



Board of Hudson River-Black River Regulating District
350 Northern Boulevard, Albany, New York 12204 Phone (518) 465-3491
FAX (518) 432-2485

May 12, 2009

Mr. James Dezolt
Director, Division of Water
Department of Environmental Conservation
625 Broadway, 4th Floor
Albany, New York 12233

Dear Mr. Dezolt:

Enclosed you will find the Annual Report of the Hudson River-Black River Regulating District which is submitted in accordance with Section 2131 of the Environmental Conservation Law.

This report covers the period January 1, 2008 – December 31, 2008.

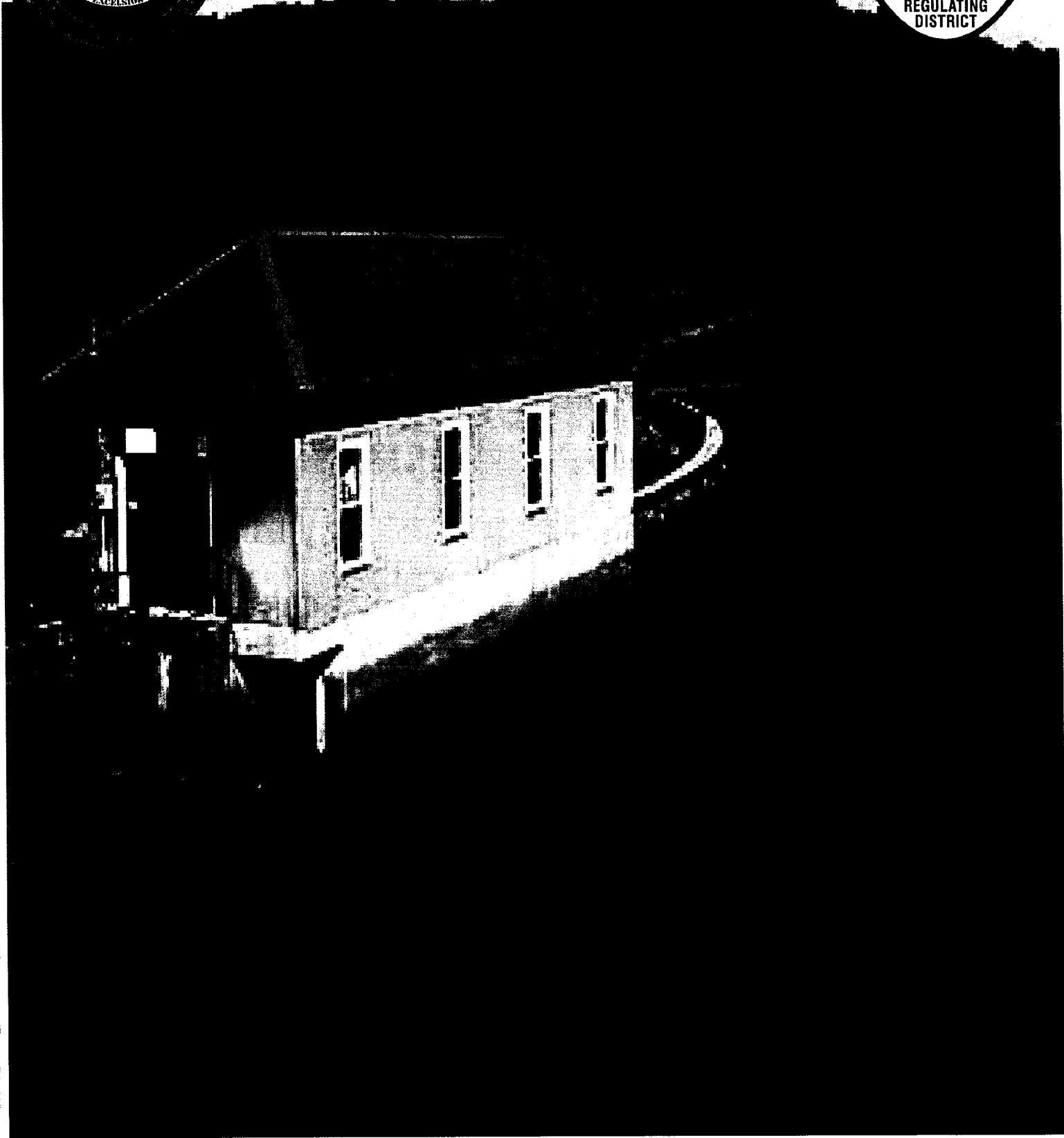
In order for us to complete our records, kindly acknowledge receipt of this report.

Very truly yours,

A handwritten signature in black ink, appearing to read "Philip W. Klein".

Philip W. Klein
Chairman

Enclosure





Hudson River - Black River Regulating District



Hudson River Area Office
350 Northern Boulevard, Suite 304
Albany, New York 12204
Telephone (518) 465-3491
Fax (518) 432-2485
hrao@hrbrdd.com

Black River Area Office
145 Clinton Street, Suite 102
Watertown, New York 13601
Telephone (315) 788-5440
Fax (315) 779-1794
brao@hrbrdd.com

MESSAGE FROM THE BOARD

On behalf of the Board of the Hudson River – Black River Regulating District, thank you for your interest in our 2008 Annual Report. As you will note, 2008 was a busy yet productive year for the Regulating District.

In 1959, the New York State Legislature combined the Hudson River Regulating District (established in 1922) with the Black River Regulating District (established in 1919) forming the Hudson River – Black River Regulating District. In 2009 we celebrate fifty years of effective river regulation. The mission of the Hudson River-Black River Regulating District is to regulate the flows of the Hudson River and Black River for the purposes of flood protection and flow augmentation and the Board takes this mission very seriously. Our success is due to the excellent working relationship the Regulating District maintains with Federal, State and local legislators, agencies, organizations and leaders. In addition, we commend our diligent staff.

The Regulating District is a New York State public benefit corporation that is operated with predictability, transparency and accountability in mind. For more information about the operation and governance of the Hudson River – Black River Regulating District please view our website at HRBRRD.com or contact one of our offices.

Sincerely,
Philip W. Klein
Chairman

TABLE OF CONTENTS

2	Message from the Board	47	Indian Lake Reservoir
3	Notice to the NYS DEC	58	Stillwater Reservoir
5	Board & Personnel	62	Sixth Lake Reservoir
8	Financial Statements	63	Old Forge Reservoir
38	Petitions	64	Hawkinsville Dam
41	Great Sacandaga Lake	65	Black River Area Office
45	GSL Access Permit System	75	Resolutions

**GENERAL REPORT
OF THE BOARD OF
THE HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
PERIOD OF JANUARY 1, 2008 TO DECEMBER 31, 2008**

**HUDSON RIVER AREA OFFICE
350 NORTHERN BOULEVARD
ALBANY, NEW YORK 12204**

**BLACK RIVER AREA OFFICE
145 CLINTON STREET
WATERTOWN, NEW YORK 13601**

TO THE DEPARTMENT OF ENVIRONMENTAL CONSERVATION

In compliance with provisions of Section 15-2131 of the Environmental Conservation Law this report is submitted to cover functions of the Board of Hudson River-Black River Regulating District for the period January 1, 2008 to December 31, 2008.

PURSUANT TO SECTION 15-2131 ENVIRONMENTAL CONSERVATION LAW

15-2131—Reports.

1. The board of any river regulating district created hereunder shall annually, as of such date as the department may provide, submit to it a written report, which shall contain:
 - a. An exhibit of the personnel of the board, and all of the employees and persons connected with the board;
 - b. A financial statement, showing fully and clearly the finances of the district, the amounts and dates of maturity of all bonds, notes and certificates of indebtedness, the amounts of money received, and from what sources, and amounts of money paid and purposes for which same were paid;
 - c. A statement of any petitions received by the board and the action taken thereon;
 - d. A descriptive statement of the work done during the previous year; and
 - e. A statement of the condition of reservoirs and the results secured by the operation thereof in each case.
2. In addition to the matters outlined above the board shall report to the department such other matters as it shall deem proper or the department shall require.

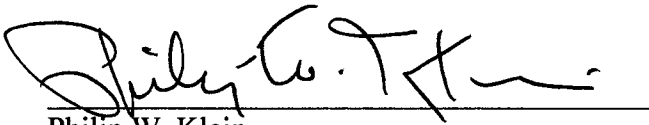
CONCLUSION

A detailed report of each area as required by Section 15-2131 is included in this report.

The Board desires to express its appreciation for the cooperation by your Department in respect to the function of the Regulating District.

DATED: May 12, 2009

**BY ORDER OF THE
BOARD OF THE HUDSON RIVER-BLACK RIVER
REGULATING DISTRICT**

By: 
Philip W. Klein
Chairman

BOARD MEMBERS:**ANNE B. McDONALD, TICONDEROGA, N.Y.**

Re-Appointed to the Board by Governor Pataki on May 7, 2004 to September 1, 2008.

PAMELA S. BEYOR, BLACK RIVER, N.Y.

Appointed to the Board by Governor Pataki on November 4, 2004 to September 1, 2009.
Elected 1st Vice Chairperson January 14, 2008.

ARTHUR E. EYRE, OLD FORGE, N.Y.

Appointed to the Board by Governor Pataki on August 18, 2005 to September 1, 2007.
Replaced on February 12, 2008.

RONALD PINTUFF, NORTHVILLE, N.Y.

Re-Appointed to the Board by Governor Pataki on May 15, 2006 to September 1, 2010.
Elected 2nd Vice Chairperson January 14, 2008.

PHILIP W. KLEIN, SARATOGA SPRINGS, N.Y.

Appointed to the Board by Governor Pataki on August 7, 2006 to September 1, 2011.
Elected Chairperson January 14, 2008.

JOHN K. BARTOW, JR., ADAMS CENTER, N.Y.

Appointed to the Board by Governor Pataki on December 7, 2006 to December 7, 2008.

PATRICK DUGAN, EDINBURG, N.Y.

Appointed to the Board by Governor Pataki on December 22, 2006 to December 22, 2008.

AUDREY BARON DUNNING, ESQ., ILION, N.Y.

Appointed to the Board by Governor Spitzer on February 12, 2008 to September 1, 2012.

<u>NAME</u>	<u>TITLE</u>	<u>OFFICE</u>
<u>EXECUTIVE AND ADMINISTRATIVE PERSONNEL</u>		
Glenn A. LaFave	Executive Director	Albany/Black River
Robert Leslie	General Counsel	Albany
Ann E. Fisher	Legal Assistant	Albany
Richard J. Ferrara	Chief Fiscal Officer	Albany
Mary K. Buff	Administrative Assistant V	Albany
Cheryl S. Tallman	Administrative Assistant III	Albany
Carol L. Simpson	Black River Area Administrator	Black River
Kathy L. Hudson	Administrative Assistant V	Black River (retired 04/16/08)
Lori S. McAvoy	Administrative Assistant IV	Black River
Teresa Purcell	Administrative Assistant III	Black River (resigned 05/28/08)
Kimberly D. Scott	Administrative Assistant III	Black River
Susan A. Visco	Administrative Assistant III	Sacandaga
Jennifer A. Klena	Administrative Assistant II	Sacandaga
Michael A. Clark	Hudson River Area Administrator	Sacandaga
<u>ENGINEERING DEPARTMENT</u>		
Robert S. Foltan, PE	Chief Engineer	Albany
Michael A. Mosher	Operations Engineer	Albany
John M. Hodgson, Jr.	Engineering Assistant	Sacandaga
<u>FIELD PERSONNEL</u>		
Daniel A. Holtje	Licensed Land Surveyor	Sacandaga
Albert J. Hayes	Foreman	Sacandaga
Vernon C. Duesler, III	Assistant Foreman	Sacandaga
Donald R. Town, Jr.	Sr. Field Assistant	Sacandaga
Mark S. Martin	Sr. Field Assistant	Sacandaga
Daniel J. Kiskis	Field Assistant	Sacandaga
Stephanie V. Ruzycky	Field Assistant	Sacandaga
Randy T. Palmateer	Maintenance Specialist	Sacandaga
David J. Ioele, Sr.	Maintenance Specialist	Sacandaga
John E. Stuart, Jr.	Maintenance Specialist	Sacandaga
Eric S. Johnson	Sr. Plant Operator	Conklingville
Daniel J. VanNostrand	Plant Operator	Conklingville
Douglas H. Criss	Black River Field Superintendent	Stillwater
Michael A. Dicob	Sr. Plant Operator	Stillwater
Timothy R. Harwood	Plant Operator	Stillwater
<u>PERMANENT PART-TIME</u>		
Darrin W. Harr	Resident Gate Keeper	Indian Lake

CONTRACTUAL SERVICES

<u>NAME</u>	<u>SERVICE</u>	<u>LOCATION</u>
Peter Meneilly	Weather Observer	Big Moose
Kevin Muncy	Weather Observer	Copenhagen
Gerald Morczek	Weather Observer	Highmarket
William Hanchek	Weather Observer	Hooker
John Townsend	Weather Observer	Inlet
Dr. Harry P. O'Connor	Weather Observer	Lowville
Elect. Dept. Foreman	Weather Observer	Beaver Falls*
Brookfield Power	Weather Observer	Black River*
		Taylorville*
John A. Farney	Streamflow Gage Observer	Croghan
Gladys Whelley	Streamflow Gage Observer	Boonville (retired 12/2008)

*Volunteer cooperators

November 10, 2008

To the Board of Directors of
 Hudson River-Black River Regulating District:

We have audited the financial statements of the business-type activities of Hudson River-Black River Regulating District (the Regulating District) for the year ended June 30, 2008, and have issued our report thereon dated October 14, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 8, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters on June 30, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Regulating District are described in Note 2 to the financial statements.

As described in Note 11 to the financial statements, the Regulating District adopted Statement of Governmental Accounting Standards (GASB Statement) No. 45, Accounting for Other Post Retirement Obligations, in 2008. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Assets and the Statement of Revenue, Expenses, and Change in Net Assets. We noted no transactions entered into by the Regulating District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

171 Sully's Trail
 Pittsford, NY 14534
 p (585) 381-1000
 f (585) 381-3131

ROCHESTER • BUFFALO
 ALBANY • SYRACUSE
 PERRY • GENEVA

www.bonadio.com

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The most significant estimate relates to the recording of the liability for GASB 45.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Particularly sensitive disclosures contained in the financial statements of the Regulating District include the disclosure related to other post employment benefit obligations and the contingencies associated with the continuing litigation of certain statutory beneficiaries.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

The material misstatements detected as a result of our audit procedures, and corrected by management, are displayed in Exhibit A.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Regulating District's auditors.

As this is the initial engagement with the Regulating District, our retention was based on a competitive bidding process. It is expected that going forward, these discussions will occur in the normal course of our professional relationship and our responses will not be a condition to our retention.

This information is intended solely for the use of the State of New York, the Board of Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Bonadio & Co, LLP

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT

Exhibit A

**SUMMARY OF AUDIT ADJUSTMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Change in net assets - unaudited	\$ 644,210
Audit adjustments:	
To record general board expenses allocated to Black River	(52,048)
To record investment activity for Black River	(27,755)
To correct for prior period misclassifications	(6,467)
To record revenue related to FEMA projects	<u>24,265</u>
	(62,005)
Client adjustments:	
To record Other Post Retirement Obligations (OPEB) expenses	(1,371,748)
To adjust for compensated absences	58,198
To adjust for real estate taxes expense	(11,558)
To reduce pension and retirement expense	4,712
Other	<u>28</u>
	<u>(1,320,368)</u>
Change in net assets - audited	\$ <u>(738,163)</u>

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE
STATE OF NEW YORK)**

**Financial Statements
June 30, 2008 and 2007
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 6
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007:	
Statement of Net Assets	7
Statement of Revenue, Expenses and Change in Net Assets	8
Statement of Cash Flows	9
Notes to Basic Financial Statements	10 - 20
SUPPLEMENTAL SCHEDULES:	
Schedule I - Combining Statement of Net Assets	21
Schedule II - Combining Statement of Revenue, Expenses and Change in Net Assets	22
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	23 - 24

INDEPENDENT AUDITORS' REPORT

October 14, 2008

To the Board of Directors of
 Hudson River-Black River Regulating District:

We have audited the accompanying financial statements of the business-type activities of Hudson River-Black River Regulating District (the Regulating District), a New York Public Benefit Corporation, which is a component unit of the State of New York, as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the management of the Regulating District. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Regulating District as of June 30, 2007, were audited by other auditors whose report dated August 16, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Regulating District as of June 30, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

The Management's Discussion and Analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements. The accompanying supplemental combining information included in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

171 Sully's Trail
 Pittsford, NY 14534
 p (585) 381-1000
 f (585) 381-3131

ROCHESTER • BUFFALO
 ALBANY • SYRACUSE
 PERRY • GENEVA

www.bonadio.com

Bonadio & Co., LLP

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008 AND 2007**

This Management Discussion and Analysis (MD&A) of Hudson River-Black River Regulating District (the Regulating District) provides an introduction to the major activities and operations of the Regulating District and an introduction and overview to the Regulating District's financial performance and statements for the fiscal years ended June 30, 2008 and 2007.

Following this MD&A are the basic financial statements of the Regulating District together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements. The information contained in the MD&A should be considered in conjunction with the information contained in the Financial Statements and the Notes to Financial Statements.

REGULATING DISTRICT ACTIVITIES

The Regulating District was created in 1959 when the New York State Legislature passed legislation (Article 15 Title 21 of the Environmental Conservation Law) combining the Hudson River Regulating District, founded in 1922, and the Black River Regulating District, founded in 1919. Both were created to regulate the flow of the waters of New York State's two great neighboring watersheds.

The legislation charged the Regulating District with regulating the flow of the two rivers as required by the public welfare including health and safety. Specifically, the Regulating District's responsibilities involve reducing floods caused by excess run-off, and augmenting river flow at times of drought or other periods when normal river flows are low. Organized as a public benefit corporation, the Regulating District was given a broad spectrum of legal powers to accomplish this mission, including the authority to build and operate reservoirs, issue bonds, and apportion costs on its beneficiaries to finance construction, maintenance, and operation of its reservoirs.

The Regulating District's operations are conducted under two regional operating units - one for the Black River area and another for the Hudson River area - each with segregated budgets. The management of both regions is vested in a seven-member Board appointed by the governor. The mission of the Regulating District is to regulate the flows of the Hudson River and Black River for the purposes of flood protection and flow augmentation. The Regulating District Board formulates policies to accomplish its mission at Great Sacandaga Lake, providing flood protection and low flow augmentation through reservoir releases in accordance with the Upper Hudson/Sacandaga Offer of Settlement; at Indian Lake, Stillwater Reservoir, Old Forge and Sixth Lake, providing storage during periods of high flow and augmenting flows during periods of low flow; operating a data-gathering system for precipitation, stream flow, snow depth and flood conditions; providing the public with information pertinent to its mission; operating and maintaining facilities; maintaining a sound financial status for Regulating District operations; managing the lands of the State of New York under the Regulating District's jurisdiction; and promulgating rules and regulations necessary to fulfilling its mission.

The Regulating District receives its primary funding from statutory beneficiaries, comprised of hydroelectric power generators, industrial operations and municipalities that directly benefit from augmented river flow and flood protection. These beneficiaries are annually assessed their proportional share of Regulating District operating expenses. A secondary revenue source comes from hydropower agreements that provide annual revenue in exchange for the ability to utilize headwater on Regulating District-administered state land for hydroelectric generating purposes. A third source of revenue, in the Hudson River area only, is the Sacandaga Lake Access Permit System, which generates revenue equal to the cost to operate the Great Sacandaga Lake Permit System.

FACILITIES

Hudson River Area Facilities: The Regulating District administers the lands of the State of New York that constitute the Great Sacandaga Lake (Sacandaga Reservoir) as well as its shoreline, and issues annual revocable permits to eligible property owners for access to the lake across State land. The lake, impounded behind the Conklingville Dam, is the heart of Regulating District operations in the 8,300 square mile Hudson-Sacandaga area. The Regulating District also owns and operates Indian Lake Reservoir and Dam.

Black River Area Facilities: In the Black River drainage area of 1,916 square miles, the Regulating District operates reservoirs and dams at Stillwater, Old Forge, and Sixth Lake.

Administrative Offices: The Regulating District's main office occupies leased space in Albany. A Regulating District-owned building in Mayfield houses the branch office for the Hudson-Sacandaga area. A branch office for the Black River area occupies rented space in Watertown.

OPERATIONS SUMMARY

The Regulating District's scope of operations and concomitant costs (in 000s) tend to be relatively stable from year to year:

	Black River Area			Hudson River Area		
	2008	2007	2006	2008	2007	2006
Operating revenues	\$ 965	\$ 969	\$ 880	\$ 5,846	\$ 5,798	\$ 5,452
Operating expenses	(1,135)	(930)	(677)	(6,728)	(5,456)	(5,369)
Operating income (loss)	(170)	39	203	(882)	342	83
Net non-operating revenue (expense)	186	179	(87)	128	153	(459)
Net income (loss)	\$ 16	\$ 218	\$ 116	\$ (754)	\$ 495	\$ (376)

The consolidated Regulating District revenues are derived from three primary sources. The financing of the two areas is accomplished independently because operating costs of each are recovered from two different sets of statutory beneficiaries, hydropower (or water usage) agreements and, in the Hudson River area only, the Great Sacandaga Lake Permit System. Statutory beneficiaries in both watersheds are assessed proportional shares of all other budgeted operating and overhead costs, after deducting the estimated revenue from the hydropower agreements, permit system revenue, and estimated interest income. The Regulating District is currently in the process of determining the cost of the Permit System pursuant to the costing methodology recommended to the Board by an outside consultant. Revenue from statutory beneficiaries, hydropower agreements, and permit holders is reliably adequate to balance the Regulating District's annual budget.

Operating expenses fall into four major categories: property taxes, personnel expenses, engineering and maintenance, and administrative overhead. While other expenses remain fairly stable, engineering and maintenance costs vary from year to year depending on a number of factors that affect our reservoirs, dams, and shoreline. These factors include, but are not necessarily limited to, weather, environmental protection and remediation, regulatory requirements, and recreational use of facilities. Since it is the dams that make possible the Regulating District's regulating of reservoir levels and river flows, and which restrain water to prevent flooding, maintenance of these dams is the Regulating District's primary activity.

OPERATIONS SUMMARY (Continued)

There were several material year over year operating expense variances worth noting. For fiscal year 2006 versus 2007, salaries increased approximately \$306k or 22%. The reason for this increase was largely due to the filling of open positions such as Licensed Land Surveyor, General Counsel, and Plant Operator. Also, professional fees decreased approximately \$41k or 9% due to the reduced activities of the Regulating District's Permit System Rulemaking Project initiated in 2006. Finally, erosion control decreased approximately \$45k or 125% due to an increase in rip rap purchases during fiscal year 2006/2007 in anticipation of the need to place additional stone in response to significant erosion created by the Flood Emergency of June 2006. Also, there was \$13.5k in non-rip rap expenditures during that same period.

For fiscal year 2007 versus 2008, materials and supplies increased approximately \$64k or 38%. Several small projects, including the roof replacement of the Black River Field Office at the Stillwater Dam facility and installation of security cameras at the Conklingville Dam, contributed largely to this increase. Additionally, contractual services increased approximately \$126k or 14% due to several Federal Energy Regulatory Commission (FERC) mandated projects requiring engineering services work. The largest of those contributed to 90% of the increase and included the Conklingville Dam Gate Intake Repair project, Dam Breach Analysis, and Dam Vent/Siphon, and Trash Rack Feasibility study and Ice Sluice Analysis.

The Regulating District maintains board restricted reserve funds to minimize the effect that budget fluctuations would have on the statutory beneficiaries that provide its primary funding. These reserve funds absorb operating surpluses in lower expense years, and provide a means of funding operating deficits in high expense years – an effective means of assessment stabilization. Current reserves represent 30% of the total Regulating District unrestricted net assets designated by the Board.

Contributing somewhat to annual imbalances between revenues and expenses has been the Regulating District's legislative mandate to adopt three-year budgets. While multi-year budgets, with revenues assessed equally for three years, serve to stabilize assessments during the budget cycle, they also tend toward surplus early in the multi-year cycle, and deficit in the final year.

BALANCE SHEET SUMMARY (000s)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Buildings	\$ 937	\$ 937	\$ 937
Building improvements, furniture and equipment	752	673	650
Vehicles	819	761	657
Construction in progress	629	635	-
Dam structures	<u>14,118</u>	<u>14,118</u>	<u>14,118</u>
Cost of capital assets	<u>17,255</u>	<u>17,124</u>	<u>16,362</u>
Less: Accumulated depreciation	<u>(12,955)</u>	<u>(12,701)</u>	<u>(12,459)</u>
Net book value of capital assets	4,300	4,423	3,903
Current assets	<u>6,691</u>	<u>6,219</u>	<u>6,162</u>
Total assets	10,991	10,642	10,065
Less: Liabilities	<u>(2,076)</u>	<u>(989)</u>	<u>(1,125)</u>
Net assets	<u>\$ 8,915</u>	<u>\$ 9,653</u>	<u>\$ 8,940</u>

BALANCE SHEET SUMMARY (Continued)

This analysis reflects the Regulating District's stable financial position. Asset growth generally occurs in governmental units when 1) cash assets are accumulated, and/or 2) debt is used to finance acquisition or construction of fixed (durable) assets such as equipment, furniture, land, buildings, major improvements that extend the life of a fixed asset, or leasehold improvements.

Asset shrinkage occurs when 1) accumulated cash assets are used for expenses that exceed revenues, and/or 2) assets acquired during the year cost less than "depreciation."

The Regulating District's reserve funds for repairs and assessment stabilization. The Regulating District is managing its financial position by currently appropriating accumulated surpluses to minimize assessment increases to statutory beneficiaries. The effect on the balance sheet is to reduce cash assets.

During the past year, the cost of assets acquired totaled less than depreciation expense, decreasing the book value of assets. Growth of fixed assets in a governmental unit is not necessarily an indicator of financial condition, nor is negative fixed asset growth necessarily an indicator of financial deterioration.

For the Regulating District, the stability in its balance sheet reflects the current adequacy of its fixed assets, and the conservative management of its cash assets to minimize increases in assessments and fees.

DEBT

The Regulating District's anticipated Capital Plan expenditures and current operations budget is sufficient. Accordingly, the Board does not contemplate incurring debt for the current budget cycle.

FINANCIAL CONDITION

The financial position of the Regulating District remains stable and healthy. Likewise, operating results remain predictable and within an acceptable range of budget variance.

During the current fiscal year ended June 30, 2008, the Regulating District implemented Governmental Accounting Standards Board Statement No. 45 (GASB No. 45). This implementation changed the accounting for other post employment health benefits from a "pay as you go" method of recognition to an accrual-basis measurement and recognition. In 2008, an additional cost of \$1.7 million for post retirement health insurance was recognized, less approximately \$337 thousand paid to current retirees, resulting in a net liability for future benefits of \$1.4 million. The post employment health benefits and corresponding expense represent the main increase in operating expenses in 2008.

Despite the stability of its operations, the Regulating District is functioning in a dynamic fiscal environment. The statutory beneficiaries have remained largely unchanged since the creation of the Regulating District. However, since 2000 and every year thereafter to date, a statutory beneficiary has commenced proceedings against the Regulating District challenging the Regulating District's apportionment of cost. The statutory beneficiary argues that there are other entities benefitting from the Regulating District that are not apportioned a share of its costs. The suit seeks changes in future assessments as well as refund of allegedly over-charged assessments for previous years. As described in Note 8 in the notes to the financial statements, this litigation may impact future operating statements, but the affect cannot be reasonably estimated at this time.

REQUESTS FOR INFORMATION

The accompanying financial statements are designed to provide detailed information on the Regulating District's operations to all those with an interest in the Regulating District's financial affairs. Questions concerning any of the information provided in this report, or any request for additional information, should be addressed to the Chief Fiscal Officer, Hudson River-Black River Regulating District, 350 Northern Boulevard, Albany, New York 12204.

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)**

**STATEMENT OF NET ASSETS
JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,580,479	\$ 2,182,619
Investments	3,632,547	3,424,868
Accounts receivable	5,125	127,765
Prepaid expenses	<u>472,487</u>	<u>484,045</u>
Total current assets	<u>6,690,638</u>	<u>6,219,297</u>
CAPITAL ASSETS, net	<u>4,300,207</u>	<u>4,423,084</u>
Total assets	<u>10,990,845</u>	<u>10,642,381</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	39,766	34,643
Compensated absences	358,940	417,139
Current portion of settlement payable	227,334	227,333
Current portion of other post employment benefits	371,279	-
Current portion of due to New York State Retirement System	<u>33,336</u>	<u>38,048</u>
Total current liabilities	<u>1,030,655</u>	<u>717,163</u>
SETTLEMENT PAYABLE, net of current portion	-	227,334
OTHER POST EMPLOYMENT BENEFITS, net of current portion	1,000,469	-
DUE TO NEW YORK STATE RETIREMENT SYSTEM, net of current portion	<u>45,109</u>	<u>45,109</u>
Total liabilities	<u>2,076,233</u>	<u>989,606</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS	4,300,207	4,423,084
UNRESTRICTED NET ASSETS	<u>4,614,405</u>	<u>5,229,691</u>
Total net assets	<u>\$ 8,914,612</u>	<u>\$ 9,652,775</u>

The accompanying notes are an integral part of these statements.

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)**

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
OPERATING REVENUE:		
Assessments	\$ 5,355,871	\$ 5,361,186
Water power service	1,011,678	982,212
Permit fees	414,194	423,681
Other	<u>29,207</u>	<u>3,014</u>
Total operating revenue	<u>6,810,950</u>	<u>6,770,093</u>
OPERATING EXPENSES:		
Personnel services and employee benefits	3,929,343	2,608,754
Repairs and maintenance	55,356	81,620
Material and supplies	231,603	167,264
Real estate taxes	2,377,231	2,391,985
Contractual services	1,015,372	889,060
Depreciation	<u>254,629</u>	<u>247,732</u>
Total operating expenses	<u>7,863,534</u>	<u>6,386,415</u>
Total operating income (loss)	<u>(1,052,584)</u>	<u>383,678</u>
NON-OPERATING REVENUE:		
Interest and dividend income	<u>314,421</u>	<u>328,861</u>
Total non-operating revenue	<u>314,421</u>	<u>328,861</u>
CHANGE IN NET ASSETS	(738,163)	712,539
NET ASSETS - beginning of year	<u>9,652,775</u>	<u>8,940,236</u>
NET ASSETS - end of year	<u>\$ 8,914,612</u>	<u>\$ 9,652,775</u>

The accompanying notes are an integral part of these statements.

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Revenues -		
Cash received from assessments	\$ 5,478,511	\$ 5,236,774
Cash received from water power service	1,011,678	982,212
Cash received from permit fees	414,194	423,681
Other cash receipts	29,207	3,014
Expenses -		
Payments to vendors and suppliers for goods and services	(3,890,215)	(3,780,511)
Payments to employees	<u>(2,620,505)</u>	<u>(2,465,510)</u>
Net cash flow from operating activities	<u>422,870</u>	<u>399,660</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	<u>(131,752)</u>	<u>(767,922)</u>
Net cash flow from capital and related financing activities	<u>(131,752)</u>	<u>(767,922)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	-	390,677
Purchases of investments	(207,679)	(174,784)
Interest and dividends received	<u>314,421</u>	<u>328,858</u>
Net cash flow from investing activities	<u>106,742</u>	<u>544,751</u>
CHANGE IN CASH	397,860	176,489
CASH - beginning of year	<u>2,182,619</u>	<u>2,006,130</u>
CASH - end of year	<u>\$ 2,580,479</u>	<u>\$ 2,182,619</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	\$ (1,052,584)	\$ 383,678
Adjustments to reconcile operating income to net cash flow from operating activities:		
Depreciation	254,629	247,732
Changes in:		
Accounts receivable	122,640	(124,412)
Prepaid expenses	11,558	27,426
Accounts payable	5,123	(50,675)
Settlement payable	(227,333)	(227,333)
Compensated absences	(58,199)	150,229
Other post employment benefits obligation	1,371,748	-
Due to New York State Retirement System	<u>(4,712)</u>	<u>(6,985)</u>
Net cash flow from operating activities	<u>\$ 422,870</u>	<u>\$ 399,660</u>

The accompanying notes are an integral part of these statements.

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

1. ORGANIZATION AND REPORTING ENTITY

Hudson River-Black River Regulating District (the Regulating District) was created in 1959 under Article 15, Title 21 of the Environmental Conservation Law, which combined two organizations, the Black River Regulating District (formed in 1919) and the Hudson River Regulating District (formed in 1922). The Regulating District is a New York State public benefit corporation that is mandated to regulate stream flows as required by public welfare, including health and safety. The regulation of stream flows into the two watershed areas is the mission of the consolidated organization. The day-to-day operation of the two areas is conducted independently, because they are not physically related or connected in any way. Accordingly, the financing of the two areas is accomplished independently, because operating costs of each are recovered from two different sets of statutory beneficiaries, hydropower (or water power) agreements and, in the Hudson River area, the Great Sacandaga Lake Permit System. Each watershed area has its own operating personnel; however, a common professional staff serves both. Overall direction is supplied by a board appointed by the Governor of New York State.

The Regulating District is a component unit of the State of New York and, as such, is included in the State's general purpose financial statements. The Regulating District's financial statements include all operations for which the Regulating District has financial accountability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying basic financial statements of the Regulating District have been prepared in conformity with accounting principles generally accepted in the United States for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles. The Regulating District is engaged only in business-type activities as defined in GASB Statement No. 34. In compliance with GASB Statement No. 20, the Regulating District applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The operations of the Regulating District are reported as a proprietary fund and, as such, are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Within this measurement focus, all assets and liabilities associated with operations are included on the balance sheet with revenues recorded when earned and expenses recorded at the time liabilities are incurred, regardless of when the cash is received or paid.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

GASB requires the classification of net assets into three components, as defined below:

- **Invested in capital assets, net of related debt** - consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of June 30, 2008 and 2007, the Regulating District did not have any debt.
- **Restricted net assets** - consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Cash

The Regulating District's monies must be deposited in FDIC insured commercial banks or trust companies located within the state. For the years ended June 30, 2008 and 2007, the Regulating District had funds held by New York State in Short Term Investment Pools (STIP). The Regulating District is not responsible for collateralizing the STIP funds. The Regulating District's cash in FDIC insured commercial banks, at times, may exceed federally insured limits. The Regulating District has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash.

Investments

The Regulating District's investment policies comply with the New York State Comptroller's guidelines for such policies. In addition, the Regulating District has its own written investment policy. Those policies permit investments in, among other things, obligations of the U.S. Treasury and its agencies and instrumentalities, certificates of deposit and obligations of the State of New York. Investments are recorded at amortized cost, which approximates market value and investment income is recorded in the statement of revenues, expenses and changes in net assets. Investments are in mutual funds with short term maturities and are reported as current assets in the statement of net assets.

Capital Assets

Capital assets are recorded at cost. Capital assets are defined as assets with initial, individual costs exceeding a capitalization threshold of \$5,000 and useful life of two years or more. Depreciation is provided using the straight-line method over the following estimated useful lives:

Dam structures	100 years
Buildings and improvements	15 - 40 years
Equipment	5 - 7 years
Vehicles	5 years

Accrued Employee Benefits

It is the Regulating District's policy to record employee benefits, including accumulated vacation and sick leave, as a liability. Regulating District employees are granted vacation in varying amounts. Upon retirement from the Regulating District, union employees are reimbursed for fifty percent of all accumulated sick days, up to a stated maximum, as specified in the collective bargaining agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

By legislation, the Regulating District operates on a three-year cycle. Separate budgets are developed for the Hudson River area and Black River area since the cost of their respective operations is borne by a group of designated beneficiaries in each watershed. General administration costs, including Board expenses, are allocated on a proportionate basis to the two areas. The cost of operating the Permit System at the Great Sacandaga Lake is estimated for a three-year period. This involves allocating personnel salaries and benefits, as well as portion of facility and equipment costs to permit system operations.

Assessments

Resolutions are passed by the Regulating District's Board for both the Hudson River area and Black River area annual assessments at the June Board meeting. On July 1st of each year, assessments are billed, and on November 1st, a transmittal letter is sent to each town, city, or village informing it of each statutory beneficiary in their respective community who did not pay their assessment. Also on November 1st, a letter is sent to each county where a statutory beneficiary is located requesting it to charge unpaid assessments on the County's property tax levy for the subsequent year.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. CASH

Cash consisted of the following at June 30, 2008:

	<u>Carrying Value</u>	<u>Bank Balance</u>
Deposit accounts	\$ 475,623	\$ 630,216
	<u>\$ 475,623</u>	<u>\$ 630,216</u>

The Regulating District's cash deposits at June 30, 2008 were secured by the Federal Depository Insurance Corporation and uncollateralized, as follows:

FDIC	\$ 221,233
Uncollateralized	<u>408,983</u>
	<u>\$ 630,216</u>

Deposits held by New York State in Short Term Investment Pools (STIP) were \$2,104,856 and \$1,946,931 at June 30, 2008 and 2007, respectively.

4. INVESTMENTS

New York State statutes and guidelines, and the Regulating District's own investment policies, limit the investment of funds to obligations of the U.S. Government and its agencies, certificates of deposit and obligations of the State of New York. At June 30, 2008, investments include \$3,632,547 of government mutual funds with short-term maturities, under a managed investments arrangement with Sentinel Funds. The Regulating District's investments are carried at amortized cost, which approximates market value. At June 30, 2007, investments included \$3,424,868 under a similar investment management arrangement.

The Regulating District's investments are categorized in accordance with criteria established by GASB to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Regulating District or its agent in the Regulating District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter parties trust department or agent in the Regulating District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter parties, or by their trust departments or agents but not in the Regulating District's name. All of the Regulating District's investments are classified in Category 1.

5. CAPITAL ASSETS

Capital assets consisted of the following at June 30:

	<u>6/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/08</u>
Hudson River Area:				
Construction in progress	\$ 635,155	\$ -	\$ (6,467)	\$ 628,688
Total non-depreciable assets	\$ 635,155	\$ -	\$ (6,467)	\$ 628,688
Dam structures	\$ 12,104,830	\$ -	\$ -	\$ 12,104,830
Building	936,787	-	-	936,787
Building improvements	43,300	-	-	43,300
Office equipment	125,953	17,669	-	143,622
Other equipment	31,208	49,430	-	80,638
Vehicles	664,289	27,378	-	691,667
Total at cost	13,906,367	94,477	-	14,000,844
Less: Accumulated depreciation				
Dam structures	(9,685,062)	(120,085)	-	(9,805,147)
Building	(395,584)	(25,927)	-	(421,511)
Building improvements	(12,315)	(2,657)	-	(14,972)
Office equipment	(96,007)	(4,652)	-	(100,659)
Other equipment	(21,881)	(3,589)	-	(25,470)
Vehicles	(526,492)	(52,076)	-	(578,568)
Less: Accumulated depreciation	(10,737,341)	(208,986)	-	(10,946,327)
Total Hudson River Area depreciable assets, net	3,169,026	(114,509)	-	3,054,517
Black River Area:				
Dam structures	2,013,195	-	-	2,013,195
Building improvements	406,442	-	-	406,442
Equipment	58,884	13,256	-	72,140
Vehicles	96,906	30,486	-	127,392
Office equipment	6,736	-	-	6,736
Total at cost	2,582,163	43,742	-	2,625,905
Less: Accumulated depreciation				
Dam structures	(1,760,202)	(20,000)	-	(1,780,202)
Building improvements	(75,614)	(10,746)	-	(86,360)
Equipment	(54,099)	(2,214)	-	(56,313)
Vehicles	(73,345)	(12,683)	-	(86,028)
Less: Accumulated depreciation	(1,963,260)	(45,643)	-	(2,008,903)
Total Black River Area depreciable assets, net	618,903	(1,901)	-	617,002
Total depreciable assets, net	\$ 3,787,929	\$ (116,410)	\$ -	\$ 3,671,519
Total capital assets, net	\$ 4,423,084	\$ (116,410)	\$ (6,467)	\$ 4,300,207

5. CAPITAL ASSETS (Continued)

	<u>6/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/07</u>
Hudson River Area:				
Construction in progress	\$ _____ -	\$ 635,155	\$ _____ -	\$ 635,155
Total non-depreciable assets	\$ _____ -	\$ 635,155	\$ _____ -	\$ 635,155
Dam structures	\$ 12,104,830	\$ -	\$ -	\$ 12,104,830
Building	936,787	-	-	936,787
Building improvements	43,300	-	-	43,300
Office equipment	109,927	16,026	-	125,953
Other equipment	31,208	-	-	31,208
Vehicles	<u>560,349</u>	<u>103,940</u>	<u>-</u>	<u>664,289</u>
Total at cost	13,786,401	119,966	-	13,906,367
Less: Accumulated depreciation				
Dam structures	(9,562,793)	(122,269)	-	(9,685,062)
Building	(372,164)	(23,420)	-	(395,584)
Building improvements	(11,232)	(1,083)	-	(12,315)
Office equipment	(86,356)	(9,651)	-	(96,007)
Other equipment	(19,547)	(2,334)	-	(21,881)
Vehicles	<u>(483,258)</u>	<u>(43,234)</u>	<u>-</u>	<u>(526,492)</u>
Total accumulated depreciation	<u>(10,535,350)</u>	<u>(201,991)</u>	<u>-</u>	<u>(10,737,341)</u>
Total Hudson River Area depreciable assets, net	<u>3,251,051</u>	<u>(82,025)</u>	<u>-</u>	<u>3,169,026</u>
Black River Area:				
Dam structures	2,013,195	-	-	2,013,195
Building improvements	406,442	-	-	406,442
Equipment	52,819	6,065	-	58,884
Vehicles	96,906	-	-	96,906
Office equipment	<u>6,318</u>	<u>6,736</u>	<u>(6,318)</u>	<u>6,736</u>
Total at cost	2,575,680	12,801	(6,318)	2,582,163
Less: Accumulated depreciation				
Dam structures	(1,741,452)	(18,750)	-	(1,760,202)
Building improvements	(63,283)	(12,331)	-	(75,614)
Equipment	(57,710)	(2,707)	6,318	(54,099)
Vehicles	<u>(61,392)</u>	<u>(11,953)</u>	<u>-</u>	<u>(73,345)</u>
Less: Accumulated depreciation	<u>(1,923,837)</u>	<u>(45,741)</u>	<u>6,318</u>	<u>(1,963,260)</u>
Total Black River Area depreciable assets, net	<u>651,843</u>	<u>(32,940)</u>	<u>-</u>	<u>618,903</u>
Total depreciable assets, net	<u>\$ 3,902,894</u>	<u>\$ (114,965)</u>	<u>\$ _____ -</u>	<u>\$ 3,787,929</u>
Total capital assets, net	<u>\$ 3,902,894</u>	<u>\$ 520,190</u>	<u>\$ _____ -</u>	<u>\$ 4,423,084</u>

Depreciation expense charged to operations for the year ended June 30 is as follows:

	<u>2008</u>	<u>2007</u>
Hudson River Area	\$ 208,986	\$ 201,991
Black River Area	<u>45,643</u>	<u>45,741</u>
Total capital assets	<u>\$ 254,629</u>	<u>\$ 247,732</u>

6. RETIREMENT SYSTEM

Plan Description

The Regulating District participates in the New York State and Local Employees' Retirement System (the System). This is a cost-sharing, multiple-employer retirement system. The System provides retirement benefits, as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security law (NYSRSSL). As set forth in NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement Systems, 110 State Street, Albany, New York 12244.

Funding Policy

The System is non-contributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of employment and nothing thereafter. Under the authority of NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the Pension Accumulation Fund.

The Regulating District is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

2008	\$	132,268
2007	\$	138,925
2006	\$	167,426

The Regulating District's contributions made to the System were equal to 100% of the contributions required for 2008 and 2007.

On May 14, 2003, Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes in the Systems:

- Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior to April 1st.

On July 30, 2004, Chapter 260 of the Laws of 2004 of the state of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amounts in excess of seven percent of employees' covered salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5% of employees' covered salaries.
- For SFY 2006-07, the amount in excess of 10.5% of employees' covered salaries.

The law required participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2007.

6. RETIREMENT SYSTEM (Continued)

Funding Policy (Continued)

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the New York State and Local Employees' Retirement System. The December 15 payment due date changed to February 1; however, employees were allowed to prepay their payment by December 15. The covered salary period (April 15 - March 31) will not change for the calculation.

7. NET ASSETS

The following is a description of unrestricted net assets designated by the Board:

- **Assessment Stabilization**
\$676,667 (\$676,667 at June 30, 2007) has been designated for the purpose of stabilizing future assessments.
- **Capital Projects**
\$1,170,000 (\$1,170,000 at June 30, 2007) has been designated for future capital projects.
- **Other**
\$413,282 (\$413,282 at June 30, 2007) has been designated for legal, engineering and tax purposes.

8. CONTINGENCIES

Prior to 2006, the Regulating District was involved in litigation with two statutory beneficiaries. During 2006, a settlement was agreed to with one of the statutory beneficiaries requiring credits totaling \$682,000 to be applied to the beneficiaries' future assessments in equal annual installments of \$227,333 for the fiscal years ended June 30, 2007, 2008, and 2009. Additionally, the settlement requires that the Regulating District will apply \$380,000 of the existing board designated existing Hudson River Stabilization fund to reduce future budgets in equal annual installments of \$126,667 for the fiscal years ended June 30, 2007, 2008, and 2009. A liability and settlement expense of \$682,000 was reflected in the June 30, 2006 financial statements. As of June 30, 2007, the Regulating District continues to be in litigation with one major statutory beneficiary for assessment abatement that could materially affect the financial position of the Regulating District. The case has been in litigation since 2001, and the litigant has filed challenges to its assessment for the last seven fiscal years. The litigation is now in the discovery phase and therefore the outcome is uncertain. No amounts have been accrued related to this contingency.

In 2006, the Regulating District was involved in litigation with a person who slipped on property under the Regulating District's jurisdiction. Since the case is in the discovery phase, it is not practical to estimate the ultimate liability of the Regulating District, and no amounts have been accrued related to this contingency.

The Regulating District has been named as defendant in a number of litigation actions relating to challenges to its assessments to various beneficiaries. Due to the nature of these actions, no estimate of ultimate liability, if any, to the Regulating District can be made. Consequently, no reserves have been recorded in the accompanying financial statements for the settlement of these matters. Management believes settlement of these matters could have a material adverse effect on the Regulating District's financial position, however, at this stage of litigation, it is not possible to estimate the amounts.

9. HYDROPOWER (WATER USAGE) AGREEMENTS

In the Hudson River area, the Regulating District has a Hydropower Agreement with a hydroelectric company effective July 1, 2003 and expiring June 30, 2021, requiring an initial annual payment of \$850,000, increasing by 3.0% each year.

In the Black River area, the Regulating District has a Hydropower Agreement with a hydroelectric company effective January 1, 1986 and expiring in December 31, 2016, requiring an initial annual payment of \$30,000 increasing by 3.0% each year.

Estimated annual required payments to the Regulating District under the terms of these agreements are as follows for the years ending June 30:

2008	\$ 1,042,029
2009	1,073,290
2010	1,105,488
2011	1,138,653
2012	1,172,813
Thereafter	<u>10,360,947</u>
	<u>\$ 15,893,220</u>

10. CONCENTRATION

Approximately 65% of assessment revenues and 66% of total operating revenues were provided by two statutory beneficiaries in 2008 and 2007.

11. POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The Regulating District provides certain health care benefits for retired employees. The Regulating District administers the Retirement Benefits Plan (the "Retirement Plan") as a single-employer defined benefit Other Post-employment Benefit Plan (OPEB).

In general, the Regulating District provides health care benefits for those retired personnel who are eligible for a pension through the New York State Employees' Retirement System (ERS). The Retirement Plan can be amended by action of the District subject to applicable collective bargaining and employment agreements. The number of retired employees currently receiving benefits at June 30, 2008 and 2007 was 39 and 33 respectively. The Retirement Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Funding Policy

The obligations of the Retirement Plan are established by action of the Regulating District pursuant to applicable collective bargaining and employment agreements. The required premium contribution rates of retirees range from 0%-25%, depending on when the employee was hired and if the employee is governed by a CSEA or a management exempt plan. The Regulating District will pay 100% of the premiums for the retiree and spouse for a management exempt employee, 100% of the premium for a Union employee, and 75% of the premium for a Union employees' spouse. The Regulating District pays the costs of administering the Retirement Plan. The Regulating District currently contributes enough money to the Retirement Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums. The amounts paid during 2008 and 2007 were approximately \$338,000 and \$287,000 respectively.

11. POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Regulating Districts' annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years. The following table shows the components of the Regulating Districts' annual OPEB cost for the year, the amount actually contributed to the Retirement Plan, and the changes in the Regulating Districts' net OPEB obligation:

Annual required contribution	\$ 1,709,274
Interest on net OPEB obligation	-
Adjustment to ARC	-
	<hr/>
Annual OPEB cost	1,709,274
Contributions made	<u>(337,526)</u>
	<hr/>
Increase in net OPEB obligation	1,371,748
Net OPEB obligation - beginning of year	<hr/> -
Net OPEB obligation - end of year	<u>\$ 1,371,748</u>
Percentage of Annual OPEB Cost	
Contributed	19.75%

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Retirement Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Retirement Plan is currently not funded.

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits. In the future, the schedule will provide multi-year trend information about the value of plan assets relative to the AAL.

Schedule of Funding Progress for the Regulating District's Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
7/1/2007	\$ -	\$ 17,665,905	\$ 17,665,905	0.0%	\$ 1,580,121	1.118%

11. POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	2.0%
Medical care cost trend rate	9.0% or 10.0% initially, based on age of retirees. The rate is reduced by decrements to an ultimate rate of 5.0% after eight years.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level Dollar
Amortization basis	Open

- * As the plan is unfunded, the assumed discount rate considers that the Regulating District's investment assets are low risk in nature, such as money market or Sentinel fund

12. COMMITMENTS

During fiscal 2008, the Regulating District entered into two operating lease agreements for office space that require monthly payments of \$1,190 through November 2012, and monthly payments of \$3,500 through March 2013.

The future minimum lease payments for fiscal years ending June 30 under the terms of these lease agreements are as follows:

2009	\$	56,376
2010		56,376
2011		56,376
2012		49,188
2013		<u>10,500</u>
	\$	<u>228,816</u>

Total rent expense recognized by the Regulating District under the terms of all of its office lease agreements was approximately \$54,200 and \$52,500 during the years ended June 30, 2008 and 2007, respectively.

Schedule I

HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)

COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Hudson River</u>	<u>Black River</u>	<u>Total Regulating District</u>
ASSETS			
CURRENT ASSETS:			
Cash	\$ 1,448,986	\$ 1,131,493	\$ 2,580,479
Investments	1,167,554	2,464,993	3,632,547
Accounts receivable	-	5,125	5,125
Due (from) to District	6,095	(6,095)	-
Prepaid expenses	460,817	11,670	472,487
Total current assets	<u>3,083,452</u>	<u>3,607,186</u>	<u>6,690,638</u>
CAPITAL ASSETS, net	<u>3,683,205</u>	<u>617,002</u>	<u>4,300,207</u>
Total assets	<u>6,766,657</u>	<u>4,224,188</u>	<u>10,990,845</u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	39,766	-	39,766
Compensated absences	301,669	57,271	358,940
Current portion of settlement payable	174,000	53,334	227,334
Current portion of other postemployment benefits	315,587	55,692	371,279
Current portion due to New York State Retirement System	33,336	-	33,336
Total current liabilities	<u>864,358</u>	<u>166,297</u>	<u>1,030,655</u>
OTHER POST EMPLOYMENT BENEFITS, net of current portion	850,399	150,070	1,000,469
DUE TO NEW YORK STATE RETIREMENT SYSTEM, net of current portion	45,109	-	45,109
Total liabilities	<u>1,759,866</u>	<u>316,367</u>	<u>2,076,233</u>
NET ASSETS			
INVESTED IN CAPITAL ASSETS	3,683,205	617,002	4,300,207
UNRESTRICTED NET ASSETS	<u>1,323,586</u>	<u>3,290,819</u>	<u>4,614,405</u>
Total net assets	<u>\$ 5,006,791</u>	<u>\$ 3,907,821</u>	<u>\$ 8,914,612</u>

The accompanying notes are an integral part of these schedules.

Schedule II

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)**

**COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Hudson River</u>	<u>Black River</u>	<u>Total Regulating District</u>
OPERATING REVENUE:			
Assessments	\$ 4,445,595	\$ 910,276	\$ 5,355,871
Water power service	956,682	54,996	1,011,678
Permit fees	414,194	-	414,194
Other	29,127	80	29,207
	<u>5,845,598</u>	<u>965,352</u>	<u>6,810,950</u>
OPERATING EXPENSES:			
Personnel services and employee benefits	3,268,256	661,087	3,929,343
Repairs and maintenance	47,930	7,426	55,356
Material and supplies	187,221	44,382	231,603
Real estate taxes	2,337,999	39,232	2,377,231
Contractual services	884,137	131,235	1,015,372
Allocated general board expenses	(206,753)	206,753	-
Depreciation	208,986	45,643	254,629
	<u>6,727,776</u>	<u>1,135,758</u>	<u>7,863,534</u>
Total operating loss	<u>(882,178)</u>	<u>(170,406)</u>	<u>(1,052,584)</u>
NON-OPERATING REVENUE:			
Interest and dividend income	128,121	186,300	314,421
	<u>128,121</u>	<u>186,300</u>	<u>314,421</u>
Total non-operating revenue	<u>128,121</u>	<u>186,300</u>	<u>314,421</u>
CHANGE IN NET ASSETS	(754,057)	15,894	(738,163)
NET ASSETS - beginning of year	<u>5,760,848</u>	<u>3,891,927</u>	<u>9,652,775</u>
NET ASSETS - end of year	<u>\$ 5,006,791</u>	<u>\$ 3,907,821</u>	<u>\$ 8,914,612</u>

The accompanying notes are an integral part of these schedules.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 14, 2008

To the Board of Directors of
 Hudson River-Black River Regulating District:

We have audited the financial statements of Hudson River-Black River Regulating District (the Regulating District), as of and for the year ended June 30, 2008, and have issued our report thereon dated October 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Regulating District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Regulating District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Regulating District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Regulating District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Regulating District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Regulating District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

171 Sully's Trail
 Pittsford, NY 14534
 p (585) 381-1000
 f (585) 381-3131

ROCHESTER • BUFFALO
 ALBANY • SYRACUSE
 PERRY • GENEVA

www.bonadio.com

(Continued)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regulating District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Regulating District in a separate letter dated October 2008.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Bonadio & Co, LLP

**STATEMENT OF PETITIONS RECEIVED BY THE BOARD AND THE ACTION
TAKEN THEREON.**

In the Matter of the Complaint under §15-2121 and 2123 of the Environmental Conservation Law of Niagara Mohawk Power Corporation, d/b/a National Grid.

Hudson River-Black River Regulating District Board

Niagara Mohawk d/b/a National Grid (NiMo) is a statutory beneficiary of the Regulating District. On July 22, 2008, through their attorney Mark D. Lansing (Hiscock & Barclay LLP), petitioner NiMo filed a complaint with the Hudson River-Black River Regulating District Board challenging the fiscal year 2008-2009 water resources assessments issued by the Board. NiMo claims that the notice of assessments served upon NiMo fail to state a date for a hearing at which NiMo can demonstrate to the Regulating District Board that it is an aggrieved party as set forth in NY ECL §15-2121(4) and 15-2123. NiMo demands that the 2008-2009 apportionments and assessments on NiMo's various parcels should be annulled, cancelled, and withdrawn by the Board in total and that the Board conduct a review and investigation as to the proper apportionment and assessment of each benefitted real estate parcel, and apply that investigation to the water resource apportionments and assessments for fiscal year 2008-2009.

In the Matter of the Application of Albany Engineering Corporation, to Review Apportionment of the District Budget.

Hudson River-Black River Regulating District Board

Albany Engineering Corporation (AEC) is a statutory beneficiary of the Regulating District and operates a hydropower facility in the Hudson River watershed. On July 24, 2008, through their attorney Patrick L. Seely, Jr. (Hacker & Murphy, LLP), petitioner AEC filed a complaint with the Hudson River-Black River Regulating District Board challenging the fiscal year 2008-2009 apportionment of the Regulating District's operating costs to only hydropower generators and to certain municipalities for flood protection. AEC requests that its 2008 assessments be annulled, cancelled and withdrawn by the Board and that the Board apportion its budget to all benefitted parcels and entities in proportion to the benefits received.

Niagara Mohawk Power Corporation, d/b/a National Grid, against State of New York, Office of the State Comptroller, Department of Environmental Conservation, and Hudson River-Black River Regulating District.

Court of Claims

OAG No. 08-081267-O

Niagara Mohawk d/b/a National Grid (NiMo) is a statutory beneficiary of the Regulating District. On August 1, 2008, through their attorney Mark D. Lansing (Hiscock & Barclay LLP), petitioner NiMo filed a Notice of Intention to File a Claim involving the Regulating District, OSC & DEC. The NiMo Notice of Intention to File a Claim challenges HRBRRD's apportionment of Regulating District costs attributable to NiMo for fiscal years 2000-2009 and demands judgment against the defendants in the amount of \$6,000,000. The same Notice of Claim was received by the Department of Law on July 31, 2008. Assistant Attorney General Paul F. Gagino of the Department of Law forwarded a copy of the Notice to the Regulating

District on August 18th, 2008 noting the investigator assigned to the matter. As of 3/16/09, NiMo had not yet filed a claim.

Niagara Mohawk Power Corporation, d/b/a National Grid against State of New York, Office of State Comptroller, Department of Environmental Conservation, and Board of Hudson River-Black River Regulating District.

Supreme Court Herkimer County, Index No. 88964
Supreme Court Hamilton County, Index No. 6555-08

Niagara Mohawk d/b/a National Grid (NiMo) is a statutory beneficiary of the Regulating District. On August 1, 2008, through their attorney Mark D. Lansing (Hiscock & Barclay LLP), petitioner NiMo commenced Article 78 proceedings in both Hamilton and Herkimer counties challenging the Regulating District's apportionments/assessments for the Hudson River and Black River watersheds. NiMo argues in these Article 78 proceedings, and previous annual challenges covering fiscal years dating back to 2000-2001, that other benefitted entities should pay a portion of the Regulating District's maintenance costs via assessment and presently do not.

Albany Engineering Corporation vs. State of New York, Office of State Comptroller, Department of Environmental Conservation and Board of Hudson River-Black River Regulating District.

Fulton County Supreme Court Index No. #96433.

Albany Engineering Corporation (AEC) is a statutory beneficiary of the Regulating District and operates a hydropower facility in the Hudson River watershed. On August 14, 2008, through their attorney Patrick L. Seely, Jr. (Hacker & Murphy, LLP), petitioner AEC commenced a civil action against the Regulating District, OSC & DEC by service of a Notice of Petition and Summons returnable in the Supreme Court, Fulton County. The AEC petition challenges the HRBRRD's apportionment of Regulating District costs attributable to AEC for the years 2008-2009. This Petition must be vigorously contested to protect the interests of the Regulating District. The Regulating District has been granted permission from the Office of the State Comptroller to treat Crane, Greene and Parente, P.C. as a single source and by the Department of Law to engage this firm as outside counsel. Note that the firm (CPC) currently defends HRBRRD's interests in 18 separate actions commenced by Niagara Mohawk in both Fulton and Herkimer County. AEC's action is based on arguments similar to those advanced by Niagara Mohawk in these 18 actions and is sited in Fulton County where Fulton County Supreme Court Justice Aulisi has taken the lead in the resolution of those cases. CPC is already intimately familiar with the manner in which the Regulating District operates and the Niagara Mohawk assessment litigation.

OTHER MATTERS OF INTEREST (ECL§1-2131(2))

1. Freedom of Information Law (FOIL) Requests

- a. The Regulating District received 51 FOIL requests during the reporting period.
- b. The Regulating District processed each request in accordance with the Public Officers Law and the information sought, if available, was provided to the

requesting party in a manner consistent with the Regulating District's statutory obligations.

- c. The Regulating District granted 48 requests. 3 request(s) were denied because the records requested do not exist within HRBRRD files. 1 request was granted in part and denied in part. The Regulating District requested that 3 requesters narrow the scope of the document search requested. There was one appeal.

HUDSON RIVER AREA - GREAT SACANDAGA LAKE

MAINTENANCE AND OPERATION

Facility Maintenance and Operation

Regulating District personnel maintained facilities at the Conklingville Dam, Indian Lake and Sacandaga Field Offices. Activities included building maintenance and grounds maintenance.

The field staff maintained, repaired and operated the Regulating District marine equipment, motor vehicles, construction equipment, and small machinery.

Reservoir Maintenance and Operation

Regulating District personnel performed the following operation activities and routine maintenance:

- Dam and outlet structure facility maintenance,
- Installation of shoreline stabilization and erosion control measures,
- Grounds maintenance at embankment dams,
- Survey maintenance of 125 miles of State property line,
- Posting of notice and trespassing signs,
- Clearing of New York State property line
- Replacement / relocation of survey monuments,
- Removal and disposal of litter and debris found on reservoir lands,
- Operation and maintenance of precipitation gauges,
- Maintenance and operation of stream gauges,
- Identification and field investigation of encroachments,
- Clearing reservoir shoreline of stumps, driftwood and debris,
- Cutting and removal of downed tree.

Regulating District field staff placed and repositioned 4,748 tons (approximately 3,517 cubic yards) of shoreline erosion protection stone (riprap), covering 5,072 feet of shoreline to prevent shoreline erosion.

Sacandaga Field Office personnel identified and investigated State of New York property encroachments and violations of the Regulating District's rules and regulations. Field office staff continually inspected the New York State property line (taking line) to locate, control, and eliminate property line encroachment problems.

Conklingville Dam staff performed routine maintenance work, including the reading and inspection of elevation gages at Conklingville Dam, Stewarts Bridge and Hadley.

The Regulating District collected meteorological and hydrological information at various locations within the Hudson River watershed. Data collection and precipitation station

maintenance was performed in cooperation with the United States Geological Survey (USGS) and the National Weather Service (NWS). Meteorological and hydrological information collected by the Regulating District are published in National Weather Service and the United States Geological Survey documents and used by the NWS in the forecasting of flood conditions.

Collection of hydraulic data, and maintenance and operation of stream gauging stations on the Sacandaga and Hudson River watersheds, was performed in cooperation with the United States Geological Survey.

The Regulating District continued its cooperation with the United States Army Corps of Engineers (ACE), New York State Department of Environmental Conservation (DEC), and the Adirondack Park Agency (APA) in control of various construction projects, proposed by reservoir access permit holders, which occur on reservoir land within the Regulating District's jurisdiction. Under an agreement with the Board, the Department of Environmental Conservation issues a "blanket permit" to the District for certain projects requiring Article 15 approval at the Great Sacandaga Lake. This permit can then be reissued to access permit holders for reservoir-related projects involving activities that do not exceed certain environmental threshold limits. This permitting process eliminates duplication of effort by both agencies. The Board refers projects, which may require approval by the Adirondack Park Agency or the Army Corp of Engineers, to the APA or ACE for jurisdictional determination and review, prior to Regulating District approval. Field staff assisted the DEC in removing navigation buoys in the Great Sacandaga Lake.

An automated telephone answering system containing a recorded message detailing stream flow and reservoir elevation is maintained by the Regulating District and made available to the public through two dedicated phone lines. Recorded messages are updated every workday.

The Regulating District maintains an Internet web site at hrbrd.com to provide additional public access to information about the Regulating District its operations and governance, and links to web sites containing river flow and reservoir elevation data.

STATEMENT OF CONDITION AND OPERATION OF GREAT SACANDAGA LAKE

Reservoir Elevation

The daily average elevation of the Great Sacandaga Lake (Sacandaga Reservoir) on January 1, 2008 was 753.94 feet above mean sea level. During the period ending December 31, 2008, the reservoir elevation varied from a minimum of 753.14 feet on January 8, 2008, to a maximum of 773.51 feet on April 21, 2008. The reservoir elevation averaged approximately 0.27 feet above the long-term average on January 1, 0.47 feet above the long-term average on July 1, 2008 and averaged approximately 4.2 feet above the long-term average on December 31, 2008. The daily average elevation of the Great Sacandaga Lake on December 31, 2008 was 758.02 feet.

Figure 1 shows the elevation of the Great Sacandaga Lake during 2008, the historic and target elevation, and the mandated minimum operating elevation.

Precipitation and Inflow

Precipitation was approximately 29% above historic average during the first half of the year, and approximately 20% higher than historic average during the second half of 2008.

Snow surveys were conducted during the period January through April 2008. Snow-pack water content measured 26% above historic average in January and 63% above historic average in March.

Inflow during the period January through June 2008 was approximately 131% of historic average. Daily average inflow for the months of July through December 2008 varied from approximately 53% to 186% of historic average.

Total inflow to the reservoir was 87.80 billion cubic feet for the year ending December 2008, which was 128% of the average annual inflow of 68.58 billion cubic feet.

Table 1 - 3 detail the regulation of the Hudson River by the Sacandaga Reservoir and presents a summary of precipitation and snowfall, inflow, and regulation, respectively.

Figure 2 indicates the precipitation measured at Northville during the period January to December 2008. Figure 3 reflects the inflow to the reservoir during the period January to December 2008.

Reservoir Release and Storage

A total of 83.70 billion cubic feet of water was released from the reservoir during 2008. Daily water releases occurred during approximately 96% of the year. The release of water from the reservoir was suspended on three occasions, for a total of approximately 13 days. The reservoir stored approximately 20.62 billion cubic feet of water during the spring refilling. In general, reservoir operation supplemented the flow in the Hudson River and provided base flow

conditions consistent with the requirements of the Upper Hudson / Sacandaga River Offer of Settlement.

Figure 4 indicates the regulated flow of the Hudson River, below the confluence with the Sacandaga River, at Spier Falls.

Federal Energy Regulatory Commission

The Regulating District operates the Great Sacandaga Lake under the terms of the Upper Hudson / Sacandaga River Offer of Settlement and a license (P-12252-NY) from the Federal Energy Regulatory Commission. The Offer of Settlement establishes long-term environmental protection measures that will meet, and balance, the diverse power and non-power objectives of the parties involved. The Great Sacandaga Lake will remain a federally licensed project through 2042.

An annual safety inspection of the Conklingville Dam was conducted by Regulating District's Chief Engineer and Mr. James Huang of the Federal Energy Regulatory Commission on September 16, 2008.

HUDSON RIVER AREA – GREAT SACANDAGA LAKE

ACCESS PERMIT SYSTEM

Great Sacandaga Lake Access Permit System 2008

The Hudson River-Black River Regulating District Board adopted the current rules for the Access Permit System, entitled “RULES AND REGULATIONS GOVERNING THE USE, OPERATION, AND MAINTENANCE OF GREAT SACANDAGA LAKE, FORMERLY THE SACANDAGA RESERVOIR”, by resolution dated October 19, 1992. As required by the Regulating District’s enabling legislation, the Department of Environmental Conservation (“DEC”) approved the current rules on July 13, 1992. The rules became effective on January 27, 1993.

Regulating District personnel performed the following activities:

- Administration of Access Permit System,
- Process permit renewals,
- Process new permit applications,
- Process work permits,
- Survey and delineation of permit areas,
- Preparation of permit stakes and signs,
- Investigate violations of rules

During calendar year 2008, the Regulating District issued 139 new access permits, 4647 access permit renewals and 352 work permits. Revenue derived from the Access Permit System totaled \$414,194.00.

Access Permit System Rule Making

In 2005, the Regulating District Board began efforts to revise the Access Permit System Rules; Title 6 NYCRR Part 606. The proposed rule revision will replace the existing rules with a new Part 606 to improve the Regulating District’s Access Permit System administration. The proposed rule revision will also implement a method to evaluate the Access Permit System Fee Structure. The existing and proposed rules derive their statutory authority from Environmental Conservation Law sections 15-2103, 15-2105 and 15-2109(1).

In May 2008, the Governor’s Office of Regulatory Reform (“GORR”) approved the Regulating District’s proposed Access Permit System rules for Great Sacandaga Lake thus clearing the way for submission of the rule proposal to the Department of State (“DOS”) with other required documents pursuant to the State Administrative Procedures Act (“SAPA”). The Board approved the submission of the proposed rules and related documents to DOS. Submission to DOS began the formal rule making process in accordance with SAPA. To fulfill a FERC license requirement, the Board directed staff to submit the proposed rules to the Federal Energy

Regulatory Commission (“FERC”). As DEC review and approval is a prerequisite to Regulating District adoption of the new Part 606, the Board directed staff to share the proposed rules with the New York State Department of Environmental Conservation (“DEC”) to facilitate a pre-review by that agency. At the Board’s direction, staff submitted the following documents to DOS for publication in the NY State Register:

- Regulatory Impact Statement [RIS], (*SAPA §§202(1)(f)(vi) and 202-b*)
- Request for Exemption from Regulatory Flexibility Analysis for Small Businesses and Local Governments [RFASB], (*SAPA §202-b*)
- Request for Exemption from Rural Area Flexibility Analysis [RAFA], (*SAPA §202-bb(3) and (4)*)
- Job Impact Analysis [JIA], (*SAPA §201-a(2)*) Exemption Form (*SAPA §201-a(2)(a)*)
- Regulatory Flexibility Report (*SAPA §202-b(2)*)
- Notice of Proposed Rule Making (*SAPA §202(1)(a)*)
- Part 606 Rule Summary (*SAPA §202(1)(f)(v)*)
- Part 606 Rules (*SAPA §202(1)(f)(v)*)

In June and July, the Notice of Proposed Rule Making appeared in the State Register and a 45 day comment period began. The Regulating District Board received 192 pages of public comments from 30 submitters.

In August, the Federal Energy Regulatory Commission (“FERC”) notified the Regulating District that the Regulating District has fulfilled the notification requirements of the Regulating Districts FERC license regarding the rule making. The Board reviewed the public comments and prepared minor revisions to the proposed rules for consideration at the September 2008 Board meeting.

In September 2008, the Board revised the rules to address salient public comments and formally approved the Proposed Rules by resolution. The Regulating District Board then formally submitted the proposed rules to the NYS Department of Environmental Conservation (DEC) for approval. The proposed rules, as approved by the Regulating District Board for submission to DEC, were posted to the Regulating District’s website.

Following consultation with the New York State Department of State (DOS), the Proposed Rules were reformatted and renumbered to conform to conventions required by DOS. These reformatted and renumbered proposed rules were sent to DEC and posted on the Regulating District’s website, replacing the previous version.

Throughout October through December, the Board reviewed and discussed a draft Assessment of Public Comment and draft Summary of Proposed Rules. Both draft documents were posted to the Regulating District’s website. Once the proposed rules are approved by the DEC, the Board plans to finalize the Assessment of Public Comment and Summary of Proposed Rules and then adopt the new Part 606.

STATEMENT OF CONDITION AND OPERATION OF INDIAN LAKE RESERVOIR

Reservoir Elevation

The daily average elevation of Indian Lake Reservoir on January 1, 2008 was 1641.81 feet above mean sea level. During the period ending December 31, 2008, the reservoir elevation varied from a minimum of 1641.16 feet on April 1, 2008, to a maximum of 1652.54 feet on April 24, 2008. The reservoir elevation averaged approximately 1.78 feet below the long-term average on January 1, 0.33 feet below the long-term average on July 1, and averaged approximately 1.84 feet below the long-term average on December 31. The daily average elevation of the Indian Lake Reservoir on December 31, 2008 was 1641.64 feet.

Figure 5 shows the historic average reservoir elevation and the elevation of the reservoir during 2008.

Precipitation and Inflow

Precipitation was approximately 37% above historic average during the first half of the year, and approximately 21% higher than historic average during the second half of 2008.

Snow surveys were conducted during the period January through April 2008. Snow-pack water content measured 145% above historic average in January and 174% above historic average in March.

Inflow during the period January through June 2008 was approximately 132% of historic average. Daily average inflow for the months of July through December 2008 varied from approximately 44% to 155% of historic average.

Total inflow to the reservoir was 12.17 billion cubic feet for the year ending December 2008, which was 120% of the average annual inflow of 10.14 billion cubic feet.

Figure 6 indicates the precipitation measured at Indian Lake Dam during the period January to December 2008. Figure 7 reflects the inflow to the reservoir during the period January to December 2008.

Reservoir Release and Storage

A total of 12.20 billion cubic feet of water was released from the reservoir during 2008. Daily water releases occurred during 100% of the year. The release of water from the reservoir was suspended on one occasion, for a total of approximately two days.

A minimum release of 56 cubic feet per second occurred during the third week in October. A maximum release of 1550 cubic feet per second occurred on April 23, 2008.

TABLE 1
HUDSON RIVER - BLACK RIVER REGULATING DISTRICT

PRECIPITATION ON SACANDAGA WATERSHED

MONTH	CONKLINGVILLE		NORTHVILLE	
	MONTHLY TOTAL	HISTORIC AVERAGE	MONTHLY TOTAL	HISTORIC AVERAGE
(INCHES)				
<u>2008</u>				
JANUARY	3.49	3.36	3.57	3.58
FEBRUARY	7.28	2.84	7.51	2.94
MARCH	6.72	3.68	7.35	3.79
APRIL	3.41	3.58	4.38	3.81
MAY	1.09	3.44	1.46	3.85
JUNE	4.15	3.63	3.86	3.78
JULY	7.67	3.60	6.27	3.77
AUGUST	3.62	3.69	4.58	3.85
SEPTEMBER	3.57	3.52	3.27	4.05
OCTOBER	4.50	3.36	4.02	3.74
NOVEMBER	2.83	3.78	2.00	3.90
DECEMBER	7.27	3.61	7.72	3.85
TOTAL (Year: Jan - Dec)	55.60	42.09	55.99	44.91

SACANDAGA WATERSHED SNOW SURVEY

DATE	AVGERAGE DEPTH OF SNOW		WATER CONTENT OF SNOW	
	(INCHES)		(INCHES)	(B.C.F.)
<u>2008</u>				
January 7 - 9	13.8		3.65	9.05
January 21 - 23	13.9		3.43	8.61
February 4 - 6	16.6		4.64	11.45
February 18 - 20	21.9		6.12	14.89
March 3 - 5	32.0		8.37	20.67
March 17 - 19	24.1		7.69	18.87
March 31 - April 2	22.7		7.82	19.39
April 7 - 9	15.9		5.73	14.65
April 14 - 16	5.4		1.87	5.53

TABLE 2
HUDSON RIVER - BLACK RIVER REGULATING DISTRICT

INFLOW TO GREAT SACANDAGA LAKE
(FORMERLY SACANDAGA RESERVOIR)

MONTH	INFLOW (B.C.F.)	HISTORIC AVERAGE INFLOW (B.C.F.)	PERCENT OF AVERAGE (%)
<u>2008</u>			
JANUARY	8.91	4.88	183
FEBRUARY	8.35	3.70	226
MARCH	12.83	9.36	137
APRIL	25.59	17.59	145
MAY	5.06	8.23	61
JUNE	1.70	3.73	46
JULY	3.66	2.17	169
AUGUST	2.58	1.39	186
SEPTEMBER	1.08	2.03	53
OCTOBER	3.54	3.84	92
NOVEMBER	4.70	5.92	79
DECEMBER	9.80	5.74	171
TOTAL	87.80	68.58	128

TABLE 3
HUDSON RIVER - BLACK RIVER REGULATING DISTRICT
REGULATION OF THE HUDSON RIVER - GREAT SACANDAGA LAKE
(FORMERLY SACANDAGA RESERVOIR)

MONTH	ELEVATION OF RESERVOIR WATER SURFACE (DAILY AVERAGE) (Feet M.S.L.) (4)	MONTHLY RELEASE (AVERAGE) (C.F.S.) (1)	SPIER FALLS COMPUTED NATURAL FLOW (AVERAGE) (C.F.S.) (2)	SPIER FALLS REGULATED FLOW (AVERAGE) (C.F.S.) (3)
<u>2008</u>				
JANUARY	755.76	2710	8074	7220
FEBRUARY	754.80	3690	6388	6880
MARCH	760.67	2550	9628	7670
APRIL	770.55	5770	24058	18960
MAY	767.33	3160	5467	6700
JUNE	766.40	1070	2099	2480
JULY	765.75	1670	3941	3950
AUGUST	763.22	1970	4601	5120
SEPTEMBER	760.58	1480	1511	2450
OCTOBER	760.03	1560	3155	3340
NOVEMBER	756.20	3310	5353	6510
DECEMBER	758.02	2920	7320	6690

- (1) This is the flow of the Sacandaga River at Stewart's Bridge near Hadley, N.Y.
(2) Includes Indian Lake Regulation; sum of GSL net inflow and Hudson River at Hadley.
(3) Sum of GSL release and Hudson River at Hadley.
(4) Daily average on last day of the month

Hudson River - Black River Regulating District

GREAT SACANDAGA LAKE

RESERVOIR ELEVATION JANUARY 2008 - DECEMBER 2008

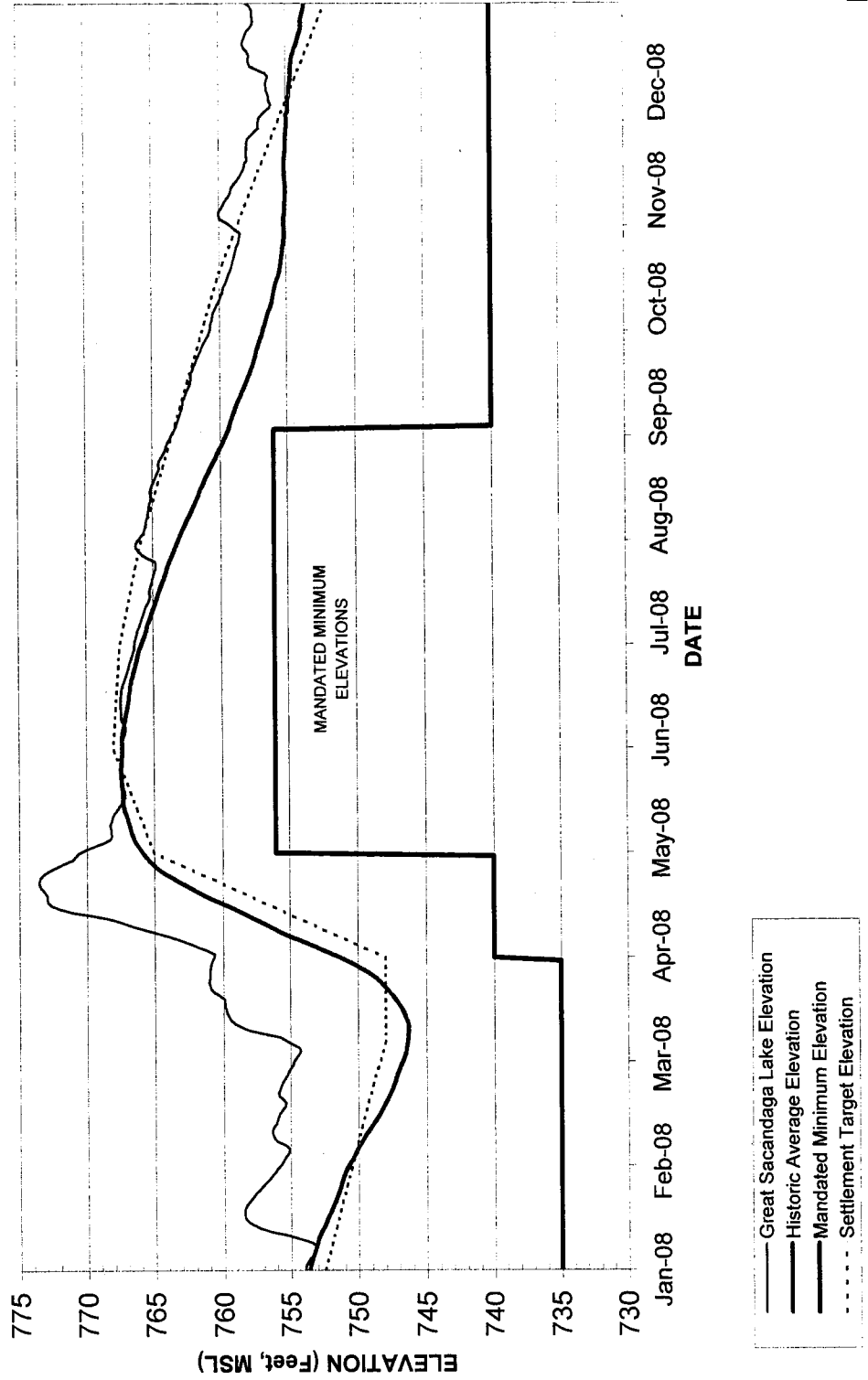


Figure 1

Hudson River - Black River Regulating District

GREAT SACANDAGA LAKE

PRECIPITATION JANUARY 2008 - DECEMBER 2008

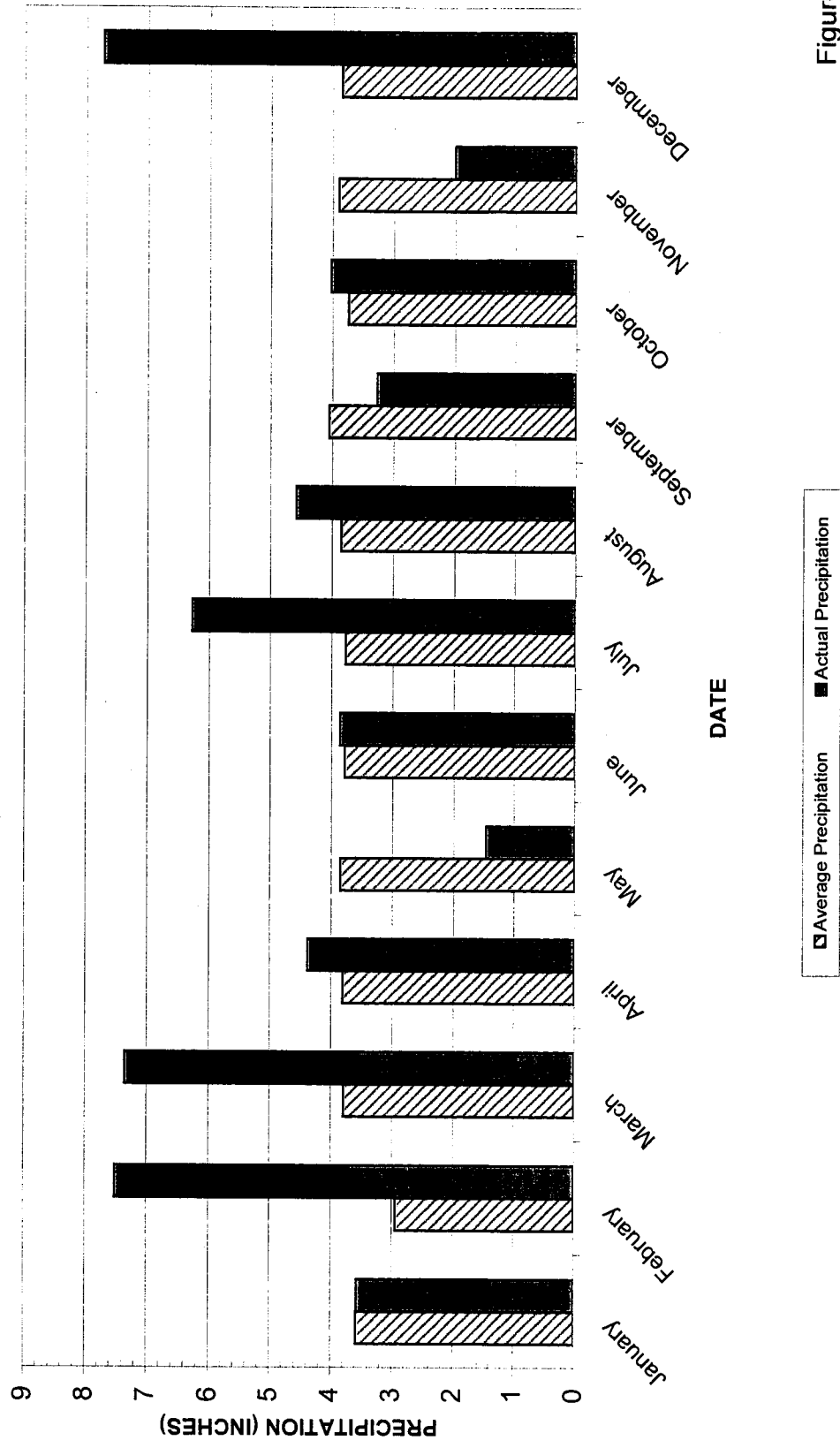


Figure 2

Hudson River - Black River Regulating District

GREAT SACANDAGA LAKE

INFLOW JANUARY 2008 - DECEMBER 2008

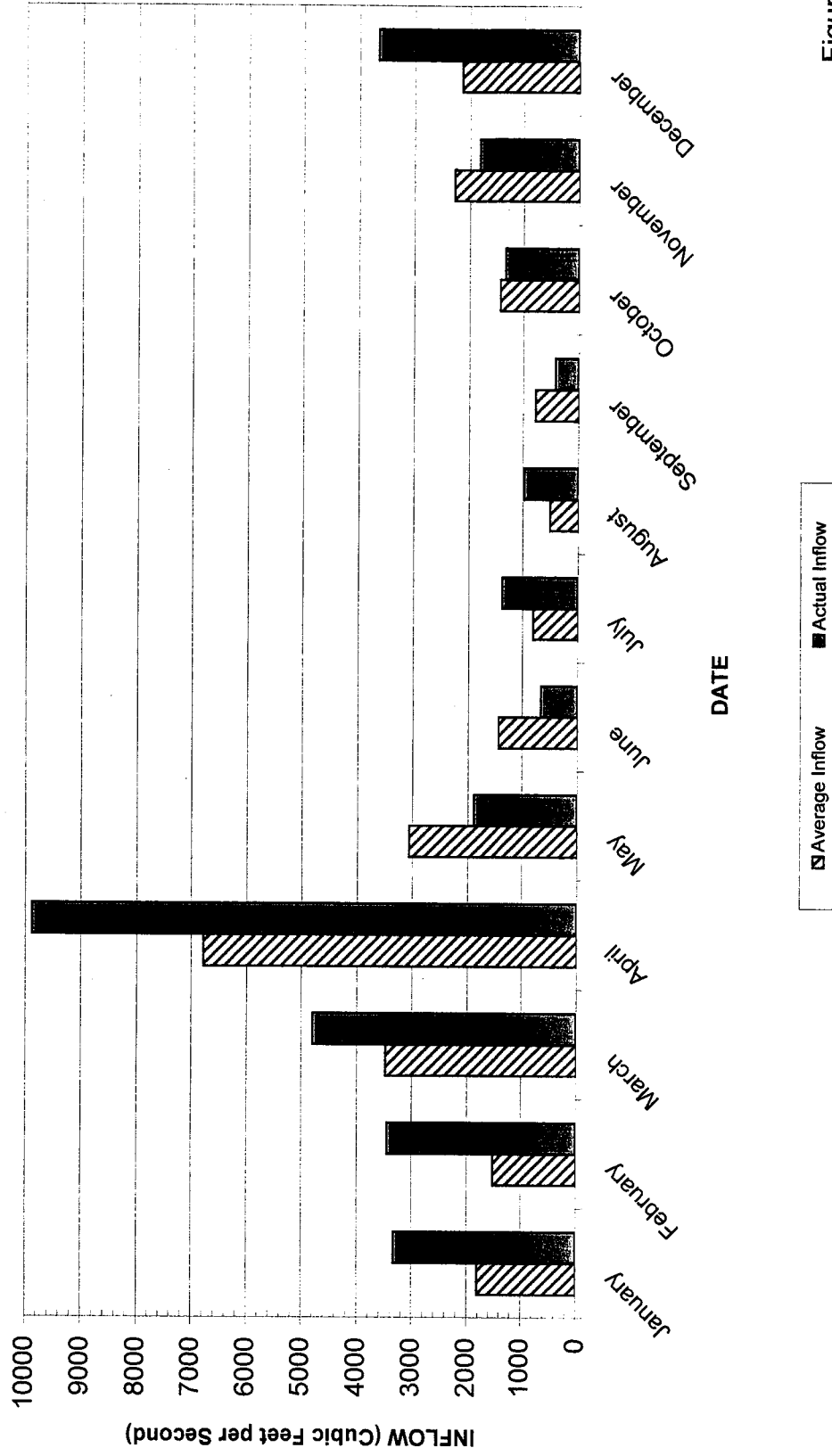


Figure 3

Hudson River - Black River Regulating District GREAT SACANDAGA LAKE

HUDSON RIVER FLOW AT SPIER FALLS JANUARY 2008 - DECEMBER 2008

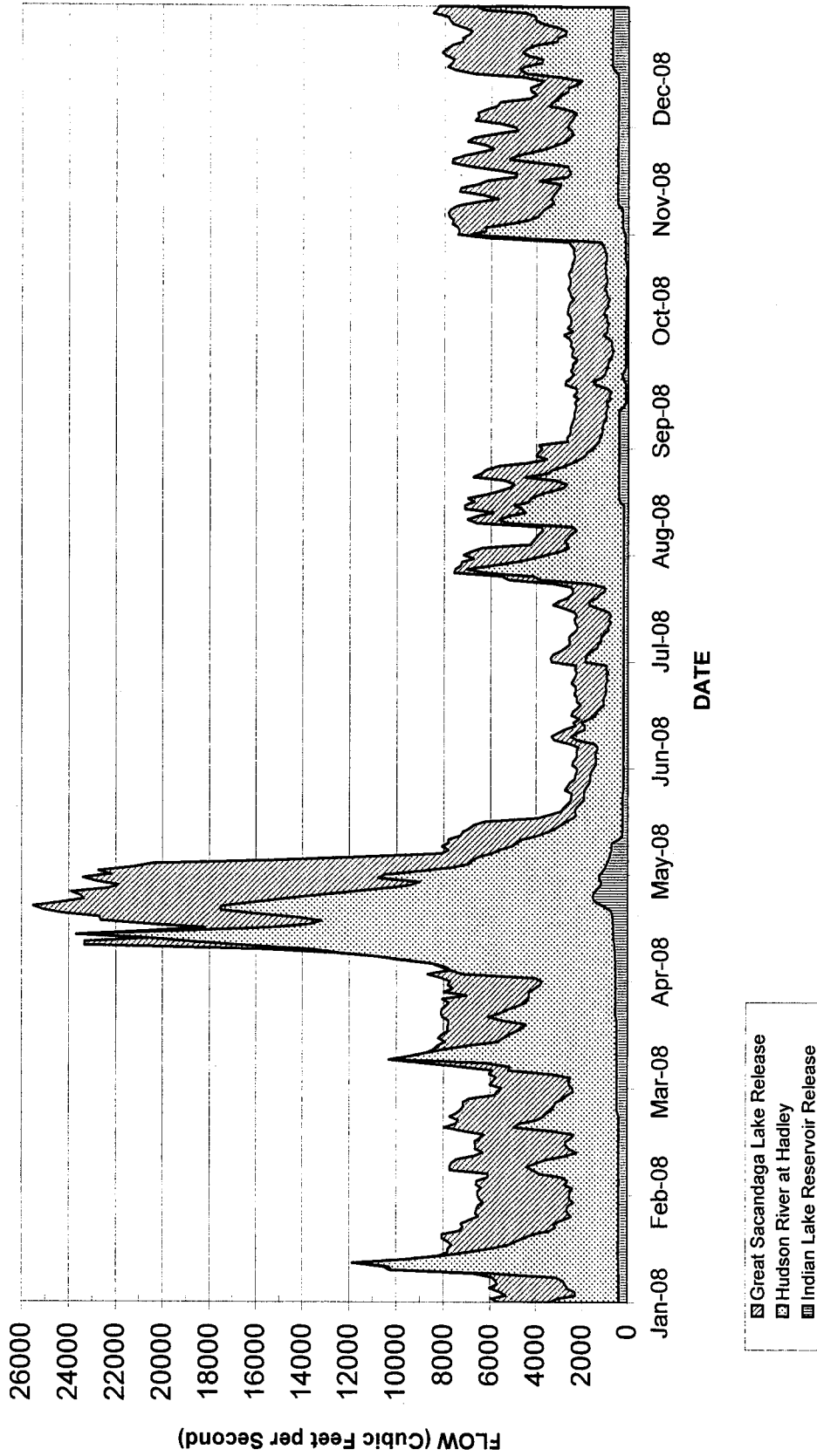


Figure 4

Hudson River - Black River Regulating District

INDIAN LAKE RESERVOIR

RESERVOIR ELEVATION JANUARY 2008 - DECEMBER 2008

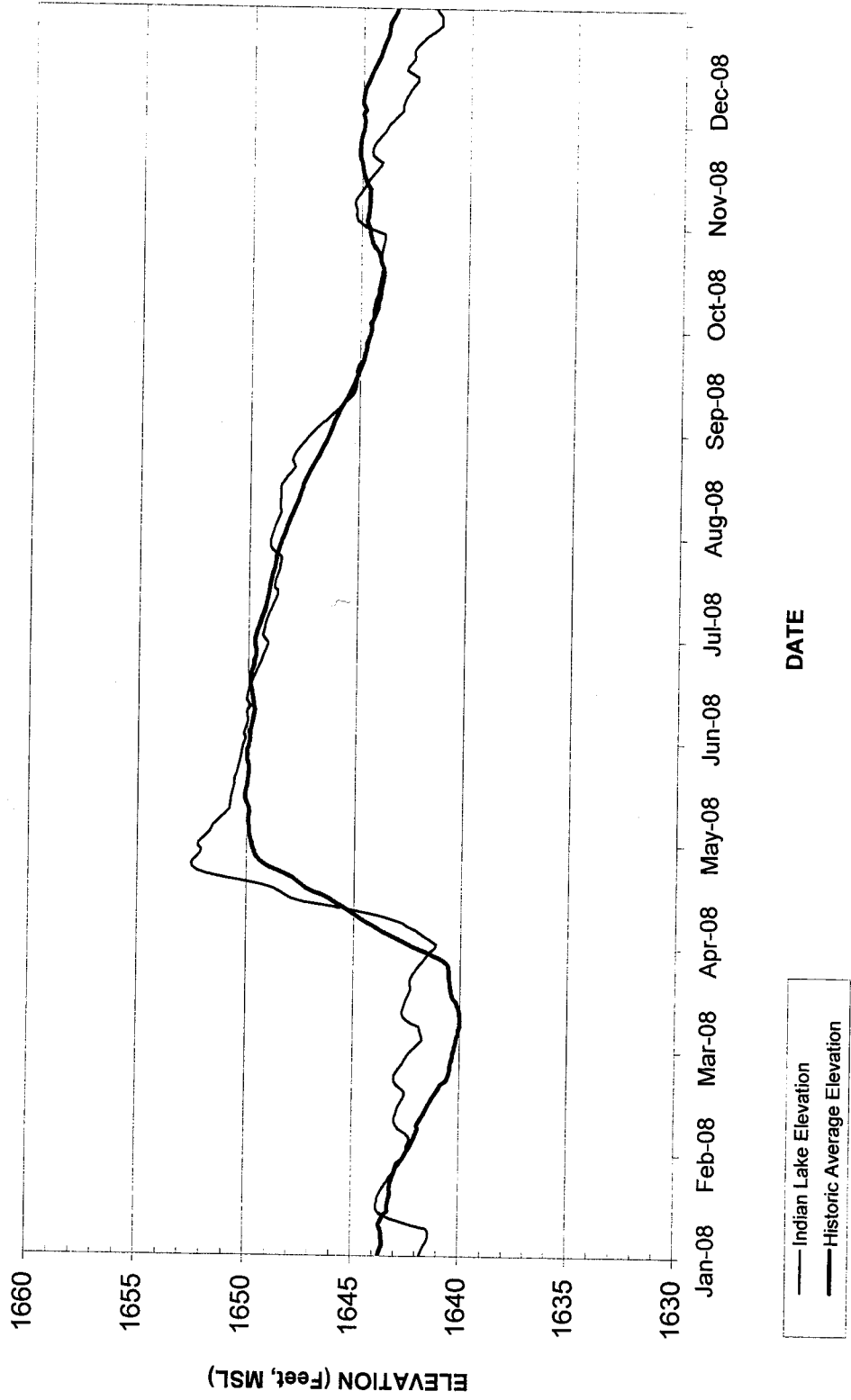


Figure 5

Hudson River - Black River Regulating District

INDIAN LAKE RESERVOIR

PRECIPITATION JANUARY 2008 - DECEMBER 2008

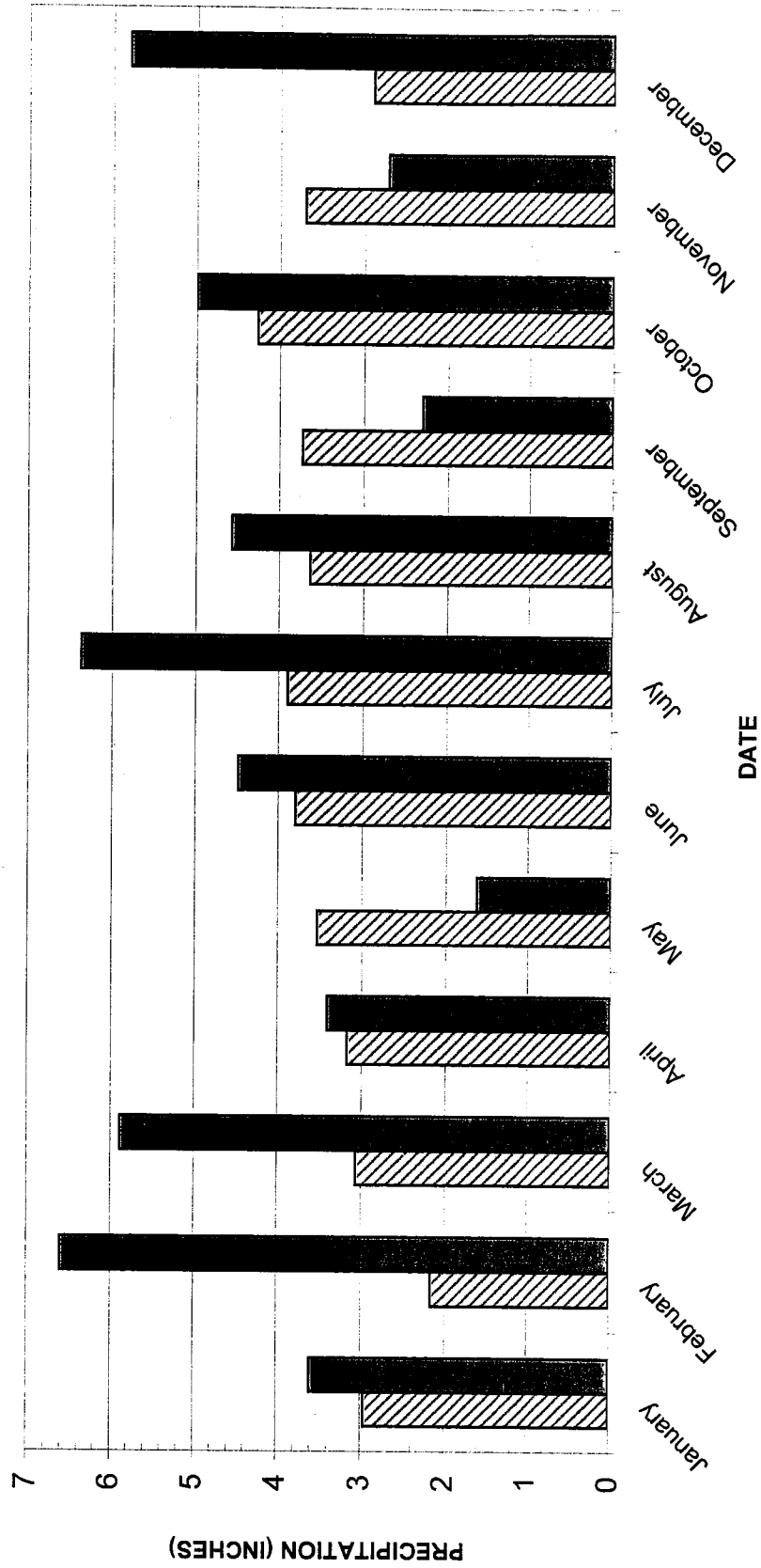
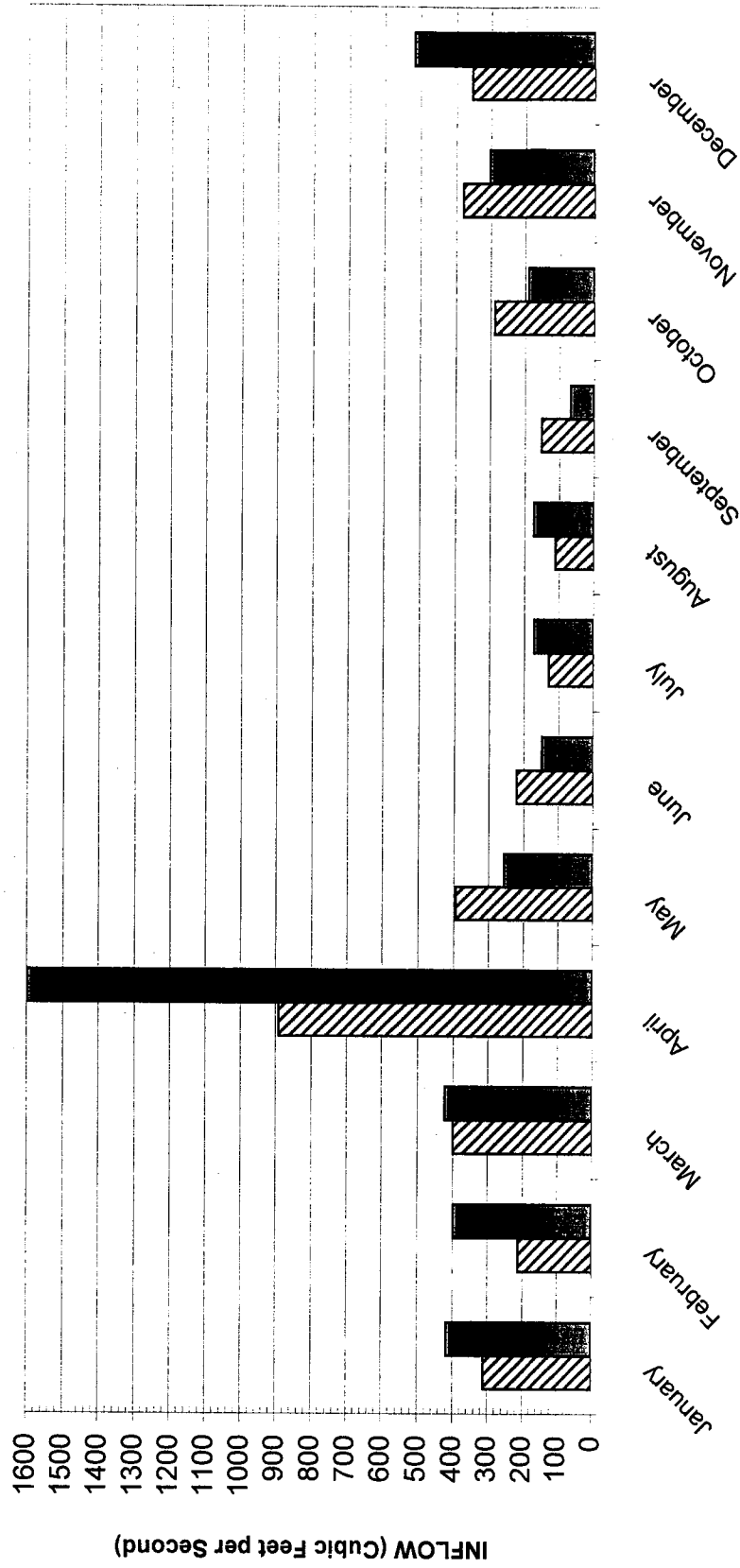


Figure 6

Hudson River - Black River Regulating District

INDIAN LAKE RESERVOIR

INFLOW JANUARY 2008 - DECEMBER 2008



Legend:
 ▨ Average Inflow
 ■ Actual Inflow

Net inflow including evaporation and transpiration

Figure 7

BLACK RIVER AREA – STILLWATER RESERVOIR

MAINTENANCE AND OPERATION

Facility Maintenance and Operation

Regulating District personnel maintained facilities at the Stillwater Dam, Sixth Lake, Old Forge, Hawkinsville, Black River Field Office and Black River Area Office. Activities included building maintenance and grounds maintenance.

The field staff maintained, repaired and operated the Regulating District marine equipment, motor vehicles, construction equipment, small machinery and hand tools.

Black River Field Office staff performed routine maintenance work including the reading and inspection of elevation gauges at Stillwater Dam, Sixth Lake, Old Forge, McKeever, Hawkinsville, Boonville and Donnattsburg. Collection of hydrologic data, pH samples, and maintenance and operation of stream gauging stations in the Black River Watershed on the Black, Beaver and Moose Rivers as well as the Fulton Chain of Lakes was performed in cooperation with the United States Geological Survey (USGS). Meteorological, precipitation and hydrological information collected by the Regulating District is published in National Weather Service and USGS documents and is used by the NWS in the forecasting of flood conditions.

Reservoir Maintenance and Operation

Regulating District personnel performed the following operation activities and routine maintenance:

- Grounds maintenance at embankment dams
- Daily observations and data collection, dam safety inspections
- Posting of notice and no trespassing signs
- Brushing and painting lines
- Removal and disposal of litter and debris found on reservoir lands
- Clearing of stumps, driftwood and debris from reservoir shoreline on District regulated property
- Cutting and removal of downed trees
- Maintenance and repair of safety equipment and structures
- Maintenance of danger buoys and log booms
- Maintenance and improvements at ten district buildings
- Access road repairs
- Completion of roof replacement at Black River Field Office
- Constructed roof extension on covered storage area
- Installed gated entrance to south dike at Stillwater Dam area
- Lime treatment and fertilization of earth embankment dam
- Repair of electric mast at Stillwater gate house

- Repairs and renovations at Black River Field Office, including bathroom, stairway and living room area conversion to additional office work space
- Installation of fence and chained gate at Sixth Lake
- Installation weather station at Old Forge
- Repair of electric mast at Donnattsburg gauge station

Field staff placed crushed gravel on the mile long right-of-way the District maintains on the Necessary Dam Road. Regulating District filled potholes, built up low areas, and shaped and crowned the roadbed. Additionally, the Regulating District maintained the 1/8th mile road from the Evergreen Bridge to the North Dike area adjacent to the Stillwater Dam, including the placement of gravel, shaping and forming the road surface. Culverts on both roads were kept clear and maintained. Calcium chloride was spread on the right-of-way to limit dust and minimize erosion.

Regulating District personnel also responded to power outages and unscheduled shutdowns of the Mercer Company hydroelectric plant adjacent to the Regulating District's dam, opening gates in the dam to provide water to down-river beneficiaries until the hydroelectric facility was available to discharge water.

Daily maintenance was performed including daily dam safety observations, reservoir elevation readings and gate changes as directed by the Chief Engineer. Piezometer and weir measurements were taken at a frequency which is dependent upon the reservoir elevation.

Regulating District staff participated in health and safety training.

Daily elevation records were maintained to provide weekly and monthly tables and graphs that compare the daily elevations to the target elevations and the long-term average elevations.

An automated telephone answering system containing a recorded message detailing stream flow and reservoir elevation is maintained by the Regulating District and made available to the public through two dedicated phone lines. Recorded messages are updated every workday.

The Regulating District maintains an Internet web site at hrbrdd.com to provide additional public access to information about the Regulating District its operations and governance, and links to web sites containing river flow and reservoir elevation data.

STATEMENT OF CONDITION AND OPERATION OF STILLWATER RESERVOIR

Reservoir Elevation

The daily average elevation of the Stillwater Reservoir on January 1, 2008 was at 1670.89 feet. During the year ending December 2008, the reservoir elevation varied from a minimum of 1669.29 feet on October 24, 2008, to a maximum of 1679.48 feet on April 19, 2008. The reservoir elevation averaged approximately 0.46 feet above the long-term average on January 1, 0.75 feet below the long-term average on July 1, 2008, and averaged approximately 5.04 feet above the long-term average on December 31, 2008. The daily average elevation of the Stillwater Reservoir on December 31, 2008 was 1675.35 feet.

Figure 1 shows the elevation of Stillwater Reservoir during 2008, the historic average and operation elevation.

Precipitation and Inflow

Precipitation was approximately 16% above historic average during the first half of the year, and approximately 20% higher than historic average during the second half of 2008.

Snow surveys were conducted during the period January through April 2008. Snow-pack water content measured 33% above historic average in January and 23% above historic average in March.

Inflow during the period January through June 2008 was approximately 116% of historic average. Daily average inflow for the months of July through December 2008 varied from approximately 89% to 159% of historic average.

Total inflow to the reservoir was 16.61 billion cubic feet for the year ending December 2008, which was 119% of the average annual inflow of 13.96 billion cubic feet.

Table 1 - 3 detail the regulation of the Black River by the Stillwater Reservoir and presents a summary of precipitation and snowfall, inflow, and regulation, respectively.

Figure 2 indicates the precipitation measured at Stillwater during the period January to December 2008. Figure 3 reflects the inflow to the reservoir during the period January to December 2008.

Reservoir Release and Storage

A total of 15.68 billion cubic feet of water was released from the reservoir during 2008. Daily water releases occurred during approximately 95% of the year. The release of water from the reservoir was suspended on three occasions, for a total of approximately 19 days. The reservoir stored approximately 1.46 billion cubic feet of water during the spring refilling.

Figure 4 indicates the regulated flow of the Black River at Watertown.

Federal Energy Regulatory Commission

An annual safety inspection of the Stillwater Dam was conducted the Regulating District's Chief Engineer and by Mr. Lin of the Federal Energy Regulatory Commission on July 23, 2008.

STATEMENT OF CONDITION AND OPERATION OF SIXTH LAKE RESERVOIR

Reservoir Operation

The elevation of Sixth Lake Reservoir on January 1, 2008 was 1782.48 feet above mean sea level. During the year ending December 2008, the reservoir elevation varied from a minimum of 1780.80 feet on March 30, 2008, to a maximum of 1785.97 feet on July 20, 2008. On December 31, 2008 the reservoir elevation was 1782.52 feet.

Figure 5 represents the reservoir elevation during the reporting year.

Precipitation and Inflow

Precipitation was approximately 5% above historic average during the first half of the year, and approximately 20% higher than historic average during the second half of 2008.

Total inflow to the reservoir was 1.83 billion cubic feet for the year ending December 2008.

Figure 7 indicates the precipitation that occurred at Sixth Lake Reservoir during the period January 2008 to December 2008.

Reservoir Release and Storage

A total of 1.83 billion cubic feet of water was released from the reservoir during 2008. Daily water releases occurred during approximately 88% of the year. The release of water from the reservoir was suspended from April 23 to June 1, for a total of approximately 43 days. The reservoir stored approximately 0.16 billion cubic feet of water during the spring refilling.

Maintenance

Staff installed security fencing and a chained gate at the facility.

Daily maintenance was performed including cleaning of debris and wildlife from trash racks, ice removal from gate intake area, daily reservoir elevation readings, and gate changes as directed by the Chief Engineer.

The Chief Engineer performed annual dam safety inspections.

STATEMENT OF CONDITION AND OPERATION OF OLD FORGE RESERVOIR

Reservoir Operation

The elevation of Old Forge Reservoir on January 1, 2008 was 1704.77 feet above mean sea level. During the year ending December 2008, the reservoir elevation varied from a minimum of 1702.85 feet on March 24, 2008, to a maximum of 1707.02 feet on June 29, 2008. On December 31, 2008 the reservoir elevation was 1704.86 feet.

Figure 5 represents the reservoir elevation during the reporting year.

Precipitation and Inflow

Precipitation was approximately 21% above historic average during the first half of the year, and approximately 31% higher than historic average during the second half of 2008.

Total inflow to the reservoir was 3.97 billion cubic feet for the year ending December 2008.

Figure 7 indicates the precipitation that occurred at Old Forge Reservoir during the period January 2008 to December 2008.

Reservoir Release and Storage

A total of 3.95 billion cubic feet of water was released from the reservoir during 2008. Daily water releases occurred during approximately 84% of the year. The release of water from the reservoir was suspended from March 24 to June 29, for a total of approximately 59 days. The reservoir stored approximately 0.54 billion cubic feet of water during the spring refilling.

Maintenance

Staff installed a weather station at the facility.

Daily maintenance was performed including cleaning of debris and wildlife from trash racks, ice removal from gate intake area, daily reservoir elevation readings and gate changes as directed by the Chief Engineer. Inspection, maintenance and reporting of the downstream river gauge was also performed.

The Chief Engineer performed annual dam safety inspections.

STATEMENT OF CONDITION AND OPERATION OF HAWKINSVILLE DAM

Reservoir Operation

The Hawkinsville Dam is operated as run-of-river facility. No management of the water impounded by the dam is required. The elevation of the Black River upstream of the dam is controlled by the discharge characteristics of a 300 foot long spillway. Impoundment elevation varies with the flow of the Black River. No storage capacity for flood protection or augmentation is available at the dam.

Maintenance

Routine maintenance and inspection activities occurred throughout the reporting year by the Area Administrator and maintenance staff. No major repairs or maintenance were necessary during the year.

STATEMENT OF OPERATION OF BLACK RIVER AREA OFFICE

District personnel at the Black River Area Office in Watertown performed the following administrative duties in support of the Black River Administrator and field personnel at the Black River Field Office:

- On a daily basis, receive data pertaining to reservoir elevations, water releases and weather observations; then record and transmit information to the Chief Engineer
- On a weekly basis, collect precipitation data from observers at Beaver Falls, Big Moose, Black River, Brown's Falls, Copenhagen, Eagle Bay, Hooker, Highmarket, Lowville, Old Forge, Stillwater and Taylorville; then compile and transmit the information to the National Weather Service. Coordinate any equipment repairs and supply needs of the weather observers with NWS.
- Monitor equipment function and notify USGS of any problems.
- Keep spreadsheets for historical records of: reservoir elevations, stream flow, piezometer readings, precipitation, pH data and snow depth data
- Review piezometer data received from the Black River Field Office and transmit to the Operations Engineer.
- Communicate with Mercer personnel regarding release changes at their hydroelectric plant at the Stillwater Reservoir as directed by the Chief Engineer. Coordinate changes with the Black River Field Office personnel. Notified Brookfield Renewable Power of reservoir release changes.
- Communicate with the gatekeepers at Old Forge and Sixth Lake regarding gate changes requested by the Chief Engineer.
- Procure tools, equipment and supplies for the Black River Area.
- Review bills and process checks. Keep track of expenditures and budget items for the Black River Field Office.

TABLE 1
HUDSON RIVER - BLACK RIVER REGULATING DISTRICT

PRECIPITATION ON BLACK RIVER WATERSHED

MONTH	STILLWATER RES.		BASIN AVERAGE	
	MONTHLY TOTAL	HISTORIC AVERAGE	MONTHLY	HISTORIC AVERAGE
(INCHES)				
<u>2008</u>				
JANUARY	2.90	3.74	3.10	3.51
FEBRUARY	5.19	2.87	5.33	3.17
MARCH	6.40	3.32	4.84	3.50
APRIL	3.27	3.33	3.01	3.68
MAY	2.30	4.23	2.41	3.86
JUNE	5.45	4.45	5.00	3.85
JULY	5.45	4.83	5.18	3.91
AUGUST	6.66	4.53	6.48	4.29
SEPTEMBER	4.45	5.02	3.24	4.29
OCTOBER	6.99	5.01	6.66	3.81
NOVEMBER	2.90	4.40	4.63	4.44
DECEMBER	6.78	3.95	6.72	4.22
TOTAL	58.74	49.68	56.60	46.53
(Year: Jan. - Dec.)				

BLACK RIVER WATERSHED SNOW SURVEY

DATE	SURVEY DATA		HISTORIC AVERAGE	
	SNOW	WATER	SNOW	WATER
	DEPTH	CONTENT	DEPTH	CONTENT
(INCHES) (INCHES) (INCHES) (INCHES)				
<u>2008</u>				
January 7 - 9	14.8	3.7	11.2	2.2
January 21 - 23	15.0	3.0	14.4	3.1
February 4 - 6	15.7	4.5	17.9	4.4
February 18 - 20	23.1	6.3	23.0	5.5
March 3 - 5	27.0	7.6	22.5	6.2
March 17 - 19	25.0	8.3	22.0	6.7
March 31 - April 2	23.3	8.5	13.9	4.9
April 14 - 16	2.8	1.2	7.4	2.8

TABLE 2
HUDSON RIVER - BLACK RIVER REGULATING DISTRICT
INFLOW TO STILLWATER RESERVOIR

MONTH	INFLOW (B.C.F.)	HISTORIC AVERAGE INFLOW (B.C.F.) (1)	PERCENT OF AVERAGE (%)
<u>2008</u>			
JANUARY	1.58	1.30	121
FEBRUARY	1.31	0.83	158
MARCH	1.49	1.45	103
APRIL	3.88	2.53	153
MAY	0.83	1.38	60
JUNE	0.62	0.85	72
JULY	0.66	0.67	99
AUGUST	1.07	0.67	159
SEPTEMBER	0.57	0.64	89
OCTOBER	0.97	1.00	97
NOVEMBER	1.74	1.37	127
DECEMBER	1.89	1.26	149
TOTAL	16.61	13.96	119

(1) Period of Record 1986 - 2008

TABLE 3
HUDSON RIVER - BLACK RIVER REGULATING DISTRICT
REGULATION OF THE BLACK RIVER - STILLWATER RESERVOIR

MONTH	ELEVATION OF RESERVOIR WATER SURFACE (DAILY AVERAGE) (Feet M.S.L.) (3)	MONTHLY RELEASE (AVERAGE) (C.F.S.)	WATERTOWN COMPUTED NATURAL FLOW (AVERAGE) (C.F.S.) (1)	WATERTOWN REGULATED FLOW (AVERAGE) (C.F.S.) (2)
<u>2008</u>				
JANUARY	1673.24	402	8288	8100
FEBRUARY	1673.16	528	7595	7600
MARCH	1673.55	527	7130	7100
APRIL	1677.19	1148	16459	16110
MAY	1677.01	328	3703	3720
JUNE	1676.39	300	2678	2740
JULY	1675.89	296	3141	3190
AUGUST	1674.11	566	4253	4420
SEPTEMBER	1670.47	526	1835	2140
OCTOBER	1670.74	331	3900	3870
NOVEMBER	1673.33	458	7433	7220
DECEMBER	1675.35	525	9149	8970

(1) Watertown flow minus net reservoir augmentation (release minus inflow).

(2) Black River flow at Watertown (VanDuzee Street gauge).

(3) Daily average on last day of the month

Hudson River - Black River Regulating District

STILLWATER RESERVOIR

RESERVOIR ELEVATION JANUARY 2008 - DECEMBER 2008

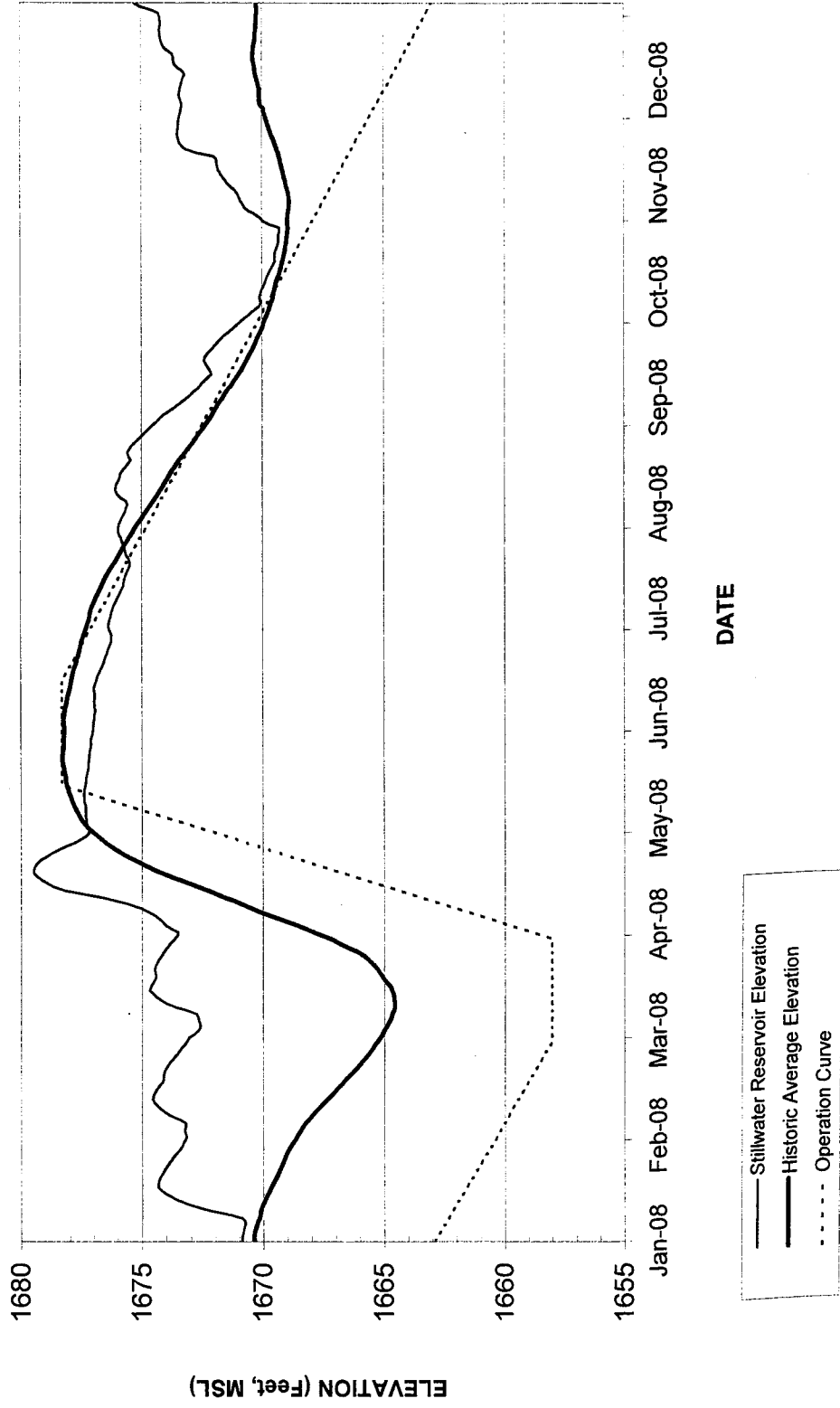


Figure 1

Hudson River - Black River Regulating District

STILLWATER RESERVOIR

PRECIPITATION JANUARY 2008- DECEMBER 2008

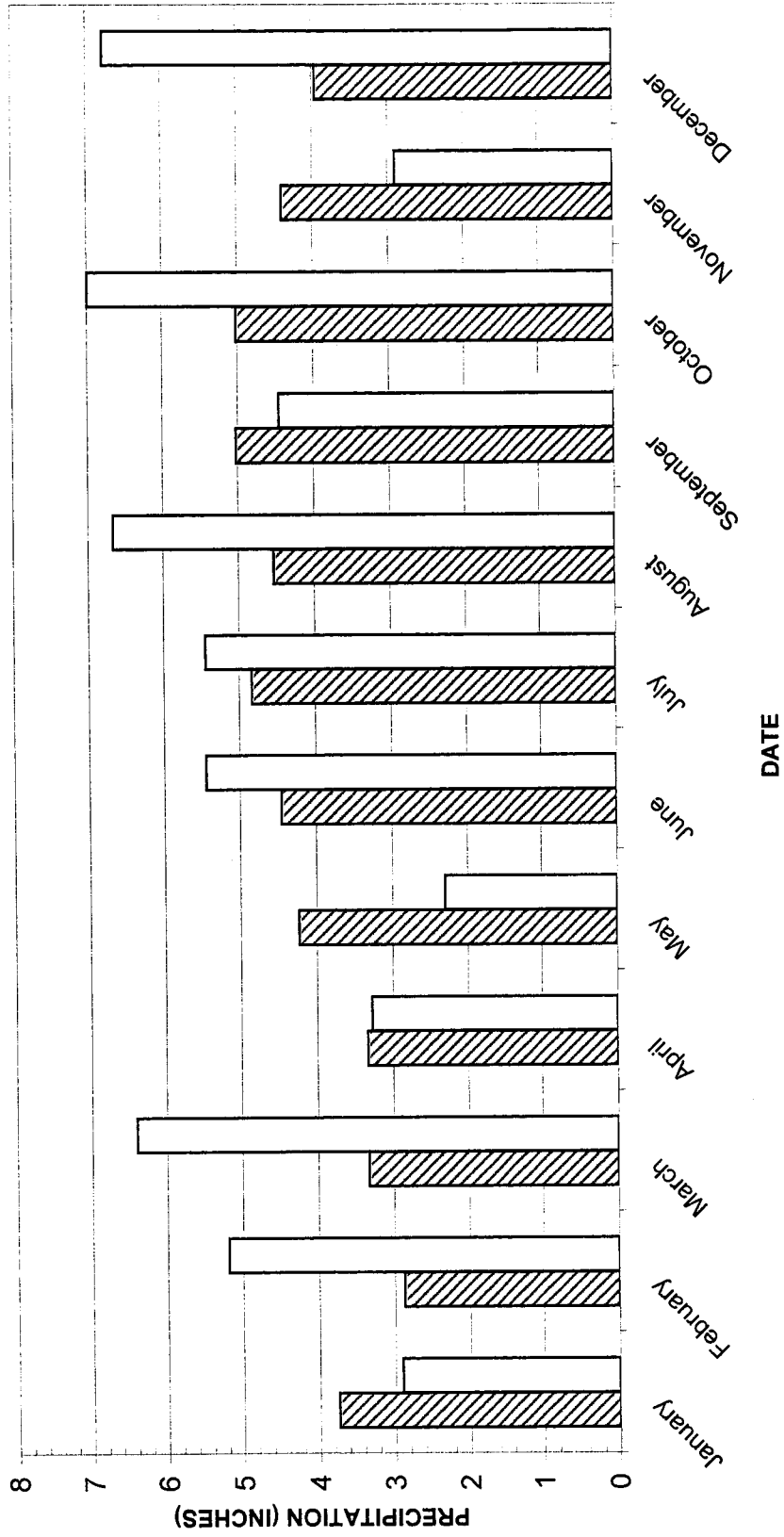


Figure 2

Hudson River - Black River Regulating District

STILLWATER RESERVOIR

INFLOW JANUARY 2008 - DECEMBER 2008

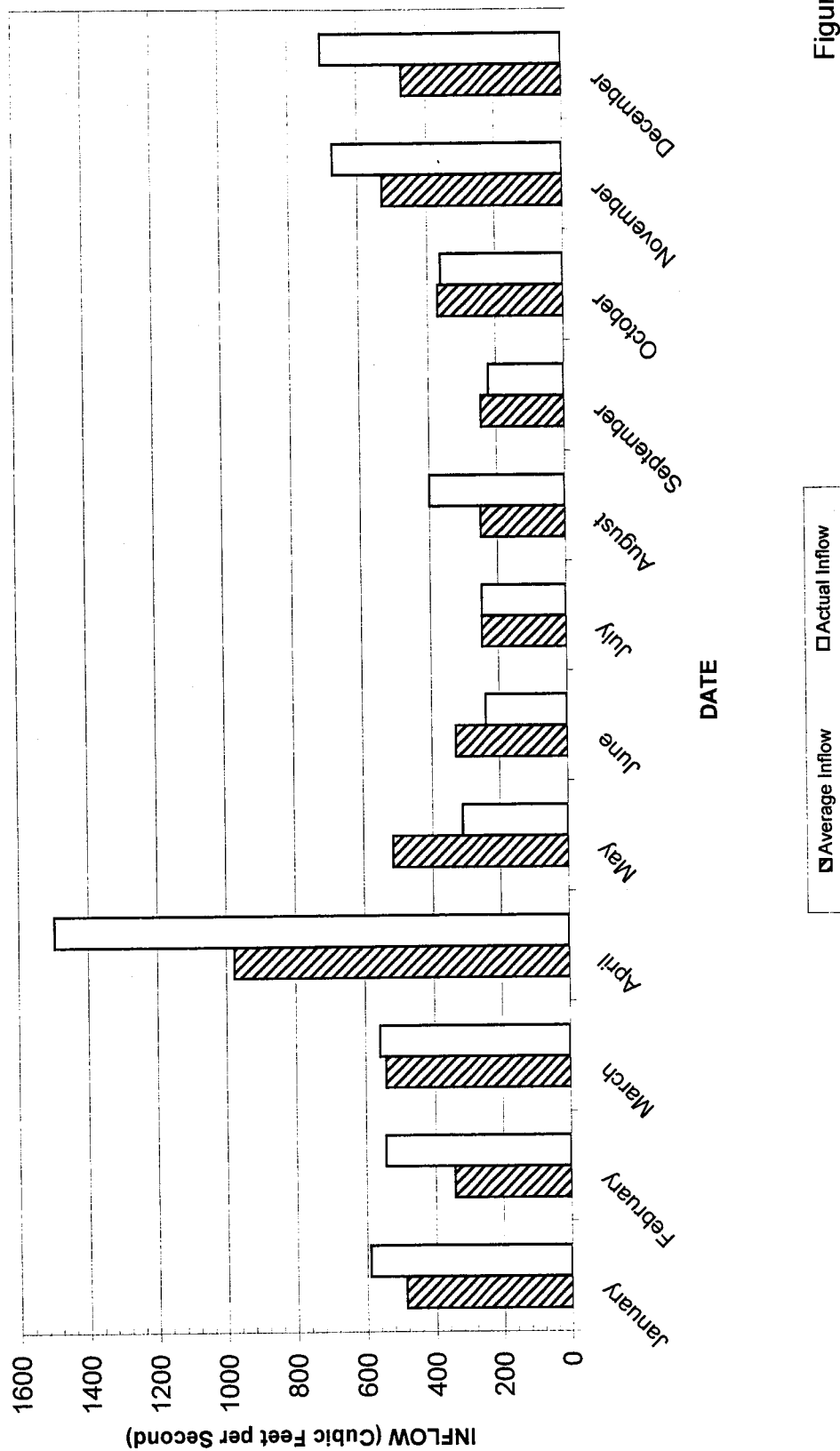


Figure 3

Hudson River - Black River Regulating District

STILLWATER RESERVOIR

BLACK RIVER FLOW AT WATERTOWN JANUARY 2008 - DECEMBER 2008

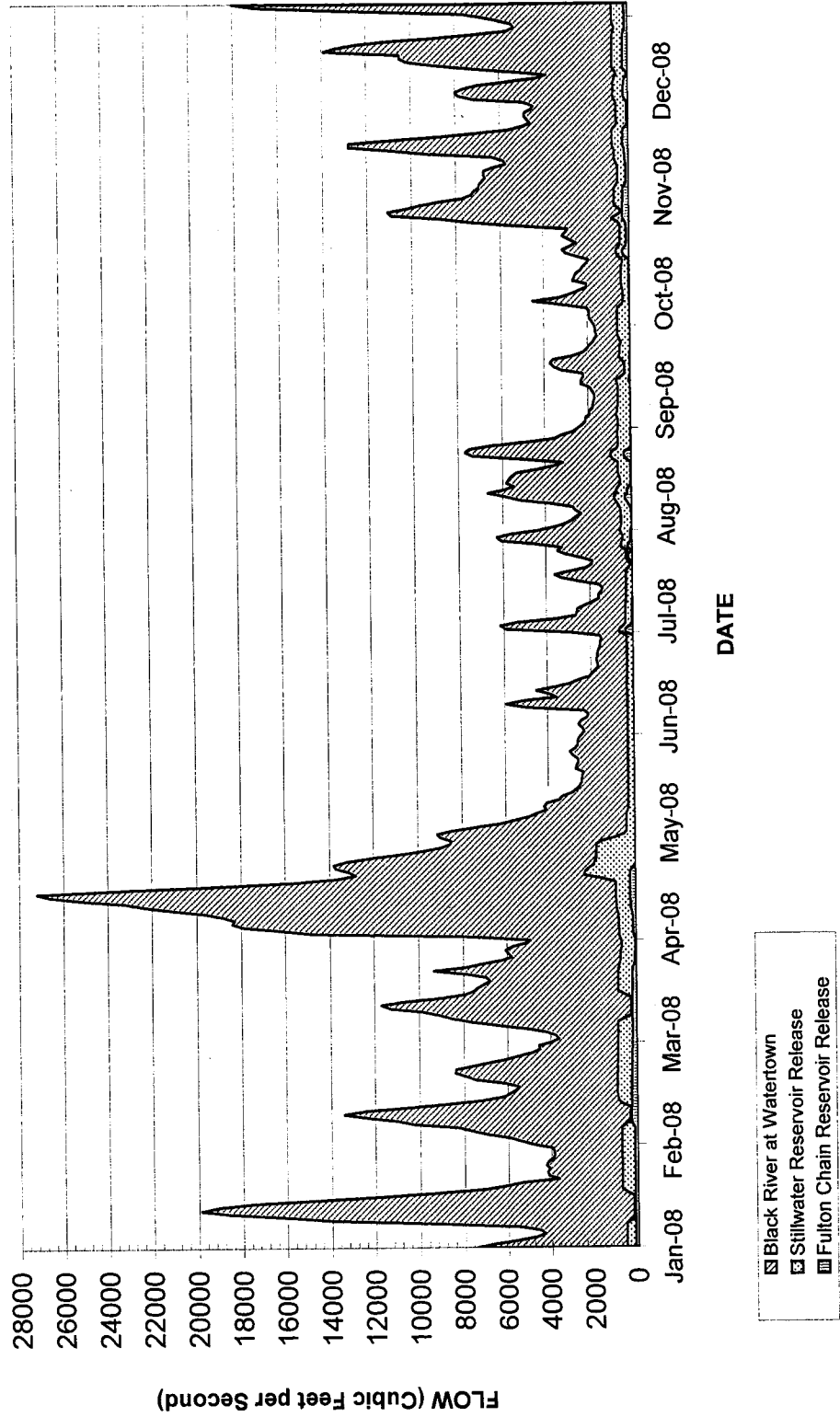


Figure 4

Hudson River - Black River Regulating District SIXTH LAKE RESERVOIR

RESERVOIR ELEVATION JANUARY 2008 - DECEMBER 2008

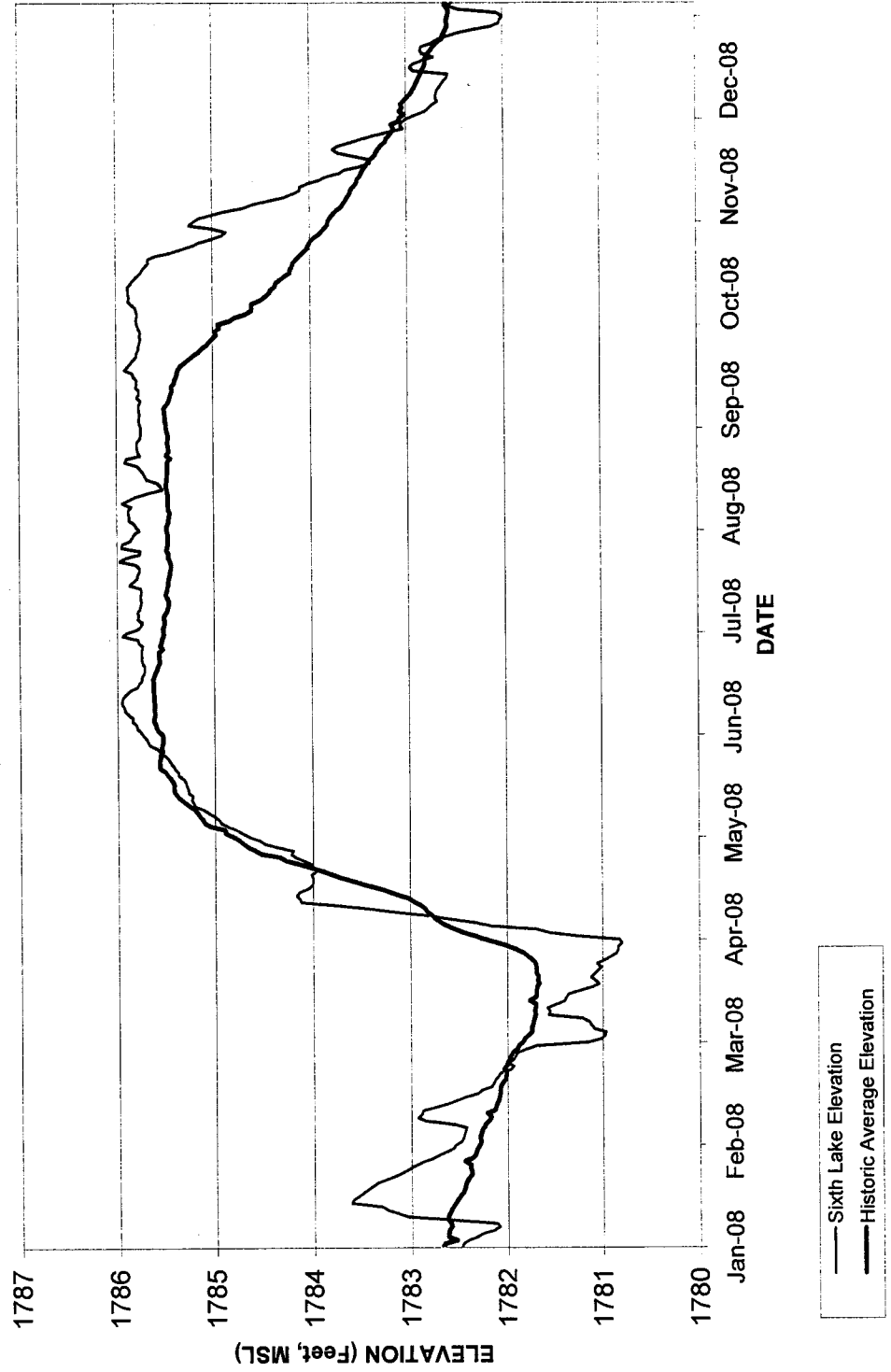


Figure 5

Hudson River - Black River Regulating District OLD FORGE RESERVOIR

RESERVOIR ELEVATION JANUARY 2008 - DECEMBER 2008

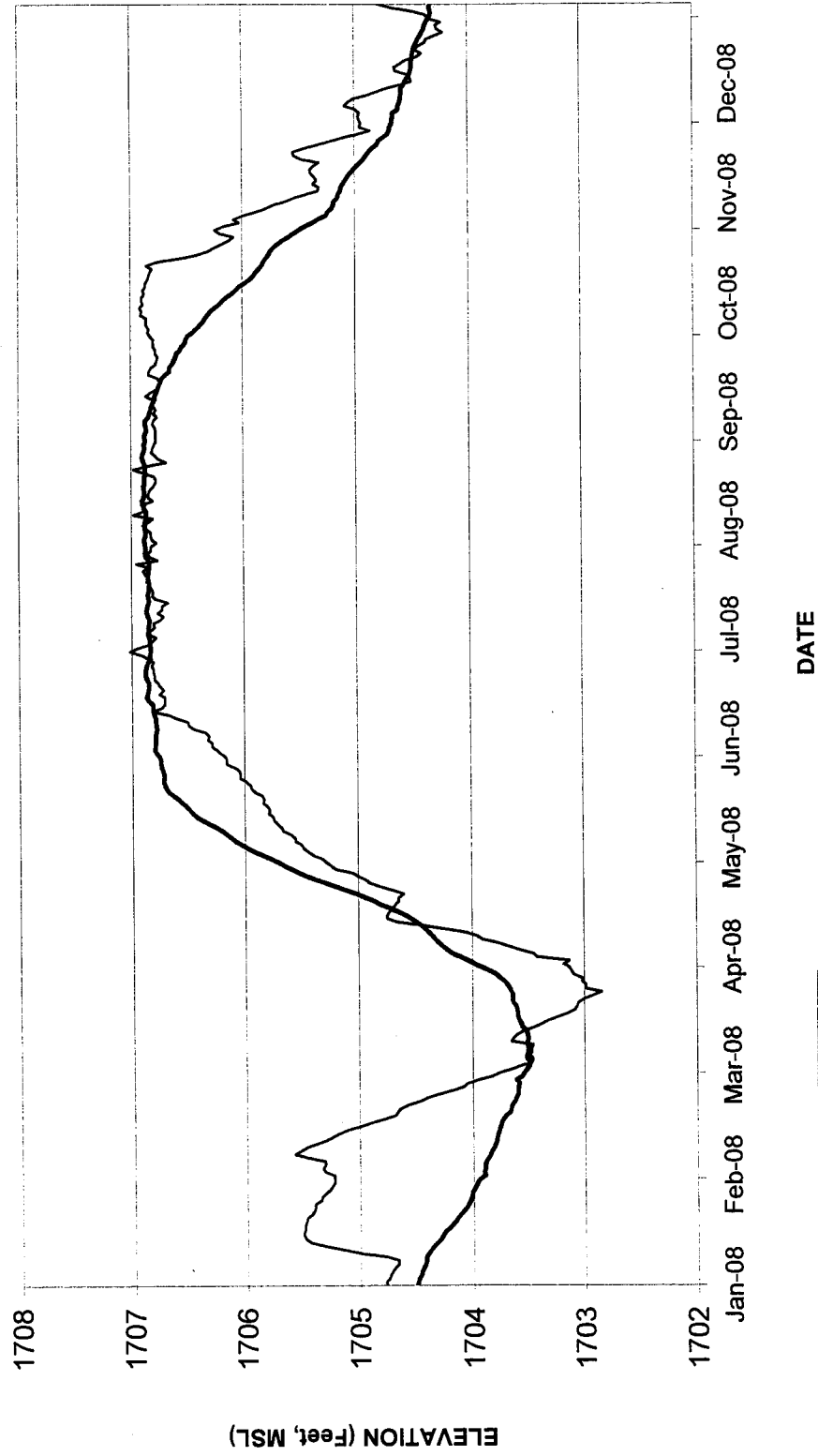


Figure 6

RESOLUTIONS , January 1, 2008 – December 31, 2008

2008 ORGANIZATIONAL MEETING

- 08-01-01 RESOLUTION CONFIRMING THE REGULATING DISTRICT'S LEAD AGENCY STATUS FOR RULE ADOPTION
- 08-02-01 RESOLUTION FOR THE ISSUANCE OF A NEGATIVE DECLARATION ON THE REPEAL OF PART 606 AND ADDITION OF A NEW PART 606
- 08-03-01 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE FEBRUARY 11, 2008 REGULAR BOARD MEETING
- 08-04-02 RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO AMEND LEASE AGREEMENT WITH SKY FOUR REALTY COMPANY FOR THE ALBANY OFFICE
- 08-05-02 RESOLUTION TO APPROVE THE PURCHASE AND INSTALLATION OF NETWORK SERVERS FOR THE HUDSON RIVER AREA OFFICE (MAYFIELD) AND THE BLACK RIVER AREA OFFICE (WATERTOWN)
- 08-06-02 RESOLUTION TO AWARD THE WORK TO PERFORM DAM BREACH ANALYSIS AT THE CONKLINGVILLE DAM TO GOMEZ AND SULLIVAN ENGINEERS
- 08-07-02 RESOLUTION TO HIRE JOHN E. STUART, JR. AS A MAINTENANCE SPECIALIST IN THE HUDSON RIVER AREA OF THE HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
- 08-08-02 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE APRIL 14, 2008 REGULAR BOARD MEETING
- 08-09-02 RESOLUTION TO AUTHORIZE THE EXECUTIVE DIRECTOR TO ENTER INTO A STIPULATION OF SETTLEMENT IN THE CASE OF SKORNEY V. TODD, ET AL
- 08-10-04 RESOLUTION DECLARING FOOT-PASSES (FOOTPATHS) CREATED BY THE REGULATING DISTRICT AS AN UNALLOCATED PORTION OF ACCESS PERMIT AREAS
- 08-11-04 RESOLUTION TO APPROVE A FOURTH AMENDMENT TO THE RETAINER AGREEMENT FOR LEGAL SERVICES IN CONNECTION TO ONGOING LITIGATION WITH ERIE BOULEVARD HYDROPOWER, LP AND NIAGARA MOHAWK POWER CORPORATION

- 08-12-04 RESOLUTION TO AWARD AUDIT SERVICES WORK TO THE BONADIO GROUP
- 08-13-04 RESOLUTION APPROVING THE PROMOTION OF LORI McAVOY TO ADMINISTRATIVE ASSISTANT IV
- 08-14-04 RESOLUTION TO HIRE TERESA PURCELL AS AN ADMINISTRATIVE ASSISTANT III IN THE BLACK RIVER AREA OF THE HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
- 08-15-04 RESOLUTION TO APPROVE MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISE (MWBE) MASTER PLAN
- 08-16-04 RESOLUTION TO APPROVE AMENDMENT TO SHOREY PUBLIC RELATIONS CONTRACT C082007
- 08-17-04 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE MAY 12, 2008 REGULAR BOARD MEETING
- 08-18-05 RESOLUTION TO APPROVE GENERAL REPORT FORMAT & TIMELINE
- 08-19-05 RESOLUTION TO ANNUALLY REVIEW AND APPROVE THE REGULATING DISTRICT'S DISPOSITION OF PROPERTY GUIDELINES – PURSUANT TO SECTION 2896(1) OF THE PUBLIC AUTHORITIES LAW
- 08-20-05 RESOLUTION TO AMEND THE REGULATING DISTRICT BY-LAWS TO CONFORM SAME TO CURRENT PROCEDURES
- 08-21-05 RESOLUTION TO AMEND THE FREEDOM OF INFORMATION LAW POLICY OF THE HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
- 08-22-05 RESOLUTION TO APPROVE FEE PROPOSAL AND TO AUTHORIZE THE EXECUTIVE DIRECTOR TO EXECUTE CONTRACT FOR CONKLINGVILLE DAM BREACH ANALYSIS
- 08-23-05 RESOLUTION TO ACCEPT BID AND ISSUE CONDITIONAL AWARD OF WORK FOR GEOTECHNICAL INVESTIGATION WORK AT CONKLINGVILLE DAM
- 08-24-05 RESOLUTION TO APPROVE TELECOMMUNICATIONS AGREEMENT FOR T-1 SERVICES AT THE CONKLINGVILLE DAM
- 08-25-05 RESOLUTION AMENDING THE REGULATING DISTRICT'S PROCUREMENT POLICY

- 08-26-05 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE JUNE 9, 2008 REGULAR BOARD MEETING
- 08-27-06 RESOLUTION TO ADD A WHISTLEBLOWER POLICY TO THE REGULATING DISTRICT'S CODE OF ETHICS.
- 08-28-06 RESOLUTION TO AWARD WEBCASTING SERVICES WORK TO WEBCASTING.COM
- 08-29-06 RESOLUTION TO APPROVE THE ANNUAL ASSESSMENT FOR THE OPERATION AND MAINTENANCE OF STORAGE RESERVOIRS IN THE BLACK RIVER AREA FOR THE THIRD YEAR OF THE THREE YEAR BUDGET PERIOD BEGINNING JULY 1, 2006 THROUGH JUNE 30, 2009
- 08-30-06 RESOLUTION TO APPROVE THE ANNUAL ASSESSMENT FOR THE OPERATION AND MAINTENANCE OF THE GREAT SACANDAGA LAKE FOR THE THIRD YEAR OF THE THREE YEAR BUDGET PERIOD BEGINNING JULY 1, 2006 THROUGH JUNE 30, 2009
- 08-31-06 RESOLUTION TO APPROVE CONTRACT AMENDMENT FOR CONSTRUCTION MONITORING SERVICES WITH GOMEZ AND SULLIVAN ENGINEERS, P.C., (GOMEZ AND SULLIVAN) IN CONNECTION TO THE CONKLINGVILLE DAM INTAKE REPAIR PROJECT
- 08-32-06 RESOLUTION TO HIRE KIMBERLY D. SCOTT AS AN ADMINISTRATIVE ASSISTANT III IN THE BLACK RIVER AREA OF THE HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
- 08-33-06 RESOLUTION APPROVING REVISED SALARIES FOR MANAGEMENT/EXEMPT EMPLOYEES
- 08-34-06 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE JULY 14, 2008 REGULAR BOARD MEETING
- 08-35-07 RESOLUTION TO APPROVE PROPOSED REVISIONS FOR THE GREAT SACANDAGA LAKE HISTORIC PROPERTIES MANAGEMENT PLAN FULTON, HAMILTON, AND SARATOGA COUNTIES, NY AND TO SUBMIT PROPOSED REVISIONS TO THE FEDERAL ENERGY REGULATORY COMMISSION FOR REVIEW AND APPROVAL
- 08-36-07 RESOLUTION TO AWARD COOL INSURING AGENCY, INC. THE REGULATING DISTRICT'S INSURANCE PROGRAM FOR POLICY YEARS JULY 1, 2008 THROUGH JUNE 30, 2011

- 08-37-07 RESOLUTION TO APPROVE COOL INSURING AGENCY, INC. INSURANCE PROPOSAL FOR POLICY YEAR JULY 1, 2008 THROUGH JUNE 30, 2009
- 08-38-07 RESOLUTION TO CONDITIONALLY AWARD INTAKE REPAIR CONSTRUCTION WORK AT THE CONKLINGVILLE DAM TO BIDCO MARINE GROUP, INC.
- 08-39-07 RESOLUTION TO CONDITIONALLY AWARD UNDERWATER MONITORING FOR THE INTAKE REPAIR CONSTRUCTION WORK AT THE CONKLINGVILLE DAM TO HUNT UNDERWATER SPECIALTIES
- 08-40 -07 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE AUGUST 11, 2008 SPECIAL BOARD MEETING
- 08-41-07 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE SEPTEMBER 8, 2008 OPERATIONS COMMITTEE MEETING AND REGULAR BOARD MEETING
- 08-42-09 RESOLUTION TO APPROVE THE PERMIT SYSTEM RULES AS AMENDED AND SUBMIT THEM TO THE NYS DEPARTMENT OF ENVIRONMENTAL CONSERVATION FOR APPROVAL
- 08-43-09 RESOLUTION TO AUTHORIZE THE SOLICITATION OF BIDS FOR UNDERWATER SERVICES IN CONNECTION TO THE REMOVAL OF DEBRIS FROM THE TRASHRACKS AT INDIAN LAKE DAM
- 08-44-09 RESOLUTION TO APPROVE AMENDMENT TO CONTRACT C122006 FOR HAWKINSVILLE INCREMENTAL DAM BREAK ANALYSIS
- 8-45-09 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE OCTOBER, 2008 REGULAR BOARD MEETING
- 08-46-09 RESOLUTION TO APPROVE 2nd AMENDMENT TO MOON LEGAL SERVICES AGREEMENT CONTRACT C032006
- 08-47-09 RESOLUTION APPROVING LEGAL SERVICES AMENDMENT #4 IN CONNECTION TO THE REPRESENTATION OF THE REGULATING DISTRICT BEFORE THE D.C. CIRCUIT COURT
- 08-48-09 RESOLUTION TO APPROVE A FIFTH AMENDMENT TO THE RETAINER AGREEMENT FOR LEGAL SERVICES IN CONNECTION TO ONGOING LITIGATION WITH ERIE BOULEVARD HYDROPOWER, L.P. AND NIAGARA MOHAWK POWER CORPORATION

- 08-49-09 RESOLUTION TO AUTHORIZE EXECUTIVE DIRECTOR TO ENTER INTO AN AGREEMENT FOR LEGAL SERVICES IN CONNECTION TO LITIGATION WITH ALBANY ENGINEERING CORPORATION
- 08-50-09 RESOLUTION AUTHORIZING THE EMPLOYMENT OF ROBERT P. LESLIE, ESQ., AS GENERAL COUNSEL OF THE HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
- 08-51-09 RESOLUTION TO AMEND PUBLIC RELATIONS SERVICES AGREEMENT C082007 WITH SHOREY PUBLIC RELATIONS
- 08-52-10 RESOLUTION TO APPROVE TELECOMMUNICATIONS AGREEMENT FOR ENHANCED T-1 SERVICES AT THE HUDSON RIVER AREA OFFICE AT 350 NORTHERN BLVD., ALBANY, NY
- 08-53-10 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE NOVEMBER 10, 2008 REGULAR BOARD MEETING
- 08-54-10 RESOLUTION APPROVING AMENDMENT #2 TO AGREEMENT FOR LEGAL SERVICES IN CONNECTION TO NIMO'S CLAIM THAT THE DISTRICT IS IN BREACH OF THE OFFER OF SETTLEMENT
- 08-55-11 RESOLUTION TO AUTHORIZE THE EXECUTIVE DIRECTOR TO EXECUTE DOCUMENTS TRANSFERRING JURISDICTION TO THE DEPARTMENT OF TRANSPORTATION FOR THE BATCHELLERVILLE BRIDGE REPLACEMENT PROJECT
- 08-56-11 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE DECEMBER 8, 2008 REGULAR BOARD MEETING
- 08-57-12 RESOLUTION TO ENGAGE RED OAK CONSULTING TO REVIEW DISTRICT'S APPLICATION OF THE GREAT SACANDAGA LAKE ACCESS PERMIT SYSTEM FEE METHODOLOGY
- 08-58-12 RESOLUTION TO ACKNOWLEDGE CERTAIN PAST PRACTICES PERTAINING TO THE PERMIT SYSTEM RULES
- 08-59-12 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE ANNUAL ORGANIZATIONAL MEETING AND REGULAR MEETING FOR JANUARY 2009