

**ANNUAL REPORT
OF THE
NIAGARA POWER COALITION, INC.
FOR THE FISCAL YEAR
JANUARY 1, 2011 – DECEMBER 31, 2011**

(ISSUED March 27, 2012)

This Annual Report of the Niagara Power Coalition, Inc. (the “Coalition”) for the Fiscal Year January 1, 2011 – December 31, 2012 is prepared and presented Pursuant to the By-Laws of the Coalition and the requirements of the Public Authorities Accountability Act of 2005 (the “PAAA”), as amended by the Public Authorities Reform Act of 2009 (“PARA”).

Operations and Accomplishments; Projects Undertaken

Consistent with its special purposes, the Coalition continued to devote much of its time and energies to plans for implementing the June 27, 2005 Host Community Relicensing Settlement Agreement (the “Settlement Agreement”) among the Coalition, its members and the New York Power Authority (“NYPA”). The Settlement Agreement provides, in relevant part, for the allocation of a minimum of 25 megawatts of low-cost hydroelectric power and energy from NYPA’s Niagara Power Project to the Host Communities, establishment of a Host Communities Fund totaling at least \$5 million per year, and establishment of a separate Host Community Greenway Fund totaling \$3 million annually. These obligations are to continue over the 50-year term of the new license for the Niagara Power Project. The Federal Energy Regulatory Commission approved the license on March 15, 2007, and it took effect on September 1, 2007, upon the expiration of the original license.

On behalf of its members, a major focus of the Coalition’s efforts in 2011 was on consideration and approval of projects by the Host Communities Standing Committee (the “HC Standing Committee”), consisting of the seven members of the Coalition and NYPA, that would

utilize the \$3 million annual funding referred to above. During 2011, the HC Standing Committee approved seventeen (17) projects for funding.

The NPC web site serves as an up-to-date repository for important information, including documents regarding the Coalition and the HC Standing Committee. A new addition to the web site this year is a page each for NPC and HC Standing Committee meeting agendas and materials that are now required to be posted by the New York State Authorities Budget Office prior to each meeting date.

The Mission Statement and Performance Measurements that were required to be in place as of March 31, 2011 were adopted by the Coalition on February 2, 2011.

In July 2011, NYPA proposed to increase the rates charged to customers receiving power and energy from its hydroelectric generating projects, including the members of the Coalition. Through a statement presented at a NYPA public hearing by the Chairman of the Coalition on September 20, 2011 and in written comments filed on October 21, 2011, the Coalition opposed the increase. On November 15, 2011, the Trustees of NYPA announced that they had approved an increase substantially lower than the original proposal and made particular mention of the impact of the public statements and comments received as an important factor in reducing the amount of the originally proposed increase.

Financial Matters

The Coalition is funded by assessments paid by its members. The funding formula provides for equal division among the seven member entities, one-seventh for each.

The Niagara County Economic Development Department is reimbursed for staff support and resources provided to the NPC, totaling \$500 per month. In addition, the Niagara County Industrial Development Agency is reimbursed for secretarial support in the amount of \$439.11

per month. There are no other wages or salaries reimbursed to other departments or other entities.

Attached to this Report as Appendix A is a copy of the report of the Coalition's outside auditors, Lumsden and McCormick, on the Coalition's financial condition for Fiscal Year 2011.

In addition, the Coalition has approved a budget for Fiscal Year 2012. That budget is attached to this Report as Appendix B. As in past years, much of the Coalition's activities continue to be legally intensive. Hence the largest portion of the budget is devoted to legal services, most of which are expected to be provided by counsel selected by the Coalition pursuant to a bidding process.

Real Property and Transactions

The Coalition owns no real property and did not engage in any transactions pertaining to real property during 2011.

Code of Ethics

The Coalition has adopted a Code of Ethics. A copy is attached to this Report as Appendix C.

Assessment of effectiveness of internal control structure and procedures

The Coalition has its origins in an informal organization concerned about ensuring that the Host Communities (the municipalities and school districts in Niagara County impacted by the Niagara Power Project) received appropriate compensation and/or benefits proportional to the burdens imposed on them by the Niagara Power Project. Over the dozen years or so since that group began its efforts, the Coalition has grown in subject matter responsibility and has adapted the organization to keep pace with that expanding responsibility, including effective management of the resources provided by its members. As an organization whose administrative costs are

funded by taxpayer money and whose disbursement of funds from NYPA are to benefit the public, the Coalition takes the concept and practice of accountability seriously. The effectiveness of the Coalition's internal controls is assessed and publicly reported annually in the audit process.

Additionally, the Coalition, like many other entities throughout the State, is subject to the PAAA, as amended by the PARA, and must continuously adhere to the requirements of that statute. In the course of compliance, the Coalition has adopted governance provisions, including by-laws and policies to be compliant. The individual representatives of the Coalition members have pursued the requisite PAAA training. The Coalition has addressed the additional requirements of the PARA, including the adoption of a Mission Statement and Performance Measurements, which can be expected to further effective controls.

Subject to continuous efforts to enhance its internal controls, the current policies and procedures of the Coalition are effective.

Other Matters

With certain exceptions, the remaining information required to be reported pursuant to Public Authorities Law Section 2800(2) may be found on the Coalition's web site, www.niagarapowercoalition.com. For example, the web site describes the Coalition and its structure, contains the Coalition's By-Laws and Mission Statement (with Performance Measurements), and provides extensive financial information. Since the Coalition was not established pursuant to a particular legislative authorization, the "statutory basis" of the Coalition is not provided. Because the Coalition has a "single-layer" structure and utilizes the part-time services of just one employee of the Niagara County Economic Development Department, no additional structural information is provided. The Coalition makes no capital expenditures;

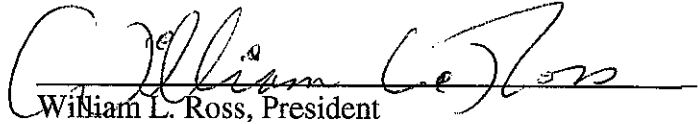
therefore, capital budget information is not relevant and is not generated. Likewise, because the Coalition does not purchase or sell assets, there are no such transactions to report. Finally, the Coalition is not currently engaged in any pending or threatened litigation.

Waiver

The Coalition understands that regulations governing the issuance of waivers pertaining to the matters to be reported pursuant to Public Authorities Law Section 2800(2) have not been promulgated. To the extent deemed necessary, and pending the adoption of such regulations, the Coalition respectfully requests that the information provided in the foregoing report, together with the information posted on the Coalition's web site, be deemed full compliance with the statutory reporting requirements or, alternatively, that a waiver be granted so that the Coalition is not required to submit additional information. The Coalition submits that such treatment is consistent with the intent of the statute and is appropriate in light of the Coalition's limited mission and small size, including its extremely limited staffing. Developing and reporting on information beyond that presented here or on the Coalition's web site would be burdensome and, the Coalition respectfully submits, would serve no useful purpose.

CERTIFICATION

We, Charles Miller, President, and John Baird, Treasurer, hereby certify, based on our knowledge, that the information contained in the above Annual Report is accurate, correct and does not contain any untrue statement of material fact; does not omit any material fact which, if omitted, would cause the financial statements to be misleading in light of the circumstances under which the statements are made; and fairly presents in all material respects the financial condition and results of operations of the Coalition as of, and for, the periods presented in the financial statements.



William L. Ross, President

Date: 5 April 2012

John M. Baird, Jr., Treasurer

Date: _____