

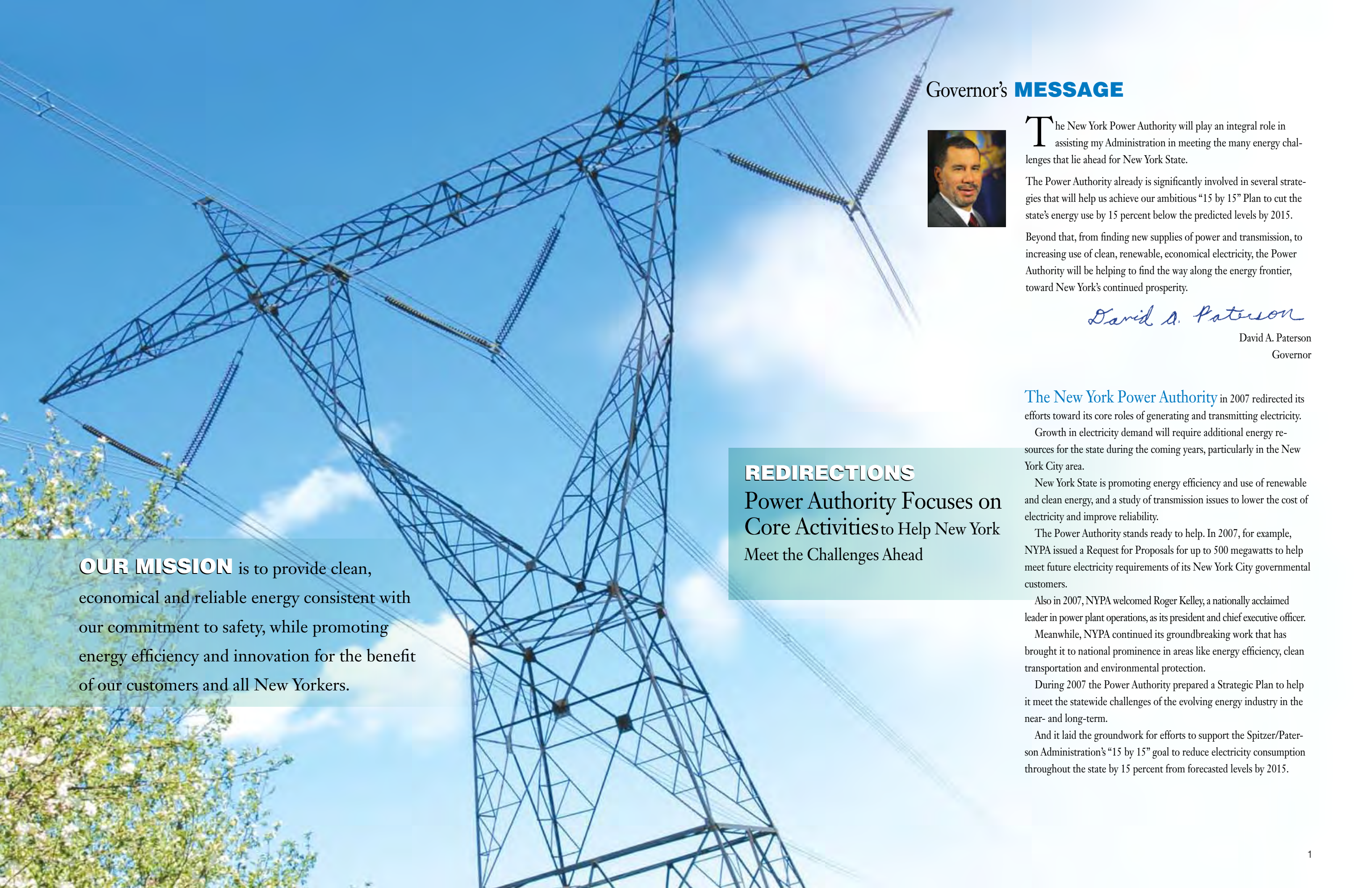


New York Power
Authority

Planning for the **FUTURE**

Annual Report 2007





OUR MISSION is to provide clean, economical and reliable energy consistent with our commitment to safety, while promoting energy efficiency and innovation for the benefit of our customers and all New Yorkers.

REDIRECTIONS
Power Authority Focuses on Core Activities to Help New York Meet the Challenges Ahead

Governor's **MESSAGE**



The New York Power Authority will play an integral role in assisting my Administration in meeting the many energy challenges that lie ahead for New York State.

The Power Authority already is significantly involved in several strategies that will help us achieve our ambitious “15 by 15” Plan to cut the state’s energy use by 15 percent below the predicted levels by 2015.

Beyond that, from finding new supplies of power and transmission, to increasing use of clean, renewable, economical electricity, the Power Authority will be helping to find the way along the energy frontier, toward New York’s continued prosperity.

David A. Paterson

David A. Paterson
Governor

The New York Power Authority in 2007 redirected its efforts toward its core roles of generating and transmitting electricity.

Growth in electricity demand will require additional energy resources for the state during the coming years, particularly in the New York City area.

New York State is promoting energy efficiency and use of renewable and clean energy, and a study of transmission issues to lower the cost of electricity and improve reliability.

The Power Authority stands ready to help. In 2007, for example, NYPA issued a Request for Proposals for up to 500 megawatts to help meet future electricity requirements of its New York City governmental customers.

Also in 2007, NYPA welcomed Roger Kelley, a nationally acclaimed leader in power plant operations, as its president and chief executive officer.

Meanwhile, NYPA continued its groundbreaking work that has brought it to national prominence in areas like energy efficiency, clean transportation and environmental protection.

During 2007 the Power Authority prepared a Strategic Plan to help it meet the statewide challenges of the evolving energy industry in the near- and long-term.

And it laid the groundwork for efforts to support the Spitzer/Paterson Administration’s “15 by 15” goal to reduce electricity consumption throughout the state by 15 percent from forecasted levels by 2015.

from the CHAIRMAN



Frank S. McCullough, Jr.
Chairman

This is an exciting time to be in the electric utility industry, nationally and in New York State. New directions and technologies have the potential to help resolve many of our emerging energy issues and to establish a strong environmental footing that will benefit generations to come.

These opportunities arise as the industry faces some of the most formidable challenges in its history. The nature, timeliness and acuity of the responses will carry clear implications for our national security, our quality of life and, ultimately, the future of our planet.

Worldwide demand for electricity and other forms of energy is steadily growing, creating increased competition for limited resources as developing nations aspire to raise their standards of living.

In the United States, continued dependence on expensive and potentially unstable supplies of imported oil, principally for transportation but also for power generation, imperils both our economic health and our freedom of action in foreign affairs.

And the looming threat of global warming, widely acknowledged but still largely unaddressed, bears heavily on decisions affecting energy production and use.

New electric generation and transmission capacity will be required to meet future needs. But, for the first time on a widespread basis, the search for additional power will also emphasize initiatives to reduce consumption through energy efficiency, protect the environment and diversify fuel supplies.

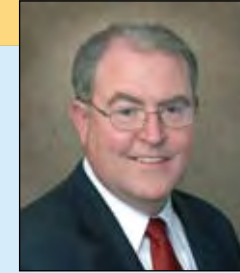
New York State is aggressively addressing these concerns. And the New York Power Authority, the nation's largest state-owned electric utility, is playing a pivotal role

in helping to achieve the state's goals.

The Power Authority enjoyed a highly successful year in 2007 as we worked to meet pressing energy, environmental and economic development needs. Among other accomplishments, NYPA:

- Received a new 50-year federal operating license for the Niagara Power Project in Lewiston, assuring the continued supply of vast amounts of clean, renewable and low-cost hydroelectric power that is a backbone of the Western New York economy and also benefits customers of the state's 51 municipal electric systems and rural cooperatives and other consumers.
- Invested more than \$120 million in energy efficiency and clean-energy projects at schools and other public facilities, providing initial impetus to New York State's bold "15 by 15" Plan to reduce statewide electricity use by 15 percent from anticipated levels by 2015.
- Reached an agreement in principle with Alcoa, Inc. on proposed terms of a 30-year contract for the continued supply of economical hydropower from the Authority's St. Lawrence-Franklin D. Roosevelt Power Project in Massena. The contract would guarantee the retention of at least 900 jobs at Alcoa's Massena facilities.
- Approved power allocations and other cost-saving measures that helped to protect hundreds of thousands of jobs at businesses and non-profit organizations under the state's Power for Jobs and Energy Cost Savings Benefits programs.
- Passed the halfway point in a multi-year refurbishing of the St. Lawrence-FDR project, NYPA's first generating facility; moved ahead with similar work at the

and the PRESIDENT



Roger B. Kelley
President and CEO

Blenheim-Gilboa Pumped Storage Power Project in Schoharie County; and completed a major overhaul at the Richard M. Flynn natural gas-and-oil-fueled plant in Holtsville, Long Island.

Also during 2007, NYPA was heavily engaged in the work of New York's Renewable Energy Task Force, led by Gov. David A. Paterson during his tenure as Lieutenant Governor, to recommend ways to expand the state's use of renewable energy and to attract clean energy industries. The Authority's continuing participation on the Task Force and in the Clean Energy Collaborative, comprising state entities focused on promoting energy efficiency, underscores its commitment to join with others in the public and private sectors to apply innovative thinking as we chart our future course.

In line with the "15 by 15" Plan, the Authority intends to invest a total of \$1.4 billion in new energy efficiency and clean-energy projects through 2015—exceeding its cumulative expenditures from the late 1980s to date. We will also have a vital part in meeting the objectives of the state's Renewable Portfolio Standard, which requires that at least 25 percent of the electricity sold to New York's retail consumers by 2013 come from renewable resources.

Thanks largely to the Niagara and St. Lawrence-FDR hydroelectric projects, renewable sources account for about 75 percent of the energy that NYPA produces. Now we plan to build on our extensive work with solar power and fuel cells and to explore other technologies such as biomass and geothermal. In addition, we will continue to help reduce both air pollution and reliance on foreign oil through our clean transportation program, which thus far has led to deployment of nearly 1,000 electric and hybrid-electric vehicles in New York State.

Important as these endeavors are, the Power Authority is focusing anew on its historical mission of ensuring a reliable and economical power supply for its customers and helping to meet statewide requirements.

In the first part of 2008, we were assessing responses to our 2007 Request for Proposals from outside sources for up to 500 megawatts of capacity to serve our governmental customers in New York City. Separately, we were analyzing the comparative merits of a hypothetical "benchmark" plant to be built by NYPA itself.

The Power Authority continues to view the private sector as the principal provider of new generation—and new transmission. But we must be prepared to build new facilities on our own if critical needs are not being met by others.

Although major decisions are pending, it is at least conceivable that NYPA will return to its roots as a developer of essential energy infrastructure while at the same time maintaining its national leadership in advancing energy efficiency, renewable energy and clean transportation. This would be an imposing task for any utility, but we are confident the New York Power Authority will be equal to it.

Frank S. McCullough, Jr.
Chairman

Roger B. Kelley
President and CEO



January 11 First energy efficiency project under NYPA's "Power to Schools" program completed in Albany.



January 25 NYPA's White Plains office building receives national recognition from U.S. Green Building Council for environmental sustainability.

February 1 Electric-drive vehicle program passes 6.5 million-mile mark.



February 21 Electric Power Research Institute and NYPA join 35 utilities to identify "smart grid" technologies for reduced electricity consumption.

15 X 15 = ENERGY SAVINGS

Power Authority Assists State's Long-Range Plan to Conserve Power and Increase Supply



A wide-ranging plan to cut New York State's electrical consumption by 15 percent from rising levels forecasted for 2015 was announced by the Administration in 2007. The Power Authority is poised to play a major role in ensuring that the goals are met for what's been termed the most aggressive energy-reduction plan in the nation.

The twin long-range expectations for the "15 by 15" Plan are to contribute measurably to the reduction of global warming and to reverse the corrosive economic effects of the third-highest electricity prices in the United States.

The plan is designed to decrease the *demand* for power through energy efficiency, and to increase the *supply* of power by implementing a clean power plant siting law and investing in clean energy production. The goals are to reduce energy bills, provide a cleaner environment that addresses climate change, and create thousands of new jobs fueled by a new industry arising from cleaner power.

NYPA will play a significant role in this ambitious eight-year program in several areas.

In 2007, Power Authority President and CEO Roger Kelley was named to a Clean Energy Collaborative, a consortium of state agencies and authorities charged with assessing the potential state contribution to the 2015 goal. Under the direction of the New York State Energy Research and Development Authority, the Collaborative has compiled data on award-winning energy efficiency programs, including NYPA's. The conclusion: in conjunction with improvements to the state's energy code, such programs, expanded where feasible, can achieve significant reductions within the deadline.

NYPA has financed and directed energy efficiency projects across New York State for electricity customers at 2,660 public facilities. Those efforts are now saving more than \$100 million a year for hundreds of

state, regional and local agencies, and under "15 by 15" the pace will pick up.

NYPA investments in energy services projects reached a record level of more than \$120 million in 2007 alone. In presentations to New York City and state officials, Kelley said NYPA's energy services professionals would work with customers to expand that investment to \$130 million in 2008, \$170 million in 2009 and \$185 million in 2010, and this level would be sustained for the following five years. The projected energy reductions come to about 2 million megawatt-hours per year by 2015.

Also, Kelley is a member of New York's Renewable Energy Task Force, which identifies ways to expand the state's use of renewable energy and alternative fuels, contributors to the "15 by 15" Plan.

Power Authority initiatives in renewables include programs to advance clean-burning fuel cells, solar photovoltaics, biomass, plug-in hybrid-electric vehicles and wind power. And a popular Peak Load Management program of incentives for New York City customers to voluntarily reduce summer power demands at nearly 100 facilities will be expanded.



The Capitol building in Albany symbolizes the Administration's plan to cut energy use statewide. Projects like an advanced fuel cell in Syracuse (right) will contribute to the effort.

ENERGY SERVICES—A RECORD YEAR

NYPA Invests \$120 Million in Energy Services in 2007 and More Than \$1 Billion to Date

The Power Authority invested more than \$120 million in projects to save energy across New York State in 2007, with cumulative investments surpassing \$1 billion since the program's inception in the late 1980s.

NYPA professionals, skilled in day-to-day management of energy efficiency projects and in advancing emerging technologies and alternative transportation choices toward commercial reality, today are actively involved in more than 150 ventures throughout the Empire State. They direct technical feasibility studies, conduct competitive bidding of equipment and labor and provide on-site construction management. They develop emissions-reduction strategies, equipment specifications and procedures for removal of outmoded refrigerants and hazardous materials from the environment. They secure permits and certificates, low-cost



up-front financing and cost recovery through bill savings.

But large numbers don't shed the same light as the 2007 specifics:

In Syracuse, teaming with the state Office of General Services, NYPA crews installed new energy management systems and equipment to enhance hot and cool airflow throughout the 200,000-square-foot Hughes State Office Building, regional home of 23 state agencies. Heating and electrical costs are down about \$74,000 a year.

At airports from New York City to Buffalo, ground support vehicles—each of which can produce the pollutants of about 46 automobiles—are going electric, with steep cuts in fuel use and greenhouse gases. With NYPA's help, Delta Air Lines has replaced diesel-driven baggage transporters at La Guardia Airport, and a NYPA-funded rapid battery charger is powering electrics at Albany International. Additional projects are planned with airports or airlines at Westchester County, JFK and Stewart.

At the Queens Botanical Garden, a NYPA-co-funded photovoltaic cell installation atop the striking new visitors center supplies close to 20 percent of the building's power needs, and helps the Garden to showcase sustainable energy options. Seven years in construction, the building earned the city's only platinum award from the U.S. Green Building Council.

In Albany, NYPA's "Power to Schools" program to develop energy efficiency projects at public and private schools statewide was initiated

in the 19-school City School District. Initial audits led to new boilers and related heating, ventilation and air conditioning upgrades for a circa-1816 administrative building. Work at Albany schools will extend through the end of the decade in the expanding program.

On Governors Island, a NYPA-funded electric, 25-passenger tram and trailer transports staff and visitors to buildings and green spaces around the historic 150 acres. And at the Wildlife Conservation Society's **Bronx Zoo**, two NYPA electric utility vehicles now convey food, maintenance equipment and staff attendants quickly and quietly to and from wildlife habitats throughout the zoo's 265 acres.

In Croton-on-Hudson, seven NYPA-provided electric forklift trucks and fast-charging infrastructure for batteries will replace propane forklifts at the Metro-North Railroad's Croton-Harmon maintenance yard.

And several school districts will introduce students to the benefits of clean, quiet transportation on two hybrid-electric school buses, purchased by NYPA with co-funding by the New York State Energy Research and Development Authority. The buses will be test-driven for a year.

Technologies, and the capabilities to manage them, proliferate. NYPA specialists, for example, are analyzing the feasibility of on-site combined heat and power systems using waste wood resources to generate power and heat in Northern and Western New York. The central goal: to lower electricity use and clean New York air to the greatest possible degree.

Far left: A \$2.1 million project at Albany High School is part of the Power Authority's statewide investment in energy efficiency.

Top: Delta Air Lines replaced ground support vehicles at La Guardia Airport with electric counterparts, cutting use of diesel fuel by more than 61,000 gallons, and emissions by 98 percent, annually.



March 15 New 50-year federal operating license approved for Niagara Power Project, five months before previous license expires.

April 4 Power Authority receives award for waterways stewardship for eel ladder installed at the St. Lawrence-FDR project in Massena.



April 11 NYPA transfers nearly 100 acres of land to Town of Waddington as part of 2003 relicensing settlement for the St. Lawrence-FDR project.

May 21 Second annual NYPA "More Cruisin' Less Fuelin'... No Foolin'!" summer travel campaign begins.



May 23 Tupper Lake, Lake Placid and Plattsburgh are first municipal electric systems in New York to participate in NYPA's Energy Efficient Refrigerator Program.



May 29 Roger Kelley is elected by NYPA trustees as President and Chief Executive Officer.

June 1 Upgrade on first of four pump-turbine generating units at Blenheim-Gilboa completed in time for peak summer power demand season.



June 5 State agencies attend Power Authority-sponsored "green" building workshop.

June 16 30th anniversary of Lansing Manor as a museum at Blenheim-Gilboa is celebrated with a turn-of-the-century "base ball" game.



June 24 President Kelley is appointed to New York's Renewable Energy Task Force.

June 26 James A. Besha, Sr. of Albany County joins Board of Trustees.

PROVIDING VALUE TO OUR CUSTOMERS

Strategic Plan Guides Power Authority in Delivery of Energy and Services

To assist in carrying out its role in New York State's energy future, the Power Authority in 2007 developed a five-year Strategic Plan to identify key initiatives for the years ahead, and how best to achieve them.

Through a year-long process involving a cross-section of the NYPA staff, six 2008 Strategic Goals were named, along with Management Initiatives to carry them out.

The Strategic Goals are: providing value to NYPA customers and the people of New York State; optimization and potential expansion of generation assets; optimization and upgrade of

transmission assets; employee development and readiness; supporting New York State energy policy; and planning for the future.

Their purpose is to provide NYPA-wide coordination to ensure the most efficient delivery of clean, reliable, safe and economical power. Each Business Unit and employee can understand NYPA's overall goals, and how they are to contribute. The Strategic Plan is designed to be updated and revised in future years as issues evolve.

To help meet its energy role, the Strategic Plan indicates that NYPA must emphasize value to customers through optimizing existing statewide economic development programs and working toward the creation of new ones; promoting renewable energy technologies to reduce demand for expensive and polluting fossil fuels; and enhancing energy efficiency programs to support the Administration's "15 by 15" energy reduction plan. NYPA must also ensure adequate, cost-effective power supplies for customers; create new products

and services; and realign, focus and coordinate its departments that deal directly with customers.

The Strategic Plan recognizes the Power Authority's need to optimize and potentially expand its generation assets to meet future energy needs of its customers and the state. This includes finding ways to increase generation and reliability of all power projects; complying with all environmental regulations and being a leader in environmental sustainability; and achieving full legal and regulatory compliance.

Optimizing and upgrading transmission assets and reliability also is a goal, along with meeting all federally mandated reliability regulations.

To meet the future challenges, NYPA will need a skilled, motivated and diverse work force. Management initiatives include expanding an employee development process to enhance skills and knowledge, including knowledge transfer; providing appropriate and competitive compensation; formalizing succession planning and performance management processes; and establishing leadership in safety.

Supporting state energy policy includes assisting other agencies in developing policies; enhancing external relations and communications; and strengthening NYPA's influence in energy market designs and regulatory decisions in the Northeast.

Planning for the future includes designing a long-term Strategic Planning process, and implementing those decisions; tracking enterprise-wide risk management; conducting business continuity planning in case NYPA operations are disrupted; maintaining NYPA's financial strength; maximizing the value to the Power Authority of information technology and data management; and optimizing integrated resource planning and analysis and supply portfolio management.

Top: An employee at FMC Corporation in Tonawanda, a Power Authority customer, performs product analysis in a state-of-the-art laboratory. The company manufactures industrial chemicals.

Bottom: Officials at Steuben Foods in Elma are all smiles for an expansion of a processing plant, thanks in part to an allocation of low-cost NYPA power.



GENERATING & TRANSMITTING POWER

Power Authority's Traditional Role of Providing Clean, Low-Cost Energy Will Help Meet Growing Demand for Electricity



Sometimes progress means a return to tradition. As New York State's ability to meet its current and future energy needs becomes a critical concern, the Power Authority stands ready to help ensure that this growing energy demand can be satisfied, even if it means a return to NYPA's traditional role of electric power infrastructure development.

The Power Authority has a history of delivering essential utility services that others cannot or will not provide. In previous times, that has meant construction of large-scale generation and transmission facilities that reliably supply significant amounts of clean, low-cost electricity across the state. More recently, NYPA has implemented targeted solutions that demonstrate its innovation and flexibility in resolving specific energy issues.

The New York Independent System Operator has warned that substantial infrastructure additions—in the form of generation, transmis-

sion or demand resources—must be made by 2013 to ensure reliable service in Southeastern New York and the rest of the state.

With the Administration's pledge to use the Power Authority to the greatest possible extent to benefit New York State, NYPA has responded with its own promise to do whatever is necessary to help meet those needs, which are now most urgent in New York City.

As 2007 was drawing to a close, Power Authority staff members were analyzing the results of a Request for Proposals intended to provide up to 500 megawatts (mw) of crucial in-city capacity as early as the summer of 2010. Private-sector enterprises were encouraged to respond to the fast-track schedule with projects that could meet this ambitious in-service requirement. A final decision was expected in the spring of 2008.

Because private developers have been slow to add new capacity in New York City, the Power Authority has not ruled out the possibility of building its own power plant to satisfy its contractual obligations to customers that include city government and other large public entities. In fact, NYPA's governmental customers now play a key role in decision-making related to their power supplies, and they know the Power Authority can deliver when called upon.

This was clearly demonstrated in 2001, when NYPA responded to "an urgent and

compelling need" for additional in-city generating capacity by contributing 460 mw with a series of small, clean power plants installed at seven sites around the New York metropolitan area in only 10 months. Since then, NYPA has further benefited the city's energy situation with a new 500-mw combined cycle plant that is one of the cleanest, most-efficient power producers in the city.

In future years, the demand for effective energy solutions may occur in other parts of the state. Wherever New York needs essential electric utility services, the Power Authority will be available to answer the call.

Opposite page: Two employees work on the first of four turbines at the Blenheim-Gilboa project to undergo improvements as part of upgrades at NYPA's three largest power generating plants.

Top of page: Power Authority linemen maintain 1,400 circuit-miles of high-voltage transmission lines around the state.



July 31 NYPA begins webcasting trustees' meetings.

August 7 New York State Office of Parks, Recreation and Historic Preservation and NYPA each announce they will provide \$80,000 to the Niagara River Greenway Commission.



August 15 NYPA presents \$2 million for revitalization of Buffalo waterfront and Niagara River Greenway development.



August 17 Town of Louisville and NYPA officials mark improvements at Whalen Park.



August 24-26 Power Authority supports Lewiston Jazz Festival.

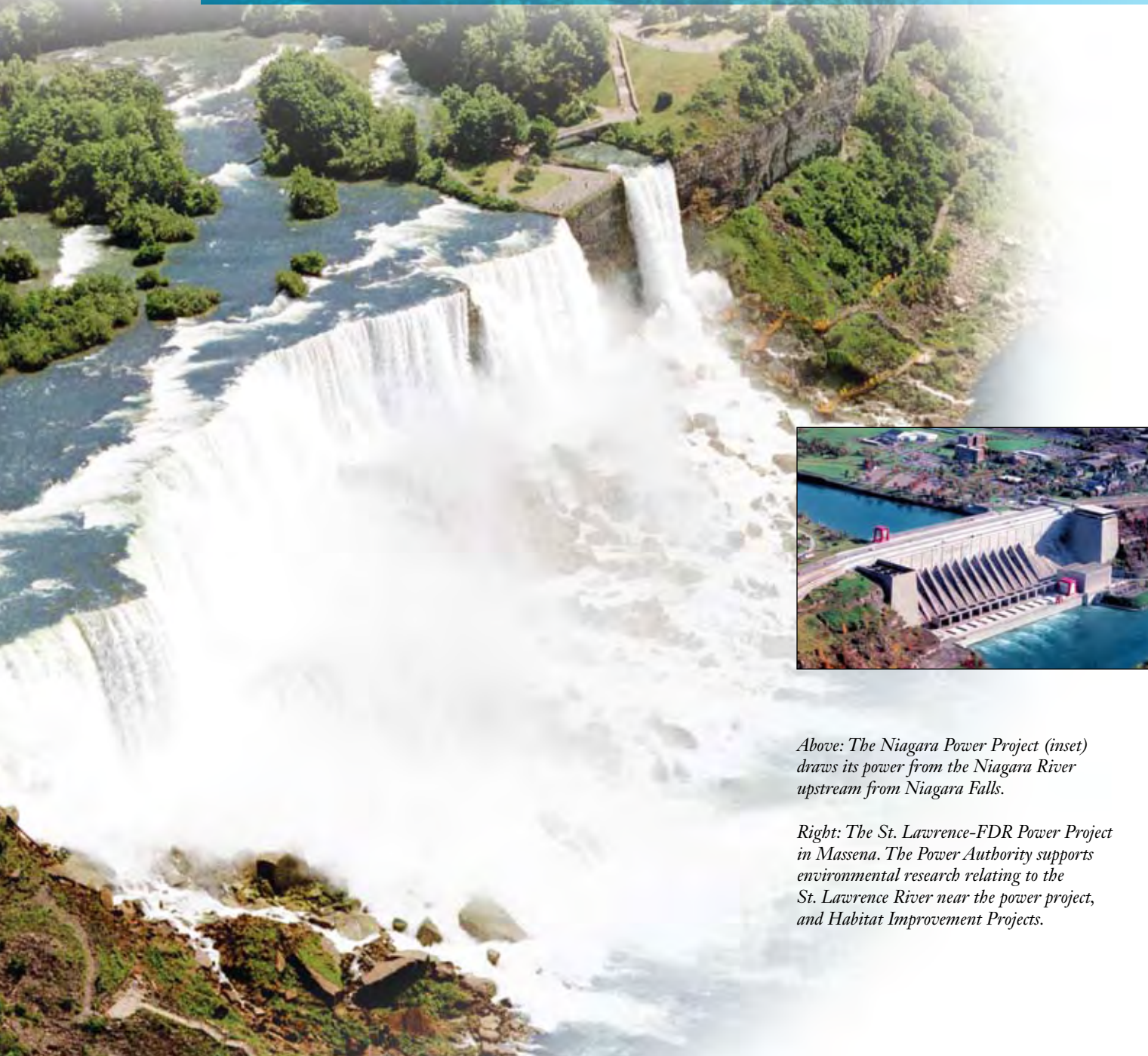
August 23-September 3 NYPA highlights clean-energy practices at New York State Fair in Syracuse.



September 1 Niagara Power Project's new federal operating license takes effect.

MORE POWER TO YOU

Niagara Power Project Receives New 50-Year License St. Lawrence-FDR Continues to Implement Agreements



Above: The Niagara Power Project (inset) draws its power from the Niagara River upstream from Niagara Falls.

Right: The St. Lawrence-FDR Power Project in Massena. The Power Authority supports environmental research relating to the St. Lawrence River near the power project, and Habitat Improvement Projects.

A new era began in 2007 for the Power Authority's Niagara Power Project in Lewiston when a new 50-year operating license took effect Sept. 1, ensuring five more decades of service, along with energy-related benefits for Western New York.

NYPA's application to the Federal Energy Regulatory Commission for a new license was approved March 15, 2007, more than five months before the previous 50-year license expired.

The relicensing process for Niagara moved relatively smoothly, thanks in part to the success achieved during the 2003 relicensing of the St. Lawrence-FDR Power Project in Massena. That involved a new Cooperative Consultation Process that allowed interested parties, or stakeholders, to take part in the relicensing process from the beginning, fostering better communication and participation and ultimately reducing licensing costs. A similar process called the Alternative Licensing Procedure (ALP)

was used for the Niagara project relicensing, streamlining the proceedings.

NYPA filed its application for a new Niagara license on Aug. 18, 2005, and formed settlement agreements with the more than 100 stakeholders participating in the ALP, including state and federal resource agencies, local municipalities, Indian Nations, customers and environmental groups. Upon receipt of the new license, NYPA's focus shifted to implementing its wide-ranging commitments.

Examples include a \$12 million fund for construction of eight Habitat Improvement Projects (HIPs), protecting fish and wildlife within the Niagara River basin, and another \$1 million annually for additional HIPs; a \$9.3 million fund for various improvements to state recreational facilities within or near the power project's boundaries; a \$19 million fund to address the project's impact on groundwater flow; funds for capital projects including waterfront development; power allocations; and \$9 million

annually for projects supporting development of the Niagara River Greenway.

At the St. Lawrence-FDR project, meanwhile, NYPA officials continued to implement requirements of the new license as well as commitments in settlement agreements made for the 2003 relicensing. During 2007, funds were made available for research and educational projects along the St. Lawrence River, and a \$7.45 million improvement project was approved for the Wilson Hill Wildlife Management Area. Other obligations included recreational improvements to state and local parks; 10 HIPs; shoreline stabilization measures; a community enhancement fund; \$24 million to benefit fisheries in the Lake Ontario/St. Lawrence River Basin; and construction of a fish ladder to assist the upstream passage of the American eel.





MAGNETS FOR TRAVELERS

Visitors Centers at Power Projects Help to Anchor Regional Tourism



Left: Refurbished computers are donated to the Gilboa-Conesville Central School District as part of Blenheim-Gilboa's community outreach, through the efforts of Assemblyman Peter Lopez.

Below: The Power Authority supports recreational facilities on Coles Creek near the St. Lawrence-FDR Power Project.

The Power Authority has found a great resource in its three visitors centers, strategically located next to its Niagara Power Project in Lewiston, the St. Lawrence-FDR Power Project in Massena and the Blenheim-Gilboa Pumped Storage Power Project in Schoharie County.

The admission-free visitors centers, with their annual events and state-of-the-art energy exhibits, have become fixtures in their respective regions, and every year their ties to their communities deepen as they attract more visitors, update traditions and start new ones. And 2007 was no exception.

One example is the annual Wildlife Festival, a 22-year tradition that grew from Niagara's visitors center, the Power Vista, and has spread to the other two, as well as to Oneida County, near NYPA's Clark Energy Center. Before the Power Authority took it on, the festival was an event in a shopping mall honoring National Hunting and Fishing Day.

Today, through NYPA's partnerships with local environmental, conservation and education groups, the September festivals have grown to celebrate the state's natural resources and efforts to preserve the environment, attracting thousands of visitors each. At Niagara, the

Wildlife Festival is a two-day event, drawing 20,000 visitors as it has become one of the premier festivals in Western New York.

The Hawkins Point Visitors Center in Massena, which opened in 2005, is fast becoming a community center for the Massena area, playing host to a growing list of recreational events, automobile shows, music events and various community organizations. The riverside center offers stunning views of the St. Lawrence River and the power project, and also features an adjacent fishing pier.

At the Blenheim-Gilboa Visitors Center, a highlight in 2007 was the 30th anniversary of Lansing Manor, an 1819 estate on the power project's site, as a museum and center of regional history. Blenheim-Gilboa was also host to its annual array of events ranging from antique car shows to doll and quilt exhibits to a Christmas tree festival, plus nature walks.

All the visitors centers maintain scores of year-round interactive exhibits on energy and local history, and serve as weekend and vacation destinations for the entire family. The Power Vista at Niagara also offers views of the Niagara River Gorge 300 feet below, and there is a popular fishing pier on the river.

Each visitors center is enhancing its role as a free community resource, using community rooms and theaters to host meetings, training programs, school gatherings and other events. The Power Vista has been outfitted with new

high-tech audio-visual equipment, allowing teachers to offer multi-media presentations on large screens, supported by surround-sound audio.

In 2007 the Power Authority conducted a second year of its successful "More Cruisin' Less Fuelin'... No Foolin'!" summer travel campaign, designed to promote the visitors centers and regional attractions as "close to home" destinations that can be reached while reducing use of high-priced gasoline. The goal was to promote statewide tourism while saving energy. More than 1,000 travel kits were distributed. Visitor center attendance in 2007 ranged from 80,000 at Niagara to 42,000 at Blenheim-Gilboa to nearly 16,000 at Hawkins Point.

Reduced energy consumption was also promoted by community relations staff members at the Clark Energy Center near Utica when they visited senior citizens centers to explain simple conservation methods to cut energy bills. And the Wildlife Festival at Blenheim-Gilboa featured an "energy expo" of tips on how to conserve energy and cut power bills in homes and businesses.



September 12 Explore Buffalo Niagara conference; NYPA first sponsor.

September 22-23 Four Power Authority facilities conduct Wildlife Festivals to promote the environment and energy conservation.

September 24 James Yates is named senior vice president, Marketing and Economic Development.

October 1 President Kelley is elected to Board of Directors of the American Public Power Association.

October 29 Gil Quiniones, a top New York City energy official, joins NYPA as executive vice president, Energy Marketing and Corporate Affairs.

October 30 D. Patrick Curley of Orchard Park joins Board of Trustees.

October 31 NYPA passes halfway point in Life Extension and Modernization program for St. Lawrence-FDR project.



November 8 Power Authority issues Request for Proposals for additional power supplies to meet the future electricity requirements of its New York City governmental customers.

December 21 Agreement in principle is announced for NYPA to supply low-cost hydropower to Alcoa in Massena for 30 years in return for maintaining a minimum of 900 jobs.



PLANNING FOR THE FUTURE

Work in Progress to Meet State's Future Energy Needs; NYPA's Efficiency, Technology Programs Will Play Role



To meet New York State's growing demand for energy for residents, commerce and industry, increased generation and transmission resources will be joined by statewide conservation measures, emphasis on renewable energy and new kinds of clean fuels.

energy efficiency, conservation and investment in renewable energy sources.

In the future, energy production will involve not only finding sustainable sources, but ones that will help eliminate air pollution.

New fuels, including hydrogen for fuel cells and vehicles, will enter the picture as the search intensifies for ways to replace fossil fuels with renewable, clean-burning varieties. The Power Authority has been involved in hydrogen research while it continues demonstration projects for electric and hybrid-electric vehicles.

NYPA is continuing its work in other energy technologies such as solar, wind, biomass and microturbines in addition to its primary function—providing abundant amounts of electricity from the original clean, renewable energy source—hydropower.

In some ways for New York State's energy equation, the future is now. In several key areas, work is already being done to resolve the energy challenges facing the state in the years ahead. And the Power Authority could emerge as a major player.

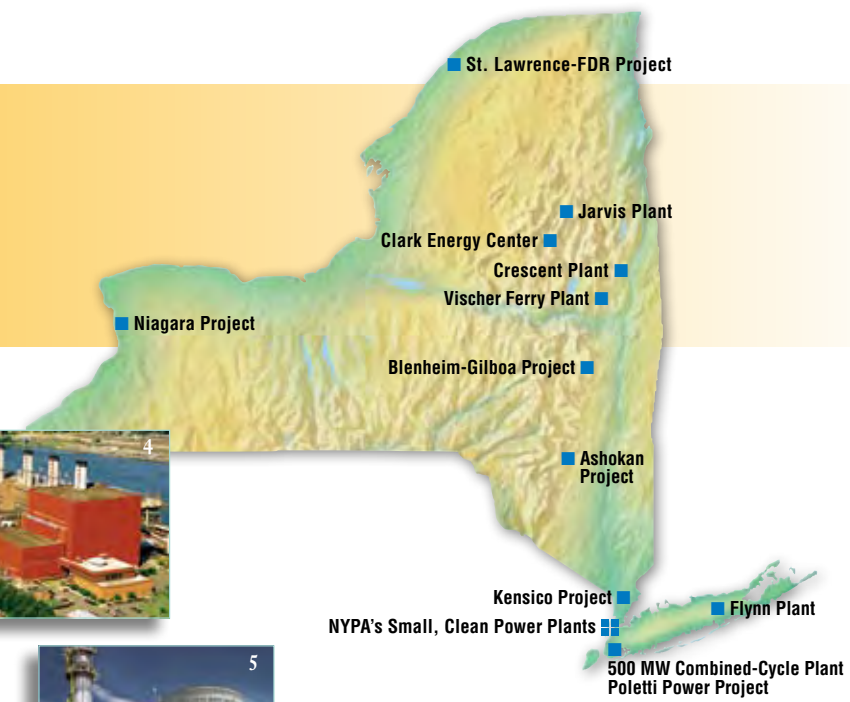
The New York Independent System Operator (ISO), which controls the state's electricity grid, predicts that additional power resources will be needed through the next decade to avoid power shortages, especially in the New York City area.

According to the ISO, by 2017, the equivalent of 2,750 megawatts (mw) should be available to the state's bulk electricity grid to meet increased electricity demand and replace some older power plants, and to meet federally mandated reliability guidelines.

Along with increased generation and transmission resources, implementation of the Administration's "15 by 15" Clean Energy Strategy, in which NYPA will have a significant role, could contribute largely to energy solutions by reducing demand for power.

New York's Renewable Energy Task Force will help implement the "15 by 15" Plan, focusing on

NYPA facilities



1. ST. LAWRENCE-FRANKLIN D. ROOSEVELT POWER PROJECT

TYPE: Hydroelectric
LOCATION: Massena, on the St. Lawrence River, St. Lawrence County
NET DEPENDABLE CAPABILITY: 800,000 kw
FIRST COMMERCIAL POWER: July 1958
2007 NET GENERATION: 6.6 billion kwh
NET GENERATION THROUGH 2007: 332.2 billion kwh

2. NIAGARA POWER PROJECT

TYPE: Hydroelectric
LOCATION: Lewiston, on the Niagara River, Niagara County
NET DEPENDABLE CAPABILITY: 2,441,000 kw
FIRST COMMERCIAL POWER: January 1961
2007 NET GENERATION: 13 billion kwh
NET GENERATION THROUGH 2007: 681 billion kwh

3. BLENHEIM-GILBOA PUMPED STORAGE POWER PROJECT

LOCATION: Blenheim and Gilboa, southwest of Albany, in Schoharie County
NET DEPENDABLE CAPABILITY: 1,040,000 kw
FIRST COMMERCIAL POWER: July 1973
2007 GROSS GENERATION: 0.7 billion kwh
GROSS GENERATION THROUGH 2007: 48.2 billion kwh

4. CHARLES POLETTI POWER PROJECT

TYPE: Gas/Oil
LOCATION: New York City, on the East River
NET DEPENDABLE CAPABILITY: 885,000 kw
FIRST COMMERCIAL POWER: March 1977
2007 NET GENERATION: 1.8 billion kwh
NET GENERATION THROUGH 2007: 73.5 billion kwh

5. RICHARD M. FLYNN POWER PLANT

TYPE: Gas/Oil
LOCATION: Holtsville, Suffolk County
NET DEPENDABLE CAPABILITY: 135,000 kw
FIRST COMMERCIAL POWER: May 1994
2007 NET GENERATION: 0.8 billion kwh
NET GENERATION THROUGH 2007: 15.1 billion kwh

6. FREDERICK R. CLARK ENERGY CENTER

FUNCTION: Coordinates NYPA system operations
LOCATION: Marcy, north of Utica, Oneida County
OPENED: June 1980

7. SMALL HYDRO FACILITIES

Located on reservoirs and waterways around the state, these facilities include the Ashokan Project (shown), the Kensico Project, the Gregory B. Jarvis Plant, the Crescent Plant and the Vischer Ferry Plant, with a combined net capability of 13,000 kw. They produced a total of 155 million kwh in 2007.

8. SMALL, CLEAN POWER PLANTS

TYPE: Gas
LOCATION: Six New York City sites and Brentwood, Suffolk County
NET DEPENDABLE CAPABILITY: 461,000 kw
FIRST COMMERCIAL POWER: June 2001
2007 NET GENERATION: 0.8 billion kwh
NET GENERATION THROUGH 2007: 4.8 billion kwh

9. 500-MW COMBINED-CYCLE PLANT

TYPE: Gas/Oil
LOCATION: New York City, on the East River
NET DEPENDABLE CAPABILITY: 500,000 kw
FIRST COMMERCIAL POWER: December 2005
2007 NET GENERATION: 3.2 billion kwh
NET GENERATION THROUGH 2007: 6.3 billion kwh

FINANCIAL REPORT


THE NEW YORK POWER AUTHORITY 2007

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about NYPA

The New York Power Authority is the nation's largest state-owned power organization and one of New York's leading electricity suppliers. NYPA provides lower-cost power to government agencies; to municipally owned and rural cooperative electric systems; to job-producing companies and non-profit groups; to private utilities for resale—without profit—to their customers; and to neighboring states, under federal requirements. The Power Authority is also a national leader in promoting energy efficiency and the development of clean energy technologies and electric vehicles. A non-profit, public benefit energy corporation, NYPA does not use tax revenue or state credit. It finances its projects through bond sales to private investors.

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