

March 16, 2007

Timothy Carey
President and Chief Executive Officer
New York Power Authority
123 Main Street
White Plains, New York 10601

Dear Mr. Carey:

The New York Power Authority's (NYPA) January 10, 2007 letter to Mark Lynch requested the assistance of the New York Independent System Operator ("NYISO") in determining whether the closure of the 880 megawatt ("MW") Existing Poletti Facility as of February 1, 2009 will cause "the aggregate electrical generating capacity to be less than 80 percent of the total in-City projected peak demand . . . for the summer of 2008."

The NYISO understands that NYPA's request is pursuant to the New York State Siting Board's October 2, 2002 Opinion and Order Granting a Certificate of Environmental Compatibility and Public Need Subject to Conditions ("Certificate"). The Certificate authorized NYPA to construct and operate a new 500 MW electric generating facility next to the existing 880 MW Charles Poletti Power Project in Astoria, Queens, New York. The Certificate contains the following condition:

7. . . . the Power Authority shall take the following action:

A. The Power Authority shall cease operation of its Existing Poletti Facility permanently as of February 1, 2008 and agree not to restart such plant after such date unless it provides the notice set forth in subparagraph C below by June 1, 2006.

B. The Power Authority shall, on notice to all parties, by February 1, 2006, seek a written determination from the [NYISO] . . . expressly determining whether closure of the Existing Poletti Facility as of February 1, 2008, will cause the aggregate in-City electrical generating capacity (exclusive of the Existing Poletti Facility), as such aggregate capacity is determined by the NYISO or any successor entity, to be less than 80% of the total in-city projected peak demand, as determined by the such NYISO or successor entity, for the summer of 2008

C. If, by June 1, 2006, the Power Authority provides notice to all parties enclosing a written determination from the NYISO finding that closure of the Existing Poletti Facility on February 1, 2008 will cause the aggregate in-City electrical generating capacity (exclusive of the Existing Poletti Facility) to be less than 80% of the total in-city projected peak demand, as determined by the NYISO or any successor entity, for

the summer of 2008 . . . , then the Power Authority's obligation pursuant to subparagraph A to cease operation of the Existing Poletti Facility shall be deferred until February 1, 2009. The Power Authority shall then, by July 1, 2007, on notice to all parties, seek another written determination from the NYISO meeting the requirements of subparagraph B. If, within three months after seeking such notice, the Power Authority provides notice to all parties enclosing a written determination from the NYISO finding that closure of the Existing Poletti Facility on February 1, 2009 will cause the aggregate in-City electrical generating capacity (exclusive of the Existing Poletti Facility) to be less than 80 % of the total in-City projected peak demand, as determined by NYISO or any successor entity, for the summer of 2009 . . . , then the Power Authority's obligation to cease operation and decommission the Existing Poletti Facility pursuant to Subparagraph A shall be deferred until January 31, 2010.

The retirement of the Existing Poletti Facility would cause the in-City electrical generating capacity to fall to 75.0 percent of the aggregate in-City peak demand for the summer of 2009. The NYISO calculated this number based upon Figure 4.3 of the 2007 Reliability Needs Assessment ("RNA") which was recently approved as part of the Comprehensive Reliability Planning Process ("CRPP") contained in the NYISO's Open Access Transmission Tariff ("OATT"), subtracting in-City Special Case Resources.¹ This figure increases to 75.2 percent when the calculation includes the load and capacity adjustments that are reflected in the draft 2007 NYISO Load and Capacity Data Report (see attached table).

Should you have any questions, please do not hesitate to contact me at (518) 356-6129 or by e-mail at mcalimano@nyiso.com.

Very truly yours,

Michael Calimano
Vice President
Operations and Reliability

cc: Active Party List in New York State Siting Board Case 99-F-1627

¹ The unadjusted RNA figure of 77.7 percent in Figure 4.3 included "Special Case Resources," which are not considered installed electrical generating capacity.