both held by the Authority. The Authority may also establish additional funds and accounts. Amounts in the Operating Fund shall be used in the following order of priority: to pay Operating Expenses; to pay debt service on Obligations, which includes the 2015 A Bonds and Parity Debt; to pay debt service on any Subordinated Indebtedness and Subordinated Contract Obligations; for withdrawal and deposit in the Capital Fund; and for withdrawal for any lawful corporate purpose, provided that such amounts are not needed at the time of such withdrawal to pay Operating Expenses or debt service as described above. See “PART 1—SECURITY FOR THE 2015 A BONDS.”</p> <p>The Authority shall from time to time, and in all events prior to any withdrawal of moneys from the Operating Fund for lawful corporate purposes, as described above, determine the amount, if any, to be held for reserves in the Operating Fund.</p> <p>Amounts in the Capital Fund shall be applied to the Capital Costs of the Authority, but must be applied to the payment of debt service on the Obligations, including the 2015 A Bonds and Parity Debt, if needed.</p>
Additional Indebtedness; Parity Debt.....	<p>As of June 30, 2015, the Authority had outstanding \$940,900,000 in principal amount of Revenue Bonds, which are Obligations on a parity with the 2015 A Bonds. As of June 30, 2015, the Authority had outstanding \$86,115,000 of Adjustable Rate Tender Notes issued in 1985 (the “ART Notes”), which are on a parity with the Revenue Bonds, including the 2015 A Bonds.</p> <p>The Authority may issue additional Obligations pursuant to the General Resolution, payable and secured on a parity with the 2015 A Bonds, for any purpose of the Authority authorized by Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended from time to time (the “Act”), as amended from time to time, or by other then-applicable State statutory provisions. The principal amount of Obligations which may be delivered under the General Resolution is not limited, and there is no debt service coverage or historical or projected earnings test that must be satisfied as a condition to any such delivery.</p> <p>The Authority may also incur additional Parity Debt payable and secured on a parity with Obligations, including the 2015 A Bonds.</p>

Parity Debt currently includes the ART Notes (see “PART 1—SECURITY FOR THE 2015 A Bonds—Additional Debt Issuance”). Parity Debt may also be incurred in connection with, among other things, Credit Facilities, Qualified Swaps and certain take-or-pay fuel or power contracts. See “PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt.”

The Authority may issue Subordinated Indebtedness or incur Subordinated Contract Obligations payable from the Trust Estate subject and subordinate to the payments to be made with respect to the Obligations, including the 2015 A Bonds, and any Parity Debt, and secured by a lien on and pledge of the Trust Estate junior and inferior to the lien on and pledge of the Trust Estate created for the payment of the Obligations, including the 2015 A Bonds, and any Parity Debt.

As of June 30, 2015, the Authority had outstanding \$548,793,000 of Subordinated Indebtedness.

The Authority may issue bonds, notes, or other obligations or evidences of indebtedness, other than Obligations, for any project authorized by the Act or by other then-applicable State statutory provisions. The Authority also may finance any such project from other available funds (any project so financed is referred to herein as a “Separately Financed Project”), if such bonds, notes, or other obligations or evidences of indebtedness, if any, and the Authority’s share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project or from other available funds of the Authority released from the lien on the Trust Estate in accordance with the General Resolution. There are currently no Separately Financed Projects.

Registration of the 2015 A

Bonds

The 2015 A Bonds will be issuable as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). No person acquiring an interest in the 2015 A Bonds (a “Beneficial Owner”) will be entitled to receive a 2015 A Bond in certificated form (a “Definitive Obligation”), except under the limited circumstances described in this Official Statement under “PART 1—APPENDIX B—BOOK-ENTRY-ONLY SYSTEM PROCEDURES.” Unless and until Definitive Obligations are issued, all references to actions by Owners will refer to actions taken by DTC, upon instructions from DTC Participants, and all references herein to distributions, notices, reports and statements to Owners shall refer to distributions, notices, reports and statements, respectively, to DTC or Cede & Co., as the registered owner of the 2015 A Bonds, or to DTC Participants for distribution to Beneficial Owners in accordance with DTC procedures.

Tax Considerations

In the opinion of Co-Bond Counsel, to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2015

A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2015 A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. See “PART 1—TAX MATTERS.”

In addition, in the opinion of Co-Bond Counsel under existing statutes, interest on the 2015 A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including the City), and the 2015 A Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers. See “PART 1—TAX MATTERS.”

Trustee
Authority’s Financial Advisor
Ratings

The Bank of New York Mellon.
Public Financial Management, Inc.
Moody’s Investors Service, Inc. (“Moody’s”), Standard & Poor’s Public Finance, a Standard & Poor’s Financial Services LLC Business (“S&P”), a division of the McGraw-Hill Companies, Inc., and Fitch Ratings (“Fitch”) have assigned ratings of “[]”, “[]”, and “[]”, respectively, to the 2015 A Bonds.

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PART 1
of the
OFFICIAL STATEMENT
of the
POWER AUTHORITY OF THE STATE OF NEW YORK
\$____,____,____*
SERIES 2015 A REVENUE BONDS

This Official Statement provides certain information concerning the Power Authority of the State of New York (the “Authority”) in connection with the issuance of the Authority’s Series 2015 A Revenue Bonds (the “2015 A Bonds”). This Official Statement is dated [October __, 2015] to reflect the execution of a Contract of Purchase for the 2015 A Bonds on that date. The 2015 A Bonds are authorized to be issued pursuant to the Power Authority Act of the State of New York (the “State”), Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended from time to time (the “Act”), and the Authority’s “General Resolution Authorizing Revenue Obligations,” adopted on February 24, 1998, as amended and supplemented, including, in regard to the 2015 A Bonds, as supplemented by a Tenth Supplemental Resolution adopted on September 29, 2015, which authorized the issuance of the 2015 A Bonds (the “Tenth Supplemental Resolution”). The General Resolution Authorizing Revenue Obligations, as amended and supplemented, is herein collectively referred to as the “General Resolution.” The outstanding bonds, notes, and other obligations (including the 2015 A Bonds) of the Authority hereafter issued as parity obligations and outstanding pursuant to the General Resolution are referred to herein as the “Obligations.” All words and terms which are defined in the General Resolution are used herein as so defined.

INTRODUCTION

The Authority is a corporate municipal instrumentality and political subdivision of the State created in 1931 by the Act, which has its principal office located at 30 South Pearl Street, Albany, New York 12207-3425. The Authority generates, transmits and sells electric power and energy, principally at wholesale, as permitted or required by applicable law. The Authority’s primary customers are municipal and rural electric cooperatives located throughout the State, investor-owned utilities, high load factor industries, statewide commercial/industrial and not-for-profit businesses, various public corporations located within the metropolitan area of New York City, including The City of New York (the “City”), and certain neighboring states.

The Authority owns and operates five major generating facilities, 11 small electric generating facilities, and four small hydroelectric facilities, with a total installed capacity of 6,051 megawatts (“MW”), and a number of transmission lines, including major 765-kilovolt (“kV”) and 345-kV transmission facilities (see “PART 2—THE AUTHORITY’S FACILITIES”).

The Authority’s generating facilities consist of two large hydroelectric facilities (Niagara and St. Lawrence-FDR), a large pumped-storage hydroelectric facility (Blenheim-Gilboa), two gas-and-oil-fired facilities (Flynn and the combined-cycle electric generating plant located in Queens, New York, referred to herein as the “500-MW Plant”), 11 small electric generating facilities, and various small hydroelectric facilities. The Authority’s net generation in 2014 by energy source was as follows: hydroelectric [82%]; and gas/oil [18%]. In 2014, the Authority generated approximately [15%] of the electric energy used in the State. The Authority also supplied a significant portion of its customers’ needs through purchased power (see “PART 2—POWER SALES”). Although the Authority’s rates for power

* Preliminary, subject to change.

and energy vary depending upon a number of factors, overall, the Authority provides low cost power and energy to its customers.

The customers served by the Authority and the rates paid by such customers vary with the facility or other source supplying the power and energy (see “PART 2—POWER SALES”). The following is a brief description of the customers served by the Authority.

St. Lawrence-FDR and Niagara Customers. Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities are sold to New York investor-owned electric utilities, municipal electric systems, rural electric cooperatives, industrial customers, certain public bodies, and out-of-state customers.

Blenheim-Gilboa Customers. Blenheim-Gilboa power and energy are used to meet the requirements of the Authority’s business and governmental customers and to provide services in the New York Independent System Operator (“NYISO”) markets.

Southeastern New York (“SENY”) Governmental Customers. Power and energy purchased by the Authority in the capacity and energy markets, as supplemented by Authority resources, are sold to various municipalities, school districts and public agencies in the City and Westchester County area.

500-MW Plant. The power and energy of the 500-MW Plant is used to meet the requirements of the Authority’s City governmental customers and to provide services in the NYISO markets for the benefit of those customers.

Flynn. The output of Flynn is being sold into the NYISO Market as merchant generation.

Small Clean Power Plants (“SCPPs”). The power and energy of these plants is used to meet the requirements of the Authority’s business and governmental customers and to provide services in the NYISO markets.

Certain Purchased Power and Energy Customers. The Authority also sells power and energy purchased in the capacity and energy markets to industrial customers, the United States Department of Energy (“DOE”), New York investor-owned electric utilities, customers purchasing power pursuant to the Recharge New York Power Program (the “RNYPP”), businesses, municipal electric systems, rural electric cooperatives, and various municipal utility service agencies.

Transmission Facilities. The Authority owns approximately 1,400 circuit miles of high voltage transmission lines, more than any other utility in the State, with the major lines being the 765-kV Massena-Marcy line, the 345-kV Marcy-South line, the 345-kV Niagara-to-Edic transmission line, and the 345-kV Long Island Sound Cable (the “Cable”). With the implementation of the NYISO arrangement in November 1999, all transmission service over the Authority’s facilities is either pursuant to the NYISO tariffs or pre-existing Authority contracts (see “PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR”).

Customer Energy Solutions. The Authority also provides and finances energy solutions for certain of its customers and other entities in the State (see “PART 2—CUSTOMER ENERGY SOLUTIONS”).

Indebtedness. As of June 30, 2015, \$940,900,000 of senior lien Obligations (the “Revenue Bonds”), issued under the General Resolution, were outstanding.

As of June 30, 2015, \$86,115,000 of Adjustable Rate Tender Notes of the Authority (the “ART Notes”), were outstanding (see “PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Outstanding Indebtedness”). The ART Notes are on a parity with the Revenue Bonds and other Obligations to be issued by the Authority under the General Resolution, including the 2015 A Bonds.

As of June 30, 2015, Commercial Paper Notes of the Authority (the “CP Notes”) were outstanding in the aggregate principal amount of \$476,033,000. The CP Notes are Subordinated Indebtedness of the Authority as provided in the General Resolution.

As of June 30, 2015, Extendible Municipal Commercial Paper Notes of the Authority (the “EMCP Notes”) were outstanding in the aggregate principal amount of \$49,200,000. The EMCP Notes are Subordinated Indebtedness of the Authority as provided in the General Resolution.

As of June 30, 2015, the Authority’s Subordinated Notes, Series 2012 (the “2012 Subordinated Notes”) were outstanding in the aggregate principal amount of \$23,560,000. The 2012 Subordinated Notes are Subordinated Indebtedness of the Authority as provided in the General Resolution.

Information Included in this Official Statement. Part 1 of this Official Statement contains a description of the 2015 A Bonds and the security for the 2015 A Bonds, and a discussion of other matters relating to the 2015 A Bonds. In Part 2 of this Official Statement, there is a description of the Authority, its operations and financial condition and a discussion of certain relevant developments. The financial statements of the Authority for the years ended December 31, 2009 through December 31, 2014 were provided to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“EMMA”), currently located at <http://emma.msrb.org/>.

The Authority’s financial statements for the year ended December 31, 2014, are hereby incorporated by reference in this Official Statement. Informational copies of the Authority’s financial statements for the years ended December 31, 2009 through December 31, 2014 are available on the Authority’s website at <http://www.nypa.gov/financial/default.htm>. Except for the Authority’s financial statements for the year ended December 31, 2014, no information on the Authority’s website is deemed incorporated by reference in this Official Statement.

A discussion of certain litigation pending or threatened against the Authority, or involving or adversely affecting the property or assets of or under the control of the Authority, is set forth in Appendix D to Part 1 of this Official Statement. A summary of certain provisions of the General Resolution is set forth in Appendix 1 to Part 2 of this Official Statement. The proposed forms of the approving opinions of Co-Bond Counsel are set forth in Appendix A-1 and Appendix A-2 to Part 1 of this Official Statement. Extracts from the schedule of The Depository Trust Company (“DTC”) entitled “Sample Official Statement Language Describing Book-Entry-Only Issuance” are set forth in Appendix B to Part 1 of this Official Statement. Backgrounds of the Authority’s Trustees and certain senior management staff are set forth in Appendix 2 to Part 2 of this Official Statement. The form of the Continuing Disclosure Agreement that the Authority will execute in connection with the issuance of the 2015 A Bonds is set forth in Appendix C to Part 1 of this Official Statement.

SECURITY FOR THE 2015 A BONDS

The General Resolution authorizes the issuance of the Obligations for any purpose authorized by the Act or other State statutory provision then applicable. All Obligations, including the 2015 A Bonds, are payable from Revenues and secured by a pledge of the Trust Estate, subject to no prior pledge or lien.

Revenues

Revenues consist of all revenues, rates, fees, charges, rents, proceeds from the sale of Authority assets, insurance proceeds, and other income and receipts, as derived in cash by or for the account of the Authority directly or indirectly from any of the Authority's operations, including but not limited to the ownership or operation of any Project, but not including any such income or receipts attributable directly or indirectly to the ownership or operation of any project financed from other available funds (a "Separately Financed Project") (see "PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Conditions for Issuance of Obligations") and not including any federal or State grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose.

Trust Estate

The Trust Estate consists of, collectively, (i) all Revenues; (ii) the proceeds of sale of the Obligations until expended for the purposes authorized by the Supplemental Resolution authorizing such Obligations; (iii) all funds, accounts and subaccounts established by the General Resolution, including investment earnings thereon; and (iv) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time conveyed, mortgaged, pledged, assigned or transferred as and for additional security for the Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee. Currently, the Trust Estate does not include any real property, structures, facilities, or equipment owned by the Authority. The Trust Estate also does not include the assets and income of the trusts established by the Authority to fund its Other Postemployment Benefits ("OPEB") obligations and certain decommissioning costs relating to the two nuclear plants it sold in 2000. See "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—State Pension Plan and Other Postemployment Benefits; Nuclear Plant Sale Matters."

Application of Revenues

The General Resolution requires that all Revenues, and such portion of the proceeds of any Obligations issued to pay Operating Expenses, be deposited into the Operating Fund. Amounts in the Operating Fund are to be paid out, accumulated or withdrawn from time to time for the following purposes and, as of any time, in the following order of priority:

- (1) payment of reasonable and necessary Operating Expenses or accumulation in the Operating Fund as a reserve (i) for working capital, (ii) for such Operating Expenses the payment of which is not immediately required, including, but not limited to, amounts determined by the Authority to be required as an operating reserve, or (iii) deemed necessary or desirable by the Authority to comply with orders or other rulings of an agency or regulatory body having lawful jurisdiction;
- (2) payment of, or accumulation in the Operating Fund as a reserve for the payment of, interest on and the principal or Redemption Price of Obligations, which includes the 2015 A Bonds, and payments due under any Parity Debt, on a parity basis, on their respective due dates or redemption dates, as the case may be;
- (3) payment of principal of and interest on any Subordinated Indebtedness or payment of amounts due under any Subordinated Contract Obligation;
- (4) withdrawal and deposit in the Capital Fund; and

(5) withdrawal for any lawful corporate purpose as determined by the Authority, including but not limited to the purchase or redemption of Obligations or Subordinated Indebtedness, provided, that prior to any such withdrawal, the Authority shall have determined, taking into account anticipated future receipts of Revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for any of the purposes set forth in paragraphs (1), (2) or (3) above (see “PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION”).

Since 1998 the Authority has maintained an Operating Reserve, presently funded in the amount of \$175 million. While the Authority intends to maintain the \$175 million Operating Reserve, the maintenance and size of the Reserve is at the discretion of the Authority’s Board of Trustees and may at any time be modified or eliminated at the discretion of the Board.

Rate Covenant

The Authority has covenanted in the General Resolution that it shall at all times maintain rates, fees or charges, and any contracts entered into by the Authority for the sale, transmission or distribution of power shall contain rates, fees or charges, sufficient, together with other moneys available therefore (including the anticipated receipt of proceeds of sale of Obligations or other bonds, notes or other obligations or evidence of indebtedness of the Authority that will be used to pay the principal of Obligations issued in anticipation of such receipt),

(i) to pay all Operating Expenses of the Authority,

(ii) to pay the debt service on all Obligations, including the 2015 A Bonds, then outstanding and the debt service on all Subordinated Indebtedness then outstanding, and all Parity Debt and Subordinated Contract Obligations, all as the same respectively become due and payable, and

(iii) to maintain any reserve established by the Authority pursuant to the General Resolution, in such amount as may be determined from time to time by the Authority in its judgment.

The Authority is a party to various power sales agreements which impose limitations on the Authority’s discretion to establish rate increases (see “PART 2—POWER SALES”).

The rates for firm power and associated energy from the St. Lawrence-FDR and Niagara hydroelectric facilities sold by the Authority have been established for certain customers in the context of an agreement settling litigation (see “PART 2—POWER SALES—St. Lawrence-FDR and Niagara”).

The rates for power generated and transmission service provided by the Authority are subject neither to the provisions of the New York Public Service Law (the “Public Service Law”) nor to regulation by or the jurisdiction of the New York Public Service Commission (the “PSC”). In connection with the establishment of rates or charges for the use of the Authority’s transmission system, see the discussion of the NYISO arrangement in “PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR.”

Covenant Regarding Projects

The General Resolution also requires the Authority to operate or cause to be operated each Project in a sound and economical manner and to maintain, preserve and keep the same or cause the same to be maintained, preserved and kept, in good repair, working order and condition, and from time to time to make all necessary and proper repairs, replacements and renewals so that at all times the operations thereof may be properly and advantageously conducted. The General Resolution permits the Authority to cease operating or maintaining, and to lease or dispose of, any Projects (other than the Niagara and

St. Lawrence-FDR Projects) if, in the judgment of the Authority, it is advisable to lease, dispose of, or not to operate and maintain the same and the operation thereof is not essential to the maintenance and continued operation of the rest of the Authority's Projects. See "PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

Additional Debt Issuance

The General Resolution permits the Authority to issue additional Obligations for any purpose authorized by the Act or other applicable State statutory provision, without restriction as to amount and without having to satisfy any debt service coverage or historical or projected earnings test. The Authority has covenanted in the General Resolution not to issue any bonds or evidences of indebtedness, other than the Obligations, secured by a pledge of the Trust Estate, and not to create or cause to be created any lien or charge on the Trust Estate, except to the extent provided in the General Resolution; provided that the Authority may, at any time, or from time to time, incur Subordinated Indebtedness or enter into Subordinated Contract Obligations payable from Revenues and secured by a pledge of the Trust Estate, and such pledge shall be subordinate in all respects to the pledge created by the General Resolution as security for payment of the Obligations, including the 2015 A Bonds. As of the date of this Official Statement, the Subordinated Indebtedness issued by the Authority and outstanding consists of the CP Notes, EMCP Notes and the 2012 Subordinated Notes (see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Outstanding Indebtedness"). For a discussion of debt the Authority expects to issue in the period 2015-2019, see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Projected Capital and Financing Requirements and Other Potential Initiatives."

The Authority may also incur Parity Debt payable and secured on a parity with Obligations, including the 2015 A Bonds. Parity Debt currently consists of the ART Notes. Parity Debt may also be incurred in connection with, among other things, Credit Facilities, Qualified Swaps and certain take-or-pay fuel or power contracts (see "PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt").

The Authority entered into a ten-year floating-to-fixed interest rate swap agreement which commenced in September 2006 relating to its ART Notes (the "ART Notes Swap Agreement"), having an initial notional amount of approximately \$156 million, of which \$86,115,000 is currently outstanding, and which declines over the term of the agreement to approximately \$75 million. The ART Notes Swap Agreement and the payments relating to any termination or other fees, expenses, indemnification or other obligations to the counterparty under such agreement are subordinate to the Obligations, including the 2015 A Bonds. See the Authority's financial statements for the year ended December 31, 2014, Note 8, for further discussion of this interest rate swap agreement.

In connection with future or outstanding debt, the Authority may enter into additional interest rate swap agreements, either of the fixed-to-floating rate or floating-to-fixed rate variety, which may also include forward swaps. The regularly scheduled payments under any such swap agreements could be either on a parity with the Obligations, including the 2015 A Bonds, or subordinate to the Obligations, including the 2015 A Bonds, as determined by the Authority. The payments relating to any termination or other fees, expenses, indemnification or other obligations to the counterparties under such swap agreements would be subordinate to the Obligations, including the 2015 A Bonds.

The General Resolution also permits the Authority to issue bonds, notes, or any other obligations under another and separate resolution to finance a Separately Financed Project.

For a discussion of energy swap agreements entered into by the Authority, see the Authority’s financial statements for the year ended December 31, 2014, Note 8.

General

The Authority has no taxing power and its obligations are not debts of the State or of any political subdivision of the State, other than the Authority. The 2015 A Bonds will not constitute a pledge of the faith and credit of the State or of any political subdivision thereof, other than the Authority. The issuance of the 2015 A Bonds will not obligate the State or any of its political subdivisions to levy or pledge the receipts from any form of taxation for the payment of the 2015 A Bonds.

For a description of other provisions of the General Resolution related to the security for the Obligations, including the 2015 A Bonds, see “PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.”

USE OF PROCEEDS

The proceeds of the 2015 A Bonds will be used to (a) refund \$74,590,000 of the Authority’s Series 2006 A Revenue Bonds and (b) pay the costs of issuance of the 2015 A Bonds.

Moneys will be derived from the sources and applied to the uses approximately as set forth below:

Sources of Funds	
Principal Amount of the 2015 A Bonds.....	\$
Net Original Issue Premium.....	
Available Authority Funds.....	
Total.....	<u>\$</u>
Application of Funds	
Refunding of Series 2006 A Revenue Bonds.....	\$
Deposit into Operating Fund to Redeem 2006 A Revenue Bonds	
Financing Costs ⁽¹⁾	<u></u>
Total.....	<u>\$</u>

⁽¹⁾ Includes costs of issuance, underwriters’ discount, and State bond issuance fee.

THE 2015 A BONDS

General Terms

The 2015 A Bonds will be in the principal amount and will be dated, will mature at the times and in the principal amounts, will bear interest at the rates, and will be in the form of serial bonds, as set forth on the inside cover page of this Official Statement.

The 2015 A Bonds are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof, registered only in the name of Cede & Co., as nominee of DTC (see “PART 1—APPENDIX B—BOOK-ENTRY-ONLY SYSTEM PROCEDURES”). So long as the 2015 A Bonds are registered in the name of Cede & Co., principal and interest will be payable solely to Cede & Co., as nominee of DTC, as the sole registered owner of the 2015 A Bonds, and, except under the caption “PART

1—TAX MATTERS,” references herein to the registered owner or owner shall be to DTC and not the beneficial owners.

The 2015 A Bonds will bear interest payable on November 16, 2015 and semiannually on May 15 and November 15 thereafter, to the registered owners as of the close of business on the first day (whether or not a business day) of the month in which such interest payment date occurs by check or draft mailed to the address as it appears on the books of registry maintained by The Bank of New York Mellon, the Registrar pursuant to the General Resolution, at its principal corporate trust office.

Redemption

The 2015 A Bonds are not subject to redemption prior to maturity.

TAX MATTERS

Opinions of Co-Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP and Bryant Rabbino LLP, Co-Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2015 A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2015 A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering their opinions, Co-Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the 2015 A Bonds, and Co-Bond Counsel has assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2015 A Bonds from gross income under Section 103 of the Code.

In addition, in the opinions of Co-Bond Counsel to the Authority, under existing statutes, interest on the 2015 A Bonds is exempt from personal income taxes imposed by the State of or any political subdivision thereof (including the City), and the 2015 A Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers.

Co-Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the 2015 A Bonds. Co-Bond Counsel render their opinions under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Co-Bond Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2015 A Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2015 A Bonds in order that interest on the 2015 A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2015 A Bonds, yield and other

restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the 2015 A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority has covenanted under the General Resolution to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2015 A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the 2015 A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 2015 A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2015 A Bonds.

Prospective owners of the 2015 A Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the 2015 A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a 2015 A Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the 2015 A Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of 2015 A Bonds is expected to be the initial public offering price set forth on the cover page of this Official Statement. Co-Bond Counsel further are of the opinion that, for any 2015 A Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the 2015 A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a 2015 A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the 2015 A Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Amortized bond premium also reduces the owner’s cost basis, and under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2015 A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2015 A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2015 A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the 2015 A Bonds, or otherwise prevent beneficial owners of the 2015 A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2015 A Bonds. For example, the Fiscal Year 2016 Budget proposed by the Obama Administration recommends a 28% limitation on “all itemized deductions, as well as other tax benefits” including “tax-exempt interest.”

The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond, regardless of issue date. Prospective purchasers of the 2015 A Bonds should consult their own tax advisors regarding the foregoing matters.

UNDERWRITING

The Underwriters listed on the front cover page of this Official Statement, Goldman, Sachs & Co. and Loop Capital Markets LLC (collectively, the “Underwriters”), have jointly and severally agreed, subject to certain conditions, to purchase from the Authority the 2015 A Bonds described on the cover of this Official Statement at a purchase price of \$_____, or approximately _____% of the aggregate principal amount of the 2015 A Bonds. The purchase price reflects a net original issue [discount] of \$_____ and an underwriters discount of \$_____. The Underwriters will be obligated to purchase all 2015 A Bonds if any are purchased.

The Underwriters have advised the Authority that the 2015 A Bonds being reoffered may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such initial public offering prices. After the initial public offering, the public offering prices may be changed from time to time by the Underwriters.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

CONTINUING DISCLOSURE UNDERTAKING FOR THE 2015 A BONDS

Pursuant to a Continuing Disclosure Agreement dated the date of the closing of the 2015 A Bonds, to be entered into by and between the Authority and the Trustee, the Authority will covenant, for the benefit of the holders of the 2015 A Bonds, to provide certain financial information and operating data relating to the Authority by no later than nine months after the end of each of the Authority’s fiscal years (presently, by each September 30) (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events with respect to the 2015 A Bonds. Any filing under the Continuing Disclosure Agreement will be made solely by transmitting such filing to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system, currently located at <http://emma.msrb.org/>.

The specific nature of the information to be contained in the Annual Report and the notices of material events is set forth in the form of the Continuing Disclosure Agreement, which is included in its entirety in Appendix C to Part 1 of this Official Statement. The Authority’s agreement will be made in order to assist the Underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “SEC”).

CREDIT RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Public Finance, a Standard & Poor's Financial Services LLC Business ("S&P"), a division of the McGraw-Hill Companies, Inc., and Fitch Ratings ("Fitch") have assigned ratings of "[]", "[]", and "[]", respectively, to the 2015 A Bonds.

General

The respective ratings by Moody's, S&P, and Fitch of the 2015 A Bonds reflect only the views of such organizations and any desired explanation of the significance of such ratings and any outlooks or other statements given by the rating agencies with respect thereto should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, Standard & Poor's Ratings Service, 55 Water Street, New York, New York 10041, and Fitch Ratings, 33 Whitehall Street, New York, New York 10004. Generally, a rating agency bases its ratings and outlook (if any) on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Authority has furnished to each rating agency rating the 2015 A Bonds information, including information not included in this Official Statement, about the Authority and the 2015 A Bonds. There is no assurance such ratings for the 2015 A Bonds will continue for any given period of time or that any of such ratings will not be revised downward or withdrawn entirely by any of the rating agencies, if, in the judgment of such rating agency or agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2015 A Bonds.

FINANCIAL ADVISOR

Public Financial Management, Inc. ("PFM") serves as the independent financial advisor to the Authority, respectively, in connection with the structuring, marketing and sale of the 2015 A Bonds, including the timing and conditions of issuance, and other such financial guidance as requested by the PFM. Although PFM performed an active role in the drafting of this Official Statement and other related transaction documents, PFM has not independently verified any of the information set forth herein.

LITIGATION

There is no litigation pending or threatened in any court (either State or Federal) to restrain or enjoin the issuance or delivery of the 2015 A Bonds or questioning the creation, organization or existence of the Authority, the title to office of the Trustees or officers of the Authority, the validity of the General Resolution, the pledge of the Trust Estate, the proceedings for the authorization, execution, authentication and delivery of the 2015 A Bonds or the validity of the 2015 A Bonds.

Litigation pending against the Authority (under the jurisdiction of either State or Federal courts or agencies) or threatened against the Authority, or involving or adversely affecting any of the property or assets of or under the control of the Authority, includes, among other matters, the matters described in Appendix D to Part 1 of this Official Statement.

The Authority is unable to predict the outcome of matters described in Appendix D, as well as the other actions or proceedings referred to in this Official Statement, but believes that the Authority has meritorious defenses or positions with respect thereto. Adverse decisions or determinations of certain types could, however, delay or impede the Authority's construction and operation of its existing or planned projects and could require the Authority to incur substantial additional costs, and such decisions or determinations could also adversely affect the Authority's revenues. See "PART 2—CERTAIN

FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY” for information with respect to certain other regulatory and administrative matters.

LEGALITY FOR INVESTMENT

The Act provides that the 2015 A Bonds will be legal investments under present provisions of State law for public officers and bodies of the State and municipalities and municipal subdivisions, insurance companies and associations and other persons carrying on an insurance business, banks, bankers and trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies, and other persons carrying on a banking business, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds of the State; but the 2015 A Bonds will not be eligible for the investment of funds, including capital, of trusts, estates or guardianships under the control of individual administrators, guardians, executors, trustees and other individual fiduciaries, except when such individual fiduciary is acting with a corporate co-fiduciary. Under the Act, the 2015 A Bonds will be eligible for deposit with all public officers and bodies of the State for any purpose for which the deposit of the State’s obligations is or may be authorized.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization and issuance of the 2015 A Bonds are subject to the approval of Hawkins Delafield & Wood LLP and Bryant Rabbino LLP, each Co-Bond Counsel to the Authority. The approving opinions of Co-Bond Counsel to be delivered with such Bonds will be in substantially the forms attached to Part 1 of this Official Statement as Appendix A-1 and Appendix A-2. Certain legal matters will be passed upon for the Underwriters by their counsel, Gonzalez, Saggio & Harlan LLP. Certain legal matters are subject to the approval of Nixon Peabody LLP and Love and Long, LLP, each Co-Special Counsel to the Authority.

MISCELLANEOUS

The references in this Official Statement (which consists of Part 1 and Part 2) to the General Resolution, the Act, the Public Service Law, the Niagara Redevelopment Act, the Federal Power Act (the “FPA”), the Code, certain legislation and court and Federal Energy Regulatory Commission decisions, orders and other actions, the licenses, certifications and permits and certain contracts and leases are brief summaries and outlines of certain portions or provisions thereof. Such summaries and outlines do not purport to be complete, and reference is made to such documents, legislation, decisions, laws, licenses and contracts for full and complete statements of such portions or provisions. Copies of such documents are on file at the offices of the Authority. All estimates and opinions presented herein are intended only as such and not as representations of fact.

The agreements with the Owners of the 2015 A Bonds are fully set forth in the General Resolution. This Official Statement does not constitute and is not intended to constitute a contract between the Authority and any Owner of any 2015 A Bond.

All inquiries to the Authority relating to this Official Statement should be addressed to Brian C. McElroy, Treasurer, Power Authority of the State of New York, 123 Main Street, White Plains, New York 10601 (telephone number: 914-287-3956).

The delivery of this Official Statement has been duly authorized by the Authority.

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____
President and Chief Executive Officer

October __, 2015

**FORM OF APPROVING OPINION OF HAWKINS DELAFIELD & WOOD LLP
WITH RESPECT TO THE 2015 A BONDS**

October __, 2015

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

Ladies and Gentlemen:

We have examined a certified copy of a record of proceedings relating to the issuance of Revenue Bonds, Series 2015 A in the principal amount of \$_____ (“2015 A Bonds”) of the Power Authority of the State of New York (the “Authority”), a body corporate and politic constituting a corporate municipal instrumentality and political subdivision of the State of New York (the “State”).

The 2015 A Bonds are issued under and pursuant to the Constitution and statutes of the State, including the Power Authority Act, being Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended (herein called the “Act”), and under and pursuant to proceedings of the Authority duly taken, including a resolution of the Authority adopted on February 24, 1998, entitled “General Resolution Authorizing Revenue Obligations” (the “General Resolution”), as amended and supplemented, including by a Tenth Supplemental Resolution adopted on September 29, 2015 (the “Tenth Supplemental Resolution” and, together with the General Resolution, the “Resolution”).

The 2015 A Bonds are dated, mature, are payable, bear interest and are subject to redemption, all as provided in the Resolution.

The Authority reserves the right to issue additional bonds, notes and other obligations as parity obligations under the Resolution (collectively with the 2015 A Bonds and all other outstanding parity obligations under the Resolution, the “Revenue Bonds”) on the terms and conditions, and for the purposes, stated in the Resolution. Under the provisions of the Resolution, all such Revenue Bonds will rank equally as to security and payment with the 2015 A Bonds.

We are of the opinion that:

1. The Authority is duly created and validly existing under the provisions of the Act.
2. The Authority has the right and power under the Act to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Tenth Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the General Resolution, is authorized or permitted by the General Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms. The Resolution creates the valid pledge which it purports to create of the Trust Estate (as defined and to the extent provided in the Resolution), subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

3. The 2015 A Bonds have been duly and validly authorized and issued in accordance with law and in accordance with the Resolution, and are valid, binding, direct and general obligations of the Authority, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Act, payable solely from the Trust Estate as and to the extent provided in the Resolution. The Authority has good right and lawful authority under the Act to effectuate the purposes for which the proceeds of such Bonds will be utilized, subject to obtaining such licenses, orders or other authorizations, if any, as, at the date hereof, may be required to be obtained from any agency or regulatory body having lawful jurisdiction in order to effectuate such purposes. The Authority has no taxing power, the 2015 A Bonds are not debts of the State or of any political subdivision of the State, other than the Authority, and the 2015 A Bonds will not constitute a pledge of the faith and credit of the State or of any political subdivision thereof, other than the Authority.

4. Under existing statutes, interest on the 2015 A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York) and the 2015 A Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers.

5. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2015 A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2015 A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering the opinions in this paragraph 5, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the 2015 A Bonds, and we have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2015 A Bonds from gross income under Section 103 of the Code.

6. [The original issue discount on the 2015 A Bonds, if any, that has accrued and is properly allocable to the owners thereof under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the 2015 A Bonds.]

The opinions expressed in paragraphs 1, 2 and 3 above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights, and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforcement is considered in a proceeding in equity or at law.

Except as expressly stated herein, we express no opinion regarding any other Federal or state tax consequences with respect to the 2015 A Bonds. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2015 A Bonds, or under state and local tax law.

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the 2015 A Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the Authority, other than the record of proceedings referred to above, and we express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the 2015 A Bonds.

We render this opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise, or supplement this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise that may hereafter occur, or for any other reason whatsoever.

Very truly yours,

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**FORM OF APPROVING OPINION OF BRYANT RABBINO LLP
WITH RESPECT TO THE 2015 A BONDS**

[FORM TO BE PROVIDED]

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BOOK-ENTRY-ONLY SYSTEM PROCEDURES

The information contained in the following paragraphs (1)-(10) of this Appendix has been extracted from a schedule prepared by The Depository Trust Company (“DTC”), entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE.” The Authority makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2015 A Bonds. The 2015 A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the 2015 A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies, DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a long-term credit rating of AA+ by Standard & Poor’s and Aaa by Moody’s Investor Service. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of 2015 A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 A Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2015 A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2015 A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2015 A Bonds, except in the event that use of the book-entry system for the 2015 A Bonds is discontinued.

4. To facilitate subsequent transfers, all 2015 A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2015 A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015 A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015 A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2015 A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2015 Bonds, such as defaults, and proposed amendments to the 2015 A Bond documents. For example, Beneficial Owners of 2015 A Bonds may wish to ascertain that the nominee holding the 2015 A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2015 A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2015 A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

7. Distributions and interest payments on the 2015 A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and correspondingly detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

8. DTC may discontinue providing its services as depository with respect to the 2015 A Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor depository is not obtained, 2015 A Bond certificates are required to be printed and delivered.

9. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2015 A Bond certificates will be printed and delivered.

10. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY, THE TRUSTEE UNDER THE GENERAL RESOLUTION NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT OR TIMELINESS OF PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE 2015 A BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2015 A BONDS.

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FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Agreement”) dated October __, 2015 by and between the Power Authority of the State of New York (the “Issuer”) and The Bank of New York Mellon, as trustee (the “Trustee”), under a resolution adopted by the Issuer on February 24, 1998, as supplemented (the “Resolution”), is executed and delivered in connection with the issuance of the Issuer’s \$_____ principal amount of Series 2015 A Bonds. Capitalized terms used in this Agreement which are not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof. The parties agree as follows:

ARTICLE I**The Undertaking**

Section 1.1. *Purpose.* This Agreement is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. *Annual Financial Information.* (a) The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with the fiscal year ending December 31, 2015, by no later than nine months after the end of the respective fiscal year, to the MSRB.

(b) The Issuer shall provide, in a timely manner, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 1.3. *Audited Financial Statements.* If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Issuer shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 1.4. *Notice Events.* (a) If a Notice Event occurs, the Issuer shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to (i) the MSRB and (ii) the Trustee.

(b) Any such notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) The Trustee shall promptly advise the Issuer whenever, in the course of performing its duties as Trustee under the Resolution, the Trustee has actual notice of an occurrence which, if material, would require the Issuer to provide notice of a Notice Event hereunder; provided, however, that the failure of the Trustee so to advise the Issuer shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Resolution.

(d) Each notice concerning a Notice Event relating to the Bonds shall include the CUSIP numbers of the Bonds to which such Notice Event relates or, if the Notice Event relates to all bond issues of the Issuer including the Bonds, such notice need only include the CUSIP number of the Issuer.

Section 1.5. *Additional Disclosure Obligations.* The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some

circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Issuer under such laws.

Section 1.6. *Additional Information.* Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the Issuer chooses to do so, the Issuer shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.7. *No Previous Non-Compliance.* The Issuer represents that it has previously entered into written contracts or agreements of the type referenced in paragraph (b)(5)(i) of the Rule and is in compliance with such agreements.

ARTICLE II

Operating Rules

Section 2.1. *Reference to Other Filed Documents.* It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. *Submission of Information.* Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. *Dissemination Agents.* The Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Issuer under this Agreement, and revoke or modify any such designation.

Section 2.4. *Transmission of Notices, Documents and Information.* (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org. (b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. *Fiscal Year.* (a) The Issuer's current fiscal year is January 1-December 31, and the Issuer shall promptly notify (i) the MSRB and (ii) the Trustee of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. *Effective Date; Termination.* (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The Issuer's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance of all of the Bonds, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (1) delivers to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. *Amendment.* (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have delivered to the Trustee an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer (such as bond counsel or the Trustee) and acceptable to the Issuer, addressed to the Issuer and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of Bonds pursuant to the Resolution as in effect at the time of the amendment, and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and Trustee, to the effect that performance by the Issuer and the Trustee under this Agreement as so amended will not result in a violation of the Rule and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, or the SEC, and (2) the Trustee shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Issuer in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or

information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. *Benefit; Third-Party Beneficiaries; Enforcement.* (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Trustee on behalf of the holders of Outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The holders' and the Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Issuer or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. *Definitions.* The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (I)(a) the following financial information and operating data contained in the Official Statement for each fiscal year of the Issuer, as follows: (i) net revenue and expense data of the type set forth in Part 2 of the Official Statement under the heading "CERTAIN FINANCIAL AND OPERATING MATTERS—Historical Net Income", specifically under the table "Summary Statements of Net Income", and (ii) outstanding indebtedness of the Issuer set forth in Part 2 of the Official Statement under the heading "CERTAIN FINANCIAL AND OPERATING MATTERS—Outstanding Indebtedness"; (b) generation, energy purchases, and power and energy sales of the Authority set forth in Part 2 of the Official Statement under the heading "POWER

SALES”, specifically under the table “Generation, Energy Purchases, and Power and Energy Sales 2014”; and (c) capacity factors or availability factors information by unit; and (II) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in Section 4.1(1) of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the Issuer, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Section 3.2(a) hereof, the Issuer may, if permitted by GAAP, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific provision describing such accounting principles, or other description thereof.

(3) “Counsel” means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(4) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(6) “Notice Event” means any of the following events with respect to the Bonds, whether relating to the Issuer or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (vii) modifications to rights of Bondholders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes.
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional Trustee or the change of name of a Trustee, if material.

(7) “Official Statement” means the Official Statement dated October __, 2015, of the Issuer relating to the Bonds.

(8) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, ss.240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(9) “SEC” means the United States Securities and Exchange Commission.

(10) “State” means the State of New York.

(11) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

(12) “Underwriters” means, collectively, Goldman, Sachs & Co. and Loop Capital Markets LLC.

ARTICLE V

Miscellaneous

Section 5.1. *Duties, Immunities and Liabilities of Trustee.* Article VII of the Resolution is hereby made applicable to this Agreement as if this Agreement were, solely for this purpose, contained in the Resolution.

Section 5.2. *Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives all as of the date first above written.

POWER AUTHORITY OF THE STATE OF NEW
YORK

By: _____
An Authorized Representative

THE BANK OF NEW YORK MELLON, as Trustee

By: _____

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LITIGATION

(a) *St. Regis Litigation*

In 1982 and again in 1989, several groups of Mohawk Indians, including a Canadian Mohawk tribe, filed lawsuits against the State, the Governor of the State, St. Lawrence and Franklin counties, the St. Lawrence Seaway Development Corporation, the Authority and others, claiming ownership to certain lands in St. Lawrence and Franklin counties and to Barnhart, Long Sault and Croil islands (the “St. Regis Litigation”). These islands are within the boundary of the Authority’s St. Lawrence-FDR Project and Barnhart Island is the location of significant St. Lawrence-FDR Project facilities. Settlement discussions were held periodically between 1992 and 1998. In 1998, the Federal government intervened on behalf of all Mohawk plaintiffs.

The parties agreed to a land claim settlement, dated February 1, 2005, which if implemented would include, among other things, the payment by the Authority of \$2 million a year for 35 years to the tribal plaintiffs, the provision of up to 9 MW of low cost Authority power for use on the reservation, the transfer of two Authority-owned islands; Long Sault and Croil, and a 215 acre parcel on Massena Point to the tribal plaintiffs, and the tribal plaintiffs withdrawing any judicial challenges to the Authority’s new license, as well as any claims to annual fees from the St. Lawrence-FDR project.

The legislation required to effectuate the settlement was never enacted and the litigation was reactivated. In November 2006, all defendants moved to dismiss the three Mohawk complaints as well as the United States’ complaint based on the lengthy delay in asserting the land claims (i.e., the laches defense).

On September 28, 2012, the U.S. Magistrate recommended dismissal of all land claims brought against the Authority by the three St. Regis tribal factions as well as the Federal government. The U.S. Magistrate upheld the Authority’s laches defense and also recommended dismissal on the same grounds of all claims by the same plaintiffs against the other defendants relating to all but one of the other challenged mainland parcels.

In orders dated July 2013, the Judge assigned to the case accepted the Magistrate’s recommendation and granted the Authority judgment on the pleadings. The Judge accepted all but one of the Magistrate’s other recommendations, which resulted in dismissal of all land claims against the other defendants except those relating to two mainland parcels. Barring an appeal by the plaintiffs, all claims against the Authority have been dismissed and the lawsuit against the Authority is concluded.

The State and the St. Regis Mohawk Tribe (the “Tribe”) have been discussing a settlement of the land claims, as well as other issues between the State and the Tribe. On May 28, 2014, the State, the Tribe, St. Lawrence County and the Authority executed a Memorandum of Understanding (the “St. Regis MOU”) that outlined a framework for the possible settlement of all the St. Regis land claims. In the St. Regis MOU, the Authority endorses a negotiated settlement that, among other terms and conditions, would require the Authority to pay the Tribe \$2 million a year for 35 years and provide up to 9 MW of its hydropower at preference power rates to serve the needs of the Tribe’s Reservation. The St. Regis MOU would require an Act of Congress to forever extinguish all Mohawk land claims prior to such a settlement becoming effective.

Any settlement agreement, including the terms endorsed in the St. Regis MOU, would in the first instance need to be negotiated and agreed upon by all parties to the St. Regis Litigation. In addition, on

or before a final settlement of the litigation, all parties to the St. Regis Litigation would have to agree to a settlement of all outstanding claims, including parties that did not execute the St. Regis MOU, such as the two other Mohawk groups, the federal government and Franklin County. Before any settlement becomes effective and the Authority is obligated to make any payments contemplated by the St. Regis MOU, however, federal and state legislation must be enacted which approves the settlement and extinguishes all Mohawk land claims.

(b) *Tropical Storm Irene*

In August 2012, the County of Schoharie, eight towns and villages therein, and one school district (the “Municipalities”) initiated a lawsuit in Schoharie County Supreme Court against the Authority involving the heavy rains and widespread flooding resulting from Tropical Storm Irene’s passage through the Northeast in August 2011. The Municipalities essentially alleged that they sustained property damage and lost tax revenues resulting from lowered assessed valuation of taxable real property due to the Authority’s negligence in its operations at the Blenheim-Gilboa pumped-storage hydroelectric facility located on the Schoharie Creek in Schoharie County, New York. The Municipalities’ complaint seeks judgment “in an amount to be determined at trial with respect to each [of the ten plaintiffs] in the sum of at least \$5,000,000, plus punitive damages in the sum of at least \$5,000,000” as well as attorney fees. As of October 31, 2014, all of the Municipalities have discontinued their lawsuits against the Authority.

In February 2012, a private landowner filed a similar lawsuit in Schoharie County Supreme Court on behalf of a park campground and makes nearly the same allegations made by the Municipalities with the plaintiff seeking at least \$5 million in damages, at least \$5 million in punitive damages, as well as attorney’s fees. In December 2012, the Authority was served with a third lawsuit by five plaintiffs arising out of Tropical Storm Irene and the Authority’s operation of its Blenheim-Gilboa Pumped Storage Project. The five plaintiffs include three individual landowners owning properties located in Schoharie, NY and Central Bridge, NY and claiming damages in the aggregate amount of \$1.55 million, and two corporations also owning properties in Schoharie, NY and claiming damages in the aggregate amount of \$1.05 million. These plaintiffs previously filed timely notices of claim. On October 27, 2014, the Court granted the Authority’s motion to change the place of trial. The Court directed the Clerk of Court to transfer the proceedings to Albany County. Discovery, which is joined for these two remaining actions, is ongoing.

(c) *Long Island Sound Cable*

In January 2014, one of the Long Island Sound Cable Project underwater cables was severely impacted by an anchor and/or anchor chain dropped by one or more vessels, causing the entire electrical circuit to fail and the circuit breaker to trip. As a result of the impact to the cable, dielectric fluid was released into Long Island Sound. The Authority incurred approximately \$33 million in costs arising out of this incident and has recovered \$10 million from its property claim. The Authority believes that it will be able to recover the full amount of its damages through legal proceedings, other insurance coverage and contractual obligations.

(d) *Miscellaneous*

In addition to these matters, other actions or claims against the Authority are pending for the taking of property in connection with its projects, for negligence, for personal injury (including asbestos-related injuries), in contract, and for environmental, employment and other matters. All of such other actions or claims will in the opinion of the Authority be disposed of within the amounts of the Authority’s insurance coverage, where applicable, or the amounts which the Authority has available therefore and without any material adverse effect on the business of the Authority.

PART 2

of the

OFFICIAL STATEMENT

of the

POWER AUTHORITY OF THE STATE OF NEW YORK

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PART 2
of the
OFFICIAL STATEMENT
of the
POWER AUTHORITY OF THE STATE OF NEW YORK
\$____,____,____*
SERIES 2015 A REVENUE BONDS

THE AUTHORITY

The Power Authority of the State of New York (the “Authority”) is a corporate municipal instrumentality and political subdivision of the State of New York (the “State”), created in 1931 and authorized by the Power Authority Act of the State of New York (the “Act”) to help provide a continuous and adequate supply of dependable electric power and energy to the people of the State. Pursuant to the Act, the Authority is authorized to undertake the construction of such hydroelectric or energy storage projects as it deems necessary or desirable to contribute to the adequacy, economy and reliability of the supply of electric power and energy available in its service area or to conserve fuel, and such baseload nuclear generating facilities or other facilities using new energy technologies as in its judgment are necessary to make optimum use of its St. Lawrence-FDR and Niagara facilities, to attract and retain industry and to supply the future needs of the Authority’s municipal and rural electric cooperative customers. The Authority is further authorized, among other things, to construct and/or acquire and complete such baseload generating, transmission and related facilities as it deems necessary or desirable to assist in maintaining an adequate and dependable supply of electricity to the Metropolitan Transportation Authority (the “MTA”), the New York City Transit Authority, the Port Authority of New York and New Jersey (the “Port Authority”), the City, the State, the Federal government, other public corporations and electric corporations within the metropolitan area of the City, and to provide power and energy for use by the Niagara Frontier Transportation Authority (the “NFTA”) or its subsidiary corporation in the operation of a light rail rapid transit system.

Capitalized terms not otherwise defined in this Part 2 of the Official Statement have the meanings set forth in Appendix 1 to this Part 2 of the Official Statement.

Management

The governing board of the Authority consists of seven Trustees (the “Board of Trustees”) appointed by the Governor of the State (the “Governor”), with the advice and consent of the State Senate. The current Trustees are:

<u>Trustees</u>	<u>Term Expires</u>
John R. Koelmel, Chairman.....	May 6, 2016
Jonathan F. Foster.....	May 19, 2013 [†]
Tracy B. McKibben.....	January 11, 2017
Terrance P. Flynn.....	May 6, 2017
Anne M. Kress.....	May 6, 2019
Hon. Eugene L. Nicandri.....	May 6, 2018
Anthony Picente, Jr.....	May 6, 2020

* Preliminary, subject to change.

[†] Continues to serve as Trustee until his successor has been appointed by the Governor and confirmed by the State Senate.

The senior management staff of the Authority includes the following:

Gil C. Quiniones, President and Chief Executive Officer;

Edward A. Welz, Chief Operating Officer;

Robert F. Lurie, Executive Vice President and Chief Financial Officer;

Justin E. Driscoll, Executive Vice President and General Counsel;

Jill Anderson, Senior Vice President, Public Affairs and Business Development, Chief of Staff;

Jennifer Faulkner, Senior Vice President, Internal Audit;

Rocco Iannarelli, Acting Senior Vice President, Enterprise Shared Services;

Joseph Kessler, Senior Vice President, Power Generation;

Soubhagya Parja, Senior Vice President and Chief Risk Officer;

James F. Pasquale, Senior Vice President, Marketing and Economic Development;

Kristine Pizzo, Senior Vice President, Human Resources;

Paul Tartaglia, Senior Vice President, Energy Resource Management;

Bradford Van Auken, Senior Vice President, Operations Support Services and Chief Engineer;

Thomas J. Concadoro, Vice President and Controller; and

Brian C. McElroy, Treasurer.

See “PART 2—APPENDIX 2—BACKGROUNDS OF THE AUTHORITY’S TRUSTEES AND CERTAIN SENIOR MANAGEMENT STAFF.”

Executive Management Committee

The Authority’s Executive Management Committee periodically reviews corporate strategies, policies and programs, and reports, with the Chairman’s concurrence, to the Board of Trustees. Currently, the Executive Management Committee includes the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and Chief Financial Officer, the General Counsel, and certain other members of the senior management staff of the Authority designated by the President and Chief Executive Officer.

CERTAIN FINANCIAL AND OPERATING MATTERS

The Authority’s financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles. The financial statements for the years ended December 31, 2013 and December 31, 2014, were audited by KPMG LLP, independent auditors, whose reports dated March 25, 2014 and March 26, 2015, respectively, expressed unqualified opinions on those statements. Pursuant to continuing disclosure agreements entered into in connection with certain of the Authority’s outstanding debt, the financial statements for the years ended December 31, 2013 and December 31, 2014, respectively, were filed with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system.

Historical Net Income

The net income of the Authority for the three years ended December 31, 2014 derived from the Statements of Revenues, Expenses and Changes in Net Assets in the financial statements of the Authority for the years ended December 31, 2014, December 31, 2013 and December 31, 2012, are summarized below:

Summary Statements of Net Income (In millions)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Revenues	\$3,175	\$3,030	\$2,673
Operating Expenses			
Purchased power	996	934	744
Fuel	361	324	228
Operations and maintenance	562	566	558
Wheeling	614	603	598
Depreciation	<u>232</u>	<u>228</u>	<u>226</u>
Total Operating Expenses	<u>2,765</u>	<u>2,655</u>	<u>2,354</u>
Operating Income	410	375	319
Non-operating Revenues	115	90	120
Non-operating Expenses	<u>253</u>	<u>237</u>	<u>264</u>
Net Income	<u>\$ 272</u>	<u>\$ 228</u>	<u>\$ 175</u>

Management's Discussion of Financial Results and Operations

For a more complete statement of management's discussion and analysis, see pages 23-36 of the Authority's financial statements for the year ended December 31, 2014 filed with the EMMA system.

Financial Results and Operations—2014 vs 2013

Summary

The Authority had net income of \$272 million for the year ended December 31, 2014, compared to \$228 million in 2013. The current year increase of \$44 million included higher operating income of \$35 million and higher non-operating revenues of \$25 million; which was partially offset by higher non-operating expenses of \$16 million. Operating income was higher primarily due to higher production at Niagara and higher prices on market-based sales of energy into the New York Independent System Operator ("NYISO") market. Severe winter weather conditions caused a significant spike in market energy prices in early 2014. Large increases in purchased power and fuel expenses from year to year were substantially offset by the recovery of such costs through operating revenues. Non-operating revenue was higher primarily due to insurance reimbursements received in the current year and a lower unrealized loss on fixed income securities in the Authority's investment portfolio. Non-operating expenses were higher in 2014 due to higher voluntary contributions to the State (\$25 million) partially offset by a lower interest expense.

During 2014, long-term debt decreased by \$93 million primarily due to scheduled maturities and cash funding of capital expenditures. Interest expense was \$[6] million lower than 2013 primarily due to decreases in interest rates on short-term debt. During the period from 2000 to 2014, the Authority

reduced its total debt/equity ratio from 1.48 in 2000 to 0.40 in 2014. [The current debt/equity ratio of the Authority is ____.]

Operating Revenues

Operating revenues of \$3,175 million in 2014 increased by \$145 million, or 5%, over operating revenues of \$3,030 million in 2013, primarily due to higher volume of market energy and capacity sales and higher prices on those sales.

Purchased Power and Fuel

Purchased power costs increased by 7% in 2014 to \$996 million from \$934 million in 2013, primarily due to higher prices (\$133 million) and volumes (\$10 million) of energy purchases and a full year of payment from Hudson Transmission Partners, LLC (“HTP”) (\$30 million). These additional costs were offset by lower costs (\$64 million) as a result of the expiration of the contract with Entergy Corporation (“Entergy”) in 2013 and lower capacity purchases in 2014 (\$42 million). Fuel costs were \$37 million (11%) higher during 2014, primarily due to higher prices (\$46 million) offset by a lower volume (\$9 million). The average price of fuel consumed was higher in 2014 compared to 2013 due to increased fuel prices during the winter months attributable to severe weather conditions.

Operations and Maintenance

Operations and Maintenance expenses decreased by \$4 million, or 1%, in 2014 to \$562 million, primarily due to a decline in the Recharge New York Power Program (the “RNYPP”) residential consumer discount program expense partially offset by the NYS-Upstate fuel reserve initiative payment.

Non-operating Revenues

For 2014, non-operating revenues increased by \$25 million, or 28%, primarily due to lower unrealized loss on fixed income securities in the Authority’s investment portfolio as a result of market interest rate fluctuations and an insurance reimbursement received in 2014 for claims on transformer failures. Non-operating revenues for 2014 and 2013 include income recognition of \$71 million and \$72 million, respectively, resulting from a value-sharing agreement relating to the nuclear power plants sold by the Authority to subsidiaries of Entergy in 2000.

Non-operating Expenses

For 2014, non-operating expenses increased by \$16 million, or 7%, primarily due to higher voluntary contributions (from \$65 million in 2013 to \$90 million in 2014) to the State which were partially offset by a lower interest expense resulting from lower interest rates.

June 30, 2015 Financial Results (Unaudited)

Results for the six months ended June 30, 2015 (\$28 million) were \$112 million lower than the same period last year (\$140 million). Current year results included lower operating income \$88 million due to lower hydroelectric production and lower energy prices on market-based sales, lower non-operating income due to the expiration of the value sharing agreements with Entergy (\$53 million); partially offset by lower non-operating expenses (\$29 million). Lower hydroelectric production resulted from low precipitation and less than normal winter ice thaw early in the year. A significant drop in natural gas prices late in 2014 and the beginning of 2015 contributed to the decline in prices on market-based sales.

Non-operating expenses were lower primarily due to the timing of a \$25 million contribution to the State, which was made subsequent to the end of the period on July 30, 2015.

Net income for the year ended December 31, 2015, is estimated to be approximately \$[___] million compared to the originally budgeted amount of \$206 million. Primary reasons for the estimated variance from the 2015 budget include lower generation at the Niagara and St. Lawrence-FDR hydroelectric facilities due to lower than expected precipitation at the beginning of the year, and lower energy prices for the Authority's sales into the NYISO market.

500-MW Plant and Cessation of Operation of Poletti Plant

The Authority's 500-MW Plant entered into commercial operation on December 31, 2005. In connection with the licensing of that facility, the Authority executed an agreement that resulted in the cessation of operation of its Poletti generating plant (which had entered into service in 1977) on January 31, 2010 (see "PART 2—THE AUTHORITY'S FACILITIES—Generation—500-MW Combined-Cycle Electric-Generating Plant; Closure of Poletti Plant").

Astoria Energy II Plant

The Authority entered into a long-term electricity supply agreement with Astoria Energy II LLC in 2008 for the purchase of the output of a natural-gas fueled generating plant proposed to be constructed in Astoria, Queens to serve the needs of the Authority's major governmental customers in the City ("NYC Governmental Customers"), including the MTA, the City, the Port Authority, the New York City Housing Authority (the "Housing Authority"), and the New York State Office of General Services (the "OGS"). The 550-MW plant (the "Astoria Energy II plant") entered into commercial operation on July 1, 2011. See "PART 2—POWER SALES—Marketing Issues and Developments—Item (8)" for a discussion of related financial matters.

Hudson Transmission Partners, LLC Project

In 2011, the Authority executed a firm transmission capacity purchase agreement (the "FTCPA") with HTP with respect to a 345 kV underground/submarine transmission line extending from Bergen County, New Jersey to Consolidated Edison Company of New York, Inc.'s ("Con Edison") West 49th Street substation in midtown Manhattan. See "PART 2—POWER SALES—Marketing Issues and Developments—Item (7)" for a discussion of related financial matters.

Certain Governmental Customer Long-Term Agreements

The Authority and the NYC Governmental Customers have entered into long-term agreements (the "2005 Agreements"). Under the 2005 Agreements, the NYC Governmental Customers have agreed to purchase their electricity from the Authority through December 31, 2017. The NYC Governmental Customers have the right to terminate service from the Authority at any time on three years' notice provided that they compensate the Authority for any above-market costs associated with certain of the resources used to supply the NYC Governmental Customers and, under certain limited conditions, on one year's notice. For a discussion of the 2005 Agreements, see "PART 2—POWER SALES—Marketing Issues and Developments—Item (1)."

Legislation Relating To Certain Authority Power Allocation Programs

Legislation enacted into law in 2011 created the RNYPP, an economic development power program that commenced July 1, 2012. The program utilizes up to 455 MW of hydropower from the Authority's

Niagara and St. Lawrence-FDR projects combined with up to 455 MW of market-based power purchases (see “PART 2—POWER SALES—Marketing Issues and Developments—Item (4)”). Legislation enacted into law in 2012 created the Western New York Power Proceeds Act (the “WNYPPA”), which authorizes the Authority, as deemed feasible and advisable by its Trustees, to deposit net earnings from the sale of certain unallocated Expansion Power (“EP”) and Replacement Power (“RP”) from the Authority’s Niagara project into an account administered by the Authority known as the Western New York Economic Development Fund (the “Western NY Fund”). (see “PART 2—POWER SALES—Marketing Issues and Developments—Item (5)”). Legislation enacted into law in 2014 created the Northern New York Power Proceeds Act (the “NNYPPA”), which authorizes the Authority, as deemed feasible and advisable by its Trustees, to deposit net earnings from the sale of unallocated St. Lawrence County Economic Development Power (“SLCEDP”) by the Authority into an account administered by the Authority known as the Northern New York Economic Development Fund (the “Northern NY Fund”) (see “PART 2—POWER SALES—Marketing Issues and Developments—Item (6)”).

State Pension Plans and Other Postemployment Benefits

The Authority and substantially all of its employees participate in the New York State and Local Employees’ Retirement System (the “ERS”) and the Public Employees’ Group Life Insurance Plan (the “Plan”). These are cost-sharing, multiple-employer defined benefit retirement plans. The ERS and the Plan provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (the “NYSRSSL”). As set forth in the NYSRSSL, the State Comptroller serves as sole trustee and administrative head of the ERS and the Plan. The ERS is contributory except for employees who joined the ERS on or prior to July 27, 1976. Employees who joined between July 28, 1976 and December 31, 2009 and have less than ten years of service contribute 3% of their annual salary. Employees who joined the ERS on or after January 1, 2010 contribute 3% of their salary during their entire length of service. Employees who joined the ERS on or after April 1, 2012 contribute 3% of their salary through March 31, 2013 and up to 6% thereafter, for the entire length of their service. Under the authority of the NYSRSSL, the State Comptroller certifies annually the rates expressed as proportions of payroll of members, which are used in computing the contributions required to be made by employers.

The Authority is required to contribute to the ERS and the Plan at an actuarially determined rate. The required contributions for 2014, 2013 and 2012 were \$28 million, \$29 million and \$27 million, respectively. The Authority’s contributions made to the ERS were equal to 100% of the required contributions for each year. A decline in financial markets could adversely impact state pension investment market values, including those of the ERS. If ERS’s investment market values are adversely impacted, increases in the annual contributions to ERS in subsequent years may occur. The average contribution rate relative to payroll for the fiscal year ended March 31, 2014 was 19%. The average contribution rates relative to payroll for the fiscal years ended March 31, 2015 and 2016 have been set at approximately 18% and 17%, respectively.

Regarding the Authority’s Other Postemployment Benefits (“OPEB”) obligations, the Authority provides certain health care and life insurance benefits for eligible retired employees and their dependents under a single employer noncontributory (except for certain optional life insurance coverage) health care plan. Employees and/or their dependents become eligible for these benefits when the employee has at least 10 years of service and retires or dies while working at the Authority. Approximately 4,400 participants, including 1,600 current employees and 2,800 retired employees and/or spouses and dependents of retired employees, were eligible to receive these benefits at December 31, 2014.

Through 2006, OPEB provisions were financed on a pay-as-you-go basis and the plan was unfunded. In December 2006, the Authority's Trustees authorized staff to establish a trust for OPEB obligations, with the trust fund to be held by an independent custodian. Prior to 2009, the Authority funded the trust with contributions totaling \$225 million. Plan members are not required to contribute to the trust. In 2011, the Authority's Trustees approved ongoing annual funding of the trust in order to strengthen the trust's financial position. Contributions of \$17 million and \$22 million were made to the trust in 2014 and 2013, respectively. The Authority expects to make a contribution of approximately \$13 million to the trust prior to December 31, 2015 based on its 2014 biennial valuation report. The Authority's actuarial valuations are performed biennially. The Authority's most recent valuation was performed as of January 1, 2014 and resulted in actuarial accrued liability of \$575 million which was funded with assets totaling \$422 million, indicating that the Authority's retiree health plan was 73% funded as of the valuation date. As of December 31, 2014, the balance in the trust was \$467 million and the actuarial accrued liability was approximately \$606 million. As of June 30, 2015, the balance in the trust totaled \$477 million and the actuarial accrued liability was \$642 million.

The OPEB trust assets and all income therefrom do not and will not form part of the Trust Estate, and the 2015 A Bonds are not and will not be payable from or secured by the OPEB trust.

For a further discussion of these matters, see the Authority's financial statements for the year ended December 31, 2014, Note 9 and Required Supplementary Information.

Hydroelectric Power Curtailment

From time to time, below average water levels in the Great Lakes reduce the amount of water available to generate power at the Authority's Niagara and St. Lawrence-FDR Projects, thereby requiring the periodic curtailment of electricity supplied to the Authority's customers from these Projects (see "PART 2—POWER SALES—St. Lawrence-FDR and Niagara"). Below average water levels in the Great Lakes were experienced during the 1920s, the 1930s, the 1960s, and the early 2000s.

Outstanding Indebtedness

As of June 30, 2015, the total outstanding indebtedness of the Authority consisting of Revenue Bonds issued under the General Resolution Authorizing Revenue Obligations, adopted February 28, 1998, as amended and supplemented (the "General Resolution"), the Adjustable Rate Tender Notes (the "ART Notes"), the Authority's Commercial Paper Notes (the "CP Notes"), and the Extendible Municipal Commercial Paper Notes (the "EMCP Notes") was \$1,575,808,000. After the issuance of the Series 2015 A Bonds and the application of the proceeds thereof to the refunding of \$74.590 million of the Series 20006A Revenue Bonds, the Authority will have outstanding (i) senior indebtedness of approximately \$1,027,015,000, consisting of \$[940,900,000] in Revenue Bonds and \$86,115,000 of ART Notes, and (ii) approximately \$548,793,000 of Subordinated Indebtedness, as defined in the General Resolution, consisting of the CP Notes, EMCP Notes and the Authority's Subordinated Notes, Series 2012.

Additionally, for a discussion of certain interest rate and energy swap agreements that the Authority has entered into and may enter into, see "PART 1—SECURITY FOR THE 2015 A Bonds—Additional Debt Issuance."

The Authority has entered into a revolving credit agreement with banks to provide liquidity support for the CP Notes. The agreement relating to the CP Notes provides for the Authority to borrow up to \$600 million; the agreement terminates on January 20, 2017. The Authority's obligation to reimburse the respective banks for any borrowing therefrom pursuant to the revolving credit agreement constitutes

Subordinated Indebtedness. Any other payments under the revolving credit agreement will constitute Subordinated Contract Obligations.

Debt Service Requirements for Revenue Bonds

The following table shows the debt service for the Authority's outstanding Revenue Bonds, subsequent to the issuance of the Series 2015A Bonds.

Calendar Year ⁽¹⁾	Outstanding Bonds		2015 A Bonds		Total ⁽²⁾
	Principal (\$)	Interest (\$)	Principal (\$)	Interest (\$)	
2015	\$ 40,453,111.11	\$ 45,110,507.02			
2016	42,467,361.11	43,079,921.10			
2017	44,494,111.11	40,932,652.14			
2018	46,866,444.44	38,695,577.27			
2019	49,151,944.44	36,354,961.34			
2020	51,254,333.33	33,877,407.52			
2021	51,652,000.00	31,344,442.39			
2022	36,569,638.89	28,761,683.52			
2023	15,171,055.56	26,843,289.78			
2024	16,008,083.33	26,005,443.58			
2025	16,899,472.22	25,112,794.90			
2026	17,841,500.00	24,169,526.51			
2027	19,258,277.78	23,171,571.22			
2028	23,199,833.33	22,092,448.93			
2029	24,501,333.33	20,790,246.64			
2030	25,923,500.00	19,404,369.76			
2031	27,613,055.56	17,938,028.48			
2032	29,173,916.67	16,377,516.33			
2033	28,809,194.44	14,729,637.19			
2034	16,703,194.44	13,104,031.30			
2035	17,634,583.33	12,175,774.68			
2036	18,615,972.22	11,195,436.00			
2037	18,781,666.67	10,160,161.29			
2038	13,812,555.56	9,108,956.85			
2039	13,935,416.67	8,289,284.58			
2040	14,767,444.44	7,455,249.89			
2041	15,653,833.33	6,571,418.34			
2042	16,590,861.11	5,634,536.41			
2043	17,577,777.78	4,646,819.96			
2044	18,563,083.33	3,659,063.89			
2045	19,452,555.56	2,772,475.14			
2046	20,378,305.56	1,845,860.14			
2047	18,508,555.56	877,586.39			
TOTAL⁽²⁾	\$848,283,972.21	\$632,288,680.48			

(1) Debt service amounts are for the years in which they accrue, not for the years in which they are paid.

(2) Amounts may not add to total due to rounding.

Figures above do not reflect outstanding commercial paper, adjustable rate tender notes or 2012 Subordinate Notes.

Projected Capital and Financing Requirements and Other Potential Initiatives

The Authority currently estimates that it will expend approximately \$1,861 million for various capital improvements over the five-year period 2015-2019, some of which have already been made as of the date of this Official Statement. The Authority anticipates that these expenditures will be funded by existing construction funds, customer receipts, internally generated funds, and additional borrowings of approximately [\$190] million during the period 2015-2019. It is anticipated that such borrowings will be used to fund costs associated with the modernization of a pump-generating plant with storage reservoir, and power transformation and transmission facilities (the “Lewiston Pump-Generating Plant”) at the Niagara Project, and a life extension and modernization program of the Authority’s transmission system including an upgrade of the Moses Adirondack Transmission Lines 1 and 2 (see “PART 2—THE AUTHORITY’S FACILITIES—Generation—*Niagara*; Transmission—*The Authority’s Transmission System*”).

The Authority’s projected capital requirements for the period 2015-2019 are set forth below:

<u>Projects</u>	Estimated Total Expenditures Over 5-Year Period 2015-2019 (in millions)
Smart Grid G&T Implementation.....	\$ 274
Plant Modernization Program-LEM (Lewiston Pump Generating Plant).....	263
Moses Adirondack 1 and 2 Transmission Line – 230kV.....	204
Switchyard Modernization Programs	90
Information Technology Infrastructure/Initiatives	90
Breaker and Relays Replacement Programs	85
Robert Moses Niagara Project Upgrade Program.....	61
High Voltage Initiative	50
Substation Upgrades.....	45
Relicensing and Compliance	28
R-22 Inlet Chiller Systems.....	26
Marcy-South Series Compensation	24
St. Lawrence – New Security and Warehouse Facility.....	22
St. Lawrence Headgate Automation	20
Install Advanced Hot Gas Path Components.....	20
Niagara Stator Rewind and Restack Project Phase III	19
PV-20 Submarine Cable	18
St. Lawrence Generator Step-Up Transformer Replacement	18
Small Hydro Facilities-Units Upgrades.....	16
Robert Moses Niagara Project - Governor and Controls Upgrade	16
765/230 kV Multi-Unit Autotransformer Replacement.....	15
Implementation of CIP Version 5 Standard Requirements.....	12
Rotor Modification for Stress Redistribution	12
Flynn Major Outage – New Parts	10
SCPP Black Start (Hellgate and Harlem River)	9
Other (projects less than \$9 million).....	<u>305</u>
Total.....	<u>\$1,861</u>

In addition, the Authority’s capital plan includes the provision of [\$1,016] million in financing for energy services and technology projects to be undertaken by the Authority’s governmental customers and other public entities in the State (see “PART 2—CUSTOMER ENERGY SOLUTIONS”). The Authority

anticipates that net debt issuance associated with the energy services program will be approximately [\$25] million over the five-year period due to principal recoveries from energy service program participants which are used to retired existing debt. It should also be noted that due to projects currently under review as well as energy initiatives announced by the Governor from time to time, there is a potential for significant increases in the capital expenditures indicated in the table above. Such additional capital expenditures would be subject to evaluation and Trustee approval.

In December 2012, the Authority's Trustees approved a \$726 million Transmission Life Extension and Modernization Program (the "Transmission LEM Program") on the Authority's Transmission system through 2025. The Transmission LEM Program encompasses transmission assets in the Central, Northern and Western regions of New York and will include work to be done such as upgrades, refurbishments and replacements associated with switchyards and substations, transmission line structures or towers and associated hardware and replacement of the submarine cable on the PV-20 line. Reinvestment in this strategic component of the Authority's overall mission supports the repair, upgrade and/or expansion of the transmission infrastructure. The Authority intends to finance the Transmission LEM Program with internal funds and proceeds from debt obligations to be issued by the Authority. The work on the Transmission LEM Program is underway and is expected to continue through 2025.

The Authority's Trustees approved a \$460 million Life Extension and Modernization Program at the Niagara project's Lewiston Pump-Generating Plant (the "Lewiston LEM Program"), of which \$300 million of expenditures have been authorized and \$131 million spent as of December 31, 2014. The work to be done includes a major overhaul of the plant's 12 pump turbine generator units. The Lewiston LEM Program will increase pump and turbine efficiency, operating efficiency, and the peaking capacity of the overall Niagara project. The Authority filed an application with the Federal Energy Regulatory Commission ("FERC") for a non-capacity license amendment in connection with the program. The amendment was approved with a FERC order issued in 2012. The Authority intends to finance the Lewiston LEM Program with internal funds and proceeds from debt obligations to be issued by the Authority. The unit work began in late 2012 and is on-going, with the final unit expected to be completed in 2020.

By order issued March 15, 2007, FERC issued the Authority a new 50-year license for the Niagara Project effective September 1, 2007. In doing so, FERC approved six relicensing settlement agreements entered into by the Authority with various public and private entities. In 2007, the Authority estimated that the capital cost associated with the relicensing of the Niagara project would be approximately \$495 million. This estimate does not include the value of the power allocations and operation and maintenance expenses associated with several habitat and recreational elements of the settlement agreements.

In 2014, the Authority adopted a strategic plan that focuses on modernization of the Authority's generation and transmission infrastructure to increase flexibility and resiliency in serving customers' needs in an increasingly dynamic energy marketplace (the "Strategic Plan"). The six strategic initiatives that comprise this plan are in varying stages of review, development and implementation. These strategic initiatives are: (1) Customer Solutions – to develop innovative, cost-effective and resilient energy solutions that enable customers to achieve their energy goals in new ways; (2) Asset Management – to strengthen investment planning through enhanced use of technology, data, people and processes; (3) Smart Generation and Transmission – to deploy advanced technologies that ensure that grid operations become increasingly intelligent; (4) Workforce Planning – to identify and acquire the skills that the Authority will need to succeed, through internal training, succession planning, employee retention and external recruiting; (5) Knowledge Management – to promote enhanced sharing of information and knowledge as part of day-to-day operations; and (6) Process Excellence – to enhance processes in order to optimize resources and costs, manage risk, and reduce environmental impact. The implementation of these initiatives extends up to 2025 with an estimated cost of \$1.2 billion, the majority of which will be

recoverable through rates and services revenue. The Strategic Plan was updated in 2015 and is expected to be updated annually.

In addition to the above, the Authority is embarking on several other initiatives, which are currently in varying stages of development. The Authority has several other potential initiatives in varying stages of review and/or development which if they come to fruition will involve significant additional capital and/or operating expenses.

The construction costs of any other future facilities or any other improvements to existing facilities may be financed with the proceeds of additional Obligations, as defined in the General Resolution (see “PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION”), or other debt issued by the Authority or through the use of existing construction funds or internal sources.

The Authority may issue additional Obligations under the General Resolution or additional Subordinated Indebtedness, as defined in the General Resolution, under subordinate resolutions for any purpose of the Authority authorized by the Act or other then-applicable State statutory provision. The principal amount of the Obligations or Subordinated Indebtedness which may be issued under the General Resolution or under subordinate resolutions, respectively, is not limited, and there is no debt service coverage or historical or projected earnings test that must be satisfied as a precondition to any such issuance. If Obligations are issued to finance a project (other than a Separately Financed Project as defined in the General Resolution), then the revenues from such project would be part of the Trust Estate, as defined in the General Resolution. The Authority may also determine to finance an additional project from internal funds, from bank borrowings, from bonds, notes or other obligations issued pursuant to a resolution other than the General Resolution, or from other sources; if such project qualifies as a Separately Financed Project, as defined in the General Resolution, the revenues from such additional project would not be Revenues under the General Resolution, and therefore not available to pay the 2015 A Bonds. The Authority currently does not have any Separately Financed Projects.

Voluntary Contributions to the State

The Authority is requested, from time to time, to make financial contributions to the State. In May 2011, the Authority’s Trustees adopted a policy statement (the “Policy Statement”) which relates to, among other things, voluntary contributions, transfers, or other payments to the State by the Authority after that date. The Policy Statement provides, among other things, that in deciding whether to make such contributions, transfers, or payments, the Authority shall use as a reference point the maintenance of a debt service coverage ratio of at least 2.0, in addition to making the other determinations required by the General Resolution. The Policy Statement may at any time be modified or eliminated at the discretion of the Authority’s Trustees.

Legislation enacted into law, as part of the 2000-2001 State budget and subsequent State budgets, as amended up to the present time, has authorized the Authority as deemed feasible and advisable by the Authority’s Trustees, to make a series of voluntary contributions into the State treasury (a) in connection with the Power for Jobs (the “PFJ Program”) and (b) for other purposes as well. Cumulatively through December 31, 2012, the Authority made voluntary contributions to the State totaling \$475 million in connection with the PFJ Program. The PFJ Program ended on June 30, 2012 and was replaced by the RNYPP. See “(see “PART 2—POWER SALES—Marketing Issues and Developments—Item (4))”.

In 2014 and 2013, the Authority made \$90 million and \$65 million, respectively, in contributions to the State that were not related to the PFJ Program. These contributions were authorized by the Authority’s Trustees and were consistent with the related State fiscal year budgets. Cumulatively, between January

2008 and December 31, 2014, the Authority has made voluntary contributions to the State totaling \$582 million unrelated to the PFJ program.

Section 19 of Part I of Chapter 60 of the Laws of 2015, which is part of the State's Enacted Budget for State fiscal year 2015-16 ("Chapter 60"), authorizes the Authority as deemed "feasible and advisable by its trustees" to provide up to \$90 million in contributions to the State's general fund, or as otherwise directed in writing by the State's director of the budget, whereupon such funds "will be utilized to support energy-related initiatives of the state or for economic development purposes." In addition, Chapter 60 specifies that up to \$25 million is to be considered for payment by June 30, 2015 and the remainder of any such contribution considered for payment by March 31, 2016. Subsequent to enactment of Chapter 60, the Authority and the New York State Division of the Budget mutually agreed that the amount up to \$25 million payable by June 30, 2015 will not be considered for payment until July 30, 2015. From January through June 30, 2015, the Authority made contributions of \$65 million to the State, including to Empire State Development ("ESD"). In accordance with Chapter 60, the State's Director of the Budget formally requested that the Authority transfer on July 30, 2015 the sum of \$25 million to the credit of ESD in furtherance of ESD's Statewide economic development initiatives. The Authority made a \$25 million contribution for such purposes on July 30, 2015 to ESD.

In addition to the voluntary contributions described above, Section 3 of Subpart H of Part C of Chapter 20 of the Laws of 2015 ("Chapter 20"), which became effective upon enactment on June 26, 2015, authorizes the Authority as deemed "feasible and advisable by its trustees" to provide up to \$6 million in additional contributions to the State's general fund, or as otherwise directed in writing by the State's director of the budget for the state fiscal year commencing April 1, 2015.

For additional information relating to voluntary contributions, see the Authority's financial statements for the year ended December 31, 2014, management's discussion and analysis, "Economic Conditions", and "Note 11 - Commitments and Contingencies – (e) New York State Budget and Other Matters."

Temporary Transfer of Funds to State

By budget legislation enacted in February 2009, the Authority was requested to provide temporary asset transfers to the State of funds held in reserves. Pursuant to the terms of a Memorandum of Understanding dated February 2009 (the "MOU") between the State, acting by and through the Director of the Budget of the State, and the Authority, the Authority agreed to transfer approximately \$215 million associated with its spent nuclear fuel reserves (Asset B) by March 27, 2009. The spent nuclear fuel reserves are funds that had been set aside for payment to the federal government sometime in the future when the federal government accepts the spent nuclear fuel for permanent storage. The MOU provides for the return of these funds to the Authority, subject to appropriation by the State Legislature and other conditions, at the earlier of the Authority's payment obligations related to such spent nuclear fuel or September 30, 2017. Further, the MOU provides for the Authority to transfer \$103 million of funds set aside for future construction projects (Asset A), which amounts would be returned to the Authority, subject to appropriation by the Legislature and other conditions, at the earlier of when required for operating, capital or debt service obligations of the Authority or September 30, 2014. Both transfers were approved by the Authority's Trustees and made in 2009.

The MOU provides that the obligation of the State to return all or a portion of an amount equal to the moneys transferred by the Authority to the State is subject to annual appropriation by the State Legislature and would not constitute a debt of the State within the meaning of any constitutional or statutory provision, would be deemed executory only to the extent of monies available to the State, and no liability would be incurred by the State beyond monies available for such purpose. Further, the MOU provides that as a condition to any such appropriation for the return of the monies earlier than September 30, 2017 for the spent nuclear fuel reserves and earlier than September 30, 2014 for the

construction projects, the Authority must certify that the monies available to the Authority are not sufficient to satisfy the purposes for which the reserves, which are the source of the funds for the transfer, were established. In lieu of interest payments, the State has waived certain future payments from the Authority to the State. In 2014, the Authority and the State executed an Amendment to the MOU which provides that the State shall, subject to appropriation by the State Legislature, return the \$103 million (Asset A) in five installments over five State fiscal years. The Authority received the first installment of \$18 million on October 1, 2014 and the second installment of \$21 million on September 17, 2015. For a further discussion of this matter and litigation challenging the asset transfers, see the Authority's financial statements for the year ended December 31, 2014, management's discussion and analysis, "Economic Conditions", and Note 11 - Commitments and Contingencies – (e) New York State Budget and Other Matters.

Nuclear Plant Sale Matters

Pursuant to a purchase and sale agreement between the Authority and two subsidiaries of Entergy (the "Entergy Subsidiaries"), on November 21, 2000, the Authority sold the Indian Point 3 and FitzPatrick nuclear plants to the Entergy Subsidiaries for cash and non-interest bearing notes totaling \$967 million (subsequently reduced by closing adjustments to \$956 million) maturing over a 15-year period. For a further discussion of matters relating to this sale, see the Authority's financial statements for the year ended December 31, 2014, Note 10.

NEW YORK INDEPENDENT SYSTEM OPERATOR

New York Independent System Operator Arrangement

In 1999, two not-for-profit organizations, the NYISO and the New York State Reliability Council (the "Reliability Council"), were established. The mission of the NYISO is to assure the reliable, safe and efficient operation of the State's major transmission system, to provide open-access non-discriminatory transmission services and to administer an open, competitive and non-discriminatory wholesale market for electricity in the State. The mission of the Reliability Council is to promote and preserve the reliability of electric service on the NYISO's system by developing, maintaining, and, from time to time, updating the reliability rules relating to the transmission system (the "Reliability Rules"), to be complied with by the NYISO and all entities engaging in electric transmission, ancillary services, energy and capacity transactions. The Authority, each of the current investor-owned utilities (the "IOUs") and the Long Island Power Authority ("LIPA") are among the many "Market Participants" (which includes any person engaged in the wholesale sale, transmission or purchase of electric energy) in the NYISO and members of the Reliability Council.

In addition to the IOUs, LIPA and the Authority, any Market Participant, including organizations representing residential and/or small commercial consumers and environmental organizations, may be members of the NYISO. The NYISO is governed by a Board of Directors consisting of the President of the NYISO and nine individuals. No member of the NYISO Board of Directors is able to own shares in or have a continuing business relationship with any Market Participant. The President of the NYISO is chosen by the other nine directors and is responsible for the day-to-day operation of the NYISO. The Authority is adequately represented on each of the NYISO's several committees, which are subject to the oversight of the Board of Directors, and on the Executive Committee of the Reliability Council, which consists of thirteen members which govern the Reliability Council.

On December 1, 1999, the NYISO officially assumed control of the State's electric power grid pursuant to tariffs and market rules approved by FERC.

The NYISO dispatches power from generating facilities, including the Authority's units, based on the bid curves submitted by each of the generators. The NYISO coordinates the reliable dispatch of power and operates markets for the sale of electricity and ancillary services within the State. The NYISO collects charges associated with the use of the transmission facilities and the sale of energy, capacity, and services through the markets that it operates and remits those proceeds to the owners of the facilities in accordance with its tariff and to the sellers of the electricity and services in accordance with their respective bids and applicable NYISO market procedures. See "NYISO Market Procedures" and "Certain Authority Plant Outage Risks" below.

Under the NYISO Open Access Transmission Tariff, certain charges for ancillary services (which include NYISO operating costs), congestion, losses, and a portion of the Authority's transmission costs are assessed against the Authority and other entities responsible for serving ultimate customers. Because such costs are currently passed through to most Authority customers, the Authority remains active in its participation in the governance affairs of the NYISO markets.

NYISO Market Procedures

Under NYISO procedures, Load Serving Entities ("LSEs") represent electricity end-users in dealings with the NYISO. The Authority is an LSE for large segments of its load in the State and must ensure it has sufficient installed capacity to meet its customers' needs and NYISO reliability rules, either through ownership of such capacity, bilateral installed capacity purchase contracts or auction purchases conducted by the NYISO (for a discussion of these installed capacity requirements relating to the City and Long Island, see "NYISO Capacity Requirements Matters," below, and "PART 2—CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—New York State Electric Utility Industry Restructuring Matters —New York City and Long Island Local Reliability Rule").

As an LSE, the Authority is also obligated to ensure that it has enough energy to meet its customers' load requirements. The energy needs can be met in the NYISO regime through the Authority's own generation, bilateral purchases from others, or purchases of energy in the NYISO "day-ahead" market (the "DAM") (wherein bids are submitted for energy to be delivered the next day) or in the NYISO "real time" market. A bilateral purchase is a transaction where a generator or a power marketer which has access to power and an LSE agree upon a specified amount of energy being supplied to the LSE by the generator or power marketer at specified prices.

Generators may bid their energy into the DAM and/or the real time market. However, generators whose installed capacity has been sold must then bid the energy from such claimed capacity into the DAM. To satisfy this requirement, the Authority bids into the DAM all of the Authority generation it claims to meet installed capacity requirements, which consists of virtually all of its generation. The Authority also bids the generation into the real time market in such amounts and at such bids as the Authority deems appropriate.

The NYISO evaluates the bids submitted in the DAM and the real time markets by generators and in the real time market dispatches the units on the basis of economic and reliability considerations to meet load needs at any point in time. Unless governed by a bilateral arrangement, the price a generator is paid and the price paid to the NYISO by an LSE purchasing energy is dependent upon the results of the bidding process and system conditions (for a discussion of certain NYISO rules having an impact on the bidding procedures, see "NYISO Mitigation Measures" below). A significant feature of the NYISO energy markets is that prices are determined on a location-specific basis taking into account local generating bids submitted and the effect of transmission congestion and electrical losses between regions of the State.

The Authority, being an LSE and a generator, may choose to meet its LSE load requirements by a combination of (1) bilateral arrangements, which, in the Authority's case, would mean specified Authority generation and purchased energy under contractual arrangements, linked to specified Authority loads, and (2) purchases in the DAM or the real time market. The Authority's ownership of certain transmission-related rights serves to reduce uncertainty concerning congestion costs to the Authority of such bilateral arrangements and energy market transactions.

Certain Authority Plant Outage Risks

The NYISO administers the DAM and the real time market through which suppliers and purchasers of energy and ancillary services can sell and acquire such products. The Authority participates in these markets as both a buyer and a seller of electricity and ancillary services.

Because of NYISO installed capacity reserve requirements, the Authority is required to bid into the DAM virtually all of the installed capacity of its units. The NYISO then decides which Authority units will be dispatched, if any, and how much of each unit's generation will be dispatched. The dispatch of a particular unit's generation depends upon the bid prices for the unit submitted by the Authority, bids submitted by other generators, the amount of generation needed by the NYISO to meet expected demand and transmission limitations. If an Authority unit is dispatched by the NYISO, the Authority receives a fixed price for each hour (the "Market Clearing Price"), based on NYISO pricing methodology, for the energy dispatched above that designated by the Authority as bilateral arrangement generation (the "Excess Energy"). As to the energy provided under the bilateral arrangements (the "Contract Energy"), the Authority receives the price in its contracts with its customers (the "Contract Price").

This procedure has provided the Authority with economic benefits from its units' operation when selected by the NYISO and may do so in the future. However, such selections in the DAM also obligate the Authority to supply the energy in question during a specified time period (the "Short-Term Period") if the unit is selected. If a forced outage occurs at the Authority plant which is to supply such energy, then the Authority is obligated to pay during the Short Term Period (1) in regard to the Excess Energy amount, the difference between the price of energy in the NYISO real time market and the Market Clearing Price in the DAM, and (2) in regard to the Contract Energy amount, the price of energy in the NYISO real time market which is offset by the Contract Price. This real time market price may be subject to more volatility than the DAM price. The risk attendant with this outage situation is that, under certain circumstances, the Market Clearing Price in the DAM and the Contract Price may be well below the price in the NYISO real time market, with the Authority having to pay the difference. In times of maximum energy usage, this cost could be substantial. In addition to the risk associated with Authority generation bids into the DAM, the Authority could incur substantial costs in times of maximum energy usage in purchasing replacement energy for its customers in the DAM or through other supply arrangements to make up for lost energy due to an extended outage of its units and non-performance of counterparties to energy supply contracts.

As part of an ongoing risk mitigation program, the Authority implements financial hedging techniques to cover, among other things, future maximum energy usage periods and uses its various resources for outage risk mitigation purposes. In addition, the NYISO has implemented a FERC-approved bid cap on generator bids into the DAM and the real time market. The bid cap, which remains in effect until further FERC action, serves to limit the Authority's outage loss exposure.

Also, as noted above, economic benefits are derived by the Authority from this bidding mechanism when its units are operating. These benefits could serve to offset any losses which may be suffered by the Authority due to outage situations, the amount of such offset being dependent upon the amount of aggregate benefits derived by the Authority and the severity of the losses suffered as a result of such

outages. Consequently, any use of these economic benefits for this offset purpose would serve to reduce the amount of these economic benefits available to meet outage expenses.

There can be no guarantee, however, that even with any protective hedging techniques, offsetting economic benefits, and a bid cap, the Authority would not suffer substantial economic loss in the future if one or more of its units were to suffer a forced outage during a maximum energy usage period or an extended forced outage period or a counterparty failed to perform under its energy supply contract.

NYISO Energy and Capacity Market Mitigation Measures

Pursuant to FERC approval, the NYISO implemented the Automated Mitigation Procedure (the “AMP”) to apply mitigation thresholds and measures in the energy market to detect and automatically mitigate Market Participant behavior that exceeds applicable conduct and market impact thresholds. Electric energy markets that are generally competitive may occasionally cease to be competitive if conditions arise that temporarily give Market Participants an ability to raise prices significantly by economically withholding capacity. High loads, facility outages, binding transmission constraints, or other factors can cause such instances, either singly or in combination. The NYISO developed the AMP for the automatic detection and mitigation of energy and other bids in the NYISO DAM and real time markets that exceed certain established criteria. The AMP could result in a Market Participant’s bid being mitigated if specified conduct and impact thresholds are exceeded.

In the capacity market, FERC ordered the NYISO to incorporate tariff language to establish mitigation rules intended to protect the City and Lower Hudson Valley capacity zones against unjustifiably high market prices and uneconomic entry of new resources. The rules to prevent unjustifiably high capacity market prices, commonly known as Supplier Side Mitigation, provide that the offers of “Pivotal Suppliers” are subject to bid caps under certain circumstances. Pivotal Suppliers are those that control more than a set amount of capacity, which is necessary to meet the applicable locational capacity requirement. The Authority has been and has the potential to be a Pivotal Supplier in the future depending on market conditions. As such, the Authority may potentially be subject to NYISO tariff provisions that require all its capacity be offered in each Installed Capacity Spot Market Auction and prohibit certain instances of capacity sales outside the NYISO.

The rules to prevent uneconomic entry of new resources, commonly referred to as Buyer Side Mitigation, require the NYISO to evaluate new entry and determine if the new entry is an economic decision. If the NYISO determines a new entrant into the City or Lower Hudson Valley capacity zone is not economic, an offer floor price is established and the new entrant is required to bid into the spot market at the mitigation offer floor. Such a floor can result in the new resource not receiving capacity revenues for certain months. Capacity from new entrants is removed from the offer floor requirement after clearing the spot market for 12 non-continuous monthly spot auctions.

NYISO Capacity Requirements Matters

The installed capacity (“ICAP”) market in New York was created administratively to ensure the reliability of the electricity system. The Reliability Council annually sets the State’s minimum capacity requirement which is currently 117% of the State’s peak load, and the NYISO has set the current City, Lower Hudson Valley and Long Island locational ICAP requirements at 83.5%, 90.5% and 103.5% of their peak load levels, respectively. The City, Lower Hudson Valley and Long Island ICAP requirements must be met with resources located within those areas, while the ICAP quantities above these locational ICAP requirement levels up to the minimum 117% level can be procured from anywhere in the State and from external resources. The requirements are allocated among LSEs in proportion to the load they serve.

These capacity requirements must be met monthly for two capability periods: a summer period extending from May to October and a winter period ranging from November to April. The NYISO currently conducts auctions for each capability period (also known as “strip auctions”), as well as monthly auctions to account for load-shifting and to resolve deficiencies. LSEs may meet their capacity requirements by self-supplying the capacity from their own resources, or with capacity acquired through bilateral contracts, or by purchasing the capacity through the auctions conducted by the NYISO. A deficiency price is imposed on any LSE that does not meet its capacity requirement.

The NYISO employs an ICAP demand curve which provides payments to ICAP providers for ICAP above the minimum level required for reliability in order to encourage the construction of new generating facilities in the State. Generally, these provisions have increased the amount of ICAP an LSE will be obligated to obtain to meet NYISO requirements, including separate requirements applicable for City, Lower Hudson Valley and Long Island. The Authority has been able, as an LSE, to meet these revised requirements through its own units, contracts with other generators, and purchases in the capacity markets, and expects to be able to do so in the future.

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POWER SALES

A summary of the Authority’s generation, energy purchases, and power and energy sales for 2014 is set forth below:

**Generation, Energy Purchases, and Power and Energy Sales 2014
(Megawatt Hours and Dollars in Thousands)
(Accrual Basis)**

	<u>MWh</u>		
Authority Generation and Purchases:			
Net Station Generation*	28,742		
Purchases from the NYISO, utilities and others	13,126		
Losses and unaccounted for.....	<u>(2,182)</u>		
Total Available.....	<u>39,686</u>		
		Revenues	
		From Power and	% of Total
		Energy Sales⁽¹⁾	Revenues
	<u>MWh</u>		
Sold to:			
Commercial and industrial customers	9,062	\$348,338	11%
Municipal, other public and cooperative customers ⁽²⁾	16,488	1,630,068	51%
Sales to utilities and the NYISO for resale ⁽³⁾	<u>14,136</u>	<u>1,196,594</u>	<u>38%</u>
Total Sales	<u>39,686</u>	<u>\$3,175,000</u>	<u>100%</u>
	<u>MWh</u>		<u>% of Total</u>
Authority Generation by Fuel Source:			
Hydroelectric.....	20,696		72%
Oil/Gas	7,696		26%
Gas Turbines	<u>350</u>		<u>1%</u>
	<u>28,742</u>		<u>100%</u>

(1) Includes wheeling and transmission charges.

(2) Includes sales to 47 municipal systems, 4 rural cooperatives, and more than 100 public agencies in the State and to 7 neighboring states and 9 host communities.

(3) Includes sales to the 6 investor-owned utilities in the State, LIPA, and the NYISO. Sales to the NYISO amounted to 13,126,087 MWh. Portions were designated for resale to residential and farm customers and not-for-profit customers in the state.

* The two components of Net Station Generation that are set forth in the Official Statements issued prior to January 1, 2012 (“Gross Generation” and “Station Service, DOT feeder and pumping energy”) are either no longer maintained by the Authority or no longer provide meaningful information and accordingly such components are included with Net Station Generation.

The electric power and energy of the Authority are sold principally pursuant to contracts and agreements described below. In addition to these sales, the Authority has executed short-term supply agreements that provide for sales by the Authority of power and energy for periods of short duration (less than one year) on terms and conditions mutually agreeable to the Authority and customers. Such sales are only transacted after all firm commitments are satisfied. The Authority also bids its generation and buys energy in the markets administered by the NYISO.

Pursuant to agreements with its Southeastern New York (“SENY”) governmental customers, the Authority has assumed the load growth responsibility for its governmental customers in the City and Westchester County (see “Marketing Issues and Developments,” below). In addition, the Authority serves the full requirements of certain municipal electric system and rural cooperative system customers.

Contracts for the sale, transmission and distribution of power and energy generated by the Niagara and St. Lawrence-FDR Projects and by other projects (i) to provide an adequate supply of energy for optimum utilization of its hydroelectric projects, (ii) to attract and expand high load factor industry, (iii) to provide for the additional needs of the Authority's municipal electric and rural electric cooperative customers, and (iv) to assist in maintaining an adequate, dependable electric power supply for the State, are subject to the approval process specified in Section 1009 of the Act. Such approval process requires, in addition to agreement between the Authority and the other contracting parties, (i) submission of the contract to the Governor and representatives of the State Senate and Assembly, (ii) public hearings and further review and, if deemed necessary, renegotiation of the contract by the Authority, and (iii) approval of the Governor.

Marketing Issues and Developments

(1) The power market in the State has experienced significant changes over the last 15 years with the advent of a competitive marketplace and the creation of the NYISO. As a major participant in New York's power market, the Authority has been affected by these changes. With increased focus on customer needs, the Authority has initiated marketing programs and taken other actions to retain and provide value to its various customers. In this regard, in 2005, the Authority entered into the 2005 Agreements with all of its NYC Governmental Customers, including: the City, the MTA, the Port Authority, the Housing Authority, and the OGS, ESD, Battery Park City Authority, United Nations Development Corporation, Convention Center Operating Corporation, Hudson River Park Trust and the Roosevelt Island Operating Corporation. The 2005 Agreements replaced the earlier long-term agreements with those customers that were in place. Under the 2005 Agreements, the NYC Governmental Customers will purchase their electricity from the Authority through December 31, 2017, with these customers having the right to terminate service from the Authority at any time on three years' notice provided that they compensate the Authority for any above-market costs associated with certain of the resources used to supply them, and, under certain limited conditions, on one year's notice.

Under the 2005 Agreements, the Authority implemented a price-setting process commencing with the 2006 rates, under which the NYC Governmental Customers request the Authority to provide indicative electricity prices for the following year reflecting market-risk hedging options designated by them. The NYC Governmental Customers can elect to have a full cost energy charge adjustment (the "ECA") pass-through arrangement relating to fuel, purchased power, and NYISO-related costs, including such an arrangement with some cost hedging; a sharing plan pricing option; or a minimum price volatility pricing option. Except for any specific amounts borne by the Authority under a sharing plan and the minimum price volatility option; the NYC Governmental Customers pay all of the costs incurred to serve them, including hedging costs. If the customers choose a sharing plan pricing option, the customers and the Authority share equally in actual cost variations (up to \$60 million) above a projected amount for the year, and cost variations in excess of \$60 million are borne by the Authority. In addition, if actual costs are below the projected amount, the NYC Governmental Customers and the Authority share equally in such savings after the customers receive the first \$10 million in savings, in the aggregate, over the term of the 2005 Agreements.

Pursuant to the 2005 Agreements, the Authority will modify rates annually through a formal rate proceeding before the Authority if there is a change in fixed costs to serve the NYC Governmental Customers. Except for the minimum volatility price option, changes in variable costs, which include fuel and purchased power, will be captured through contractual pricing adjustment mechanisms. Under these mechanisms, actual and projected variable costs will be reconciled and either charged or credited to the NYC Governmental Customers. Pursuant to the 2005 Agreements, these customers are committed to pay for any supply secured for them by the Authority which results from the collaborative process provided for in the agreements, including the Astoria Energy II plant discussed in Item (8) below. Also, with the

NYC Governmental Customers' guidance and approval, the Authority will continue to offer to these customers at least an aggregate of \$100 million annually in financing for energy efficiency projects and initiatives at their facilities, with the costs of such projects to be recovered from them. Many of these projects fall within the scope of the Authority's Customer Energy Solutions group (see "PART 2—CUSTOMER ENERGY SOLUTIONS").

The revenues from the NYC Governmental Customers were approximately 43.6% and 45% of the Authority's 2014 and 2013 Operating Revenues (including wheeling charges), respectively.

The Authority's other SENY Governmental Customers are Westchester County and numerous municipalities, school districts, and other public agencies located in Westchester County (collectively, the "Westchester Governmental Customers"). By early 2008, the Authority had entered into a new supplemental electricity supply agreement with all of its Westchester Governmental Customers. Among other things, under the new agreement, an energy charge adjustment mechanism is applicable, the Authority may modify the rates charged the customer pursuant to a specified procedure, the customer is committed to pay for any supply resources secured for it by the Authority under a specified collaborative process, and the Authority will continue to make available financing for energy efficiency projects and initiatives, with the costs thereof to be recovered from the customer. Under the agreement, customers are allowed to partially terminate service on at least two months' notice prior to the start of the NYISO capability periods and fully terminate service on at least one year's notice effective no sooner than January 1 following the one year notice.

The revenues from the Westchester Governmental Customers were approximately 2.77% and 2.38% of the Authority's 2014 and 2013 Operating Revenues (including wheeling charges), respectively.

(2) The enactment of legislation beginning with Chapter 313 of the Laws of 2005 (the "2005 Act") amended the Act and in some cases the New York Economic Development Law ("EDL") to (i) revise or repeal the Authority's power-based economic development programs or (ii) to create additional economic development programs in regard to several of the Authority's economic development power programs and the creation of new Energy Cost Savings Benefits to be provided to certain Authority customers. A summary of such programs is set forth below (excluded from the discussion are some programs the Authority no longer implements).

(a) *Industrial Power Programs*

The 2005 Act amended the Act and the EDL to authorize the Authority to purchase power in the marketplace and to use certain other Authority resources to serve economic development power programs. Among the affected programs are the Economic Development Power program, which supplies electricity to businesses across the State (which the Authority no longer implements), the High Load Factor Power program, which provides electricity to energy-intensive manufacturers throughout the State, and the Municipal Distribution Agency Power program, which supplies electricity for certain municipal distribution agencies (also known as municipal utility service agencies) to serve businesses in their territories. Power supplied under these programs is hereinafter referred to as "Industrial Power."

(b) *Replacement Power*

The 2005 Act creates a state law basis for continuation of the "Replacement Power" program. These provisions ensure the continued availability of low-cost hydroelectric power from the Niagara Project to serve businesses in western the State. Replacement

Power was established by the federal Niagara Redevelopment Act (“NRA”) in 1957 and provided up to 445 MW of hydroelectric power to industries in the Niagara Mohawk Power Corporation (doing business as “National Grid”) service territory within a 30-mile radius of the Niagara Project switchyard. The federal mandate for the Replacement Power program expired at the end of 2005. The 2005 Act treats new applications for Replacement Power under the same criteria as apply to the Authority’s existing EP program, established under the Act. Allocations are awarded on a competitive basis to businesses that commit to create jobs, increase electric load, build new or expanded facilities, and have at least 100 kilowatts (“kW”) of demand. The EP program, which provides up to 250 MW of hydroelectric power to businesses within a 30-mile radius of the Niagara Project, was not addressed by the 2005 Act.

(c) *Preservation Power*

The 2005 Act also created the Preservation Power program, which allows businesses in northern the State to continue to be served with low-cost hydroelectric power from the St. Lawrence-FDR Project. The Preservation Power program governs the allocation of up to 490 MW of firm and interruptible power from the St. Lawrence-FDR Project to industry in Jefferson, St. Lawrence and Franklin Counties. It applies the same criteria for allocations as are applicable to RP and EP. Renewals of existing contracts for business use of power under the Preservation Power program are subject to the criteria in the Act, as amended by the 2005 Act.

(d) *World Trade Center Economic Recovery*

The 2005 Act authorized the Authority to approve renewals of contracts for periods of at least three years to business customers receiving allocations made under the World Trade Center Economic Recovery Power Program that are located in the Liberty and Resurgence Zones.

(3) Chapter 60 established RNYPP, to be administered by the Authority, and authorized the Authority to make available, as Recharge New York Power, up to 910 MW of low cost power comprised of up to 455 MW of hydropower from the Niagara and St. Lawrence-FDR Projects and up to 455 MW of other power procured by the Authority from other sources. The 910 MW of power is available for allocation as provided by Chapter 60 to eligible new and existing businesses and not-for-profit corporations under contracts of up to seven years. RNYPP was effective beginning July 1, 2012.

The RNYPP replaced the PFJ and Energy Cost Savings Benefit (“ECSB”) Programs, which had extended benefits of low-cost power to certain businesses, small businesses and not-for-profit organizations. Those PFJ and ECSB Program customers who were in substantial compliance with contractual commitments under the PFJ and ECSB Programs and who applied but did not receive RNYPP allocations are eligible to apply for transitional electricity discounts, as provided for in Chapter 60. This transitional electricity discounts program provides for declining levels of discounts through June 30, 2016 when the program terminates, if payment of such discounts is deemed feasible and advisable by the Authority’s Trustees. In June 2012, the Authority’s Trustees authorized transitional electricity discount payments of up to \$9 million for the period from July 1, 2012 to June 30, 2013. On February 26, 2015, the Authority’s Trustees approved an additional \$8 million to fund anticipated payments for the period from July 1, 2013 to June 30, 2015. As of June 30, 2015, approximately \$8.1 million of such discounts has been paid with approximately an additional \$3 million in payments remaining to be made pursuant to the authorization.

The hydropower used for the RNYPP was power formerly used to provide low-cost electricity to domestic and rural customers of the three private utilities that serve upstate New York. To mitigate the impacts from the redeployment of this hydropower for the RNYPP, Chapter 60 created a “Residential Consumer Discount Program” (the “RCDP”). The RCDP authorizes the Authority, as deemed feasible and advisable by its Trustees, to provide annual funding of \$100 million for the first three years following withdrawal of the hydropower from the residential and farm customers, \$70 million for the fourth year, \$50 million for the fifth year, and \$30 million each year thereafter, for the purpose of funding a residential consumer discount program for those customers that had formerly received the hydropower that is utilized in the RNYPP. Chapter 60 further authorizes the Authority, as deemed feasible and advisable by the Trustees, to use revenues from the sales of hydroelectric power, and such other funds of the Authority, as deemed feasible and advisable by the Trustees, to fund the RCDP. The Authority’s Trustees have authorized the release of a total \$337.5 million through January 2014 in support of the RCDP. The Authority supplemented the market revenues through the use of internal funds, from the August 2011 start of the program through June 30, 2015, totaling cumulatively \$104 million. On February 26, 2015, the Authority’s Trustees approved up to an additional \$63 million to fund the RCDP payments anticipated to be made in 2015.

(4) Effective March 30, 2012, Chapter 58 (Part GG) of the Laws of 2012 (Chapter 58) created the WNYPPA, which authorizes the Authority, as deemed feasible and advisable by the Trustees, to deposit net earnings from the sale of unallocated EP and RP from the Authority’s Niagara project into the Western NY Fund. Net earnings are defined as any excess revenues earned from such power sold into the wholesale market over the revenues that would have been received had the power been sold at the EP and RP rates. Proceeds from the Fund may be used to support eligible projects undertaken within a 30-mile radius of the Niagara power project that satisfy applicable criteria. Chapter 58 also establishes a five-member Western New York Power Allocations Board, which is appointed by the Governor. Chapter 58 also repealed Chapter 436 of the Laws of 2010 which had created a similar program that could not be effectively implemented.

The Authority’s Trustees approved the release of up to \$58 million in net earnings, calculated for the period August 30, 2010 through December 31, 2015, as provided for in Chapter 58, for deposit into the Fund. Actual net earnings deposited into the Fund for this period totaled \$38.5 million. As of June 30, 2015, \$41 million has been deposited into the Fund. As of June 30, 2015, the Authority has approved awards of Fund money totaling approximately \$21 million to businesses that have proposed eligible projects and has made payments totaling approximately \$7 million to such businesses. Payment of these awards is contingent upon the execution of acceptable contracts between the Authority and individual awardees.

(5) Chapter 545 of the Laws of 2014 enacted the NNYPPA, which authorizes the Authority, as deemed feasible and advisable by the Trustees, to deposit “net earnings” from the sale of unallocated SLCEDP by the Authority in the wholesale energy market into an account the Authority would administer the Northern NY Fund, and to make awards to eligible applicants that propose eligible projects that satisfy applicable criteria. The NNYPPA also establishes a five-member Northern New York Power Proceeds Allocations Board (the “NNYPPAB”) to be appointed by the Governor to review applications seeking Northern NY Fund benefits and to make recommendations to the Authority concerning benefits awards. The NNYPPAB has yet not started operating.

SLCEDP consists of up to 20 MW of hydropower from the Authority’s St. Lawrence-FDR Power Project which the Authority has made available for sale to the Town of Massena Electric Department (“MED”) for MED to sub-allocate for economic development purposes in accordance with a contract between the parties entered into in 2012 (the “Authority-MED Contract”). The NNYPPA defines “net earnings” as the aggregate excess of revenues received by the Authority from the sale of energy

associated with SLCEDP by the Authority in the wholesale energy market over what revenues would have been received had such energy been sold to MED on a firm basis under the terms of the Authority-MED contract. For the first 5 years after enactment, the amount of SLCEDP the Authority could use to generate net earnings may not exceed the lesser of 20 MW or the amount of SLCEDP that has not been allocated by the Authority pursuant to the Authority-MED contract. Thereafter, the amount of SLCEDP that the Authority could use for such purpose may not exceed the lesser of 10 MW or the amount of SLCEDP that has not been allocated.

On February 26, 2015, the Authority's Trustees approved the release of funds, of up to \$3 million, into the Northern NY Fund representing "net earnings" from the sale of unallocated SLCEDP into the wholesale energy market for the period December 29, 2014 through December 31, 2015. As of June 30, 2015, approximately \$1 million has been deposited into the Northern NY Fund.

(6) The Authority, in November 2007, issued a nonbinding request for proposals (the "RFP") for up to 500 MW of in-city unforced capacity and optional energy to serve the needs of its NYC Governmental Customers. In April 2008, the Authority's Trustees authorized negotiation of a long-term electricity supply contract with Astoria Energy II LLC for the purchase of the output of the Astoria Energy II plant to be constructed in Astoria, Queens adjacent to its existing plant. Following approval of the NYC Governmental Customers, the Authority and Astoria Energy II LLC entered into a long-term supply contract in July 2008. The costs associated with the contract will be borne by these customers for the life of the contract. Construction of the 550-MW Astoria Energy II plant has been completed and the plant entered into commercial operation on July 1, 2011. The Authority is accounting for and reporting this transaction as a capital asset and a capitalized lease liability in the amount of \$1.12 billion. Fuel for the Astoria Energy II plant is being procured by the Authority and the costs thereof are being recovered from the NYC Governmental Customers.

(7) As a result of a Request for Proposals for Long-Term Supply issued in 2005 and subsequent negotiations, in 2011 the Trustees authorized Authority staff to enter into an agreement with HTP for the purchase of capacity to meet the long-term requirements of the Authority's NYC Governmental Customers and to improve the transmission infrastructure serving the City through the transmission rights associated with HTP's planned transmission line (the "Line") extending from Bergen County, New Jersey, to Con Edison's West 49th Street substation. Specifically, the Authority executed the FTCPA with HTP which would provide the Authority with 75% of the Line's 660 MW of transmission capacity for 20 years. This would enable the Authority to import up to 495 MW of energy into the NYISO markets from the neighboring electricity market administered by PJM Interconnection, L.L.C. ("PJM"). Also under the FTCPA, the Authority procured the rights on the Line to import up to 320 MW of ICAP into the NYISO market. However, due to the NYISO's Buyer Side Mitigation rules, the ICAP procured in PJM has been deemed uneconomic and much of it has been mitigated. Over time, this ICAP is expected to become increasingly unmitigated as ICAP sales from the Line clear the NYISO market. The Authority's transmission capacity payment obligations under the FTCPA began upon the Line's commencement of commercial operation, which occurred on June 3, 2013. Also upon commercial operation, the FTCPA obligates the Authority to reimburse HTP for the cost of interconnection and transmission upgrades in New York and New Jersey associated with the Line and to pay for all remaining upgrade costs as they are incurred. Under the FTCPA, the Authority is obligated to pay the costs of certain interconnection and transmission upgrades associated with the Line, which are estimated to total up to approximately \$319 million. As of June 30, 2015, the Authority paid approximately \$285 million of such costs related to the interconnection and transmission upgrades.

The Authority is currently in discussions with certain of its NYC Governmental Customers regarding use of the Line. It is estimated that the revenues derived from the Authority's rights under the FTCPA will not be sufficient to fully cover the Authority's costs under the FTCPA during the initial 20-year term

of the FTCPA. Depending on a number of variables, it is estimated that the Authority's under-recovery of costs under the FTCPA could be in the range of approximately \$72 million to \$105 million per year over the next five years of commercial operation. In April 2013, the Authority entered into a three-year contract with Con Edison Energy, Inc. ("CEE"), an affiliate of Con Edison to manage the Authority's transmission capacity on the Line and make economical energy transactions.

(8) The Long-Island-New York City Offshore Wind Collaborative (the "Collaborative"), which consists of the Authority, Con Edison, and LIPA, is evaluating the potential development of between 350 MW and 700 MW of offshore wind. The Collaborative is currently planning the next steps in project evaluation. On September 15, 2011, the Authority, on behalf of the Collaborative, submitted an application to the federal Bureau of Ocean Energy Management (the "BOEM") for a commercial lease on the Outer Continental Shelf approximately 13 nautical miles off the south shore of Long Island. Pursuant to federal regulations, the BOEM issued a request in January 2013 to determine whether there is competitive interest in wind power development in federal waters off the coast of the Rockaway Peninsula and Long Island. Two potential competitors indicated interest in obtaining a commercial lease for possible offshore wind projects situated in the Collaborative's proposed lease site. At this time, BOEM is currently considering whether competitive interest for the lease site exists. If BOEM determines that competitive interest exists, it may result in an auction to determine an award of the commercial lease site.

(9) In March 2012, the Authority's Trustees authorized up to \$30 million in funding over five years for a solar market acceleration program involving solar research, training, and demonstration projects. As of June 30, 2015, the Authority has approved the award of contracts with cumulative value of up to approximately \$[19] million.

(10) Contracts with the Aluminum Company of America ("ALCOA") for an aggregate of 478 MW have been extended through December 31, 2045 under an agreement executed in 2009. In February 2009, ALCOA entered into a long term contract with the Authority for the sale of 478 MW, effective January 1, 2014, for an initial term of 30 years with an option to extend for an additional 10 years under certain circumstances. The contract provides for rate adjustments based upon a formula containing various indices, and has provisions for price adjustments based on the price of aluminum on the London Metal Exchange. The contract has job compliance provisions based on employment commitments. A supplemental agreement executed in 2011 provides for ALCOA to invest at least \$600 million in a new East Plant, and construction of that plant must be completed by 2018 in order for the new long term contract to take effect. In response to certain economic factors surrounding the aluminum smelting industry, the Authority's Trustees in April 2014 approved execution of a Supplemental Agreement with ALCOA to provide temporary relief from certain power sales contract provisions relating to the temporary shutdown of one of its two smelters served by the Authority in Massena, New York, including allowing ALCOA to release back to the Authority certain hydropower allocated to it and temporary waivers of certain minimum bill and employment thresholds. In addition, in March 2015, the Authority's Trustees authorized a temporary program whereby up to \$10 million per year would be utilized to provide electric bill discounts for up to three years to businesses and dairy farmers located in Jefferson, St. Lawrence, and Franklin counties. These counties constitute the geographic region served by the Authority's Preservation Power program. The source of the \$30 million was the net margins resulting from the sale of a portion of ALCOA's unused Preservation Power allocation into the NYISO markets.

St. Lawrence-FDR and Niagara

Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities currently are sold to three investor-owned electric utility companies: National Grid, New York State Electric & Gas Corporation ("NYSEG"), and Rochester Gas and Electric Corporation ("RG&E"), 47 municipal electric

systems and four rural electric cooperatives in the State, three industrial plants at Massena, New York, the MTA, NFTA, including the Niagara Falls Air Base through the NFTA, seven neighboring state customers, seven Niagara host communities, Niagara University, the Tuscarora Nation and beginning in March 2011, the U.S. Department of Energy (the “DOE”) via a sale for resale arrangement through LIPA. Energy is also sold to the St. Lawrence Seaway Development Corporation and to the New York State Office of Parks, Recreation and Historic Preservation. Service is provided to the three investor-owned utilities under contracts providing for sale of 360 MW of peaking power through December 31, 2017, subject to withdrawal upon thirty days’ notice by the Authority as may be authorized by law or otherwise as may be determined by the Trustees. State statutes allow the Authority to sell up to 250 MW of Expansion Power (“EP”) and up to 445 MW of Replacement Power (“RP”) directly to businesses located within 30 miles of the Niagara Project. In December 2010, the Governor approved the extension of virtually all RP and EP contracts through June 30, 2020.

Contracts are in place through September 1, 2025 with entities that were part of the Niagara Project relicensing settlement agreements. Total power allocations for these entities amount to 32 MW, which is distributed among seven host communities, Niagara University and the Tuscarora Nation. The Authority also has an annual minimum obligation of \$5 million and \$1.5 million respectively to the Host Community Fund and the Erie/Buffalo Waterfront Development Funds which is met via the monetization of power sales made into the NYISO market.

Contracts for the sale of up to 764.8 MW of firm and 3.6 MW of peaking power through August 31, 2025 with the 47 municipal electric systems and four rural electric cooperatives which own their own electric distribution systems are in effect. A contract with the MTA for 10 MW expired in July 2000, but the Authority is continuing to provide service to the MTA on a month-to-month basis. Service to NFTA is contracted through December 31, 2019.

In May 2011, the Authority’s Trustees approved a Preservation Power allocation of 3 MW to Upstate Niagara Cooperative. That allocation has since been decreased to 2.25 MW per the customer’s request. In July 2014, the Authority’s Trustees approved a Preservation Power allocation of 2.1 MW to Corning’s Canton, NY facility. In December 2014, the Authority’s Trustees approved a Preservation Power allocation of 4 MW to St. Lawrence Zinc Company. A contract for the sale of 20 MW of power to MED to be used for economic development purposes within St. Lawrence County was approved by the Authority’s Trustees on June 26, 2012. Legislation enacted into law in 2014 created the Northern New York Power Proceeds Act, which authorizes the Authority, as deemed feasible and advisable by its Trustees, to deposit net earnings from the sale of unallocated power under the Authority-MED Contract (see “PART 2—POWER SALES—Marketing Issues and Developments—Item (6)”). A contract executed in 2010 provides for the Authority’s sale of 15 MW to LIPA for resale to the DOE at Upton, New York, for a term of ten years with an option for the Authority to extend the contract for an additional five years. Sales under the contract commenced in March 2011.

Contracts with the seven out-of-state customers are in effect through August 31, 2025 and provide for the sale of 191.2 MW of firm and the 40.9 MW of peaking power from the Niagara Project. The license issued to the Authority in 2003 for the St. Lawrence-FDR Project provides for the sale of approximately 4.25% of Project power, amounting to 34.5 MW of firm allocations to six neighboring state customers, along with a corresponding share of non-firm energy, at cost-based rates under contracts with terms through April 30, 2017.

The charges for firm and firm peaking power and associated energy sold by the Authority, as applicable, to the municipal electric systems and rural electric cooperatives in the State, the MTA, the NFTA, the seven neighboring state customers, and the three investor-owned utility companies for the benefit of their rural and domestic customers have been established in the context of an agreement settling

litigation respecting rates for hydroelectric power, judicial orders in that litigation, and contracts with certain of these customers. Essentially, the settlement agreement and relevant judicial orders define the rates charged to these customers as cost-based rates and specifically permit the inclusion of interest on indebtedness and continuing depreciation and inflation adjustment charges with respect to the capital costs of the Niagara and St. Lawrence-FDR Projects and preclude the inclusion of any expense associated with debt service for non-hydroelectric projects in the hydroelectric rates charged to wholesale customers for the benefit of rural and domestic customers. The basic rates for RP and EP have been set above costs and are subject to annual adjustment in May of each year, based on four economic indices. At their September 2010 meeting, the Trustees approved a new service tariff for all RP and EP customers that was effective on July 1, 2013 and which provides for a three year phase-in to the new rates based on Preservation Power rates. The new service tariff was incorporated into the extension of the RP and EP contracts through 2020, which were approved by the Governor in December 2010.

Contracts with National Grid, NYSEG and RG&E relating to hydroelectric power from the plants contain various limitations on the obligations of parties under particular circumstances, including, among other things, provisions allowing for withdrawal of power and energy to comply with the NRA, the Authority's Niagara and St. Lawrence-FDR licenses, and orders of FERC. The Authority may discontinue service upon 15-days' written notice for non-payment of bills and terminate any such contract upon 60-days' notice for violations of the terms thereof. The Authority may terminate an agreement upon 30 days' written notice to a utility. A utility company may elect to terminate its contract for any reason on 30 days' written notice to the Authority after one year and on 90-days' written notice in the event that the charge for service is increased or the terms, conditions or rules governing the service are materially modified without the agreement of the utility.

Blenheim-Gilboa

The Authority sells from the Blenheim-Gilboa Pumped Storage Power Project ("Blenheim-Gilboa Project") 250 MW of capacity to its NYC Governmental Customers pursuant to the 2005 Agreements, each sale at a tariff rate established on the basis of cost. The remainder of the Project's capacity is used to meet the requirements of the Authority's business and governmental customers and to provide services in the NYISO market generally at the market-clearing price for capacity.

Sales of Purchased Power and Energy for Industrial Power

A total of three contracts are in effect with two high-load factor industries and one direct service contract with the DOE at Upton, New York, which provide for the sale of approximately 95.5 MW of purchased power and energy. The three contracts with two high-load factor industries do not have specific termination dates and may be terminated by either party upon contractual notice. The DOE contract is currently subject to yearly Federal appropriations. A modification to the contract was executed in late 2010, extending the term through December 31, 2020, with a provision allowing for a renewal of an additional five years. The contract extension provides for market prices to be flowed through to the DOE. The 2005 Act (see "PART 2—POWER SALES—Marketing Issues and Developments—Item 2") also directs the Authority "to identify the net revenues produced by the sale of EP and further to identify an amount of the net revenues from the sale of EP which shall be used solely for industrial incentive awards." The statute provides that "[n]otwithstanding other lawful purposes for which such revenues may be used, it shall be the preferred purpose of the [A]uthority to make available all such net revenues for industrial incentive awards." Industrial incentive awards ("Awards") are to be made in accordance with an economic development plan proposed by the Authority and approved by the Economic Development Power Allocation Board.

The current process generally provides for the Authority to authorize Awards to individual manufacturing companies that provide explicit data demonstrating their risk of closure or relocation out of the State. The form of the Award generally will be a ¢/kWh price discount on an agreed-to level of electricity consumption for one year. Awards would normally be for one year, with the ability to renew for one or two additional years provided the company continues to meet an agreed-to job commitment for New York. Additionally, participating companies may opt out should any new long-term economic development program be approved by the State that offers similar or greater value. EP net revenues for 2013 and 2014 were \$7.1 million and \$13.5 million, respectively. As of June 2015, there are three customers receiving Awards, one of which is approved to receive such Awards for a longer term extending through December 31, 2029. Since inception, total Award payments to date are in excess of \$14.6 million.

The Authority also sells incremental purchased power and energy at full cost to 12 of its 51 municipal electric system and rural electric cooperative customers to meet their electric power requirements in excess of their hydroelectric power allocations, which incremental power amounts during the peak winter months, in the aggregate, to approximately 80 MW and during the off-peak summer period diminishes to about 33% of the winter amount.

SENY Governmental Customers

The Authority supplies power and energy from acquisitions in the energy and capacity markets, as well as from Authority sources, to the NYC Governmental Customers and the Westchester Governmental Customers for use for education, public housing, street lighting, subways, airports, bridges and tunnels and other public purposes. The contracts with such governmental bodies provide for firm power service under the Authority's applicable service tariffs and its rules and regulations for power service, as supplemented by long term agreements with many of these customers (see "PART 2—POWER SALES—Marketing Issues and Developments—Item (1)"). The rates established vary from customer to customer in accordance with load characteristics, and, in most cases, include both demand and energy rates. Authority power is delivered to these customers over the transmission and distribution system of Con Edison. The Authority pays Con Edison a delivery service charge to cover the cost of delivering this power to the point of use by the customer, which cost is recovered by the Authority from the customer.

The Authority's Small Hydroelectric Facilities are used to support service to SENY Governmental Customers under the arrangements discussed above.

To serve the NYC Governmental Customers, the Authority has as resources its existing generation, including the 500-MW Plant (see "PART 2—THE AUTHORITY'S FACILITIES—Generation—500-MW Combined-Cycle Electric-Generating Plant; Closure of Poletti Plant"), the power and energy from the Astoria Energy II plant that entered into service on July 1, 2011 for which it has a power supply contract, as well as market-based purchases. See "PART 2—POWER SALES—Marketing Issues and Development—Item 8)." The Authority anticipates that through these various sources it will be able to meet the power and energy needs of such customers. See "PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR—Certain Authority Plant Outage Risks" for a discussion of risks relating to outages at Authority units or non-performance of counterparties to energy supply contracts.

500-MW Plant

The installed capacity of the 500-MW Plant is being used by the Authority to meet a portion of its customer's installed capacity needs in the City. The Authority is bidding the generation of the plant into the DAM and the real time market of the NYISO for the benefit of its NYC Governmental Customers so

as to, among other things, recover the costs of the operation of the unit and to maximize the unit's availability to the NYISO to assure the economical and reliable supply of electricity.

Small Clean Power Plants

The installed capacity of the Small Clean Power Plants (the "SCPPs") is being used by the Authority to meet its installed capacity needs or, if not needed by the Authority, is subject to sale to other users. The Authority is bidding the generation of the SCPPs into the DAM and the real time market in such a manner as the Authority deems advisable so as to maximize the SCPPs' availability to the NYISO to assure the economical and reliable supply of electricity in the SENY area. The Authority believes that the revenues derived from the sale of the SCPPs' generation into the NYISO energy markets, along with other available funds of the Authority, will be sufficient to meet the costs associated with the SCPPs.

Flynn

The installed capacity of the Flynn plant is being used by the Authority to meet its installed capacity needs or, if not needed by the Authority, is subject to sale to other users. The Authority is bidding the generation of Flynn into the DAM and the real time market in such a manner as the Authority deems advisable so as to maximize Flynn's availability to the NYISO to assure the economical and reliable supply of electricity in the Long Island area. The Authority believes that the revenues derived from the sale of Flynn's generation into the NYISO energy markets, along with other available funds of the Authority, will be sufficient to meet the costs associated with Flynn.

TRANSMISSION SERVICE

The NYISO is responsible for scheduling the use of the bulk transmission system in the State, which normally includes all of the Authority's transmission facilities, and for collecting for related transmission fees from customers. Each IOU, LIPA and the Authority retains ownership, and is responsible for maintenance, of its respective transmission lines. All wholesale customers served under the NYISO pay the local utility's transmission service charge, which are included in the NYISO tariff, plus the NYISO's fees for ancillary services, losses and congestion for use of the transmission system. Each such transmission customer also pays, as part of its NYISO charges, a separate fee to compensate the Authority for the use of its transmission system which is designed to ensure the Authority's recovery of its annual transmission revenue requirement ("ATRR"). If the NYISO does not maintain a FERC-accepted tariff which provides for full recovery by the Authority of its ATRR, the Authority is permitted to withdraw from the NYISO on 90-days' notice to the other parties. In addition, any of the IOUs, LIPA and the Authority may withdraw from the NYISO on 90-days' notice to the Board of Directors of the NYISO, but, in the case of an IOU, such withdrawal is conditioned upon the effectiveness of an "open access" transmission facilities tariff on file with FERC. In 1996 the Authority adopted an open access transmission tariff.

In an order dated July 28, 1999, FERC approved the NYISO Open Access Transmission Tariff, the NYISO Market Administration and Control Area Services Tariff, and each of the related agreements submitted to it for approval in connection with the formation of the NYISO. In an Order issued January 27, 1999, FERC approved the use of the Authority's then-existing ATRR in developing the rates for service under the NYISO tariff and declined to set the revenue requirement for hearing. The Authority's ATRR, however, is subject to FERC review in the event the Authority seeks to modify it. This order also approved the imposition of the NYPA Transmission Adjustment Charge ("NTAC") and the Authority Transmission Service Charges (two tariff elements for the recovery of the Authority's ATRR). The NTAC is an essential mechanism for the Authority's cost recovery as direct customer

payments to the Authority under “grandfathered” transmission agreements have diminished as many of those agreements have and eventually will expire or be terminated.

Transmission agreements between the IOUs, LIPA and the Authority and their customers in existence remained in effect unless modified pursuant to Sections 205 or 206 of the Federal Power Act (the “FPA”). These customers, including customers of the Authority, retained the right to convert their grandfathered transmission service agreements to NYISO service. Many of the Authority’s customers have chosen to make this conversion. For such customers, the Authority no longer collects those transmission charges but the NTAC mechanism, which anticipated the loss of this transmission service, makes the Authority whole with respect to its ATRR.

Long Island Sound Cable Agreement

The Authority and LIPA are parties to the Sound Cable Facilities and Marketing Agreement (the “Cable Agreement”), relating to the Authority’s Long Island Sound Cable (the “Cable”) (see “PART 2—THE AUTHORITY’S FACILITIES—Transmission—Long Island Sound Cable”), which was executed for the purposes of providing lower cost energy from upstate New York and Canadian sources to consumers on Long Island and of increasing the reliability of their electric supply by strengthening interconnection capability between Long Island and the rest of the State. The Cable Agreement provides that LIPA will reimburse the Authority for the costs it incurs in connection with the Cable, including but not limited to debt service, reserves, and operation and maintenance expenses, in return for the use of the capacity of the project. LIPA was initially allocated the full capacity of the Cable and to the extent that the Authority has allocated capacity to other parties, LIPA’s payment obligations are proportionately reduced, with such other parties making payments pursuant to applicable rates. The Authority has allocated capacity of the Cable to certain loads served by the Authority in LIPA’s service territory when there has been insufficient capacity to serve such loads on another cable jointly owned by LIPA and Con Edison.

CUSTOMER ENERGY SOLUTIONS

The Authority, through its Customer Energy Solutions (“CES”) group, provides customers with wide-ranging on-site energy solutions including energy data analytics, planning, operations and the development of capital projects such as energy efficiency, distributed generation, advanced technologies and renewables. The CES group also has responsibility for implementation of the Governor’s Executive Order No. 88, known as “Build Smart NY” (to improve energy efficiency at State owned and managed buildings), the Five Cities Energy Efficiency Implementation Plans (for the cities of Albany, Buffalo, Rochester, Syracuse and Yonkers to reduce overall energy costs and consumption, strength the reliability of energy infrastructure, create jobs in local clean energy industries and contribute to a cleaner environment), and the K-Solar program (to reduce schools’ energy costs through the use of solar power). For more on Build Smart NY, see “PART 2—EXECUTIVE ORDER NO. 88.”

The Authority currently implements energy services programs primarily aimed at two groups of entities, its SENY governmental customers and various other public entities throughout the State. Under these programs, the Authority finances the installation of energy saving measures and equipment which are owned by the customers and public entities upon their installation and which focus primarily on the reduction of the demand for electricity and the efficient use of energy. The Authority has authorized as of [September 29, 2015], the expenditure of an aggregate of \$[3.9] billion on these programs, the funds for which are provided from the sale of the Authority’s Commercial Paper Notes and from internally generated funds. Except for certain limited costs, the Authority expects to recover its expenditures on these programs, including its financing costs, over periods not exceeding twenty years. The Authority’s energy services programs generally provide funding for, among other things, high efficiency lighting

technology conversions, high efficiency heating, ventilating and air conditioning systems and controls, boiler conversions, replacement of inefficient refrigerators with energy efficient units in public housing projects, distributed generation technologies and clean energy technologies, and installation of non-electric energy saving measures. Participants in these programs include departments, agencies or other instrumentalities of the State, the Authority's SENY public customers, public school districts or boards and community colleges located throughout the State, county and municipal entities with facilities located throughout the State, certain not-for-profit entities, and the Authority's municipal and rural electric cooperative customers.

Chapter 477 of the Laws of 2009 ("Chapter 447") enhanced the Authority's authority to provide and finance energy services, including the issuance of bonds for that purpose, and also explicitly authorizes the Authority to provide energy services to virtually all of its commercial and industrial customers. That authority, which has been expanded since Chapter 477, is set forth in Section 1005(17) of the Act. Earlier enactments have authorized the Authority to provide energy services to public and non-public elementary and secondary schools and specified military establishments in New York and to finance and administer programs to replace inefficient refrigerators with energy efficient units in certain public and private multiple dwelling buildings.

As of June 30, 2015, the Authority had outstanding aggregate expenditures of \$411 million (excluding petroleum overcharge restitution ("POCR") funds, discussed below) for these programs and projects associated with POCR funding, discussed below, and expects to spend an additional \$[1.106 billion] for these programs and projects over the period [from 2015 to 2019].] (see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Projected Capital and Financing Requirements and Other Potential Initiatives"). As the range of energy solutions offered by the CES group to the Authority's customers grows, the specific programs may change and the expenditures authorized for the programs may increase.

The Authority has also established a variety of programs funded by available POCR funds and, to a lesser extent, other State funds (see "PART 2—LEGISLATION AFFECTING THE AUTHORITY"), with authorized funding of \$60.9 million for programs. These programs primarily include grants for energy services projects throughout the State. The Authority is statutorily authorized to utilize its internally generated funds and the proceeds of Authority debt to finance energy service projects receiving POCR financing. POCR funds received by the Authority are not available to pay debt service on the Authority's debt obligations.

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THE AUTHORITY'S FACILITIES

Generation

General Information

The Authority's generating facilities and certain related capacity and generation information are listed in the following table:

Authority Generating Facilities (2014)

	Type	First Year of Operation	Total Installed Capability (MW)	Net Dependable Capability- (MW) ⁽¹⁾	2014 Net Generation ⁽²⁾
St. Lawrence-FDR	Hydro	1958	912	828	7.05 billion kWh
Niagara	Hydro	1961	2,755	2,681	13.68 billion kWh
Blenheim-Gilboa	Pumped Storage	1973	1,160	1,167	(0.18 billion kWh) ⁽³⁾
Flynn	Gas/Oil	1994	170	142	1.21 billion kWh
SCPPs ⁽⁴⁾	Gas	2001	517	455	0.35 billion kWh
Small hydroelectric ⁽⁵⁾	Hydro	See note(5)	37	37	0.14 billion kWh
500-MW Plant	Gas/Oil	2005	<u>500</u>	<u>480</u>	<u>3.31 billion kWh</u>
Totals			6,051	5,790	25.56 billion kWh

(1) Summer capability period rating.

(2) Subject to NYISO adjustments.

(3) Net of pumping energy.

(4) Consists of 10 generating units located in the City and one located in the service territory of LIPA.

(5) Consists of Ashokan and Kensico facilities, which were placed in service in 1982 and 1983, respectively, and facilities at the Hinckley (Jarvis plant), Crescent and Vischer Ferry sites, which are part of Small Hydroelectric Development Project No. 1 and which went into commercial operation on July 1, 1991. Decommissioning of Kensico, which had an installed capacity of 3 MW, began in 2015.

St. Lawrence-FDR

The St. Lawrence-FDR Project consists primarily of the Robert Moses Power Dam located at Massena, New York, and two additional dams. The construction and operation of the St. Lawrence-FDR Project were authorized by a 50-year license issued to the Authority by the Federal Power Commission (the "FPC") effective as of November 1, 1953. By order issued October 23, 2003, a new 50-year license was issued to the Authority by FERC (see "St. Lawrence-FDR Relicensing" below). Commercial production of power started in July 1958. All power is generated at the Robert Moses Power Dam, which contains sixteen 57-MW hydro-turbine generators having an aggregate nameplate capacity of 912 MW. Under the new license, a specified amount of the plant's output must be made available to neighboring states (see "St. Lawrence-FDR Relicensing" below). A program for the life extension and modernization of the generation equipment at the St. Lawrence-FDR project was completed in 2013. For a discussion of litigation commenced by Native American tribes claiming ownership of various lands within the boundary of the boundary of the St. Lawrence-FDR Project, see "PART 1—APPENDIX D—Litigation—Item (a)."

St. Lawrence-FDR Relicensing

On October 23, 2003, FERC approved the Comprehensive Relicensing Settlement Agreement (the "CRSA") reached by the Authority and numerous parties and issued the Authority a new 50-year license

(the “New License”) for the St. Lawrence-FDR Project. Among other things, the New License provides for the following:

- (1) establishment of a \$24 million fund for fish enhancement and mitigation to be used for research, construction and operation of projects benefiting fisheries in the Lake Ontario/St. Lawrence River basin;
- (2) construction of a fish ladder to assist the upstream passage of American eel;
- (3) allocation of 34.5 MW of power from the Project to the states of Vermont, Rhode Island, Connecticut, New Jersey, Pennsylvania and Ohio;
- (4) development of various habitat improvement projects within the Project boundary;
- (5) construction of new recreational facilities and rehabilitation and expansion of existing recreational facilities, including additional trails, camping facilities and boat launches; and
- (6) a shoreline management plan to effectively maintain eroding shorelines in the Project’s boundary.

The Authority estimates that the total costs associated with the relicensing of the St. Lawrence-FDR Project for a period of 50 years will be approximately \$210 million, of which approximately \$170 million has already been spent. These total costs could increase in the future as a result of authorities reserved by FERC in the New License. A portion of these costs is reflected in the Authority’s estimate of its capital requirements for the period 2015-2019 (see “PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Projected Capital and Financing Requirements and Other Potential Initiatives”). The Authority is collecting in its rates for the sale of St. Lawrence-FDR power amounts necessary to fund such relicensing costs.

The CRSA incorporated several agreements with particular groups of stakeholders or targeting specific resource areas. Among these is the St. Lawrence-FDR Power Project, No. 2000 Relicensing Agreement (the “LGTFSA”) between the Authority and the Local Government Task Force (the “LGTF”). The LGTFSA provides for a review of the LGTFSA every ten years, commencing in 2013, to discuss issues not contemplated at the time of relicensing in 2003. Following the 2013 review, the Authority and the LGTF entered into an agreement, effective May 4, 2015, in which the Authority agreed to commit up to \$45.1 million over 10 years for certain actions, including to: (1) fund an economic development strategic marketing study; (2) temporarily reduce electricity costs for certain farms and businesses; (3) initiate an energy efficiency and renewable energy program for the LGTF communities; and (4) enhance certain recreational facilities in the LGTF communities.

Niagara

The Niagara Project consists of a water intake, waterways, a generating plant (the “Robert Moses Niagara Power Plant”), and the Lewiston Pump-Generating Plant. It is located at Lewiston, New York, and was constructed to implement a 1950 treaty between the United States and Canada. Power was first generated in January 1961, and the final generator went into commercial operation in October 1962.

The Robert Moses Niagara Power Plant contains thirteen hydro-turbine generators, with a nameplate capacity totaling 2,429 MW, and the Lewiston Pump-Generating Plant contains twelve hydro-turbine motor-generators, with a nameplate capacity totaling 240 MW. The nameplate capacity of Niagara is 2,669 MW.

Pursuant to a FERC-approved license amendment, the Authority, in December 2006, completed a \$298 million upgrade (including licensing and preliminary engineering costs) of the 13 generating units at the Robert Moses Niagara Plant. As a result of this work, the Niagara Project is able to produce approximately 32 additional MW of power that is available on a firm basis.

In June 2010, the Authority's Trustees approved the \$460 million Lewiston LEM Program. The work to be done includes a major overhaul of the plant's 12 pump turbine generator units. The Lewiston LEM Program will increase pump and turbine efficiency, operating efficiency, and the peaking capacity of the overall Niagara Project. The Authority filed an application with FERC and was approved for a non-capacity license amendment in connection with the program. The unit work began in late 2012 and the final unit is expected to be completed in 2020.

Niagara Relicensing

By order issued March 15, 2007, FERC issued the Authority a new 50-year license for the Niagara project effective September 1, 2007. In doing so, FERC approved six relicensing settlement agreements entered into by the Authority with various public and private entities. By decision dated March 13, 2009, the U.S. Court of Appeals for the District of Columbia Circuit (the "D.C. Circuit") denied a petition for review of FERC's order filed by certain entities, thereby concluding all litigation involving FERC's issuance of the new license. In 2007, the Authority estimated that the capital cost associated with the relicensing of the Niagara project would be approximately \$495 million. This estimate does not include the value of the power allocations and operation and maintenance expenses associated with several habitat and recreational elements of the settlement agreements. As of December 31, 2014, the balance in the recorded liability associated with the relicensing on the statement of net position is \$301 million (\$22 million in current and \$279 million in other noncurrent liabilities).

In addition to internally generated funds, the Authority issued additional debt obligations in October 2007 to fund, among other things, Niagara relicensing costs. The costs associated with the relicensing of the Niagara project, including the debt issued therefore, were incorporated into the cost-based rates of the project beginning in 2007.

Blenheim-Gilboa

The Blenheim-Gilboa Project is located on the Schoharie Creek in the towns of Blenheim and Gilboa, Schoharie County, New York, and was built pursuant to a 50-year license issued by the FPC effective May 1, 1969. The Blenheim-Gilboa Project was first operated in 1973, and consists primarily of lower and upper reservoirs and pump-generating power plant containing four reversible hydraulic pump-turbines. A life extension and modernization program was completed in 2010 that increased plant capacity by 120 MW, bringing the installed capacity of the Project to 1,160 MW.

500-MW Combined-Cycle Electric-Generating Plant; Closure of Poletti Plant

To serve its NYC Governmental Customer load and to comply with the NYISO in-City capacity requirement in the City area (see "PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR—NYISO Capacity Requirements Matters"), the Authority constructed a 500-MW combined-cycle natural-gas-and-distillate-fueled power plant in Queens, New York, as the most cost-effective means of effectuating such compliance. The 500-MW Plant entered into commercial operation in December 2005. In connection with the licensing of the 500-MW Plant, the Authority entered into a stipulation agreement that required, and resulted in, the cessation of operation of the Poletti generating plant (which had entered into service in 1977) on January 31, 2010. At the time of cessation, the Poletti Plant was fully depreciated and no debt remained outstanding; however, the Authority is expecting to incur as much as

\$90 million in costs associated with the decommissioning of the Plant. Decommissioning of the retired Poletti generation plant began in 201[_] and the plant deconstruction and removal and site remediation efforts are expected to finish in 201[_]. The decommissioning costs are being recovered through an amortization charge to the NYC Governmental Customers that began in 2005 and which continues to be assessed annually through rates. Current estimated decommission costs are approximately \$60 million.

In June 2007, the Authority awarded a long-term service agreement (the “LTSA”) for the 500-MW Plant with a term of up to 15 years and at a cost of up to \$105 million. The LTSA covers scheduled major maintenance, including parts and labor; contingencies for escalation of materials and labor; and potential extra work.

SCPPs

To meet capacity deficiencies and ongoing load requirements in the City metropolitan area that could also adversely affect the statewide electric pool, the Authority has in operation the SCPPs, which consist of eleven natural-gas-fueled combustion-turbine electric units, each having a nameplate rating of 47 MW at six sites in the City and one site in the service region of LIPA. As a result of the settlement of litigation relating to certain of the SCPPs, the Authority has agreed under the settlement agreement to cease operations at one of the SCPP sites, which houses two units, under certain conditions and if the Mayor of the City directs such cessation. No such cessation has occurred.

Flynn

The Flynn Project consists of a combined-cycle, natural-gas-and-distillate-fueled electric-generating plant and associated facilities, including a 102-MW combustion turbine-generator, a 56-MW steam turbine-generator, and a heat-recovery steam generator. The plant was built on a site at Holtsville in Suffolk County, New York. The Project began commercial operation in May 1994. The Flynn plant has a nameplate rating of 164 MW. Currently, Flynn is operating as a merchant facility (see “PART 2—POWER SALES—Flynn”).

Small Hydroelectric Facilities

(1) *Ashokan and Kensico.* Ashokan is a small hydroelectric facility with a nameplate rating of 4.75 MW, consisting of the addition of hydroelectric generating equipment to the headworks of the Catskill Aqueduct at Ashokan Reservoir, in the Township of Olive, near Kingston, in Ulster County, New York. Kensico is a small hydroelectric facility with a nameplate rating of 3 MW, consisting of the addition of hydroelectric generating equipment to the headworks of the lower Catskill Aqueduct at Kensico Reservoir in the Town of Mount Pleasant, near White Plains, in Westchester County, New York. The plants are exempt from Federal licensing requirements. The Authority started decommissioning of the Kensico facility in 2015 and the work is in progress.

(2) *Small Hydroelectric Development Project No. 1.* The Project facilities have a combined nameplate capacity of 32.2 MW and are located at the following sites in the State: Crescent Dam on the Mohawk River in Albany and Saratoga Counties; Vischer Ferry Dam on the Mohawk River in Saratoga and Schenectady Counties; and Hinckley Dam on West Canada Creek, near the Hamlet of Hinckley in Oneida and Herkimer Counties. The 40-year FERC licenses for these facilities expire on May 31, 2024, May 31, 2024 and July 31, 2022, respectively.

Transmission

The Authority's Transmission System

The Authority owns, operates and maintains more than 1,400 circuit miles of high voltage (115-kV-765-kV) transmission lines in the State. These lines include a 765-kV line south from the Canadian border to Marcy, New York; two 345-kV lines from the Niagara Project east to Niagara Mohawk's Edic Substation in central New York; two 345-kV lines from Marcy, New York, connecting to other utility substations in southeastern New York; three 345-kV lines from the Blenheim-Gilboa Project extending to substations near Athens, New Scotland, and Delhi, respectively; two 230-kV lines extending east from the St. Lawrence Project to Plattsburgh, New York, and to the Vermont border; a 345kV transmission line from the Fitzpatrick Nuclear Power Plant near Oswego, New York to the National Grid substation in Edic, New York; two 230-kV lines extending south from the St. Lawrence Project to Belfort, New York; a single circuit underground and underwater line extending across Long Island Sound between Con Edison's substation in Westchester County and LIPA's substation in Nassau County, New York; several 115-kV lines connected directly to large industrial customers and other shorter lines connecting the Authority's generating facilities to the transmission grid.

In 2003, the Authority completed construction of a transmission control device known as the Convertible Static Compensator at its Marcy substation. This technology provides voltage control and helps reduce congestion on heavily used transmission lines between Utica and Albany, New York. In 2012, the Authority's Trustees approved a \$726 million Transmission Life Extension and Modernization Program. Work under the Transmission LEM Program is expected to continue through 2025. For more information on the Transmission LEM Program, see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Projected Capital and Financing Requirements and Other Potential Initiatives."

Long Island Sound Cable

The Cable consists of a 345-kV underground and underwater transmission cable, extending for approximately 26.6 miles from the Sprain Brook substation owned by Con Edison in Westchester County, New York, to the East Garden City substation owned by LIPA in Nassau County, New York, and includes an underwater crossing of approximately 7.9 miles of Long Island Sound. Installation of the Cable was completed in 1991.

Hudson Transmission Partners, LLC Project

In 2011, the Authority executed the FTCPA with HTP with respect to a 345 kV underground/submarine transmission line extending from Bergen County, New Jersey to Con Edison's West 49th Street substation in midtown Manhattan. See "PART 2—POWER SALES—Marketing Issues and Developments—Item (7)" for a discussion of related financial matters.

Certain Operating Information

Effective in 1965, the Authority and Ontario Hydro entered into a Memorandum of Understanding containing provisions for coordinated operation of the two systems, for interchange of power and energy at the Niagara and St. Lawrence-FDR Project interconnections and for the use of generating equipment of either system by the other in order to make optimum use of all available water at all times. The agreement provides for the sale by either party to the other of various classes of power and energy, and continues in force from year to year, subject to termination by either party on not less than five years' prior notice in writing.

The operation of Authority projects is subject to various federal and State licensing and permit requirements which have constrained facility operations and have caused and are expected to continue to cause the Authority to incur additional costs or to experience a reduction of revenues. Further plant improvements and modifications may be required by regulatory action or be deemed desirable by the Authority as the result of problems identified from its operating experience or that of operators of similar facilities.

Fuel Supply

Flynn, 500-MW Plant, SCPPs, and Astoria Energy II plant

The Authority endeavors to purchase sufficient amounts of fuel for Flynn, the 500-MW Plant, the SCPPs, and the Astoria Energy II plant to meet the fuel requirements of these plants. Natural gas is secured for these plants as required while the Authority maintains adequate oil inventory at the 500-MW Plant, Flynn, and the Astoria Energy II plant to supplement natural gas consumption. Fuel purchases are effectuated in the spot market and, at times, through longer term supply contracts for natural gas.

Gas Transportation and Supplies

The Authority has entered into service agreements with Texas Gas Transmission, LLC, Dominion Transmission, Inc., and Transcontinental Gas Pipe Line Corporation terminating in October 2016 under which these pipelines provide firm natural gas transportation service at an estimated average annual cost to the Authority of \$7.5 million per year, based on current rates applied to the Authority's full allocation of capacity. The transportation primarily serves the Flynn plant, and also serves the SCPPs, the 500-MW Plant, and the Astoria Energy II plant.

The Authority entered into an agreement with Con Edison ending April 30, 2016 which provides gas transportation and balancing services to the Authority to serve its expected fuel needs for the 500-MW Plant, the Astoria Energy II plant, and the SCPPs located in Con Edison's service territory, at an estimated annual cost of \$2.7 million, exclusive of applicable taxes and balancing charges, if any. The Authority also has agreements with National Grid ending March 31, 2017 which provide gas transportation, balancing and gas peaking services to the Flynn Plant and the SCPPs which are located in the National Grid gas service territory, at an estimated annual cost of \$3.5 million, exclusive of applicable taxes and balancing charges, if any.

LEGISLATION AFFECTING THE AUTHORITY

Section 1011 of the Act constitutes a pledge of the State to holders of Authority obligations not to limit or alter the rights vested in the Authority by the Act until such obligations together with the interest thereon are fully met and discharged or unless adequate provision is made by law for the protection of the holders thereof. Bills are periodically introduced into the State Legislature which propose to limit or restrict the powers, rights and exemption from regulation which the Authority currently possesses under the Act and other applicable law or otherwise would affect the Authority's financial condition or its ability to conduct its business, activities, or operations, in the manner presently conducted or contemplated hereby. It is not possible to predict whether any such bills or other bills of a similar type which may be introduced in the future will be enacted.

In addition, from time to time, legislation is enacted into New York law which purports to impose financial and other obligations on the Authority, either individually or along with other public authorities or governmental entities. The applicability of such provisions to the Authority would depend upon, among other things, the nature of the obligations imposed and the applicability of the pledge of the State

set forth in Section 1011 of the Act to such provisions. There can be no assurance that in the case of each such provision, the Authority will be immune from the financial obligations imposed by such provision. Examples of such legislation affecting the Authority include legislation, discussed above, relating to the Authority's voluntary contributions to the State, the Authority's temporary transfer of funds to the State, the RNYPP, and the Western NY Fund and the Northern NY Fund programs (see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Voluntary Contributions to the State General Fund, Temporary Transfer of Funds to State; POWER SALES—Marketing Issues and Developments—Items (3), (5), (6)"). Set forth below are descriptions of certain other legislative provisions that are relevant to the Authority.

(1) Section 2975 of the New York Public Authorities Law establishes a Governmental Cost Recovery System, pursuant to which certain public benefit corporations, defined as having three or more members appointed by the Governor, are subjected to assessment for the costs of central governmental services attributable to such public benefit corporations, pursuant to a statutory assessment methodology. Such a public benefit corporation may, however, pursuant to Section 2975, opt to enter into an agreement with the State Director of the Budget providing for alternative cost recovery to the State. Consistent with such alternative agreement mechanism, the Authority in the past has voluntarily entered into agreements with the Division of the Budget pursuant to which the Authority has made payments to the State relating to such cost recovery assessments. In connection with the Authority's temporary transfer of funds to the State in 2009 (see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Temporary Transfer of Funds to State"), the Authority executed an alternative cost recovery agreement with the Director of the Budget whereby the Authority was relieved of any obligation to make payments under Section 2975 from 2009 to 2017, up to a maximum of \$45 million.

(2) In 1995 and thereafter, legislation was enacted into New York law which authorizes the Authority to utilize an aggregate of \$60.3 million in POCR funds and \$600,000 of other State funds, to be made available to the Authority by the State pursuant to the legislation, for a variety of energy-related purposes with certain funding limitations. The legislation also states that the Authority "shall transfer" equivalent amounts of money to the State prior to dates specified in the legislation. The use of POCR funds is subject to comprehensive Federal regulations and judicial orders, including restrictions on the type of projects which can be financed with POCR funds, the use of funds recovered from such projects, and the use of interest and income generated by such funds and projects. Pursuant to the legislation, the Authority is implementing various energy services programs utilizing such appropriated funds, which programs have received all necessary approvals (see "PART 2—CUSTOMER ENERGY SOLUTIONS"). The Authority entered into agreements with the State Division of the Budget obligating it to transfer \$60.9 million to the State upon the transfer of the \$60.9 million in POCR and other State funds to the Authority. The disbursement of the appropriated funds to the Authority, and the Authority's transfer of \$60.9 million to the State, has occurred. The appropriated funds are being held in an escrow account for the approved purposes.

(3) New York Executive Law, Section 713, entitled "Protection of Critical Infrastructure including Energy Generating and Transmission Facilities" provides, in relevant part, that the New York State Commissioner of the Division of Homeland Security and Emergency Services (the "Commissioner") shall conduct a review and analysis of measures being taken by the New York Public Service Commission (the "PSC") and any other agency or authority of the State or any political subdivision thereof and, to the extent practicable, of any federal entity, to protect the security of critical infrastructure related to energy generation and transmission located within the State. The Commissioner is granted the authority to review any audits or reports related to the security of such critical infrastructure, including audits or reports conducted at the request of the PSC or any other agency or authority of the State or any political subdivision thereof or, to the extent practicable, of any federal entity. The statute provides for periodic reporting by the Commissioner to the Governor, the Temporary President of the New York

Senate, the Speaker of the New York Assembly, the Chairperson of the PSC and the chief executive of any affected generating or transmission company or his or her designee. Such reports are to review the security measures being taken regarding critical infrastructure related to energy generating and transmission facilities, assess the effectiveness thereof, and include recommendations to the State Legislature or the PSC if the Commissioner determines that additional measures are required to be implemented, considering, among other factors, the unique characteristics of each energy generating or transmission facility.

The statute provides that “[e]xcept in the case of federally licensed electric generating facilities, the public service commission shall have the discretion to require that the recommendations of the [commissioner]... be implemented by any owner or operator of an energy generating or transmission facility.” For the purposes of the statute, “critical infrastructure” means “systems, assets, or things, whether physical or virtual, so vital to the State that the disruption, incapacitation or destruction of such systems, assets, places or things could jeopardize the health, safety, welfare or security of the State, its residents or its economy.”

Information on legislation affecting the Authority is also available from many sources in the public domain, and potential purchasers of the 2015 A Bonds should obtain and review such information.

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EXECUTIVE ORDER NO. 88

On December 28, 2012, Governor Andrew M. Cuomo issued Executive Order No. 88 (“EO 88”) directing state agencies collectively to reduce energy consumption in state-owned and managed buildings by 20 percent within seven years – an initiative designed to produce significant savings for New York taxpayers, generate jobs, and significantly reduce greenhouse gas emissions. To meet this initiative, the Governor launched Build Smart NY, a plan to strategically implement EO 88 by accelerating priority improvements in energy performance. The Authority has offered to provide \$450 million in low-cost financing for this initiative for state owned buildings and an additional \$350 million for towns and municipalities. Such low-cost financing would be funded by proceeds of the Authority’s commercial paper or another form of debt. The Authority’s costs of financing would be recovered from the energy efficiency customers in this program. In addition, as provided for in EO 88, the Authority has established a central management and implementation team to carry out the Build Smart NY plan. As of June 30, 2015, the Authority has in aggregate provided approximately \$169 million in financing for energy efficiency projects at State agencies and authorities covered by EO 88.

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

The Electric Utility Industry Generally

Energy Policy Act of 1992

The Energy Policy Act of 1992 made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. The purpose of these changes, in part, was to bring about increased competition in the wholesale electric power supply market. These changes have increased competition in the electric utility industry.

Federal Initiatives under the Energy Policy Act of 1992

On April 24, 1996, FERC issued a Final Rule (“Order No. 888”) significantly changing the regulation of transmission service performed by electric utilities subject to FERC’s jurisdiction under sections 205 and 206 of the FPA. Among other things, FERC ordered pro forma, open-access, non-discriminatory transmission tariffs be placed into effect for all jurisdictional utilities on or before July 9, 1996. The goal of Order No. 888, according to FERC, was to remove impediments to competition in the wholesale bulk power marketplace and to bring more efficient lower cost power to the nation’s electricity consumers by denying to a generator of electric energy any unfair advantage over its competitors that exists by virtue of its ownership of its transmission system.

Although the Authority was not subject to FERC’s jurisdiction under sections 205 and 206 of the FPA at the time Order No. 888 was issued, Order No. 888 nevertheless has had a significant effect on the Authority and was the impetus to the Authority participating in the formation of the NYISO (see “PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR”). In Order No. 888, FERC stated that it intended to apply the principles set forth in Order No. 888 to the maximum extent to consumer-owned and other non-jurisdictional utilities, both in deciding cases brought under sections 211 and 212 of the FPA and by requiring such utilities to agree to provide open access transmission service as a condition to securing transmission service from jurisdictional investor-owned utilities under open access tariffs (see “Energy Policy Act of 2005” below).

Energy Policy Act of 2005

The “Energy Policy Act of 2005” (the “Energy Policy Act”), among other things: (a) authorizes FERC to require “unregulated transmitting utilities” that formerly were exempt from regulation under sections 205 and 206 of the FPA (including the Authority) to provide open access to their transmission systems and to comply with certain rate change provisions of section 205 of the FPA; authorizes FERC to order refunds for certain short-term wholesale sales made by state and municipal power entities (including the Authority) if such sales violate FERC-approved tariffs or FERC rules; (c) allows load serving entities holding certain firm transmission rights to continue to use those rights to serve their customers; (d) provides that an “electric reliability organization” (the “ERO”) shall develop reliability standards for operation of the transmission grid subject to FERC approval, that compliance with such standards will be mandatory and enforceable by the ERO and FERC, and that the ERO may delegate its authority to regional entities subject to FERC approval (see North American Electric Reliability Corporation (“NERC”) Reliability Standards, below); (e) adds to the FPA a prohibition on market manipulation and submission of false information, and expands civil and criminal penalties for violation of the FPA; (f) authorizes FERC to issue construction permits for transmission projects located in “national interest electric transmission corridors” (to be designated by DOE) in circumstances where the applicable state or regional siting agency does not timely authorize a project or imposes unreasonable conditions; (g) eliminates certain ownership restrictions on electric utilities regarding “qualifying facilities” under section 210 of the Public Utility Regulatory Policies Act (“PURPA”), and authorizes FERC to eliminate prospectively the obligation of electric utilities to purchase and sell electricity to such qualifying facilities if certain market condition findings are made by FERC; (h) requires state utility regulatory commissions and “non-regulated electric utilities” (including the Authority) to consider adopting certain standards on net metering, fuel diversity, fossil fuel plant diversity, certain metering and time-based rate schedules and demand response, and interconnection with distributed generation facilities; (i) repeals the Public Utility Holding Company Act (“PUHCA”), effective six months after enactment of the Energy Policy Act; (j) increases FERC’s authority to review mergers of public utility companies; and (k) directs FERC to establish transmission investment incentives in transmission rate structures for public utilities. The foregoing discussion of certain provisions of the Energy Policy Act does not purport to be a comprehensive discussion of the Energy Policy Act. Information on the Energy Policy Act is available

from many sources in the public domain, and potential purchasers of the 2015 A Bonds should obtain and review such information.

FERC Order 1000

In 2011, FERC issued Order 1000, which mandates regional transmission planning and imposes a regional cost allocation methodology for transmission additions. Order 1000 allows FERC to allocate costs to beneficiaries of transmission projects on both intra and inter-regional bases, even in the absence of a contractual relationship between the owner of the transmission facility and the beneficiary. Order 1000 also includes the requirements for a competitive process for construction of transmission facilities and potentially, for certain transmission facility upgrades.

NERC Reliability Standards

Pursuant to the Energy Policy Act, FERC in 2006 certified NERC as the nation's ERO and as of June 2007 granted it legal authority to enforce comprehensive Reliability Standards for all users, owners, and operators of the bulk power system in the United States, including the Authority. NERC has authority to levy penalties for non-compliance with the Reliability Standards, with fines of up to \$1 million per day per violation for the most serious violations. FERC has approved a set of agreements between NERC and Regional Entities (in the Northeast United States, the Northeast Power Coordinating Council) delegating to them certain authority to monitor and enforce compliance with the Reliability Standards.

The Reliability Standards became effective in June 2007, with additional standards under development and existing standards undergoing revision. The Reliability Standards are applicable to the Authority based on its functional registrations under the Functional Model approved by FERC, which links responsible entities with associated reliability-related functions and respective tasks.

Dodd Frank Act

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") which addresses, among other things, interest rate and energy related commodity swap transactions of the type in which the Authority engages. The requirements and processes are set forth in regulations promulgated by the Commodities Futures Trading Commission (the "CFTC"). Pursuant to CFTC rules thus far, the Authority, as a public entity and electric utility which uses swaps solely to manage its risk, will be exempted from posting collateral beyond that of any existing credit support annexes in support of its open over-the-counter hedge positions. These CFTC rules are not anticipated to have significant impact on the Authority's liquidity and/or future risk mitigation activities. CFTC and Dodd-Frank Act rules are still being promulgated, and the Authority will continue to monitor their potential impact on the Authority's liquidity and/or future risk mitigation activities. Extensive information on the Dodd-Frank Act is available from many sources in the public domain and potential purchasers of the 2015 A Bonds should obtain and review such information. Information on any such website is not incorporated by reference herein.

Environmental

Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the Authority's facilities will remain subject to the regulations currently in effect, will always be in compliance with future regulations, or will always be

able to obtain all required operating permits. An inability to comply with environmental standards could result in substantial additional capital expenditures to comply, reduced operating levels or the complete shutdown of individual electric generating units not in compliance, and an adverse impact on Authority revenues.

Regional Greenhouse Gas Initiative, Clean Power Plan Rule and Air Pollution Rule

The Regional Greenhouse Gas Initiative (the “RGGI”) is a cooperative effort by Northeastern and Mid-Atlantic states, including New York, to hold carbon dioxide emission levels steady from 2009 to 2014 and then reduce such levels by 2.5% annually in the years 2015 to 2018 for a total 10% reduction. Central to this initiative is the implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The program requires electricity generators to hold carbon dioxide allowances in a compliance account in a quantity that matches their total emissions of carbon dioxide for the compliance period. The Authority’s Flynn plant, the SCPPs, and 500-MW Plant are subject to the RGGI requirements as is the Astoria Energy II plant. The Authority has participated in program auctions commencing in September 2008 and expects to recover RGGI costs through its power sales revenues. Beginning 2014, the number of allowances offered in the auction by RGGI cap and trade program was reduced (from allowances covering 165 million tons of carbon dioxide emissions in 2013 to 91 million tons in 2014), and will decline by 2.5% each year from 2015 through 2020. This reduction has increased the price for carbon dioxide allowances, which the Authority acquires to cover operation of its fossil-fueled power plants and the Astoria Energy II plant. The Authority is monitoring federal legislation and proposed programs that would impact RGGI.

In 2013, President Obama sent a memorandum to the Environmental Protection Agency (the “EPA”) on “Power Sector Carbon Pollution Standards” (the “Presidential Memorandum”) as part of the President’s Climate Action Plan. The Presidential Memorandum requires the EPA to propose carbon pollution standards for power plants. On August 3, 2015, the EPA met a milestone by releasing its final Clean Power Plan Rule for existing power plants [Clean Air Act 111(d)]. The objective is to reduce by 2030 carbon pollution (carbon dioxide emissions) nationwide from the power sector (plants in operation before December 31, 2012) by 32% from 2005 levels. Under the EPA’s regulations for existing sources, the State will have 1 year to submit its implementation plan to the EPA. The State will need to be compliant with carbon dioxide reduction starting in 2022, with the state’s final goal to be met in 2030. The Authority continues to monitor developments in this area.

During 2011, the EPA issued a series of rulings to establish the Cross-State Air Pollution Rule (“CSAPR”). The CSAPR establishes emission allowance budgets for sulfur dioxide and nitrogen oxides for eastern states, including New York, and requires power plants in those states to hold allowances to cover their emissions. Certain trading of allowances is authorized under the CSAPR. Following decisions by the D.C. Circuit and the U.S. Supreme Court, the EPA issued an interim final rule on November 21, 2014 to amend the compliance deadline from 2012 and 2013 to 2015 and 2016 for CSAPR’s Phase 1 emissions budgets, and from 2014 to 2017 for Phase 2 emissions budgets and assurance provisions. On July 28, 2015, the D.C. Circuit remanded part of CSAPR to the EPA for reconsideration, finding that the EPA erred in 2014 sulfur dioxide and ozone budgets for 13 states by imposing uniform emission reductions instead of assessing each upwind state’s contribution (the D.C. Circuit found the result is over-control of emissions in those states based on emissions budgets). While the emissions budgets were not vacated, the DC Circuit remanded the matter for EPA to develop compliant regulations. The Authority continues to operate its fossil-fueled plants within the allocated allowances and anticipates that operation of its fossil fueled power plants will not be impacted by CSAPR.

New York Energy Highway

In January 2012, the Governor of New York announced the New York Energy Highway initiative, which is envisioned as a public-private partnership to upgrade and modernize the State's electric power system. The Governor formed a task force comprised of various State officials to oversee implementation of the initiative (the "Task Force") which is co-chaired by the Authority's President and Chief Executive Officer. In April 2012, the Task Force issued a request for information seeking ideas and proposals in furtherance of the initiative. Approximately 85 organizations responded to the Task Force's request for information and the responses included a large number of different generation and transmission project proposals. Based on the response of all these organizations, the Task Force issued an action plan in October 2012. The resulting Energy Highway Blueprint (the "Blueprint"), calling for public and private investments in the State's energy system of about \$5.7 billion over the next five to 10 years, proposed 13 specific actions divided among four major categories: Expand and Strengthen the System, Accelerate Construction and Repair, Support Clean Energy and Technology Innovation.

In November 2012, the PSC announced new proceedings addressing various actions described in the Blueprint including (i) the initiation of electric transmission upgrades to move excess power from upstate to downstate ("AC Transmission"), (ii) the creation of a contingency plan to prepare for a large generator retirement (the "Generation Retirement Contingency Plan") and (iii) the expansion of natural gas delivery to homeowners and businesses in the State.

In response to the request for information and the Generation Retirement Contingency Plan and AC Transmission proceedings, the New York Transmission Owners (the "NYTOs"), comprised of the State's largest private utilities, LIPA, and the Authority, indicated that they were exploring the creation of a new Statewide transmission entity ("NY Transco") to pursue development, construction, operation, and ownership of new transmission projects. The NYTOs proposed to the Task Force and to the NYPSC several transmission projects that could be undertaken by NY Transco. The Authority's participation in NY Transco is contingent on the enactment of legislation by the State enabling the Authority to participate. As of the 2015 legislative session, which ended in June 2014, such enabling legislation has not been passed. On November 24, 2014, affiliates of the NYTOs formed a transmission entity (the "Four-Party Transco") that does not include LIPA or the Authority, but permits their participation should the necessary enabling legislation be passed.

In its November 4, 2013 Generation Retirement Contingency Plan Order, the NYPSC selected three transmission projects (the "TOTS projects") to be built by Con Edison, NYSEG and the Authority and requested that the NYTOs seek FERC approval for the three TOTS projects. On December 4, 2014, the NYTOs, on behalf of themselves and the Four-Party Transco, filed applications at FERC to permit the transfer of certain transmission assets to the Four-Party Transco. The Four-Party Transco also filed an application for cost allocation and recovery for five projects, including the three TOTS projects. On January 16, 2015, the Authority filed at FERC in opposition of the cost allocation methodology proposed by the Four-Party Transco. The Authority is co-developing one of the TOTS projects, the Marcy-South Series Compensation, with NYSEG and has filed at FERC to recover the costs of its portion of that project (see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Transmission Service").

Other Factors

The electric utility industry in general has been, and in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities, including the Authority, and the level of utilization of their generating and transmission facilities.

Electric and magnetic fields (“EMF”) exist wherever electricity flows, around high voltage transmission and distribution equipment (“power frequency EMF”), as well as near electrical appliances, computers, and other electrical devices. Epidemiological studies, clinical studies and laboratory experiments have shown that EMF can cause changes in living cells, but there is little evidence that these changes suggest any risk to human health. Claims for damages against electric utilities for injuries alleged to have been caused by power frequency EMF have increased electric utilities’ attention to this issue. At this time, it is not possible to predict the extent of the costs and other impacts, if any, which power frequency EMF may have on the Authority and other electric utilities.

In addition to the factors affecting the electric utility industry discussed above, such factors also include, among others: (a) effects of compliance with rapidly changing environmental (including climate change), safety, licensing, regulatory and legislative requirements other than those described above, (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (c) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and “strategic alliances” of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity, (d) the role of independent power producers and marketers, brokers and federal power marketing agencies in power markets, (e) “self-generation” or “distributed generation” (such as microturbines and fuel cells) by industrial and commercial customers and others, (f) effects of inflation on the operating and maintenance costs of an electric utility and its facilities, (g) changes from projected future load requirements, (h) increases in costs and uncertain availability of capital, (i) shifts in the availability and relative costs of different fuels (including the cost of natural gas), (j) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, (k) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity, and (l) legislative changes, voter initiatives, referenda and statewide propositions. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility, including the Authority, and likely will affect individual utilities in different ways.

Effects on the Authority

Currently, the Authority is a provider of low cost power and energy in the State. However, the Authority cannot predict what effect any of the foregoing factors will have on the business operations and financial condition of the Authority, but the effect could be significant. The Authority can give no assurance that it will not lose customers in the future as a result of the restructuring of the State electric utility industry and the emergence of new competitors or increased competition from existing competitors. In addition, the Authority’s ability to market power and energy on a competitive basis is limited by provisions of the Act, restrictions under State and federal law as to the sale and pricing of a large portion of the output from the Niagara and St. Lawrence-FDR Projects, and restrictions on marketing arising from Federal tax laws and regulations.

The foregoing is a brief discussion of certain factors affecting the electric utility industry. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is, and will be, available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the 2015 A Bonds should obtain and review such information.

REGULATION

The operations of the Authority are subject to regulation or review by various State and federal agencies, discussions of which appear in various segments throughout this Official Statement. The principal agencies having a regulatory impact on, or a monitoring function over, the Authority and the conduct of its activities, are as follows:

New York State

Public Service Commission and Siting Board

The PSC is the principal agency in the State regulating the generation, transmission and sale of electric power and energy. It has no jurisdiction over rates for power generated or transmitted by the Authority but does regulate the rates of the State's investor-owned utilities and certain municipal systems to which the Authority sells power. The PSC is empowered by the Public Service Law to issue Certificates of Environmental Compatibility and Public Need prior to the construction of power transmission lines of certain capacities and lengths.

On August 4, 2011, the Governor signed into law a new Article X of the Public Service Law governing the siting and construction of virtually all new electric generating plants of 25 MW or more in the State including any such facilities of the Authority. An earlier version of Article X expired on January 1, 2003. Under the new Article X, a Siting Board, chaired by the chair of the PSC and comprised of four other state agency officials and two ad hoc members, is empowered to issue Certificates of Environmental Compatibility and Public Need authorizing construction of such plants. The Siting Board is not authorized to accept applications under the new Article X until the DEC has issued certain regulations involving environmental justice and air quality issues.

[Reforming the Energy Vision]

In April 2014, the PSC commenced a proceeding to reform the State's energy industry and regulatory practices. According to the PSC, this initiative, called Reforming the Energy Vision (the "REV"), will lead to regulatory changes that promote more efficient use of energy; deeper penetration of renewable energy resources such as wind and solar; and wider deployment of smaller power sources located closer to the customer load, including microgrids capable of aggregating power resources to meet the regular demands of a community of consumers, on-site power supplies, and energy storage. The REV will also promote greater use of advanced energy management products to enhance demand elasticity and efficiencies. These changes, in turn, will empower customers by allowing them more choice in how they manage and consume electric energy. The PSC order instituting the proceeding designated two tracks for the REV with track one focused on developing distributed resource markets and track two focused on reforming utility ratemaking practices.

The PSC has identified six core policy objectives relating to enhanced customer knowledge and tools to support effective management of total energy bills, market animation and leverage of customer contributions, system-wide efficiency, fuels and resource diversity, system reliability and resiliency, and reduction of carbon emissions to support the REV initiative. A PSC "Staff Report and Proposal" released in April 2014 set forth a vision for how to accomplish the PSC's objectives. This report and additional information on the REV, including the Order Adopting Regulatory Policy Framework and Implementation Plan issued and effective February 26, 2015, is available at <http://www.dps.ny.gov/>. Information on that website is not incorporated by reference herein.

While the PSC does not have jurisdiction over rates for power generated or transmitted by the Authority, the reforms and innovations contemplated in the REV initiative are expected by the PSC to be done in conjunction with certain independent but related actions of the Authority. As a result, the Authority monitors the REV initiative closely and expects to evaluate any regulatory reforms that are ultimately implemented and their suitability for adoption by the Authority and its customers.]

[Department of Environmental Conservation

The DEC administers and manages the State program for oil and chemical containment and spill prevention and provides for abatement of water, land and air pollution. Pursuant to State and federal laws, the DEC regulates the transport, treatment and disposal of hazardous and toxic wastes. In addition, the DEC regulates the use of tidal and freshwater wetlands and flood plains. Before any State or Federal license or permit can be issued for any activity involving a discharge into navigable waters, the DEC must certify that the discharge will comply with the State water quality standards, or otherwise waive certification. Certain aspects of the DEC's regulatory authority over pollutant discharge permits, air quality and hazardous waste regulation arise from delegation of such authority to the State by federal legislation.]

New York State Comptroller

Pursuant to legislation enacted in 1989, the Office of the State Comptroller (the "OSC") is required to undertake a "program, financial and operations" audit of the Authority at least once every five years, and the OSC periodically conducts other audits as well. Recent audit reports are available on the OSC's website. In March 2006, the OSC issued regulations that are applicable in whole or in part to many public authorities in the State, including the Authority. Among other things, the regulations require public authorities, including the Authority, to adhere to prescribed budgeting and financial plan procedures, certain financial reporting and certification requirements, and detailed investment guidelines and procedures, including obtaining the approval of the OSC before adoption of certain changes in accounting principles. In addition, legislation that took effect on March 1, 2010 provides the OSC with discretionary authority to review and approve certain contracts to be entered into by public authorities, including the Authority. In October 2010, the OSC issued regulations to implement this legislation.

State Inspector General

The Office of the Inspector General (the "OIG") has jurisdiction over the Authority pursuant to New York State Executive Law Article 4-A. From time to time, the Authority may be involved in investigations initiated by and engaged in by the OIG and related proceedings. The Authority fully cooperates with the OIG and other federal and state agencies in any applicable proceedings.

Authorities Budget Office

Chapter 506 of the Laws of 2009 created the Authorities Budget Office (the "ABO"). The ABO's responsibilities include conducting reviews of public authorities, assisting public authorities in improving management practices and procedures, developing oaths of office for public authority board members, and making recommendations to the Governor and Legislature concerning public authorities. In addition, the ABO is authorized to, among other things, receive and act upon complaints regarding public authorities, initiate investigations of public authorities, warn and censure public authorities for non-compliance with the Public Authorities Law, recommend discipline against public authority officials, and compel public authorities to produce records necessary to enable the ABO to perform its duties.

Federal

Federal Energy Regulatory Commission

FERC exercises regulatory authority over the NYISO's operations and the Authority participates extensively in the NYISO-administered markets (see "PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR"). The Authority retains its non-jurisdictional status under Part II of the FPA, which means that FERC does not regulate the Authority with respect to its generation sales, though the Authority participates fully in the NYISO-administered markets. Through operation of the NYISO tariff, changes to the Authority's ATRR are subject to FERC jurisdiction. FERC is also authorized by the FPA to license the Authority's hydroelectric power plants, to approve interconnection agreements for large and small generators (which utilize approved NYISO form contracts), and to prescribe rules for the sale of electrical energy to and the purchase of energy from qualifying cogeneration and small power production facilities. See "PART 2—CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—The Electric Utility Industry Generally—*Energy Policy Act of 2005*" for a discussion of FERC's increased regulatory authority over certain entities, including the Authority.

Environmental Protection Agency

The EPA is the principal agency of the Federal government regulating air and water quality and the use, storage and disposal of hazardous substances. While most of its air, water and waste programs have been delegated to the State, the EPA retains approval authority over the individual state programs, in many instances disapproval authority over individual permit issuance and enforcement authority over all the delegated programs. It is also empowered to initiate administrative and legal action to compel responsible parties to clean up hazardous waste sites. The Authority is subject to EPA rules requiring the securing of routine discharge permits for emissions and effluents from all Authority facilities.

[Department of Energy

The Economic Regulatory Administration of DOE is authorized to issue Presidential permits for international transmission interconnections.]

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SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The following is a summary of certain provisions of the General Resolution. The following summary is not to be considered a full statement of the terms of the General Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not otherwise previously defined in this Official Statement or defined below have the meaning set forth in the General Resolution.

Definitions

The following are definitions in summary form of certain terms contained in the General Resolution and used hereinafter:

Authorized Investments means and includes any of the following securities, if and to the extent the same are at the time legal for investment of the Authority's funds pursuant to any law, to the extent permitted under any applicable regulation, guideline and policy of the Authority as each is in effect from time to time: (i) any security which is (a) a direct obligation of, or is unconditionally guaranteed by, the United States of America or the State for the payment of which the full faith and credit of the United States of America or the State is pledged or (b) an obligation of an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America; (ii) any obligation of any state or political subdivision of a state or of any agency or instrumentality of any state or political subdivision ("Municipal Bond") which Municipal Bond is fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holder of the Municipal Bond, and which Municipal Bond is rated in the highest Rating Category by at least two Rating Agencies and provided, however, that such Municipal Bond is accompanied by (1) a Counsel's Opinion to the effect that such Municipal Bond is not subject to redemption prior to the date the proceeds of such Municipal Bond will be required for the purposes of the investment being made therein and (2) a report of a nationally recognized independent certified accountant verifying that the moneys and obligations so segregated are sufficient to pay the principal of, premium, if any, and interest on the Municipal Bond; (iii) bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association (including Participation Certificates), Government National Mortgage Association, Federal Financing Bank, Federal Home Loan Mortgage Corporation and Federal Home Loan Banks, the Federal Housing Administration, the Federal Farm Credit Banks Funding Corporation, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, or any other agency controlled by or supervised by and acting as an instrumentality of the United States government; (iv) obligations of any state of the United States of America or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which shall be rated at the time of the investment in any of the three highest long-term Rating Categories or the highest short-term Rating Category by a Rating Agency; (v) certificates or other instruments that evidence ownership of the right to payments of principal of or interest on Municipal Bonds provided that such obligations shall be held in trust by a Bank meeting the requirements for a successor Trustee pursuant to the General Resolution, and provided further that the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which at the date of investment shall have an outstanding, unsecured, uninsured and unguaranteed debt issue rated in the highest Rating Category by a Rating Agency or, in the case of an insurer providing municipal bond

insurance policies insuring the payment, when due, of the principal of and interest on Municipal Bonds, such insurance policy shall result in such Municipal Bonds being rated in the highest Rating Category by a Rating Agency; (vi) certificates that evidence ownership of the right to payments of principal of or interest on obligations described in clause (i) or (ii) above, provided that such obligations shall be held in trust by a Bank meeting the requirements for a successor Trustee pursuant to the General Resolution; (vii) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of the 25 largest Banks (measured by aggregate capital and surplus) in the United States or commercial paper issued by the parent holding company of any such Bank which at the time of investment has an outstanding unsecured, uninsured and unguaranteed debt issue rated in the highest short-term Rating Category by a Rating Agency (including the Trustee and its parent holding company, if any, if it otherwise qualifies); (viii) any repurchase agreement or other investment agreement with any Bank as defined in clause (i) or (ii) of the definition thereof or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clause (i), (iii) or (vii) above, which securities shall at all times have a market value of not less than the full amount of the repurchase agreement and be delivered to another such Bank, as custodian; (ix) any agreement or other investment agreement with any insurance company or reinsurance company or investment affiliates thereof the obligations of which are rated by a Rating Agency in one of the two highest Rating Categories, which agreement is continuously secured by any one or more of the securities described in clause (i), (iii) or (vii) above, which securities shall at all times have a market value of not less than the full amount held or invested pursuant to the agreement and be delivered to a Bank as defined in clause (i) or (ii) of the definition thereof, as custodian; (x) obligations of any domestic corporation which shall be rated at the time of the investment in either of the two highest long-term Rating Categories or the highest short-term Rating Category by a Rating Agency; and (xi) any other investment in which the Authority is permitted to invest under applicable law, notwithstanding any limitations set forth in clauses (i) through (x) above.

Authorized Officer means any trustee of the Authority or officer of the Authority and any other person authorized by by-laws or resolution of the Authority to perform the act or sign the document in question.

Bank means any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

Capital Costs means the Authority's costs of (i) physical construction of or acquisition of real or personal property or interests therein for any Project, together with incidental costs, working capital and reserves deemed necessary or desirable by the Authority and other costs properly attributable thereto; (ii) all capital improvements or additions, including but not limited to, renewals or replacements of or repairs, additions, improvements, modifications or betterments to or for any Project; (iii) the acquisition of any other real property, capital improvements or additions, or interests therein, deemed necessary or desirable by the Authority for the conduct of its business; (iv) any other purpose for which bonds, notes or other obligations of the Authority may be issued under the Act or under other applicable State statutory provisions (whether or not also classifiable as an Operating Expense); and (v) the payment of principal, interest, and redemption, tender or purchase price of any (a) Obligations issued by the Authority for the payment of any of the costs specified above, (b) any Obligations issued to refund such Obligations, or (c) Obligations issued to pay capitalized interest; provided, however, that the term Capital Costs shall not include any costs of the Authority relating to a Separately Financed Project.

Capital Fund means the fund by that name established pursuant to the General Resolution.

Commercial Paper Notes means any notes issued and outstanding at any time under the Commercial Paper Resolution.

Commercial Paper Resolution means the Amended and Restated Resolution Authorizing Commercial Paper Notes adopted by the Authority on November 25, 1997, as the same may be amended and supplemented in accordance with its terms.

Counsel's Opinion means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the Authority.

Credit Facility means any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement thereof, which is obtained by the Authority and is issued by a financial, insurance or other institution and which provides security or liquidity in respect of any Outstanding Obligations, Parity Debt or Subordinated Indebtedness.

Defeasance Security means (a) an Authorized Investment as specified in clause (i) of the definition thereof, which is not callable or redeemable at the option of the issuer thereof; (b) any depositary receipt issued by a Bank as custodian with respect to any Defeasance Security which is specified in clause (a) above and held by such Bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any such Defeasance Security which is so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Defeasance Security or the specific payment of principal or interest evidenced by such depositary receipt; (c) any certificate of deposit specified in clause (vii) of the definition of Authorized Investments, including certificates of deposit issued by the Trustee or by a Paying Agent; (d) an Authorized Investment as specified in clause (ii) of the definition thereof and (e) any other security designated in a Supplemental Resolution as a Defeasance Security for purposes of defeasing the Obligations authorized by such Supplemental Resolution.

Event of Default has the meaning provided in the discussion of **Event of Default** below.

Fiduciary or Fiduciaries means the Trustee, any Registrar, any Paying Agent, or any or all of them, as may be appropriate.

General Resolution means the Power Authority of the State of New York General Resolution authorizing Revenue Obligations adopted on February 24, 1998, as from time to time amended or supplemented by any Supplemental Resolutions.

1985 Note Resolution means the resolution adopted by the Authority on April 30, 1985 entitled "Resolution Authorizing the Issuance of \$200,000,000 Adjustable Rate Tender Notes," as amended and supplemented in accordance with the terms thereof.

1985 Notes means any notes issued and outstanding under the 1985 Note Resolution.

1974 Bonds means any bond or bonds issued in one or more series under the 1974 Resolution.

1974 Resolution means the General Purpose Bond Resolution adopted by the Authority on November 26, 1974, as amended and supplemented in accordance with the terms thereof.

Obligations means any obligations, issued in any form of debt, authorized by a Supplemental Resolution, including, but not limited to, bonds, notes, bond anticipation notes, and commercial paper, which are delivered under the General Resolution, but such term shall not include any Subordinated Contract Obligation or Subordinated Indebtedness.

Operating Expenses means the Authority's expenses for operation, maintenance, ordinary repairs and ordinary replacements of any Project, including, without limiting the generality of the foregoing, the costs of supplies, fuel, fuel assemblies and components required by the Authority for the operation of any Project (including any payments made pursuant to a "take-or-pay" fuel supply or energy contract that obligates the Authority to pay for fuel, energy or power regardless of whether fuel or energy is delivered or made available for delivery, other than any such contract or portion thereof that is designated by the Authority as either a Subordinate Contract Obligation or a Parity Contract Obligation), administrative expenses, insurance premiums, legal and engineering expenses, consulting and technical services, payments for energy conservation and load management programs, payments relating to fuel or electricity hedging instruments, payments for employee benefits, including payments to savings, pension, retirement, health and hospitalization funds, charges payable by the Authority pursuant to any licenses, orders or mandates from any agency or regulatory body having lawful jurisdiction, any payments in lieu of taxes or other payments to municipal governments agreed to be paid by the Authority and any taxes, governmental charges, and any other expenses required to be paid by the Authority, all to the extent properly and directly attributable to any Project; financing costs of any Series of Obligations; the expenses, liabilities and compensation of the fiduciaries required to be paid under the General Resolution or pursuant to any agreement executed by the Authority; all costs and expenses associated with or arising out of the research, development (including feasibility and other studies) and/or implementation of any project, facility, system, task or measure deemed desirable or necessary by the Authority; and all other costs and expenses arising out of or in connection with the conduct of Authority business (other than costs and expenses attributable to a Separately Financed Project), including those expenses the payment of which is not immediately required, such as those expenses referenced in the second paragraph of the discussion of **Operating Fund**. Operating Expenses shall not include any costs or expenses for new construction or for reconstruction other than restoration of any part of a Project to the condition of serviceability thereof when new.

Operating Fund means the fund by that name established pursuant to the General Resolution.

Outstanding, when used with reference to Obligations or Obligations of a Series, means, as of any date, Obligations or Obligations of such Series theretofore or thereupon being delivered under the General Resolution except: (i) Any Obligations cancelled at or prior to such date; (ii) Obligations the principal and Redemption Price, if any, of and interest on which have been paid in accordance with the terms thereof; (iii) Obligations in lieu of or in substitution for which other Obligations shall have been delivered pursuant to the General Resolution; (iv) Obligations deemed to have been paid as provided in the General Resolution; and (v) Put Obligations tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Obligations on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Obligations thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

Owner or any similar terms, means the registered owner of any Obligation as shown on the books for the registration and transfer of Obligations maintained in accordance with the General Resolution.

Parity Contract Obligation has the meaning provided in the discussion of **Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt** herein.

Parity Debt means the 1985 Notes, any note issued pursuant to the 1995 Revolving Credit Agreement, and any Parity Contract Obligation, Parity Reimbursement Obligation or Parity Swap Obligation.

Parity Reimbursement Obligation has the meaning provided in the discussion of **Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt** herein.

Parity Swap Obligation has the meaning provided in the discussion of **Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt** herein.

Paying Agent means any paying agent for the Obligations of any Series and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the General Resolution.

Person means any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company, or other legal entity or group of entities, including a governmental entity or any agency or subdivision thereof.

Project means any project, facility, system, equipment, or material related to or necessary or desirable in connection with the generation, production, transportation, distribution, transmission, delivery, storage, conservation, purchase or use of energy or fuel, whether owned jointly or singly by the Authority, including any output in which the Authority has an interest, heretofore or hereafter authorized by the Act or by other applicable State statutory provisions; provided, however, that the term “Project” shall not include any Separately Financed Project.

Purchase Price means, with respect to any Obligation, 100% of the principal amount thereof plus accrued interest, if any, plus in the case of an Obligation subject to mandatory tender for purchase on a date when such Obligation is also subject to optional redemption at a premium, an amount equal to the premium that would be payable on such Obligation if redeemed on such date.

Put Obligations means Obligations which by their terms may be tendered by and at the option of the owner thereof, or are subject to a mandatory tender, for payment or purchase prior to the stated maturity or redemption date thereof.

Qualified Swap means, to the extent from time to time permitted by law, with respect to Obligations, any financial arrangement (i) which is entered into by the Authority with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Obligations of the Authority as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Obligations); asset, index, price or market linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, executed by the Authority for the purpose of moderating interest rate fluctuations or otherwise, and (iii) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Swap with respect to such Obligations.

Qualified Swap Provider means an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, financial program rating, counterparty rating, other senior unsecured long term obligations or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior

unsecured long term obligations or claims paying ability, are rated either (i) at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider, but in no event lower than any Rating Category designated by each such Rating Agency for the Obligations subject to such Qualified Swap, or (ii) any such lower Rating Categories which each such Rating Agency indicates in writing to the Authority and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Obligations subject to such Qualified Swap that is in effect prior to entering into such Qualified Swap.

Rating Agency means each nationally recognized securities rating agency then maintaining a rating on the Obligations at the request of the Authority.

Rating Category means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Redemption Price means, with respect to any Obligation, 100% of the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof pursuant to the General Resolution.

Registrar means any registrar for the Obligations of any Series and its successor or successors and any other person which may at any time be substituted in its place pursuant to the General Resolution.

Revenues means all revenues, rates, fees, charges, rents, proceeds from the sale of Authority assets, proceeds of insurance, and other income and receipts, as derived in cash by or for the account of the Authority directly or indirectly from any of the Authority's operations, including but not limited to the ownership or operation of any Project, but not including any such income or receipts attributable directly or indirectly to the ownership or operation of any Separately Financed Project and not including any federal or state grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose.

Separately Financed Project means any project described as such pursuant to the General Resolution.

Series means all of the Obligations delivered upon original issuance pursuant to a single Supplemental Resolution and denominated therein a single series, and any Obligations thereafter delivered in lieu of or in substitution therefor pursuant to the General Resolution, regardless of variations in maturity, interest rate, or other provisions.

Subordinated Contract Obligation means any payment obligation (other than a payment obligation constituting Parity Debt or Subordinated Indebtedness) arising under (a) any Credit Facility which has been designated as constituting a "Subordinated Contract Obligation" in a certificate of an Authorized Officer delivered to the Trustee, (b) any Qualified Swap which has been designated as constituting a "Subordinated Contract Obligation" in a certificate of an Authorized Officer delivered to the Trustee, (c) the 1995 Revolving Credit Agreement, and (d) any other contract, agreement or other obligation authorized by resolution of the Authority and designated as constituting a "Subordinated Contract Obligation" in a certificate of an Authorized Officer delivered to the Trustee. Each Subordinated Contract Obligation shall be payable from the Trust Estate subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, as provided for in the General Resolution and which shall be secured by a lien on and pledge of the Trust Estate junior and inferior to the lien on and pledge of the Trust Estate created pursuant to the Resolution for the payment of the Obligations and Parity Debt.

Subordinated Indebtedness means any Commercial Paper Notes, and any bond, note or other indebtedness authorized by resolution of the Authority and designated as constituting “Subordinated Indebtedness” in a certificate of an Authorized Officer delivered to the Trustee, and which shall be secured by a lien on and pledge of the Trust Estate junior and inferior to the lien on and pledge of the Trust Estate created for the payment of the Obligations and Parity Debt.

Supplemental Resolution means any resolution supplemental to or amendatory of the General Resolution, adopted by, or adopted pursuant to authorization granted by, the Authority in accordance with the General Resolution.

Tax-Exempt Obligations means any Obligations the interest on which is intended by the Authority to be excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Obligations in the Supplemental Resolution authorizing such obligations.

Trust Estate means, collectively: (i) all Revenues; (ii) the proceeds of the sale of Obligations until expended for the purposes authorized by the Supplemental Resolution authorizing such Obligations; (iii) all funds, accounts and subaccounts established by the General Resolution, including investment earnings thereon; and (iv) all funds, moneys, and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security pursuant to the General Resolution for the Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized to receive any and all such property at any and all times, and to hold and apply the same subject to the terms of the General Resolution.

Trustee means the trustee appointed in accordance with the General Resolution, and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the General Resolution.

(General Resolution, Sec. 101)

Book-Entry-Only System

Notwithstanding any other provision of the General Resolution, the Authority may employ a book-entry-only system of registration with respect to any Obligations, all as more fully set forth in the General Resolution and the Supplemental Resolution authorizing such Obligations. Any provisions of the General Resolution inconsistent with book-entry-only Obligations shall not be applicable to such book-entry-only Obligations.

(General Resolution, Sec. 309)

Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt

The Authority may include such provisions in a Supplemental Resolution authorizing the issuance of a Series of Obligations secured by a Credit Facility as the Authority deems appropriate, and no such provisions shall be deemed to constitute an amendment to the General Resolution.

The Authority may secure such Credit Facility by an agreement providing for the purchase of the Obligations secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Authority in the applicable Supplemental Resolution. The Authority may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility (together with

interest thereon, the “**Reimbursement Obligation**”); provided, however, that no Reimbursement Obligation shall be created, for purposes of the General Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation which may include interest calculated at a rate higher than the interest rate on the related Obligation, may be secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created by the General Resolution to secure the Obligations (a “**Parity Reimbursement Obligation**”), but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Obligations, without acceleration, or may constitute a Subordinated Contract Obligation, as determined by the Authority. In addition, the Authority may enter into a Reimbursement Obligation with respect to a Credit Facility securing Parity Debt, and any such Reimbursement Obligation may be a Parity Reimbursement Obligation (but only to the extent principal amortization requirements with respect to such reimbursement are substantially equal to the amortization requirements [including principal payments in connection with any optional or mandatory tender for purchase] for such related Parity Debt, without acceleration) or may constitute a Subordinated Contract Obligation, as determined by the Authority. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Obligations or Parity Debt, which payments shall be Subordinated Contract Obligations.

In connection with the issuance of any Obligations or at any time thereafter so long as Obligations remain Outstanding, the Authority also may, to the extent from time to time permitted pursuant to law, enter into Qualified Swaps. The Authority’s obligation to pay any amount under any Qualified Swap may be secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created pursuant to the General Resolution to secure the Obligations (a “**Parity Swap Obligation**”), or may constitute a Subordinated Contract Obligation, as determined by the Authority. Parity Swap Obligations shall not include any payments of any termination or other fees, expenses, indemnification or other obligations to a counterparty to a Qualified Swap, which payments shall be Subordinated Contract Obligations.

The Authority’s obligation to pay that portion of any rates, fees, charges or payments which the Authority is contractually obligated to pay to another entity for fuel, energy or power, for the specific purpose of meeting principal or interest or both on that entity’s obligations directly associated with such contract and payable to such entity regardless of whether fuel or energy is delivered or made available for delivery, may be secured by a pledge of, and lien on, the Trust Estate on a parity with the lien created by the General Resolution to secure the Obligations (a “**Parity Contract Obligation**”), or may constitute a Subordinated Contract Obligation or an Operating Expense, as determined by the Authority.

(General Resolution, Sec. 310)

Pledge of Revenues and Funds

The Trust Estate is pledged for the payment of the principal and Redemption Price of, and interest on, the Obligations and, on a parity basis, the Parity Debt, in accordance with their terms and the provisions of the General Resolution.

(General Resolution, Sec. 501)

The General Resolution establishes the following funds:

- (1) Operating Fund, to be held by the Authority, and
- (2) Capital Fund, to be held by the Authority.

The Authority may establish one or more additional funds, accounts or subaccounts by delivering to the Trustee a certificate of an Authorized Officer.

(General Resolution, Sec. 502)

Operating Fund

The General Resolution provides that the Authority shall pay into the Operating Fund all Revenues as and when received. The Authority shall also pay into the Operating Fund such portion of the proceeds of any Series of Obligations which may have been issued to pay Operating Expenses as shall be specified pursuant to the Supplemental Resolution authorizing such Series. Amounts in the Operating Fund shall be paid out or accumulated or withdrawn from time to time for the following purposes and, as of any time, in the following order of priority: (a) payment of reasonable and necessary Operating Expenses or accumulation in the Operating Fund as a reserve (i) for working capital, (ii) for such Operating Expenses the payment of which is not immediately required, or (iii) deemed necessary or desirable by the Authority to comply with orders or other rulings of an agency or regulatory body having lawful jurisdiction; (b) payment of, or accumulation in the Operating Fund as a reserve for the payment of, interest on and the principal or Redemption Price of the Obligations and Payment of Parity Debt, on a parity basis, on their respective due dates or redemption date, as the case may be; (c) payment of principal of and interest on any Subordinated Indebtedness or payment of amounts due under any Subordinated Contract Obligation; (d) withdrawal and deposit in the Capital Fund; and (e) withdrawal for any lawful corporate purpose as determined by the Authority, including but not limited to the purchase or redemption of Obligations or Subordinated Indebtedness, provided, that prior to any withdrawal pursuant to this clause (e), the Authority shall have determined, taking into account among other considerations, anticipated future receipts of Revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for any of the purposes set forth in clauses (a), (b) or (c) herein. Amounts paid out, or withdrawn pursuant to clause (e) shall be free and clear of the lien and pledge created by the General Resolution.

The Authority shall from time to time, and in all events prior to any withdrawal of moneys from the Operating Fund pursuant to clause (e) of the preceding paragraph, determine (i) the amount, to be held as a reserve in the Operating Fund, which in the judgment of the Authority is adequate for the purpose of providing for the costs of emergency repairs or replacements essential to restore or prevent physical damage to, and prevent loss of Revenues from, any Project and (ii) the amount, to be held as a reserve in the Operating Fund, which in the judgment of the Authority is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to any Project necessary to keep the same in operating condition or required by any governmental agency having jurisdiction over such Project and to provide a reserve for the retirement from service, decommissioning or disposal of facilities comprising either a Project or a part of a Project.

Amounts in the Operating Fund may in the discretion of the Authority be invested in Authorized Investments. Earnings on moneys and investments in the Operating Fund shall be deposited in the Operating Fund. The Authority may sell any such Authorized Investments at any time and the proceeds of such sale shall be deposited in the Operating Fund.

The General Resolution provides that purchases of Obligations, 1985 Notes or Subordinated Indebtedness from amounts in the Operating Fund shall be made at the direction of the Authority, with or without advertisement and with or without notice to other holders of Obligations, 1985 Notes, or Subordinated Indebtedness. In addition, any amounts set aside by the Authority in one or more reserve accounts in the Operating Fund may be used by the Authority as determined by the Authority for the

purpose of paying all or a portion of the interest, principal or Redemption Price of Obligations and payment of Parity Debt, on a parity basis.

(General Resolution, Sec. 503)

Capital Fund

The General Resolution provides that the Authority shall pay into the Capital Fund the amounts required to be so paid pursuant to the General Resolution and any Supplemental Resolution authorizing the issuance of any Series of Obligations, for the purpose of financing Capital Costs, including, without limitation, the portion of the proceeds of any such Obligations specified in such Supplemental Resolution, except as may be otherwise provided in a Supplemental Resolution with respect to those Capital Costs referenced in clauses (iv) or (v) of the definition thereof. Amounts in the Capital Fund shall be applied solely to the Capital Costs of the Authority. Any amounts in the Capital Fund which are in excess of the amounts required to pay for such costs may at the direction of the Authority be transferred to the Operating Fund. Amounts in the Capital Fund may in the discretion of the Authority be invested in an Authorized Investments. Earnings on moneys and investments in the Capital Fund shall be deposited in the Capital Fund. The Authority may, and to the extent required for payments from the Capital Fund shall, sell any such obligations at any time, and the proceeds of such sale and of all payment of principal or interest received at maturity or upon redemption or otherwise of such obligations shall be deposited in the Capital Fund. In addition, the General Resolution requires that amounts in the Capital Fund must be applied to the payment of principal and Redemption Price of and interest on the Obligations and the payment of Parity Debt, on a parity basis, when due at any time that other moneys are not available therefor.

(General Resolution, Sec. 504)

Conditions for Issuance of Obligations

General Provisions for Issuance of Obligations. Obligations may be issued pursuant to a Supplemental Resolution in such principal amount or amounts for each such Series as may be specified in such Supplemental Resolution. A Supplemental Resolution shall specify, among other things, the purpose or purposes for which such Obligations are being issued, the authorized principal amount and Series of such Obligations, the maturity date or dates and interest rate or rates of the Obligations and the forms of the Obligations which shall specify terms with respect to tender or redemption, if any. Such Obligations shall be delivered by the Authority under the General Resolution upon the delivery of, among other things, a Supplemental Resolution authorizing such Obligations, a Counsel's Opinion with respect to the validity of the Obligations and a certificate of an Authorized Officer to the effect that, upon delivery of the Obligations, the Authority will not be in default in the performance of the terms and provisions of the General Resolution or of any of the Obligations.

(General Resolution, Sec. 202)

Separately Financed Project. Nothing in the General Resolution shall prevent the Authority from authorizing and issuing bonds, notes, or other obligations or evidences of indebtedness, other than Obligations, for any purpose of the Authority authorized by the Act or by other applicable State statutory provisions (such purpose being referred to herein as a "Separately Financed Project"), which bonds, notes, or other obligations, or evidences of indebtedness and the Authority's share of any operating expenses related to such Separately Financed Project, shall be payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project or from other funds withdrawn by the Authority pursuant to the General Resolution.

(General Resolution, Sec. 203)

Rate Covenant

The Authority shall at all times maintain rates, fees or charges and any contracts entered into by the Authority for the sale, transmission or distribution of power shall contain rates, fees or charges, sufficient, together with other moneys available therefor (including the anticipated receipt of proceeds of sale of Obligations or other bonds, notes, or other obligations or evidences of indebtedness of the Authority that will be used to pay the principal of Obligations issued in anticipation of such receipt but not including any anticipated or actual proceeds from the sale of any Project), (i) to pay all Operating Expenses of the Authority, (ii) to pay the debt service on all Obligations then Outstanding and the debt service on all Subordinated Indebtedness then outstanding, and all Parity Debt and Subordinated Contract Obligations, all as the same respectively become due and payable, and (iii) to maintain any reserve established by the Authority pursuant to the General Resolution, in such amount as may be determined from time to time by the Authority in its judgment.

(General Resolution, Sec. 606)

Supplemental Resolutions; Amendments

Any of the provisions of the General Resolution may be amended by the Authority, upon the written consent of the Owners of a majority in principal amount of the Obligations so affected and Outstanding at the time such consent is given, and in case less than all of the Obligations then Outstanding are affected by the modification or amendment, of the Owners of a majority in principal amount of the Obligations so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as particular Obligations remain Outstanding, the consent of the Owners of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Obligations under the General Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Obligation or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Obligation, or shall reduce the percentages or otherwise affect the classes of Obligations the consent of the Owners of which is required to waive an Event of Default or otherwise effect any such modification or amendment, create a preference or priority of any Obligation or Obligations over any other Obligation or Obligations (without the consent of the Owners of all such Obligations), create a lien prior to or on a parity with the lien of the General Resolution, without the consent of the Owners of all of the Obligations then Outstanding, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For purposes of this paragraph, an Obligation shall be deemed to be affected by a modification or amendment of the General Resolution if the same materially and adversely affects the rights of the Owner of such Obligation.

The Authority may adopt (without the consent of any Owner) supplemental resolutions to authorize additional Obligations; to add to the restrictions contained in the General Resolution upon the issuance of additional indebtedness; to add to the covenants of the Authority contained in, or surrender any rights reserved to or conferred upon it by, the General Resolution; to confirm any pledge under the General Resolution of Revenues or other moneys; to amend the General Resolution in such manner as to permit qualification of the General Resolution under the Trust Indenture Act of 1939 or any similar Federal statute and permit the qualification of the Obligations for sale under the securities laws of any state in the United States; to comply with such regulations and procedures as are from time to time in effect relating to establishing and maintaining a book-entry-only system; or otherwise to modify any of the provisions of the General Resolution (but no such other modification may be effective while any of the Obligations of

any Series theretofore issued are Outstanding); or to cure any ambiguity, supply any omission or to correct any defect or inconsistent provision in the General Resolution or to insert such provisions or make such other amendments to the General Resolution as are necessary or desirable which will not be materially adverse to the rights of the Owners of Obligations (provided that the Trustee shall consent thereto).

(General Resolution, Secs. 801, 802, and 902)

Event of Default; Remedies Upon Default

Pursuant to the General Resolution, any of the following events set forth in clauses (i) through (v) constitutes an “Event of Default” if the Authority defaults (i) in the payment of principal or Redemption Price of any Obligation, or (ii) in the payment of interest thereon and such default continues for 30 days, or (iii) in the performance or observance of any other covenant, agreement or condition in the General Resolution or the Obligations, and such default continues for 60 days after written notice thereof, provided, however, that if such default shall be such that it cannot be corrected within such 60 day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected, or (iv) if the Authority (1) files a petition seeking a composition of indebtedness under the Federal bankruptcy laws, or any other applicable law or statute of the United States of America or of the State; (2) consents to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or any substantial portion of its property; (3) makes any assignment for the benefit of creditors; (4) admits in writing its inability generally to pay its debts generally as they become due; or (5) takes action in furtherance of any of the foregoing or (v) if (1) a decree or order for relief is entered by a court having jurisdiction of the Authority adjudging the Authority a bankrupt or insolvent or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of the Authority in an involuntary case under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; (2) a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or of any substantial portion of its property is appointed; or (3) the winding up or liquidation of its affairs is ordered and the continuance of any such decree or order remains unstayed and in effect for a period of sixty (60) consecutive days. Upon an Event of Default, the Trustee or the Owners of 25% in principal amount of the Obligations then Outstanding may declare the principal and accrued interest on the Obligations then Outstanding due and payable immediately, subject, however, to rescission of such declaration and annulment of the default upon the remedying thereof.

Under the General Resolution, the Authority covenants that upon a default the books of record of the Authority and all other records relating to all projects and facilities of the Authority will be subject to the inspection and use by the Trustee, and that the Authority will, upon demand by the Trustee, account for the Trust Estate under the General Resolution as if the Authority were the trustee of an express trust. Upon a default, the Trustee may protect and enforce its and the Owners’ rights under the General Resolution by a suit in equity or at law, whether for the specific performance of any covenant contained in the General Resolution, or in aid of execution of any power granted therein or for an accounting against the Authority as if it were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee deems most effectual to enforce its rights or perform its duties under the General Resolution. No Owner has any right to institute suit to enforce any provision of the General Resolution or the execution of any trust thereunder or for any remedy thereunder, unless the Trustee has been requested by at least 25% of the Owners, and such Owners shall have offered the Trustee adequate security against expenses and liabilities to be incurred therein, and the Trustee has failed to commence such suit in the manner provided in the General Resolution.

(General Resolution, Art. X)

Defeasance

Outstanding Obligations or any portion thereof shall, prior to the maturity or redemption date thereof, be deemed to have been paid pursuant to the General Resolution and shall cease to be entitled to any lien, benefit or security under the General Resolution if the following conditions are met: (i) in the case of Obligations to be redeemed, the Authority shall have given to the Trustee irrevocable instructions to mail the notice of redemption therefor, (ii) there shall have been irrevocably deposited with the Trustee in trust either moneys in an amount which shall be sufficient, or Defeasance Security, the principal of and the interest on which, when due, will provide moneys which, together with any moneys also deposited, shall be sufficient, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, to pay when due, the principal or Redemption Price, if applicable, and interest due and to become due on such Obligations on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event such Obligations are not maturing or subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Obligations that the above deposit has been made with the Trustee and that such Obligations are deemed to be paid and stating the maturity or redemption date upon which moneys are to be available to pay the principal or Redemption Price, if applicable, of such Obligations.

(General Resolution, Sec. 1101)

Unclaimed Moneys

Any moneys held by a Fiduciary in trust for the payment and discharge of the principal or Redemption Price of or interest on any of the Obligations which remain unclaimed for 2 years after the date when such principal, Redemption Price or interest, respectively, have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary after such date, or for 2 years after the date of deposit of such moneys if deposited with the Fiduciary after the date when such principal, Redemption Price or interest, respectively, became due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the principal, Redemption Price or interest, respectively. Any moneys held by a Fiduciary in trust for the payment and discharge of any Obligations which remain unclaimed after such moneys were to be applied to the payment of such Obligations in accordance with the General Resolution may be applied in accordance with the provisions of the Abandoned Property Law of the State, being Chapter 1 of the Consolidated Laws of the State or any successor provision thereto, and upon such application, the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of Obligations shall look only to the Authority or the Comptroller of the State for the payment of such Obligations. Before being required to make any such payment to the Authority or to apply such moneys in accordance with the Abandoned Property Law of the State, the Fiduciary shall, at the expense of the Authority, cause to be mailed to the Owners entitled to receive such moneys a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing, the balance of such moneys then unclaimed will be returned to the Authority or applied in accordance with the Abandoned Property Law of the State, as the case may be.

(General Resolution, Sec. 1101)

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**BACKGROUNDS OF THE AUTHORITY'S TRUSTEES AND
CERTAIN SENIOR MANAGEMENT STAFF****Trustees****John R. Koelmel, Chairman**

Mr. Koelmel serves as Chairman of the Authority, having been nominated as a Trustee by Governor Andrew M. Cuomo in June 2012. He is also Chairman of the Board of Kaleida Health, Western New York's largest health care system, and is a member of the board of Great Lakes Health. He also is Board Chair of the Buffalo Center for Arts and Technology and a member of the Western New York Regional Economic Development Council. Mr. Koelmel previously served as president of HARBORcenter Development, LLC, overseeing the hockey and entertainment complex being developed by Buffalo Sabres owners Terry and Kim Pegula on the Webster Block adjacent to the team's First Niagara Center. Mr. Koelmel is the former president and chief executive officer of First Niagara Financial Group, Inc. and its principal subsidiary First Niagara Bank N.A. He joined First Niagara as its Chief Financial Officer in January 2004 and was appointed CEO in December 2006. He served on the Buffalo company's board of directors from 2007-2013. Mr. Koelmel began his professional career with KPMG LLP in 1974. During his 26-year career as a Certified Public Accountant, he served a wide-range of businesses and clients and was managing partner of KPMG's Buffalo office and Upstate New York Business Unit, which included its Rochester, Syracuse and Albany offices. Throughout his career, Koelmel has been actively involved with, and had leadership roles in, numerous other community organizations in Buffalo and Western New York. Mr. Koelmel earned a B.A. degree in economics and accounting from the College of the Holy Cross in 1974.

Eugene L. Nicandri, Trustee

Judge Eugene L. Nicandri of Massena, N.Y., was confirmed by the New York State Senate in June 2013 to a second five-year term on the Board of Trustees following his reappointment by Gov. Andrew M. Cuomo. He became a trustee in August 2008 after being nominated by Governor David Paterson. As a trustee, Judge Nicandri has been at the center of key the Authority decision making. This has included major endeavors under Governor Cuomo to modernize and upgrade the state's electricity infrastructure, protect and create jobs through allocations of lower cost electricity to businesses and other enterprises, and bring about investments in energy efficiency and clean energy technologies. Judge Nicandri, whose legal work contributed to the establishment of MED in 1981, served as president of the New York State County Judges Association from 1999 to 2000, when he retired. Before becoming a county judge, he was a partner in the Massena law firm of Lavigne & Nicandri from 1966 to 1985 and served at various times as the attorney for the Towns of Massena, Brasher, Louisville and Lawrence and the Village of Massena. He also served as the attorney for Massena Memorial Hospital. Judge Nicandri represented the Town of Massena in landmark litigation involving the establishment of MED, a municipal electric system that benefits from low-cost hydropower from the Authority as a preference customer under federal law. He served as the Electric Department's attorney from 1981 to 1985. Judge Nicandri holds a Bachelor of Arts degree from the University of Rochester and has a J.D. from Albany Law School. Prior to law school, he served on active duty with the U.S. Navy as a commissioned officer.

Jonathan F. Foster, Trustee

Mr. Foster became a trustee in September 2008 after being nominated by Governor David Paterson and confirmed by the New York State Senate to a five-year term. He served as vice chairman of the board

from 2009 to 2012. Mr. Foster is an experienced investment banker and private equity investor who also has significant board of directors and operating experience. The Founder and Managing Director of Current Capital, he leads the firm's private equity investing and management services efforts focused primarily on middle market and smaller industrial and services companies. The firm's management services include sitting on Boards of Directors and providing related consulting services for other investors and financial institutions, providing Chief Restructuring Officer services and offering advice and expert witness services in complex corporate litigation. He is a member of the Boards of Directors of companies traded on the New York Stock Exchange including: Masonite Inc., a designer and manufacturer of interior and exterior doors; Lear Corporation, a supplier of automotive seating and electrical distribution systems; Chemtura Corporation, a specialty chemicals company; and Berry Plastics Group, Inc., a manufacturer and marketer of plastic consumer packaging and engineered materials. Mr. Foster was executive vice president – Finance & Business Development for Revolution Living, one of three business groups in the Revolution family of companies founded by AOL co-founder Steve Case, and a managing director and member of the Investment and Management Committees at The Cypress Group, a \$3.5 billion private equity investment firm where he led the General Industrial & Services effort. He also has management experience having been executive vice president – chief operating officer & chief financial officer of toysrus.com. Mr. Foster has extensive investment banking expertise with a particular focus on mergers and acquisitions advisory work. He was a managing director and co-head of Diversified Industrials & Services at Wachovia Securities, a senior managing director at Bear Stearns & Co. where he ran the Industrial Products & Services Mergers & Acquisitions effort, and spent more than 10 years at Lazard, ultimately as a managing director. Mr. Foster has a BBA in accounting from Emory University and a Masters of Science in accounting and finance from the London School of Economics.

Terrance P. Flynn, Trustee

Mr. Flynn became a trustee in June 2012, after being nominated by Governor Andrew Cuomo and confirmed by the State Senate. Mr. Flynn, the former Presidentially appointed United States Attorney for the Western District of New York, is a member of the firm of Harris Beach. He is the co-leader of its 14-office Government Compliance and Investigation Team, and a member of practice groups specializing in Business and Commercial Litigation, Insurance Litigation and Product Liability. For Harris Beach, Mr. Flynn advises Fortune 500 and other large privately held companies, on such matters as corporate compliance, commercial litigation, product liability and personal injury litigation. Prior to joining Harris Beach, Mr. Flynn served as the United States Attorney from 2006 to 2009. He became the chief civil lawyer and criminal prosecutor for the United States and all of its agencies in the 17-county region of the Western District of New York, responsible for the overall civil affirmative enforcement, civil defense and criminal prosecution of approximately 4,200 cases. Prior to his confirmation as the United States Attorney, Mr. Flynn was a trial partner who litigated and tried cases throughout the State including the New York City metropolitan area. Mr. Flynn is a director of the National Association of former United States Attorneys, a member of the Board of Directors of the Boys & Girls Clubs of Buffalo and the Federal Bar Council Foundation. Mr. Flynn received degrees in accounting and law from the University of Notre Dame and the University of Buffalo Law School, and has served as President of the University of Buffalo National Law School Alumni Association.

Anne M. Kress, Trustee

Ms. Kress was confirmed by the New York State Senate in June of 2014. Her background encompasses a broad range of knowledge, with specialties in workforce development, technology, global education and student access and success. Since 2009, she has served as the President of Monroe Community College in Rochester, New York. Ms. Kress currently serves on Governor Andrew M. Cuomo's Regional Economic Development Council and has been involved in higher education policy in both New York and Florida. She has been honored several times, including being named a Woman of

Distinction by the New York Senate, as well as receiving the Athena award from the Women’s Council of the Rochester Business Alliance and the Empowering Women award from the Rochester YWCA. She presents frequently at national conferences and events. Ms. Kress received her doctorate in higher education administration, master’s and bachelor’s degrees in English, and a bachelor’s degree with honors in finance – all from University of Florida.

Anthony J. Picente, Jr., Trustee

Mr. Picente is the 10th Oneida County Executive and the longest serving in the county’s history. He was appointed to the position in 2006, followed by his election to full four-year terms in 2007 and 2011. Mr. Picente was named Regional Director of ESD in 2001 and, two years later, was promoted to ESD vice president, a position he held until 2006. He is the current president of the New York State Association of Counties. During his tenure as Oneida County Executive, Mr. Picente has improved the county’s financial outlook and credit rating. He has focused on advancing economic development in the county in such high-tech areas as nanotechnology, cyber security and unmanned aerial systems. He also created The Vision 2020 Initiative, bringing together stakeholders from across Oneida County for promoting job opportunities, as well as education, training and housing alternatives. Mr. Picente was instrumental in the state and county’s reaching of an historic settlement in 2013 with the Oneida Indian Nation. Mr. Picente, who attended Utica public schools, holds an associate degree from Mohawk Valley Community College and a bachelor’s degree from Utica College.

Tracy B. McKibben, Trustee

Ms. McKibben is an international energy and clean technology expert with more than 15 years of diverse experience in the energy sector. She is the founder and president of MAC Energy Advisors LLC, a consulting company that assists clients on alternative energy, renewable energy, water and clean technology investments. Previously, she was managing director and head of Environmental Banking Strategy for Citigroup Global Markets, and served on the National Security Council at the White House as director of European Economic Affairs and European Union Relations, as well as in various senior advisory roles within the U.S. Department of Commerce. Prior to her work in the public sector, Ms. McKibben practiced law at Akin, Gump, Strauss, Hauer & Feld LLP, representing and advising clients on commercial and complex litigation matters, as well as corporate and multinational energy clients on global strategic investments. She is a member of the board of directors of Ecolab Inc., ROI Acquisition Corp. II, and Geosteller. She is also a member of the Council on Foreign Relations, a nonpartisan organization exploring public policy and corporate interactions. Ms. McKibben holds a B.A. from West Virginia State University and a J.D. from Harvard Law School.

Senior Management Staff

The senior management staff of the Authority includes the following:

Gil C. Quiniones, President and Chief Executive Officer

Mr. Quiniones has served as president and chief executive officer of the Authority since November 2011, following Governor Cuomo’s nomination of him to that position. In July 2014, Mr. Quiniones was appointed to the board of the New York State Energy Research and Development Authority, which advances innovative energy solutions for all New Yorkers. In April 2015, he was elected chairman of the Electric Power Research Institute (“EPRI”), the electric power industry’s international research and development organization, after serving as EPRI’s vice chair. He also serves on the steering committee of the board of the Large Public Power Council and as the Power Authority’s principal representative to the American Public Power Association. Before joining the Authority in 2007 as executive vice president

of Energy Marketing and Corporate Affairs, Mr. Quiniones served for more than four years as senior vice president of Energy and Telecommunications for the New York City Economic Development Corporation. Prior to that, he worked for Con Edison for 16 years and was one of four co-founders of Con Edison Solutions, the utility's unregulated energy services company. Mr. Quiniones received a Bachelor of Science degree in mechanical engineering from De La Salle University in Manila and has completed graduate courses in engineering management and technology management at the Stevens Institute of Technology in Hoboken, New Jersey. He has also participated in executive education programs at the Columbia University Business School.

Edward A. Welz, Chief Operating Officer

Mr. Welz was designated Chief Operating Officer in March 2012 with responsibility for all of Operations, including Energy Resource Management and Power Supply. He was appointed Executive Vice President and Chief Engineer-Power Supply in 2008. From 2004 to 2008, he was Senior Vice President and Chief Engineer-Power Generation. Mr. Welz joined the Authority in 1982 and throughout his tenure has assumed increasing responsibility in the power engineering, operation and maintenance, and project and construction management areas. In his capacity as Executive Vice President and Chief Engineer-Power Supply, Mr. Welz is responsible for the operation and maintenance, engineering, project management, and asset management of the Authority's generation and transmission facilities, together with the environmental, health, and safety aspects of the Authority's facilities and operations. He is a member of the EPRI Research Council for Power Generation. Mr. Welz is a licensed professional engineer and holds an Associate degree from Queensborough Community College and a Bachelor of Science degree in electric engineering from Pratt Institute in Brooklyn, New York.

Robert F. Lurie, Executive Vice President and Chief Financial Officer

Mr. Lurie is the Authority's executive vice president and chief financial officer. He joined the Power Authority in 2012 as head of the newly formed strategic planning department, where he led the management team in creating the Strategic Plan. He also was responsible for managing project development, project finance, R&D and evaluating new business opportunities and technologies. He has over 30 years of experience in finance and strategy in the utility industry, government and investment banking. Prior to joining the Authority, Mr. Lurie was vice president of North America business development for Ocean Power Technologies in New Jersey. Prior to that role, he directed the mergers and acquisitions function for Air Products and Chemicals, Inc. in Pennsylvania. Mr. Lurie served as the Chief of Strategic Planning at the Port Authority from 2003-2007, leading the development of a 10-year, \$20 billion strategic capital plan. He has extensive experience in utility finance and strategy, having served as treasurer and vice president of corporate development and planning for a natural gas distribution company in New Jersey. Mr. Lurie began his career in public finance. He served as the director of public finance for the State of New Jersey, managing over \$8 billion in infrastructure funding and overseeing the financial activities of 15 state authorities. Mr. Lurie's career started at Lehman Brothers, where he was vice president of investment banking in the public finance department. Mr. Lurie holds a Masters in Business Administration with a concentration in finance from the State University of New York at Albany, and a Bachelors of Arts degree in Economics from Union College in Schenectady, New York.

Justin E. Driscoll, Executive Vice President and General Counsel

Mr. Driscoll serves as the Authority's executive vice president and general counsel. As EVP and general counsel, he serves as the chief legal officer of the Authority and is responsible for advising and representing the Authority in all legal matters. His duties include providing legal and policy advice to the Chairman, Trustees, President and Senior Management. He also supervises the activities of the

Corporate Secretary and the Chief Ethics and Compliance Officer. Before joining the Authority, Mr. Driscoll was engaged in private practice for over 30 years, most recently at Brown & Weinraub PLLC. While in private practice, he represented state agencies and authorities in all types of litigated matters. Agencies he has represented include the State Dormitory Authority and the State Insurance Fund. Mr. Driscoll also has a successful record of defending clients before various investigative bodies, including the New York State Attorney General, the Medicaid Inspector General, the Manhattan District Attorney's Office, the New York State Joint Commission on Public Ethics, and the U.S. Department of the Treasury. His government service consists of three years as law secretary in Civil and Supreme Court, New York County, and he is the former senior vice president, general counsel and secretary to the Board for the New York State Housing Finance Agency, and the State of New York Mortgage Agency. A 1977 graduate of American University in Washington D.C. with a bachelor's degree from the School of Public Affairs, he received his law degree in 1981 from the New York Law School and attended the New York University School of Law L.L.M. Program in trade regulation.

James F. Pasquale, Senior Vice President, Marketing and Economic Development

Mr. Pasquale assumed his current position in July 2009. He is responsible for Authority customer account management for government, business, municipal, cooperative and utility customers, customer load forecasting, management of the Authority's power programs for economic development, load research, demand response programs, and customer pricing. Mr. Pasquale joined the Authority in 1986 as a senior accountant in the Controller's group and moved to the Marketing and Economic Development group in 1995. In 1997, he became manager of Business Power Allocations and Compliance, coordinating the Authority's then newly enacted Power for Jobs program. Later, customer billing and municipal and cooperative marketing also became his responsibilities. Before joining the Power Authority, Mr. Pasquale worked for five years with the Eisner and Lubin accounting firm in the City. He earned a Bachelor of Business Administration degree from Pace University.

Joseph Kessler, Senior Vice President - Power Generation

Mr. Kessler has been senior vice president of Power Generation since March 2012. In this role, he is responsible for the oversight of the Authority's fleet of generating facilities across the State, representing 6000 MW of Hydro and Fossil Generation. He is Executive Sponsor of the Authority's Safety Administrators Working Committee, Responsible Executive for the Authority's Strategic Initiative on Asset Management and a member of the Authority's Strategic Management Committee. He is also on EPRI's Research Advisory Committee, Senior Member of the IEEE, Director of the Erie-Niagara Chapter of the NYSSPE and a member of the IAEL, IESNA, and NETA. Mr. Kessler started at the Authority in January 2001, as an Engineer in the electrical maintenance department. He held several positions within that department until his promotion to Regional Manager – Western NY in July 2009. He is a lifelong Western New Yorker who has worked in the electrical industry for over 25 years. He has a B.S. in Electrical engineering (1993), M. Eng. (2000) in Electrical Engineering (Energy Systems), and an MBA (2010) from SUNY at Buffalo and is a licensed Professional Engineer in the State.

Bradford Van Auken, Senior Vice President – Operations Support Services, Chief Engineer

Mr. Van Auken assumed his current position in 2012, and is responsible for directing the Engineering, Project Management, Strategic Operations, Operational Performance, Asset Maintenance Management, and Asset Investment Planning of the Authority's Operation's Business Unit. Mr. Van Auken began his career at the Authority's former Indian Point 3 Nuclear Power Generating Station. He since has assumed increasing responsibilities in technical management, operations, power generation, and transmission in various positions within the Authority's Headquarters in White Plains and Hydroelectric Plants in upstate New York. Throughout his career at the Authority, Mr. Van Auken worked as a staff

engineer in the Authority's Electrical Engineering, Operations Technology, Control Room Operations, and Quality Assurance Engineering departments. Mr. Van Auken has also spent time during his career in technical, project management, and customer capacities at Central Hudson Gas & Electric, as well as Metromedia Fiber Networks Inc. Mr. Van Auken was promoted to Central Region Operations Superintendent in 2007, Vice President of Engineering in 2008, and his current position of SVP Operations Support Services & Chief Engineer in 2012. Mr. Van Auken graduated from the State University of New York's Institute of Technology, is a licensed Professional Engineer in the State of New York, and has completed Executive Education Programs at Columbia University's Business School. Mr. Van Auken serves on the Board of Director's for Northeast Power Coordinating Council, and is also member of EPRI's Power Delivery Utilization Sector Council and Transmission Executive Committee.

Paul Tartaglia, Senior Vice President - Energy Resource Management

Mr. Tartaglia assumed the position of Senior Vice President of the Energy Resource Management group at the Authority in July 2012. Mr. Tartaglia is responsible for energy market analysis, generation resource management, fuel planning and operation. He also works with the New York Independent System Operator on market policy and commercial transactions. Mr. Tartaglia held the position of Regional Manager, Southeast New York from 2005 through 2006. In this role managed the Power Authority's generating facilities in New York City, Westchester, Nassau and Suffolk counties. Mr. Tartaglia spent two years as a staff engineer in White Plains and almost 12 years as an Operations Supervisor and Operations Superintendent at the Authority's Charles Poletti Power Project in Astoria, before being named Regional Manager. He held leadership positions for the start-up and commissioning of the Authorities fleet of Small Clean Power Plants, and the 500 MW Combined Cycle Power Plant. Prior to joining the Power Authority in April 1991, Mr. Tartaglia worked as an engineer for a private firm in Manhattan. He attended Polytechnic University and received a Bachelor of Science degree in Mechanical Engineering and a Master of Science degree in Operations Management, and completed graduate studies in mechanical engineering with a specialization in thermo dynamics and heat transfer. He is a licensed Professional Engineer and holds a New York City Stationary Engineers License. Mr. Tartaglia also represents the Authority in a number of strategic initiatives, including the Electric Power Research Institute's Generation Council Executive Leadership Team.

Thomas J. Concadoro, Vice President and Controller

Mr. Concadoro was appointed to his current position in August 2010. He is responsible for the accounting and financial reporting activities of the Authority and oversees the accounts payable, payroll and customer billing functions. Mr. Concadoro joined the Authority's Accounting Department in 1985 and served as the Director of Accounting from 1998 to 2009. Before joining the Authority, he worked for seven years with Coopers & Lybrand L.L.P. primarily performing independent audits of public utilities. Mr. Concadoro is a licensed certified public accountant and holds a Bachelor of Business Administration degree from Pace University.

Soubhagya Parija, Senior Vice President and Chief Risk Officer

Mr. Parija joined the Authority as its Senior Vice President and Chief Risk Officer in July 2015. He is a member of the Executive Management Committee and is responsible for the Authority's Enterprise Risk Management, Commodities Risk Management and Insurance. Prior to joining the Authority, Mr. Parija had a long career in risk management at Cinergy, Duke Energy, Signet Jewelers and Walmart's International Division. Mr. Parija implemented a compliance risk management program at Walmart at a global level. He also successfully established Enterprise Risk Management programs ground up at Cinergy and at Signet Jewelers. In addition to having a well-rounded risk management experience, Mr. Parija has experience in Strategic Planning, Financial Planning & Analysis and M&A Analysis. Mr.

Parija started his career in India with the National Thermal Power Corporation, country's largest electric power generator where he had increasing levels of responsibility in financial and project management functions. Mr. Parija received Masters in Business Administration with a concentration in Finance from Indiana University, Bloomington in 2000. He also has received Master's degree in Economics from Jawaharlal Nehru University, New Delhi, India.

Kristine Pizzo – Senior Vice President – Human Resources

Ms. Pizzo joined the Authority in December 2014 as the Senior Vice President of Human Resources. Prior to joining the Authority, she was the Chief of Administration at Columbia University, where she led several key departments, including Human Resources, Finance, Marketing, Communications and Information Technology. She had previously been the Executive Vice President of Human Resources and Chief Administrative Officer at the New York City Economic Development Corporation. Ms. Pizzo has also worked in managerial roles in human resources at the Mount Sinai School of Medicine and the United States Olympic Committee, and was a judicial fellow at the Equal Employment Opportunity Commission. She has a bachelor's degree from St. John's University and a law degree from the Jacob D. Fuchsberg Law School at Touro College.

Jill Anderson – Senior Vice President – Public Affairs and Business Development, Chief of Staff

Ms. Anderson is Senior Vice President Public Affairs & Business Development at the Authority. She is a member of the Executive Management Committee and also serves as Chief of Staff. She leads new power generation and electric transmission project development initiatives and new business development. Ms. Anderson is responsible for energy policy, external relationship management, communications, regulatory strategy, and sustainability. Previously Ms. Anderson led supply acquisition and renewable energy for the Authority, responsible for energy procurement projects including wind, biomass, and solar. Prior to joining the Authority, Ms. Anderson was the Project Office Manager for Hess Corporation, leading projects in the areas of refining, offshore oil and gas production, corporate risk, electricity expense reduction, biofuel strategy, solar power generation, and greenhouse gas emissions reduction. Ms. Anderson worked for Con Edison prior to joining Hess. At Con Edison, she held positions of increasing responsibility in field operations and supervision in electric, gas, and steam distribution. Ms. Anderson's work in international benchmarking for Con Edison helped to launch the company's Smart Grid program. She established relationships with electric utilities in major urban centers around the world. Additionally, Ms. Anderson has experience in power generation design and construction, working as a field engineer for Parsons Brinckerhoff in Boston, Massachusetts. Ms. Anderson serves on the Board of Directors of Building Energy Exchange, a non-profit energy and lighting efficiency resource organization. Ms. Anderson also serves on the Board of the New York State Women in Communications and Energy and formerly served as President. Ms. Anderson received a Master of Business Administration from New York University and a Bachelor of Science in Mechanical Engineering from Boston University.

Jennifer Faulkner – Senior Vice President – Internal Audit

Ms. Faulkner directs the Internal Audits program for the Authority and in that role she oversees the preparation of the annual Internal Audit plan and directs the execution of internal audits that regularly evaluate the adequacy and effectiveness of financial, information technology and operating controls. In addition, she plans and directs all fraud prevention and detection of internal audit activities at the Authority, including the execution of special investigations involving cases and instances of fraud, waste, abuse and ethical and regulatory complaints. Ms. Faulkner previously held multiple positions at Pfizer, culminating with her role as Director of the Global Risk, Compliance and Control Group, where she worked with colleagues from more than 100 countries to ensure that the monitoring activities and special projects under the global Foreign Corrupt Practice Act were executed. She had previously been

an Internal Audit Regulatory Compliance Manager at KPMG. Ms. Faulkner has a bachelor's degree from Fordham University and is a certified public accountant in New York.

Rocco Iannarelli – Senior Vice President – Enterprise Shared Services (Acting)

Mr. Iannarelli serves as Vice President and Senior Advisor to the President and Chief Executive Officer for the Authority. He continues to assume, on an interim basis, the role of Senior Vice President of Enterprise Shared Services, where he is responsible for Corporate Support Services including facilities, travel and fleet operations. Mr. Iannarelli joined the Authority in 2009 as Vice President of Human Resources. Prior to joining the Authority, Mr. Iannarelli had a distinguished 17 year career in public service, including holding elected office in the Town of North Hempstead, the Village of Williston Park and appointed office in Nassau County. He also enjoyed a successful 18 year career in the sales and marketing of food products to national food chains at an executive level as well as having founded at the time the largest metro-NY kosher perishable food products distribution company. Mr. Iannarelli dedicates much of his free time volunteering to community based organizations like Rotary International, Wings of Winthrop University Hospital and the Colette Coyne Melanoma Awareness Campaign where he previously served for many years as a board member.

Brian C. McElroy, Treasurer

Mr. McElroy was appointed Treasurer in January 2007. He is responsible for the Authority's cash and investment management, debt management and its interest rate swap program. Mr. McElroy began his career with the Authority in 1989. He has held positions of increasing responsibility, including Treasury Analyst, Senior Investment Analyst, and Deputy Treasurer. He holds a Bachelor of Science degree in Management Information Systems and Managerial Sciences from Manhattan College, and holds an MBA in Professional Accounting from Fordham University. Mr. McElroy is a member of the Authority's Executive Risk Management Committee and Employee Savings Committee.

**POWER AUTHORITY OF THE STATE
OF NEW YORK**

TENTH SUPPLEMENTAL RESOLUTION
authorizing
REVENUE BONDS

Adopted on September 29, 2015

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APPENDIX A..... A-1

**AMENDED AND RESTATED
TENTH SUPPLEMENTAL RESOLUTION**

authorizing

REVENUE BONDS

BE IT RESOLVED by the Trustees of the Power Authority of the State of New York (the “Authority”) as follows:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

101. Supplemental Resolution; Authority. This resolution, adopted on September 29, 2015 (“**Tenth Supplemental Resolution**”), is supplemental to, and is adopted in accordance with Article VIII of a resolution adopted by the Authority on February 24, 1998, entitled “General Resolution Authorizing Revenue Obligations” (“**General Resolution**” and, as heretofore amended and supplemented and collectively with the Tenth Supplemental Resolution, the “**Resolution**”), and is adopted pursuant to the provisions of the Act.

102. Definitions. All terms which are defined in Section 101 of the General Resolution shall have the same meanings for purposes of this Tenth Supplemental Resolution.

(a) In this Tenth Supplemental Resolution:

“**ART Notes**” shall mean the Authority’s Adjustable Rate Tender Notes issued pursuant to the Resolution Authorizing the Issuance of \$200,000,000 Adjustable Rate Tender Notes, dated April 30, 1985, as amended and supplemented.

“**Beneficial Owner**” means, for any Bond which is held by a nominee, the beneficial owner of such Bond.

“**Bonds,**” “**Bonds of a Series,**” or “**Bonds of any Series**” and words of like import shall mean each or all of a Series of Bonds issued pursuant hereto collectively, as the context may require.

“**Certificate of Determination**” means any certificate of the Chairman, President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer or Treasurer of the Authority delivered pursuant to Section 204 of this Tenth Supplemental Resolution, setting forth certain terms and provisions of the Bonds.

“**Commercial Paper Rate,**” with respect to Bonds of a Series, has the meaning set forth in the applicable Certificate of Determination.

“**Commercial Paper Rate Mode**” means the mode during which Bonds of a Series bear interest at a Commercial Paper Rate in accordance with the applicable Certificate of Determination.

“**Credit Facility**” means, with respect to any Series of the Bonds, a Credit Facility as defined in the General Resolution.

“**Credit Facility Issuer**” means the issuer of the Credit Facility specified in Section 308 hereof.

“**Daily Rate**,” with respect to Bonds of a Series, has the meaning set forth in the applicable Certificate of Determination.

“**Daily Rate Mode**” means the mode during which Bonds of a Series bear interest at a Daily Rate in accordance with the applicable Certificate of Determination.

“**Depository Participant**” means any Person for which the Securities Depository holds Bonds as securities depository.

“**DTC**” means The Depository Trust Company, New York, New York, or its successors.

“**Escrow Agent**” means any escrow agent for the Bonds and its successor or successors and any other person which may at any time be substituted in its place.

“**Fiduciary**” or “**Fiduciaries**” means any Fiduciary (as defined in the General Resolution) and any Tender Agent, or any or all of them, as may be appropriate.

“**Fixed Rate**” means an interest rate fixed to the Maturity Date of the Bonds of a Series.

“**Fixed Rate Mode**” means the mode during which Bonds of a Series bear interest at a Fixed Rate in accordance with the applicable Certificate of Determination.

“**Interest Period**,” with respect to a Series of Bonds, has the meaning set forth in the applicable Certificate of Determination.

“**Liquidity Facility**” means any standby bond purchase agreement, letter of credit or similar obligation, arrangement or instrument issued or provided by a bank, insurance company or other financial institution which provides for payment of all or a portion of the Purchase Price (including accrued interest) of the Bonds of any Series that may be obtained by the Authority pursuant to Section 308 hereof.

“**Liquidity Facility Issuer**” means the issuer of a Liquidity Facility.

“**Mandatory Purchase Date**” for any Series of Bonds, means any date specified as such in the applicable Certificate of Determination.

“**Maturity Date**” means, with respect to any Bond, the final date specified therefor in the applicable Certificate of Determination, which shall not be later than forty years after the date of issuance.

“**Maximum Rate**” means for Bonds of a Series, such rate as may be specified in the applicable Certificate of Determination; provided, however, that in no event shall the Maximum Rate exceed the maximum rate permitted by applicable law.

“**Mode**” means the Daily Rate Mode, Term Rate Mode, the Weekly Rate Mode, the Fixed Rate Mode or any other method of determining the interest rate applicable to Bond of a Series permitted under the applicable Certificate of Determination.

“**Mode Change Date**” means, with respect to Bonds of a Series, the date one Mode terminates and another Mode begins.

“**Purchase Date**” for Bonds of a Series shall have the meaning set forth in the applicable Certificate of Determination.

“**Purchase Fund**” means a fund by that name that may be established by a Certificate of Determination pursuant to Section 303 hereof.

“**Purchase Price**” means the price at which Bonds subject to optional or mandatory tender for purchase are to be purchased as may be provided in the Certificate of Determination.

“**Remarketing Agent**” means the remarketing agent at the time serving as such for the Bonds of a Series (or portion thereof) pursuant to Section 402 hereof.

“**Series**” shall mean all the Bonds delivered on issuance in a transaction as identified pursuant to Sections 201 and 203 hereof or as identified in the Certificate of Determination regardless of variations in maturity, interest rate, or other provisions.

“**Series 2006 A Bonds**” shall mean the Authority’s 2006 A Revenue Bonds.

“**Securities Depository**” shall mean DTC as the Securities Depository appointed pursuant to Section 203(f) hereof, or any substitute Securities Depository, or any successor to DTC or any substitute Securities Depository.

“**Tender Agent**” means the Trustee as tender agent appointed for the Bonds pursuant to Section 403 hereof.

“**Term Rate,**” with respect to Bonds of a Series (or portion thereof), has the meaning set forth in the applicable Certificate of Determination.

“**Term Rate Mode**” means the mode during which Bonds of a Series (or portion thereof) bear interest at a Term Rate in accordance with the applicable Certificate of Determination.

“Weekly Rate,” with respect to Bonds of a Series, has the meaning set forth in the applicable Certificate of Determination.

“Weekly Rate Mode” means the mode during which Bonds of a Series bear interest at a Weekly Rate in accordance with the applicable Certificate of Determination.

ARTICLE II

AUTHORIZATION OF BONDS

201. Principal Amount, Designation and Series. Pursuant to the provisions of the General Resolution, one or more Series of Obligations entitled to the benefit, protection and security of such provisions are hereby authorized with the following designation: the “Series 2015 A Revenue Bonds.” The aggregate principal amount of each Series of Bonds shall be set forth in the Certificate of Determination relating to the respective Bonds; provided that the aggregate principal amount of such Bonds shall not exceed \$80,000,000. Individual maturities of the Bonds or portions thereof may bear such additional designations, if any, as may be set forth in the related Certificate of Determination. To the extent so provided in the applicable Certificate of Determination, any such Obligations may alternatively be designated as “Notes” and any reference herein to a Series of Bonds shall also refer to Obligations designated as Notes. In the event that any Series of Bonds is not issued in calendar year 2015, the applicable Certificate of Determination may (i) redesignate the year and Series of such Bonds and (ii) make any other conforming changes deemed necessary or appropriate to reflect the year of issuance. Each Series shall initially bear interest in accordance with the Mode as may be provided by the applicable Certificate of Determination.

202. Purposes. (a) The purposes for which the Bonds of any Series are to be issued shall include such of the following as shall be specified in the applicable Certificate of Determination:

(i) refund up to \$74,590,000 of the Authority’s Series 2006 A Revenue Bonds;

(ii) pay financing costs related to the issuance of the Authority’s debt obligations, including underwriters’ discount, structuring fees, any insurance premiums, credit enhancement or liquidity fees related to obtaining any municipal bond insurance policy, other credit enhancement or liquidity facilities determined to be necessary or desirable, swap terminations and other costs incurred by the Authority in connection therewith.

(b) Such portion of the proceeds of any Series of Bonds as may be specified in the applicable Certificate of Determination shall be applied for the purposes specified in subsection (a). All such proceeds shall be deposited and applied in accordance with the applicable Certificate of Determination.

203. Details of the Bonds. The following provisions set forth the details of the Bonds.

(a) Dates, Maturities and Interest. The Bonds of each Series shall be dated and shall bear interest from the date as may be specified by the Chairman, President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer or the Treasurer of the Authority pursuant to Section 204 hereof. The Bonds shall mature on

the dates and in the principal amounts, and bear interest, as the Chairman, President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer or Treasurer of the Authority shall specify in the applicable Certificate of Determination. Interest on the Bonds shall be payable semiannually (or at such other frequency as may be specified in the applicable Certificate of Determination) on the interest payment dates and at the respective rates per annum specified in the applicable Certificate of Determination. The Bonds are intended to be Tax-Exempt Obligations unless otherwise specified in the Certificate of Determination. Interest on the Bonds shall be calculated as provided in the applicable Certificate of Determination.

The interest rates for the Bonds of a Series contained in the records of the Trustee shall be conclusive and binding, absent manifest error, upon the Authority, the Remarketing Agent, the Tender Agent, the Trustee, the Liquidity Facility Issuer, the Credit Facility Issuer, and the Owners.

The interest rate applicable during any Mode (other than a Fixed Rate determined on or prior to the date of issuance of the related Bonds) shall be determined in accordance with the applicable Certificate of Determination. Except as otherwise provided in the applicable Certificate of Determination, any such rate shall be the minimum rate that, in the sole judgment of the Remarketing Agent, would result in a sale of the Bonds of the Series at a price equal to the principal amount thereof on the date on which the interest rate on such Bonds is required to be determined in accordance with the applicable Certificate of Determination, taking into consideration the duration of the Interest Period, which shall be established by the Authority.

(b) Denominations. Except as otherwise provided in the applicable Certificate of Determination, the Bonds shall be issued in the form of fully registered Bonds in the denomination of \$5,000 or any integral multiple of \$5,000.

(c) Designations. Unless the Authority shall otherwise direct, the Bonds shall be issued in series, and shall be labeled as follows: The Bonds shall be lettered “2015 A” and numbered consecutively from one upward as more particularly set forth in the applicable Certificate of Determination.

(d) Payment of Principal and Interest. Principal and Redemption Price of each Bond shall be payable at the Principal Office of the Trustee upon presentation and surrender of such Bond.

The Trustee shall indicate on the Bonds the date of their authentication as provided in Section 205 hereof. Interest on the Bonds shall be payable from the interest payment date next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an interest payment date, in which case from such date if interest has been paid to such date; provided, however, that interest shall be payable on the Bonds from such date as may be specified by the Chairman, President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer or the Treasurer of the Authority pursuant to Section 204

hereof, if the date of authentication is prior to the first interest payment date therefor. Interest on the Bonds shall be payable on the interest payment dates specified in the applicable Certificate of Determination to the registered owner as of the close of business on the Record Date specified in the applicable Certificate of Determination, such interest to be paid by the Trustee by check mailed to the registered owner at his or her address as it appears on the books of registry; provided, however, that upon redemption of any Bond, the accrued interest payable upon redemption shall be payable at the Principal Office of the Trustee upon presentation and surrender of such Bond, unless the redemption date is an interest payment date, in which event the interest on such Bond so redeemed shall be paid by the Trustee by check mailed to the registered owner at his address as it appears on the books of registry.

The principal or Redemption Price of and interest on the Bonds shall also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the General Resolution.

The foregoing provisions of this subsection (d) shall be subject to the provisions of subsection (f) of this Section.

The principal of and premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

(e) Trustee, Registrar, Paying Agent and Escrow Agent. The Bank of New York Mellon is the successor Trustee for the Obligations pursuant to Section 712 of the General Resolution. The Trustee is also hereby appointed as the Registrar and Paying Agent for the Bonds and, to the extent an escrow account is established in connection with the refunding of the Series 2006 A Bonds, shall be the Escrow Agent with respect thereto.

(f) Securities Depository. The Bonds when initially issued shall be registered in the name of Cede & Co., as nominee of DTC, in the form of a single fully registered Bond for each maturity of the Bonds with a different interest rate applicable thereto. DTC is hereby appointed initial Securities Depository for the Bonds, subject to the provisions of subsection (g) of this Section. So long as DTC or its nominee, as Securities Depository, is the registered owner of Bonds, individual purchases of beneficial ownership interests in Bonds may be made only in book-entry form by or through DTC participants, and purchasers of such beneficial ownership interests in Bonds will not receive physical delivery of bond certificates representing the beneficial ownership interests purchased.

So long as DTC or its nominee, as Securities Depository, is the registered owner of Bonds, payments of principal of and premium, if any, and interest on such Bonds will be made by wire transfer to DTC or its nominee, or otherwise as may be agreed upon by the Authority, the Trustee and DTC. Transfers of principal, premium, if any, and interest payments to DTC participants will be the responsibility of DTC. Transfers of such payments to Beneficial Owners

of Bonds by DTC participants will be the responsibility of such participants and other nominees of such Beneficial Owners.

So long as DTC or its nominee, as Securities Depository, is the registered owner of Bonds, the Authority shall send, or cause the Trustee to send, or take timely action to permit the Trustee to send, to DTC notice of redemption of such Bonds and any other notice required to be given to registered owners of such Bonds pursuant to the Resolution, in the manner and at the times prescribed by the Resolution, except as may be agreed upon by the Authority, the Trustee (if applicable) and DTC.

Neither the Authority nor any Fiduciary shall have any responsibility or obligation to the DTC participants, Beneficial Owners or other nominees of such Beneficial Owners for (1) sending transaction statements; (2) maintaining, supervising or reviewing the accuracy of, any records maintained by DTC or any DTC participant or other nominees of such Beneficial Owners; (3) payment or the timeliness of payment by DTC to any DTC participant, or by any DTC participant or other nominees of Beneficial Owners to any Beneficial Owner, of any amount due in respect of the principal of or redemption premium, if any, or interest on Bonds; (4) delivery or timely delivery by DTC to any DTC participant, or by any DTC participant or other nominees of Beneficial Owners to any Beneficial Owners, of any notice (including notice of redemption) or other communication which is required or permitted under the terms of the Resolution to be given to holders or owners of Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Bonds; or (6) any action taken by DTC or its nominee as the registered owner of the Bonds.

Notwithstanding any other provisions of this Tenth Supplemental Resolution to the contrary, the Authority, the Registrar, Paying Agent, and the Trustee shall be entitled to treat and consider the person in whose name each Bond is registered in the books of registry as the absolute owner of such Bond for the purpose of payment of principal, Redemption Price, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal and Redemption Price of and interest on the Bonds only to or upon the order of the respective owners, as shown in the books of registry as provided in this Tenth Supplemental Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of principal and Redemption Price of and interest on such Bonds to the extent of the sum or sums so paid.

Notwithstanding any other provisions of this Tenth Supplemental Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal and Redemption Price of, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, pursuant to DTC's rules and procedures.

Payments by the DTC participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the

accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such DTC participant and not of DTC, the Trustee or the Authority, subject to any statutory and regulatory requirements as may be in effect from time to time.

Provisions similar to those contained in this subsection (f) may be made by the Authority in connection with the appointment by the Authority of a substitute Securities Depository, or in the event of a successor to any Securities Depository.

Authorized Officers are hereby authorized to enter into such representations and agreements as they deem necessary and appropriate in furtherance of the provisions of this subsection (f).

(g) Replacement Bonds. The Authority shall issue Bond certificates (the “Replacement Bonds”) directly to the Beneficial Owners of the Bonds, or their nominees, in the event that DTC determines to discontinue providing its services with respect to the Bonds, at any time by giving notice to the Authority, and the Authority fails to appoint another qualified Securities Depository to replace DTC. In addition, the Authority also shall issue Replacement Bonds directly to the Beneficial Owners of the Bonds, or their nominees, in the event the Authority discontinues use of DTC as Securities Depository at any time upon determination by the Authority, in its sole discretion and without the consent of any other person, that Beneficial Owners of the Bonds shall be able to obtain certificated Bonds.

(h) Notices. In connection with any notice of redemption provided in accordance with Section 405 of the General Resolution, notice of such redemption shall also be sent by the Trustee by first class mail, overnight delivery service or other secure overnight means, postage prepaid, to the appropriate Credit Facility Issuer, to any Rating Agency and to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system, in each case not later than the mailing of notice required by the Resolution.

204. Delegation of Authority. (a) There is hereby delegated to the Chairman, President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer and the Treasurer of the Authority, and each of them hereby is authorized, subject to the limitations contained herein, with respect to the Bonds of each Series to determine and effectuate the following:

(i) the principal amount of the Bonds to be issued, provided that the aggregate principal amount of the Bonds of such Series to be issued shall not exceed \$80,000,000.

(ii) the date or dates, Maturity Date or dates and principal amount of each maturity of the Bonds, the interest payment date or dates of the Bonds, and the date or dates from which the Bonds shall bear interest;

(iii) the interest rate or rates of the Bonds, which may include Commercial Paper Rates, Daily Rates, Term Rates, Fixed Rates, Weekly Rates, index-based rates, or other interest rate methodologies, provided, however, that (i) to the extent that fixed rate Bonds are issued, such Bonds, at the date of their issuance, shall have a true interest cost not to exceed three percent (3.00%), and (ii) to the extent that any variable rate Bonds are issued, the initial rate or rates applicable to such Bonds at the date of their issuance shall not exceed three percent (3.00%);

(iv) the sinking fund installments for any term Bond and the methodology to be applied to reduce such installments upon redemption by the Authority, if any, of any such term Bond;

(v) the portions of the proceeds of the Bonds of each Series and the amounts to be deposited and applied in accordance with Section 202 hereof;

(vi) the redemption provisions of the Bonds;

(vii) the tender provisions, if any, of the Bonds

(viii) the definitive form or forms of the Bonds and the definitive form or forms of the Trustee's certificate of authentication thereon;

(ix) additional or different designations, if any, for particular maturities of Bonds or portions thereof intended to distinguish such maturities or portions thereof from other Bonds; and

(x) provisions that are deemed necessary or advisable by the Chairman, President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer or the Treasurer of the Authority in connection with the implementation and delivery to the Trustee of any Credit Facility or Liquidity Facility;

(xi) obtaining municipal bond insurance or other Credit Facility or Liquidity Facility related to the Bonds of a Series or any portion thereof, and complying with any commitment therefor including executing and delivering any related agreement with any Credit Facility Issuer or Liquidity Facility Issuer, to the extent that the Chairman, President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer or the Treasurer of the Authority determines that to do so would be in the best interest of the Authority; and

(xii) any other provisions deemed advisable by the Chairman, President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer or the Treasurer of the Authority, not in conflict with the provisions hereof or of the General Resolution.

(b) The Chairman, President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer or the Treasurer of the Authority shall execute one or more certificates evidencing determinations or other actions taken pursuant to the authority granted herein, an executed copy of which shall be delivered to the Trustee. Each such certificate shall be deemed a Certificate of Determination and shall be conclusive evidence of the action or determination of such officer as to the matters stated therein. The provisions of each Certificate of Determination shall be deemed to be incorporated in Article II hereof. No such Certificate of Determination shall, nor shall any amendment to this Tenth Supplemental Resolution, change or modify any of the rights or obligations of the Credit Facility Issuer without its written assent thereto.

205. Form of Bonds and Trustee's Authentication Certificate. Subject to the provisions of the General Resolution and to any amendment or modifications thereto or insertions therein as may be approved by the Chairman, President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer or the Treasurer of the Authority pursuant to Section 204 hereof, the form of the Bonds, form of assignment, and the Trustee's Certificate of Authentication shall be in substantially the form set forth in Appendix A hereto, with necessary or appropriate variations, omissions and insertions as are incidental to their series, numbers, denominations, maturities, interest rate or rates, registration provisions, redemption provisions, status of interest to owners thereof for Federal income tax purposes, and other details thereof and of their form or as are otherwise permitted or required by law or by the Resolution, including this Tenth Supplemental Resolution. Any portion of the text of any Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of such Bond. Bonds may be typewritten, printed, engraved, lithographed or otherwise reproduced.

206. Execution and Authentication of Bonds. Notwithstanding the first sentence of paragraph 1 of Section 303 of the General Resolution, the Bonds shall be executed in the name of the Authority by the manual or facsimile signature of its Chairman, Vice Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or Treasurer, and its corporate seal (or a facsimile thereof) shall be affixed, imprinted, engraved or otherwise reproduced, and attested by the manual or facsimile signature of its Vice President and Corporate Secretary, a Deputy Corporate Secretary, or an Assistant Corporate Secretary, or in such other manner as may be required by law.

ARTICLE III

REDEMPTION AND TENDER OF BONDS

301. Optional and Sinking Fund Redemption. Bonds of a Series shall be subject to optional and mandatory redemption as and to the extent and at the times and subject to such conditions, if any, as shall be specified in the applicable Certificate of Determination.

302. Optional and Mandatory Purchase of Bonds. The Bonds of a Series shall be subject to optional and mandatory tender for purchase to the extent, at the times and subject to such conditions as shall be set forth in the applicable Certificate of Determination.

303. Purchase Fund. A Purchase Fund may be established in a Certificate of Determination in connection with the delivery to the Trustee of a Liquidity Facility, which fund, if established, shall be held by the Tender Agent and may have such separate accounts as shall be established in such Certificate of Determination. Such Purchase Fund and accounts therein may be established for the purpose of depositing moneys obtained from (i) the remarketing of Bonds of a Series which is subject to tender for purchase in accordance with the applicable Certificate of Determination, (ii) draws under a Liquidity Facility and (iii) the Authority. Such deposited moneys shall be used solely to pay the Purchase Price of Bonds of such Series or to reimburse a Liquidity Facility Issuer.

304. Remarketing of Bonds of a Series; Notices. The Remarketing Agent for Bonds of a Series shall offer for sale and use its best efforts to find purchasers for all Bonds of such Series required to be tendered for purchase. The applicable Certificate of Determination shall prescribe provisions relating to the notices which shall be furnished by the Remarketing Agent in connection with such remarketing and as to the application of the proceeds of such remarketing.

305. Source of Funds for Purchase of Bonds of a Series. (a) Except as may otherwise be provided in the applicable Certificate of Determination, the Purchase Price of the Bonds of a Series on any Purchase Date shall be payable solely from proceeds of remarketing of such Series or proceeds of a related Liquidity Facility (including moneys that are borrowed by the Authority pursuant to a Liquidity Facility), if any, and shall not be payable by the Authority from any other source.

(b) As may be more particularly set forth in the applicable Certificate of Determination, on or before the close of business on the Purchase Date or the Mandatory Purchase Date with respect to Bonds of a Series, the Tender Agent shall purchase such Bonds from the Owners at the Purchase Price. Except as otherwise provided in a Certificate of Determination, funds for the payment of such Purchase Price shall be derived in the order of priority indicated:

(i) immediately available funds transferred by the Remarketing Agent to the Tender Agent derived from the remarketing of the Bonds; and

(ii) immediately available funds transferred by the Liquidity Facility Issuer (or the Authority to the Tender Agent, if the Liquidity Facility permits the Authority to make draws thereon), including, without limitation, amounts available under the Liquidity Facility.

306. Delivery of Bonds. Except as otherwise required or permitted by the book-entry only system of the Securities Depository and in the applicable Certificate of Determination, the Bonds of a Series sold by the Remarketing Agent shall be delivered by the Remarketing Agent to the purchasers of those Bonds at the times and dates prescribed by the applicable Certificate of Determination. The Bonds of a Series purchased with moneys provided by the Authority shall be delivered at the direction of the Authority. The Bonds of a Series purchased with moneys drawn under a Liquidity Facility shall be delivered as provided in such Liquidity Facility.

307. Delivery and Payment for Purchased Bonds of a Series; Undelivered Bonds. Each Certificate of Determination shall provide for the payment of the Purchase Price of purchased bonds of the related Series and shall also make provision for undelivered Bonds.

308. Credit Facility and Liquidity Facility. (a) At any time and subject to such limitations and other provisions as may be set forth in the applicable Certificate of Determination, the Authority may obtain or provide for the delivery to the Trustee of a Liquidity Facility and/or a Credit Facility from a Liquidity Facility Issuer and/or Credit Facility Issuer as may be selected by the Chairman, President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer or the Treasurer of the Authority and specified in the applicable Certificate of Determination with respect to the Bonds of any Series.

(b) Each Liquidity Facility shall provide for draws thereon or borrowings thereunder, in the aggregate, in an amount at least equal to the amount required to pay the Purchase Price for the related Bonds of a Series. Except as may otherwise be provided in the applicable Certificate of Determination, the obligation of the Issuer to reimburse the Liquidity Facility Issuer or to pay the fees, charges and expenses of the Liquidity Facility Issuer under the Liquidity Facility shall constitute a Parity Reimbursement Obligation within the meaning of the Resolution and shall be secured by the pledge of and lien on the Trust Estate created by Section 501 of the General Resolution.

ARTICLE IV

ADDITIONAL AUTHORIZATIONS; MISCELLANEOUS

401. Tax Covenant. (a) The Authority shall not take or omit to take any action which would cause interest on any Series 2015 Bonds which are designated Tax-Exempt Obligations in an applicable Certificate of Determination to be included in the gross income of any Owner thereof for Federal income tax purposes by reason of subsection (b) of Section 103 of the Internal Revenue Code of 1986 (Title 26 of the United States Code) as in effect on the date of original issuance of such Obligations. Without limiting the generality of the foregoing, no part of the proceeds of any Tax-Exempt Obligations or any other funds of the Authority shall be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Series of Bonds to be an “arbitrage bond” as defined in section 148 of the Internal Revenue Code of 1986 (Title 26 of the United States Code) as then in effect and to be subject to treatment under subsection (b)(2) of Section 103 of the Code as an obligation not described in subsection (a) of said section. The Authority shall pay to the United States any amounts that are necessary for the purpose of compliance with the provisions of Section 148 of the Code.

(b) Notwithstanding any other provision of the Resolution to the contrary, upon the Authority’s failure to observe, or refusal to comply with, the above covenant in paragraph (a), the Owners, or the Trustee acting on their behalf, shall be entitled only to the right of specific performance of such covenant, and shall not be entitled to any of the other rights and remedies provided under Article X of the General Resolution.

402. Remarketing Agent. The Authority shall appoint and employ the services of a Remarketing Agent prior to any Purchase Date or Mode Change Date while the Bonds of any Series are in the Daily Rate Mode, Weekly Rate Mode, the Term Rate Mode, or the Commercial Paper Mode. The Authority shall have the right to remove the Remarketing Agent as provided in the Remarketing Agreement.

403. Tender Agent. The Authority shall be authorized to and shall appoint and employ the services of the Trustee as Tender Agent pursuant to a Tender Agency Agreement prior to any Purchase Date or Mode Change Date while the Bonds of any Series are in the Daily Rate, Weekly Rate, the Term Rate Mode, or the Commercial Paper Mode. The Authority shall have the right to remove the Tender Agent as provided in the Tender Agency Agreement.

404. Remarketing Agreements and Tender Agency Agreements. The Authority hereby authorizes one or more Remarketing Agreements and Tender Agency Agreements with respect to the Bonds of any Series with such modifications and with such Remarketing Agents and such Tender Agents as any Authorized Officer, upon the advice of counsel to the Authority, approves. Any Authorized Officer of the Authority is hereby authorized to execute and deliver such Remarketing Agreements and such Tender Agency Agreements in connection with the original issuance of the Bonds of any Series or remarketing thereof, which execution and delivery shall be conclusive evidence of the approval of any such modifications.

405. Certain Findings and Determinations. The Trustees hereby find and determine:

(a) The General Resolution has not been amended, supplemented, or repealed since the adoption thereof except by the resolution of the Authority entitled “First Supplemental Resolution Authorizing Series 1998 Revenue Bonds” adopted February 24, 1998, by the resolution of the Authority entitled “Second Supplemental Resolution Authorizing Series 2000 A Revenue Bonds” adopted October 31, 2000, by the resolution of the Authority entitled “Third Supplemental Resolution Amending the General Resolution” adopted June 26, 2001, by the resolution of the Authority entitled “Fourth Supplemental Resolution Authorizing Series 2001 A Revenue Bonds and Series 2002 A Revenue Bonds” adopted September 25, 2001, by the resolution of the Authority entitled “Fifth Supplemental Resolution Authorizing Series 2002 A Revenue Bonds” adopted September 17, 2002, by the resolution of the Authority entitled “Sixth Supplemental Resolution Authorizing Series 2003 A Revenue Bonds” adopted November 25, 2003, by the resolution of the Authority entitled “Seventh Supplemental Resolution Authorizing Series 2005 A and Series 2005 B Revenue Bonds” adopted September 20, 2005, by the resolution of the Authority entitled “Eighth Supplemental Resolution Authorizing Series 2007 A, Series 2007 B, and Series 2007 C Revenue Bonds” adopted September 25, 2007, and by the resolution of the Authority entitled “Ninth Supplemental Resolution Authorizing Revenue Bonds” adopted October 26, 2010, and amended and restated July 26, 2011. This Tenth Supplemental Resolution supplements the General Resolution as heretofore amended and supplemented, constitutes and is a “Supplemental Resolution” within the meaning of such quoted term as defined and used in the General Resolution, and is adopted under and pursuant to the General Resolution.

(b) The Bonds constitute and are “Obligations” within the meaning of the quoted word as defined and used in the Resolution.

(c) Any municipal bond insurance policy issued by such municipal bond insurance issuer as may be selected by the Chairman, President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer or the Treasurer of the Authority and specified in the applicable Certificate of Determination, dated the Closing Date, shall constitute and shall be required to be a “Credit Facility” within the meaning of the quoted words as defined and used in the Resolution. Furthermore, any such municipal bond insurance policy, including any charges, fees, costs and expenses that the Credit Facility Issuer may for any Series of Bonds reasonably incur in the administration of the Credit Facility, respectively, or in the pursuit of any remedies under the Resolution or otherwise afforded by law or equity, shall constitute and shall be required to be a “Subordinated Contract Obligation” within the meaning of the quoted words as defined and used in the Resolution, provided, however, the Credit Facility Issuer shall, to the extent it makes any payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Credit Facility.

(d) The Trust Estate is not encumbered by any lien or charge thereon or pledge thereof, other than the parity lien and charge thereon and pledge thereof securing the Outstanding Obligations and Parity Debt and the Outstanding ART Notes, and the subordinate liens and charges thereon and subordinated pledge thereof created by the existing Subordinated Indebtedness and Subordinated Contract Obligations.

(e) There does not exist an “Event of Default” within the meaning of such quoted term as defined in Section 1001 of the General Resolution, nor does there exist any condition which, after the giving of notice or the passage of time, or both, would constitute such an “Event of Default.”

406. Notice to Owners upon Event of Default. (a) If an Event of Default occurs of which the Trustee has or is deemed to have notice under Section 702(c)(6) of the General Resolution, the Trustee shall give by telecopier or other electronic means or by telephone (promptly confirmed in writing) notice thereof to the Authority. Within two Business Days thereafter (unless such Event of Default has been cured or waived), the Trustee shall give notice of such Event of Default to each Owner, provided, however, that except in the instance of an Event of Default under Section 1001(i) or (ii) of the General Resolution, the Trustee may withhold such notice to Owners if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of Owners, and provided, further, that notice to Owners of any Event of Default under Section 1001(ii) or (iii) of the General Resolution shall not be given until the grace period has expired.

(b) For so long as the Bonds are registered solely in the name of the Securities Depository or its nominee, where the General Resolution provides for notice to the Owners of the Bonds of the existence of, or during the continuance of, any Event of Default, the Trustee shall: (i) establish a record date (the “Record Date”) for determining the identity of the Persons entitled to receive such notice; (ii) request a securities position listing from the Securities Depository showing the Depository Participants holding positions in the Bonds affected by such notice as of the Record Date for such notice; (iii) send by first-class, postage prepaid mail, copies of the notice as provided above to each Depository Participant identified in the securities position listing as holding a position in the Bonds as of the Record Date for the notice, to the Municipal Securities Rulemaking Board, and to any Person identified to the Trustee as a non-objecting Beneficial Owner (a non-objecting Beneficial Owner is a Person for whom a Depository Participant acts as nominee, and who has not objected to the disclosure of his or her name and security position) pursuant to the immediately following clause; (iv) request that the Depository Participant retransmit the notice to all Persons for which it served as nominee on the Record Date, including non-objecting Beneficial Owners, or retransmit the notice to objecting Beneficial Owners and provide a listing of non-objecting Beneficial Owners for whom the Depository Participant served as nominee on the Record Date to the Trustee and (v) provide as many copies of the notice as may be requested by any nominee owner of the Bonds. Any default in performance of the duties required by this paragraph shall not affect the sufficiency of notice to Owners given in accordance with the

provisions of the General Resolution, nor the validity of any action taken under the General Resolution in reliance on such notice to Owners.

407. Further Authority. The Chairman, Vice Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Treasurer, Executive Vice President and General Counsel, Vice President and Corporate Secretary, Deputy Corporate Secretary or Assistant Corporate Secretary of the Authority, or any Authorized Officer (as defined in the General Resolution) are each hereby authorized to execute and deliver to the Trustee appointed pursuant to the General Resolution such documents and certifications, including, without limitation, any Credit Facility or Liquidity Facility, as may be necessary to give effect to this Tenth Supplemental Resolution and the transactions contemplated hereby.

408. Effective Date. This Tenth Supplemental Resolution shall be fully effective in accordance with its terms upon the filing with the Trustee of a copy hereof certified by an Authorized Officer.

APPENDIX A

[FORM OF BONDS]

No. 2015[A][B] - _____ \$ _____

POWER AUTHORITY OF THE STATE OF NEW YORK

Revenue Bonds, Series 2015 [A][B]

Interest Rate

Maturity Date

CUSIP

Registered Owner: **CEDE & CO.**

Principal Amount: _____ **Dollars**

POWER AUTHORITY OF THE STATE OF NEW YORK (herein called the "Authority"), a body corporate and politic, a political subdivision and a corporate municipal instrumentality of the State of New York, organized and existing under and by virtue of the laws of the State of New York, acknowledges itself indebted to, and for value received hereby promises to pay, but solely from the Trust Estate and not otherwise, to the registered owner specified above or registered assigns, the Principal Amount specified above on the Maturity Date specified above (subject to the right of prior redemption hereinafter mentioned) in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay to the registered owner hereof interest on such principal sum in like coin or currency and at the rate of interest per annum specified above. This Bond is dated as of _____, 201_, interest on this Bond shall be payable from the _____ or _____ next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a _____ or _____, in which case from such date if interest has been paid to such date; provided, however, that such interest shall be payable on this Bond from _____, 201_, if the date of authentication is prior to the first interest payment date therefor. Interest on this Bond shall be payable on _____, 201_ and semi-annually thereafter on _____ and _____, in each case to the registered owner as of the close of business on the first day (whether or not a Business Day) of the calendar month in which the interest payment date occurs, such interest to be paid by the Trustee by check mailed to the registered owner at his address as it appears on the books of registry; provided, however, that upon redemption of this Bond, the accrued interest payable upon redemption shall be payable at the Principal Office of the Trustee upon presentation and surrender of this Bond, unless the redemption date is an interest payment date, in which event the interest on this Bond so redeemed shall be paid by the Trustee by check mailed to the registered owner at his address as it appears on the books of registry.

[Description of interest rate determination methodology for any Bonds issued as variable rate Bonds, as specified in the applicable Certificate of Determination, to be inserted here.]

This Bond is one of a duly authorized issue of obligations of the Authority designated as its “Obligations” issued and to be issued in various series under and pursuant to the Power Authority Act, Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended (herein called the “Act”), and under and pursuant to a resolution of the Authority adopted on February 24, 1998, entitled “General Resolution Authorizing Revenue Obligations”, and a supplemental resolution of the Authority adopted on September 29, 2015, and entitled “Tenth Supplemental Resolution Authorizing Revenue Bonds” (herein called the “Tenth Supplemental Resolution”). Said resolutions are herein collectively called the “Resolution”. Capitalized terms used herein and not otherwise defined herein shall have the meanings provided in the Resolution.

This Bond is one of a series of Obligations of various maturities designated as “Revenue Bonds, Series 2015 [A][B]” (herein called the “Bonds”) issued in the aggregate principal amount of \$_____ under the Resolution. Copies of the Resolution are on file at the office of the Authority and at the Principal Office of The Bank of New York Mellon, as Trustee under the Resolution, or its successor as Trustee (herein called the “Trustee”), in the Borough of Manhattan, City and State of New York. The Trustee is also the Registrar and Paying Agent for the Bonds.

The Obligations are payable as to principal, Redemption Price, and interest solely from and are equally and ratably secured solely by the Trust Estate, subject to the provisions of the Resolution permitting the application of such Trust Estate to the purposes and on the terms and conditions set forth in the Resolution, including, without limitation, the prior application of Revenues to the payment of Operating Expenses. The principal and Redemption Price of, and interest on, the Obligations shall not be payable from the general funds of the Authority nor shall the Obligations constitute a legal or equitable pledge, charge, lien, or encumbrance upon any of the property or upon any of the income, receipts, or revenues of the Authority, except the Trust Estate.

Reference is hereby made to the Resolution, copies of which are on file in the Principal Office of the Trustee, and to all of the provisions of which any holder of this Bond by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the pledge and covenants securing the Obligations, including this Bond; the Revenues and other moneys and securities constituting the Trust Estate pledged to the payment of the principal of and interest on the Obligations issued thereunder; the nature and extent and manner of enforcement of the pledge; the conditions upon which Obligations may hereafter be issued thereunder, payable on a parity from the Trust Estate and equally and ratably secured therewith; the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Owners of the Obligations; the rights and remedies of the Owner hereof with respect hereto and thereto, including the limitations therein contained upon the right of an Owner hereof to institute any suit, action or proceeding in equity or at law with respect hereto and thereto; the rights, duties and obligations of the Authority and the Trustee thereunder; the terms

and provisions upon which the pledges and covenants made therein may be discharged at or prior to the maturity or redemption of this Bond, and the Bond thereafter no longer be secured by the Resolution or be deemed to be Outstanding thereunder, if moneys or certain specified securities shall have been deposited with the Trustee sufficient and held in trust solely for the payment hereof; and for the other terms and provisions thereof.

As provided in the Resolution, Obligations may be issued from time to time pursuant to supplemental resolutions in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Resolution provided. The aggregate principal amount of Obligations which may be issued under the Resolution is not limited except as provided in the Resolution, and all Obligations issued and to be issued under the Resolution are and will be equally secured by the pledge and covenants made therein, except as otherwise expressly provided or permitted in the Resolution.

To the extent and in the manner permitted by the terms of the Resolution, the provisions of the Resolution or any resolution amendatory thereof or supplemental thereto may be modified or amended by the Authority, with the written consent of the Owners of a majority in principal amount of the Obligations then Outstanding, and, in case less than all of the Obligations will be affected thereby, with such consent of the Owners of at least a majority in principal amount of the Obligations so affected then Outstanding, at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as particular Obligations remain Outstanding, the consent of the Owners of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Obligations under the Resolution.

This Bond is transferable, as provided in the Resolution, only upon the books of the Authority kept for that purpose at the above-mentioned office of the Registrar by the Owner hereof in person, or by his attorney duly authorized in writing, upon surrender of the Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Owner or his duly authorized attorney, and thereupon a new registered Bond or Bonds, and in the same aggregate principal amount, Series, maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Resolution, and upon payment of the charges therein prescribed. The Authority and each Fiduciary may deem and treat the Person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Authority nor any Fiduciary shall be affected by any notice to the contrary.

[Description of the applicable redemption provisions, as specified in the applicable Certificate of Determination, to be inserted here.]

When the Trustee shall receive notice from the Authority of its election to redeem Obligations pursuant to the Resolution, and when redemption of Obligations is required by the

Resolution, the Trustee shall give notice, in the name of the Authority, of the redemption of such Obligations, which notice shall specify the Series, maturities and, if any maturity shall include Obligations bearing different interest rates and all Obligations of such maturity are not being redeemed, interest rate of the Obligations to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Obligations of any like Series, maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Obligations so to be redeemed, and, in the case of Obligations to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed, and, if applicable, that such notice is conditional and the conditions that must be satisfied. Such notice shall further state that on such date there shall become due and payable upon each Obligation to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Obligations to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be given by first class mail, postage prepaid, not less than 30 days nor more than 45 days before the redemption date, to the Owners of any Obligations or portions of Obligations which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure so to mail any such notice to any particular Owner shall not affect the validity of the proceedings for the redemption of Obligations not owned by such Owner and failure of any Owner to receive such notice shall not affect the validity of the proposed redemption of Obligations.

Any notice of optional redemption may state that it is conditional upon receipt by the Trustee of moneys sufficient to pay the Redemption Price of such Obligations or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected Owners of Obligations as promptly as practicable upon the failure of such condition or the occurrence of such other event.

The principal of the Bonds may be declared due and payable before the maturity thereof, and such declaration may be annulled, as provided in the Resolution.

The Act provides that neither the members of the Authority nor any person executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Pursuant to Section 1011 of the Act, the Authority, as agent for the State of New York, does hereby pledge to and agree with the holder of this Bond that the State of New York will not limit or alter the rights vested in the Authority by the Act, as amended, until this Bond and each of the other Bonds, together with the interest hereon and thereon, have been fully met and discharged or adequate provisions have been made by law for protection of the holders of all such Bonds.

The Bonds shall not be a debt of the State of New York, and the State shall not be liable thereon.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed and that the issuance of the Bonds, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by the laws of the State of New York.

This Bond shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate hereon.

IN WITNESS WHEREOF, POWER AUTHORITY OF THE STATE OF NEW YORK has caused this Bond to be signed in its name and on its behalf by the facsimile signature of its [INSERT TITLE], and its corporate seal (or facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced and attested by the facsimile signature of its Vice President and Corporate Secretary, a Deputy Corporate Secretary, or an Assistant Secretary.

**POWER AUTHORITY OF THE
STATE OF NEW YORK**

By: _____

—

[President and Chief Executive Officer]

[SEAL]

Attest:

Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION FOR BONDS]

AUTHENTICATION DATE:

Trustee's Certificate

The Bond is one of the bonds, of the Series designated therein, described in the within-mentioned Resolution.

THE BANK OF NEW YORK MELLON
Trustee

By: _____
Authorized Officer

FORM OF ASSIGNMENT

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(Please insert Social Security or Taxpayer Identification Number of Transferee)

/ _____ /

(Please print or typewrite name and address, including zip code of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

attorney to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member or participant of a signature guarantee program.

NOTICE: The signature above must correspond with the name of the Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or change whatsoever.

STATEMENT OF INSURANCE [if any]

_____ New York, New York, has delivered its municipal bond insurance policy (the “Policy”) with respect to the scheduled payments due of principal of and interest, including principal and interest due by operation of scheduled mandatory sinking fund redemption, on this Bond to The Bank of New York Mellon, New York, New York, or its successor, as paying agent for the Bonds (the “Paying Agent”). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from _____ or the Paying Agent.



President & Chief Executive Officer Report

Gil Quiniones

September 29, 2015

NYPA Overall Performance

August 2015

Goal	Measure	Year-To-Date 2015			Year 2016 Risk Range	
		Status	Target	Actual		
Maintain Infrastructure	Generation Market Readiness (%)		99.40	98.79		
	Transmission System Reliability (%)		96.56	97.28		
Financial Management	Debt Coverage (Ratio)		2.70	2.60		
	O&M Budget Performance (\$ Millions)		305.3	275.8		
Energy Services	MMBTU's Saved		229.8	273.9		
	Energy Efficiency Investment in State Facilities (\$ Millions)		30.5	29.2		
Workforce Management	Retention (# of Touchpoints)		420	690*		
Safety Leadership	DART Rate (Index)		0.78	0.92		
Environmental Responsibility	Environmental Incidents (Units)		22	20		

*Quarterly measure. Actual as of Q2.

Risk Range

- Year-to-Date Actual
- Risk Threshold

Projected risk ranges to be reported quarterly

Corporate Performance

Status
Meeting or Exceeding Target
Below Target
Significantly Below Target

Top Enterprise Risks: Initial View



Marker color represents risk source:

- Strategic
- External
- Internal

Size of marker indicates velocity



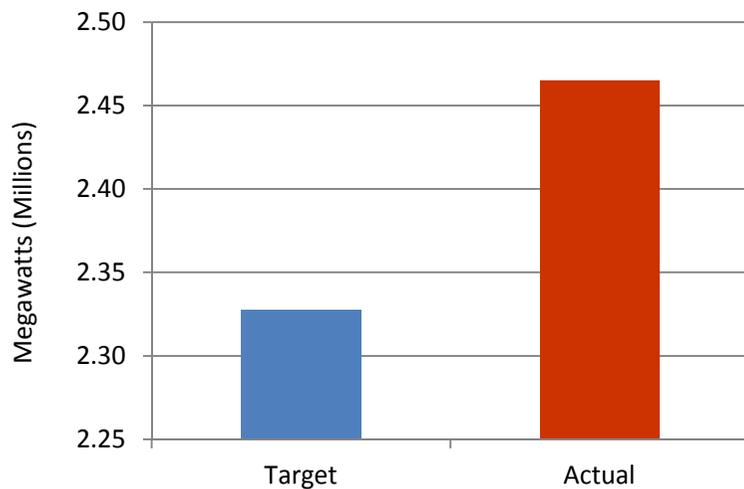
Chief Operating Officer Report

September 29, 2015

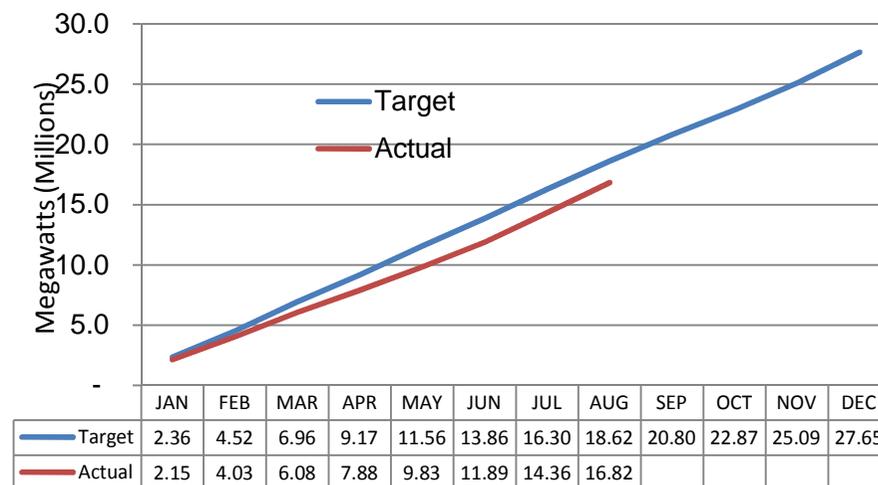
Operations - System Net Generation

- Systemwide net generation in August was 2,464,904 MWh (megawatt-hours) which is above the projected net generation of 2,327,396 MWh. For the year, net generation was 16,821,180 MWh which is below the projected target of 18,624,245 MWh.

August 2015

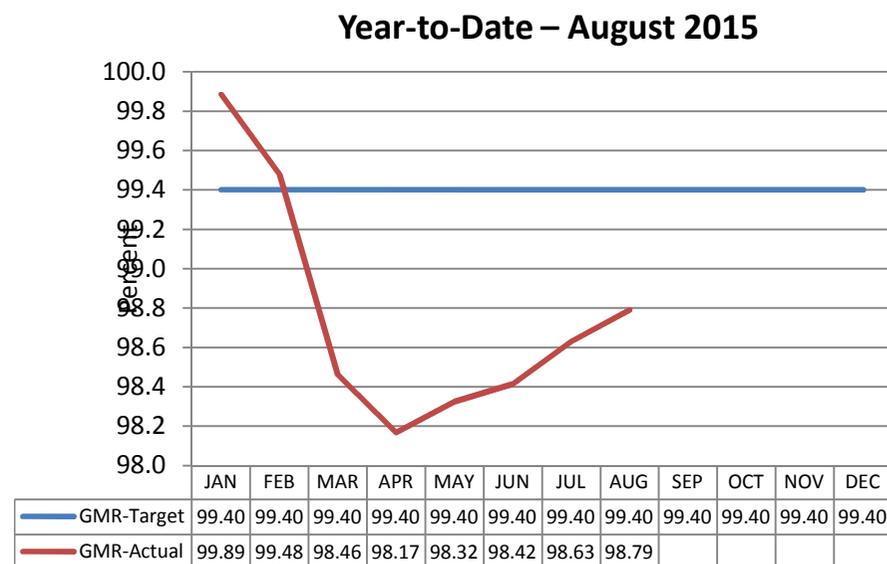
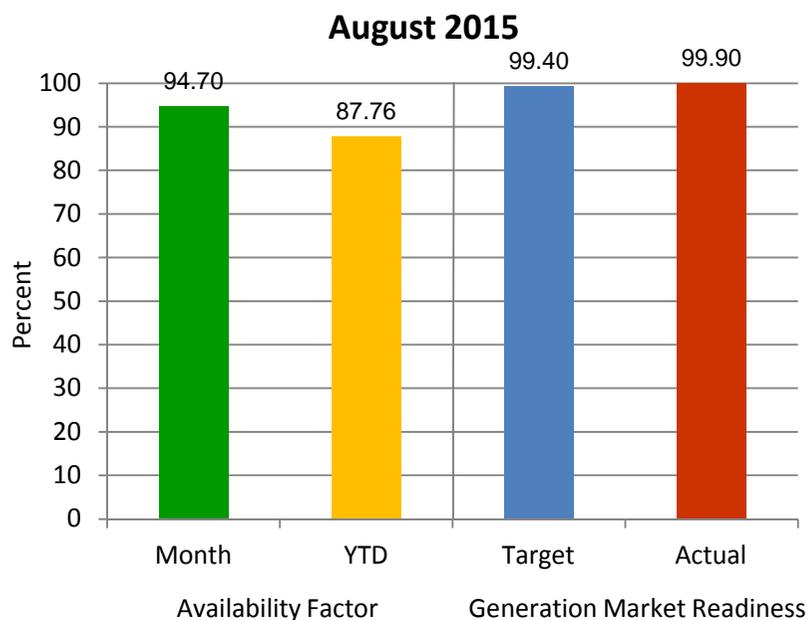


Year-to-Date – August 2015



Operations – Plant Performance

- The fleet availability factor in August was 94.70 percent, and was 87.76 percent for the year. Generation Market Readiness factor in August was 99.90 percent, which is higher than the target of 99.40 percent. Year-to-date Generation Market Readiness factor was at 98.79 percent, which is below the annual target of 99.40 percent.



Operations – Plant Outages

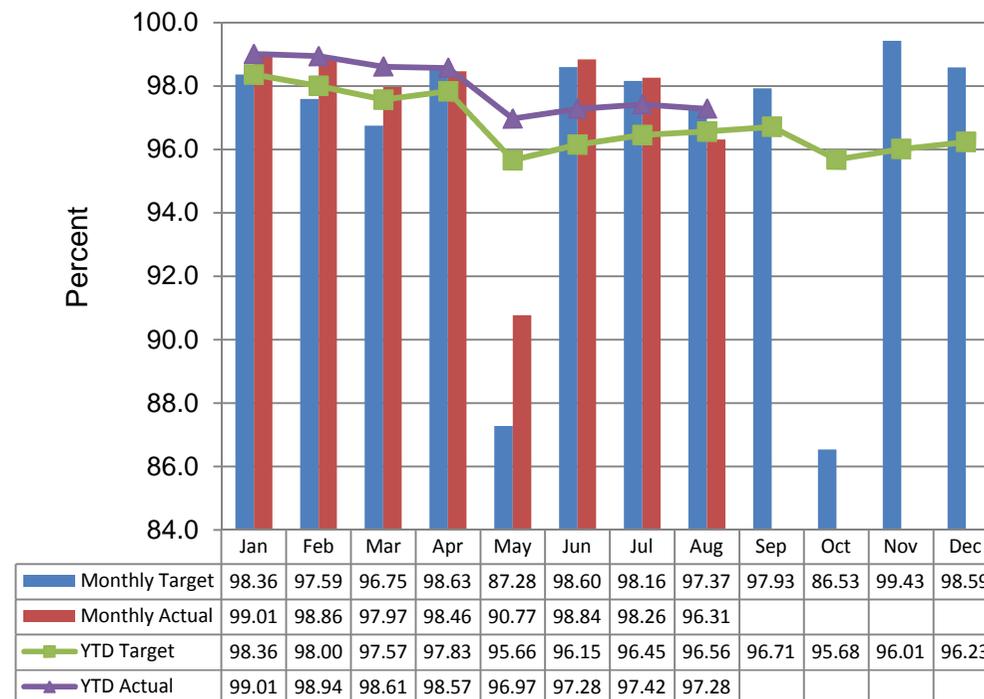
- There were no significant forced outage events in August.

Niagara/St. Lawrence River Flows

- Niagara River flows in August were above the historical average and will be above normal levels during the year. St. Lawrence River flows for August were above historical levels and are expected to be close to the average flow for the rest of the year.

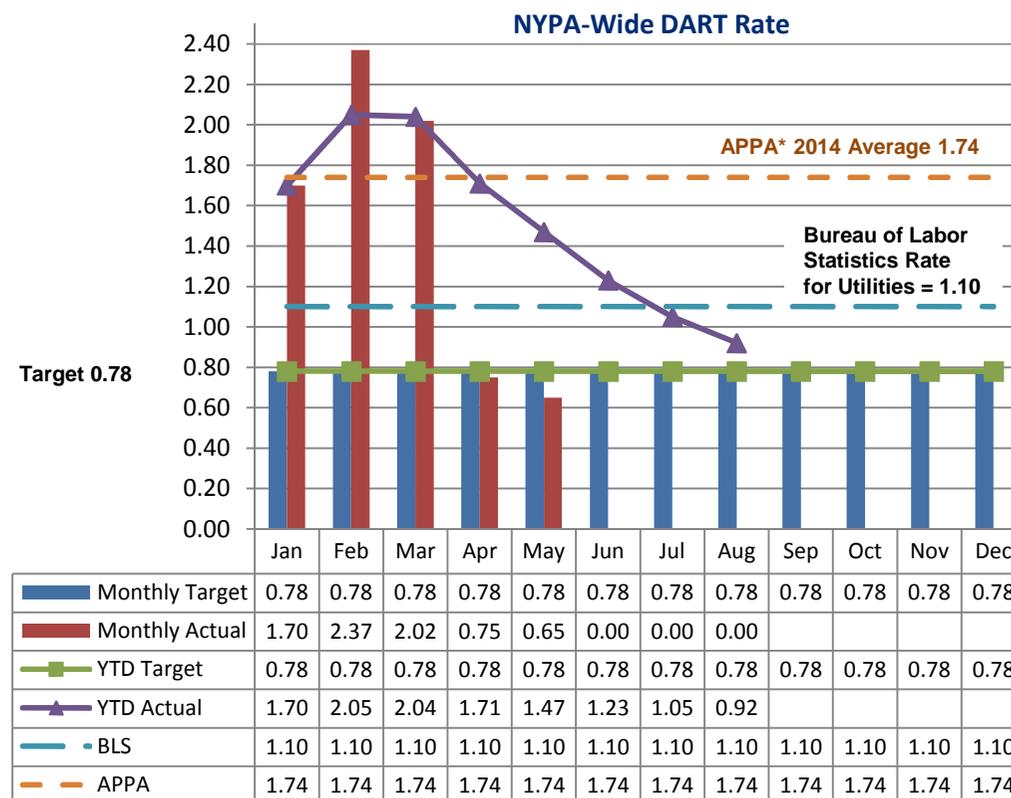
Transmission System Reliability

- Transmission reliability in August was 96.31 percent, which was below the monthly target of 97.37 percent. Year-to-date transmission reliability is 97.28 percent, above the target of 96.56 percent.
- There were no significant unplanned transmission outages in August.



Safety DART Rate

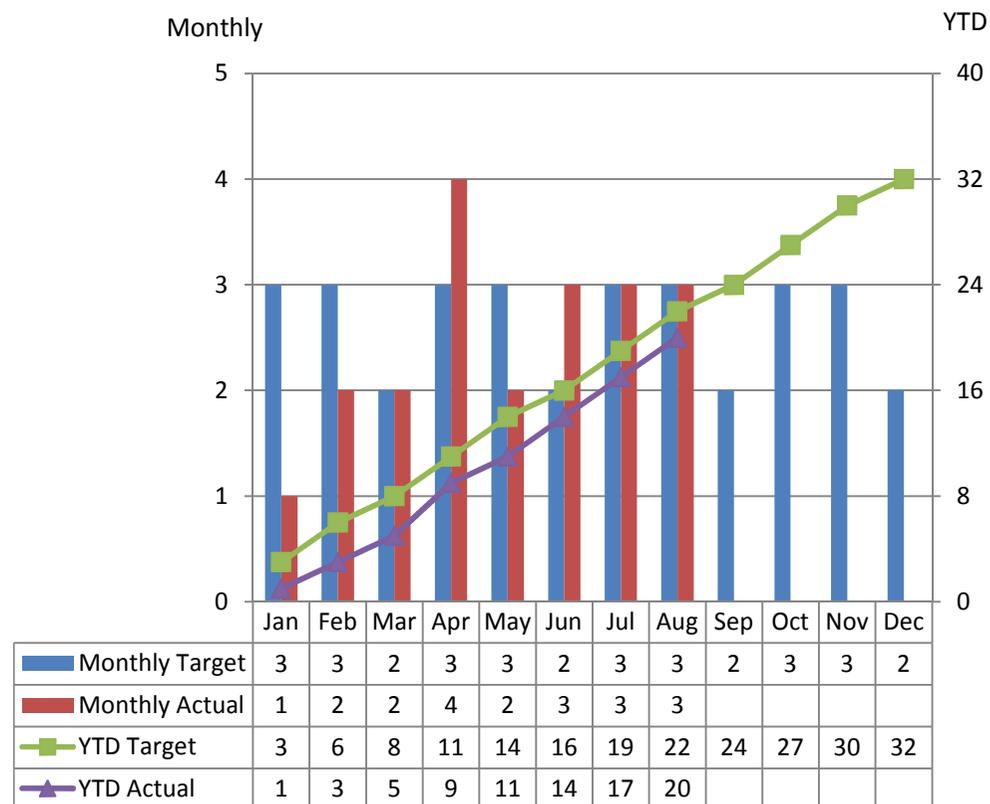
- The NYPA DART (Days Away, Restricted or Transferred) Rate for August is 0.00. For the year, the DART Rate is 0.92 compared to the target of 0.78.
- There were no lost time incidents in August that met the DART criteria.
- For the year, there have been 10 injuries that resulted in lost time and met the DART criteria.



Environmental Incidents

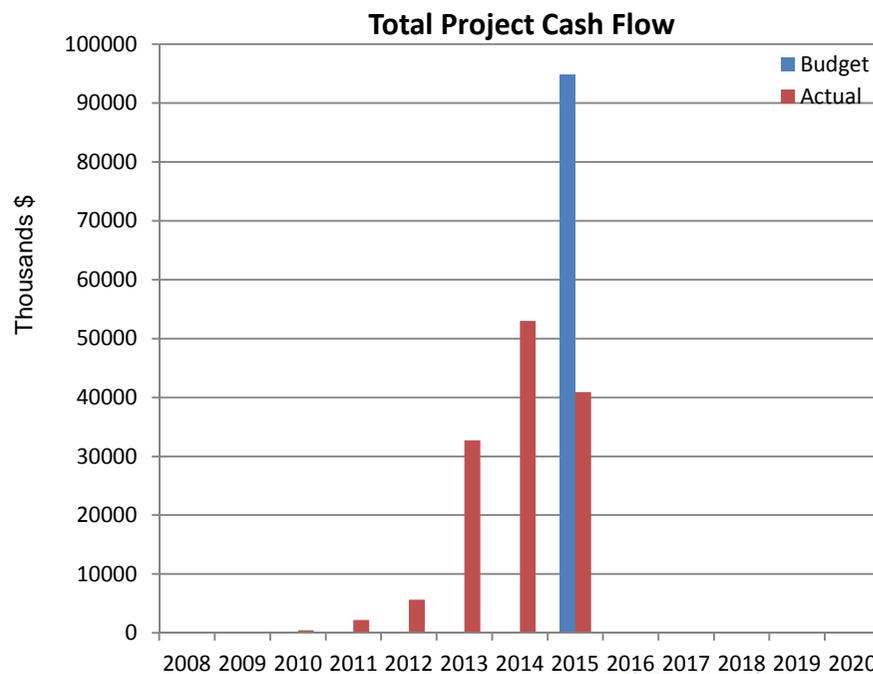
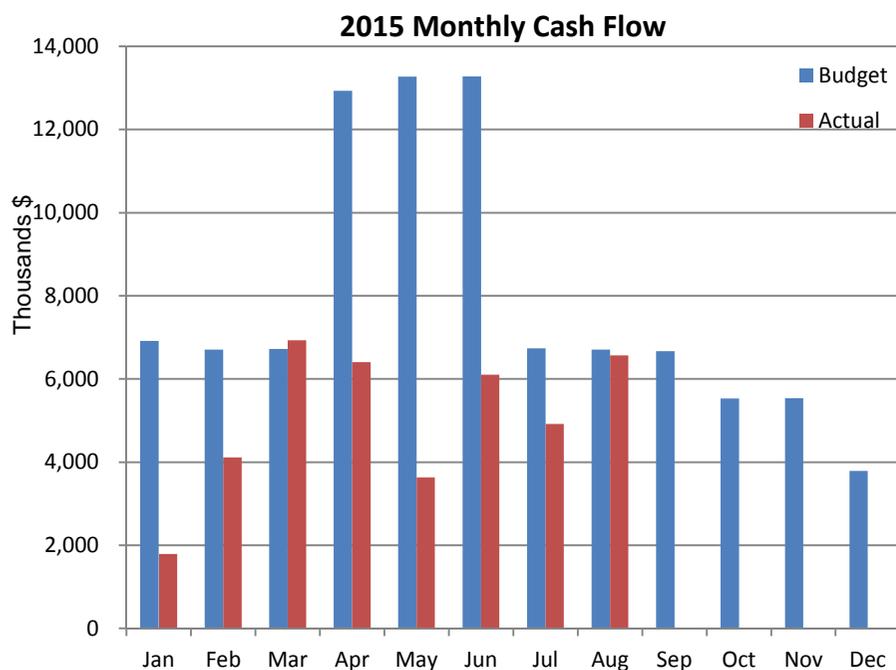
- There were three reportable incidents in August:
 - At Astoria 500MW, a release of 52 pounds of R-22 refrigerant occurred when the Unit No. 4 condenser coil fitting failed.
 - At Niagara, a loss of 30 gallons of oil occurred at Unit No. 6 governor oil line.
 - At St. Lawrence, a release of 8.7 pounds of R-22 refrigerant occurred at the line crew building air-conditioning unit.

- For the year, there have been 20 incidents. The annual target is 32 incidents.



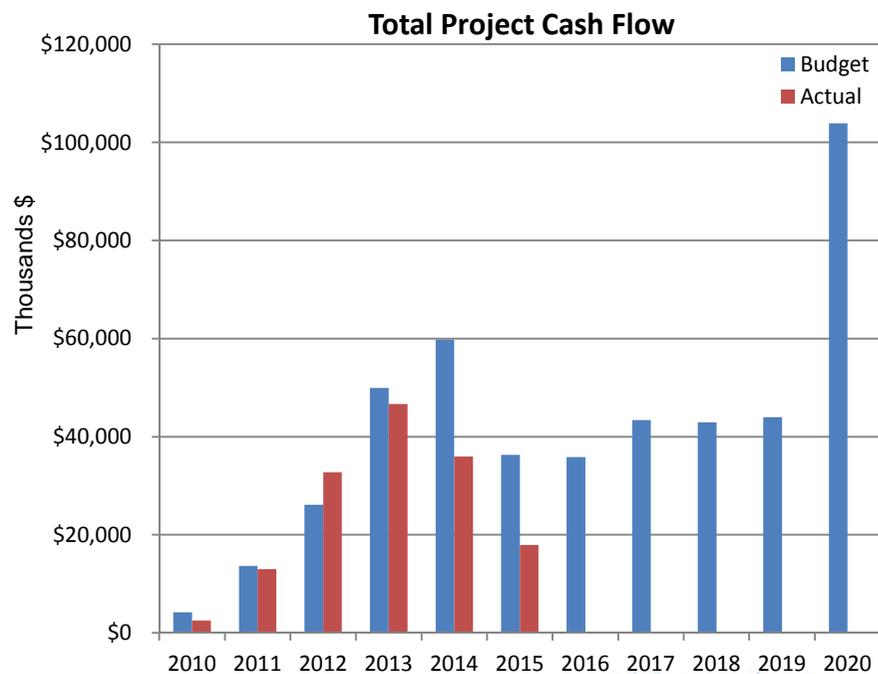
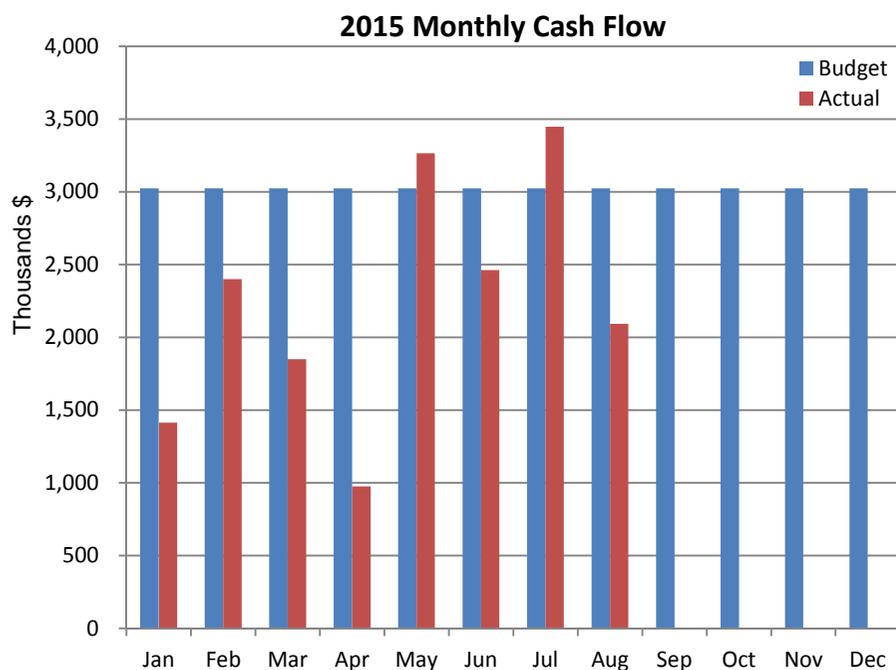
Life Extension and Modernization Programs – Transmission LEM

- Long lead equipment including Auto Transformer 4 (AT4), and Power Circuit Breakers (PCB) have been delivered to the NIA Project. Outages are in progress at the NIA for the replacement of AT4 and PCBs. At STL, Capacitor Bank 7 installation as well as PCBs and the cutover of the associated SAMAC relays are in progress. Detailed Engineering is in progress for the Marcy Switchyard LEM and BG Switchyard LEM with construction scheduled to begin in 2016. More than 50% of Tower Painting in the STL Region is complete.



Life Extension and Modernization Programs – LPGP LEM

- The fourth unit outage (Unit 2) is nearing completion and the return to service date is November 10, 2015. The motor generator contract work restarted with Andritz Hydro Corp., fabrication of components for the fifth unit commenced. The cash flow in 2020 will be re-allocated in the very near future.



Technical Compliance – NERC Reliability Standards

New Bulk Electric System (BES) Definition

- The Plattsburgh 115 kV capacitor banks 5 and 6 exclusion exception request (EER) was submitted to NPCC on August 18, 2015.
- NYPA and Alcoa responded to NPCC questions and provided data for flow across National Grid's R8105 breaker in regards to NPCC's review of the Moses-Alcoa 115kV Transmission lines EER.
- Approval of this exception request will support NYPA's objective of not having to be registered as a Transmission Operator for its newly identified BES elements; the NYISO has agreed to be the Transmission Operator for NYPA's new BES elements.

Physical Security Standard (CIP-014-1)

- In August, the NYISO began its review of NYPA's draft risk assessment report and engaged NYPA regarding the analysis results.
- NYPA anticipates finalizing the draft risk assessment report in September 2015.

Critical Infrastructure Protection (CIP) Standards - Version 5

- NYPA's CIP Version 5 (V5) Implementation Project team continued to execute the transition plan to achieve compliance with the new cyber security standards before the April 1, 2016 enforcement date.
- In preparation for this outcome, NYPA is scheduled for a CIP V5 implementation check-in (not an audit) by NPCC on September 15-17, 2015.
- The check-in is an opportunity for NYPA to validate its approach, clarify open issues, and implement any recommendations NPCC might make before the enforcement date.

NERC Risk-Based Compliance Monitoring and Enforcement Program

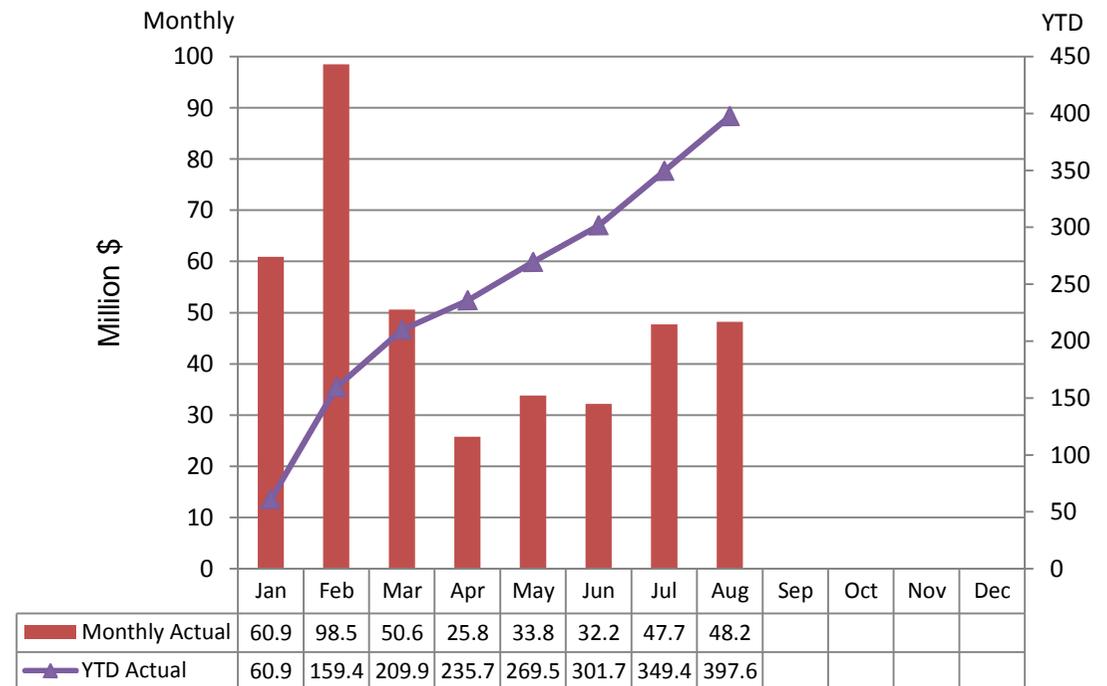
- NYPA completed the NPCC Inherent Risk Assessment (IRA) spreadsheet and submitted to NPCC on July 31, 2015
- NPCC confirmed NYPA's use of a hybrid template for its participation in the Internal Controls Evaluation (ICE).
- Results of the IRA are anticipated to be available from NPCC in September 2015.



Energy Resource Management

NYISO Markets

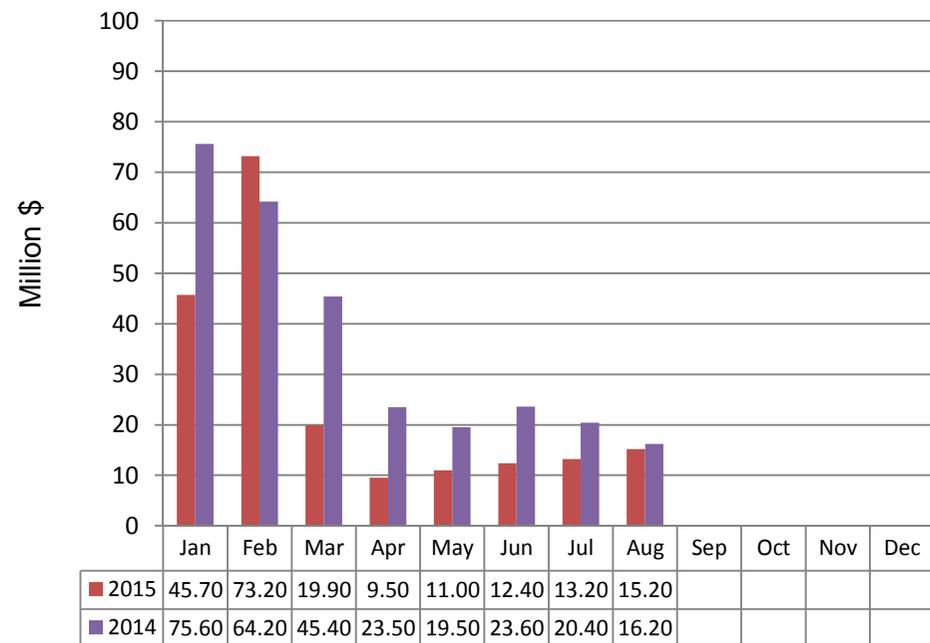
- In August, Energy Resource Management (ERM) bid 2.79 million MWh of NYPA generation into the NYISO markets, netting \$48.2 million in power supplier payments to the Authority. Year-to-date net power supplier payments are \$397.6 million.



Energy Resource Management

Fuel Planning & Operations:

- In August, NYPA's Fuels Group transacted \$15.2 million in natural gas and oil purchases, compared with \$16.2 million in August 2014. Year-to-date natural gas and oil purchases are \$192.8 million, compared with \$288.7 million at this point in 2014.
- The total -\$95.9 million decrease is due to the lower cost of fuel and / or fuel consumption at the Astoria Energy II Plant (-\$33.6 million), 500-Mw Combined Cycle Plant (-\$39.3 million), Richard M. Flynn Power Plant (-\$17.0 million), and the Small Clean Power Plants (-\$6.0 million).





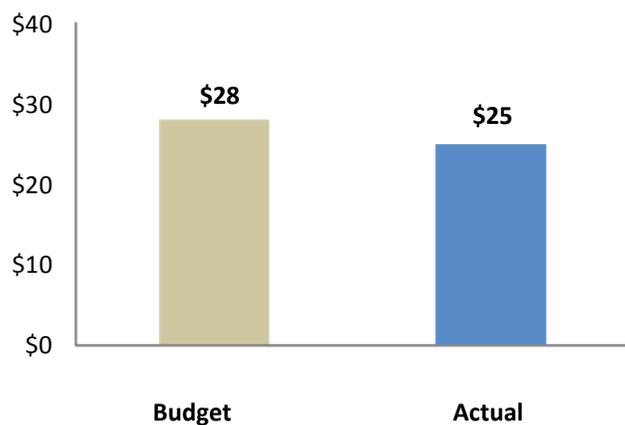
Chief Financial Officer Report

September 29, 2015

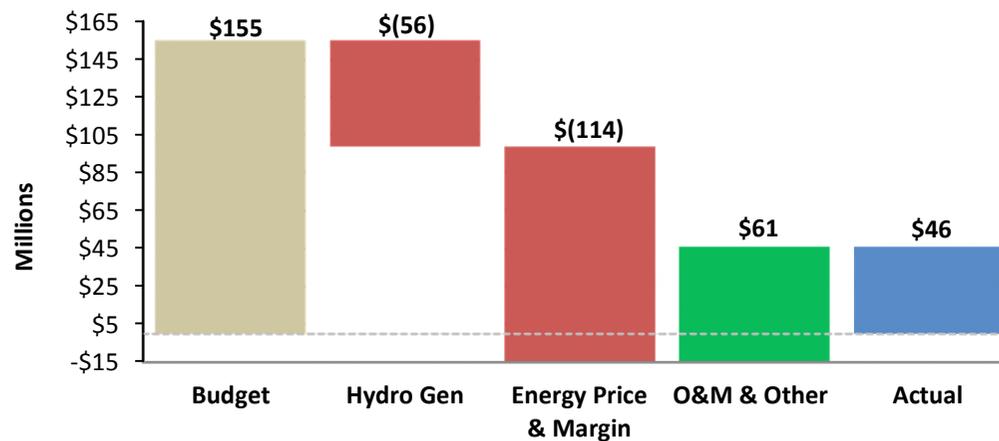
Net Income

- During the month of August, the Authority had net income of \$25.1 million, which was \$3.1 million less than the budgeted \$28.2 million, due primarily to a lower net margin on sales (\$10.2 million), partially offset by lower operating expenses. The lower net margin on sales was substantially attributable to lower market energy prices. Hydro production for the month was 7% above the budget.
- Net income for the year to date was \$46 million, which was \$108.8 million lower than budgeted due to lower hydro production (\$56 million), and lower market energy prices (\$114 million), partially offset by lower O&M and other (\$61 million). Lower production resulted from low precipitation and a less than normal winter ice thaw early in the year. Lower O&M and other expenses reflect delays in programs including Five City Master Plan, Western NY Workforce Development and Customer Energy Solutions.

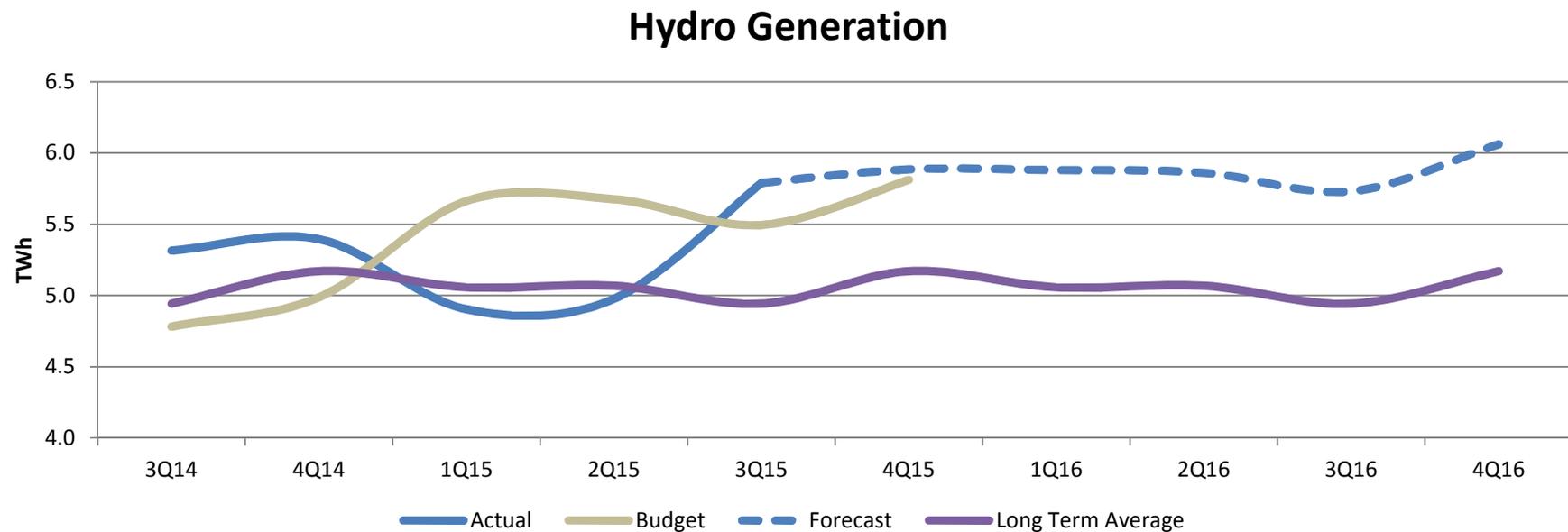
August 2015



Year-to-date – August 2015

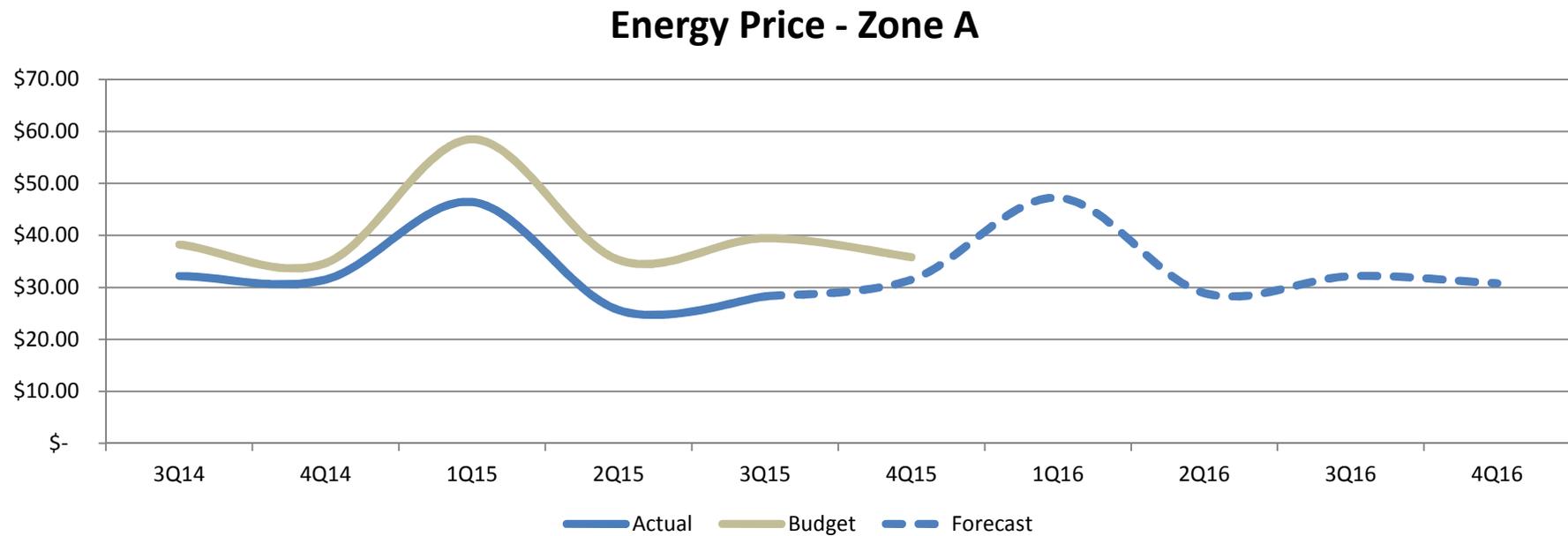


Hydro Generation



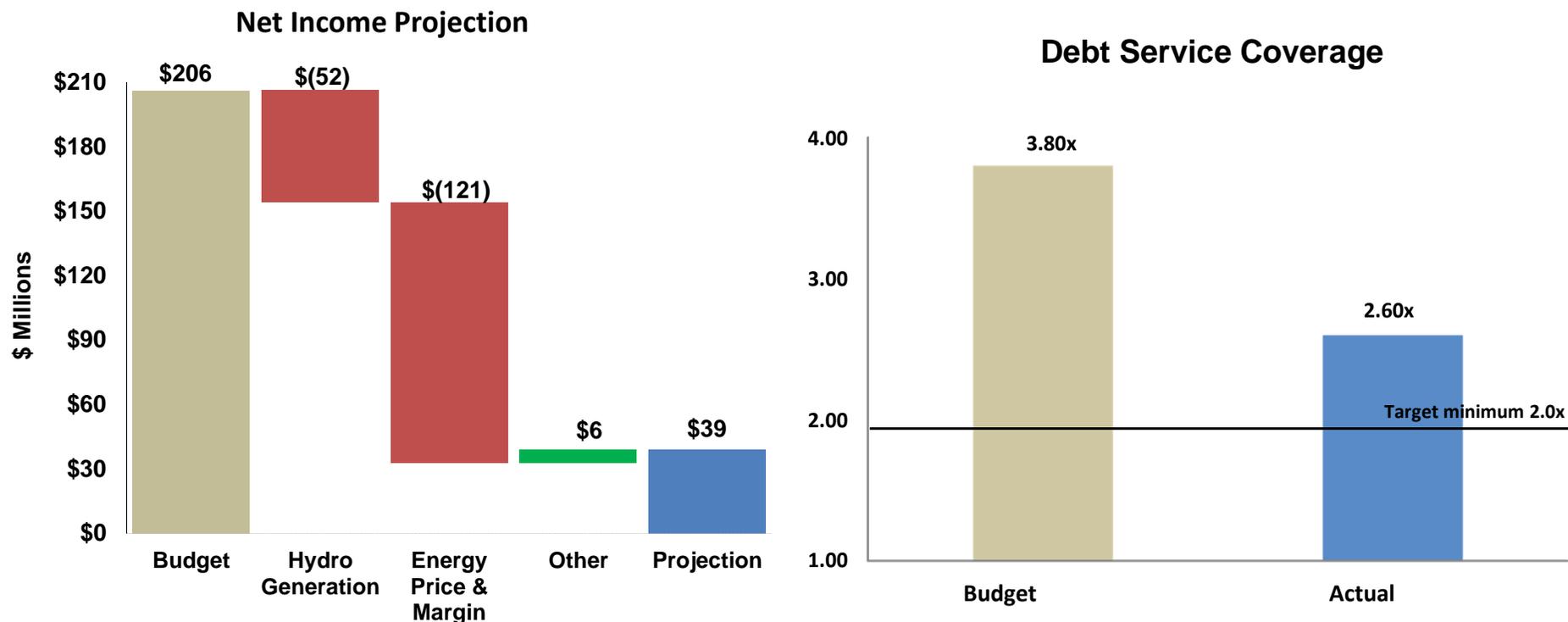
Increased hydro volume expected towards the end of 2015 and for 2016. The September update includes a .1Twh increase in hydro production related to 2015 (compared to last month's projection).

Energy Price Forecast



Energy Zone A (Western NY) prices continue to be significantly below budget. Current projection is 22% below budget for the year.

Year-End Net Income Projection & Debt Service Coverage

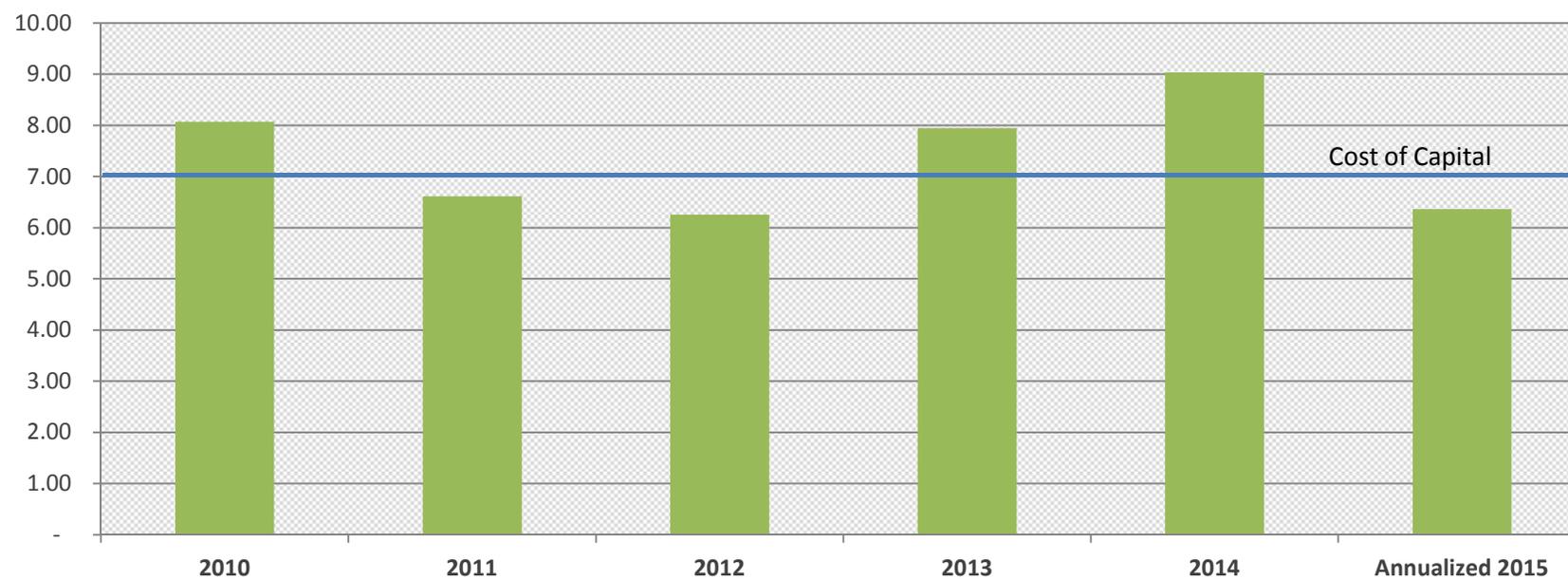


Net income for the year is projected to be \$39 million, \$167 million lower than the budget primarily due to the lower hydro production and lower market energy prices (projections for hydro production increased .1 Twh since last month, and energy margins are projected to be slightly higher than previously anticipated).

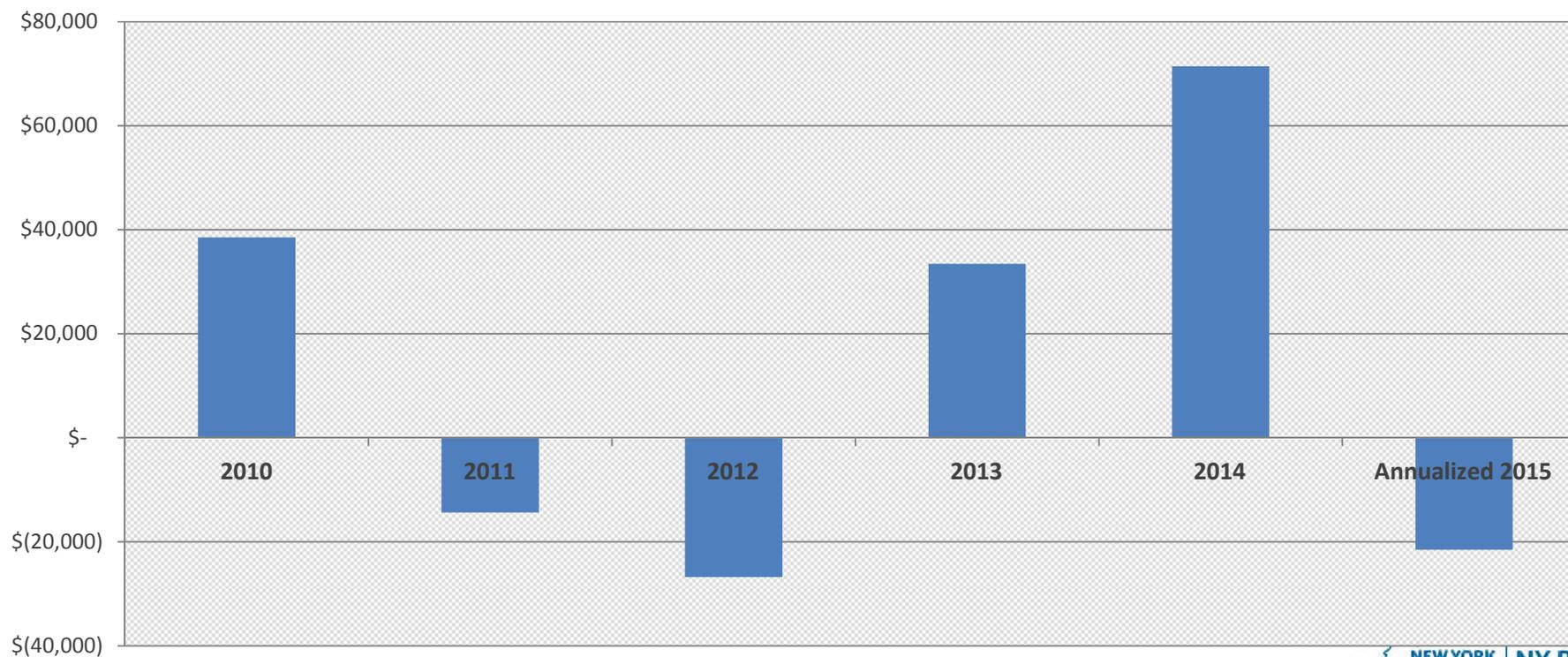
Return on Invested Capital (ROIC) & Economic Value Added (EVA) Metrics

- Return on Invested Capital (ROIC) is a commonly used measure to assess how much of a return we are making on our investments
 - $ROIC = \text{Net Operating Income} \div \text{Net Plant Investment}$
- Economic Value Added (EVA) is a financial measure that accounts for the ROIC and the weighted average cost of capital (WACC) in one measure.
 - $EVA = \text{Net Operating Income} \text{ minus } (\text{Net Plant Investment} \times WACC)$

Return on Invested Capital (%): 2010-2015



Economic Value Added: 2010-2015



Western NY Power Proceeds Allocation Board

Exhibit "A"
September 29, 2015

Applicants Recommended for an Award of Fund Benefits

Line	Business	City	County	Economic Development Region	Project Description	Project Type	Recommended Award Amount	Total Project Cost	Jobs Retained	Jobs Created
1	Amos Zittel & Sons, Inc.	Eden	Erie	Western NY	Greenhouse Construction	Agricultural Investment	\$380,000	\$1,954,289	N/A	N/A
2	Tulip Molded Plastics Corporation	Niagara Falls	Niagara	Western NY	Building Construction	Business Investment	\$1,000,000	\$10,355,305	11	10
3	Martin House Restoration Corporation	Buffalo	Erie	Western NY	Complex Restoration	Tourism/Marketing	\$700,000	\$4,146,494	N/A	N/A
4	D'Youville College	Buffalo	Erie	Western NY	Building Construction	Infrastructure Investment	\$400,000	\$26,681,834	N/A	N/A
5	43North, LLC	Buffalo	Erie	Western NY	Business Plan Competition	Innov./Entrepreneur	\$6,000,000	\$8,200,000	N/A	N/A
Total:							\$8,480,000	\$51,337,922	11	10

Total Jobs Created & Retained: 21

Criteria adapted from the Western NY Power Proceeds Allocation Board's
"Procedures for the Review of Applications for Fund Benefits"

1. The extent to which an award of Fund Benefits would be consistent with the strategies and priorities of the Regional Economic Development Council ("REDC") having responsibility for the region in which an Eligible Project is located.¹ The Western New York Regional Economic Development Council which is responsible for Eligible Projects in Erie and Niagara Counties Strategies & Priorities are:

- Promote "Smart Growth" by investing in areas that infrastructure already exists and achieves certain goals, such as: preserving historic buildings; reviving downtowns; reviving main streets; investing in existing neighborhoods; and investing in former industrial sites. A project consistent with Smart Growth will also focus on: enhancing walkability; enhancing multiple modes of transportation; connecting disadvantaged communities to employment clusters; spurring mixed-use private investment in existing communities and preserving/enhancing natural lands and or resources.
- Promote workforce development by increasing diversity in the labor force, developing and cultivating that includes workers with advancement potential, underemployed, unemployed and special population; align education and skills training to job market for current and future industry needs.
- Foster entrepreneurship and new business formation and growth. Designing a plan that brings new technologies and/or products to the marketplace, increases new start ups in strategic industries and facilitates the commercialization of products that can lead to job growth in the Region.
- Increase the industry profile of agriculture in WNY by: creating better access to markets; creating new products; creating new more efficient processes; creating strong regional brands; creating programs that promote careers in agriculture.
- Utilize Western New York's proximity to Canadian and U.S. population centers to advance economic development in WNY. Bi-national projects will: utilize cross-border planning to create transportation and logistical infrastructure; improve

¹ As provided for in EDL § 189-c(4), criteria 2-15 are adapted from the criteria for eligibility for Expansion Power, Replacement Power and Preservation Power under Public Authorities Law § 1005. The specific criteria identified in PAL § 1005(13)(b)(4)-(5) are relevant to power allocations under these programs but do not have any logical application to allocations of Fund Benefits. Therefore, the Board does not expect to use these criteria to evaluate applications for Fund Benefits. Additionally, in accordance with PAL § 1005(13), criteria 13-15 listed herein will only be used in the case of Eligible Projects which are proposed by Applicants as, and determined by the Board to be, "revitalization" projects.

operational relationships; promote the attractiveness of WNY as a hub for global trade.

- Position the WNY region as a global energy hub through new sources of clean energy, energy efficiency and energy efficient transportation.
- Support growth of advanced manufacturing by making research more available to manufacturers to help them innovate.
- Spur growth in the health and life sciences industry through improved commercialization, recruit high profile research talent and reducing the cost burden of healthcare while improving health outcomes.
- Expand the scope of higher education by increasing accessibility to Higher Education for communities that currently have limited access to educational opportunities; better aligning education with the industry needs and creating support structures for start-ups which will assist start-ups with commercialization, business planning, workforce preparation, facilities, etc.
- Grow visitors and visitor spending by raising the profile of WNY as a national and international destination; connect multiple tourist destinations in WNY; improve the profile of the WNY Gateway to the United States.

For more information on the Western New York Regional Economic Development Council please go to <http://regionalcouncils.ny.gov/content/western-new-york>.

2. The extent to which an award of Fund Benefits would be consistent with the strategies and priorities of the Regional Economic Development Council (“REDC”) having responsibility for the region in which an Eligible Project is located.² The Finger Lakes Regional Economic Development Council which is responsible for Eligible Projects in Orleans and Genesee Counties Strategies & Priorities can be found at: <http://regionalcouncils.ny.gov/content/finger-lakes>.
3. The number of jobs that would be created as a result of an award of Fund Benefits.
4. The applicant’s long term commitment to the region as evidenced the current and/or planned capital investment in applicant’s facilities in the region.
5. The ratio of the number of jobs to be created to the amount of Fund Benefits requested.
6. The types of jobs that would be created, as measured by wage and benefit levels, security and stability of employment.
7. The amount of capital investment, including the type and cost of buildings, equipment and facilities, proposed to be constructed, enlarged or installed.
8. The extent to which an award of Fund Benefits would affect the overall productivity or competitiveness of the applicant and its existing employment.

² As provided for in EDL § 189-c(4), criteria 2-15 are adapted from the criteria for eligibility for Expansion Power, Replacement Power and Preservation Power under Public Authorities Law § 1005. The specific criteria identified in PAL § 1005(13)(b)(4)-(5) are relevant to power allocations under these programs but do not have any logical application to allocations of Fund Benefits. Therefore, the Board does not expect to use these criteria to evaluate applications for Fund Benefits. Additionally, in accordance with PAL § 1005(13), criteria 13-15 listed herein will only be used in the case of Eligible Projects which are proposed by Applicants as, and determined by the Board to be, “revitalization” projects.

9. The extent to which an award of Fund Benefits may result in a competitive disadvantage for other business in the State.
 10. The growth potential of the applicant's facilities and the contribution of economic strength to the area in which the applicant's facilities are or would be located.
 11. The extent of the applicant's willingness to satisfy affirmative action goals.
 12. The extent to which an award of Fund Benefits is consistent with state, regional and local economic development strategies and priorities and supported by local units of government in the area in which the business is located.
 13. The impact of an award of Fund Benefits on the operation of any other facilities of the applicant, and on other businesses within the region.
 14. That the business is likely to close, partially close or relocate resulting in the loss of a substantial number of jobs.
 15. That the applicant is an important employer in the community and efforts to revitalize the business are in long-term interests of both employers and the community.
 16. That a reasonable prospect exists that the proposed award of Fund Benefits will enable the applicant to remain competitive and become profitable and preserve jobs for a substantial period of time.
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Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-1

Applicant Name:	Amos Zittel & Sons, Inc.	REDC Region:	Western New York
Project Type:	Agricultural Investment	County:	Erie
Industry:	Agriculture-Nursery and Flora culture Production	Locality:	Town of Eden
Amount Requested:	\$380,000	Start Date:	October 2015
		Finish Date:	December 2015
RECOMMENDED OFFER			
Recommended Total Award:	\$ 380,000		
Total Project Cost:	\$1,954,289		
% of Project Cost Recommended:	19%		
PROJECT BUDGET (Proposed by Applicant)			
Use of funds	Amount	Source of Funds	Amount
Concrete, in-floor heating, shade/thermal energy system, partitions, electrical	\$1,024,261	WNY EDF	\$ 380,000
		Committed: Equity Investment	\$ 524,289
Benching, transplant line, sweep, irrigation system, grow lights, environmental control computer software system, horizontal air flow, dock plates	\$930,028	Farm Credit East Loan	\$1,000,000
		Potential: Farm Credit East	\$ 50,000
Total:	\$1,954,289	Total:	\$1,954,289
REGIONAL IMPACT MEASUREMENTS			
Job Commitments:	The Funding Track under which the application was submitted does not require job-related commitments. Nevertheless, supporting this project is expected to have the effect of preserving 25 full time equivalent ("FTE") positions and supporting applicant's ability to hire up to 5 additional FTEs.		
Average Salary of Jobs:	\$40,000		
Indirect Jobs Created:	N/A		
Other Impact:	Between \$8.5 million and \$10 million infusion to		



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-1

	regional economy within three years.
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PROJECT DESCRIPTION (Adapted from Application)			
<p>Amos Zittel & Sons, Inc. will complete Phase II of the rebuild of two acres of new, state of the art greenhouses to replace those destroyed by a November 2014 snowstorm that hit WNY and caused several million dollars damage to the applicant’s greenhouses, buildings, equipment and crops.</p> <p>Phases I and II of the project entail the construction of two acres of energy efficient greenhouses that will allow for the extended production of vegetables into the late summer and fall seasons. Upgraded greenhouse space will allow the applicant to grow finished crops of flowers for direct to market sale (approximately 10% of applicant’s total business), as well as finished flowers and rooted liners wholesaled to independent garden centers. Plans include features that will allow the applicant to facilitate its transition to growing organic vegetable crops in the greenhouse to extend their growing season.</p> <p>The applicant plans to grow organic hot peppers, which have been requested by Wegmans and Tops Markets, and start other vegetable crops (valued at approximately over \$2MM), which are later transplanted to open fields.</p>			
OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED			
ESD:	\$ N/A	NYPA: NA	\$
IDA: PILOT, Sales Tax & Mortgage Recording	\$ N/A	Other: N/A	\$
PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED			
TYPE	AMOUNT	STATUS	
	\$		



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-1

BASIS FOR RECOMMENDATION

Phase I of the project consisted of constructing the outer shell of the greenhouses and was funded mainly through insurance proceeds. Fund Benefits would be used to complete Phase II of the project, the interior build-out, and the addition of energy efficient systems thereby allowing for productivity improvements and a smaller carbon footprint. In-floor heat and thermal curtain systems will allow for a better growing environment and lower energy costs. In addition, the applicant plans to replace traditional lighting with an LED system to help reduce energy costs. An environmental control system would allow close monitoring and syncing of all systems to further maximize efficiencies. An award aimed at these expenses will also allow the use of Fund Benefits that are dedicated by statute for energy-related projects, programs and services.

Without the completion of this project the applicant has indicated it would be unable to retain 25 existing full time employees and hire additional employees. Additionally, a \$2MM loss in gross revenue (45% of 2014 revenues) is estimated, if the greenhouses are not re-built.

ANTICIPATED DISBURSEMENT TERMS

It is anticipated that Fund Benefits would be used to reimburse the applicant for a portion of costs related to the installation of energy efficient equipment in its new greenhouse space. Funds will be disbursed in lump sum upon project completion, and as evidenced by attainment of a certificate of occupancy and/or other documentation verifying project completion and documentation verifying project expenditures of approximately \$1,954,289.



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-2

Applicant Name:	Tulip Molded Plastics Corporation ("Tulip")	REDC Region:	Western New York
Project Type:	Business Investment	County:	Niagara County
Industry:	Plastics and Rubber Products Manufacturing	Locality:	City of Niagara Falls
Amount Requested:	\$1,500,000	Start Date:	October 2015
		Finish Date:	October 2017
RECOMMENDED OFFER			
Recommended Total Award:	\$ 1,000,000		
Total Project Cost:	\$10,355,305		
% of Project Cost Recommended:	10%		
PROJECT BUDGET (Proposed by Applicant)			
Use of funds	Amount	Source of Funds	Amount
Building Lease (15 year)	\$5,985,000	WNY EDF	\$1,500,000
New Equipment Leases (7.5 year)	\$3,373,000	Tulip Equity for Lease Payments	\$8,855,305
Used Equipment Lease, Move, Install (7.5 year)	\$997,305		
Total:	\$10,355,305	Total:	\$10,355,305
REGIONAL IMPACT MEASUREMENTS			
Job Commitments:	<p>Tulip previously committed to retain 70 full time equivalent ("FTE") positions in exchange for NYPA hydropower allocations (discussed below). It currently employs 81 FTEs.</p> <p>In exchange for a Fund Benefits award, Tulip will commit to retain the 11 existing FTEs (i.e., over the committed 70), and create and retain 10 additional FTEs over a period of time to be specified in a Fund Benefits Agreement.</p>		
Average Salary of Jobs:	\$38,380		
Indirect Jobs Created:	N/A		
Other Impact:	Remediation of Brownfield site in Niagara Falls		



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-2

PROJECT DESCRIPTION (Adapted from Application)			
<p>Tulip currently operates out of a 114-year-old, 125,000 square foot manufacturing facility that has deteriorated to the point that it is no longer practical or cost competitive to own and operate. The company plans to lease a 70,000 square foot, newly constructed building on land adjacent to its current facility in the City of Niagara Falls. Expenses associated with the project include building lease costs and costs related to the lease, relocation and installation of existing equipment, and lease, delivery and installation of new manufacturing equipment.</p>			
OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED			
ESD: Excelsior & Grant	\$ 550,000	NYPA: Tulip currently receives 300 kilowatts (“kW”) of NYPA Expansion Power and 1,200 kW of NYPA Replacement Power.	\$
IDA: PILOT, Sales Tax & Mortgage Recording	\$ N/A	Other: N/A	\$
PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED			
TYPE	AMOUNT	STATUS	
	\$		
BASIS FOR RECOMMENDATION			
<p>Tulip, founded in 1976, is owned by Saugatuck Capital, a private investment firm located in Wilton, CT that specializes in middle market acquisitions and growth equity investments. Tulip also has a facility in Milwaukee, WI. Tulip specializes in thermoplastic injection molding for a wide range of customers including producers of batteries, bottled water, dairy products, contract molded products and the solid waste environmental industries.</p> <p>The Niagara Falls operation is located in a 125,000 square foot facility that was built in 1910. We are advised that the 114-year-old facility is very inefficient and laden with asbestos, making any renovation or expansion at that site too expensive to consider. In order to become more efficient and expand, the company must relocate to a modern building of approximately 70,000 sq. ft.</p> <p>Tulip’s owner is encouraging Tulip to move to a lower cost location out of NYS. The WNYREDC has</p>			



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-2

given high priority to the growth of the manufacturing industry in WNY.

A Fund Benefits award would provide for the creation of 10 new FTE positions and the retention of 11 existing FTE positions in one of the most distressed economic areas in New York State (Tulip is the last remaining manufacturer on Highland Ave. in Niagara Falls). As Tulip would be the first business to locate on the proposed site, this project also supports the successful reuse of a parcel of land that has been remediated through the Brownfield Cleanup Program.

ANTICIPATED DISBURSEMENT TERMS

Fund Benefits would be used to reimburse the applicant for a portion of costs associated with the project, such as the relocation of existing equipment and installation and lease costs associated with existing and new equipment.

It is anticipated that funds will be disbursed annually in arrears in a manner that is proportionate to the total for eligible expenses. Payment will be made upon presentation to NYPA of invoices and such other documentation acceptable to NYPA verifying the applicant has incurred eligible expenses and is compliant with job commitments.



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-3

Applicant Name:	Martin House Restoration Corporation ("MHRC")	REDC Region:	Western New York
Project Type:	Tourism/Marketing	County:	Erie
Industry:	Not for Profit	Locality:	City of Buffalo
Amount Requested:	\$820,000	Start Date:	June 2015
		Finish Date:	December 2017
RECOMMENDED OFFER			
Recommended Total Award:		\$ 700,000	
Total Project Cost:		\$ 4,146,494	
% of Project Cost Recommended:		17 %	
PROJECT BUDGET (Proposed by Applicant)			
Use of funds	Amount	Source of Funds	Amount
Interior Wood Restoration Wall Finishes; Fireplace Mosaic Tiles	\$3,937,968	WNY EDF Committed: Oishei Foundation Seymour Knox Foundation Peter C. Cornell Trust Stanford and Judi Lipsey Margaret Wendt Foundation Individual Donations DASNY, EPF, ESD LP Ciminelli (In-Kind)	\$ 820,000 \$ 500,000 \$ 100,000 \$ 25,000 \$ 100,000 \$ 250,000 \$ 155,000 \$ 557,350 \$ 91,052
Architecture Engineering & CM Fees	\$ 208,526	Potential: Multiple Private Requests	\$1,548,092
Total:	\$4,146,494	Total:	\$4,146,494
REGIONAL IMPACT MEASUREMENTS			
Job Commitments:	The Funding Track under which the application was submitted does not require job-related commitments.		
Average Salary of Jobs:	N/A		
Indirect Jobs Created	N/A		
Other Impact	Applicant's intention is to attract an estimated		



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-3

	<p>50,000 to 80,000 visitors annually to the region.</p> <p>A comprehensive market analysis completed by an independent firm opines that the Darwin Martin House has the potential to have a substantial impact on the regional economy, specifically, at stabilized attendance; an estimated \$10.4 million of direct expenditures would be generated in the regional economy, with about \$8.9 million being net new visitor spending to the area.</p>
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Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-3

PROJECT DESCRIPTION (Adapted from Application)			
<p>The Darwin Martin House Complex, located in Buffalo, NY, suffered considerable damage after the extended Martin family vacated it in 1937 and in 1962 three of the original five buildings were demolished. The Complex had many owners from 1954 through 2002 when title was transferred to the Martin House Restoration Corporation (MHRC) in 1992 to oversee a complete restoration of the complex.</p> <p>In 1996, a five phase restoration project was commenced to return the Complex to its 1907 condition. To date Phases I-IV and a portion of Phase V of the restoration project (V.A) have been completed. The applicant plans to complete the second half of Phase V (V.B) of this project which entails interior restoration of the extensive wood trim and built-in cabinetry, paint and plaster finishes and re-creation of an elaborate fireplace mosaic in the Martin House.</p>			
OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED			
ESD: (2006-2015)	\$ 10,286,000	NYEDP/DASNY:	\$300,000
NYS EPF:	\$ 425,000	Other:	
PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED			
TYPE	AMOUNT	STATUS	
Member item	\$500,000	Complete	
Erie County	\$50,000	Complete	



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-3

BASIS FOR RECOMMENDATION

The Martin House, which MHRC currently holds title to, is the subject of a unique public-private partnership with New York State as outlined in a legal “Joint Cooperative Agreement” linking SUNY (UB) and the NYS OPRHP (Parks) with the MHRC. SUNY “donated” the Darwin Martin House to the restoration effort, knowing that historic preservation and interpretation was not part of its core mission. Parks owns the interior collections (furnishings and decorative elements) and Parks has committed to the long term capital maintenance of the historic site following completion of the restoration. In addition, as part of the cooperative agreement, the Martin House is a designated NYS Historic Site, and the first and only 20th century architectural representation this group.

State support was always envisioned to be a considerable component of the restoration effort, and that has proved to be the case. While significant state funds have already been committed through a variety of resources, available private resources have been accessed and tapped out. After twenty years, and with approximately \$46 million already raised to date for the \$50 million total project, the project needs some additional funding to get over the finish line. The applicant feels very strongly that the \$1.5MM in potential funds identified above will likely be received sometime in 2016.

ANTICIPATED DISBURSEMENT TERMS

It is anticipated that Fund Benefits would be used to reimburse the applicant for a portion of the costs associated with the interior restoration of the wood trim and built-in cabinetry, paint and plaster finishes and re-creation of an elaborate fireplace mosaic in the Martin House incurred as part of Phase V.B. Funds would be disbursed in lump sum upon project completion, as evidenced by such documentation NYPA may require verifying project completion and applicant expenditures of approximately \$4,146,494.



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-4

Applicant Name:	D'Youville College	REDC Region:	Western New York
Project Type:	Infrastructure/Entrepreneur Investment	County:	Erie
Industry:	Higher Education	Locality:	City of Buffalo
Amount Requested:	\$1,657,627	Start Date:	April 2014
		Finish Date:	August 2015
RECOMMENDED OFFER			
Recommended Total Award:		\$ 400,000	
Total Project Cost:		\$26,681,834	
% of Project Cost Recommended:		2%	
PROJECT BUDGET (Proposed by Applicant)			
Use of funds	Amount	Source of Funds	Amount
Planning	\$875,000	WNY EDF	\$1,657,627
Acquisition	\$723,064	Committed:	
Demolition	\$765,038	John R. Oshei Foundation	\$2,000,000
Construction	\$19,163,391	Margaret L. Wendt Foundation	\$600,000
Furniture, Fixtures & Equipment	\$5,155,341	Additional Foundations & Individuals	\$6,070,250
		D'Youville College Equity	\$11,893,957
		Potential:	
		Foundations	\$985,000
		Trustees, Individuals & Corporations	\$3,475,000
Total:	\$26,681,834	Total:	\$26,681,834
REGIONAL IMPACT MEASUREMENTS			
Job Commitments:	The Funding Track under which the application was submitted does not require job-related commitments.		
Average Salary of Jobs:	N/A (not required under this track)		
Indirect Jobs Created:	N/A (not required under this track)		
Other Impact:	The proposed project is expected to have positive impact on the applicant's participation in the Start-Up NY ("SUNY Tax Free Areas to Revitalize and Transform Upstate NY") program, and current community development activities.		



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-4

PROJECT DESCRIPTION (Adapted from Application)			
<p>D’Youville is converting the former Gateway-Longview building at 605 Niagara Street (on the Corner of Niagara and Jersey Streets) in the City of Buffalo into a state-of-the-art School of Arts, Sciences, and Education building. All but 25,000 square feet of the original 60,000 square foot complex has been demolished, and the final structure will be comprised of 85,000 square feet of newly constructed and renovated space. The complex will house nineteen laboratories (three basic biology labs, a microbiology lab, an advanced biology lab, a biochemistry lab, a basic chemistry lab, an organic chemistry lab, an advanced chemistry lab, a health professions lab, two physics labs, three computer labs, a specialty computer lab, a fine arts lab, and two research labs) and nine smart classrooms.</p> <p>This project will address the issues of the age and capacity of D’Youville’s current science building, the lack of space on D’Youville’s campus for Start-Up NY companies, and a large, vacant building on Niagara Street adjacent to, but not part of, D’Youville’s campus.</p>			
OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED			
ESD:	\$ N/A	NYPA: NA	\$
IDA: PILOT, Sales Tax & Mortgage Recording	\$ N/A	Other: N/A	\$
PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED			
TYPE	AMOUNT	STATUS	
ESD: NA	\$		
BASIS FOR RECOMMENDATION			
<p>This project is tied to D’Youville’s approved Start-Up NY initiative in terms of: 1) collaboration with faculty and students in the new laboratories, 2) use of the new laboratories when classes are not in session and 3) freeing up 33,000 square feet of current campus science instruction and lab space for use by participating companies. Each Start-Up NY company that locates at D’Youville has the potential to create new jobs in the region, and this project will make D’Youville a much more attractive and viable site for facilitating their development.</p> <p>Further, this project involves the reuse of a vacant building on Niagara Street which makes a significant contribution to the Niagara Street Sustainable Corridor and Community Integration Project. D’Youville College is the only private higher education institution located in the City of Buffalo positioned to have an impact on Buffalo’s redesign of its critical gateways and corridors,</p>			



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-4

making this building project very unique.

Finally, a Fund Benefits award would provide D'Youville students majoring in the health sciences with a modern and well-equipped learning environment. Approximately 70% of D'Youville's students graduate with a degree in the health sciences each year and the education these students receive in the new building will make them more attractive to Buffalo's health care sector and more competitive in the regional job market.

DISBURSEMENT TERMS

It is anticipated that Fund Benefits would be used to reimburse the applicant for a portion of the costs associated with the interior build-out of laboratories, classrooms, seminar rooms, study space, and faculty offices. Funds would be disbursed in lump sum upon project completion, as described above and as evidenced by such documentation NYPA may require verifying project completion and project expenditures of approximately \$26,000,000.



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-5

Applicant Name:	43 North LLC ("43North")	REDC Region:	Western New York
Project Type:	Innovation/Entrepreneur Development	County:	Erie & Niagara
Industry:	Innovation/Entrepreneur Development	Locality:	City of Buffalo
Amount Requested:	\$6,000,000	Start Date:	January 1, 2016
		Finish Date:	December 31, 2017 (including incubator support)

RECOMMENDED OFFER

Recommended Total Award:	Up to \$ 6,000,000 (for 2016 competition)
Total Project Cost:	Approximately \$ 8,200,000 (for 2016 competition)
% of Project Cost Recommended:	Up to 73 %

PROJECT BUDGET (Proposed by Applicant)

Use of funds	Amount	Source of Funds	Amount
Salaries & Wages	\$670,000	WNY EDF (for 2016 competition)	
Rent/Lease	\$60,000	Up to	\$6,000,000
Self- Sustainability		Committed:	
Strategic Investments	\$1,200,000	Various Sponsors	\$200,000
Marketing, Finals Weeks, Travel, Professional Services, Operating Cost of Incubator	\$1,270,000	Potential: ESDC	\$1,000,000
Awards to Winners (for the 2016 competition)	\$5,000,00	Various Sponsors (for the 2016 competition) Approx.	\$1,000,000
Total:	\$8,200,000	Total:	\$8,200,000

REGIONAL IMPACT MEASUREMENTS

Job Commitments:	The Funding Track under which the application was submitted does not require job-related commitments. Nevertheless, supporting this project is expected to have the effect of preserving approximately 5 full time positions.
Average Salary of Jobs:	N/A
Indirect Jobs Created	TBD based on competition winners establishing a long



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-5

	term presence (greater than one year) in the Buffalo-Niagara region.		
Other Impact	Enhanced venture capital investment in the region.		
PROJECT DESCRIPTION (Adapted from Application)			
<p>43North LLC would continue to operate the world’s richest business idea competition in 2016 by offering up to \$5M in awards to multiple business winners. The program would include global outreach through social media, in-person roadshows, and use of traditional media to promote 43North and business investment in the Buffalo-Niagara region. In addition, 43 North will incubate the winners from the 2014, 2015 & 2016 competition winners in their Buffalo space and in collaboration with other local entrepreneur support services from organizations like Buffalo Niagara Partnership, Buffalo Niagara Enterprise, Leadership Buffalo, University at Buffalo, and others.</p> <p>43North will also host a global audience during “43North Week” for the 2015 competition, which is held each year when the winners of the business idea competition are selected.</p>			
OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED			
ESD: (2006-2015)	\$ 1,000,000	NYPA :	\$
IDA:	\$	Other:	\$
PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED			
TYPE	AMOUNT	STATUS	
WNY Fund Proceeds	\$11,418,000 of 43North for 2014 & 2015	Awarded and partially disbursed	



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-5

BASIS FOR RECOMMENDATION

Continuing the business plan competition for the third year aligns with the entrepreneurial strategy of the Western New York Regional Economic Development Council and Governor Cuomo's Buffalo Billion Investment Development Plan. 43North is a catalyst for entrepreneurship and business investment in Western New York, attracting entrepreneurs and venture capital investment to Buffalo from around the world as well as enhancing Buffalo's image as an attractive place for start-up businesses to be located.

The first year (2014) of the Launch NY/43North business competition succeeded in achieving significant positive media impact for Buffalo locally and nationally, with over 301 articles written, including in Forbes, Business Insider, and Fortune Magazine. In addition, 43North attracted over 2,600 qualified applicants to the competition from every U.S. state and 96 countries, demonstrating that Buffalo can be an attractive location for start-up businesses. The competition successfully held a "43North Week" event to showcase the finalists and awarded 11 winners. Over 30 start-ups also participated in the Bright Buffalo start up forum.

The second year (2015) of the business plan competition harnessed momentum from the first year of the competition. The 2015 roadshow took the team to 19 North American cities, with additional representation in India which culminated in over 3,000 qualified applicants from 50 states, nine Canadian provinces, and 117 countries. 110 of those applicants are moving on as semifinalists. Over the next several weeks, each semifinalist team will take part in a live video pitch with a team of volunteer judges. The 2015 finals will take place October 29th. There have been 20 million social media impressions and 200+ media hits including New York Times, the Globe & Mail, Huffington Post and the Buffalo News.

The continuation of this program has the potential to result in over 30 direct new starts ups in Buffalo, plus other "trailing" semi-finalists who choose to start their business in Buffalo and venture capitalists choosing to invest in Buffalo because of the pool of growing start-ups. This in turn can catalyze direct and indirect job growth and aligns with the WNYREDC to support entrepreneur development.

The Buffalo Niagara community has demonstrated tremendous support for this program by providing in-kind marketing and event support services from the Buffalo Niagara Enterprise. In addition many area business and economic development partners (including Insyte, UB STOR and



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-5

CEL and Launch NY) provided and offered on-going mentoring support services to semi-finalists and competition winners. Other area organizations including the Buffalo Niagara Partnership and Leadership Buffalo have come together to develop programs to provide personal and business support to the competition winners. Going forward, 43 North will continue to seek collaborative support from area mentors, economic development partners and funders to provide optimal support to competition winners helping enhance their growth in Buffalo.

DISBURSEMENT TERMS

It is anticipated that Fund Benefits would be used to reimburse the applicant for (1) working capital including, but not limited to, personnel, marketing, incubator services and overhead (approx. \$1,000,000), and (2) prizes for winners of the 2016 competition (up to \$5,000,000).

It is anticipated that Fund Benefits would be disbursed as follows, subject to final terms and conditions provided for in the Fund Benefits Agreement (“FBA”) between the New York Power Authority (“NYPA”) and the applicant:

1. Operating Expenses Funding

- a. Initial advance of up to \$500,000 for operating expense disbursed at a time or times yet to be determined after execution of an FBA between NYPA and 43North.
- b. All subsequent advances and/or disbursements for operating expenses made contingent upon 43North (i) raising and receiving funds from other sources (e.g., sponsorships and donors) in amounts to be determined by NYPA, and (ii) achieving other milestones to be determined by NYPA.

2. Award Funding

- a. Up to \$5,000,000 may be disbursed upon awarding of \$5,000,000 in prizes pursuant to business plan idea winners in 2016 competition, provided that the total amount of Fund Benefits for operating expenses and award funding may not exceed \$6,000,000.
- b. A portion of the total award shall be subject to recapture if 43North fails to meet reporting and other requirements provided for in the FBA.

3. Miscellaneous

It is anticipated that the FBA would include the following terms and conditions among others:

- a. Pre-approval by NYPA of: 43North’s marketing plan and budgets.
- b. Pre-approval by NYPA of the process for selecting finalists and winners, the final



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-5

number of awards and the final amount of individual awards.

- c. Pre-approval by NYPA of competition criteria.
- d. Annual written reports to NYPA which address the following information at a minimum:

- Number, name and amount of prizes awarded to each of company.
- Marketing impact – positive media hits about 43 North and WNY
- Status of all prior 43 North winners, including location, number of jobs and other funds raised each year following award by 43 North.
- Other funds (including sources and amounts) raised to support 43 North.

- e. Additional reports to address specific issues as NYPA may require.
- f. 43North shall require winners to agree to certain conditions to be determined by NYPA.
- g. 43North shall provide updates and solicit input from NYPA, and its designees, on no less than a quarterly basis.
- h. Pre-approval by NYPA of certain of 43North's expenditures.

The competition will be held in 2016 with a total of up to \$5,000,000 in prizes awarded. All winners would be offered incubator space and support services and be required to locate their business in Western New York for at least one year following completion of the competition.

**New York Power Authority
 St. Lawrence-FDR
 Power Project
 PV-20 Transmission Line
 Proposed Acquisitions
 of Real Property Facilitating
 Transition Station Relocation
 Town of Plattsburgh
 Clinton County**

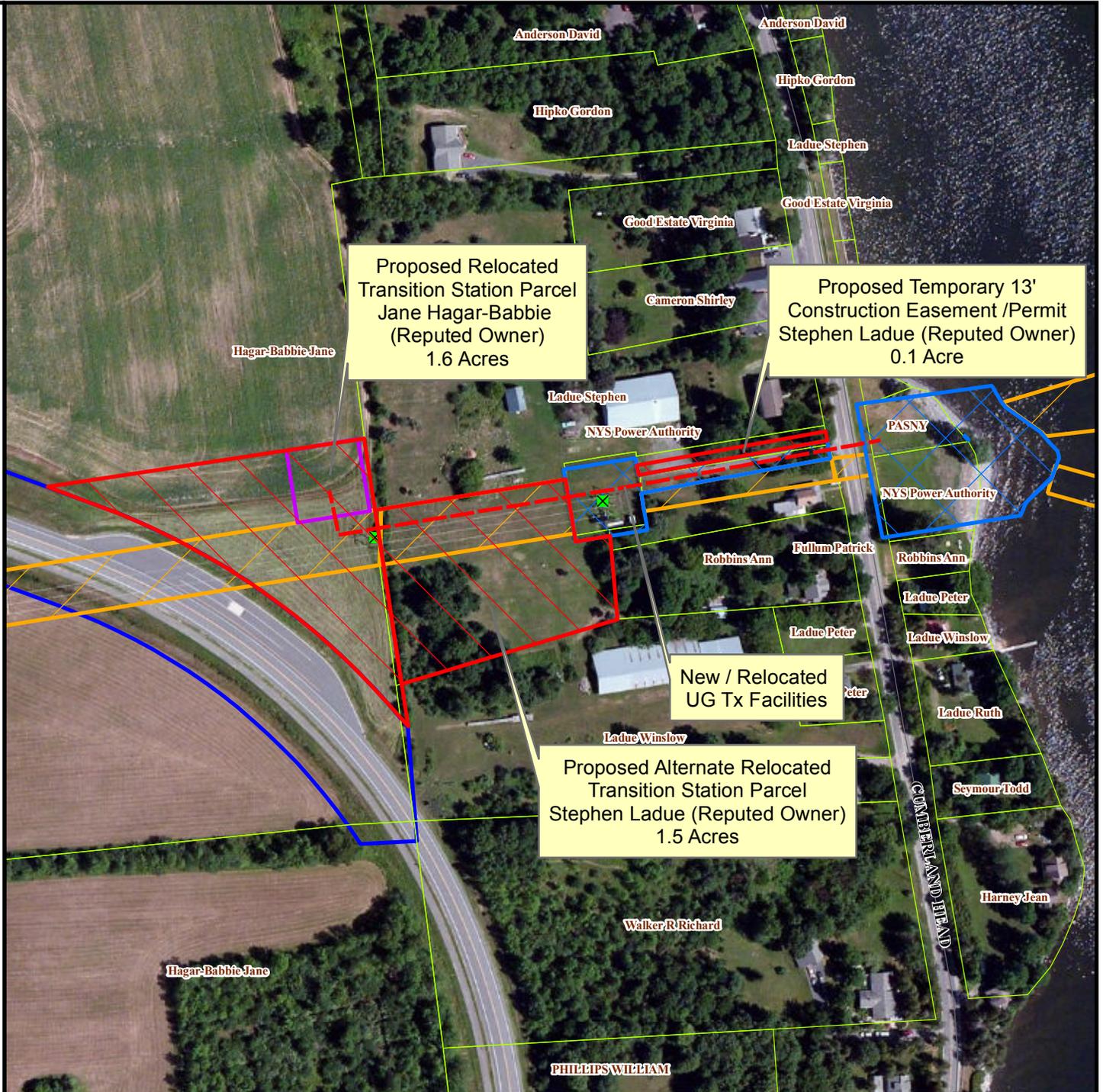
EXHIBIT A

Legend

-  Towers (All)
-  Other Roads
-  NYPA Owned Lands
-  Easements to NYPA
-  Tax Maps
-  Clinton County Highway ROW
-  Proposed Acquisitions



1 inch = 200 feet





**New York State
Energy Plan**

The Energy to Lead

2015 New York State Energy Plan

**John Rhodes, Chair, NYS Energy Planning Board
Presentation for NYPA Board of Trustees
September 29, 2015**

Planning Process

- **January 2014:** Draft State Energy Plan Released
- **January – May 2014:** Written Public Comments Accepted
- **February – March 2014:** Public Hearings Held
 - Albany
 - Brooklyn
 - Manhattan
 - Long Island
 - Buffalo
 - Syracuse

Public Comments

- Received nearly 100,000 Public Comments
- Key Themes:
 - Climate Change
 - Hydro-Fracking/Natural Gas
 - Renewable Energy
 - Goals

Reforming the Energy Vision (REV)

REV is Governor Andrew M. Cuomo's strategy to build a clean, resilient, and affordable energy system for all New Yorkers. Centered on three pillars, REV's initiatives and actions, together will drive the State's shift to a more market-driven clean energy future.

REV Centers on Three Strategic Pillars:

- 1) The PSC's Reforming the Energy Vision Regulatory Docket
- 2) NYSERDA's Clean Energy Fund (including NY Green Bank and NY-Sun)
- 3) NYPA's Leading by Example

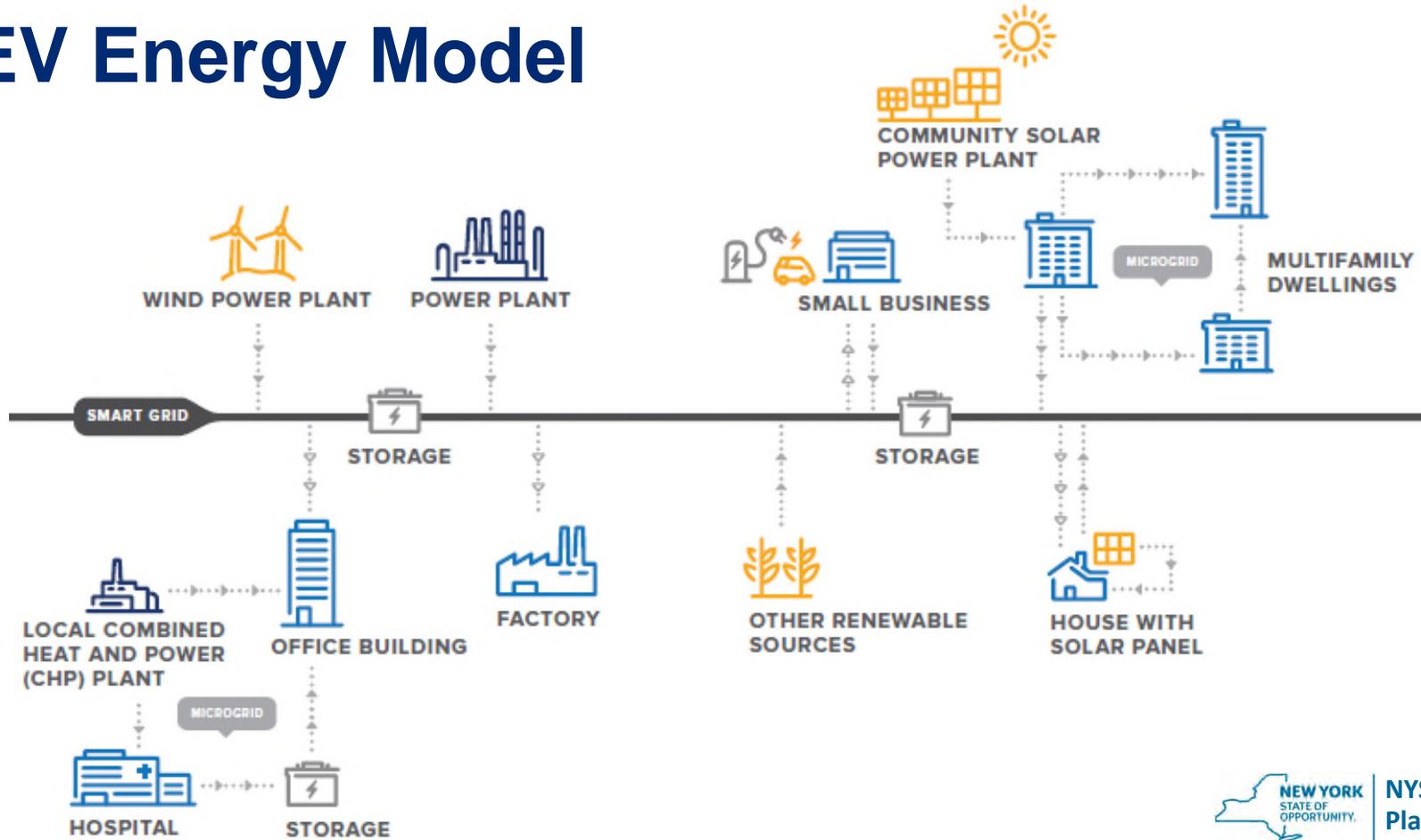
Turning Challenges into Opportunities

- Affordability
- Environment
- Reliability and Resiliency
- Regulatory Reform
- Environmental Justice
- Clean, Reliable Transportation

Vision for the Future: Guiding Principles

- Market Transformation
- Community Engagement
- Private Sector Investment
- Innovation and Technology
- Customer Value and Choice

REV Energy Model



Initiatives

- Renewable Energy
- Buildings and Energy Efficiency
- Clean Energy Financing
- Sustainable and Resilient Communities
- Energy Infrastructure Modernization
- Innovation and Research & Development
- Transportation

2030 Goals

40%

Reduction
in GHG emissions
from 1990 levels

Reducing greenhouse gas (GHG) emissions from the energy sector—power generation, industry, buildings, and transportation—is critical to protecting the health and welfare of New Yorkers and reaching the longer term goal of decreasing total carbon emissions 80% by 2050.

50%

Generation
of electricity from
renewable energy sources

Renewable resources, including solar, wind, hydropower, and biomass, will play a vital role in reducing electricity price volatility and curbing carbon emissions.

600

 TBTU

Increase
in statewide energy
efficiency

Energy efficiency results in lower energy bills and is the single most cost effective tool in achieving clean energy objectives. 600 trillion British thermal units in energy efficiency gains equates to a 23% reduction from 2012 in energy consumption in buildings.

NYPA Action Items

Renewable Energy Initiatives

- Large-Scale Renewables Strategy
- NY-Sun Initiative
- K-Solar
- Shared Renewables
- Offshore Wind Initiative

Buildings and Energy Efficiency Initiatives

- BuildSmart NY
- Energy Efficiency Measures in Affordable Housing Developments

Sustainable and Resilient Communities Initiatives

- Five Cities Energy Plans
- New York State Community Partnership
- REV Campus Challenge

Energy Infrastructure Modernization Initiatives

- Energy Highway
- Smart Generation and Transmission
- Strengthen Cyber Security
- Low-Cost Power for Economic Development

Innovation and Research & Development Initiatives

- Energy Storage R&D and Commercialization through NY-BEST and Brookhaven National Laboratory
- Advanced Grid Innovation Laboratory for Energy (AGILe)

Transportation Initiatives

- ChargeNY
- Clean Fleets NY and Innovative Ownership Models
- Efficient Public Transportation
- Expanding Transportation Demand Management Programs

Questions