

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

November 7, 2016

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November 7, 2016

Minutes of the Special Meeting of the Power Authority of the State of New York held via video conference at the Clarence D. Rappleyea Building, 123 Main Street, White Plains, New York at approximately 12:28 p.m.

Members of the Board present were:

John R. Koelmel, Chairman
Eugene L. Nicandri, Vice Chairman
Dr. Anne M. Kress, Trustee
Anthony J. Picente, Jr., Trustee
Tracy McKibben, Trustee

Gil Quiniones	President and Chief Executive Officer
Justin Driscoll	Executive Vice President and General Counsel
Joseph Kessler	Executive Vice President and Chief Operating Officer
Robert Lurie	Executive Vice President and Chief Financial Officer
Parija Soubhagya	Senior Vice President and Chief Risk Officer
Kimberly Harriman	Senior Vice President - Corporate & Public Affairs
Karen Delince	Vice President and Corporate Secretary
Ethan Riegelhaupt	Vice President – Corporate Communications
Scott Tetenman	Vice President – Finance
Brian McElroy	Treasurer
James Levine	Assistant General Counsel – Finance & Bonds
Steven Gosset	Manager - Media Relations
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Baughman	Senior Assistant Corporate Secretary

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

Introduction

Chairman Koelmel welcomed the Trustees and staff members who were present at the special 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 November 7, 2016 Proposed Special Meeting Agenda**

Upon motion made by Trustee Kress and seconded by Trustee McKibben, the meeting Agenda was adopted.

DISCUSSION AGENDA:

2. Finance Committee Update:

i. Eleventh Supplemental Resolution Authorizing 2016 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 Eleventh Supplemental Resolution Authorizing 2016 Revenue Bonds (Exhibits ‘2-A’ and ‘2-B’).

A. Series 2016 Revenue Bonds

The Trustees are being requested to adopt the Eleventh Supplemental Resolution authorizing the issuance of the Series 2016 Revenue Bonds (‘Series 2016 Bonds’) in multiple series in an aggregate principal amount not to exceed \$475,000,000. The purposes of the Series 2016 Bonds are to (i) refund up to \$82,025,000 of the Authority’s Series 2007 A Revenue Bonds; (ii) refund up to \$176,295,000 of the Authority’s Series 2007 C Revenue Bonds; (iii) finance certain costs associated with the life extension and modernization project relating to the Authority’s power transmission system; (iv) finance certain costs associated with the life extension and modernization project relating to the Authority’s Lewiston Pump Generating Plant; and (v) pay the costs of issuance of the Series 2016 Bonds.

The Series 2016 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 Authority proposes to issue the Series 2016 Bonds simultaneously or at different times and as taxable, tax-exempt, fixed rate or variable rate bonds or a combination thereof. Alternatively, costs necessary to refund the Series 2007 C Bonds may be obtained pursuant to a loan or other financing agreement with one of the underwriters.

B. THE RESOLUTIONS

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

1) Eleventh Supplemental Resolution

Adoption of the Eleventh Supplemental Resolution Authorizing Series 2016 Revenue Bonds (‘Eleventh Supplemental Resolution’), which authorizes the issuance of the Series 2016 Bonds, in an aggregate principal amount not to exceed \$475,000,000, to refund the Authority’s Series 2007 A and Series 2007 C Revenue Bonds, finance certain costs associated with the Authority’s life extension and modernization programs, and pay the costs of issuance of the Series 2016 Bonds.

2) Series 2016 Bonds

- a)** The sale of the Series 2016 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 Eleventh 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, Forward Purchase or Delivery Agreement, providing for the

sale of the Series 2016 Bonds to such underwriters, a Continuing Disclosure Agreement with The Bank of New York Mellon relating to the Series 2016 Bonds and miscellaneous other documents and instruments is authorized. The execution and delivery by the above-mentioned officers of a loan or other financing agreement and miscellaneous other documents and instruments with respect to the refunding of the Authority's Series 2007 C Bonds in lieu of the sale of the Series 2016 Bonds to the underwriters for resale to investors for such purpose 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 2016 Bonds.

3) Registrar and Paying Agent

The Bank of New York Mellon is appointed as Registrar and Paying Agent for the Series 2016 Bonds.”

The Chair of the Finance Committee, Trustee Tracy McKibben, said that the Finance Committee met earlier and voted to recommend that the full Board of Trustees adopt the Eleventh Supplemental Resolution Authorizing 2016 Revenue Bonds as outlined in the materials provided to the Trustees.

Upon motion made by Vice Chairman Nicandri and seconded by Trustee Picente, the Eleventh Supplemental Resolution Authorizing 2016 Revenue Bonds, as submitted by the President and Chief Executive Officer, was unanimously adopted.

ii. **Adjustment of Payment Schedule for the
Niagara Relicensing Settlement Agreement
State Parks Greenway Fund and Authorization
of the Issuance the 2016 Subordinated Notes**

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Trustees are requested to approve a second adjustment to the payment schedule for the Niagara Relicensing Settlement Agreement State Parks Greenway Fund pursuant to the terms of the Relicensing Settlement Agreement entered into by the Authority and the New York State Office of Parks, Recreation and Historic Preservation ('OPRHP') at the request of OPRHP, and to approve the issuance of the Authority's 2016 Subordinated Notes (the '2016 Notes') to support the State Parks Greenway Fund as described below.

BACKGROUND

On July 18, 2005, the Authority executed the Relicensing Settlement Agreement Addressing New License Terms and Conditions ('Settlement Agreement') entered into by several parties to the relicensing of the Niagara Project, including OPRHP. Section 3.1 of Appendix E of the Settlement Agreement provides for the establishment of a Relicensing Settlement Agreement State Parks Greenway Fund, which is to be funded by the Authority in the amount of \$3 million per year for the term of the 50-year License. The State Parks Greenway Fund was established to support the construction and/or rehabilitation of parks, recreation and related facilities in and around the Niagara River Greenway.

The Settlement Agreement further provides that the Authority may elect to adjust the schedule of payments after consultation with OPRHP. In order to accelerate the funding of certain projects it wants to complete in the region, OPRHP has requested that the Authority elect to make an adjustment to the schedule of payments as allowed under the terms of the Settlement Agreement. Specifically, OPRHP has identified an additional approximately \$25 million of qualifying improvements it wishes to make in the next few years. In 2012, OPRHP identified, and NYPA funded, approximately \$25 million in qualifying improvements through the transaction described below.

PRIOR TRANSACTION

In 2012, OPRHP initially requested that the Authority consider accelerating approximately half of the \$3 million annual payments over a period of up to twenty-five years to provide an accelerated lump-sum amount such that the present value of the revised payment stream would be the same as in the original agreement, as required by the terms of the Settlement Agreement. However, the discount rate required by the Settlement Agreement was somewhat higher than borrowing rates in effect at the time. As a more cost-effective alternative, OPRHP requested that the Authority consider issuing Notes to a third-party investor for which the proceeds may be deposited into the State Parks Greenway Fund and a portion of the Authority's annual payments which would otherwise be deposited to the State Parks Greenway Fund would be used to repay the Notes. The New York State Environmental Facilities Corporation ('EFC') was identified as the purchaser of such notes. Pursuant to a Note Purchase Agreement between EFC and the Authority, the Authority sold its 2012 Subordinated Notes in the aggregate principal amount of \$25,160,000 (the '2012 Notes') to EFC.

The net proceeds received by the Authority were deposited into the State Parks Greenway Fund and made available for qualifying projects as set forth in the Section 3 of Appendix E of the Settlement Agreement. The Authority continued to make \$3 million per year available for the State Parks Greenway Fund for the term of the License with the payment schedule adjusted to reflect the use of a portion of the \$3 million provided each year for twenty-five years to pay the debt service associated with the 2012 Notes. After the payment of the debt service (approximately \$1.5 million per year), the remainder of the

annual \$3 million amount has been deposited into the State Parks Greenway Fund and made available for qualifying projects.

NEW TRANSACTION - DISCUSSION

OPRHP has recently requested that the Authority consider accelerating the remaining half of the \$3 million annual payments over a period of twenty years and a portion of the \$3 million annual payments in years twenty-one to twenty-five to provide a lump-sum amount payable now such that the present value of the revised payment stream would be the same as in the original agreement, as required by the terms of the Settlement Agreement. However, the discount rate required by the Settlement Agreement continues to be somewhat higher than today's borrowing rates. As a more cost-effective alternative, OPRHP requested that the Authority consider repeating the transaction with EFC, structured substantially similar to the transaction by which the Authority issued its 2012 Notes. Pursuant to a Note Purchase Agreement between EFC and the Authority (a draft of which is attached as Exhibit "2 ii-A"), EFC has advised that it would purchase the 2016 Notes and that it expects to hold the 2016 Notes in its portfolio as an authorized investment. In order to permit the 2016 Notes to be delivered through DTC's 'book-entry only' system, the Authority may need to enter into a placement or other agreement with a broker dealer or other financial institution to be selected by the Authority's Executive Vice President and Chief Financial Officer or Treasurer. The Authority may also prepare a placement memorandum or other offering document to be delivered to EFC which will describe the terms of the 2016 Notes or incorporate financial and operating information relating to the Authority. Such financial and operating information is expected to be comparable to the information proposed to be included in the official statement to be delivered in connection with the Authority's senior lien bonds authorized at this meeting.

The Authority would issue the 2016 Notes pursuant to a Resolution Authorizing Subordinated Notes Series 2016 (Federally Taxable), attached hereto as Exhibit '2 ii-B.' Approval of certain provisions of such resolution by the State Comptroller under Section 1010-a of the Power Authority Act will be sought. Similar provisions in the resolution authorizing the 2012 Notes were so approved.

The Authority's financial advisor, Public Financial Management, will advise Authority staff and verify the reasonableness of the interest rates employed in the transaction. Upon the execution and closing of the sale, the net proceeds received by the Authority shall immediately be deposited into the State Parks Greenway Fund and made available for qualifying projects as set forth in the Section 3 of Appendix E of the Settlement Agreement. The Authority will continue to make \$3 million per year available for the State Parks Greenway Fund for the term of the License with the payment schedule adjusted to reflect the use of the \$3 million provided each year for up to twenty-five years to pay the debt service associated with the 2012 Notes and the 2016 Notes. After the payment of the debt service, all the remainder of the annual \$3 million amount will be deposited into the State Parks Greenway Fund and made available for qualifying projects.

FISCAL INFORMATION

The fiscal impact on the Authority is negligible. The transaction is revenue neutral to the Authority and would result in only a nominal increase to the amount of the Authority's subordinated debt outstanding. The Authority is currently obligated to make the \$3 million per year payment under the Relicensing Settlement Agreement. A portion of these payments will be used to pay debt service on the 2012 Notes and 2016 Notes.

RECOMMENDATION

The Treasurer recommends that the Trustees approve an additional adjustment to the payment schedule for the Niagara Relicensing Settlement Agreement State Parks Greenway Fund pursuant to the terms of the Relicensing Settlement Agreement entered into by the Authority and OPRHP, and to approve the issuance of the 2016 Notes to be funded by such adjusted payment schedule as described above.

The Finance Committee considered this item at their meeting earlier today and is also recommending its approval.

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

The Chair of the Finance Committee said that the Committee also voted to recommend that the Board of Trustees adopt the Adjustment of Payment Schedule for the Niagara Relicensing Settlement Agreement State Parks Greenway Fund and Authorization of the Issuance of the 2016 Subordinate Notes.

Upon motion made by Trustee Picente and seconded by Vice Chairman Nicandri the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Trustees hereby authorize a modification of the Authority’s payment schedule under the Niagara Relicensing Settlement Agreement to utilize an additional portion (up to and including the remaining portion) of the \$3 million provided each year for up to twenty-five years to pay the debt service associated with the Authority’s Subordinated Notes, Series 2016 (Federally Taxable) (the “2016 Notes”), on the terms and conditions and for the purposes set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Trustees hereby adopt the Resolution Authorizing Subordinated Notes, Series 2016 (Federally Taxable), attached hereto as Exhibit “2 ii-B,” together with such subsequent changes, insertions, deletions, amendments and supplements thereto as the Chairman or President and Chief Executive Officer of the Authority may approve which shall be deemed to be part of such resolution, as adopted; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Treasurer and Deputy Treasurer (each an ‘Authorized Officer’) be, and each of them hereby is, authorized on behalf of the Authority to execute a Note Purchase Agreement with the New York State Environmental Facilities Corporation (in substantially the form attached hereto as Exhibit “2 ii-A”), with such changes, insertions, deletions, amendments and supplements thereto as such authorizing executing officer deems in such officer’s discretion to be necessary or advisable, such execution to be conclusive evidence of such approval; subject to the approval of the form hereof by the Executive Vice President and General Counsel, and be it further

RESOLVED, That, in connection with the issuance of the 2016 Notes, each Authorized Officer hereby is authorized to prepare a placement memorandum or other offering document setting forth the terms of the Subordinate Notes and incorporating such financial and operating information relating to the Authority as such Authorized Officer may determine appropriate in such form and substance as such Authorized Officer deems necessary or desirable, and the delivery of each said placement memorandum or other offering document to the purchaser of the 2016 Notes is hereby authorized; and be it further

RESOLVED, That each Authorized Officer hereby is authorized to execute and deliver on behalf of the Authority one or more other placement or other agreements with a broker dealer or other financial institution or institutions as may be selected by the Executive Vice President and Chief Financial Officer or Treasurer, which agreement shall be in such form and substance as such Authorized Officer deems necessary or desirable, subject to the approval of the form thereof by the Executive Vice President and General Counsel; and be it further

RESOLVED, That in connection with the issuance of the 2016 Notes, each Authorized Officer be, and each of them hereby is, authorized on behalf of the Authority to deliver the audited and unaudited financial statements of the Authority and other such information relating to the Authority and the 2016 Notes as any such officer may determine to be necessary or appropriate to the purchaser of the Subordinated Notes; and be it further

RESOLVED, That each Authorized Officer 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 carry out, give effect to and consummate the issuance of the 2016 Notes and the transactions contemplated by the foregoing resolutions and the documents referenced herein subject to the approval of the form thereof by the Executive Vice President and General Counsel.

3. Release of Funds in Support of the NYS Canal Corporation and NYS Canal System

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Trustees are requested to authorize and ratify the release of up to \$106.4* million in funding to support costs associated with the transfer of the New York State Canal Corporation ('Canal Corporation') and specified powers, duties and jurisdiction relating to the NYS Canal System ('Canal System') from the New York State Thruway Authority ('Thruway Authority') to the Authority (the 'Canal Transfer') including: (1) reimbursements to the Thruway Authority for the period of April 1, 2016 through January 1, 2017 as authorized by legislation approving the 2016-17 Budget of the State of New York (Part TT of Chapter 54 of the Laws of 2016) (hereinafter the 'Canal Transfer Legislation'), and (2) Authority integration costs for 2016 associated with the Canal Transfer.

BACKGROUND

The Authority has been authorized to provide financial support for the Canal Transfer but the expenditures associated therewith do not constitute Operating Expenses as defined in the Authority's General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented ('Bond Resolution'). Accordingly, any expenditures for such purposes must satisfy the requirements of the Authority's Bond Resolution relating to the release of funds from the trust estate created by the Bond Resolution for lawful corporate purposes. In addition, as set forth in the Trustees' Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 is to be used as a reference point in considering any such expenditures.

The Bond Resolution permits the Authority to withdraw monies 'free and clear of the lien and pledge created by the [Bond] Resolution' provided that (a) such withdrawals must be for a 'lawful corporate purpose as determined by the Authority,' and (b) the Authority must determine, taking into account among other considerations anticipated future receipt of revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for (i) payment of reasonable and necessary operating expenses, (ii) an Operating Fund reserve for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt or (iv) payment of interest and principal on subordinate debt.

DISCUSSION

The Canal Transfer Legislation authorized the Authority, as deemed feasible and advisable by the Trustees, to reimburse the Thruway Authority for any and all operating and capital costs for the operation and maintenance of the Canal Corporation and the Canal System for the period of April 1, 2016 through January 1, 2017 in advance of the January 1, 2017 implementation date set forth in such legislation for the transfer of the Canal Corporation to the Authority. In addition, the Authority has incurred and expects to incur integration costs in 2016 associated with the Canal Transfer. In total, the Authority estimates \$106.4 million in reimbursement costs and integration costs for 2016.

Pursuant to the Canal Transfer Legislation, the Authority entered into an agreement with the Thruway Authority ('Canal Reimbursement Agreement') to reimburse the Thruway Authority for any and all operating and capital costs for the operation and maintenance of the Canal Corporation and the Canal System for the period of April 1, 2016 through January 1, 2017.

In accordance with the Board's Policy Statement adopted May 24, 2011, staff calculated the impact of \$106.4 million in expenditures on the Authority's debt service coverage ratio and determined that these expenditures would result in a debt service coverage ratio of 1.80 which is below the 2.0

reference point. For purposes of the Board's Policy Statement these expenditures are treated as amounts being withdrawn or paid out directly or indirectly to a State entity, so that such expenditures will be 'Prior Contributions to the State' under such Policy Statement. In March of 2016, the Authority released \$71 million in voluntary contributions to the State which was related to the State's prior fiscal year 2015 - 2016. The combined effect of the release in funds to support the Canal Transfer and implementation costs, and the release of funds for the Voluntary Contribution is the primary reason for the debt service coverage calculation falling below the 2.0 reference point in 2016. The debt service coverage ratio as calculated per the Board Policy Statement is expected to remain below the 2.0 reference point at least until the voluntary contribution is no longer a component in the calculation, which is at the end of March 2017. Staff will provide continuous updates to the Board during development of the 2017 – 2020 financial forecast.

Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to release such amounts from the trust estate created by the Bond Resolution consistent with the terms thereof.

FISCAL INFORMATION

Staff has determined that sufficient funds are available in the Operating Fund to release up to \$106.4* million in funding to support costs associated with the Canal Transfer and that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's Bond Resolution. The Canal Transfer Legislation was enacted subsequent to approval of the Authority's 2016 Operating Budget approved by the Trustees in December 2015 and expenses associated with the transfer and integration were not anticipated for, and were not included in, the 2016 Operating Budget.

RECOMMENDATION

The Treasurer recommends that the Trustees affirm that the release of up to \$106.4* million in funding to support costs associated with the Canal Transfer is feasible and advisable, that such funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's Bond Resolution and that the release of such funds is authorized and ratified.

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

Mr. Brian McElroy provided an update on the Canal integration project and request for approval of \$60 million in funding to support anticipated activities related to its integration, to the Trustees.

In response to a question from Chairman Koelmel, Mr. McElroy said that the \$60 million being requested is a portion of the \$106.4 million anticipated expenses for the year for direct reimbursement for operations as well as integration costs.

Responding to further questioning from Chairman Koelmel, Mr. McElroy said the \$60 million is consistent with the amount staff anticipated for the first 6-7 months of expenses. To date, the Authority has expended about \$40 million; extrapolating that through December 2016 would result in about \$60 million.

In response to further questioning from Chairman Koelmel, Mr. Lurie said staff usually presents the budget for Trustee approval at the December meeting; therefore, staff will be able to provide a detailed overview of expenses for the Canal integration in 2017 and also put it in context of NYPA's overall budget and forecast.

Upon motion made by Trustee McKibben and seconded by Trustee Picente, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted, as amended.

RESOLVED, That the Trustees hereby authorize and ratify the release of up to \$60 million* in funding to support costs associated with the transfer of the New York State Canal Corporation and specified powers, duties and jurisdiction relating to the NYS Canal System from the New York State Thruway Authority (“Thruway Authority”) to the Authority (the “Canal Transfer”) including: (1) reimbursements to the Thruway Authority for the period of April 1, 2016 through January 1, 2017 as authorized by legislation approving the 2016-17 Budget of the State of New York (Part TT of Chapter 54 of the Laws of 2016), and (2) Authority integration costs for 2016 associated with the Canal Transfer as discussed in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the total amount of up to \$60 million* in funding as described in the foregoing resolution is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented and providing such amount is feasible and advisable; and be it further

RESOLVED, That as a condition to making the payments specified in the foregoing resolution, on the day of such payments, the Treasurer or the Deputy Treasurer shall certify that such monies are not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Corporate Secretary, the Treasurer and all other officers of the Authority 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 that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolution, subject to approval as to the form thereof by the Executive Vice President and General Counsel.

***Staff amended its request and the Trustees adopted \$60 million, and not \$106.4 million, in funding at the November 7, 2016 meeting.**

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

Mr. Chairman, I move that the Authority conduct an executive session to pursuant to the Public Officers Law of the State of New York sections §105(a)(c) and (f) to discuss the financial, credit or employment history of a particular person or corporation. Upon motion made by Trustee McKibben and seconded by Trustee Kress an executive session was held.

Chairman Koelmel said the meeting will adjourn in executive session since there were no matters to be voted on after the executive session.

5. **Next Meeting**

The Regular meeting of the Trustees will be held on **December 15, 2016 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 by Trustee McKibben and seconded by Trustee Kress, the meeting was adjourned at approximately 1:04 p.m.

Karen Delince

Karen Delince
Corporate Secretary

EXHIBITS

For

November 7, 2016

Special Meeting

Minutes

POWER AUTHORITY OF THE STATE OF NEW YORK

PROPOSED ISSUANCE OF ONE OR MORE SERIES OF 2016 REVENUE BONDS AND RELATED ACTIONS AND APPROVALS

WHEREAS, the Authority proposes to issue multiple series of Revenue Bonds (the “Series 2016 Bonds”), simultaneously or at different times in an aggregate principal amount of not more than \$475,000,000 for the following purposes: (i) to refund all or a portion of the Authority’s Series 2007 A Revenue Bonds (the “Series 2007 A Bonds”); (ii) to refund all or a portion of the Authority’s Series 2007 C Revenue Bonds (the “Series 2007 C Bonds” and, together with the Series 2007 A Revenue Bonds, the “Refunded Bonds”); (iii) to finance the costs associated with the Transmission System Project; (iv) to finance the costs associated with the Lewiston Pump Generating System Project; and (v) 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, 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 Eleventh Supplemental Resolution to the General Bond Resolution, attached to this resolution as **Exhibit A**, which authorizes the issuance of one or more series of Series 2016 Bonds for the purposes of implementing the associated plan of finance;

WHEREAS, implementation of any refunding will depend upon market conditions and other factors, and as a result thereof, the Authority may issue the Series 2016 Bonds as fixed rate or variable rate bonds, as tax-exempt or taxable bonds, or as combinations thereof;

WHEREAS, to the extent that Series 2016 Bonds are issued bearing fixed rates, such Series 2016 Bonds, at the date of their issuance, shall have a true interest cost not to exceed 4.50 percent, and to the extent that any Series 2016 Bonds are issued bearing variable rates, the initial rate or rates applicable to such Series 2016 Bonds at the date of their issuance shall not exceed 4.50 percent;

WHEREAS, it is anticipated that one or more contracts of purchase may 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 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 2015 A Revenue Bonds (the “Series 2015 Bonds”), and in the event that one or more placement, financing, or forward purchase or delivery agreements may be entered into, with such changes, insertions, deletions, amendments and supplements as any Designated Officer may approve, subject to the requirements of the Eleventh Supplemental Resolution;

WHEREAS, it is anticipated that one or more series of the Series 2016 Bonds may be issued as green bonds;

WHEREAS, a Preliminary Official Statement relating to the Series 2016 Bonds is expected to be made available to potential purchasers of the Series 2016 Bonds, a draft form of which is attached to this resolution as **Exhibit B**; and

WHEREAS, the Finance Committee of the Trustees has reviewed and considered the proposed issuance of the Series 2016 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 2016 Bonds shall be sold, subject to the limitations described below, to underwriters selected by a Designated Officer from the Prequalified Underwriting Pool, or privately placed with one or more investors or financial institutions, 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 approve and as will be in compliance with the requirements of the Eleventh Supplemental Resolution, and pursuant to a Contract of Purchase or a placement, financing, or forward purchase or delivery agreement, 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 2015 Bonds, providing for the sale of one or more series of the Bonds to said purchasers, and in the event that one or more placement, financing, loan, or forward purchase or delivery agreements with one or more investors or financial institutions may be entered into, with such changes, insertions, deletions, amendments and supplements as any Designated Officer may approve, subject to the requirements of the Eleventh 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 or placement, financing, loan or forward purchase or delivery agreements upon execution thereof and that the execution of the Contracts of Purchase or placement, financing, loan or forward purchase or delivery agreements relating to the Series 2016 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 2016 Bonds has been authorized by the Authority's Board of Trustees.

Section 3. The Eleventh Supplemental Resolution in the form presented to this meeting (attached hereto as **Exhibit A**) 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 Eleventh 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 or 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 2016 Bonds (attached hereto as **Exhibit B**) 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 2016 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 or private placement memoranda of the Authority relating to the Series 2016 Bonds, in such form and substance as such officer deems necessary or desirable, and the delivery of each said Official Statement or placement memorandum to the purchasers of said Bonds is hereby authorized, and the Authority hereby authorizes each said Official Statement or placement memorandum and the information contained therein to be used in connection with the sale and delivery of the Series 2016 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 2016 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 2016 Bonds in a notional amount not greater than the principal amount of the related Series 2016 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 Eleventh Supplemental Resolution; the Contracts of Purchase; any placement, financing, loan or forward purchase or delivery agreements; 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 2016 Bonds; (ii) implement any action permitted to be taken by the Authority under the Eleventh Supplemental Resolution; the Contracts of Purchase; any placement, financing, or forward purchase or delivery agreements; and the other agreements and documents approved today following the issuance of the Series 2016 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 2016 Bonds under the General Resolution and as escrow agent for the Refunded Bonds if an escrow account is established for such Refunded 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 2016 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 2015 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 A: Eleventh Supplemental Resolution Authorizing Series 2016 Bonds

Exhibit B: Draft of Preliminary Official Statement relating to the Series 2016 Bonds

**POWER AUTHORITY OF THE STATE
OF NEW YORK**

ELEVENTH SUPPLEMENTAL RESOLUTION
authorizing
REVENUE BONDS

Adopted on November 7, 2016

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APPENDIX A A-1

ELEVENTH 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 November 7, 2016 (“**Eleventh 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 Eleventh Supplemental Resolution, the “**Resolution**”), and is adopted pursuant to the provisions of the Act.

102. Definitions. (a) All terms which are defined in Section 101 of the General Resolution shall have the same meanings for purposes of this Eleventh Supplemental Resolution.

(b) In this Eleventh Supplemental Resolution:

“**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, Executive Vice President and Chief Financial Officer or Treasurer of the Authority delivered pursuant to Section 204 of this Eleventh 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.

“**Lewiston Pump Generating System Project**” means the live extension and modernization project relating to the Lewiston Pump Generating System of the Authority.

“**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 2007 A Bonds” shall mean the Authority’s 2007 A Revenue Bonds.

“Series 2007 C Bonds” shall mean the Authority’s 2007 C Revenue Bonds.

“Series 2016 Bonds” 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.

“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.

“Transmission System Project” means the life extension and modernization project relating to the Authority’s power transmission system.

“**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 designations, or such other designations as shall be set forth in the Certificate of Determination: the “Series 2016 A Revenue Bonds”, the “Series 2016 B Revenue Bonds”, the “Series 2016 C Revenue Bonds” and the “Series 2016 D 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 \$475,000,000. 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 2016, 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 all or a portion of the Authority’s Series 2007 A Revenue Bonds;

(ii) refund all or a portion of the Authority’s Series 2007 C Revenue Bonds;

(iii) finance costs associated with the Transmission System Project;

(iv) finance costs associated with the Lewiston Pump Generating System Project; and

(v) 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, shall mature and shall bear interest from the date as may be specified by the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or the Treasurer of the Authority in the applicable Certificate of Determination pursuant to Section 204 hereof. 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 shall be Tax-Exempt Obligations or Taxable Obligations, as 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 “2016 A”, “2016 B”, “2016 C” and “2016 D” depending on their respective series, 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 2007 A Bonds and the Series 2007 C 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 Eleventh 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 Eleventh 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 Eleventh 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, 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 to be issued shall not exceed \$475,000,000;

(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 4.50 percent 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 4.50 percent;

(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) whether each Series of such Bonds shall be Tax-Exempt Obligations or Taxable Obligations;

(ix) whether each Series of such Bonds shall be sold by public sale or by placement of such Bonds with one or more investors or financial institutions;

(x) the definitive form or forms of the Bonds and the definitive form or forms of the Trustee's certificate of authentication thereon;

(xi) 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;

(xii) provisions that are deemed necessary or advisable by the Chairman, President and Chief Executive Officer, 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;

(xiii) 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, 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

(xiv) any other provisions deemed advisable by the Chairman, President and Chief Executive Officer, 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, Executive Vice President and Chief Financial Officer or 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 Eleventh 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, 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 Eleventh 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, 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 2016 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, by the resolution of the Authority entitled “Ninth Supplemental Resolution Authorizing Revenue Bonds” adopted October 26, 2010, and amended and restated July 26, 2011, and by the resolution of the Authority entitled “Tenth Supplemental Resolution Authorizing Revenue Bonds” adopted September 29, 2015. This Eleventh 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, Executive Vice President and Chief Financial Officer or 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 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 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 Eleventh Supplemental Resolution and the transactions contemplated hereby.

408. Effective Date. This Eleventh 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. 2016[A][B][C][D] - _____ \$ _____

POWER AUTHORITY OF THE STATE OF NEW YORK

Revenue Bonds, Series 2016 [A][B][C][D]

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 November 7, 2016, and entitled “Eleventh Supplemental Resolution Authorizing Revenue Bonds” (herein called the “Eleventh 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 2016 [A][B][C][D]” (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.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER __, 2016**NEW ISSUE—BOOK ENTRY ONLY**

In the opinions of Co-Bond Counsel to the Authority Power Authority of the State of New York (the “Authority”), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2016 A Revenue Bonds (Tax Exempt) (the “2016 A Bonds”) and the Series 2016 B Revenue Bonds (Tax Exempt) (the “2016 B 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”), (ii) interest on the 2016 A Bonds and the 2016 B 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, and (iii) interest on the Series 2016 C Revenue Bonds (Federally Taxable) (the “2016 C Bonds”) and the Series 2016 D Revenue Bonds (Federally Taxable) (the “2016 D Bonds”) and, together with the 2016 A Bonds, the 2016 B Bonds, and the 2016 C Bonds, the “2016 Bonds”) is included in gross income for federal income tax purposes. See “TAX MATTERS” herein. In addition, in the opinions of Co-Bond Counsel, under existing statutes, interest on the 2016 A Bonds, the 2016 B Bonds, the 2016 C Bonds, and the 2016 D Bonds is exempt from personal income taxes imposed by the State of New York (the “State”) or any political subdivision thereof, including The City of New York (the “City”), and the 2016 A Bonds, the 2016 B Bonds, the 2016 C Bonds, and the 2016 D 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.

\$000,000,000**Power Authority of the State of New York****\$000,000,000 Series 2016 A Revenue Bonds (Tax Exempt)****\$000,000,000 Series 2016 B Revenue Bonds (Tax Exempt)****\$000,000,000 Series 2016 C Revenue Bonds (Federally Taxable)****\$000,000,000 Series 2016 D Revenue Bonds (Federally Taxable)****Dated: Date of Delivery****Due: November 15, as shown on inside cover page**

The Authority, a corporate municipal instrumentality and political subdivision of the State, is issuing the 2016 A Bonds to redeem the Authority’s Series 2007 A Revenue Bonds and to pay the costs of issuance of the 2016 A Bonds. The Authority is issuing the 2016 B Bonds to finance a portion of the costs of the Authority’s Transmission Life Extension and Modernization Program and to pay the costs of issuance of the 2016 B Bonds. The Authority is issuing the 2016 C Bonds to refund the Authority’s Series 2007 C Revenue Bonds and to pay the costs of issuance of the 2016 C Bonds. The Authority is issuing the 2016 D Bonds to finance a portion of the costs of the Authority’s Lewiston Pump-Generating Plant Life Extension and Modernization Program and to pay the costs of issuance of the 2016 D Bonds. The 2016 A Bonds, the 2016 B Bonds, the 2016 C Bonds and the 2016 D Bonds are referred to herein collectively as the “2016 Bonds”.

The 2016 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 2016 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 2016 Bonds purchased. So long as DTC or its nominee is the registered owner of the 2016 Bonds, payments of the principal of, and premium, if any, and interest on the 2016 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 2016 Bonds will be payable as provided on the inside cover page of this Official Statement. Interest on the 2016 Bonds will be payable on [May 15, 2017] and semiannually thereafter on each November 15 and May 15.

The 2016 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

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change, without notice. 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.

any Separately Financed Projects as described herein. The 2016 Bonds are on a parity with other Obligations and Parity Debt of the Authority. See “PART 1—SECURITY FOR THE 2016 BONDS” herein.

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 2016 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 _____], each Co-Special Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick Herrington & Sutcliffe LLP. It is expected that the 2016 Bonds in definitive form will be available for delivery in New York, New York, on [____], 2016.

Wells Fargo Securities

**J.P. Morgan Securities LLC
Ramirez & Co., Inc.**

**Morgan Stanley & Co., LLC
Siebert Cisneros Shank & Co., LLC**

[____], 2016

\$000,000,000
Power Authority of the State of New York
\$000,000,000 Series 2016 A Revenue Bonds (Tax Exempt)
\$000,000,000 Series 2016 B Revenue Bonds (Tax Exempt)
\$000,000,000 Series 2016 C Revenue Bonds (Federally Taxable)
\$000,000,000 Series 2016 D Revenue Bonds (Federally Taxable)

SERIAL BONDS

<u>Maturity</u> <u>November 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>(64989K)*</u>
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TERM BONDS

\$ _____ % Term Bonds due _____, 20____, Yield _____ % CUSIP _____*
 \$ _____ % Term Bonds due _____, 20____, Yield _____ % CUSIP _____*

* 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 2016 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 2016 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2016 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 2016 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 2016 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.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof, this Preliminary Official Statement constitutes an official statement of the Authority that has been deemed final by the Authority as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

In connection with the offering of the 2016 Bonds, the Underwriters may over allot 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 TABLE 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 THE TABLE OF CONTENTS AND ALL APPENDICES THERETO (COLLECTIVELY, “PART 2”). BOTH THIS PART 1 AND PART 2 ARE DATED [____], 2016. THIS PART 1, TOGETHER WITH PART 2, CONSTITUTES THE AUTHORITY’S OFFICIAL STATEMENT RELATING TO THE 2016 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, purchases and sells electric power and energy as authorized by law. The Authority owns and operates five major generating facilities, eleven small electric generating units located at seven facilities, and four small hydroelectric facilities, with a total installed capacity of approximately 6,051 MW, and a number of transmission lines, including major 765-kV and 345-kV transmission facilities. The Authority’s customers include municipal and rural electric cooperatives located throughout the State, investor-owned utilities, high load factor industries, commercial/industrial and not-for-profit businesses, and various public corporations located within the metropolitan area of New York City (the “City”) and certain neighboring states.

Legislation was enacted on April 4, 2016 which provided for the transfer to the Authority, effective January 1, 2017, of the New York State Canal Corporation (the “Canal Corporation”), a corporation responsible for the management of the New York State Canal System’s 524 miles of waterways for four canals and 27 hydro facilities (three of which the Authority already owns). Such enacted legislation provides that the Canal Corporation will become a subsidiary of the Authority. See “Part 2—CERTAIN FINANCIAL MATTERS—Transfer of Canal Corporation to the Authority.”

The 2016 Bonds..... The Series 2016 A Revenue Bonds (Tax Exempt) (the “2016 A Bonds”), the Series 2016 B Revenue Bonds (Tax Exempt) (the “2016 B Bonds”), the Series 2016 C Revenue Bonds (Federally Taxable) (the “2016 C Bonds”), and the Series 2016 D Revenue Bonds (Federally Taxable) (the “2016 D Bonds” and, together with the 2016 A Bonds, the 2016 B Bonds, and the 2016 C Bonds, the “2016 Bonds”) are being offered in the principal amount per maturity and bearing the interest rates set forth on the inside front cover page of this Official Statement.

The 2016 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”), including as supplemented by the Eleventh Supplemental Resolution Authorizing Revenue Bonds, adopted on November [__], 2016.

Denominations..... \$5,000 or any integral multiple thereof.

Interest Payment Dates May 15, 2017 and semiannually thereafter on each November 15 and May 15.

Redemption.....	Certain of the 2016 Bonds are subject to optional and mandatory redemption prior to maturity on the dates and at the redemption prices described herein under the caption “PART 1 – THE 2016 BONDS – Redemption”.
Security for the 2016 Bonds	The 2016 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 Obligations, including the 2016 Bonds, and to pay Parity Debt after the payment of Operating Expenses. See “PART 1—SECURITY FOR THE 2016 BONDS.”
Rate Covenant.....	<p>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 2016 Bonds. See “PART 1—SECURITY FOR THE 2016 BONDS.”</p> <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>
Plan of Finance	The proceeds of the 2016 A Bonds will be used, together with other available funds of the Authority, to redeem on November 15, 2017 \$[_____] of the Authority’s Series 2007 A Revenue Bonds and to pay the costs of issuance of the 2016 A Bonds. The proceeds of the 2016 B Bonds will be used to finance a portion of the costs of the Authority’s Transmission Life Extension and Modernization Program and to pay the costs of issuance of the 2016 B Bonds. The proceeds of the 2016 C Bonds will be used, together with other available funds of the Authority, to redeem on November 15, 2017 \$[_____] of the Authority’s Series 2007 C Revenue Bonds and to pay the cost of issuance of the 2016 C Bonds. The proceeds of the 2016 D Bonds will be used to finance a portion of the costs of the Authority’s Lewiston Pump-Generating Plant Life Extension and Modernization Program and to pay the costs of issuance of the 2016 D Bonds. See “PART 1—PLAN OF FINANCE.”
General Resolution Funds.....	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 2016 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 2016 BONDS.”

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.

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 Obligations, including the 2016 Bonds and Parity Debt, if needed.

Additional Indebtedness;

Parity Debt

As of June 30, 2016, the Authority had outstanding \$882,245,000 in principal amount of Revenue Bonds, which are Obligations on a parity with the 2016 Bonds.

The Authority may issue additional Obligations pursuant to the General Resolution, payable and secured on a parity with the 2016 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”), or by other then-applicable State statutory provisions. The principal amount of Obligations which may be issued 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.

The Authority may also issue additional Parity Debt payable and secured on a parity with Obligations, including the 2016 Bonds. Currently, there is no other Parity Debt outstanding.

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 Obligations, including the 2016 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 Obligations, including the 2016 Bonds, and any Parity Debt.

As of June 30, 2016, the Authority had outstanding \$527,422,000 in principal amount of Subordinated Indebtedness. In addition, on November 7, 2016, the Authority approved the issuance of up to \$30,000,000 of Subordinated Notes on or prior to December 31, 2016.

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 2016

Bonds

The 2016 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 2016 Bonds (a “Beneficial Owner”) will be entitled to receive a 2016 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 2016 Bonds, or to DTC Participants for distribution to Beneficial Owners in accordance with DTC procedures.

Tax Considerations

In the opinions 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 2016 A Bonds and the 2016 B 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”), (ii) interest on the 2016 A Bonds and the 2016 B 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, and (iii) interest on the 2016 C Bonds and the 2016 D Bonds is included in gross income for federal income tax purposes. See “PART 1—TAX MATTERS.”

In addition, in the opinions of Co-Bond Counsel under existing statutes, interest on the 2016 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including the City), and the 2016 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

The Bank of New York Mellon.

Authority’s Co-Financial Advisors.....

Public Financial Management, Inc. and Mohanty Gargiulo LLC.

Ratings

Moody's Investors Service, Inc., S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC and Fitch Ratings have assigned ratings of "[]", "[]", and "[]", respectively, to the 2016 Bonds. See "PART 1 – RATINGS."

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PART 1
of the
OFFICIAL STATEMENT
of the
POWER AUTHORITY OF THE STATE OF NEW YORK
\$000,000,000
REVENUE BONDS
\$000,000,000 Series 2016 A Revenue Bonds (Tax Exempt)
\$000,000,000 Series 2016 B Revenue Bonds (Tax Exempt)
\$000,000,000 Series 2016 C Revenue Bonds (Federally Taxable)
\$000,000,000 Series 2016 D Revenue Bonds (Federally Taxable)

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 2016 A Revenue Bonds (Tax Exempt) (the “2016 A Bonds”), Series 2016 B Revenue Bonds (Tax Exempt) (the “2016 B Bonds”), Series 2016 C Revenue Bonds (Federally Taxable) (the “2016 C Bonds”) and Series 2016 D Revenue Bonds (Federally Taxable) (the “2016 D Bonds” and together with the 2016 A Bonds, the 2016 B Bonds and the 2016 C Bonds, the “2016 Bonds”). This Official Statement is dated [____], 2016 to reflect the execution of a Contract of Purchase for the 2016 Bonds on that date. The 2016 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 2016 Bonds, as supplemented by an Eleventh Supplemental Resolution adopted on [____], 2016, which authorized the issuance of the 2016 Bonds (the “Eleventh 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 2016 Bonds) of the Authority hereafter issued as parity obligations and outstanding pursuant to the General Resolution are referred to herein as “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, purchases and sells electric power and energy as authorized by law. The Authority’s customers include municipal and rural electric cooperatives located throughout the State, investor-owned utilities, high load factor industries, commercial/industrial and not-for-profit businesses, and various public corporations located within the metropolitan area of New York City (the “City”), including the City, and certain neighboring states.

The Authority owns and operates in the State five major generating facilities, eleven small electric generating units located at seven facilities, and four small hydroelectric facilities, with a total installed capacity of approximately 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 major generating facilities consist of two large hydroelectric facilities (Niagara and St. Lawrence-FDR), a large pumped-storage hydroelectric facility (Blenheim-Gilboa) and 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”).

Legislation was enacted on April 4, 2016 which provided for the transfer to the Authority, effective January 1, 2017, of the New York State Canal Corporation (the “Canal Corporation”), a corporation responsible for the management of the New York State Canal System’s 524 miles of waterways for four canals and 27 hydro facilities (three of which the Authority already owns). Such enacted legislation provides that the Canal Corporation will become a subsidiary of the Authority. See “Part 2—CERTAIN FINANCIAL MATTERS—Transfer of Canal Corporation to the Authority.”

The Authority’s net generation in 2015 (including output contracted by the Authority from Astoria Energy II) by energy source was as follows: hydroelectric 74% and gas/oil 26%. In 2015, this net generation represented approximately 18% 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 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:

- (1) *St. Lawrence-FDR and Niagara Customers.* Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities are sold to investor-owned electric utilities that provide services in the State, municipal electric systems, rural electric cooperatives, industrial customers, certain public bodies, out-of-state customers, and customers purchasing power pursuant to the Recharge New York Power Program (the “RNYPP”).
- (2) *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.
- (3) *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.
- (4) *500-MW Plant Customers.* The power and energy of the 500-MW Plant are 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.
- (5) *Small Clean Power Plants (“SCPPs”) Customers.* The power and energy of these plants may be used to meet the requirements of the Authority’s business and governmental customers and to provide services in the NYISO markets.
- (6) *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 RNYPP, businesses, municipal electric systems, rural electric cooperatives, and various municipal utility service agencies.
- (7) *Richard M. Flynn Plant (“Flynn”) Customers.* The output of Flynn is being sold into the NYISO markets as merchant generation.

Transmission Facilities. The Authority owns approximately 1,400 circuit miles of high voltage transmission lines, more than any other utility in the State (230 kV and above), 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”). In addition, the Authority has executed a contract with Hudson Transmission Partners, LLP for up to 75% of the 660 MW of transmission capacity on its transmission line extending from Bergen County, New Jersey to Consolidated Edison’s West 49th Street substation (see “PART 2—POWER SALES—Marketing Issues and Developments—Item (7)”).

Customer Energy Services. The Authority also provides and finances energy solutions for certain of its customers and other entities in the State (see “PART 2—CUSTOMER ENERGY SERVICES”).

Indebtedness. As of September 30, 2016, \$882,245,000 of Obligations (the “Revenue Bonds”), issued under the General Resolution, were outstanding.

As of September 30, 2016, Commercial Paper Notes of the Authority (the “CP Notes”) were outstanding in the aggregate principal amount of \$499,642,000. The CP Notes are Subordinated Indebtedness of the Authority as provided in the General Resolution.

As of September 30, 2016, Extendible Municipal Commercial Paper Notes of the Authority (the “EMCP Notes”) were outstanding in the aggregate principal amount of \$5,000,000. The EMCP Notes are Subordinated Indebtedness of the Authority as provided in the General Resolution.

As of September 30, 2016, the Authority’s Subordinated Notes, Series 2012 (the “2012 Subordinated Notes”) were outstanding in the aggregate principal amount of \$22,780,000. 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 2016 Bonds and the security for the 2016 Bonds, and a discussion of other matters relating to the 2016 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 Authority’s financial statements for the year ended December 31, 2015 (the “2015 Financial Statements”) and the Authority’s unaudited financial statements for the six months ended June 30, 2016 (the “Unaudited Six-Month Financial Statements”) have been filed with the Electronic Municipal Market Access System (“EMMA”) of the Municipal Securities Rulemaking Board (“MSRB”), currently located at <http://emma.msrb.org/>, and are hereby included by specific cross-reference in this Official Statement. For convenience, a copy of the Authority’s financial statements for the year ended December 31, 2015 is also available on the Authority’s website at <http://www.nypa.gov/financial/default.htm>. No statement on the Authority’s website is included by specific cross-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 form of the approving opinions of Co-Bond Counsel is set forth in Appendix A to Part 1 of this Official Statement. Extracts from the schedule of The Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT 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 2016 Bonds is set forth in Appendix C to Part 1 of this Official Statement.

SECURITY FOR THE 2016 BONDS

The General Resolution authorizes the issuance of Obligations for any purpose authorized by the Act or other State statutory provision then applicable. All Obligations, including the 2016 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 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 Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee. 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 2016 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 2016 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 the New York Public Service Commission (the “PSC”).

The Authority, being engaged in the wholesale transmission, sale and purchase of electricity, is a “Market Participant” in the NYISO. The NYISO collects charges associated with the use of transmission facilities for wholesale transactions, including the Authority’s transmission facilities, and remits the proceeds of such charges to the transmission owners in accordance with its tariff. Similarly, the NYISO collects charges associated with the sale of energy, capacity and ancillary services in the NYISO markets and remits the proceeds of such charges to the sellers of the electricity in accordance with their respective bids and applicable NYISO market procedures (see “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 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 Obligations, including the 2016 Bonds. As of the date of this Official Statement, the Subordinated Indebtedness issued by the Authority and outstanding consists of the CP Notes, the EMCP Notes and the 2012 Subordinated Notes; the Authority has authorized the issuance of up to \$30,000,000 principal amount of Subordinated Notes prior to December 31, 2016 (see “PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Outstanding Indebtedness”).

The Authority may also incur Parity Debt payable and secured on a parity with Obligations, including the 2016 Bonds. Currently, there is no Parity Debt outstanding. 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”).

In connection with future or outstanding debt, the Authority may enter into 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 Obligations, including the 2016 Bonds, or subordinate to Obligations, including the 2016 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 Obligations, including the 2016 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. There are currently no Separately Financed Projects.

For a discussion of energy swap agreements entered into by the Authority, see the Authority's 2015 Financial Statements, 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 2016 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 2016 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 2016 Bonds.

For a description of other provisions of the General Resolution related to the security for Obligations, including the 2016 Bonds, see "PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

PLAN OF FINANCE

The proceeds of the 2016 A Bonds will be used, together with other available funds of the Authority, to redeem on November 15, 2017, \$[_____] of the Authority's Series 2007 A Revenue Bonds and to pay the costs of issuance of the 2016 A Bonds. The proceeds of the 2016 B Bonds will be used to finance a portion of the costs of the Authority's Transmission Life Extension and Modernization Program and to pay the costs of issuance of the 2016 B Bonds. The proceeds of the 2016 C Bonds will be used, together with other available funds of the Authority, to redeem on November 15, 2017, \$[_____] of the Authority's Series 2007 C Revenue Bonds and to pay the costs of issuance of the 2016 C Bonds. The proceeds of the 2016 D Bonds will be used to finance a portion of the costs of the Authority's Lewiston Pump-Generating Plant Life Extension and Modernization Program and to pay the costs of issuance of the 2016 D Bonds. See "PART 2—CERTAIN FINANCIAL MATTERS - Projected Capital and Financing Requirements and Other Potential Initiatives – Lewiston Pump-Generating Plant Life Extension and Modernization Program; Transmission Life Extension and Modernization Program."

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Moneys will be derived from the sources and applied to the uses approximately as set forth below:

Sources of Funds	
Principal Amount of the 2016 Bonds.....	\$[_____]
Available Authority Funds.....	[_____]
Total.....	<u>\$[_____]</u>
 Application of Funds	
Deposit into Escrow Fund to Redeem 2007 A Revenue Bonds.....	\$[_____]
Deposit into Escrow Fund to Redeem 2007 C Revenue Bonds.....	\$[_____]
Deposit into Construction Fund.....	\$[_____]
Financing Costs ⁽¹⁾	[_____]
Total.....	<u>\$[_____]</u>

⁽¹⁾ Includes costs of issuance, underwriters' discount, and State bond issuance fee.

THE 2016 BONDS

General Terms

The 2016 Bonds will be serial bonds and term bonds and will be dated, will mature at the times and in the principal amounts, and will bear interest at the rates as set forth on the inside cover page of this Official Statement.

The 2016 Bonds are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof, registered in the name of Cede & Co., as nominee of DTC (see "PART 1—APPENDIX B—BOOK-ENTRY-ONLY SYSTEM PROCEDURES"). So long as the 2016 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 2016 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 2016 Bonds will bear interest payable on [May 15, 2017] and semiannually thereafter on each November 15 and May 15, 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

Optional Redemption — 2016 A Bonds

The 2016 A Bonds will be redeemable prior to maturity at the option of the Authority on or after [_____], 2026 at any time as a whole or in part as determined by the Authority, at a redemption price equal to the principal amount of the 2016 A Bonds to be redeemed, plus accrued interest to the redemption date.

Sinking Fund Redemption — 2016 A Bonds

Certain 2016 A Bonds will be subject to mandatory redemption through application of sinking fund installments prior to maturity in part by lot at 100% of the principal amount thereof plus accrued interest to the date of redemption, on the date and in the amounts of the sinking fund installments shown on the following schedule:

Term Bonds Due [____]	
November 15	Principal Amount
<hr/>	

Optional Redemption — 2016 B Bonds

The 2016 B Bonds will be redeemable prior to maturity at the option of the Authority on or after [____], 2026 at any time as a whole or in part as determined by the Authority, at a redemption price equal to the principal amount of the 2016 B Bonds to be redeemed, plus accrued interest to the redemption date.

Sinking Fund Redemption — 2016 B Bonds

Certain 2016 B Bonds will be subject to mandatory redemption through application of sinking fund installments prior to maturity in part by lot at 100% of the principal amount thereof plus accrued interest to the date of redemption, on the date and in the amounts of the sinking fund installments shown on the following schedule:

Term Bonds Due [____]	
November 15	Principal Amount
<hr/>	

Term Bonds Due [____]	
November 15	Principal Amount
<hr/>	

In the event that a principal amount of 2016 B Bonds of any maturity is deemed to be no longer Outstanding, except by mandatory redemption pursuant to the preceding paragraph, such principal amount shall be applied to reduce the remaining sinking fund installments for such 2016 B Bonds, and in such order of maturity, as may be determined by the Authority.

Optional Redemption — 2016 C Bonds

The 2016 C Bonds are subject to redemption prior to their maturity at any time, at the option of the Authority, from any source available for such purpose, in whole or in part (and pro rata if less than all of a maturity is to be redeemed), at a redemption price equal to the principal amount of the 2016 C Bonds to be redeemed plus the Applicable Premium, if any, together with accrued interest to the redemption date. The "Applicable Premium" of any redeemed 2016 C Bond equals the excess of: (a) the present value at the date of redemption of 100% of the principal amount of such 2016 C Bond plus all required interest payments due on such 2016 C Bond through its Stated Maturity date (excluding accrued but unpaid interest), calculated by the Authority (which calculation shall be conclusive), using a discount rate equal

to the Treasury Rate plus [12.5] basis points minus (b) the principal amount of such 2016 C Bond. The Applicable Premium cannot be less than \$0.00. If the period from the date of redemption to the Stated Maturity date is greater than one year, the "Treasury Rate" will be equal to the yield to maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15(519) that becomes publicly available seven business days prior to the date of redemption (or, if such publication is no longer published, any publicly available source of similar market data) most nearly equal to the period from the date of redemption to the Stated Maturity date. If the period from the date of redemption to the Stated Maturity date is less than one year, the "Treasury Rate" will be equal to the weekly average yield of actually traded United States Treasury securities adjusted to a constant maturity of one year. The "Stated Maturity" date of any 2016 C Bond is the maturity date shown on the inside front cover hereof.

Sinking Fund Redemption — 2016 C Bonds

The 2016 C Bonds are not subject to mandatory redemption.

Optional Redemption — 2016 D Bonds

The 2016 D Bonds are subject to redemption prior to their maturity at any time, at the option of the Authority, from any source available for such purpose, in whole or in part (and pro rata if less than all of a maturity is to be redeemed), at a redemption price equal to the principal amount of the 2016 D Bonds to be redeemed plus the Applicable Premium, if any, together with accrued interest to the redemption date. The "Applicable Premium" of any redeemed 2016 D Bond equals the excess of: (a) the present value at the date of redemption of 100% of the principal amount of such 2016 D Bond plus all required interest payments due on such 2016 D Bond through its Stated Maturity date (excluding accrued but unpaid interest), calculated by the Authority (which calculation shall be conclusive), using a discount rate equal to the Treasury Rate plus [12.5] basis points minus (b) the principal amount of such 2016 D Bond. The Applicable Premium cannot be less than \$0.00. If the period from the date of redemption to the Stated Maturity date is greater than one year, the "Treasury Rate" will be equal to the yield to maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15(519) that becomes publicly available seven business days prior to the date of redemption (or, if such publication is no longer published, any publicly available source of similar market data) most nearly equal to the period from the date of redemption to the Stated Maturity date. If the period from the date of redemption to the Stated Maturity date is less than one year, the "Treasury Rate" will be equal to the weekly average yield of actually traded United States Treasury securities adjusted to a constant maturity of one year. The "Stated Maturity" date of any 2016 D Bond is the maturity date shown on the inside front cover hereof.

Sinking Fund Redemption — 2016 D Bonds

Certain 2016 D Bonds will be subject to mandatory redemption through application of sinking fund installments prior to maturity in part by lot at 100% of the principal amount thereof plus accrued interest to the date of redemption, on the date and in the amounts of the sinking fund installments shown on the following schedule:

Term Bonds Due [_____]	
<u>November 15</u>	Principal Amount

Term Bonds Due [_____]

In the event that a principal amount of 2016 D Bonds of any maturity is deemed to be no longer Outstanding, except by mandatory redemption pursuant to the preceding paragraph, such principal amount shall be applied to reduce the remaining sinking fund installments for such 2016 D Bonds, and in such order of maturity, as may be determined by the Authority.

Selection of 2016 Bonds to be Redeemed

In the event that less than all of the 2016 Bonds of a maturity are redeemed, the 2016 Bonds of such maturity to be redeemed will be selected by the Trustee in such manner as the Trustee shall deem appropriate and fair. In such event, for so long as a book-entry-only system is in effect with respect to the 2016 Bonds, DTC or its successor, and direct and indirect DTC participants, will determine the particular ownership interests of 2016 Bonds of such maturity to be redeemed. Any failure of DTC or its successor, or of a direct or indirect DTC participant, to make such determination will not affect the sufficiency or the validity of the redemption of 2016 Bonds to be redeemed (see "PART 1—APPENDIX B—BOOK-ENTRY-ONLY SYSTEM PROCEDURES").

Notice of Redemption

For so long as a book-entry-only system is in effect with respect to the 2016 Bonds, notice of redemption of 2016 Bonds to be redeemed is to be mailed, not less than 30 days nor more than 45 days prior to the redemption date, to DTC or its nominee or its successor. Any failure of DTC or its successor, or of a direct or indirect DTC participant, to notify a beneficial owner of a 2016 Bond of any redemption will not affect the sufficiency or the validity of the redemption of the 2016 Bonds to be redeemed (see "PART 1—APPENDIX B—BOOK-ENTRY-ONLY SYSTEM PROCEDURES").

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 2016 Bonds 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 occur. Notice of such rescission shall be given by the Trustee to affected Owners of 2016 Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Neither the Authority nor the Trustee can give any assurance that DTC or its successor, or direct or indirect DTC participants, will distribute such redemption notices to the beneficial owners of the 2016 Bonds, or that they will do so on a timely basis.

TAX MATTERS

Opinions of Co-Bond Counsel

In the opinions 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 2016 A Bonds and the 2016 B Bonds (collectively, the "Tax-Exempt Bonds") is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, (ii) interest on the Tax-Exempt 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, and (iii) interest on the 2016 C Bonds and the 2016 D Bonds (collectively, the “Taxable Bonds”) is included in gross income for federal income tax purposes. In rendering their opinions, Co-Bond Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Tax-Exempt Bonds, and Co-Bond Counsel 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 Tax-Exempt 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 2016 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including the City), and the 2016 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 express no opinion regarding any other federal, state or local tax consequences with respect to the 2016 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 their opinions after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to their respective 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 Tax-Exempt Bonds, or under state or 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 Tax-Exempt Bonds in order that interest on the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Tax-Exempt 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 Tax-Exempt Bonds.

Prospective owners of the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 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 the Tax-Exempt Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any 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 Tax-Exempt 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 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bonds under federal or state law or otherwise prevent beneficial owners of the Tax-Exempt 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 Tax-Exempt Bonds. For example, budgets proposed by the Obama Administration from time to time have recommended a 28% limitation on certain itemized deductions and 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 Tax-Exempt Bonds should consult their own tax advisors regarding the foregoing matters.

Taxable Bonds

The following discussion is a brief summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of Taxable Bonds by original purchasers of the Taxable Bonds who are "U.S. Holders," as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Taxable Bonds will be held as "capital assets;" and (iii) does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Taxable Bonds as a position in a "hedge" or "straddle," holders

whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Taxable Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of Taxable Bonds should consult with their own tax advisors concerning the United States Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Original Issue Discount

In general, if Original Issue Discount (“OID”) is greater than a statutorily defined *de minimis* amount, a holder of a Taxable Bond must include in federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Taxable Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder’s method of accounting. “OID” is the excess of (i) the “stated redemption price at maturity” over (ii) the “issue price”. For purposes of the foregoing: “issue price” means the first price at which a substantial amount of the Taxable Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); “stated redemption price at maturity” means the sum of all payments, other than “qualified stated interest,” provided by such Taxable Bond; “qualified stated interest” is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and “*de minimis* amount” is an amount equal to 0.25 percent of the Taxable Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity. A holder may irrevocably elect to include in gross income all interest that accrues on a Taxable Bond using the constant-yield method, subject to certain modifications.

Bond Premium

In general, if a Taxable Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the Taxable Bond other than “qualified stated interest” (a “Taxable Premium Bond”), that Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the holder of a Taxable Premium Bond elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable 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 highest yield on such bond), the amortizable premium is treated as an offset to interest income; the holder will make a corresponding adjustment to the holder’s basis in the Taxable Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the holder's original acquisition cost.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Taxable Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder’s adjusted tax basis in the Taxable Bond.

The Authority may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Bonds to be deemed to be no longer outstanding under the resolution of the Taxable Bonds (a “defeasance”). (See Part 2—Appendix 1, “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION” herein). For federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Taxable Bonds subsequent to any such defeasance could also be affected.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to non-corporate holders of the Taxable Bonds with respect to payments of principal, payments of interest, and the accrual of OID on a Taxable Bond and the proceeds of the sale of a Taxable Bond before maturity within the United States. Backup withholding may apply to holders of Taxable Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner’s United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders

The term “U.S. Holder” means a beneficial owner of a Taxable Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

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 Taxable Bonds under state law and could affect the market price or marketability of the Taxable Bonds.

Prospective purchasers of the Taxable Bonds should consult their own tax advisors regarding the foregoing matters.

UNDERWRITING

The Underwriters listed on the front cover page of this Official Statement, Wells Fargo Bank, N.A., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Ramirez & Co., Inc. and Siebert Cisneros Shank & Company, LLC (collectively, the “Underwriters”), have jointly and severally agreed, subject to certain conditions, to purchase from the Authority the 2016 Bonds at a purchase price of \$[____], or approximately [____]% of the aggregate principal amount of the 2016 Bonds. The purchase price reflects an original issue premium of \$[____] and an underwriters’ discount of \$[____]. The Underwriters will be obligated to purchase all 2016 Bonds if any are purchased.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (“WFBNA”), the senior underwriter of the 2016 Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the 2016 Bonds. Pursuant to the WFA Distribution Agreement,

WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2016 Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate, Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the 2016 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The Underwriters have advised the Authority that the 2016 Bonds being reoffered may be offered and sold to certain dealers (including dealers depositing such 2016 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.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

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 2016 BONDS

Pursuant to a Continuing Disclosure Agreement dated the date of the delivery of the 2016 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 2016 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 2016 Bonds. Any filing under the Continuing Disclosure Agreement will be made solely by transmitting such filing to EMMA, 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”).

The Authority's 2012 Subordinated Notes were issued and sold to another New York State public authority (the “2012 Purchaser”) in a private placement. Although such private placement was not

subject to the continuing disclosure requirements of Rule 15c2-12, the Authority and 2012 Purchaser agreed that the Authority would file annual financial information and information about certain notice events relating to the 2012 Subordinated Notes with the MSRB in a manner and at times comparable to the provision of such annual information and notice events to the MSRB pursuant to the Authority's continuing disclosure agreement relating to the Authority's Series 2011 A Bonds. The Authority timely filed its annual financial information for 2012 but such filing did not identify the 2012 Subordinated Notes as being one of Authority obligations which were the subject of such filing. Subsequent continuing disclosure filings have identified the 2012 Subordinated Notes and the Authority has since amended its 2012 filing.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC ("S&P"), and Fitch Ratings ("Fitch") have assigned ratings of "[]", "[]", and "[]", respectively, to the 2016 Bonds.

General

The respective ratings by Moody's, S&P, and Fitch of the 2016 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, S&P Global Ratings, 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 2016 Bonds information, including information not included in this Official Statement, about the Authority and the 2016 Bonds. There is no assurance such ratings for the 2016 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 2016 Bonds.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Upon the delivery of the Series 2016 Bonds, [], will deliver a report stating that the firm has reviewed the mathematical accuracy of (a) certain computations relating to the adequacy of the maturing principal amounts of the direct obligations of the United States of America held by the Escrow Agent and interest to be earned thereon to pay when the principal or redemption price of, and interest due and become due on, the 2007 A Revenue Bonds and the 2007 C Revenue Bonds on the applicable maturity or redemption dates and (b) the computations of actuarial yield supporting the opinion of Bond Counsel as to the exemption from gross income for Federal income tax purposes of interest on the 2007 A Revenue Bonds and the 2007 C Revenue Bonds. [] expresses no opinion as to the exemption from taxation of the interest on the Series 2016 Bonds.

FINANCIAL ADVISORS

Public Financial Management, Inc. ("PFM") and Mohanty Gargiulo LLC ("Mohanty") serve as co-independent financial advisors to the Authority in connection with the structuring, marketing and sale of the 2016 Bonds, including the timing and conditions of issuance, and other such financial guidance as requested by the Authority. Although PFM and Mohanty performed an active role in the drafting of this

Official Statement and other related transaction documents, PFM and Mohanty have 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 2016 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 2016 Bonds or the validity of the 2016 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 2016 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 2016 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 2016 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 2016 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 form attached to Part 1 of this Official Statement as Appendix A. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick Herrington & Sutcliffe LLP. Certain legal matters are subject to the approval of Nixon Peabody LLP [and _____, 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 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 2016 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 2016 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

[____], 2016

[To be updated by Bond Counsel]

**FORM OF APPROVING OPINION OF CO-BOND COUNSEL
WITH RESPECT TO THE 2016 BONDS**

[____], 2016

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 2016 A in the principal amount of \$[____] (“2016 A Bonds”), Revenue Bonds, Series 2016 B in the principal amount of \$[____] (“2016 B Bonds”), Revenue Bonds, Series 2016 C in the principal amount of \$[____] (“2016 C Bonds”), and Revenue Bonds, Series 2016 D in the principal amount of \$[____] (“2016 D Bonds” and together with the 2016 A Bonds, the 2016 B Bonds, and the 2016 C Bonds, the “2016 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 2016 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 an Eleventh Supplemental Resolution adopted on [____], 2016 (the “Eleventh Supplemental Resolution” and, together with the General Resolution, the “Resolution”).

The 2016 Bonds are dated, mature, are payable and bear interest 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 2016 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 2016 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 Eleventh 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 2016 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 2016 Bonds are not debts of the State or of any political subdivision of the State, other than the Authority, and the 2016 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 2016 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York) and the 2016 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 2016 A Bonds and the 2016 B 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 2016 A Bonds and the 2016 B 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 2016 A Bonds and the 2016 B 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 2016 A Bonds and the 2016 B Bonds from gross income under Section 103 of the Code.

6. The original issue discount on the 2016 A Bonds and the 2016 B 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 2016 A Bonds and the 2016 B Bonds.

7. Interest on the 2016 C Bonds and the 2016 D Bonds is included in gross income for federal income tax purposes.

The opinions expressed in paragraphs 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 2016 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 2016 A Bonds and the 2016 B 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 2016 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 2016 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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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, 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 2016 Bonds. The 2016 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 2016 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 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2016 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 2016 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 2016 Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued.

4. To facilitate subsequent transfers, all 2016 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 2016 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 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 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 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Bonds, such as defaults, and proposed amendments to the 2016 Bond documents. For example, Beneficial Owners of 2016 Bonds may wish to ascertain that the nominee holding the 2016 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 2016 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 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

7. Principal and interest payments on the 2016 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 principal 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 2016 Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor depository is not obtained, 2016 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, 2016 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 2016 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 2016 BONDS.

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FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Agreement”) dated [____], 2016 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 2016 A Bonds (the “2016 A Bonds”), \$[____] principal amount of Series 2016 B Bonds (the “2016 B Bonds”), \$[____] principal amount of Series 2016 C Bonds (the “2016 C Bonds”) and \$[____] principal amount of Series 2016 D Bonds (the “2016 D Bonds” and together with the 2016 A Bonds, the 2016 B Bonds and the 2016 C Bonds, the “2016 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, 2016, 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 the SEC or its staff, 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, [Bryant Rabbino 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 [____], 2016, 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, [Wells Fargo Bank, N.A., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Ramirez & Co., Inc. and Siebert Cisneros Shank & Company, 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, three groups of Mohawk Indians (collectively, the “St. Regis Plaintiffs”), including a Canadian Mohawk tribe, filed lawsuits in the U.S. District Court for the Northern District of New York 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 the St. Regis 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 St. Regis 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 St. Regis Plaintiffs, and the St. Regis 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 complaints of the St. Regis Plaintiffs 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 St. Regis Plaintiffs 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 District Court accepted the Magistrate’s recommendation and granted the Authority judgment on the pleadings. The Court 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. 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 complete. In August 2016, the Authority made a summary judgment motion seeking to dismiss the two remaining actions in their entirety.

(c) *Long Island Sound Cable Project*

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 \$34 million in costs arising out of this incident and has recovered approximately \$18.9 million from its insurers. The Authority believes that it will be able to recover the full amount of its damages through legal proceedings and contractual obligations.

(d) *Miscellaneous*

In addition to the foregoing 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
\$000,000,000
REVENUE BONDS
\$000,000,000 Series 2016 A
\$000,000,000 Series 2016 B (Federally Taxable)

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 by Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, as amended (the “Act”), to help provide a continuous and adequate supply of dependable electric power and energy to the people of the State.

The Authority generates, transmits, purchases and sells electric power and energy as authorized by law. The Authority currently owns and operates five major generating facilities, four small hydroelectric facilities, and eleven small electric generating units located at seven facilities, with a total installed capacity of approximately 6,051 megawatts (“MW”), and a number of transmission lines, including major 765-kV and 345-kV transmission facilities. All such facilities are located in the State. The Authority’s generating facilities are as follows: the St. Lawrence-Franklin D. Roosevelt Power Project (“St. Lawrence-FDR Project”), in St. Lawrence County; the Niagara Power Project (“Niagara Project”), in Niagara County; the Blenheim-Gilboa Pumped Storage Power Project (“Blenheim-Gilboa”), in Schoharie County; the combined-cycle electric generating plant in New York City (the “500-MW Plant”); the Richard M. Flynn Plant (“Flynn”), in Suffolk County; and eleven small, clean power plants (“SCPPs”), with one of these plants located on Long Island, New York, and the remainder in New York City (the “City”). The small hydroelectric facilities are the Ashokan Project, in Ulster County; the Gregory B. Jarvis Plant, in Oneida County; the Crescent Plant, in Albany and Saratoga Counties; and the Vischer Ferry Plant, in Saratoga and Schenectady Counties.

The Authority’s customers include municipal and rural electric cooperatives located throughout the State, investor-owned utilities, high load factor industries, commercial/industrial and not-for-profit businesses, and various public corporations located within the metropolitan area of New York City, including the City, and certain neighboring states.

Legislation was enacted on April 4, 2016 which provided for the transfer to the Authority, effective January 1, 2017, of the New York State Canal Corporation (the “Canal Corporation”), a corporation responsible for the management of the New York State Canal System. The Canal System includes 524 miles of waterways for four canals (Erie, Oswego, Champlain and Cayuga-Seneca) and 27 hydro facilities (three of which the Authority already owns). Such enacted legislation provided that the Canal Corporation will become a subsidiary of the Authority.

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. There are currently two vacant seats on the Board of Trustees. The current Trustees are:

<u>Trustees</u>	<u>Term Expires</u>
John R. Koelmel, Chairman.....	May 6, 2016 [†]
Tracy B. McKibben	January 11, 2017
Anne M. Kress	May 6, 2019
Hon. Eugene L. Nicandri	May 6, 2018
Anthony Picente, Jr.....	May 6, 2020

The Board of Trustees of the Authority will become the governing board of the Canal Corporation, effective January 1, 2017.

The senior management staff of the Authority includes the following:

- Gil C. Quiniones, President and Chief Executive Officer;
- Joseph Kessler, Executive Vice President and Chief Operating Officer;
- Robert F. Lurie, Executive Vice President and Chief Financial Officer;
- Justin E. Driscoll, Executive Vice President and General Counsel;
- Jill Anderson, Executive Vice President and Chief Commercial Officer;
- Jennifer Faulkner, Senior Vice President, Internal Audit;
- Kimberly Harriman, Senior Vice President, Corporate & Public Affairs;
- Phil Toia, Senior Vice President, Power Supply;
- Soubhagya Parija, Senior Vice President and Chief Risk Officer;
- Kristine Pizzo, Senior Vice President, Human Resources & Enterprise Shared Services;
- Ken Lee, Senior Vice President, Chief Information Officer
- Paul Tartaglia, Senior Vice President, Technology & Innovation;
- 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 Chief Financial Officer, the Chief Commercial Officer, the General Counsel, and certain other members of the senior management staff of the Authority designated by the President and Chief Executive Officer.

[†] Continues to serve as Trustee until his successor has been appointed by the Governor and confirmed by the State Senate.

CERTAIN FINANCIAL MATTERS

The Authority's Financial Statements December 31, 2015 and 2014 (With Independent Auditors' Report Thereon) and Management's Discussion and Analysis (Unaudited) (the "2015 Financial Statements") and the Authority's unaudited financial statements for the six months ended June 30, 2016 (the "Unaudited Six-Month Financial Statements") have been filed with the Electronic Municipal Market Access System ("EMMA") of the Municipal Securities Rulemaking Board ("MSRB") by the Authority. The 2015 Financial Statements and the Unaudited Six-Month Financial Statements are included by specific cross-reference in this Official Statement. For convenience, a copy of the 2015 Financial Statements can also be found on the Authority's website (www.nypa.gov) under the captions "About Us" and "Financial Information." No statement on the Authority's website is included by specific cross-reference herein.

The incorporated 2015 Financial Statements include, among other information, (i) the Authority's Statements of Net Position for years ended December 31, 2015 and December 31, 2014 (see pages 48 to 50), (ii) Authority Management's Discussion of the Summary of Revenues, Expenses and Changes in Net Position, Operating Revenues, Purchased Power and Fuel, Operations and Maintenance, Nonoperating Revenues, Nonoperating Expenses, Cash Flows, and Net Generation for the year ended December 31, 2015 (see pages 30 to 32), (iii) a summary of the Authority's obligations with respect to pensions and other postemployment benefits (see "Note 9 – Pension Plans" and "Note 10 – Other Postemployment Benefits, Deferred Compensation and Savings," pages 77 to 82), (iv) Authority Management's Discussion of Capital Asset and Long-Term Debt Activity for the five-year period 2016-2020 (see pages 33 to 35), and (v) a description of the Authority's voluntary contributions and transfers of funds to the State (see "Note 12(e) –New York State Budget and Other Matters", pages 90 to 93). Prospective purchasers of the 2016 Bonds should review the 2015 Financial Statements and the Unaudited Six-Month Financial Statements prior to purchasing the 2016 Bonds.

June 30, 2016 Financial Results (Unaudited)

Net income for the six months ended June 30, 2016 (\$17 million) was \$11 million lower than the same period last year (\$28 million). Current year net income included higher non-operating expenses of \$18 million due primarily to contributions to the Canal Corporation as per the Reimbursement Agreement with the New York State Thruway Authority, partially offset by higher non-operating revenues (\$7 million). The terms of the Reimbursement Agreement authorize the Authority to reimburse the Thruway Authority for Canal Corporation's operations and maintenance expenses and capital expenditures incurred during the period beginning April 1, 2016 through January 1, 2017. See "Part 2—CERTAIN FINANCIAL MATTERS—Transfer of Canal Corporation to the Authority." Non-operating revenues in 2016 reflect a higher mark-to-market gain on the Authority's investment portfolio due to lower market interest rates.

As of September 30, 2016, results for the year ended December 31, 2016 are estimated to be a loss of approximately \$46 million compared to the budgeted net income of \$51 million. Primary reasons for this estimated variance from the 2016 budget are lower energy prices for the Authority's sales into the NYISO market and unbudgeted Canal Corporation funding.

State Pension Plans and Other Postemployment Benefits

For a discussion of the Authority's participation in state pensions plans, the Authority's other postemployment benefit obligations and related issues, see (i) the Authority's 2015 Financial Statements, "Note 9 – Pension Plans", "Note 10 – Other Postemployment Benefits, Deferred Compensation and

Savings” and Required Supplementary Information and (ii) the Authority’s Unaudited Six-Month Financial Statements, “Note I – Pension Plans and Other Postemployment Benefits.”

Outstanding Indebtedness

As of [September 30, 2016,] 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 Authority’s Commercial Paper Notes (the “CP Notes”), and the Extendible Municipal Commercial Paper Notes (the “EMCP Notes”) was \$1,413,318,000. After the issuance of the 2016 Bonds and the application of the proceeds thereof to the refunding of \$[_____] of the Series 2007 A Revenue Bonds and \$[_____] of Series 2007 C Revenue Bonds on [____], 2016, the Authority will have outstanding (i) senior indebtedness of approximately \$[____], consisting of \$[____] of the 2016 A Bonds, \$[____] of the 2016 B Bonds, \$[____] of the 2016 C Bonds and \$[____] of the 2016 D Bonds and (ii) approximately \$[____] of Subordinated Indebtedness, as defined in the General Resolution, consisting of the CP Notes, EMCP Notes and the Authority’s Subordinated Notes, Series 2012. The Authority also expects to issue approximately \$[____] principal amount of Subordinated Notes prior to December 31, 2016.

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 2016 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, 2018 and may be extended by one additional year if agreed by the parties. 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. There are no outstanding borrowings under the revolving credit agreement.

Debt Service Requirements for Senior Lien Debt

The following table shows the debt service for the Authority’s outstanding senior lien debt, consisting entirely of the Revenue Bonds, subsequent to the issuance of the 2016 Bonds and the application of the proceeds thereof to the redemption of the Authority’s Series 2007 A Revenue Bonds and Series 2007 C Revenue Bonds.

<u>Calendar Year</u> ⁽¹⁾	<u>Outstanding Senior Lien Debt</u> ^{(2) (3)}		<u>2016 Bonds</u>		<u>Total</u> ^{(2) (3)}
	<u>Principal (\$)</u>	<u>Interest (\$)</u>	<u>Principal (\$)</u>	<u>Interest (\$)</u>	
TOTAL ^{(2) (3)}	\$[_____]	\$[_____]	\$[_____]	\$[_____]	\$[_____]

(1) Debt service amounts are for the years in which they accrue, not for the years in which they are paid.
(2) Figures above do not reflect outstanding subordinated indebtedness including the CP Notes, EMCP Notes and 2012 Subordinated Notes. Annual principal and interest for the subordinated indebtedness is currently approximately \$[___] million.
(3) Totals may not add due to rounding.

Projected Capital and Financing Requirements and Other Potential Initiatives

The Authority estimates that it will commit approximately \$1,666 million on capital investments for its generation, transmission and other core assets and initiatives, excluding Canal-related capital expenditures, over the four-year period 2016-2019, as indicated in the table below. In addition, the Authority’s capital plan includes the provision of \$843 million in financing for energy efficiency and technology projects to be undertaken by the Authority’s governmental customers and other public entities in the State with such financings to be recovered from these customers (see “PART 2—CUSTOMER ENERGY SERVICES”). The Authority anticipates that these capital and energy efficiency initiatives will be funded by internally generated funds, additional borrowings, including commercial paper and fixed rate debt, energy efficiency customer receipts and existing construction funds. The Authority continually monitors the use of internally generated funds versus debt financing in order to achieve a desired capital structure and financial metrics. At the present time, the Authority estimates that less than one-third of its capital plan will be funded with additional borrowing.

Borrowings over the four-year period for capital investments are anticipated to be used to fund a portion of the 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; a life extension and modernization program of the Authority’s transmission system; and the Authority’s Strategic Plan, each as described in further detail below.

The Authority’s major projected capital improvements for the period 2016-2019 are set forth below:

<u>Projects</u>	Estimated Total Commitments Over 4- Year Period 2016-2019 (in millions) *
Smart G&T Initiative Future Planning	\$314
Transmission Life Extension & Modernization	\$246
Moses Adirondack 1 and 2 Transmission Line – 230kV	\$200
Lewiston Pump Generating Plant Life Extension & Modernization Program	\$194
Other Projects	\$713
Total	\$1,666

* Excludes Energy Efficiency initiatives (see “PART 2—CUSTOMER ENERGY SERVICES”).

[Placeholder for Preliminary Budget’s 4-Year Capital Projections]

Lewiston Pump-Generating Plant Life Extension and Modernization [pending update]

In June 2010, the Authority’s Trustees approved a Life Extension and Modernization Program at the Niagara project’s Lewiston Pump-Generating Plant (the “Lewiston LEM Program”) with an estimated cost of \$460 million. As of September 30, 2016, \$300 million of expenditures have been authorized and approximately \$191 million spent. 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, including the 2016 Bonds. The unit work began in late 2012 and is on-going, with the final unit expected to be completed in 2022.

Transmission Life Extension and Modernization Program [pending update]

In December 2012, the Authority's Trustees approved a Transmission Life Extension and Modernization Program (the "Transmission LEM Program") to address areas of work on the Authority's Transmission system with an estimated cost of \$726 million. As of September 30, 2016, \$[___] million of expenditures have been authorized and approximately \$161 million spent. 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, including the 2016 Bonds. The work on the Transmission LEM Program is underway and is expected to continue through 2025.

Strategic Plan

In 2014, the Authority adopted a strategic plan (the "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 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 and implement 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 for effective coordination and collaboration across the organization; and (6) Process Excellence – to enhance existing 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.

In addition to the above, the Authority is embarking on several other initiatives and has several other potential initiatives in varying stages of review and/or development which if they come to fruition will involve significant additional capital commitments and/or operating expenses beyond those indicated in the table or otherwise discussed above.

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 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 2016 Bonds. The Authority currently does not have any Separately Financed Projects.

Robert Moses Parkway North Project

In March 2016, the Governor announced that the State will replace an underutilized two-mile stretch of the Robert Moses Parkway North in Niagara Falls with open space, scenic overlooks and recreational trails. In January 2014, the Authority approved funding of up to \$2 million for preliminary engineering and environmental review for the first phase of the project. Construction is anticipated to commence in 2018 and take approximately two years to complete with additional funding in the amount of approximately \$40 million expected to be provided by the Authority.

Voluntary Contributions and Transfers to the State; 2016-2017 Enacted Budget

For a discussion of the Authority's voluntary contributions to the State and the Authority's temporary transfer of funds to the State, see (i) the Authority's 2015 Financial Statements, "Note 12(e) – New York State Budget and Other Matters" on pages 90-93 and (ii) the Authority's Unaudited Six-Month Financials, "Note H – Financial Assistance to the State".

Nuclear Plant Sale Matters

For a discussion of the Authority's nuclear plant divestiture and issues relating to nuclear fuel disposal and nuclear plant decommissioning, see (i) the Authority's 2015 Financial Statements, "Note 11 – Nuclear Plant Divestiture and Related Matters" on pages 82-84 and (ii) the Authority's Unaudited Six-Month Financial Statements, "Note J – Nuclear Plant Divestiture and Related Matters".

NEW YORK STATE CANAL CORPORATION

Background

Article XV of the New York State Constitution provides, in part, that the barge canal, the divisions of which are the Erie canal, the Oswego canal, the Champlain canal, and the Cayuga-Seneca canal, and the terminals constructed as part of the barge canal system (collectively, the "Canal System") shall remain the property of the State and under its management and control forever.

Legislation enacted in 1992 (the "1992 Legislation") transferred jurisdiction of the Canal System, among other assets and properties, from the New York State Commissioner of Transportation to the New York State Thruway Authority ("Thruway Authority"), to be held by the Thruway Authority in the name of the people of the State. Such canal system remains the property of the State and under its management and control as exercised by and through the Thruway Authority, through its then newly created subsidiary, the New York State Canal Corporation (the "Canal Corporation"). The 1992 Legislation deemed the Canal Corporation to be the State for the purposes of such management and control of the canals but for no other purposes.

As discussed below, legislation was enacted on April 4, 2016 (the “Canal Transfer Legislation”) which provides for the transfer, effective January 1, 2017, of the Canal Corporation from the Thruway Authority to the Authority where it will become a subsidiary, and the Authority will be responsible for the management and operation of the Canal System.

Canal System Facilities and Operations and Historic Thruway Authority Support

The current Canal System, which was constructed more than a century ago, provides extensive inter-modal linkage within and beyond the State’s borders and includes four major canals, canalized natural waterways, five lakes, feeder reservoirs and numerous shipping terminals. It consists of 57 locks, 20 lift bridges, 22 reservoirs, 203 buildings, 114 dams and many other structures critical to the maintenance and operations of the waterways and its feeder systems. It also includes 27 hydro facilities (three of which the Authority already owns). The Canal System links the Hudson River with Lake Champlain, Lake Ontario, the Finger Lakes, the Niagara River and Lake Erie, passes through 25 counties and is in close proximity to more than 200 villages, hamlets and towns. The Canal System is a significant recreation-way and tourist destination.

The 1992 Legislation, as amended, also created the Canal Recreationway Commission (the “Commission”) with 14 voting members, including the Chairman of the Thruway Authority and the Commissioners of Transportation, Parks, Recreation and Historic Preservation and Environmental Conservation plus 10 other individuals selected from sporting, environmental and tourism fields that are geographically representative of the Canal’s various sections. The Commission has primary responsibility for guiding the development of a statewide canal recreation-way plan for the Canal System.

For fiscal year 2015, the Canal Corporation’s operating expenses were \$62.1 million and operating revenues were \$2.37 million with the difference provided by the Thruway Authority or other resources. For fiscal year 2015, the Canal Corporation’s capital program was \$48.8 million with funding from various sources, including the Thruway Authority.

Certain information relating to the Canal Corporation’s capital and operating expenses and budgets and the level of financial assistance provided to the Canal Corporation by the Thruway Authority is included in the Thruway Authority’s audited financial statements, monthly financial reports and budgets, copies of which are available at the Thruway Authority’s website: www.thruway.ny.gov. There is also information relating to such matters in the Thruway Authority’s Official Statement dated May 5, 2016 copies of which may be accessed on EMMA. Such information is not incorporated in this official statement and the Authority assumes no responsibility for the accuracy thereof.

Transfer of the Canal Corporation to the Authority and Interim Authority Support

The Canal Transfer Legislation authorizes the Authority, to the extent that the Authority’s Trustees deem it feasible and advisable, to transfer moneys, property and personnel to the Canal Corporation. Such legislation also provides that nothing in such authorization shall be deemed to require the Authority to apply any moneys, revenues or property or to take any action in a manner that would be inconsistent with the provisions of any bond or note resolution or any other contract with the holders of the Authority’s bonds, notes or other obligations.

The Canal Transfer Legislation also authorizes the Authority to issue subordinated debt for the purposes of financing the construction, reconstruction, development and improvement of the Canal System. The Authority is also authorized to reimburse the Thruway Authority for the operation and maintenance costs of the Canal System and the operation of the Canal Corporation for the interim period of April 1, 2016 through January 1, 2017.

The Authority and the Thruway Authority executed a Canal Reimbursement Agreement, dated as of July 6, 2016, providing for the monthly reimbursements authorized in the Canal Transfer Legislation.

Expenditures associated with the Canal Corporation and the Canal System (other than those associated with Authority projects that are located on Canal Corporation property, such as certain hydro-electric facilities) do not constitute Operating Expenses as defined in the Bond Resolution. As a consequence, the availability of Authority moneys to fund the Canal Corporation budget will depend upon periodic determinations by the Trustees under the Bond Resolution that such moneys may be withdrawn from the lien of the Bond Resolution. The Bond Resolution permits the Authority to withdraw monies “free and clear of the lien and pledge created by the [Bond] Resolution” provided that (a) such withdrawals must be for a “lawful corporate purpose as determined by the Authority,” and (b) the Authority must determine, taking into account among other considerations anticipated future receipt of revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for: (i) payment of reasonable and necessary operating expenses, (ii) an Operating Fund reserve for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt or (iv) payment of interest and principal on subordinate debt (such purposes being referred to herein as the “Specified Purposes”).

By resolution adopted November 7, 2016, the Authority’s Trustees determined that \$106.4 million is not needed for any of the Specified Purposes required to be considered by the Trustees as described above and authorized the release of such amount to support costs associated with the transfer of the Canal Corporation to the Authority including: (1) reimbursements to the Thruway Authority for the period of April 1, 2016 through January 1, 2017, as authorized by the Canal Transfer Legislation, and (2) 2016 calendar year Authority integration costs associated with the Canal Corporation transfer.

As of November __, 2016, the Authority has remitted, cumulatively, approximately \$__ million to the Thruway Authority for reimbursement for the months of April through ____, 2016. Because the Canal Corporation is not yet a subsidiary of the Authority, all reimbursement costs, including those for capital-related activities, are being treated as non-operating expenses for the Authority’s 2016 fiscal year. Beginning with the fiscal year beginning on January 1, 2017 when the Canal Corporation becomes a subsidiary of the Authority, it is expected that the accounts and activities of the Authority and the Canal Corporation will be reported on a consolidated basis.

Substantial Future Financial Support Will Be Necessary

The Authority has undertaken a planning and implementation process to prepare for the transfer of the Canal Corporation. As part of this process, the Authority is seeking to determine what the required intermediate and long term level of the Authority’s financial support to the Canal Corporation will be. Given the age of the Canal System, the Authority expects that significant maintenance and capital investments will be required to be made to assure its continuing operation. For fiscal year 2016, the Canal Corporation’s operating expenses are expected to be \$__ million and operating revenues are expected to be \$__ million with the difference provided by the Thruway Authority, the Authority or other resources. The Authority’s draft proposed budget and financial plan includes Canal-related operating expenditures ranging from \$61 million to \$86_ million in years 2017-2020.

The Authority is also assessing the Canal Corporation’s liabilities. The financial statements of the Thruway Authority for the fiscal year ended December 31, 2015 indicate that the Present Value of Future Benefit Payments (commonly referred to as “OPEBs”) of the Canal Corporation as of December 31, 2015 was \$290,518,000 and that the Unfunded Accrued Liability associated with such Future Benefit Payments as of such date was \$208,725,000.

In light of the age and condition of the Canal System, the Authority commissioned a qualitative risk analysis for the Canal System (the “Canal Report”) from the engineering firm Rizzo & Associates. The Authority received a draft Canal Report (the “Draft Canal Report”) on October 14, 2016 which lists the high-risk structures and features of the Canal System, summarizes the methodology used to identify potential failure modes and risk ranking, and presents recommendations for further study and management of high-risk structures. The Draft Canal Report generally follows the Federal Emergency Management Agency Federal Guidelines for Dam Safety Risk Management and constitutes the first phase of a dam safety risk management program. Those phases include risk analysis, risk assessment and risk management.

The Draft Canal Report identified no structures critically near failure or presenting an extremely high risk of failure or recommending action with very high urgency. Eleven structures were identified at a high risk of failure recommending action with high urgency. Those structures include 3 dams, 2 waste gates and a weir dam, 5 embankment sections ranging in length from .5 to 1.3 miles and a culvert. The Draft Canal Report identified potential actions correlating to such structures including [interim] risk reduction measures, updating and testing emergency action plans, prioritizing heightened monitoring and evaluation, and expediting investigation and action to support long-term risk reduction.

The Draft Canal Report included no cost estimates associated with such potential actions and the Authority has not specifically determined such costs. For fiscal year 2016, the Canal Corporation’s capital program is expected to be \$___ million with funding from various sources, including the Thruway Authority and the Authority. The Authority has included in its 2017-2020 draft proposed budget and financial plan \$64 million for Canal-related capital expenditures in 2017 which it expects will be adequate, together with amounts expected to be expended in subsequent years, to address necessary capital improvements associated with the Canal System. [The Authority expects to apply a [substantial] portion of such amounts to the priorities indicated in the Canal Report.] The Authority’s draft proposed budget and financial plan includes annual Canal-related capital expenditures of approximately 58 million in years 2018-2020. The level of such expenditures may be affected by the ongoing dam safety risk management program and the recommendations received.

Under Article XV of the State Constitution, the sale, abandonment or other disposition of any barge canal lands, barge canal terminals, barge canal terminal lands or other canal lands and appertaining structures is generally prohibited unless such portion of the Canal System has or may become no longer necessary or useful as a part of the barge canal system, as an aid to navigation thereon, or for barge canal terminal purposes and the Legislature authorizes such disposition. Current state law specifically authorizes the abandonment of any portion of barge canal lands, barge canal terminal lands, or old canal lands and appertaining structures constituting the canal system prior to the barge canal improvement, which have or may become no longer necessary or useful as a part of the barge canal system, as an aid to navigation thereon, or for barge canal terminal purposes. This authority, however, does not include the abandonment of a barge canal terminal unless such terminal has been by a special act of the legislature previously determined to have become no longer necessary or useful as a part of the barge canal system, as an aid to navigation thereon, or for barge canal terminal purposes.

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 NYISO 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, including the Authority's 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.

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 a subsidiary of the Long Island Power Authority (such subsidiary and authority are herein collectively referred to as "LIPA") are among the many "Market Participants" (which includes any entity engaged in the wholesale sale, transmission or purchase of electric energy) in the NYISO and members of the Reliability Council.

The Authority is 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 and governs the Reliability Council.

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, known as Load Service Entities ("LSEs"), responsible for serving ultimate customers. Because such costs are currently passed through to most Authority customers, the Authority remains an active participant in the governance of the NYISO markets.

NYISO Market Procedures

Under NYISO procedures, 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").

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 (the "RTM").

Generators may bid their energy into the DAM and/or the RTM. 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 RTM in such amounts and at such bids as the Authority deems appropriate.

The NYISO evaluates the bids submitted in the DAM and the RTM by generators and 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 between a generator or power marketer and an LSE, 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 Energy and Capacity Market 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 energy purchased under contractual arrangements, linked to specified Authority loads, and (2) purchases in the DAM or the RTM. 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 RTM 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 market rules, 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”).

Being selected for dispatch in the DAM also obligates 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 RTM which is offset by the Contract Price. This RTM 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.

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 RTM. The bid cap, which remains in effect until further FERC action, serves to limit the Authority's outage loss exposure.

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

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 energy or ancillary services. High loads, facility outages, binding transmission constraints, or other factors can cause such instances, either singly or in combination. The NYISO developed the manual mitigation rules that it can apply manually throughout the New York Control Area and Automated Mitigation Procedure, which automates the manual energy market mitigation rules, but it applies only to the City for the detection and mitigation of energy and other bids in the NYISO DAM and RTM that exceed certain established criteria. These mitigation rules 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 that would cause unjustifiably low market prices. 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 a level no lower than 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 relieved of the offer floor requirement after clearing the spot market for 12 monthly spot auctions, which need not be consecutive months.

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 electrically located within those areas, while the ICAP quantities above these locational ICAP requirement levels 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.

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 support the construction and retention of needed 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 NYISO-administered capacity market, and expects to be able to do so in the future.

TRANSMISSION REVENUE REQUIREMENT

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 remain 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.

In March 2016, FERC accepted the Authority's application to establish a formula rate in the NYISO tariff to recover its ATRR, subject to refund. FERC also established hearing proceedings regarding the formula rate. The Authority, many of its customers and other interested parties are engaged in settlement proceedings before FERC to resolve open issues in the Authority's formula rate. The Authority filed an Offer of Settlement on September 30, 2016. Generally speaking, the formula rate will allow the

Authority to recover the increased costs of maintaining its transmission infrastructure, much of which is over forty years old. Under the formula rate, the Authority will update the ATRR annually, effective July of each year. The ATRR of \$190 million took effect in April 2016 and was updated in July 2016 to \$198 million pursuant to the formula rate annual update process.

POWER SALES

A summary of the Authority's generation, energy purchases, and power and energy sales for 2015 is set forth below:

Generation, Energy Purchases, and Power and Energy Sales 2015 (Megawatt Hours and Dollars in Thousands) (Accrual Basis)

	<u>MWh</u>		
Authority Generation and Purchases:			
Net Station Generation	28,756		
Purchases from the NYISO, utilities and others	10,912		
Losses and unaccounted for.....	<u>(457)</u>		
Total Available.....	<u>39,211</u>		
	<u>MWh</u>	<u>Revenues From Power and Energy Sales⁽¹⁾</u>	<u>% of Total Revenues</u>
Sold to:			
Commercial and industrial customers	8,763	\$337,253	13%
Municipal, other public and cooperative customers ⁽²⁾	16,471	\$1,425,969	54%
Sales to utilities and the NYISO for resale ⁽³⁾	<u>13,977</u>	<u>\$861,278</u>	<u>33%</u>
Total Sales	<u>39,211</u>	<u>\$2,624,500</u>	<u>100%</u>
	<u>MWh</u>		<u>% of Total</u>
Authority Generation by Fuel Source:			
Hydroelectric.....	21,176		74%
Oil/Gas	7,162		25%
Gas Turbines	<u>418</u>		<u>1%</u>
	<u>28,756</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 13,442,523 MWh. Portions were designated for resale to residential and farm customers and not-for-profit customers in the state.

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 three years) 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 such 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) In 2005, the Authority entered into the 2005 Agreements with all of its NYC Governmental Customers, including: The City of New York (the “City”), the Metropolitan Transportation Authority (the “MTA”), the Port Authority of New York & New Jersey (the “Port Authority”), the New York City Housing Authority, and the New York State Office of General Services, 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 under certain limited conditions on one year’s notice. The Authority has not received notice of termination from the NYC Governmental Customers.

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. In 2016 and for 2017, the NYC Governmental Customers chose a market-risk hedging price option designated an “ECA with hedging” price option whereby actual cost variations in variable costs are passed through to the customers.

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 (6) 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 Services group (see "PART 2—CUSTOMER ENERGY SERVICES").

The revenues from the NYC Governmental Customers were approximately 47.7% and 43.9% of the Authority's 2015 and 2014 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"). In 2008, the Authority entered into a supplemental electricity supply agreement with all of its Westchester Governmental Customers. The Agreement provides that 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; the Authority will make available financing for energy efficiency projects and initiatives, with the costs thereof to be recovered from the customer; and 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 2.9% and 2.8% of the Authority's 2015 and 2014 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) create additional economic development programs in regard to several of the Authority's economic development power programs 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 High Load Factor Power program, which provides electricity to energy-intensive manufacturers throughout the State. 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" or "RP" program. These provisions ensure the continued availability of low-cost hydroelectric power from the Niagara Project to serve businesses in the western part of 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

“Expansion Power” or “EP” program (discussed below), 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 the northern part of 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) Pursuant to State legislation enacted in 2011 the Authority is authorized 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. For a description of the Recharge New York Power Program, see (i) the Authority’s 2015 Financial Statements, “Note 12(a) –Power Programs – Recharge New York Program” and (ii) the Authority’s Unaudited Six-Month Financial Statements, “Note G – Power Programs – Recharge New York Power Program

(4) Pursuant to State legislation enacted in 2012, the Authority was authorized to deposit net earnings from the sale of unallocated EP and RP from the Authority’s Niagara Project in the Western New York Economic Development Fund to be used to support certain projects in western New York. For a description of such program, see (i) the Authority’s 2015 Financial Statements, “Note 12(a) –Power Programs – Western New York Power Proceeds Allocation Act” and (ii) the Authority’s Unaudited Six-Month Financial Statements, “Note G – Power Programs – Western New York Power Proceeds Allocation Act”.

(5) Pursuant to State legislation enacted in 2014, the Authority was authorized to deposit net earnings from the sale of unallocated “St. Lawrence County Economic Development Power” in the Northern New York Development Economic Development Fund to be used to make awards to eligible applicants for certain projects meeting specified eligibility criteria. For a description of such program, see (i) the Authority’s 2015 Financial Statements, “Note 12(a) –Power Programs – Northern New York Power Proceeds Allocation Act” and (ii) the Authority’s Unaudited Six-Month Financial Statements, “Note G – Power Programs – Northern New York Power Proceeds Allocation Act”.

(6) 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 the NYC Government Customers for the life of the contract. The 550-MW Astoria Energy II 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 \$1.2 billion as of December 31, 2015. 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) In 2011 the Authority staff entered into a Firm Transmission Capacity Purchase Agreement (“FTCPA”) 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 New York City through the transmission rights associated with HTP’s planned transmission line (the “Line”) extending from Bergen County, New Jersey, to Consolidated Edison’s West 49th Street substation. The FTCPA provides the Authority with 75% of the Line’s 660 MW of transmission capacity, or 495 MW, for 20 years. For a discussion of the HTP Transmission Line and the Authority’s obligations thereunder, see (i) the Authority’s 2015 Financial Statements, “Note 12(b) – HTP Transmission Line” and (ii) the Authority’s Unaudited Six-Month Financial Statements, the discussion regarding the HTP Transmission Line in “Note K – Governmental Customers in the New York City Metropolitan Area”.

(8) A contract with the Aluminum Company of America (“ALCOA”) for an aggregate of 245 MW has been executed effective October 1, 2015 through March 31, 2019, replacing prior long-term contracts with ALCOA. 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. In response to certain economic factors surrounding the aluminum smelting industry, and in response to ALCOA’s announcement that it would curtail smelting operations at its Massena plant, the Authority’s Trustees in December 2015 approved execution of this Agreement with ALCOA to replace prior power sales contracts that totaled 478 MW.

(9) *Certain Wind, Solar and Energy Efficiency Initiatives.* For a description of certain wind, solar and energy efficiency initiatives in which the Authority is participating, see (i) the Authority’s 2015 Financial Statements, “Note 12(i) – Wind and Solar Initiatives” and “Note 12(k) - Energy Efficiency Market Acceleration Program” and (ii) the Authority’s Unaudited Six-Month Financial Statements, “Note K – Certain Wind, Solar and Energy Efficiency Initiatives”.

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 2014 and 2015 were \$13.5 million and \$14.8 million, respectively. There are currently 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 \$39.2 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 6)." 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.

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 through 2057 and \$4.7 million through 2029 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 the 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 (5)"). 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 July of each year, based on three 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 upon 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.

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.

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.

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 RTM 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 will be substantially sufficient to meet the costs associated with Flynn.

CUSTOMER ENERGY SERVICES

The Authority, through its Customer Energy Services programs, provides customers with wide-ranging on-site energy solutions including energy data analytics, planning, operations and the development and implementation of capital projects such as energy efficiency, distributed generation, advanced technologies and renewables. The Authority is also responsible 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, strengthen 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 energy costs of certain schools 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 June 30, 2016, the expenditure of an aggregate of \$4.8 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-five 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.

[Discussion of potential Bridge lighting program to be inserted here]

Chapter 477 of the Laws of 2009 ("Chapter 477") 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 and to independent not-for-profit institutions of higher education in the state. 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 the State 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, 2016, the Authority had outstanding aggregate expenditures of \$570 million for these programs and projects associated with Petroleum Overcharge Reserve (“POCR”) funding and expects to spend an additional \$843 million for these programs and projects over the period from 2016 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 Authority 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, 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.

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 (2015)

	Type	First Year of Operation	Total Installed Capability (MW)	Net Dependable Capacity⁽¹⁾ (MW)	2015 Net Generation⁽²⁾
St. Lawrence-FDR	Hydro	1958	912	821	6.93 billion kWh
Niagara	Hydro	1961	2,755	2,682	14.32 billion kWh ⁽³⁾
Blenheim-Gilboa	Pumped Storage	1973	1,160	1,169	(0.18 billion kWh) ⁽³⁾
Flynn.....	Gas/Oil	1994	170	163	1.01 billion kWh
SCPPs ⁽⁴⁾	Gas	2001	517	459	0.42 billion kWh
Small hydroelectric ⁽⁵⁾	Hydro	See note(5)	37	37	0.10 billion kWh
500-MW Plant	Gas/Oil	2005	<u>500</u>	<u>520</u>	<u>2.89 billion kWh</u>
Totals			6,051	5,851	28.75 billion kWh

(1) Net Dependable Capacity as reported for the Winter Capability Period in the 2015 NYISO Load and Capability Data Report (Gold Book)

(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, was completed in late 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 generator nameplate rating of 1,088 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 \$192 million has been spent as of September 30, 2016. 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 2016-2019 (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 13 hydro-turbine generators, with a generator nameplate rating totaling 2,860 MW, and the Lewiston Pump-Generating Plant contains 12 hydro-turbine motor-generators, with a nameplate rating totaling 240 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.

In June 2010, the Authority’s Trustees approved the \$460 million Lewiston Pump-Generating Plant Life Extension and Modernization Program. See “PART 2—CERTAIN FINANCIAL MATTERS - Projected Capital and Financing Requirements and Other Potential Initiatives – Lewiston Pump-Generating Plant Life Extension and Modernization Program.”

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 September 30, 2016, the balance in the recorded liability associated with the relicensing on the statement of net position is \$264 million (\$12 million in current and \$252 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 nameplate rating 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. Decommissioning of the retired Poletti generation plant began in 2010 and the plant deconstruction and removal and site remediation efforts are expected to finish in 2016. 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 \$61 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 170 MW. Currently, Flynn is operating as a merchant facility (see “PART 2—POWER SALES—Flynn”).

Small Hydroelectric Facilities

(1) *Ashokan*. Ashokan is a small hydroelectric facility with a nameplate rating of 4.6 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.

(2) *Small Hydroelectric Development Project No. 1*. The Project facilities have a combined nameplate rating 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 Authority's 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. The Authority and LIPA are parties to the Sound Cable Facilities and Marketing Agreement (the "Cable Agreement"), 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. 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 one interstate service agreement for firm natural gas transportation from Pennsylvania to the local distribution companies (each, a "LDC") that serve the Flynn plant, the SCPPs, the 500-MW Plant, and the Astoria Energy II plant. The Authority also purchases natural gas from various suppliers and marketers inclusive of delivery to the interconnections between interstate pipelines and the LDCs. The Authority has arrangements of varying terms with the LDCs to provide gas transportation and balancing services to the plants. The costs of the agreements with the LDCs, exclusive of taxes and balancing charges, are estimated at \$7.5 million for 2016 and \$7 million for 2017.

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 and transfers to the State, the transfer of the Canal Corporation from the Thruway Authority to the Authority, the RNYPP, and the Western NY Fund and the Northern NY Fund programs (see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Voluntary Contributions and Transfers to the State; 2016-2017 Enacted Budget; CERTAIN FINANCIAL AND OPERATING MATTERS—Transfer of Canal Corporation to the Authority; and POWER SALES—Marketing Issues and Developments—Items (3), (4), (5)"). 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—Voluntary Contributions and Transfers to the State; 2016-2017 Enacted Budget"), 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 POOCR 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 POOCR funds is subject to comprehensive federal regulations and judicial orders, including restrictions on the type of projects which can be financed with POOCR 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 SERVICES”). 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 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 2016 Bonds should obtain and review such information.

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. For a description of Executive Order No. 88 and the energy efficiency and financing programs undertaken by the Authority in response thereto, see (i) the Authority’s 2015 Financial Statements, “Management’s Discussion and Analysis – Build Smart New York” and (ii) the Authority’s Unaudited Six-Month Financials, “Note K – Build Smart New York”.

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 “*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 2016 Bonds should obtain and review such information.

FERC Order No. 1000

In 2011, FERC issued Order No. 1000, which mandates regional transmission planning and imposes a regional cost allocation methodology for transmission additions. Order No. 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.

The NYISO revised its tariff to be compliant with Order No. 1000 and FERC approved most revisions in 2014. One revision to the tariff included the provision for cost recovery of transmission projects constructed to address a public policy need. This provision in the tariff establishes a two year cycle in which the NYISO solicits from market participants proposed public policies that drive the need for transmission additions (“Public Policy Requirements”, or “PPRs”). All PPR proposals submitted are transmitted to the NYPSC for its evaluation, and if the NYPSC determines that one or more PPRs does drive a need for new transmission (a “Transmission Need”), it directs the NYISO to solicit proposed transmission solutions, which are evaluated in a competitive process.

The first NYISO solicitation for Public Policy Requirements was issued on August 1, 2014. The NYPSC ultimately identified two Transmission Needs (Western New York Public Policy Transmission Need and AC Public Policy Transmission Need) and the NYISO thence solicited solutions to meet these Transmission Needs. The Authority has submitted proposed transmission solutions to address each of these solicitations. The final selection for each of these is expected to occur in 2017 or early 2018. In parallel, the next two-year public policy cycle commenced on August 1, 2016 with the NYISO’s solicitation of a new round of PPRs.

NERC Reliability Standards

Pursuant to the Energy Policy Act, FERC in 2006 certified North American Electric Reliability Corporation (“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

The Dodd-Frank Wall Street Reform and Consumer Protection Act enacted in 2010 (the “Dodd-Frank Act”) addresses, among other things, interest rate and energy related commodity swap transactions of the type in which the Authority engages and authorizes the Commodities Futures Trading Commission (the “CFTC”) to adopt certain regulations relating such transactions. For a description of the Dodd-Frank Act and its potential impact on the Authority, see (i) the Authority’s 2015 Financial Statements, “Note 8 – Dodd Frank Act” and (ii) the Authority’s Unaudited Six-Month Financials, “Note F – Dodd Frank Act”. Extensive information on the Dodd-Frank Act is also available from many sources in the public domain and potential purchasers of the 2016 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

For a description of the Regional Greenhouse Gas Initiative, Clean Power Plan Rule and Air Pollution Rule, see (i) the Authority’s 2015 Financial Statements, “Note 12(h) – Regional Greenhouse Gas Initiative and Air Pollution Rule” and (ii) the Authority’s Unaudited Six-Month Financials, “Note K – Regional Greenhouse Gas Initiative, Clean Power Plan Rule and Air Pollution Rule”.

New York Energy Highway

For a discussion of the New York Energy Highway initiative, see (i) the Authority’s 2015 Financial Statements, “Note 12(k) – New York Energy Highway” and (ii) the Authority’s Unaudited Six-Month Financials, “Note K – New York Energy Highway”.

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, (l) information system outages, data theft, discontinuity of operations or damage to equipment or facilities as a result of hacking or other threats to cybersecurity and (m) 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 2016 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.

Article X of the Public Service Law governs 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. Pursuant to 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 Department of Environmental Conservation ("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 electric utility industry and related regulatory practices called Reforming the Energy Vision (the "REV"). According to the PSC, 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. The PSC's Order Adopting Regulatory Policy Framework and Implementation Plan issued and effective February 26, 2015, the Order Adopting a Ratemaking and Utility Revenue Model Policy Framework issued and effective May 19, 2016 and additional information on the REV are available at <http://www.dps.ny.gov/>. No statement on that website is incorporated by reference herein. To effectuate the aforementioned core policy objectives, the PSC has initiated several closely related proceedings including proceedings to address the value of the distributed generation, community net metering, community choice aggregation, utility energy efficiency

programs, dynamic load management, distributed energy resources oversight and low income affordability.

On August 1, 2016, the Public Service Commission issued an order establishing a Clean Energy Standard (“CES”) to implement the clean energy goals of the State Energy Plan (“SEP”) that 50% of New York’s consumed electricity be provided by renewable electricity sources by 2030, and statewide greenhouse gases be reduced by 40% by 2030. The CES imposes two requirements on load serving entities identified in the order (“Affected LSEs”): (1) an obligation to purchase “Zero Emission Credits” (“ZECs”) from the New York State Energy Research Development Authority to support the preservation of existing at risk zero emissions nuclear generation, in an amount representing the Affected LSE’s proportional share of ZECs calculated by the amount of electric load it serves in relation to the total electric load served by all LSEs in the New York Control area (“ZEC Purchase Obligation”); and (2) an obligation to support renewable generation resources to serve the Affected LSE’s retail customers to be evidenced by the procurement of qualifying Renewable Energy Credits (“RECs”) in quantities that satisfy mandatory minimum percentage proportions of the total retail load served by the Affected LSE (“REC Purchase Obligation”) (collectively, the “CES Program”). While the Authority is not subject to PSC jurisdiction for purposes of the CES Order, it (i) supports the SEP’s clean energy goals, (ii) may consider the SEP’s planning objectives and strategies when making energy-related decisions, and (iii) supplies electricity to end-use customers in the State in a manner similar to an Affected LSE. Therefore, the Authority expects to participate in the CES Program in a manner similar to an Affected LSE by (i) assuming a ZEC Purchase Obligation, and (ii) adapting a form of REC Purchase Obligation to the end-user load for which it serves as LSE. The Authority could incur substantial costs in connection with the CES. 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 and related proceedings closely and expects to evaluate any regulatory reforms that are ultimately implemented and their suitability for adoption by the Authority and its customers.

[4-year plan]

Retirement of Generation Resources

Recently announced and future retirement of generation resources may impact the Authority’s resources, both positively and negatively. The reduction in the amount of generation capacity available to the system that results from generator retirement will, *ceteris paribus*, increase the unit price paid for capacity from the Authority’s resources. Retirement of resources also can affect power flows and the ability to fully access the energy available from the Authority’s assets. For example, the recent retirement of coal-fired generation stations at Dunkirk and Huntley, New York have limited the amount of energy that the transmission system in the vicinity of the Authority’s Niagara Project can accommodate under certain circumstances, thus preventing the full use of this asset.

Recognizing the impact such retirements could have on the operation of the Niagara Project and the ability to access renewable power from Ontario, Canada, on July 20, 2015 the PSC issued an order that granted requests from the Authority and National Grid to establish a Public Policy Requirement driving the need for transmission additions to, among other things, enable the Authority to fully operate 2700 MW of generation from the Authority’s Niagara and Lewiston Pump-Generating Plant and ensure that, under emergency conditions, no less than 1000 MW of import capacity will be available from Ontario. This order was the first step in a competitive solicitation process that will procure, pursuant to procedures established in FERC’s Order 1000, transmission enhancements sufficient to meet the need identified by the PSC. Pursuant to this process, on December 31, 2015, the Authority together with

NYSEG submitted to the NYISO a proposal for meeting this need, as did numerous other developers. As of July 29, 2016, the NYISO estimated that, assuming the NYPSC directs the competitive process to proceed to conclusion, the NYISO will make a selection of which of the competing solutions to this transmission need is the more efficient and cost effective and should be approved for cost recovery under the NYISO tariff by mid-2017.

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

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. No statement on the OSC's website is included herein. OSC has 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, OSC has the discretionary authority to review and approve certain contracts to be entered into by public authorities, including the Authority.

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.

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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 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, 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**. Notwithstanding the foregoing, Operating Expenses shall not include (i) any costs and expenses attributable to a Separately Financed Project, or (ii) 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, other senior unsecured long term obligations, financial program rating, counterparty rating 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 on 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, which shall be payable

from the Trust Estate subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt 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. The Trustee shall have no obligation to invest or reinvest any amounts held thereunder in absence of written investment direction from the Authority.

(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)

Operation and Maintenance Covenant

The Authority shall at all times operate or cause to be operated each Project in a sound and economical manner and shall maintain, preserve and keep the same or cause the same to be maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation thereof may be properly and advantageously conducted; provided, however, that nothing herein contained shall be construed to prevent the Authority from ceasing to operate or maintain, or from leasing or disposing of, any Projects (other than, subject to the renewal of all operating licenses, 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 shall not be essential to the maintenance and continued operation of the rest of the Authority's Projects, and provided, further, however, the sale-leaseback or the lease-leaseback of any Project or other similar contractual arrangements, the effect of which is that the Authority continues to retain as part of the Trust Estate the Revenues from such Project, shall not constitute a lease or disposition of such Project for purposes of Section 605 of the General Resolution.

(General Resolution, Sec. 605)

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 so long as such Event of Default shall not have been remedied, unless the principal of all the

Obligations shall have already become due and payable, either 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 Securities, the principal of and the interest on which, when due, will provide moneys which, together with any moneys also deposited at the same time, 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 two 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 two 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 Owners of Obligations shall look only to the Authority for the payment of such 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)

**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 and 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, as president and chief executive officer of First Niagara Financial Group, Inc. and its principal subsidiary, First Niagara Bank N.A., and on First Niagara's board of directors. Mr. Koelmel began his professional career with KPMG LLP in 1974 and was managing partner of KPMG's Buffalo office and Upstate New York Business Unit. Mr. Koelmel earned a B.A. degree in economics and accounting from the College of the Holy Cross in 1974.

Tracy B. McKibben, Trustee

Ms. McKibben was confirmed by the New York State Senate in June 2015, following appointment by Governor Andrew M. Cuomo. She is the Founder and CEO of MAC Energy Advisors LLC. 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. She is a member of the board of directors of Ecolab Inc.(ECL), USAA, Imation (IMN) and Geostellar. She is also a member of the Council on Foreign Relations and the Women's Forum. Ms. McKibben holds a B.A. from West Virginia State University and a J.D. from Harvard Law School.

Anne M. Kress, Trustee

Ms. Kress was confirmed by the New York State Senate in June of 2014. 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. 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.

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 Governor Andrew M. Cuomo. He became a trustee in August 2008 after being nominated by Governor David Paterson. Judge Nicandri has served as president of the New York State County Judges Association. Before becoming a county judge, he was a partner in the Massena law firm of Lavigne & Nicandri and served at various times as the attorney for the Towns of Massena, Brasher, Louisville and Lawrence, the Village of Massena and Massena Memorial Hospital. 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.

Anthony J. Picente, Jr., Trustee

Mr. Picente is the 10th Oneida County Executive. He was appointed to the position in 2006, followed by his election to full four-year terms in 2007 and 2011. In 2001, Mr. Picente was named Regional Director of ESD 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. Mr. Picente, who attended Utica public schools, holds an associate degree from Mohawk Valley Community College and a bachelor's degree from Utica College.

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. In April 2015, he was elected chairman of the Electric Power Research Institute ("EPRI"), the electric power industry's international research and development organization, a role he served for one year, 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 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. Mr. Quiniones received a Bachelor of Science degree in mechanical engineering from De La Salle University in Manila.

Joseph Kessler, Executive Vice President and Chief Operating Officer

Mr. Kessler was recently appointed as Chief Operating Officer. He joined the Authority in January 2001 and has previously served as senior vice president of Power Generation and Regional Manager – Western NY. 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 IAEI, IESNA, and NETA. 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.

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 strategic planning department. Prior to joining the Authority, Mr. Lurie was vice president of North America business development for Ocean Power Technologies, directed the mergers and acquisitions function for Air Products and Chemicals, Inc., Chief of Strategic Planning at the Port Authority, the director of public finance for the State of New Jersey, and vice president of investment banking in the public finance department at Lehman Brothers. 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. Before joining the Authority, Mr. Driscoll was engaged in private practice, most recently at Brown & Weinraub PLLC. 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.

Jill C. Anderson, Executive Vice President and Chief Commercial Officer

Ms. Anderson is the Executive Vice President and Chief Commercial Officer at the Authority, overseeing all wholesale and retail operations. Ms. Anderson is responsible for revenues from the Authority's 16 power generation assets, supervising trading, fuel operations, hedging, and business development for new transmission and generation activities. She also oversees customer operations that include sales, marketing, new products and the implementation of energy efficiency sales. Ms. Anderson joined the Authority in 2009 and has led energy policy, sustainability, corporate communications and public & regulatory affairs. She worked for Hess Corporation and Consolidated Edison Company of New York prior to joining the Authority. Ms. Anderson received a Master of Business Administration from New York University and a Bachelor of Science in Mechanical Engineering from Boston University.

Philip Toia, Senior Vice President - Power Supply

Mr. Toia is the senior vice president, power supply for the Authority. In this role he oversees the operations and maintenance of the Authority's generation and transmission assets across the state. Mr. Toia joined the Authority in 2002 as an engineer and most recently served as Vice President, Transmission. Mr. Toia holds a Bachelor Degree in electrical engineering from Clarkson University and an MBA from LeMoyne College. He is a licensed Professional Engineer in New York 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 and has held various positions within the Authority's Headquarters in White Plains and Hydroelectric Plants in upstate New York. Prior to joining the Authority, Mr. Van Auken held positions at Central Hudson Gas & Electric, as well as Metromedia Fiber Networks Inc. Mr. Van Auken graduated from the State University of New York's Institute of Technology and is a licensed Professional Engineer in the State of New York. 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 – Technology & Innovation

Mr. Tartaglia assumed the position of Senior Vice President and Chief Technology and Innovation Officer (CTIO) in January 2016. As CTIO he is responsible for establishing the enterprise wide strategic and technical vision by leading all aspects of the organization's technology development and long-range direction of the Authority's Research & Development (R&D) and Strategic Operations Project Management functions. Prior to his current position, he held the positions of Senior Vice President of Energy Resource Management; Regional Manager, Southwest New York; and, at the Authority's Charles Poletti Power Plant, Operations Supervisor and Operations Superintendent. While working with the NYISO, he held a seat with the NYISO's Management Committee. Prior to joining the Authority, 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. He is a licensed Professional Engineer and holds a New York City Stationary Engineers License.

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 held risk management positions at Cinergy, Duke Energy, Signet Jewelers and Walmart's International Division. Prior to his career in risk management, Mr. Parija worked in various Corporate Finance functions including Strategic Planning, Financial Planning & Analysis and M&A Analysis. Mr. Parija started his career in India with the National Thermal Power Corporation. 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 & Enterprise Shared Services

Ms. Pizzo joined the Authority in December 2014 as the Senior Vice President of Human Resources & Enterprise Shared Services. Prior to joining the Authority, she was the Chief of Administration at Columbia University. 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.

Jennifer Faulkner – Senior Vice President – Internal Audit

Ms. Faulkner directs the Internal Audits program for the Authority and 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. Ms. Faulkner was previously Director of the Global Risk, Compliance and Control Group at Pfizer and 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.

Ken Lee, Senior Vice President, Chief Information Officer

Mr. Lee serves as the Authority's senior vice president & chief information officer. He is responsible for information technology and cyber security. Prior to joining the Authority, Ken was the Chief Architect at Pacific Gas & Electric and Chief IT Architect at Xcel Energy, leading enterprise architecture and cyber security. Prior to Xcel Energy, Ken was the CEO of a VC funded IT services company. Ken holds a Bachelor of Science in Computer Engineering from Iowa State University.

Kimberly Harriman, Senior Vice President, Corporate & Public Affairs

Ms. Harriman joined the Authority in July 2016 as Senior Vice President for Corporate and Public Affairs, overseeing Community and Government Relations and Corporate Communications. In addition, she has oversight responsibility for the Executive Office and is a member of the Executive Management Committee. She came to the Authority from the Department of Public Service where she served as General Counsel. In addition, Kimberly served as an Administrative Law Judge presiding in utility rate cases and other proceedings involving regulated utilities. Kimberly also served in Governor Patterson's administration as an Assistant Secretary for Energy and has worked for Albany-based law firms. Kimberly received her Bachelor of Arts from Siena College and her law degree from Albany Law School.

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.

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. Mr. McElroy is a member of the Authority's Executive Risk Management Committee and Employee Savings Committee. 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.

\$ _____
POWER AUTHORITY OF THE STATE OF NEW YORK
2016 Subordinated Notes

NOTE PURCHASE AGREEMENT

(Date of Closing or Sale)

POWER AUTHORITY OF THE
STATE OF NEW YORK
123 Main Street
White Plains, New York 10601

Dear Ladies and Gentlemen:

The undersigned, New York State Environmental Facilities Corporation (the "Purchaser"), offers to enter into the following agreement with the Power Authority of the State of New York (the "Authority") relating to the \$_____ aggregate principal amount of the Authority's 2016 Subordinated Notes (the "Notes"). The offer made hereby is subject to acceptance by the Authority by execution of this Note Purchase Agreement and delivery thereof to the undersigned at or prior to 5:00 P.M., New York time, on the date first above written. Upon acceptance of such offer by the Authority, this Note Purchase Agreement will be binding upon the Authority and the Purchaser.

1. Purchase and Sale

In reliance on the representations and warranties of the Authority contained herein and subject to the satisfaction of the terms and conditions which can be performed at or prior to the Closing (as defined herein) set forth herein to which the obligations of the Purchaser are subject, the Purchaser will, purchase from the Authority, and the Authority will sell to the Purchaser, the Notes. The aggregate price to be paid by the Purchaser for the Notes is \$_____.

The Notes shall be as described in, and shall be issued pursuant to, the Resolution Authorizing Subordinated Notes, Series 2016 (Federally Taxable) (the "2016 Subordinated Note Resolution"), adopted on November 7, 2016, authorizing the issuance and sale of the Notes. The Bank of New York Mellon, New York, New York, has been appointed the Paying Agent (the "Paying Agent") pursuant to the 2016 Subordinated Note Resolution.

2. Closing and Delivery

The Closing will be held at such time and place on _____, 2016, or such other date as shall have been mutually agreed upon by the Purchaser and the Authority (the "Closing"). At the Closing the Authority will deliver, or cause to be delivered, through the facilities of The Depository Trust Company ("DTC") to Manufacturers and Traders Trust Company, as custodian and trustee of the Purchaser, the Notes, in fully registered form, bearing CUSIP numbers, duly executed by the Authority, together with the other documents hereinafter mentioned, and the Purchaser, will accept such delivery and pay the purchase price of the Notes as set forth in Section I hereof by delivering to the Authority a check or wire payable in Federal funds or other immediately available funds to the order of the Authority, in the amount of such purchase price.

The Notes will mature on the dates and in the principal amounts and bear interest at the interest rates shown below:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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Interest on the Notes will be payable semiannually on May 15 and November 15 of each year, commencing May 15, 2017. The Notes will be delivered in registered form in denomination of one Note for each maturity and each Note shall be registered in the name of Cede & Co., as nominee of DTC and shall not be subject to redemption prior to maturity. The Notes shall be fully transferable in whole or in part on the registry books of the Paying Agent as provided in the 2016 Subordinated Bond Resolution.

3. Representations of the Authority

The Authority acknowledges that the Notes will be sold to the Purchaser and that the Purchaser will purchase the Notes in reliance upon the representations and warranties set forth herein. Accordingly, the Authority represents and warrants to the Purchaser that:

(a) *Organization; Power.* The Authority is and will be at the Closing a duly organized and existing body corporate and politic constituting a corporate municipal instrumentality and political subdivision of the State of New York under the laws of the State of New York with the powers and authority set forth in the Power Authority Act of the State of New York, Title I of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended (the “Act”), and as such has and will have at the Closing the legal right to adopt and engage in the transactions contemplated by the General Resolution Authorizing Revenue Obligations adopted by the Authority on February 24, 1998, as amended and supplemented (the “General Resolution”) and the 2016 Subordinated Note Resolution and this Note Purchase Agreement.

(b) *Action by the Authority.* The Authority has authorized by appropriate action (i) the issuance and sale of the Notes upon the terms herein and as set forth in the 2016 Subordinated Note Resolution, (ii) the execution, delivery, performance, acceptance, approval and receipt, as the case may be, of this Note Purchase Agreement and the 2016 Subordinated Note Resolution, and (iii) the taking of any and all such action as may be required to carry out, give effect to and consummate the transactions contemplated therein and herein.

(c) *Valid Obligations.* When delivered to and paid for by the Purchaser at the Closing in accordance with the provisions of this Note Purchase Agreement, the Notes will have been duly authorized, executed, issued and delivered and will constitute a valid, binding and enforceable obligation of the Authority in conformity with the Act and the 2016 Subordinated Note Resolution and will be entitled to the benefit and security thereof. The Note Purchase Agreement has been duly executed and delivered by the Authority and each of the General Resolution and the 2016 Subordinated Note Resolution have been duly and lawfully adopted by the Authority and each is in full force and effect and each is valid and binding upon the Authority and enforceable in accordance with their respective terms.

(d) *No Defaults.* The Authority is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any bond, debenture, note or other evidence of indebtedness of the Authority or any mortgage, deed of trust, indenture,

resolution or other agreement or instrument pursuant to which indebtedness of the Authority was incurred. Neither the adoption of the 2016 Subordinated Note Resolution, the execution and delivery of this Note Purchase Agreement, the consummation by the Authority of the transactions contemplated thereby and hereby, nor the compliance by the Authority with the provisions thereof and hereof, will result in any breach of the terms, conditions or provisions of, conflict with, or constitute a breach of or a default (or any event which with the passage of time or the giving of notice, or both, would become a default) under (i) the Act, any currently effective resolution of the Authority, or any contract, agreement or instrument to which the Authority is a party, (ii) the constitution of the United States or of the State of New York, or (iii) any existing law, administrative regulation, court order or consent decree to which the Authority is subject.

(e) *Security.* Upon their due issuance and sale as contemplated herein, the Notes will be secured by and payable from certain monies of the Authority as provided in the 2016 Subordinated Note Resolution.

(f) *Financial Statements.* The audited financial statements dated March 29, 2016 present fairly the financial position of the Authority at December 31, 2014 and December 31, 2015 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding periods.

(g) *Litigation.* Except as set forth in the audited financial statements described in 3(f) hereof, there is no pending, or to the knowledge of the Authority threatened, legal, administrative or judicial proceeding to which the Authority is or would be a party: (i) contesting the official existence or powers of the Authority; (ii) contesting or affecting the authority for the issuance of the Notes, or seeking to restrain or enjoin the issuance or the delivery of the Notes; (iii) contesting or affecting, the validity of the Notes, the General Resolution, the 2016 Subordinated Note Resolution or this Note Purchase Agreement; (iv) seeking to restrain or enjoin the collection of the income or revenues available for or pledged to the Notes under the 2016 Subordinated Note Resolution; or (v) involving the possibility of any judgment or uninsured liability which may result in any material adverse change in the business, properties, assets or financial condition of the Authority.

(h) *Filings or Approvals.* All approvals, consents or orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to, or the absence of which would materially adversely affect, the lawful performance by the Authority of its obligations hereunder and under the General Resolution, the 2016 Subordinated Note Resolution, the Note Purchase Agreement and the Notes have been obtained and are in full force and effect, except for the approval of the Comptroller of the State of New York provided for in Section 1010-a of the Public Authorities Law of the State of New York.

(i) *Additional Certificates.* Any certificates signed by any authorized officer of the Authority and delivered to the Purchaser pursuant to this Note Purchase Agreement shall be deemed a representation and warranty by the Authority to the Purchaser as to the statements made therein with the same effect as if such representation and warranty were set forth by the Authority herein.

4. Conditions of the Purchaser's Obligations

The obligation of the Purchaser to purchase the Notes is subject to the fulfillment of the following conditions at or before the Closing. Should any of the following conditions not be fulfilled, the

obligations of the Purchaser under this Note Purchase Agreement shall terminate and neither the Authority nor the Purchaser shall have any further obligations hereunder.

(a) The Authority's representations contained in Section 3 hereof shall be true, correct and complete as of the Closing and shall be confirmed at the Closing by certificates, signed by authorized officers of the Authority, in form and substance satisfactory to the Purchaser and its counsel.

(b) On or prior to the Closing: (i) this Note Purchase Agreement, the General Resolution and the 2016 Subordinated Note Resolution shall each be valid, binding and in full force and effect; (ii) the Notes shall have been duly authorized, issued, executed and attested in accordance with the provisions of the 2016 Subordinated Note Resolution and the Act, and delivered; and (iii) the Authority shall have duly adopted and there shall be in force and effect such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby.

(c) At or prior to the closing, the Purchaser and the Authority shall have received (i) an executed copy of the Acknowledgement of and Consent to Adjustment of the Payment Schedule For the Relicensing Settlement Agreement State Parks Greenway Fund, in form and substance satisfactory to the Authority, and delivered to the Authority by the New York State Office of Parks, Recreation and Historic Preservation and (ii) the approval of the Comptroller of the State of New York provided for in Section 1010-a of the Public Authorities Law of the State of New York shall have been received.

(d) At or prior to the Closing, unless otherwise agreed to by the Purchaser in writing, the Purchaser shall receive the following:

(i) The opinion of Hawkins Delafield & Wood LLP, as Bond Counsel, dated the date of the Closing and addressed to the Authority and the Purchaser, substantially in the form of Schedule I attached hereto.

(ii) An opinion of the Executive Vice President and General Counsel of the Authority, dated the date of Closing and addressed to the Purchaser, in form and substance as attached hereto as Schedule II.

(iii) A certificate executed by a duly authorized officer of the Authority, dated the date of the Closing, to the effect that there has been no material adverse change in the affairs or financial condition of the Authority since the date of the Authority's Official Statement with respect to its Series 2016 Bonds, issued and delivered _____, 2016.

(iv) One copy of each of the General Resolution and the 2016 Subordinated Note Resolution duly certified by the Executive Vice President and General Counsel or Secretary of the Authority with the 2016 Subordinated Resolution being in substantially the form heretofore reviewed by the Purchaser.

(v) The Notes shall have received a rating in at least the second highest long term rating category without reference to gradations from at least one of Moody's Investors Service, Standard & Poor's Ratings Group or Fitch Ratings.

(e) At the Closing, the Purchaser shall receive such additional certificates, instruments or opinions as Bond Counsel or counsel to the Purchaser may reasonably request to evidence the due authorization, execution, and delivery of the Notes and the adoption of the 2016 Subordinated Note Resolution, and the truth, accuracy and completeness as of the closing of the Authority's representations and warranties contained herein and in any of certificates or documents of Authority or officers of the

Authority delivered pursuant thereto.

5. Events Permitting the Purchaser to Terminate

The Purchaser may terminate its obligation to purchase the Notes at any time before the Closing if any of the following should occur:

(a) All of the ratings for the Notes shall have been lowered below the minimum ratings specified in Sections 4(d)(v) hereof, or withdrawn, by the applicable rating agency.

(b) If (i) a general suspension of trading in securities shall have occurred on the New York Stock Exchange, or (ii) there shall have occurred any outbreak or escalation of hostilities or any calamity or crisis, or (iii) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred that, in the judgment of the Purchaser, is material and adverse and, in the case of any of the events specified in clauses (i)-(iii), such event singly or together with any other such events makes it, in the judgment of the Purchaser, so material and adverse as to make it impracticable to proceed with the delivery of the Notes on the terms and in the manner contemplated in this Note Purchase Agreement.

(c) A general banking moratorium shall have been declared by authorities of the United States or the State of New York.

(d) A stop order, release, regulation, or no-action letter by or on behalf of the United States Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the issuance or sale of the Notes hereby or any document relating to the issuance or sale of the Notes is or would be in violation of any provision of the federal securities laws at the Closing, including the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Trust Indenture Act of 1939, as amended.

6. Notices

All notices, demands and formal actions hereunder will be in writing, mailed, telegraphed or delivered to:

The Authority: Power Authority of the State of New York
123 Main Street
White Plains, New York 10601
Attention: Brian McElroy, Treasurer

The Purchaser: New York State Environmental Facilities Corporation
625 Broadway
Albany, New York 12207
Attention: Sabrina Ty, President

7. Expenses

All costs and expenses of the Authority in connection with the authorization, issuance, sale and delivery of the Notes and other items herein specified to be delivered to the Purchaser shall be paid from the proceeds of the Notes. All expenses of the Purchaser, including specifically the fees and expenses of counsel to the Purchaser and financial advisor to the Purchaser, shall be paid from the proceeds of the Notes.

8. No Advisory or Fiduciary Role

The Authority acknowledges and agrees that (i) the purchase of the Notes pursuant to this Note Purchase Agreement is an arm's-length commercial transaction between the Authority and the Purchaser; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Purchaser is and has been acting solely as a principal and is not acting as the agent, advisor, fiduciary or Municipal Advisor (as defined in Section 15B of the Securities and Exchange Act of 1934, as amended) of the Authority; (iii) the Purchaser has not assumed an advisory or fiduciary responsibility in favor of the Authority with respect to the sale of the Notes or the discussions, undertakings and procedures leading thereto (irrespective of whether the Purchaser provided other services or is currently providing other services to the Authority on other matters) and the Purchaser has no obligation to the Authority with respect to the sale of the Notes hereby except the obligations expressly set forth in this Note Purchase Agreement; and (iv) the Authority has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

9. Miscellaneous

(a) No recourse shall be had for the payment of the principal of or interest on the Notes or for any claim based thereon, on the 2016 Subordinated Note Resolution, or on this Note Purchase Agreement against any member, officer or employee of the Authority or any person executing the Notes or this Note Purchase Agreement.

(b) The Purchaser is acquiring the Notes for its own account and not with a view to or for resale in connection with any distribution of all or any part of the Notes.

(c) This Note Purchase Agreement may be executed by anyone or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all of such counterparts shall together constitute one and the same instrument. This Note Purchase Agreement will inure to the benefit of and be binding upon the parties and their successors, and will not confer any rights upon any other person. This Note Purchase Agreement shall not be binding until executed by the parties hereto. All representations and agreements by the Authority and the Purchaser in this Note Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Purchaser and shall survive the delivery of any payment for the Notes. This Note Purchase Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. Section headings have been inserted in this Note Purchase Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not part of this Note Purchase Agreement and will not be used in the interpretation of any provisions of this Note Purchase Agreement.

10. Continuing Disclosure (a) All terms used in this Section 10 but not otherwise defined in this Note Purchase Agreement are used as defined in the Continuing Disclosure Agreement dated _____, 2016 by and between the Authority and The Bank of New York Mellon, as trustee, relating to the Authority's Series 2016 Bonds, except that with respect to the definition of "Notice Event,"

the term “Bonds” as used in such Continuing Disclosure Agreement shall be read to refer to the Notes as defined herein rather to such Series 2016 Bonds.

(b) The Authority shall provide Annual Financial Information with respect to each fiscal year of the Authority, commencing with the fiscal year ending December 31, 2016, by no later than nine months after the end of the respective fiscal year, to the MSRB.

(c) The Authority shall provide, in a timely manner, notice of any failure of the Authority to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

(d) If not provided as part of Annual Financial Information by the date required by clause (a) of this Section 10, the Authority shall provide Audited Financial Statements, when and if available, to the MSRB.

(e) If a Notice Event occurs, the Authority 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 the Holders (as defined in the 2016 Subordinated Notes Resolution).

(f) As and to the extent there are no obligations of the Authority which are the subject of a continuing disclosure agreement entered into pursuant to the Rule remaining outstanding, the Authority may provide any information required to be provided to the MSRB under this Section 10 to the Holders rather than to the MSRB.

(g) The obligation of the Authority to comply with the provisions of this Section 10 shall be enforceable by any Holder of outstanding Notes, provided that the Holders’ rights to enforce the provisions of this Section 10 shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority’s obligations under this Section 10.

(h) Nothing in this Section 10 shall be construed to imply that the sale of the Notes is subject to the requirements of the Rule.

NEW YORK STATE ENVIRONMENTAL
FACILITIES CORPORATION,
as Purchaser

By: _____
Name: Sabrina Ty
Title: President

Accepted as of the date first set forth above

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____
Name: Brian McElroy
Title: Treasurer

FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL]

[Date of Closing]

New York State Environmental
Facilities Corporation

Ladies and Gentlemen:

Reference is made to Section 4(d)(ii) of the Note Purchase Agreement, dated _____, 2016 (the “Note Purchase Agreement”), for the 2016 Subordinated Notes (the “Notes”), by and between the Power Authority of the State of New York (the “Authority”) and the New York State Environmental Facilities Corporation, and the Resolution Authorizing Subordinated Notes, Series 2016 (Federally Taxable) , (the “2016 Subordinated Note Resolution”).

As Executive Vice President and General Counsel of the Authority, I have examined and relied on originals or copies certified or otherwise identified to my satisfaction of such documents, instruments or corporate records, and have made such investigations of law, as I have considered necessary or appropriate for the purposes of this opinion.

Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the 2016 Subordinated Note Resolution and, if not defined therein, in the General Resolution Authorizing Revenue Obligations adopted by the Authority on February 24, 1998, as amended and supplemented (the “General Resolution”).

I am of the opinion that:

1. The Authority is a body corporate and politic constituting a corporate municipal instrumentality of the State of New York (the “State”) duly created by and validly existing under the Act, with the right, power and authority to execute, deliver and perform its obligations under the Note Purchase Agreement, to adopt the 2016 Subordinated Note Resolution and to issue the Notes thereunder (collectively, the “Authorized Documents”).

2. The execution and delivery of, and the performance by the Authority of its obligations under the Notes and the Note Purchase Agreement have been duly authorized by proper corporate proceedings of the Authority. The Note Purchase Agreement has been duly executed and delivered by the Authority and each of the General Resolution and the 2016 Subordinated Note Resolution have been duly and lawfully adopted by the Authority and each is in full force and effect and each is valid and binding upon the Authority and enforceable in accordance with their respective terms.

3. The Notes are Subordinated Indebtedness within the meaning of the General Resolution and is payable from the Trust Estate, provided that such payments are subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, as provided for in the General Resolution. The Notes do not constitute obligations, debts or liabilities of the State of New York, and the Authority has no power of taxation or power to pledge the credit of the State of New York.

4. The Authority is not in any material respect in violation of, breach of or default under the Act,

or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Authority or any of its activities, or any indenture, mortgage, deed of trust, resolution, note agreement or other agreement or instrument to which the Authority is a party or by which the Authority or any of its property or assets is bound, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instruments; and the execution and delivery of the Notes or the Note Purchase Agreement, and compliance with the provisions on the Authority's part contained therein, do not and will not conflict with, or constitute on the part of the Authority a violation of, breach of or default under any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Authority or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement or other agreement or instrument to which the Authority is a party or by which the Authority or any of its property or assets is bound, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as provided by the Notes or the Authorized Documents.

5. There is no litigation or other proceeding pending or, to the best of my knowledge, threatened in any court, agency or other administrative body (either State or Federal) restraining or enjoining the issuance, sale or delivery of the Notes, or in any way questioning or affecting (i) the issuance, sale and delivery of the Notes, (ii) the proceedings under which the Notes are to be issued, (iii) the validity of any provision of the Notes, the 2016 Subordinated Note Resolution or the Note Purchase Agreement, (iv) the pledge by the Authority effected under the 2016 Subordinated Note Resolution, or (v) the legal existence of the Authority. There is no litigation or other proceeding pending to which the Authority is a party or, to the best of my knowledge, threatened against it, and, to the best of my knowledge, there is no other litigation or proceeding pending or threatened in any court, agency or other administrative body (either State or Federal) which could have a material adverse effect on the transactions contemplated by the 2016 Subordinated Note Resolution and the items pledged under the 2016 Subordinated Note Resolution.

6. The Authority is not in default in any material respect under the terms of the General Resolution or the 2016 Subordinated Note Resolution.

7. All authorizations, consents, approvals and reviews of governmental bodies or regulatory authorities required for, or the absence of which would materially adversely affect, (i) the execution, issuance and performance by the Authority of the Notes, and (ii) the execution, delivery and performance by the Authority of the Note Purchase Agreement and the performance by the Authority of the 2016 Subordinated Note Resolution, have been obtained or effected.

The obligations of the Authority under the Notes, the Note Purchase Agreement and the 2016 Subordinated Note Resolution and the enforceability thereof are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. The enforceability of such obligations is subject to applicable general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

I have rendered the opinions expressed herein based on facts and circumstances existing, and applicable laws, rules, regulations, court decisions, and governmental and regulatory authority determinations in effect, on the date hereof. I assume no obligation to update or supplement this letter to reflect any change to, or the occurrence, issuance or adoption of, any fact, circumstances, laws, rules, or regulations, or any decision of any court or other body or governmental or regulatory authority. This opinion is limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressly stated herein.

This opinion is solely for your information and assistance and is not to be used, circulated, quoted or otherwise referred to, except that reference to this opinion may be made in any list of closing documents pertaining to the issuance of the Notes or in such closing documents.

Very truly yours,

Name:

Title:

POWER AUTHORITY OF THE
STATE OF NEW YORK

RESOLUTION
AUTHORIZING SUBORDINATED NOTES, SERIES 2016 (FEDERALLY TAXABLE)

Adopted November 7, 2016

**POWER AUTHORITY OF THE
STATE OF NEW YORK**

**RESOLUTION
AUTHORIZING
SUBORDINATED NOTES, SERIES 2016
(FEDERALLY TAXABLE)**

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**RESOLUTION
AUTHORIZING SUBORDINATED NOTES, SERIES 2016 (FEDERALLY TAXABLE)**

BE IT RESOLVED by the Trustees of the Power Authority of the State of New York (the “Authority”) as follows:

ARTICLE I

DEFINITIONS

SECTION 101. Definitions. (a) Except as provided in paragraph (b) of this Section 101, all terms which are defined in Section 101 of the General Resolution Authorizing Revenue Obligations adopted by the Authority on February 24, 1998, as heretofore and hereafter amended and supplemented in accordance with the terms thereof (the “General Resolution”), shall have the same meanings, respectively, in this Series 2016 Subordinated Notes Resolution as such terms are given in said Section 101 of the General Resolution.

(b) In this Resolution (hereinafter referred to as the “Subordinated Notes Resolution”), unless a different meaning clearly appears from the context:

(1) The terms “herein”, “hereunder”, “hereby”, “hereto”, “hereof”, “hereinafter”, and any similar terms, refer to this Subordinated Notes Resolution, and the term “hereafter” means after the date of adoption of this Subordinated Notes Resolution;

(2) Words importing the singular number include the plural number and vice versa and words importing persons include firms, associations and corporations. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders;

(3) Any headings preceding the texts of the several Articles and Sections of this Subordinated Notes Resolution, and any table of contents shall be solely for convenience of reference and shall not constitute a part of this Subordinated Notes Resolution, nor shall they affect its meaning, construction or effect;

(4) “Authorized Officer” means the Chairman, Vice Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or Treasurer of the Authority, or such other person or persons so designated by resolution of the Authority;

(5) “Business Day” means any day other than (i) a Saturday, Sunday or other day on which commercial banks located in the State of New York are authorized or

required by law or executive order to close or (ii) a day on which the New York Stock Exchange is closed;

(6) “Certificate of Determination” means a certificate or certificates of an Authorized Officer delivered pursuant to Section 303 of this Subordinated Notes Resolution setting forth certain terms and provisions of the Subordinated Notes, as such certificate(s) may be amended and supplemented.

(7) “Holder” or any similar term, when used with reference to the Subordinated Notes, shall mean any registered owner of Subordinated Notes as shown on the books of the Paying Agent;

(8) “Maturity Date” means, with respect to any Subordinated Note, the final date specified therefor in the Certificate of Determination.

(9) “Paying Agent” means an agent appointed by the Authority pursuant to Section 307 hereof, or any successor entity which may be appointed by an Authorized Officer as a Paying Agent hereunder;

(10) “Securities Depository” means The Depository Trust Company, or any other Holder of the Subordinated Notes acting as a central securities depository for the Subordinated Notes or a portion of the Subordinated Notes, as authorized pursuant to Section 309 of this Subordinated Notes Resolution, and its successors and assigns, or if any Securities Depository resigns from its function as depository of the Subordinated Notes, any other securities depository which agrees to follow the procedures required to be followed by the Securities Depository in connection with such Subordinated Notes or such portion of the Subordinated Notes, and which is selected by the Authority;

(11) “Settlement Agreement” shall mean the Relicensing Settlement Agreement Addressing New License Terms and Conditions, dated July 18, 2005, between the Authority, the New York State Office of Parks, Recreation and Historic Preservation, *et al.*

(12) “State Parks Greenway Fund” shall mean the fund created pursuant to Section 3, “State Parks Greenway Fund,” of Appendix E of the Settlement Agreement and held in the Operating Fund.

(13) “Subordinated Notes” means the Subordinated Notes, Series 2016 (Federally Taxable) authorized to be issued pursuant to Section 301 hereof.

(14) “Subordinated Notes Resolution” means this Resolution Authorizing Subordinated Notes, Series 2016 (Federally Taxable) of the Authority adopted November 7,, 2016, as the same may be amended and supplemented from time to time in accordance herewith;

(15) “State” means the State of New York.

(16) “Supplemental Subordinated Notes Resolution” means any resolution supplemental to or amendatory of the Subordinated Notes Resolution, adopted by, or adopted pursuant to authorization granted by the Authority in accordance with Article VI or VII hereof.

ARTICLE II

OBLIGATION OF RESOLUTION AND SUBORDINATED NOTES

SECTION 201. Authority for the Subordinated Notes. This Subordinated Notes Resolution is adopted in accordance with and pursuant to the Act.

SECTION 202. Subordinated Notes Resolution to Constitute Contract. In consideration of the purchase and acceptance of any and all of the Subordinated Notes authorized to be issued hereunder by those who shall be a Holder of the same from time to time, this Subordinated Notes Resolution shall be deemed to be and shall constitute a contract between the Authority and each of the Holders from time to time of the Subordinated Notes and such provisions are covenants and agreements with such Holders which the Authority hereby determines to be necessary and desirable for the security and payment thereof. The covenants and agreements herein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of any and all of the Subordinated Notes, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Subordinated Notes over any other except as expressly provided in or permitted by this Subordinated Notes Resolution.

SECTION 203. Obligation of the Subordinated Notes. The Subordinated Notes shall be Subordinated Indebtedness within the meaning of the General Resolution and shall be payable from the Trust Estate; provided that such payments shall be subject and subordinated to the payments to be made with respect to the Obligations and Parity Debt, as provided in Sections 503 and 604 of the General Resolution. The Trust Estate is hereby pledged for the payment of the Subordinated Notes, provided that such pledge shall be junior and inferior to the pledge of the Trust Estate created in the General Resolution for the payment of the Obligations and Parity Debt. The Subordinated Notes shall be on a parity with other Subordinated Indebtedness. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge created by this Subordinated Notes Resolution to secure the Subordinated Notes and all the interests of the Holders of the Subordinated Notes under this Subordinated Notes Resolution against all claims and demands of all Persons whomsoever.

SECTION 204. Certain Findings and Determinations. The Trustees hereby find and determine:

(a) The Trust Estate is not encumbered by any lien or charge thereon or pledge thereof, other than the senior lien and charge thereon and pledge thereof created by the General Resolution in favor of Obligations and Parity Debt, and the subordinate liens and charges thereon and subordinated pledge thereof created by the existing Subordinated Indebtedness and Subordinated Contract Obligations, which Subordinated Indebtedness and Subordinated Contract Obligations are on a parity with the Subordinated Notes.

(b) 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.”

ARTICLE III

AUTHORIZATION, TERMS AND ISSUANCE OF SUBORDINATED NOTES

SECTION 301. Authorization of Issue of Subordinated Notes. Subordinated Notes in a principal amount not to exceed \$30,000,000 are hereby authorized to be issued for the purposes set forth in Section 401 hereof. The Subordinated Notes shall bear the designation Subordinated Notes, Series 2016, or such other designation as shall be set forth in the Certificate of Determination. The Subordinated Notes shall otherwise be subject to the terms, conditions and limitations provided or referred to herein, the Certificate of Determination and in the Act. In the event that the Subordinated Notes are not issued in calendar year 2016, the applicable Certificate of Determination may (i) redesignate the year and series of such Subordinated Notes and (ii) make any other conforming changes deemed necessary or appropriate to reflect the year of issuance.

SECTION 302. General Terms of the Subordinated Notes. The Subordinated Notes herein authorized shall be issued in the denomination of \$1,000,000 or any larger integral multiple of \$5,000 as determined by an Authorized Officer, shall be numbered consecutively from 1 upwards in order of their issuance, and may bear such other or alternative identification as an Authorized Officer may deem appropriate. The Subordinated Notes shall be issued in registered form, and may be issued through the book-entry system of a Securities Depository upon the determination of an Authorized Officer. The Subordinated Notes shall be dated their date of issuance and mature on the Maturity Date. The Subordinated Notes shall be payable in any coin or currency of the United States of America which shall then be legal tender for the payment of public and private debts, by wire transfer of immediately available funds on the date such payments are due.

SECTION 303. Delegation of Authority. There is hereby delegated to an Authorized Officer, subject to the limitations contained herein, the power with respect to the Subordinated Notes to determine and effectuate the following:

- (a) the principal amount of Subordinated Notes to be issued, provided that the aggregate principal amount of Subordinated Notes shall not exceed \$30,000,000;
- (b) the Maturity Date of each Note which in no event shall be later than twenty-six years from the date of issuance of the Notes, the interest payment dates of the Subordinated Notes, and the date or dates from which the Subordinated Notes shall bear interest;
- (c) the interest rate or rates on the Subordinated Notes, provided, however, that such interest rate(s) shall not exceed five and one-half percent (5.50%) per annum;

- (d) the amounts of the proceeds of the Subordinated Notes to be deposited and applied in accordance with Section 401 and Section 402 hereof;
- (e) the redemption provisions, if any, of the Subordinated Notes;
- (f) the definitive form or forms of the Subordinated Notes; and
- (g) any other provisions deemed advisable by an Authorized Officer of the Authority, not in conflict with the provisions of this Subordinated Notes Resolution.

An Authorized Officer shall execute one or more certificates evidencing determinations or other actions taken pursuant to the authority granted herein. Each such certificate shall be deemed a Certificate of Determination and shall be conclusive evidence of the action or determination of such Authorized Officer as to the matters stated therein. The provisions of each Certificate of Determination shall be deemed to be incorporated in Article III hereof.

SECTION 304. Form of the Subordinated Notes. Subject to the provisions of Section 303 hereof, the form of the Subordinated Notes shall be substantially of the tenor set forth in Exhibit A hereto.

SECTION 305. No Recourse on the Subordinated Notes. No recourse shall be had for the payment of the Subordinated Notes or for any claim based thereon or on this Subordinated Notes Resolution against any Trustee, officer or employee of the Authority or any person executing the Subordinated Notes and neither the Trustees of the Authority nor any other person executing the Subordinated Notes shall be subject to any personal liability or accountability by reason of the issuance thereof. The Subordinated Notes are not and shall not be in any way a debt or liability of the State, and the State shall not be liable on the Subordinated Notes, and the Subordinated Notes are not and shall not be payable out of any funds other than those of the Authority.

SECTION 306. Execution and Validation of Subordinated Notes. An Authorized Officer of the Authority is each hereby authorized and directed to execute by his or her manual or facsimile signature the Subordinated Notes in the name of the Authority and the corporate seal (or a facsimile thereof) shall be affixed, imprinted, engraved or otherwise reproduced thereon, if necessary. In case any such Authorized Officer who shall have signed Subordinated Notes shall cease to be such Authorized Officer before the Subordinated Notes shall have been authenticated by the Paying Agent, the Subordinated Notes may nevertheless be issued as though the person who signed such notes had not ceased to be such Authorized Officer.

SECTION 307. Appointment of Paying Agent. The Bank of New York Mellon is hereby appointed as Paying Agent, and any Authorized Officer is hereby authorized to enter into a paying agency agreement with The Bank of New York Mellon or with any other Paying Agent appointed upon the direction of an Authorized Officer, to the extent such Authorized

Officer shall determine the same to be necessary or advisable. Any such paying agency agreement may be approved by such Authorized Officer, subject to the approval of the form thereof by the Executive Vice President and General Counsel, including, but not limited to, terms and conditions as may be required in connection with the establishment of a book-entry-only registration system in accordance with Section 309 hereof, the execution of the paying agency agreement to be conclusive evidence of such approval.

SECTION 308. Transfer of Subordinated Notes Registered Notes. (a) The Paying Agent shall act as registrar for the Subordinated Notes, which shall be transferable only upon the books of the Paying Agent, which shall be kept for that purpose at the office of the Paying Agent by the registered owner thereof in person or by his or her attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Paying Agent duly executed by the registered owner or his or her duly authorized attorney. Upon the transfer of any such Subordinated Note, the Paying Agent shall issue in the name of the transferee new Subordinated Notes of the same aggregate principal amount and maturity as the surrendered Subordinated Note.

(b) The Authority and the Paying Agent may deem and treat the person in whose name any Subordinated Notes shall be registered upon the books of the Paying Agent as the absolute owner of such Subordinated Notes, whether such Subordinated Notes shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Subordinated Notes and for all other purposes, and all such payments so made to any such registered owner or upon his or her order shall be valid and effectual to satisfy and discharge the liability upon such Subordinated Notes to the extent of the sum or sums so paid, and neither the Authority nor the Paying Agent shall be affected by any notice to the contrary.

SECTION 309. Book-Entry-Only System of Subordinated Notes Registration. (a) Notwithstanding any other provision of this Subordinated Notes Resolution, the Authority may employ a book-entry-only system of note registration with respect to all or any of the registered Subordinated Notes, all as more fully set forth in subparagraphs (a) and (b) of this Section. Any provisions of this Subordinated Notes Resolution inconsistent with book-entry-only Subordinated Notes shall not be applicable to such book-entry-only Subordinated Notes.

(b) Except as an Authorized Officer may specify by delivery of a certificate, a book-entry-only system of Subordinated Notes registration shall be employed by the Authority. Each Authorized Officer (i) is hereby authorized to execute and deliver on behalf of the Authority a letter of representation or other agreements, documents or instruments in connection with the implementation or operation of such a book-entry-only system and (ii) may prescribe changes to the form of Subordinated Notes to the extent necessary or convenient to make such Subordinated Notes eligible for deposit under such a book-entry-only system. The provisions of any letter of representation or other agreement with a Securities Depository shall be deemed to be incorporated in this Subordinated Notes Resolution and, in accordance with subparagraph (a) of this Section 309, any provision of this Subordinated Notes Resolution inconsistent with such

letter or agreement shall be deemed amended with respect to Subordinated Notes thereafter issued in book-entry-only form.

(c) With respect to all book-entry Subordinated Notes, neither the Authority nor the Paying Agent shall have any responsibility or obligation to any Securities Depository participant or indirect participant, or any nominee of any thereof, any person claiming a beneficial ownership interest in book-entry Subordinated Notes under or through the Securities Depository or any Securities Depository participant or indirect participant, or any other person which is not shown on the books of the Paying Agent as being the Holder of any master note, with respect to: (1) sending transaction statements; (2) maintaining, supervising or reviewing, or the accuracy of, any records maintained by the Securities Depository or any Securities Depository participant or other nominees of such beneficial owners; (3) payment or the timeliness of payment by the Securities Depository to any Securities Depository participant, or by any Securities Depository participant or other nominees of beneficial owners to any beneficial owners, of any amount in respect of the principal of or interest on book-entry Subordinated Notes; (4) delivery or timely delivery by the Securities Depository to any Securities Depository participant, or by any Securities Depository participant or other nominees of beneficial owners to any beneficial owners, of any notice which is permitted or required to be given to Holders under this Subordinated Notes Resolution; or (5) any action taken by the Securities Depository or its nominee as Holder of book-entry Subordinated Notes.

(d) The Authority and the Paying Agent may treat the Securities Depository or its nominee as, and deem the Securities Depository or its nominee to be, the absolute owner of each of the Subordinated Notes issued as a book-entry-only Subordinated Notes for the purpose of payment of the principal of and interest on such Subordinated Notes, for other matters with respect to such Subordinated Notes, for the purpose of registering transfers with respect to such Subordinated Notes, and for all other purposes whatsoever.

(e) The Securities Depository may determine not to continue to act as securities depository for the Subordinated Notes, and the Authority may determine to discontinue the book-entry-only issuance of the Subordinated Notes through the Securities Depository and in such case shall deliver a certificate to the Paying Agent to that effect. In either case, if the Authority determines to replace the Securities Depository with another qualified Securities Depository, the Authority shall prepare or direct the preparation of new, separate, fully registered notes, registered in the name of such successor or substitute qualified Securities Depository or its nominee, or make such other arrangements acceptable to the Authority, the Paying Agent and the replacement Securities Depository as are not inconsistent with the terms of this Subordinated Notes Resolution. If the Authority fails to identify another Securities Depository to replace the Securities Depository, the Authority may amend this Subordinated Note Resolution pursuant to Section 601(7) and shall deliver to the Paying Agent for safekeeping, completion, authentication and delivery in accordance with the provisions of this Subordinated Notes Resolution, as so amended, Subordinated Notes executed on behalf of the Authority, with the date of issuance, principal amount, maturity date, owner and rate of interest left blank. Each of such Subordinated

Notes instruments shall be held in safekeeping by the Paying Agent until authenticated and issued in accordance with the provisions of this Subordinated Notes Resolution.

SECTION 310. Subordinated Notes Mutilated, Lost, Destroyed or Stolen. If any Subordinated Notes shall become mutilated, the Authority, at the expense of the Holder of said Subordinated Notes, shall execute and deliver a new Subordinated Notes of like tenor, series and number in exchange and substitution for the Subordinated Notes so mutilated, but only upon surrender to the Authority of the Subordinated Notes so mutilated. If any Subordinated Notes shall be lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Authority and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Authority, at the expense of the owner, shall execute and the Paying Agent shall countersign and deliver a new Subordinated Notes of like tenor, series and number in lieu of and in substitution for the Subordinated Notes so lost, destroyed or stolen. Neither the Authority nor the Paying Agent shall be required to treat both the original Subordinated Notes and any duplicate Subordinated Notes as being outstanding for the purpose of determining the amount of Subordinated Notes which may be issued hereunder, but both the original and the duplicate Subordinated Notes shall be treated as one and the same.

ARTICLE IV

APPLICATION OF SUBORDINATED NOTES PROCEEDS

SECTION 401. Application of Proceeds. The Subordinated Notes are being issued, and the proceeds of sale of the Subordinated Notes shall be applied: (i) to make payments to the State Parks Greenway Fund to finance projects for the construction and/or rehabilitation of parks, recreation and related facilities as set forth in Section 3, "State Parks Greenway Fund," of Appendix E of the Settlement Agreement, and (ii) to pay the costs of issuance of the Subordinated Notes.

SECTION 402. Application of Note Proceeds; Note Proceeds Accounts. The proceeds of the sale of the Subordinated Notes shall be deposited in the State Parks Greenway Fund. At the direction of an Authorized Officer, moneys in the State Parks Greenway Fund may be applied to pay costs incurred in connection with the issuance of Subordinated Notes, and the balance shall remain in the State Parks Greenway Fund and be made available to finance projects referred to in Section 401 hereof. Such balance shall be held or invested in Authorized Investments in accordance with the provisions of the General Resolution pertaining to amounts held in the Operating Fund. At the direction of an Authorized Officer, the Paying Agent is hereby authorized to create such other funds, accounts and sub-accounts in accordance with this Subordinated Notes Resolution as may be necessary for the administration of the Authority's Subordinated Notes program.

SECTION 403. Non-Presented Subordinated Notes. Anything in this Subordinated Notes Resolution to the contrary notwithstanding, 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 Subordinated Notes 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 Paying Agent at such date, or for 2 years after the date of deposit of such moneys if deposited with the Paying Agent 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 Holders of Subordinated Notes shall look only to the Authority for the payment of such principal, redemption price, or interest, respectively. Notwithstanding the foregoing or anything in this Subordinated Notes Resolution to the contrary, any moneys held by the Paying Agent in trust for the payment and discharge of any Subordinated Notes which remain unclaimed after such moneys were to be applied to the payment of such Subordinated Notes in accordance with this Subordinated Notes 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 Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Subordinated Notes 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 Paying Agent shall, at the expense of the Authority, cause to be mailed to the Holders 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.

ARTICLE V

COVENANTS

SECTION 501. Covenants. The Authority hereby particularly covenants and agrees with the Holders of the Subordinated Notes, and makes provisions which shall be a part of the contract with such Holders, to the effect and with the purpose as follows:

(a) The Authority shall duly and punctually pay or cause to be paid the principal of and interest on Subordinated Notes at the place and in the manner mentioned in the Subordinated Notes, according to the true intent and meaning thereof.

(b) Upon each date of issuance of the Subordinated Notes, all conditions, acts and things required by the Constitution or statutes of the State or this Subordinated Notes Resolution to exist, to have happened and to have been performed precedent to or in the issuance of such Subordinated Notes shall exist, have happened and have been performed and such Subordinated Notes, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by said Constitution or statutes.

(c) The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of this Subordinated Notes Resolution in accordance with the terms of such provisions.

(d) The Authority shall comply with the rate covenant of Section 606 of the General Resolution so long as any Subordinated Notes are Outstanding, notwithstanding whether any Obligations are then Outstanding.

(e) The Authority shall give prior written notice to each rating agency then rating the Subordinated Notes of (i) any amendments to this Subordinated Notes Resolution, or (ii) any defeasance of the Subordinated Notes.

SECTION 502. Additional Subordinated Indebtedness and Lien. Nothing contained herein shall prohibit the Authority from issuing additional Subordinated Indebtedness or incurring Subordinated Contract Obligations, in each case subject and subordinate in all respects to the pledge thereof and lien and charge thereon, or assignment thereof, as the case may be, created by the General Resolution in favor of Obligations and Parity Debt, but either of equal rank or priority with, or subject and subordinate to, the pledge and assignment made in the Subordinated Notes Resolution in favor of the Subordinated Notes authorized hereby.

ARTICLE VI

SUPPLEMENTAL SUBORDINATED NOTES RESOLUTIONS

SECTION 601. Supplemental Subordinated Resolutions. For any one or more of the following purposes and at any time or from time to time, a Supplemental Subordinated Notes Resolution may be adopted without the consent of or notice to any Holder, which, upon its adoption, shall be duly effective in accordance with its terms:

(1) To close the Subordinated Note Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Subordinated Notes Resolution on, the delivery on original issuance of Subordinated Notes or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the Authority in the Subordinated Notes Resolution other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Subordinated Notes Resolution as theretofore in effect;

(3) To add to the limitations and restrictions in the Subordinated Notes Resolution other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Subordinated Notes Resolution as theretofore in effect;

(4) To surrender any right, power or privilege reserved to or conferred upon the Authority by the Subordinated Notes Resolution;

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Subordinated Notes Resolution, of any additional security other than that granted or pledged under the Subordinated Notes Resolution;

(6) To modify, amend or supplement the Subordinated Notes Resolution in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect or to permit the qualification of the Subordinated Notes for sale under the securities laws of any of the states of the United States of America, and, if the Authority so determines, to add hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar Federal statute;

(7) 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;

(8) To modify any of the provisions of the Subordinated Notes Resolution in any other respect whatever, provided that (a) such modification is to be effective prior to the issuance of any Subordinated Notes;

(9) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Subordinated Notes Resolution; or

(10) To insert such provisions, or to make such other amendments to the Subordinated Notes Resolution, as are necessary or desirable which are not materially adverse to the rights under the Subordinated Notes Resolution of the Holders of Subordinated Notes. The determination of the Authority as to whether any modification or amendment materially and adversely affects the interests of the Holders shall be binding and conclusive on the Holders.

SECTION 602. Supplemental Subordinate Resolutions Effective with Consent of Holders of Subordinated Notes. At any time or from time to time, a Supplemental Subordinated Notes Resolution also may be adopted subject to consent by Holders of Subordinated Notes in accordance with and subject to the provisions of Article VII, which Supplemental Subordinated Notes Resolution shall become fully effective in accordance with its terms as provided in said Article VII.

SECTION 603. General Provisions. (1) The Subordinated Notes Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article VI and Article VII. Nothing in this Article VI or in Article VII contained shall affect or limit the right or obligation of the Authority to execute and deliver to any Paying Agent any instrument which elsewhere in the Subordinated Notes Resolution it is provided shall be delivered to said Paying Agent.

(2) Any Supplemental Subordinated Notes Resolution referred to and permitted or authorized by Sections 601 and 602 shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Subordinated Notes Resolution when filed with the Paying Agent shall be accompanied by a Counsel's Opinion stating that such Supplemental Subordinated Notes Resolution has been duly and lawfully adopted in accordance with the provisions of the Subordinated Notes Resolution, is authorized or permitted by the Subordinated Notes Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms.

ARTICLE VII

AMENDMENTS

SECTION 701. Mailing. Any provision in this Article for the mailing of a notice or other paper to Holders of Subordinated Notes shall be fully complied with if it is mailed postage prepaid only to each Holder of Subordinated Notes then Outstanding at his address, if any, appearing upon the registry books of the Authority.

SECTION 702. Powers of Amendment. Any modification or amendment of the Subordinated Notes Resolution and of the rights and obligations of the Authority and of the Holders, in any particular, may be made by a Supplemental Subordinated Notes Resolution, with the written consent given as provided in Section 703 (i) of the Holders of a majority in principal amount of the Subordinated Notes Outstanding at the time such consent is given, and (ii) in case less than all of the Subordinated Notes then Outstanding are affected by the modification or amendment, of the Holders of a majority in principal amount of the Subordinated Notes 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 Subordinated Notes remain outstanding shall not be required and such Subordinated Notes shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Subordinated Notes under this Section. No such modification or amendment shall (a) permit a change in the terms of redemption or maturity of the principal of any Outstanding Subordinated Notes or of any installment of interest thereon or a reduction in the principal amount or in the rate of interest thereon without the consent of the Holders of all of such Subordinated Notes, (b) reduce the percentage of Subordinated Notes owned or otherwise affect the interests of those Holders of Subordinated Notes whose consent is required to effect any such modification or amendment, (c) create a preference or priority of any Subordinated Notes over any other Subordinated Notes without the consent of the Holders of all such Subordinated Notes, (d) create a lien prior to or on parity with the lien of the Subordinated Notes Resolution, without the consent of the Holders of all of the Subordinated Notes then Outstanding, or (e) change or modify any of the rights or obligations of Paying Agent without its written assent thereto. Notwithstanding the foregoing, nothing in this Subordinated Notes Resolution shall be deemed to preclude, or restrict issuance of additional Obligations or Subordinated Indebtedness or incurring Subordinated Contract Obligations in accordance with the terms of the General Resolution. For the purposes of this Section, Subordinated Notes shall be deemed to be affected by a modification or amendment of the Subordinated Notes Resolution if the same materially and adversely affects the rights of the Holders of such Subordinated Notes.

SECTION 703. Consent of Holders of Subordinated Notes. The Authority may at any time adopt a Supplemental Subordinated Notes Resolution making a modification or amendment permitted by the provisions of Section 702, to take effect when and as provided in this Section. A copy of such Supplemental Subordinated Notes Resolution (or brief summary

thereof or reference thereto) together with a request to the Holders for their consent thereto, shall be mailed by the Authority to the Holders (but failure to mail such copy and request shall not affect the validity of the Supplemental Subordinated Notes Resolution when consented to as in this Section provided). Such Supplemental Subordinated Notes Resolution shall not be effective unless and until (a) (i) the written consents of Holders of the percentages of Outstanding Subordinated Notes specified in Section 702 have been obtained and (ii) a Counsel's Opinion stating that such Supplemental Subordinated Notes Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Subordinated Notes Resolution, is authorized or permitted by the Subordinated Notes Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (b) a notice shall have been mailed to Holders as hereinafter in this Section 703 provided. Any such consent shall be binding upon the Holders of the Subordinated Notes giving such consent and, anything herein to the contrary notwithstanding, upon any subsequent Holder of such Subordinated Notes issued in exchange thereof (whether or not such subsequent Holder thereof has notice thereof). At any time after the Holders of the required percentages of Subordinated Notes shall have filed their consents to the Supplemental Subordinated Notes Resolution, notice, stating in substance that the Supplemental Subordinated Notes Resolution has been consented to by the Holders of the required percentages of Subordinated Notes and will be effective as provided in this Section 703, may be given to Holders of Subordinated Notes by the Authority by mailing such notice to Holders of Subordinated Notes (but failure to mail such notice shall not prevent such Supplemental Subordinated Notes Resolution from becoming effective and binding as in this Section 703 provided). The Authority shall maintain proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section 703, shall be proof of the matters therein stated. Such Supplemental Subordinated Notes Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Paying Agent and the Holders of all Subordinated Notes at the expiration of 40 days after the execution of an Authorized Officer's certification of the proof of the mailing of such last-mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Subordinated Notes Resolution in a legal action or equitable proceeding for such purpose commenced within such 40-day period; provided, however, that the Paying Agent and the Authority during such 40-day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Subordinated Notes Resolution as they may deem expedient.

SECTION 704. Modifications by Unanimous Consent. The terms and provisions of the Subordinated Notes Resolution and the rights and obligations of the Authority and of the Holders of Subordinated Notes may be modified or amended in any respect upon the adoption and filing by the Authority of a Supplemental Subordinated Notes Resolution and the consent of the Holders of all of the Subordinated Notes then Outstanding, such consent to be given as provided in Section 703 except that no notice to Holders of Subordinated Notes shall be required; provided, however, that no such modification or amendment shall change or modify

any of the rights or obligations of the Paying Agent without the written assent thereto of such Paying Agent in addition to the consent of the Holders of Subordinated Notes.

SECTION 705. Exclusion of Subordinated Notes Owned by the Authority. Subordinated Notes owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Subordinated Notes provided for in this Article, and the Authority shall not be entitled with respect to such Subordinated Notes to give any consent or take any other action provided for in this Article.

SECTION 706. Notation on Subordinated Notes. Subordinated Notes delivered after the effective date of any action taken as in Article VI or this Article VII may bear a notation by endorsement or otherwise in form approved by the Authority as to such action, and in that case upon demand of the Holder of any Subordinated Notes Outstanding at such effective date and presentation of his Subordinated Notes for the purpose at the principal office of the Authority suitable notation shall be made on such Subordinated Notes as to any such action. If the Authority shall so determine, new Subordinated Notes so modified as in the opinion of the Authority to conform to such action shall be prepared and delivered, and upon demand of the Holder of any Subordinated Notes then Outstanding shall be exchanged, without cost to such Holders of Subordinated Notes for Subordinated Notes of the same maturity and interest rate then Outstanding, upon surrender of such Subordinated Notes.

ARTICLE VIII

MISCELLANEOUS

SECTION 801. Defeasance. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Subordinated Notes, all amounts due on the Subordinated Notes at the times and in the manner stipulated herein, then the pledge created under this Subordinated Notes Resolution and all covenants, agreements and other obligations of the Authority hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, and thereupon all of the moneys and securities of the Authority then subject to such pledge shall be forever free and clear of such pledge and the Subordinated Notes shall no longer be deemed to be outstanding hereunder. If (i) moneys or (ii) direct obligations of the United States of America, the principal of and interest on which if paid, when due, will provide moneys sufficient to pay any Subordinated Note or Notes on their Maturity Date shall have been set aside and shall be held by a bank or trust company in the State having a capital and surplus of not less than \$25,000,000, in a separate account irrevocably in trust for and assigned to the Holder or Holders thereof (through deposit by the Authority of funds or obligations for such payment or otherwise), such Subordinated Note or Notes shall be deemed to have been paid within the meaning and with the effect expressed in this paragraph. Moneys so set aside and held may be invested in direct obligations of the United States of America, provided, however, that said obligations shall mature not later than the Maturity Date of the Subordinated Note or Notes to be paid therefrom and shall be scheduled to pay the principal of or interest on such obligations at such times and in such amounts as shall permit the payment of such Subordinated Note or Notes on the Maturity Date. All earnings from the investment of such moneys other than such amounts as are required to pay such Subordinated Note or Notes shall be paid over to the Authority, as received by such bank or trust company, free and clear of any trust, lien or pledge.

SECTION 802. Agreement of the State. Pursuant to Section 1011 of the Act, the Authority, as agent for the State, does hereby pledge to and agree with the Holders of the Subordinated Notes that the State will not limit or alter the rights vested in the Authority by the Act until the Subordinated Notes, together with the interest thereon, have been fully met and discharged or adequate provision shall have been made by law for the protection of the Holders of the Subordinated Notes.

SECTION 803. Authorized Officers. The Authorized Officers, the Deputy Treasurer, the Secretary, and any Assistant Secretary of the Authority are each hereby authorized to deliver and execute in the name and on behalf of the Authority any certificate, opinion, record, approval, agreement, amendment to an agreement, including any documents required by or authorized pursuant to this Subordinated Notes Resolution or which they may deem necessary or advisable in order to consummate the issuance, sale, delivery or transfer of the Subordinated Notes and otherwise to effectuate the purposes of this Subordinated Notes Resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.

SECTION 804. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions or portions thereof contained herein shall be held by a court of competent jurisdiction contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Subordinated Notes issued hereunder.

SECTION 805. Payment and Performance on Business Days. Whenever under the terms of this Subordinated Notes Resolution or the Subordinated Notes, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Subordinated Notes shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Subordinated Notes, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the originally scheduled date of performance or payment, and, with respect to any payment, without additional interest accruing after the originally scheduled date of payment.

SECTION 806. Effective Date. This Subordinated Notes Resolution shall be in full force and effect immediately upon its adoption.

EXHIBIT A TO SUBORDINATED NOTES RESOLUTION
(FORM OF SUBORDINATED NOTES)

POWER AUTHORITY OF THE STATE OF NEW YORK

SUBORDINATED NOTES, SERIES 2016

ISSUE DATE: No. ___ PRINCIPAL AMOUNT:

FOR VALUE RECEIVED THE AUTHORITY PROMISES TO PAY

ON: _____ (THE "MATURITY DATE")

TO THE ORDER OF: _____

THE SUM OF: THE PRINCIPAL AMOUNT PLUS INTEREST DETERMINED
IN ACCORDANCE WITH THE SUBORDINATED NOTES
RESOLUTION (THE "INTEREST")

PAYABLE AT: _____

Power Authority of the State of New York ("Authority") acknowledges itself indebted to and for the value received, hereby promises to pay on the MATURITY DATE to the order of _____ or registered assigns, the PRINCIPAL AMOUNT plus INTEREST by wire transfer of immediately available funds on the date payments are due.

This Subordinated Note is one of a duly authorized issue of Subordinated Notes of the Authority, issued 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 ("Act"), and under and pursuant to a resolution adopted by the Authority on November 7, 2016 entitled "Resolution Authorizing Subordinated Notes, Series 2016 (Federally Taxable)", as the same may be amended and supplemented from time to time (the "Subordinated Notes Resolution"), and is entitled to the benefits and subject to the terms and conditions of the Subordinated Notes Resolution. A copy of the Subordinated Notes Resolution is on file at the office of the Authority located at 123 Main Street, White Plains, New York. The principal amount of Subordinated Notes issued under the Subordinated Notes Resolution outstanding at any one time may not exceed \$30,000,000.

Except as otherwise defined herein, all capitalized words and terms used herein have the same meanings as in the Subordinated Notes Resolution.

The Subordinated Notes are Subordinated Indebtedness within the meaning of the General Resolution Authorizing Revenue Obligations adopted by the Authority on February 24, 1998, as heretofore and hereafter amended and supplemented in accordance with the terms thereof (the “General Resolution”) and shall be payable from the Trust Estate; provided that such payments shall be subject and subordinated to the payments to be made with respect to the Obligations and Parity Debt, as provided in Sections 503 and 604 of the General Resolution. The Trust Estate is pledged for the payment of the Subordinated Notes, provided that such pledge is junior and inferior to the pledge of the Trust Estate created in the General Resolution for the payment of the Obligations and Parity Debt.

This Subordinated Note is transferable, as provided in the Subordinated Notes Resolution, only upon the books of the Authority, kept for that purpose at the office of The Bank of New York Mellon, as Paying Agent, by the registered owner hereof in person, or by his or her duly authorized attorney, upon surrender of this Subordinated Note together with a written instrument of transfer satisfactory to such Paying Agent, duly executed by the registered owner or his or her duly authorized attorney, and thereupon a new registered Subordinated Note in the same aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Subordinated Notes Resolution, upon payment of the charges therein prescribed. The Authority and such Paying Agent may deem and treat the person in whose name this Subordinated Note is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal and interest due hereon and for all other purposes.

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 Subordinated Note that the State of New York will not limit or alter the rights vested in the Authority by the Act, until this Subordinated Note and each of the other Subordinated Notes of like tenor issued under the Subordinated Notes Resolution, together with the interest hereon and thereon, have been fully met and discharged or adequate provision shall have been made by law for the protection of the holders of all such Subordinated Notes.

Pursuant to the Act, the Authority has no power to pledge the credit of the State of New York, nor shall any of its obligations, including this Subordinated Note, be deemed to be obligations of the State of New York.

Neither the Trustees of the Authority nor any other officer or employee of the Authority shall be subject to any personal liability or accountability by reason of the issuance hereof.

This Subordinated Note shall not be entitled to any security, right or benefit pursuant to the Resolution or be valid or obligatory for any purposes unless the Certificate of Authentication hereon has been duly executed by The Bank of New York Mellon, the Paying Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State and the Subordinated Notes Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Subordinated Note, exist, have happened and have been performed in due time, form and manner as required by law and that the issuance of the Subordinated Notes, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the POWER AUTHORITY OF THE STATE OF NEW YORK has caused this Subordinated Note to be executed in its name by the manual or facsimile signature of its Chairman, Vice Chairman, President and Chief Executive Officer, or Executive Vice President and Chief Financial Officer, and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon, all as of the ISSUE DATE.

POWER AUTHORITY OF THE
STATE OF NEW YORK

By _____
Authorized Officer

[FACSIMILE SEAL]

NOT VALID UNLESS AUTHENTICATED

Authenticated:

THE BANK OF NEW YORK MELLON

Paying Agent

By _____
Authorized Signature