

2009
ANNUAL REPORT
of the
Hudson River - Black River Regulating District





Hudson River - Black River Regulating District



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MESSAGE FROM THE BOARD

On behalf of the Board of the Hudson River – Black River Regulating District, thank you for your interest in our 2009 Annual Report. As you will note, 2009 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 celebrated 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	44	Indian Lake Reservoir
3	Notice to the NYS DEC	55	Stillwater Reservoir
5	Board & Personnel	59	Sixth Lake Reservoir
8	Financial Statements	60	Old Forge Reservoir
36	Petitions	61	Hawkinsville Dam
39	Great Sacandaga Lake	62	Black River Area Office
43	GSL Access Permit System	73	Resolutions



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**GENERAL REPORT
OF THE BOARD OF
THE HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
PERIOD OF JANUARY 1, 2009 TO DECEMBER 31, 2009**

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, 2009 to December 31, 2009.

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 11, 2010

**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.
Replaced on March 31, 2009.

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.

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.
Replaced on June 8, 2009.

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

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

DAVID W. BERKSTRESSER, OLD FORGE, N.Y.

Appointed to the Board by Governor Paterson on March 31, 2009 to September 1, 2013.

PAUL CORNELL, GLOVERSVILLE, NY.

Appointed to the Board by Governor Paterson on June 8, 2009 to December 20, 2013.

<u>NAME</u>	<u>TITLE</u>	<u>OFFICE</u>
<u>EXECUTIVE AND ADMINISTRATIVE PERSONNEL</u>		
Glenn A. LaFave	Executive Director	Albany/Black River
Robert P. 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) Jaquish	Administrative Assistant III	Albany
Carol L. (Simpson) Wright	Black River Area Administrator	Black River
Lori S. McAvoy	Administrative Assistant IV	Black River
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, PE	Hudson River Area Administrator	Sacandaga
<u>ENGINEERING DEPARTMENT</u>		
Robert S. Foltan, PE	Chief Engineer	Albany
Michael A. Mosher, PE	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. Ruzicky	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 Area 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

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

**Financial Statements
June 30, 2009 and 2008
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 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 7
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2009 AND 2008:	
Statement of Net Assets	8
Statement of Revenue, Expenses and Change in Net Assets	9
Statement of Cash Flows	10
Notes to Basic Financial Statements	11 - 22
SUPPLEMENTAL SCHEDULES:	
Schedule I - Combining Statement of Net Assets	23
Schedule II - Combining Statement of Revenue, Expenses and Change in Net Assets	24
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>	25 - 26

INDEPENDENT AUDITORS' REPORT

September 25, 2009

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 discretely presented component unit of the State of New York, as of and for the years ended June 30, 2009 and 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Regulating District as of June 30, 2009 and 2008 and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2009, on our consideration of the Regulating District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 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.

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INDEPENDENT AUDITORS' REPORT
(Continued)

Our audits were conducted 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.

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, 2009 AND 2008

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, 2009 and 2008.

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 Statement of Net Assets and the Statement of Revenue, Expenses and Change in Net Assets (on pages 8 and 9, respectively) provide both long-term and short-term information about the Regulating District's overall financial status. The Statement of Cash Flows (on page 10) provides information on the sources and uses of the Regulating District's cash through operating, capital and related financing and investing activities. 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 currently 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 Hudson River Area Office occupies leased space in Albany. A Regulating District-owned building in Mayfield houses the Sacandaga Field Office for the Hudson River Area. The Regulating District's Black River Area Office occupies rented space in Watertown. A Regulating District-owned building at the Stillwater Reservoir houses the Black River Field Office.

OPERATIONS SUMMARY

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

	<u>Black River Area</u>			<u>Hudson River Area</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues	\$ 967	\$ 965	\$ 969	\$ 5,718	\$ 5,846	\$ 5,798
Operating expenses	<u>(1,264)</u>	<u>(1,135)</u>	<u>(930)</u>	<u>(7,119)</u>	<u>(6,728)</u>	<u>(5,456)</u>
Operating income (loss)	(297)	(170)	39	(1,401)	(882)	342
Net non-operating revenue (expense)	<u>149</u>	<u>186</u>	<u>179</u>	<u>87</u>	<u>128</u>	<u>153</u>
Change in net assets	<u>\$ (148)</u>	<u>\$ 16</u>	<u>\$ 218</u>	<u>\$ (1,314)</u>	<u>\$ (754)</u>	<u>\$ 495</u>

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. In 2009, the Regulating District determined the cost of the Permit System using 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)

For fiscal year 2009 versus 2008, engineering consultant costs increased approximately \$111k, or 150%, for dam inspections that were required by the Federal Energy Regulatory Commission (FERC). Additionally, contractual services increased approximately \$126k, or 14%, due to construction work related to the FERC required dam inspections. The largest of those involved geotechnical studies and dam intake repair of the Conklingville Dam.

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 22% 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. Fiscal year 2009 was the final year of the three year budgeting cycle.

STATEMENT OF NET ASSETS SUMMARY (000s)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Buildings	\$ 937	\$ 937	\$ 937
Building improvements, furniture and equipment	1,693	752	673
Vehicles	842	819	761
Construction in progress	-	629	635
Dam structures	<u>14,118</u>	<u>14,118</u>	<u>14,118</u>
Cost of capital assets	<u>17,590</u>	<u>17,255</u>	<u>17,124</u>
Less: Accumulated depreciation	<u>(13,229)</u>	<u>(12,955)</u>	<u>(12,701)</u>
Net book value of capital assets	4,361	4,300	4,423
Current assets	<u>6,503</u>	<u>6,691</u>	<u>6,219</u>
Total assets	10,864	10,991	10,642
Less: Liabilities	<u>(3,413)</u>	<u>(2,076)</u>	<u>(989)</u>
Net assets	<u>\$ 7,451</u>	<u>\$ 8,915</u>	<u>\$ 9,653</u>

STATEMENT OF NET ASSETS 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 reserves 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. As mentioned below, there was a significant increase in liabilities, which is due to the increase in other post employment health benefits liability.

During the past year, the cost of assets acquired totaled more than depreciation expense, increasing 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 management's ability to monitor and maintain the capital 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 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 2009 and 2008, an additional expense of \$1.7 million for post retirement health insurance was recognized. In 2009 and 2008, approximately \$298k and \$337k, respectively, was paid to current retirees, resulting in a net liability for future benefits of \$2.8 million and \$1.4 million, respectively, at June 30, 2009 and 2008. 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 effect cannot be reasonably estimated at this time.

FUTURE ECONOMIC EVENTS

Beginning in fiscal year 2010, the Regulating District's primary funding source will significantly shift from federally licensed hydropower generators to state statutory non-hydropower industrial operations and municipalities that directly benefit from augmented river flow and flood control. These two beneficiary groups will be annually assessed their proportional share of Regulating District operating expenses.

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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,151,997	\$ 2,580,479
Investments	3,834,044	3,632,547
Accounts receivable	5,125	5,125
Prepaid expenses	<u>511,840</u>	<u>472,487</u>
Total current assets	6,503,006	6,690,638
CAPITAL ASSETS, net	<u>4,361,835</u>	<u>4,300,207</u>
Total assets	<u>10,864,841</u>	<u>10,990,845</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	147,360	39,766
Compensated absences	407,496	358,941
Current portion of settlement payable	-	227,333
Current portion of other post employment benefits	307,198	371,279
Current portion of due to New York State Retirement System	<u>35,740</u>	<u>33,336</u>
Total current liabilities	897,794	1,030,655
OTHER POST EMPLOYMENT BENEFITS, net of current portion DUE TO NEW YORK STATE RETIREMENT SYSTEM, net of current portion	<u>2,475,575</u>	<u>1,000,469</u>
Total liabilities	<u>3,412,938</u>	<u>2,076,233</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS	4,361,835	4,300,207
UNRESTRICTED NET ASSETS	<u>3,090,068</u>	<u>4,614,405</u>
Total net assets	<u>\$ 7,451,903</u>	<u>\$ 8,914,612</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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
OPERATING REVENUE:		
Assessments	\$ 5,232,252	\$ 5,355,871
Water power service	1,042,029	1,011,678
Permit fees	407,183	414,194
Other	<u>3,026</u>	<u>29,207</u>
Total operating revenue	<u>6,684,490</u>	<u>6,810,950</u>
OPERATING EXPENSES:		
Personnel services and employee benefits	4,202,956	3,929,343
Repairs and maintenance	66,299	55,356
Material and supplies	278,125	231,603
Real estate taxes	2,470,276	2,377,231
Contractual services	1,092,221	1,015,372
Depreciation	<u>273,460</u>	<u>254,629</u>
Total operating expenses	<u>8,383,337</u>	<u>7,863,534</u>
Total operating loss	<u>(1,698,847)</u>	<u>(1,052,584)</u>
NON-OPERATING REVENUE:		
Investment income, net	<u>236,138</u>	<u>314,421</u>
Total non-operating revenue	<u>236,138</u>	<u>314,421</u>
CHANGE IN NET ASSETS	(1,462,709)	(738,163)
NET ASSETS - beginning of year	<u>8,914,612</u>	<u>9,652,775</u>
NET ASSETS - end of year	<u>\$ 7,451,903</u>	<u>\$ 8,914,612</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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Revenues -		
Cash received from assessments	\$ 5,232,252	\$ 5,478,511
Cash received from water power service	1,042,029	1,011,678
Cash received from permit fees	407,183	414,194
Other cash receipts	3,026	29,207
Expenses -		
Payments to vendors and suppliers for goods and services	(4,066,013)	(3,890,215)
Payments to employees	<u>(2,746,512)</u>	<u>(2,620,505)</u>
Net cash flow from operating activities	<u>(128,035)</u>	<u>422,870</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	<u>(335,088)</u>	<u>(131,752)</u>
Net cash flow from capital and related financing activities	<u>(335,088)</u>	<u>(131,752)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of investments	(201,497)	(207,679)
Investment income, net	<u>236,138</u>	<u>314,421</u>
Net cash flow from investing activities	<u>34,641</u>	<u>106,742</u>
CHANGE IN CASH	(428,482)	397,860
CASH - beginning of year	<u>2,580,479</u>	<u>2,182,619</u>
CASH - end of year	<u>\$ 2,151,997</u>	<u>\$ 2,580,479</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Operating loss	\$ (1,698,847)	\$ (1,052,584)
Adjustments to reconcile operating income to net cash flow from operating activities:		
Depreciation	273,460	254,629
Changes in:		
Accounts receivable	-	122,640
Prepaid expenses	(39,353)	11,558
Accounts payable	107,594	5,123
Settlement payable	(227,333)	(227,333)
Compensated absences	48,555	(58,199)
Other post employment benefits obligation	1,411,025	1,371,748
Due to New York State Retirement System	<u>(3,136)</u>	<u>(4,712)</u>
Net cash flow from operating activities	<u>\$ (128,035)</u>	<u>\$ 422,870</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, 2009 AND 2008**

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 (Black River,) formed in 1919, and the Hudson River Regulating District (Hudson River,) 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.

A significant portion of the Regulating District's employees are covered under a collective bargaining agreement with the Civil Service Employees Administration (CSEA) which expired June 30, 2009. Management is in the process of re-negotiating this contract.

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, 2009 and 2008, 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. During the years ended June 30, 2009 and 2008, 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, as they are collateralized at the State level. 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 of three years or less 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 depending on position held, as specified in the collective bargaining agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

As required by legislation, the Regulating District operates on a three-year budgeting 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 held by the Regulating District consisted of the following at June 30, 2009:

	<u>Carrying Value</u>	<u>Bank Balance</u>
Deposit accounts	\$ <u>142,517</u>	\$ <u>231,934</u>
	<u>\$ 142,517</u>	<u>\$ 231,934</u>

The Regulating District's cash deposits at June 30, 2009 were secured by the Federal Depository Insurance Corporation (FDIC) as follows:

FDIC	<u>\$ 231,934</u>
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3. CASH (Continued)

Cash held by the Regulating District consisted of the following at June 30, 2008:

	<u>Carrying Value</u>	<u>Bank Balance</u>
Deposit accounts	\$ 475,373	\$ 630,216
	<u>\$ 475,373</u>	<u>\$ 630,216</u>

The Regulating District's cash deposits at June 30, 2008 were secured by the FDIC and collateralized by New York State Office of the Comptroller, as follows:

FDIC	\$ 221,233
Collateralized by NYS Office of the Comptroller	<u>408,983</u>
	<u>\$ 630,216</u>

Deposits held by New York State in Short Term Investment Pools (STIP) were \$2,009,230 and \$2,104,856 at June 30, 2009 and 2008, respectively.

A summary of the carrying value of cash is as follows for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Cash	\$ 142,517	\$ 475,373
STIP funds	2,009,230	2,104,856
Petty cash	<u>250</u>	<u>250</u>
	<u>\$ 2,151,997</u>	<u>\$ 2,580,479</u>

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, 2009, investments include \$3,834,044 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, 2008, investments included \$3,632,547 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>2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>2009</u>
Hudson River Area:				
Construction in progress	\$ 628,688	\$ -	\$ (628,688)	\$ -
Total non-depreciable assets	\$ 628,688	\$ -	\$ (628,688)	\$ -
Dam structures	\$ 12,104,830	\$ -	\$ -	\$ 12,104,830
Building	936,787	-	-	936,787
Building improvements	43,300	940,367	-	983,667
Office equipment	143,622	-	-	143,622
Other equipment	80,638	-	-	80,638
Vehicles	691,667	-	-	691,667
Total at cost	14,000,844	940,367	-	14,941,211
Less: Accumulated depreciation				
Dam structures	(9,805,147)	(120,148)	-	(9,925,295)
Building	(421,511)	(23,419)	-	(444,930)
Building improvements	(14,972)	(25,691)	-	(40,663)
Office equipment	(100,659)	(3,368)	-	(104,027)
Other equipment	(25,470)	(7,468)	-	(32,938)
Vehicles	(578,568)	(42,795)	-	(621,363)
Less: Accumulated depreciation	(10,946,327)	(222,889)	-	(11,169,216)
Total Hudson River Area depreciable assets, net	3,054,517	717,478	-	3,771,995
Black River Area:				
Dam structures	2,013,195	-	-	2,013,195
Building improvements	406,442	-	-	406,442
Equipment	72,140	-	-	72,140
Vehicles	127,392	23,409	-	150,801
Office equipment	6,736	-	-	6,736
Total at cost	2,625,905	23,409	-	2,649,314
Less: Accumulated depreciation				
Dam structures	(1,780,202)	(20,000)	-	(1,800,202)
Building improvements	(86,360)	(10,746)	-	(97,106)
Equipment	(56,313)	(2,214)	-	(58,527)
Vehicles	(86,028)	(17,611)	-	(103,639)
Less: Accumulated depreciation	(2,008,903)	(50,571)	-	(2,059,474)
Total Black River Area depreciable assets, net	617,002	(27,162)	-	589,840
Total depreciable assets, net	\$ 3,671,519	\$ 690,316	\$ -	\$ 4,361,835
Total capital assets, net	\$ 4,300,207	\$ 690,316	\$ (628,688)	\$ 4,361,835

5. CAPITAL ASSETS (Continued)

	<u>2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>2008</u>
Hudson River Area:				
Construction in progress	\$ 635,155	\$ -	\$ (6,467)	\$ 628,688
Total non-depreciable assets	<u>\$ 635,155</u>	<u>\$ -</u>	<u>\$ (6,467)</u>	<u>\$ 628,688</u>
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	<u>664,289</u>	<u>27,378</u>	<u>-</u>	<u>691,667</u>
Total at cost	<u>13,906,367</u>	<u>94,477</u>	<u>-</u>	<u>14,000,844</u>
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	<u>(526,492)</u>	<u>(52,076)</u>	<u>-</u>	<u>(578,568)</u>
Less: Accumulated depreciation	<u>(10,737,341)</u>	<u>(208,986)</u>	<u>-</u>	<u>(10,946,327)</u>
Total Hudson River Area depreciable assets, net	<u>3,169,026</u>	<u>(114,509)</u>	<u>-</u>	<u>3,054,517</u>
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	<u>6,736</u>	<u>-</u>	<u>-</u>	<u>6,736</u>
Total at cost	<u>2,582,163</u>	<u>43,742</u>	<u>-</u>	<u>2,625,905</u>
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	<u>(73,345)</u>	<u>(12,683)</u>	<u>-</u>	<u>(86,028)</u>
Less: Accumulated depreciation	<u>(1,963,260)</u>	<u>(45,643)</u>	<u>-</u>	<u>(2,008,903)</u>
Total Black River Area depreciable assets, net	<u>618,903</u>	<u>(1,901)</u>	<u>-</u>	<u>617,002</u>
Total depreciable assets, net	<u>\$ 3,787,929</u>	<u>\$ (116,410)</u>	<u>\$ -</u>	<u>\$ 3,671,519</u>
Total capital assets, net	<u>\$ 4,423,084</u>	<u>\$ (116,410)</u>	<u>\$ (6,467)</u>	<u>\$ 4,300,207</u>

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

	<u>2009</u>	<u>2008</u>
Hudson River Area	\$ 222,889	\$ 208,986
Black River Area	<u>50,571</u>	<u>45,643</u>
Total capital assets	<u>\$ 273,460</u>	<u>\$ 254,629</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 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:

2009	\$	139,639
2008	\$	132,268
2007	\$	138,925

The Regulating District's contributions made to the System were equal to 100% of the contributions required for 2009 and 2008.

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 System:

- 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.

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 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, 2008) has been designated for the purpose of stabilizing future assessments.
- **Capital Projects**
\$1,170,000 (\$1,170,000 at June 30, 2008) has been designated for future capital projects.
- **Other**
\$413,282 (\$413,282 at June 30, 2008) 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 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, 2009, this settlement had been paid in full.

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 each of the last eight fiscal years. The litigation remains 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.

8. CONTINGENCIES (Continued)

During fiscal 2009, the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit) returned a judgment in favor of the plaintiff which completely preempts any assessment of costs against hydropower operators under the Regulating District's New York Environmental Conservation Law (ECL). As a result of the D.C. Circuit's decision, the Regulating District is no longer able to assess downstream hydroelectric projects under New York State law for a significant portion of the Regulating District's annual operations and maintenance expenses. Moreover, the plaintiff retains the right to seek refunds of previous assessments if it chooses to pursue this course of action; however, it is not possible to determine the scope of this possible action. Accordingly, no amounts have been accrued as a liability relating to this litigation.

Future Assessments

As a result of litigation described above, 83% of the Regulating District's future assessments may not be assessed and received before the middle of fiscal 2010. Since the Regulating District budgets on a three-year cycle as required by legislation, its ability to implement operational changes before that time may be limited. Management believes that sufficient cash and reserves exist, as well as delaying certain capital projects which would allow them to operate through September 30, 2010. Operations subsequent to that period may be significantly impacted by the lack of assessment revenue being generated.

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, which required an initial annual payment of \$850,000 that increases 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, which required an initial annual payment of \$30,000 that increases 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:

2010	\$ 1,073,290
2011	1,105,488
2012	1,138,653
2013	1,172,813
2014	1,207,997
Thereafter	<u>9,152,949</u>
	<u>\$ 14,851,190</u>

10. CONCENTRATIONS

Approximately 69% and 65% of assessment revenues and 54% and 51% of total operating revenues were provided by two statutory beneficiaries for the years ended June 30, 2009 and 2008, respectively.

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 System. 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, 2009 and 2008 was 32 and 39, 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 2009 and 2008 were approximately \$298,000 and \$338,000, respectively.

Annual OPEB Cost and Net OPEB Obligation

The Regulating District's 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	<u>-</u>
Annual OPEB cost	1,709,274
Contributions made	<u>(298,249)</u>
Increase in net OPEB obligation	1,411,025
Net OPEB obligation - beginning of year	<u>1,371,748</u>
Net OPEB obligation - end of year	<u>\$ 2,782,773</u>
Percentage of Annual OPEB Cost	
Contributed	17.45%

11. POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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 (AAL) 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%	\$ 1,786,883	989%

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

The Regulating District has 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, respectively.

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

2010	\$	56,376
2011		56,376
2012		49,188
2013		<u>33,990</u>
	\$	<u>195,930</u>

Total rent expense recognized by the Regulating District under the terms of all of its office lease agreements was approximately \$56,700 and \$54,200 during the years ended June 30, 2009 and 2008, respectively.

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

**COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2009**

	<u>Hudson River</u>	<u>Black River</u>	<u>Total Regulating District</u>
ASSETS			
CURRENT ASSETS:			
Cash	\$ 1,072,941	\$ 1,079,056	\$ 2,151,997
Investments	1,232,319	2,601,725	3,834,044
Accounts receivable	-	5,125	5,125
Due from (to) District	38,750	(38,750)	-
Prepaid expenses	<u>499,719</u>	<u>12,121</u>	<u>511,840</u>
Total current assets	2,843,729	3,659,277	6,503,006
CAPITAL ASSETS, net	<u>3,771,995</u>	<u>589,840</u>	<u>4,361,835</u>
Total assets	<u>6,615,724</u>	<u>4,249,117</u>	<u>10,864,841</u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	143,385	3,975	147,360
Compensated absences	339,578	67,918	407,496
Current portion of other post employment benefits	261,118	46,080	307,198
Current portion due to New York State Retirement System	<u>35,740</u>	<u>-</u>	<u>35,740</u>
Total current liabilities	779,821	117,973	897,794
OTHER POST EMPLOYMENT BENEFITS, net of current portion	2,104,239	371,336	2,475,575
DUE TO NEW YORK STATE RETIREMENT SYSTEM, net of current portion	<u>39,569</u>	<u>-</u>	<u>39,569</u>
Total liabilities	<u>2,923,629</u>	<u>489,309</u>	<u>3,412,938</u>
NET ASSETS			
INVESTED IN CAPITAL ASSETS	3,771,995	589,840	4,361,835
UNRESTRICTED NET ASSETS	<u>(79,900)</u>	<u>3,169,968</u>	<u>3,090,068</u>
Total net assets	<u>\$ 3,692,095</u>	<u>\$ 3,759,808</u>	<u>\$ 7,451,903</u>

The accompanying notes are an integral part of these schedules.

**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, 2009**

	<u>Hudson River</u>	<u>Black River</u>	<u>Total Regulating District</u>
OPERATING REVENUE:			
Assessments	\$ 4,321,976	\$ 910,276	\$ 5,232,252
Water power service	985,383	56,646	1,042,029
Permit fees	407,183	-	407,183
Other	3,026	-	3,026
	<u>5,717,568</u>	<u>966,922</u>	<u>6,684,490</u>
OPERATING EXPENSES:			
Personnel services and employee benefits	3,516,534	686,422	4,202,956
Repairs and maintenance	65,434	865	66,299
Material and supplies	230,586	47,539	278,125
Real estate taxes	2,431,151	39,125	2,470,276
Contractual services	969,053	123,168	1,092,221
Allocated general board expenses	(316,666)	316,666	-
Depreciation	222,889	50,571	273,460
	<u>7,118,981</u>	<u>1,264,356</u>	<u>8,383,337</u>
Total operating expenses	<u>7,118,981</u>	<u>1,264,356</u>	<u>8,383,337</u>
Total operating loss	<u>(1,401,413)</u>	<u>(297,434)</u>	<u>(1,698,847)</u>
NON-OPERATING REVENUE:			
Investment income, net	86,717	149,421	236,138
	<u>86,717</u>	<u>149,421</u>	<u>236,138</u>
Total non-operating revenue	<u>86,717</u>	<u>149,421</u>	<u>236,138</u>
CHANGE IN NET ASSETS	(1,314,696)	(148,013)	(1,462,709)
NET ASSETS - beginning of year	<u>5,006,791</u>	<u>3,907,821</u>	<u>8,914,612</u>
NET ASSETS - end of year	<u>\$ 3,692,095</u>	<u>\$ 3,759,808</u>	<u>\$ 7,451,903</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

September 25, 2009

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

We have audited the financial statements of the business type activities of the Hudson River-Black River Regulating District (the Regulating District), as of and for the year ended June 30, 2009 which collectively comprise the Regulating District's basic financial statements, and have issued our report thereon dated September 25, 2009. 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 opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Regulating District's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

Finding 2009-01 – Capitalization of Assets

Condition: Certain asset additions and improvements were expensed rather than capitalized in accordance with the Regulating District's policies.

Criteria: In order to comply with generally accepted accounting principles, assets purchased which improve the useful life of an existing asset should be capitalized.

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**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)

Internal Control Over Financial Reporting (Continued)

Finding 2009-01 - Capitalization of Assets (Continued)

Effect: The Regulating District recorded a material adjustment of approximately \$312,000 to capitalize assets related to the Conklingville Dam Intake Repair Construction Project and the Conklingville Dam Geotechnical Investigation Contract.

Cause: The existing controls at the Regulating District were not sufficient to identify the error had occurred.

Recommendation: We recommend that the Regulating District review its year-end closing procedures to ensure all assets have been capitalized.

Management Response: The aforementioned adjustment represents two capital projects, Geotechnical Investigation (\$59,955) and Dam Intake Repair Construction (\$252,045) that were originally budgeted as repairs to structures (expense), then subsequently reclassified as capital improvements (capital asset). However, the journal entry to move the applicable expenses was not made. The Regulating District has revised its year-end closing review to include the verification that capital improvement projects are in fact journalized properly.

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However we consider the significant deficiency described above (Finding 2009-01) to be a material weakness.

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 September 2009.

The Regulating District's response to the finding identified in our audit is described above. We did not audit the Regulating District's response and, accordingly, we express no opinion on it.

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. However, this report is a matter of public record and its distribution is not limited.

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

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

Supreme Court Hamilton County, Index No. 6598-09

On January 8, 2009, Niagara Mohawk served suit against the Regulating District and the Department of Environmental Conservation. The Petition challenges the Regulating District's authority to implement proposed revisions to Title 6 NYCRR Part 606 and suggests that the Regulating District's operation of a permit system granting access to Great Sacandaga Lake creates an illegal subsidy paid for by Niagara Mohawk and other hydropower and municipal beneficiaries downstream of the Conklingville dam. The Petition further raises a constitutional challenge to the permit system fees alleging favorable treatment for lakeside property owners; finally suggesting a denial of the Petitioner's equal protection rights resulting in an unconstitutional taking. On March 4, 2009, the Department of Law declined the Regulating District's January 9, 2009 request for representation. Anticipating the Department of Law's position, the Regulating District prepared and released a request for proposals based on which the Board authorized the Executive Director to enter into a contract with Whiteman Osterman & Hanna, a law firm to help it defend the suit. The Attorney General represents the Department of Environmental Conservation and at the joint request for the DEC and HRBRRD secured an adjournment of the Petition's return date to April 1, 2009. Stipulation of Discontinuance filed June 4, 2009.

John McDonald and Kandy McDonald v. Hudson River-Black River Regulating District, Glenn A. LaFave as Executive Director of the Hudson River-Black River Regulating District, Saratoga County Department of Public Works, Joseph C. Ritchey, as Saratoga County Superintendent of Public Works, and Judith Campbell

Supreme Court, Albany County, Index No.: 9101-09, Filed 10/27/09, Served 11/2/09

Petition for Judgment pursuant to CPLR Article 78 and Declaratory Judgment Pursuant to CPLR §3001. By service on November 2, 2009, Petitioner's attorney, Deborah H. Sheehan Esq. had papers served upon counsel at the Regulating District's Albany office. The petition seeks a judicial declaration permanently enjoining Judith Campbell from entering the Access Permit Area held by the Petitioner on the shore of the Great Sacandaga Lake. The petition further seeks to annul and vacate determinations by the County of Saratoga and the Regulating District which neither grant Ms. Campbell her own driveway permit, nor enforce the Petitioner's perceived right to exclusive use of the their Permit Access Area. Petition also alleges that HRBRRD board failed to follow its own regulations 606.85 and 606.86, as well as 606.37. Although the Department of Law, who had also been served, called on November 4th indicating they would not represent the Regulating District, we have submitted a request for representation noting the potential for the suit to address a permittee's perceived right to 'exclusive use' of an access permit area. The Regulating District subsequently retained outside counsel.

On November 9, 2009, the court accepted a stipulation of discontinuance in the case entitled 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, Supreme Court, Fulton County (Index No. 96433) (proceeding challenged District's apportionment/assessment of costs).

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

Supreme Court, County of Hamilton Index no.: 6657-09

Supreme Court, County of Herkimer Index no.: 91290

NYS Court of Claims

The Article 78 Petition challenges the Regulating District's apportionment and/or assessments on petitioner's property for fiscal year 2009-10 resulting from what petitioner characterizes as the Regulating District's improper decision to treat petitioner's real property as real estate benefited by the reservoirs operated by the Regulating District. Petitioner further asserts that the petitioner's property has been unequally assessed; unlawfully and unconstitutionally apportioned and assessed; and misclassified for said apportionment and assessment purposes. The petition further alleges that the Regulating District's 2000-02, 2003-05, 2006-08 and 2009-11 assessments against petitioner's real property were arbitrary and capricious and should therefore be declared null and void. The petitioner seeks that the apportionments and assessments be rescinded or reduced to \$0 and judgment exceeding \$6,000,000. Regulating District's Answer was filed on Nov 2.

On the same date, Niagara Mohawk filed a Notice of Intention to File a Claim in the New York State Court of Claims. The Court of Claims Notice asserts that: the Regulating District has not assessed all benefited parcels; the petitioner's parcels are not benefited parcels and therefore should not be assessed; the assessments require assesses to subsidize an illegal permit system; the assessments constitute an improper confiscation of petitioner's property; the Regulating District's apportionment, assessment and settlement with Erie Boulevard Hydropower, L.P. violates the commerce clause; the assessments and apportionments and disparate treatment of petitioner violates equal protection; and that the Regulating District continues to breach the Offer of Settlement.

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

1. Freedom of Information Law (FOIL) Requests

- a. The Regulating District received 44 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 29 requests. 7 request(s) were denied because the records requested do not exist within HRBRRD files. 3 requests were denied because the records were exempt by federal statute. 2 requests were denied because the request failed to describe the record requested. 2 requests were denied because the information requested was privileged. 7 requests were granted in part and denied in part. There were 2 appeals.

HUDSON RIVER AREA - GREAT SACANDAGA LAKE

MAINTENANCE AND OPERATION

Facility Maintenance and Operation

Regulating District personnel maintained facilities at the Conklingville, Indian Lake and Northampton 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,
- Administration of Access Permit System,
- Process permit renewals,
- Process new permit applications,
- Process State Environmental Quality Review (SEQR) work permits,
- Survey maintenance of 125 miles of State property line,
- Survey and delineation of permit areas,
- Preparation of permit stakes and signs,
- Posting of notice and trespassing signs,
- Clearing of property line (taking 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,
- Identifying and field investigating property encroachments,
- Clearing reservoir shoreline of stumps, driftwood and debris,
- Cutting and removal of downed tree.

Regulating District field staff placed and repositioned 4,781 tons (approximately 3,415 cubic yards) of shoreline erosion protection stone (riprap), covering 6,714 feet of shoreline to prevent shoreline erosion.

Northampton field office personnel identified and investigated State of New York property encroachments and violations of the Regulating District's rules and regulations by reservoir

access permit holders. Field office staff continually inspected the 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 a dedicated phone line. Recorded messages are updated daily throughout the summer and fall, and weekly during the winter.

The Regulating District maintained an internet web page to provide additional public access to information about the Regulating District, and its operations, and links to river flow and reservoir elevation related web sites.

The Regulating District continued the issuance of permits for access to the reservoir in accordance with the Rules and Regulations governing the use, operation and maintenance of the Great Sacandaga Lake and buffer land. A total of 175 new permits were issued during the period January 1 through December 31, 2009. Revenue derived from the access permit system totaled \$408,500.

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, 2009 was 758.02 feet above mean sea level. During the period ending December 31, 2009, the reservoir elevation varied from a minimum of 747.85 feet on February 10, 2009, to a maximum of 768.89 feet on June 21, 2009. The reservoir elevation averaged approximately 4.5 feet above the long-term average on January 1, 1.5 feet above the long-term average on July 1, 2009 and averaged approximately 1.8 feet above the long-term average on December 31, 2009. The daily average elevation of the Great Sacandaga Lake on December 31, 2009 was 752.36 feet.

Figure 1 shows the elevation of the Great Sacandaga Lake during 2009, the historic and target elevation, and the mandated minimum operating elevation.

Precipitation and Inflow

Precipitation was approximately 99% of historic average during the first half of the year, and approximately 30% higher than historic average during the second half of 2009.

Snow surveys were conducted during the period January through April 2009. Snow-pack water content measured 84% above historic average in January and 20% above historic average in March.

Inflow during the period January through June 2009 was approximately 100% of historic average. Daily average inflow for the months of July through December 2009 varied from approximately 90% to 380% of historic average.

Total inflow to the reservoir was 78.97 billion cubic feet for the year ending December 31, 2009, and was 115% of the average annual inflow of 68.70 billion cubic feet.

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

Figure 2 indicates the precipitation measured at Northville during the period January 1 to December 31, 2009. Figure 3 reflects the inflow to the reservoir during the period January 1 to December 31, 2009.

Reservoir Release and Storage

A total of 83.54 billion cubic feet of water was released from the reservoir during 2009. Daily water releases occurred during approximately 96% of the year. The release of water from the reservoir was suspended on 5 occasions, for a total of approximately 13 days. The reservoir stored approximately 18.75 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 22, 2009.

HUDSON RIVER AREA – GREAT SACANDAGA LAKE

ACCESS PERMIT SYSTEM

Great Sacandaga Lake Access Permit System 2009

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 2009, the Regulating District issued 175 new access permits, 4605 access permit renewals and 369 work permits. Revenue derived from the Access Permit System totaled \$408,500.00.

Access Permit System Rule Making

The rulemaking process for the Access Permit System at Great Sacandaga Lake has ended. The Hudson River-Black River Regulating District did not file a Notice of Revised Rule Making with the New York Secretary of State. By not filing this notice, due by June 11, 2009, the Rule Making process expired. The Regulating District Board may contemplate initiating a new Rule Making sometime in the future. Current permit rules and fees will continue unchanged.

STATEMENT OF CONDITION AND OPERATION OF INDIAN LAKE RESERVOIR

Reservoir Elevation

The daily average elevation of Indian Lake Reservoir on January 1, 2009 was 1641.54 feet above mean sea level. During the period ending December 31, 2009, the reservoir elevation varied from a minimum of 1636.80 feet on February 27, 2009, to a maximum of 1652.08 feet on May 18, 2009. The reservoir elevation averaged approximately 2.05 feet below the long-term average on January 1, 0.32 feet above the long-term average on July 1, and averaged approximately 2.64 feet below the long-term average on December 31. The daily average elevation of the Indian Lake Reservoir on December 31, 2009 was 1640.84 feet.

Figure 5 shows the historic average reservoir elevation and the elevation of the reservoir during 2009.

Precipitation and Inflow

Precipitation was approximately 8% above historic average during the first half of the year, and approximately 3% higher than historic average during the second half of 2009.

Snow surveys were conducted during the period January through April 2009. Snow-pack water content measured 56% above historic average in January and 20% above historic average in March.

Inflow during the period January through June 2009 was approximately 105% of historic average. Daily average inflow for the months of July through December 2009 varied from approximately 61% to 144% of historic average.

Total inflow to the reservoir was 10.45 billion cubic feet for the year ending December 31, 2009, which was 103% of the average annual inflow of 10.08 billion cubic feet.

Figure 6 indicates the precipitation measured at Indian Lake Dam during the period January 1 to December 31, 2009. Figure 7 reflects the inflow to the reservoir during the period January 1 to December 31, 2009.

Reservoir Release and Storage

A total of 10.56 billion cubic feet of water was released from the reservoir during 2009. Daily water releases occurred during 95% of the year. The release of water from the reservoir was suspended on one occasion, for a total of approximately 20 days.

A minimum release of 44 cubic feet per second occurred during the third week in November. A maximum release of 1,510 cubic feet per second occurred on May 18, 2009.

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>2009</u>				
JANUARY	3.03	3.36	3.46	3.58
FEBRUARY	2.14	2.84	1.72	2.94
MARCH	2.88	3.68	3.18	3.79
APRIL	2.22	3.58	2.19	3.81
MAY	4.29	3.44	4.76	3.85
JUNE	4.84	3.63	6.30	3.78
JULY	7.15	3.60	5.97	3.77
AUGUST	4.40	3.69	6.97	3.85
SEPTEMBER	1.59	3.52	3.06	4.05
OCTOBER	4.94	3.36	7.66	3.74
NOVEMBER	1.92	3.78	1.79	3.90
DECEMBER	4.76	3.61	4.63	3.85
TOTAL	44.16	42.09	51.69	44.91
(Year: Jan - Dec)				

SACANDAGA WATERSHED SNOW SURVEY

DATE	AVGERAGE DEPTH	WATER CONTENT	
	OF SNOW	OF SNOW	
	(INCHES)	(INCHES)	(B.C.F.)
<u>2009</u>			
January 5 - 7	18.8	4.26	10.48
January 19 - 21	25.9	5.03	12.38
February 2 - 4	30.6	6.76	17.00
February 16 - 18	25.3	6.51	16.22
March 2 - 4	26.2	6.55	16.77
March 16 - 18	20.0	5.90	14.54
March 30 - April 1	7.3	2.33	5.75
April 6 - 7	3.0	1.04	3.01
April 13 - 15	1.0	0.37	1.20

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>2009</u>			
JANUARY	3.58	4.86	74
FEBRUARY	2.89	3.69	78
MARCH	14.86	9.43	158
APRIL	12.64	17.52	72
MAY	7.75	8.23	94
JUNE	5.98	3.75	159
JULY	3.46	2.18	159
AUGUST	5.60	1.45	386
SEPTEMBER	2.08	2.03	102
OCTOBER	8.31	3.89	214
NOVEMBER	5.58	5.92	94
DECEMBER	6.24	5.75	109
TOTAL	78.97	68.70	115

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)	DAILY 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>2009</u>				
JANUARY	750.86	3990	3838	6490
FEBRUARY	748.05	2140	2783	3730
MARCH	758.99	1580	10864	6890
APRIL	766.68	1810	12057	8990
MAY	768.41	2180	7817	7100
JUNE	767.47	2750	6010	6460
JULY	766.31	1730	3777	4210
AUGUST	764.48	1850	4374	5140
SEPTEMBER	760.95	2240	2018	3460
OCTOBER	761.57	2840	6249	5990
NOVEMBER	765.85	4100	5092	7040
DECEMBER	752.36	3530	5508	6710

(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 2009 - DECEMBER 2009

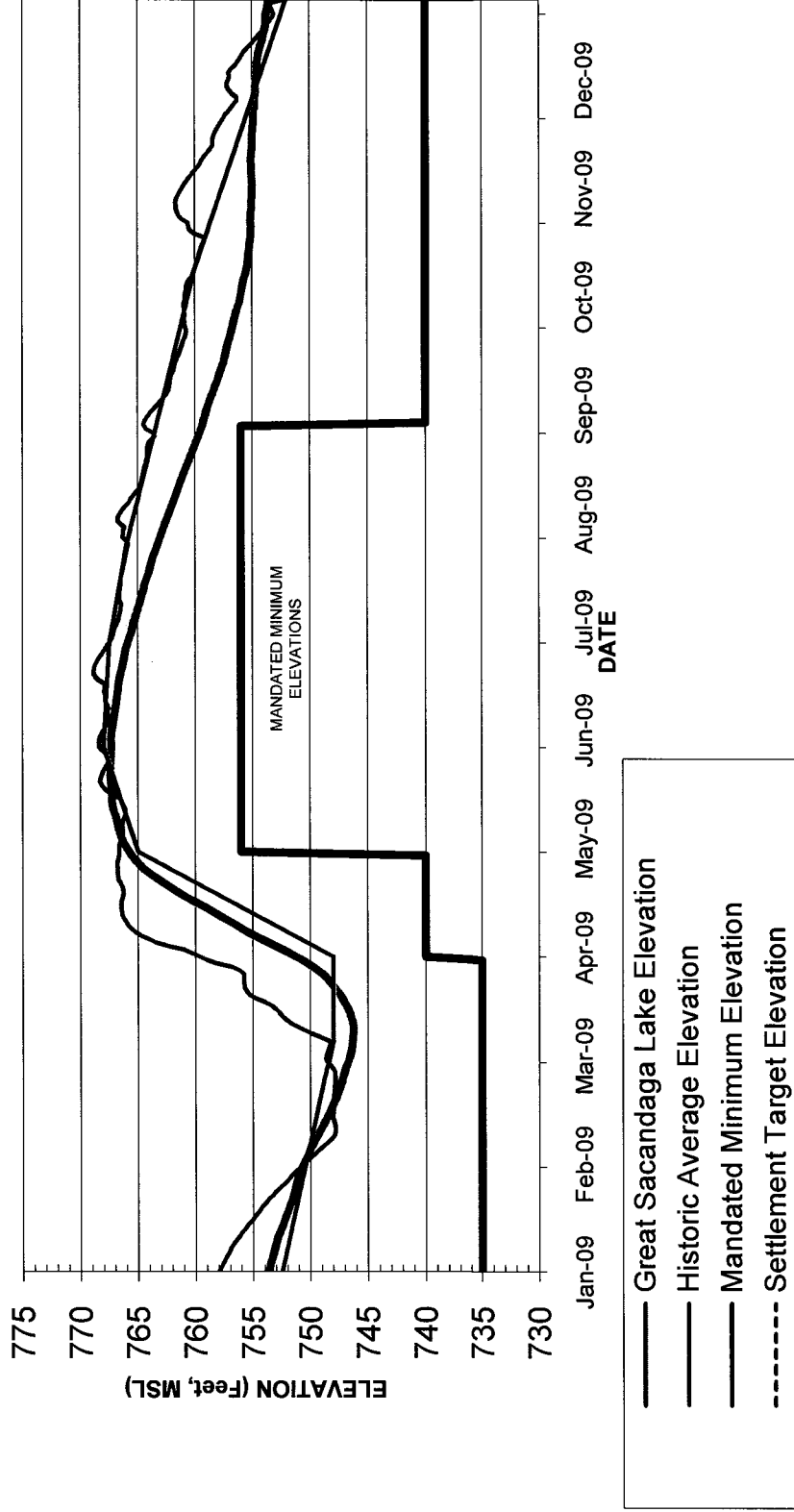
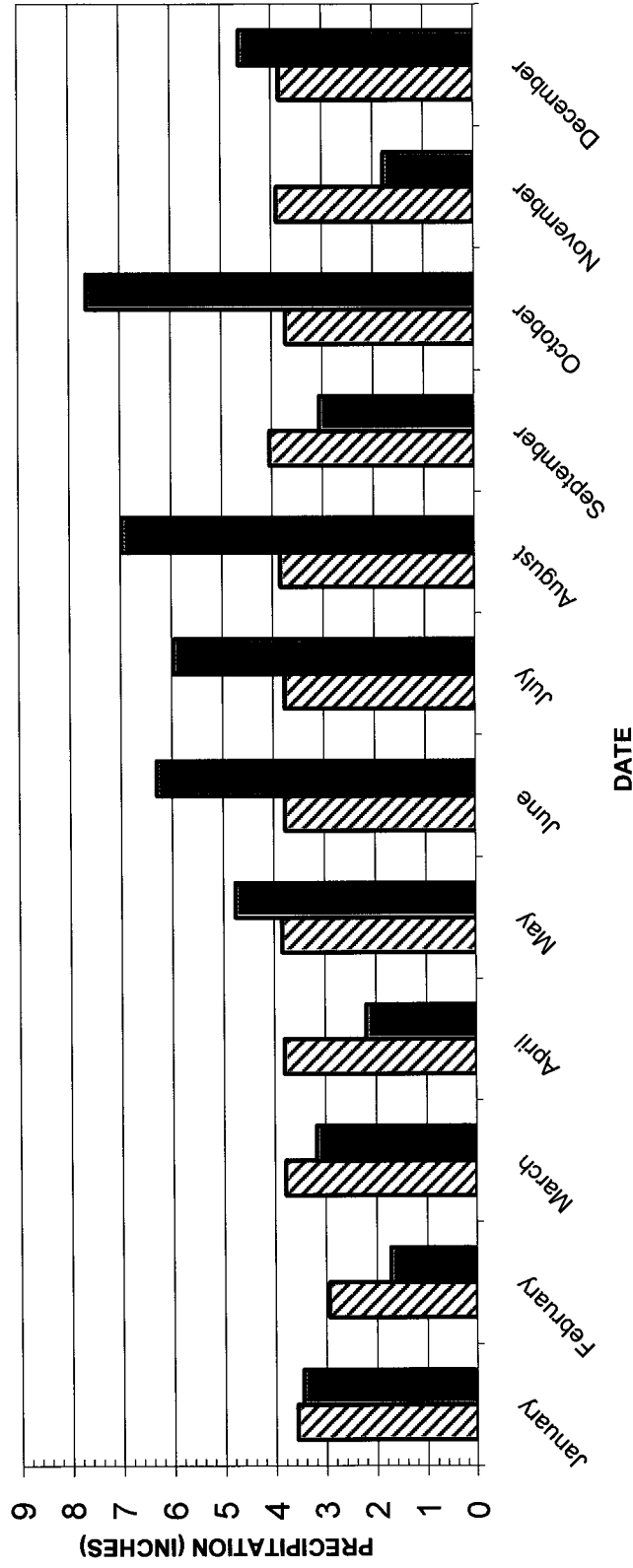


Figure 1

Hudson River - Black River Regulating District GREAT SACANDAGA LAKE

PRECIPITATION JANUARY 2009 - DECEMBER 2009

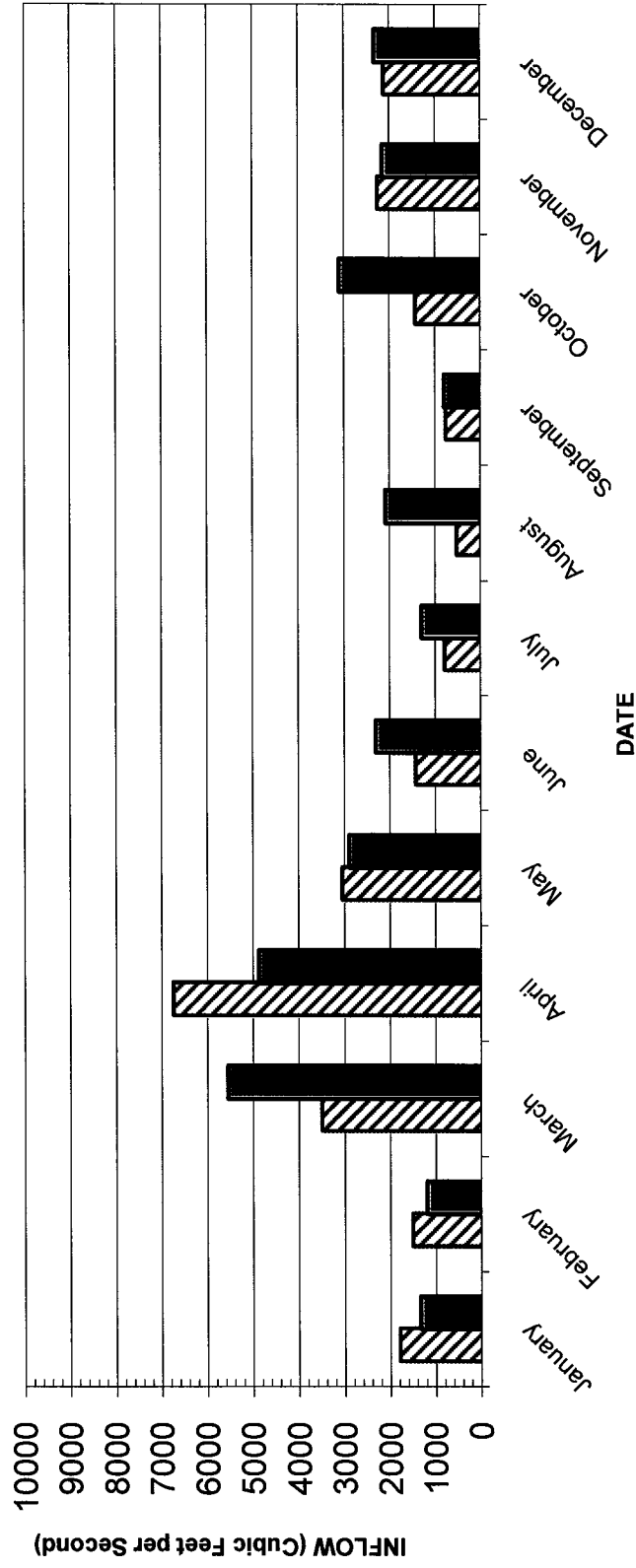


Average Precipitation
 Actual Precipitation

Figure 2

Hudson River - Black River Regulating District GREAT SACANDAGA LAKE

INFLOW JANUARY 2009 - DECEMBER 2009

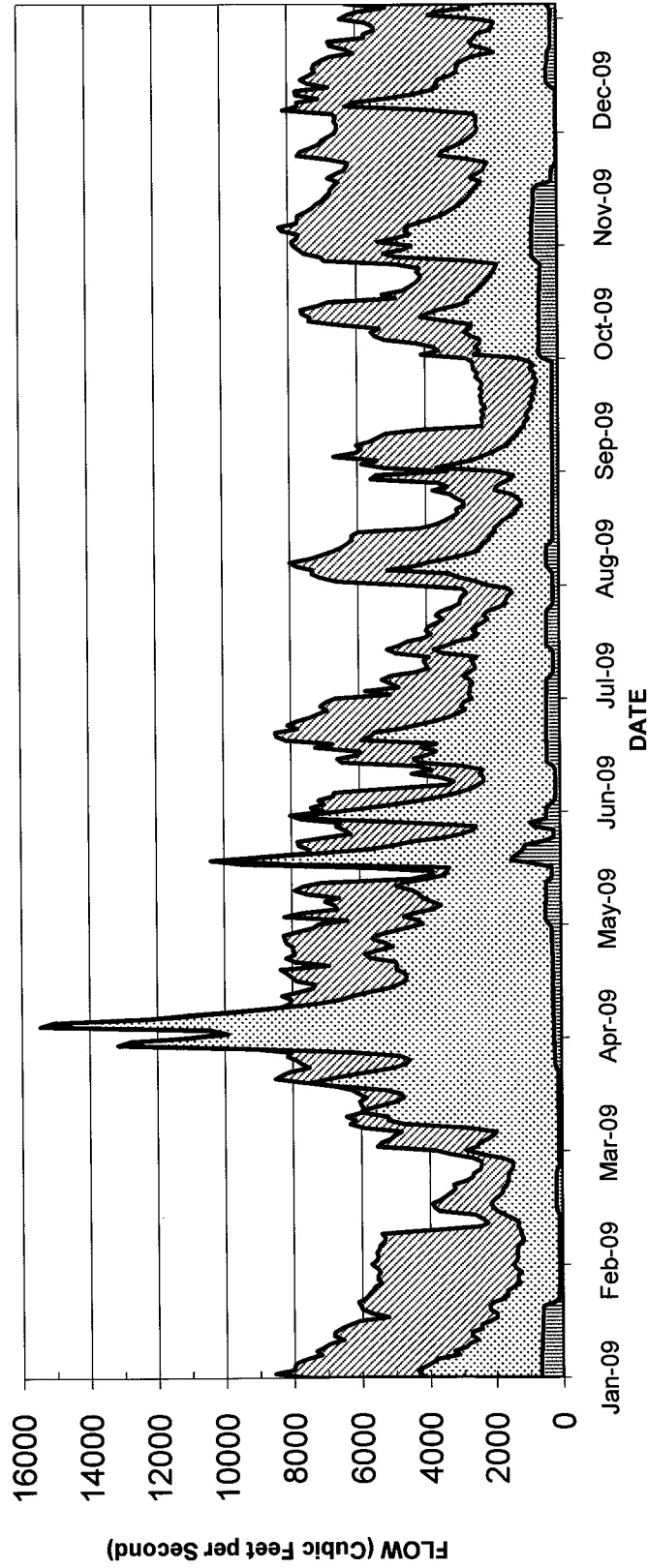


Average Inflow
 Actual Inflow

Figure 3

Hudson River - Black River Regulating District GREAT SACANDAGA LAKE

HUDSON RIVER FLOW AT SPIER FALLS JANUARY 2009 - DECEMBER 2009



- Great Sacandaga Lake Release
- ▨ Hudson River at Hadley
- Indian Lake Reservoir Release

Figure 4

Hudson River - Black River Regulating District INDIAN LAKE RESERVOIR

RESERVOIR ELEVATION JANUARY 2009 - DECEMBER 2009

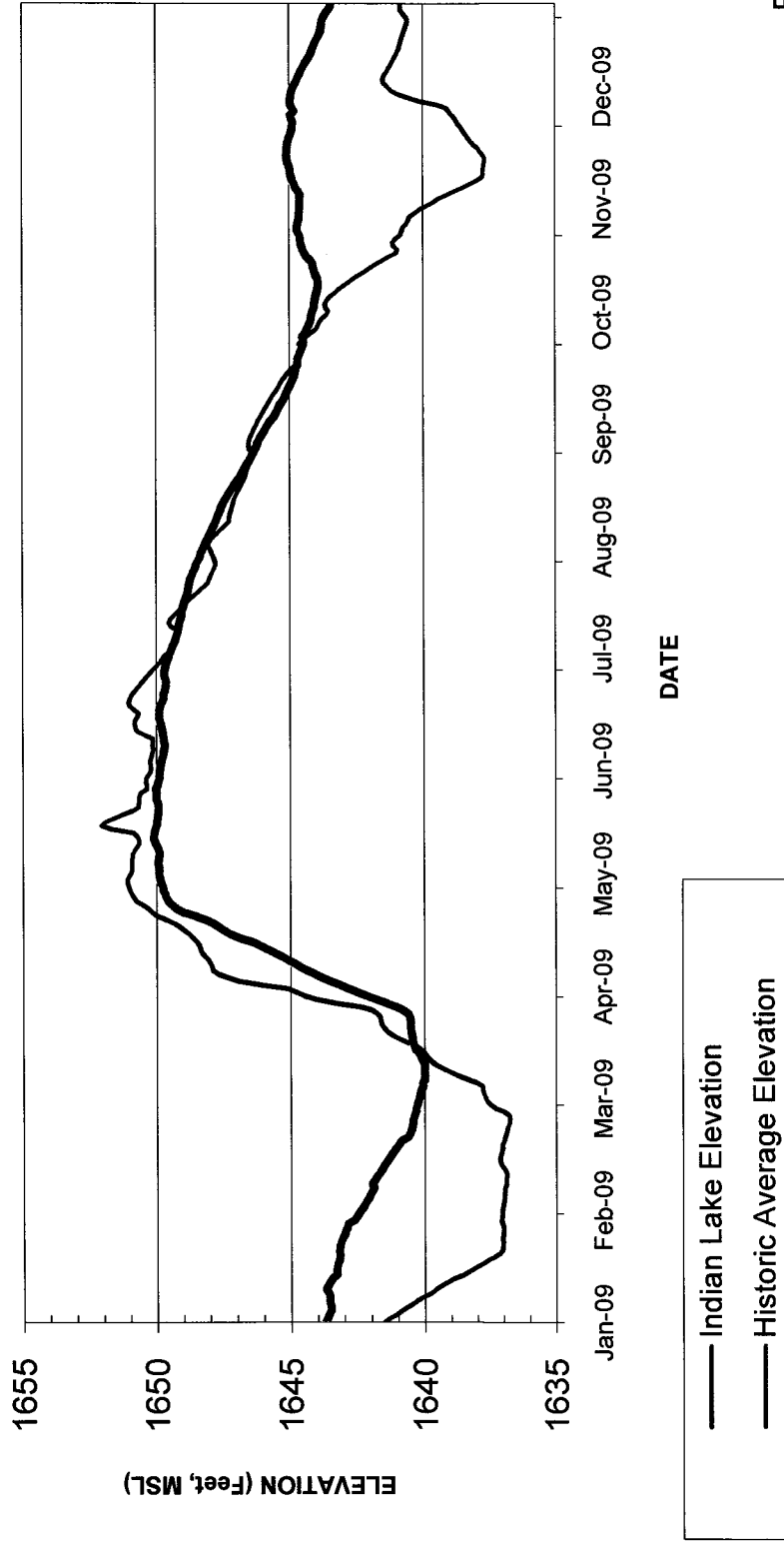


Figure 5

Hudson River - Black River Regulating District INDIAN LAKE RESERVOIR

PRECIPITATION JANUARY 2009 - DECEMBER 2009

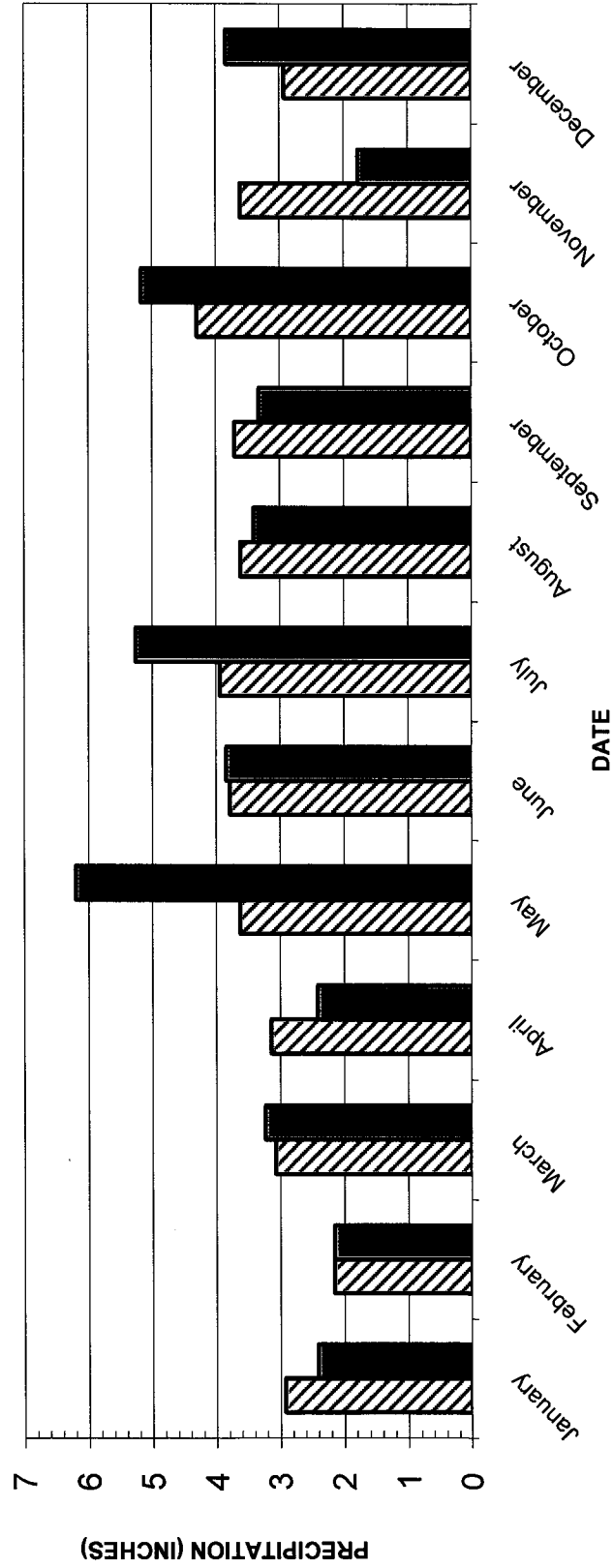
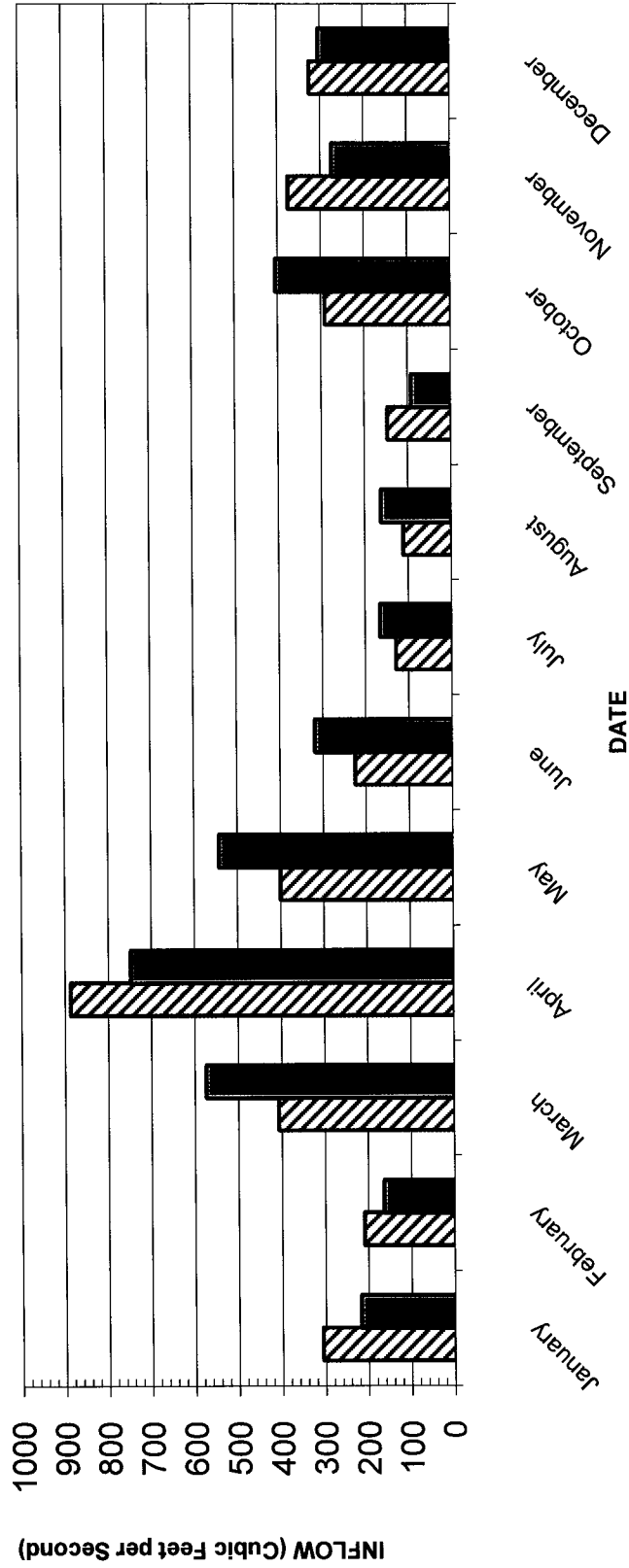


Figure 6

Hudson River - Black River Regulating District INDIAN LAKE RESERVOIR

INFLOW JANUARY 2009 - DECEMBER 2009



Net inflow including evaporation and transpiration

Average Inflow
 Actual Inflow

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
- 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 Regulating District buildings
- Access road repairs
- Automation of Gate 5 at Stillwater Dam
- Construction and installation of log boom at Sixth Lake
- Construction and installation of weir at Sixth Lake
- Tree removal at Old Forge Dam

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.

STATEMENT OF CONDITION AND OPERATION OF STILLWATER RESERVOIR

Reservoir Elevation

The daily average elevation of the Stillwater Reservoir on January 1, 2009 was at 1675.38 feet. During the year ending December 2009, the reservoir elevation varied from a minimum of 1663.96 feet on March 7, 2009, to a maximum of 1678.88 feet on May 31, 2009. The reservoir elevation averaged approximately 4.95 feet above the long-term average on January 1, 0.03 feet below the long-term average on July 1, and averaged approximately 1.87 feet below the long-term average on December 31, 2009. The daily average elevation of the Stillwater Reservoir on December 31, 2009 was 1668.44 feet.

Figure 1 shows the elevation of Stillwater Reservoir during 2009, the historic average and operation elevation.

Precipitation and Inflow

Precipitation was approximately 3% above historic average during the first half of the year, and approximately 7% higher than historic average during the second half of 2009.

Snow surveys were conducted during the period January through April 2009. Snow-pack water content measured 89% above historic average in January and 8% below historic average in March.

Inflow during the period January through June 2009 was approximately 95% of historic average. Daily average inflow for the months of July through December 2009 varied from approximately 67% to 131% of historic average.

Total inflow to the reservoir was 12.89 billion cubic feet for the year ending December 2009, which was 93% of the average annual inflow of 13.91 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 1, to December 31, 2009. Figure 3 reflects the inflow to the reservoir during the period January to December 31, 2009.

Reservoir Release and Storage

A total of 14.32 billion cubic feet of water was released from the reservoir during 2009. Daily water releases occurred during approximately 98% of the year. The release of water from the reservoir was suspended on three occasions, for a total of approximately 7 days. The reservoir stored approximately 3.09 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 Ms. Dolores Reyes of the Federal Energy Regulatory Commission on August 24, 2009. A functional exercise of the facilities Emergency Action Plan (EAP) was conducted on August 25, 2009.

STATEMENT OF CONDITION AND OPERATION OF SIXTH LAKE RESERVOIR

Reservoir Operation

The elevation of Sixth Lake Reservoir on January 1, 2009 was 1782.38 feet. During the year ending December 2009, the reservoir elevation varied from a minimum of 1779.06 feet on February 26, 2009, to a maximum of 1786.09 feet on August 12, 2009. On December 31, 2009 the reservoir elevation was 1782.17 feet.

Figure 5 represents the reservoir elevation during the reporting year.

Precipitation and Inflow

Precipitation was approximately 11% below historic average during the first half of the year, and approximately 10% higher than historic average during the second half of 2009.

Total inflow to the reservoir was 1.29 billion cubic feet for the year ending December 2009.

Figure 7 indicates the precipitation that occurred at Sixth Lake Reservoir during the period January 1, 2009 to December 31, 2009.

Reservoir Release and Storage

A total of 1.30 billion cubic feet of water was released from the reservoir during 2009. Daily water releases occurred during approximately 89% of the year. The release of water from the reservoir was suspended from April 17 to May 28, for a total of approximately 42 days. The reservoir stored approximately 0.21 billion cubic feet of water during the spring refilling.

Maintenance

During the year staff completed several maintenance and repair projects at the gate house.

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, 2009 was 1704.88 feet. During the year the reservoir elevation varied from a minimum of 1703.11 feet on February 27, 2009, to a maximum of 1707.06 feet on June 28, 2009. On December 31, 2009 the reservoir elevation was 1704.43 feet.

Figure 5 represents the reservoir elevation during the reporting year.

Precipitation and Inflow

Precipitation was approximately 100% of historic average during the first half of the year, and approximately 3% higher than historic average during the second half of 2009.

Total inflow to the reservoir was 3.07 billion cubic feet for the year ending December 2009.

Figure 7 indicates the precipitation that occurred at Old Forge Reservoir during the period January 1, 2009 to December 31, 2009.

Reservoir Release and Storage

A total of 3.15 billion cubic feet of water was released from the reservoir during 2009. Daily water releases occurred during approximately 91% of the year. The release of water from the reservoir was suspended from April 14 to May 16, for a total of approximately 33 days. The reservoir stored approximately 0.50 billion cubic feet of water during the spring refilling.

Maintenance

During the year staff completed several maintenance and repair projects at the gate house.

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 were 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>2009</u>				
JANUARY	3.10	3.74	2.89	3.51
FEBRUARY	1.95	2.87	2.16	3.17
MARCH	2.37	3.32	2.47	3.50
APRIL	2.90	3.33	2.45	3.68
MAY	6.52	4.23	5.40	3.86
JUNE	5.69	4.45	2.91	3.85
JULY	7.31	4.83	5.58	3.91
AUGUST	6.71	4.53	5.06	4.29
SEPTEMBER	4.05	5.02	3.12	4.29
OCTOBER	4.82	5.01	4.89	3.81
NOVEMBER	2.85	4.40	2.41	4.44
DECEMBER	3.88	3.95	4.05	4.22
TOTAL	52.15	49.68	43.39	46.53
(Year: Jan. - Dec.)				

BLACK RIVER WATERSHED SNOW SURVEY

DATE	SURVEY DATA		HISTORIC AVERAGE	
	SNOW DEPTH (INCHES)	WATER CONTENT (INCHES)	SNOW DEPTH (INCHES)	WATER CONTENT (INCHES)
<u>2009</u>				
January 5 -7	18.7	3.8	11.8	2.4
January 19 - 21	28.6	5.9	14.4	3.1
February 2 - 4	32.7	7.3	17.9	4.6
February 16 - 18	23.2	7.0	22.7	5.7
March 2 - 4	25.4	7.3	22.2	6.2
March 16 - 18	16.0	5.9	21.0	6.5
March 30 - April 1	6.7	2.5	12.8	4.5
April 13 - 15	1.3	0.5	6.9	2.6

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>2009</u>			
JANUARY	0.95	1.29	74
FEBRUARY	0.84	0.83	101
MARCH	1.83	1.47	124
APRIL	1.79	2.50	72
MAY	1.73	1.40	124
JUNE	0.77	0.85	91
JULY	0.89	0.68	131
AUGUST	0.72	0.67	107
SEPTEMBER	0.43	0.63	68
OCTOBER	1.08	1.00	108
NOVEMBER	0.90	1.35	67
DECEMBER	0.96	1.25	77
TOTAL	12.89	13.91	93

(1) Period of Record 1986 - 2009

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>2009</u>				
JANUARY	1670.57	766	4288	4700
FEBRUARY	1664.75	729	3677	4070
MARCH	1669.50	383	9440	9140
APRIL	1674.95	243	9249	8800
MAY	1678.88	272	5914	5540
JUNE	1677.13	478	2709	2890
JULY	1676.33	412	3199	3280
AUGUST	1673.02	566	2523	2820
SEPTEMBER	1669.32	448	1449	1730
OCTOBER	1669.46	390	4361	4350
NOVEMBER	1668.84	390	3529	3570
DECEMBER	1668.44	389	4181	4210

(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 2009 - DECEMBER 2009

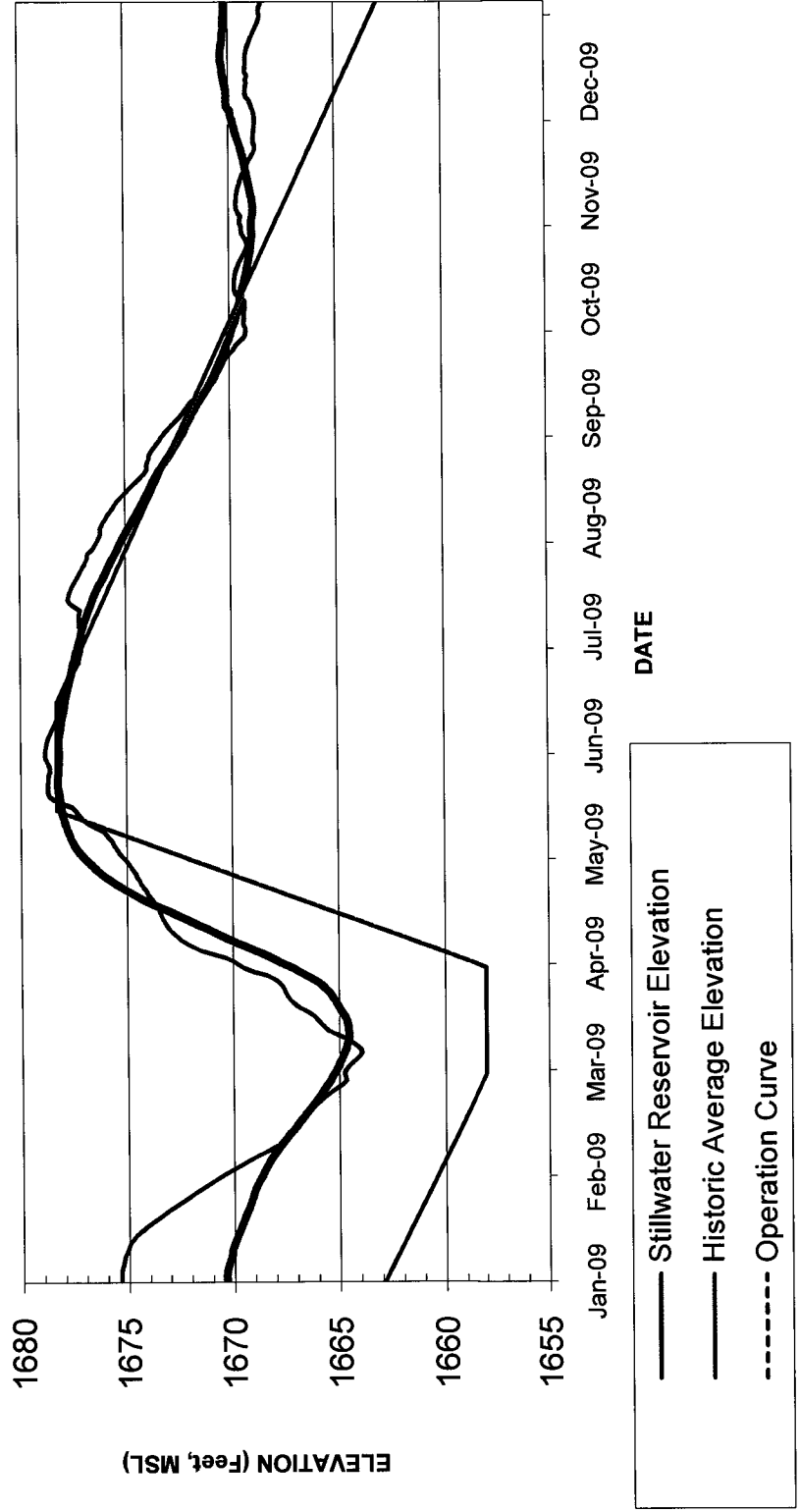


Figure 1

Hudson River - Black River Regulating District STILLWATER RESERVOIR

PRECIPITATION JANUARY 2009- DECEMBER 2009

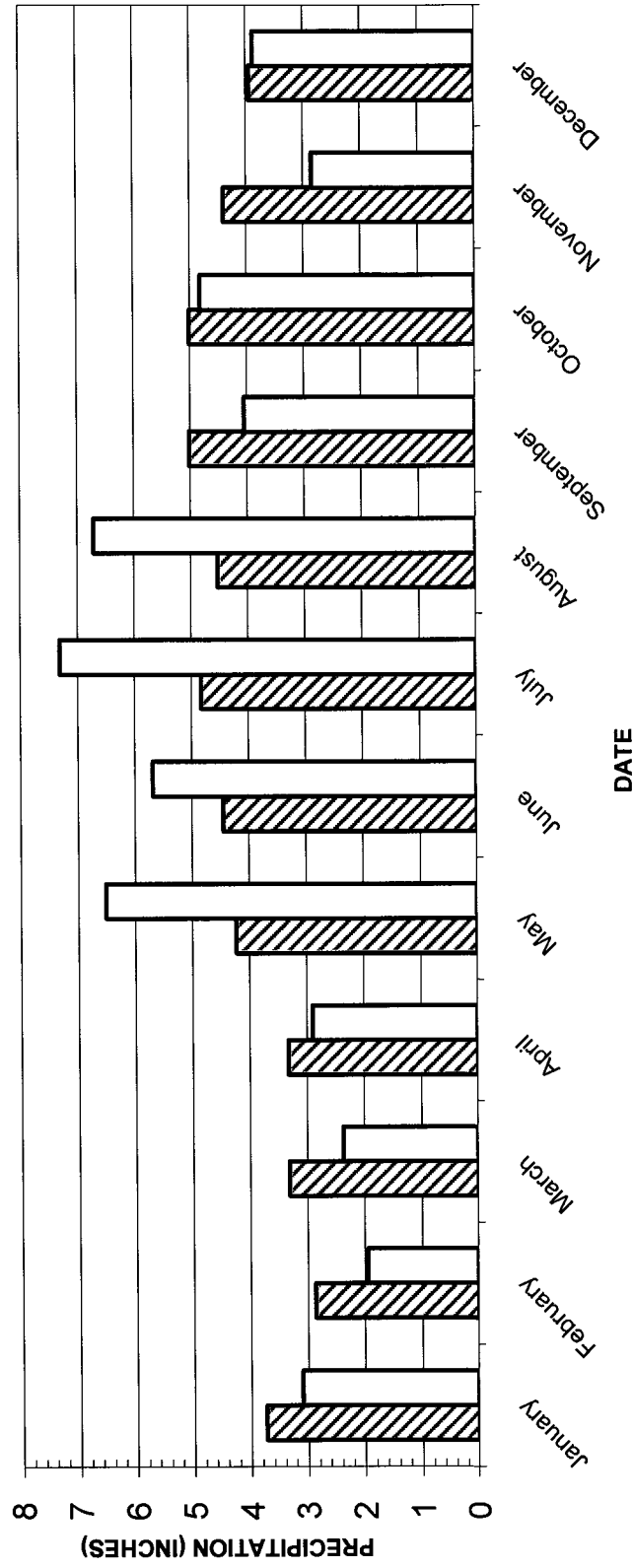


Figure 2

Hudson River - Black River Regulating District STILLWATER RESERVOIR

INFLOW JANUARY 2009 - DECEMBER 2009

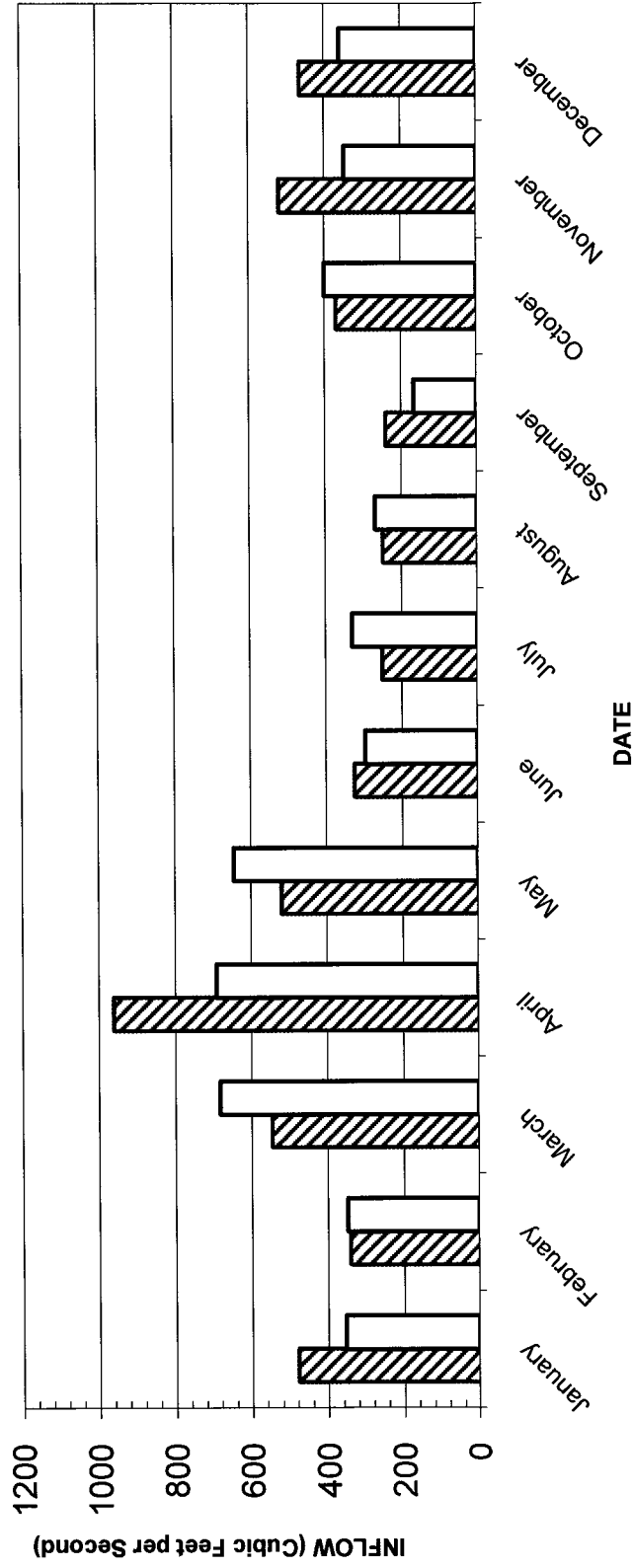


Figure 3

Hudson River - Black River Regulating District STILLWATER RESERVOIR

BLACK RIVER FLOW AT WATERTOWN JANUARY 2009 - DECEMBER 2009

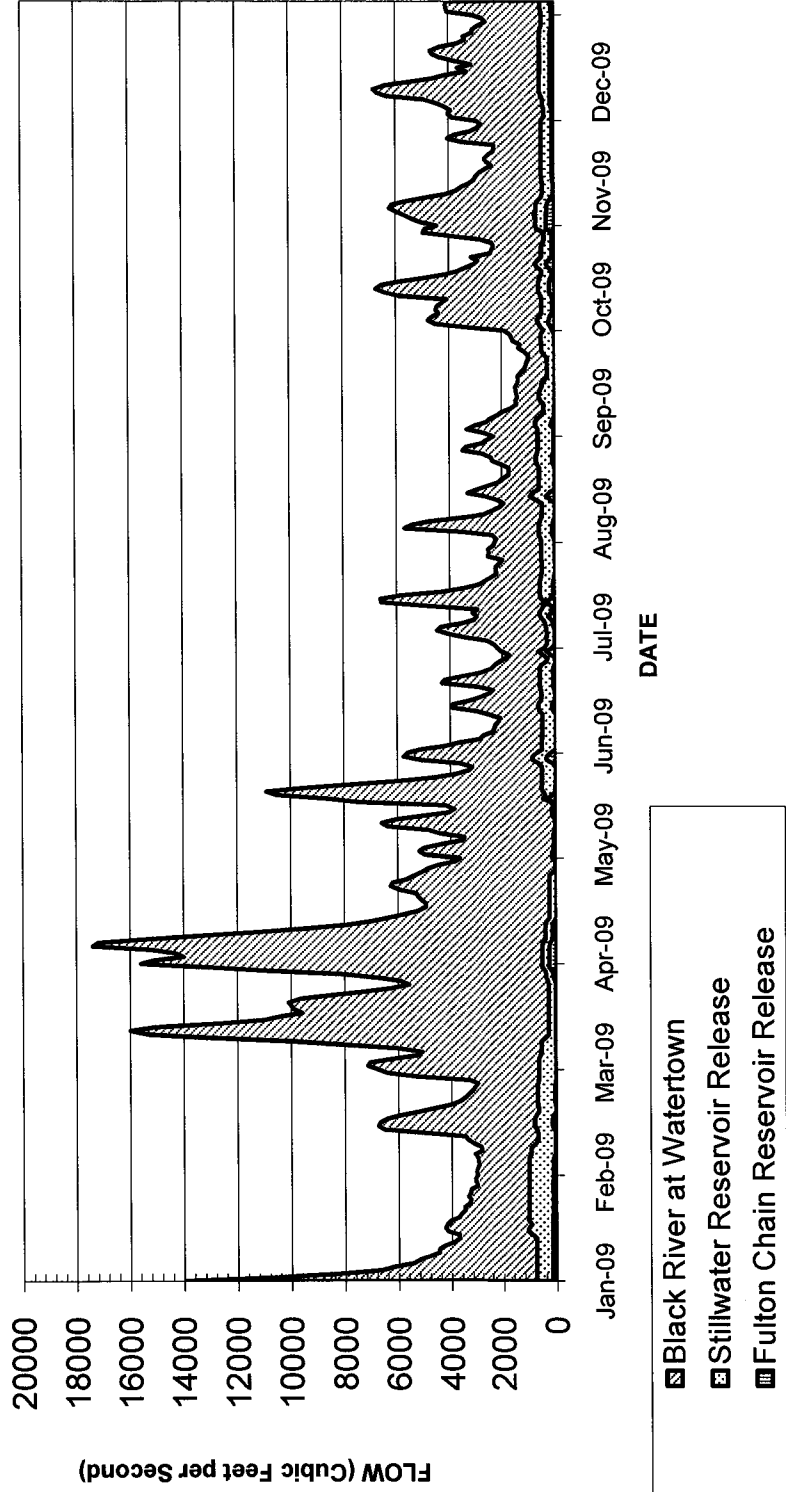
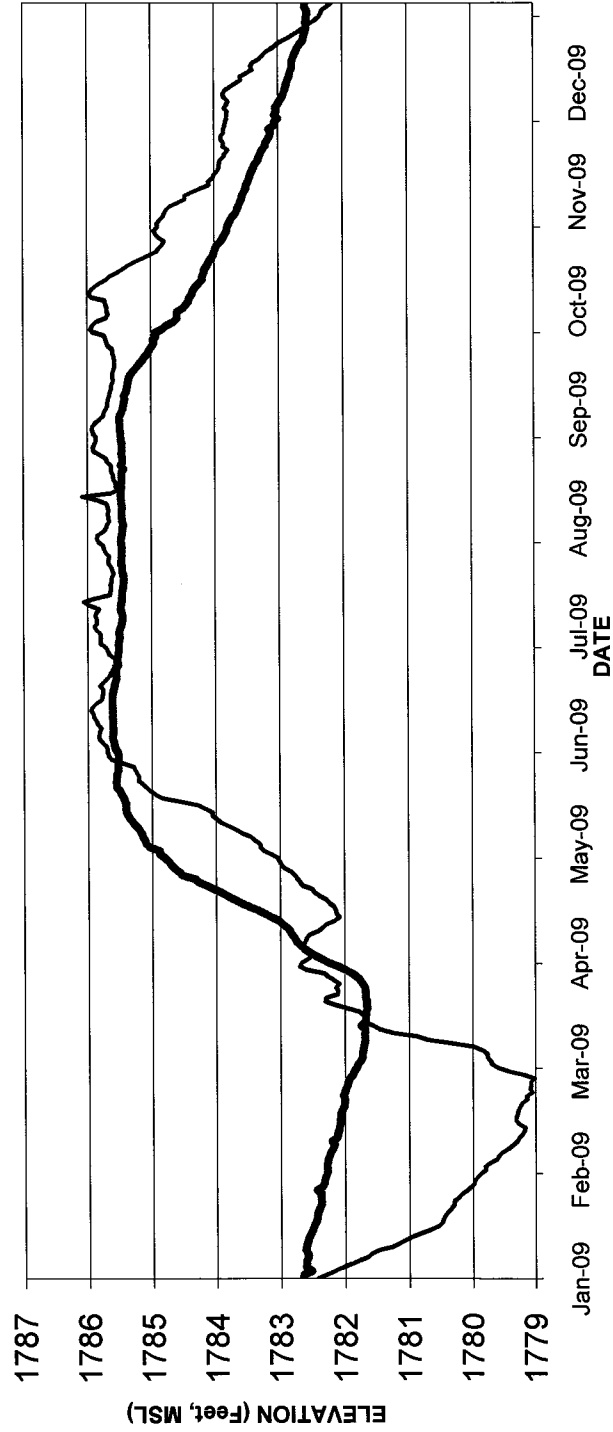


Figure 4

Hudson River - Black River Regulating District SIXTH LAKE RESERVOIR

RESERVOIR ELEVATION JANUARY 2009 - DECEMBER 2009



— Sixth Lake Elevation
— Historic Average Elevation

Figure 5

Hudson River - Black River Regulating District OLD FORGE RESERVOIR

RESERVOIR ELEVATION JANUARY 2009 - DECEMBER 2009

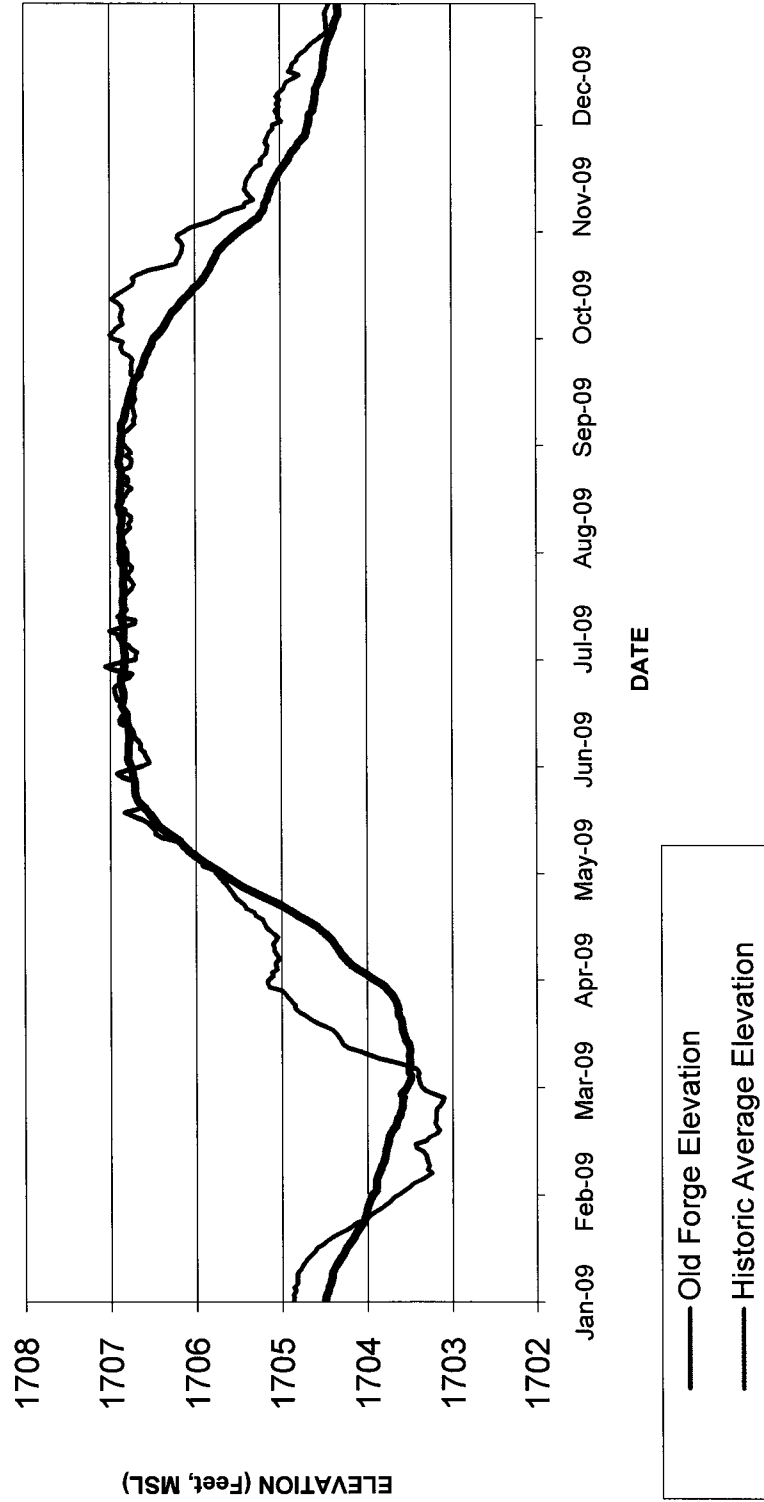
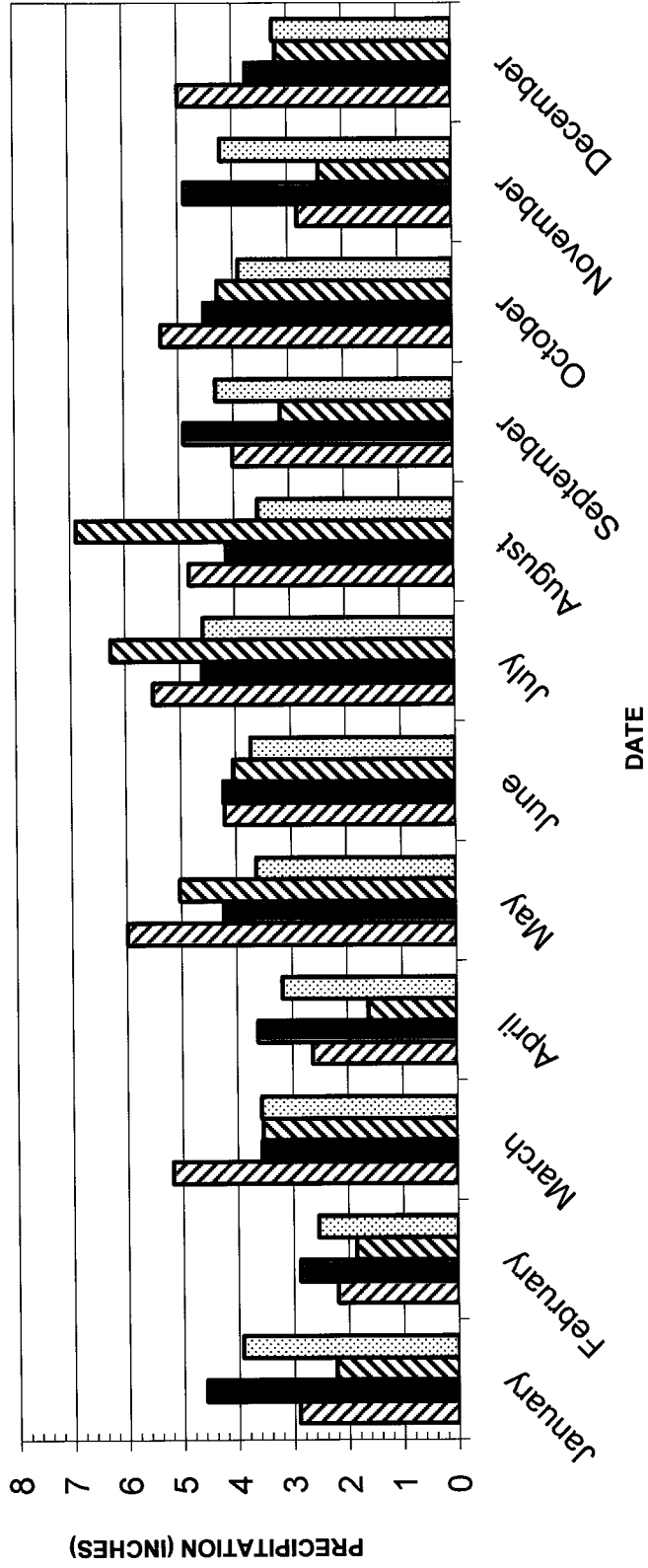


Figure 6

Hudson River - Black River Regulating District FULTON CHAIN RESERVOIRS

PRECIPITATION JANUARY 2009 - DECEMBER 2009



Old Forge Actual Precipitation
 Sixth Lake Actual Precipitation
 Old Forge Average Precipitation
 Sixth Lake Average Precipitation

Figure 7

RESOLUTIONS January 1, 2009 – December 31, 2009**2009 ORGANIZATIONAL MEETING**

- 09-01-01 RESOLUTION ADOPTING AMENDED BYLAWS OF THE HUDSON RIVER BLACK RIVER REGULATING DISTRICT
- 09-02-01 RESOLUTION TO AMEND THE FREEDOM OF INFORMATION LAW POLICY OF THE HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
- 09-03-01 RESOLUTION TO AUTHORIZE THE SOLICITATION OF A COST OF SERVICE STUDY IN CONNECTION TO THE DETERMINATION OF FEDERAL POWER ACT SECTION 10(f) COSTS
- 09-04-01 RESOLUTION TO AUTHORIZE THE SOLICITATION OF LEGAL SERVICES TO REPRESENT THE DISTRICT IN A LAWSUIT FILED AGAINST THE REGULATING DISTRICT AND OTHERS BY NIAGARA MOHAWK POWER CORPORATION D/B/A "NATIONAL GRID"
- 09-05-01 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE MARCH 10, 2009 BOARD MEETING
- 09-06-03 RESOLUTION TO AWARD LEGAL SERVICES WORK IN CONNECTION TO PETITION FILED BY NIMO
- 09-07-03 RESOLUTION TO APPROVE LEGAL SERVICES AMENDMENT # 3 TO CONTRACT C162006 IN CONNECTION TO THE CLAIM ENTITLED CHRISTINA V. CHERA AGAINST THE HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
- 09-08-03 RESOLUTION APPROVING LEGAL SERVICES AMENDMENT #5 IN CONNECTION TO THE REPRESENTATION OF THE REGULATING DISTRICT BEFORE THE D.C. CIRCUIT COURT
- 09-09-03 RESOLUTION TO APPROVE SUBMITTAL OF BUDGET & FINANCIAL PLAN FOR FISCAL YEARS 2008 THROUGH 2013
- 09-10-03 RESOLUTION APPROVING THE PROMOTION OF JENNIFER KLENA TO ADMINISTRATIVE ASSISTANT II
- 09-11-03 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE APRIL 7, 2009 FINANCE COMMITTEE MEETING AND REGULAR BOARD MEETING

- 09-12-04 RESOLUTION RESCINDING RESOLUTION 07-32-05, RESOLUTION TO ESTABLISH AN ACCOUNTING POLICY FOR THE APPLICATION OF E.J. WEST WATER FEES
- 09-13-04 RESOLUTION DIRECTING STAFF TO SOLICIT PROPOSALS IN ANTICIPATION OF HUDSON RIVER AREA REAPPORTIONMENT DUE TO U.S. COURT OF APPEALS D.C. CIRCUIT COURT DECISION IN ALBANY ENGINEERING CORP. V. FERC
- 09-14-04 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE MAY 12, 2009 BOARD MEETING
- 09-15-05 RESOLUTION TO EXTEND SARATOGA ASSOCIATES CONTRACT AMENDMENTS 1 & 2
- 09-16-05 RESOLUTION TO AMEND ACCESS PERMIT SYSTEM RULES AND TO SUBMIT THE REVISED RULES TO THE GOVERNOR'S OFFICE OF REGULATORY REFORM AND, UPON GORR APPROVAL, TO SUBMIT A NOTICE OF REVISED RULE MAKING TO THE SECRETARY OF STATE FOR A COMMENT PERIOD OF NO LESS THAN 30 DAYS
- 09-17-05 RESOLUTION TO SATISFY ANNUAL REVIEW AND APPROVAL OF THE REGULATING DISTRICT'S PROCUREMENT POLICY
- 09-18-05 RESOLUTION TO APPROVE A SIXTH AMENDMENT TO THE RETAINER AGREEMENT FOR LEGAL SERVICES IN CONNECTION TO ONGOING LITIGATION WITH ERIE BOULEVARD HYDROPOWER, L.P. AND NIAGARA MOHAWK POWER CORPORATION
- 09-19-05 RESOLUTION AUTHORIZING RENEWAL OF AN AGREEMENT WITH UNITED STATES GEOLOGICAL SURVEY
- 09-20-05 RESOLUTION TO SATISFY ANNUAL REVIEW AND APPROVAL OF THE REGULATING DISTRICT'S INVESTMENT POLICY
- 09-21-05 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE JUNE 9, 2009 BOARD MEETING
- 09-22-06 RESOLUTION TO ANNUALLY REVIEW AND APPROVE THE REGULATING DISTRICT'S DISPOSITION OF PROPERTY GUIDELINES – PURSUANT TO SECTION 2896(1) OF THE PUBLIC AUTHORITIES LAW
- 09-23-06 RESOLUTION TO AWARD WEBCASTING SERVICES WORK TO WEBCASTING.COM

- 09-24-06 RESOLUTION APPROVING A BUDGET FOR THE HUDSON RIVER-BLACK RIVER REGULATING DISTRICT FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2012 AND FOURTH YEAR PROPOSED FINANCIAL PLAN FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013
- 09-25-06 RESOLUTION TO APPROVE THE ANNUAL ASSESSMENT FOR THE OPERATION AND MAINTENANCE OF STORAGE RESERVOIRS IN THE BLACK RIVER AREA FOR THE FIRST YEAR OF THE THREE YEAR BUDGET PERIOD BEGINNING JULY 1, 2009 THROUGH JUNE 30, 2012
- 09-26-06 RESOLUTION TO APPROVE THE ANNUAL ASSESSMENT FOR THE OPERATION AND MAINTENANCE OF THE GREAT SACANDAGA LAKE FOR THE FIRST YEAR OF THE THREE YEAR BUDGET PERIOD BEGINNING JULY 1, 2009 THROUGH JUNE 30, 2012
- 09-27-06 RESOLUTION TO APPROVE COOL INSURING AGENCY, INC. INSURANCE PROPOSAL FOR POLICY YEAR JULY 1, 2009 THROUGH JUNE 30, 2010
- 09-28-06 RESOLUTION TO AMEND AUDIT SERVICES AGREEMENT WITH THE BONADIO GROUP
- 09-29-06 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE JULY 14, 2009 OPERATIONS COMMITTEE MEETING AND REGULAR BOARD MEETING
- 09-30-07 RESOLUTION TO APPROVE CORRECTED ANNUAL ASSESSMENT FOR THE OPERATION AND MAINTENANCE OF STORAGE RESERVOIRS IN THE BLACK RIVER AREA FOR THE FIRST YEAR OF THE THREE YEAR BUDGET PERIOD BEGINNING JULY 1, 2009 THROUGH JUNE 30, 2012
- 09-31-07 RESOLUTION TO APPROVE CORRECTED ANNUAL ASSESSMENT FOR THE OPERATION AND MAINTENANCE OF THE GREAT SACANDAGA LAKE FOR THE FIRST YEAR OF THE THREE YEAR BUDGET PERIOD BEGINNING JULY 1, 2009 THROUGH JUNE 30, 2012
- 09-32-07 RESOLUTION TO ACCEPT GEI CONSULTANTS, INC. PROPOSAL FOR COMPLETION OF CONKLINGVILLE DAM PART 12 INDEPENDENT CONSULTANT SAFETY INSPECTION
- 09-33-07 RESOLUTION TO APPROVE ENGINEERING REVIEW SERVICES OF CONKLINGVILLE DAM GEOTECHNICAL REPORT
- 09-34-07 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE SEPTEMBER 15, 2009 BOARD MEETING

- 09-35-09 RESOLUTION TO AUTHORIZE TERM EXTENSION TO AGREEMENT C082008 FOR LEGAL SERVICES IN CONNECTION TO LITIGATION WITH ALBANY ENGINEERING CORPORATION
- 09-36-09 RESOLUTION TO APPROVE A SEVENTH AMENDMENT TO THE RETAINER AGREEMENT FOR LEGAL SERVICES IN CONNECTION TO ONGOING LITIGATION WITH ERIE BOULEVARD HYDROPOWER, L.P. AND NIAGARA MOHAWK POWER CORPORATION
- 09-37-09 RESOLUTION AUTHORIZING THE TRANSFER OF ALL HUDSON RIVER AREA SENTINEL FUNDS FOR THE PURPOSE OF FORESTALLING THE INTERRUPTION OF OPERATIONS OF THE HUDSON RIVER AREA DUE TO A REVENUE SHORTFALL CAUSED BY THE U.S. COURT OF APPEALS D.C. CIRCUIT COURT RULING
- 09-38-09 RESOLUTION AUTHORIZING THE TRANSFER OF ALL BLACK RIVER AREA SENTINEL FUNDS FOR THE PURPOSE OF FORESTALLING THE INTERRUPTION OF OPERATIONS OF THE HUDSON RIVER AREA DUE TO A REVENUE SHORTFALL CAUSED BY THE U.S. COURT OF APPEALS D.C. CIRCUIT COURT RULING
- 09-39-09 RESOLUTION TO APPROVE AMENDMENT TO CONTRACT C032007 WITH GEI CONSULTANT'S TO PERFORM ADDITIONAL NECESSARY WORK TO COMPLETE THE EMBANKMENT CORE SURVEY AND PIEZOMETER INSTALLATION, AND SLUICE EVALUATION
- 09-40-09 RESOLUTION TO ACCEPT MR. JEFFREY H. COFFIN (KLEINSCHMIDT ENERGY & WATER RESOURCE CONSULTANTS) PROPOSAL FOR REVIEW OF CONKLINGVILLE DAM GEOTECHNICAL REPORT
- 09-41-09 RESOLUTION TO SOLICIT QUALIFICATIONS FROM ENGINEERING CONSULTANTS FOR STILLWATER DAM LIQUEFACTION AND DEFORMATION ANALYSIS AND SIXTH PART12D INDEPENDENT CONSULTANT SAFETY INSPECTION
- 09-42-09 RESOLUTION TO ACKNOWLEDGE EXECUTIVE DIRECTOR'S APPOINTMENT TO THE THOUSAND ISLAND BRIDGE AUTHORITY
- 09-43-09 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE OCTOBER 13, 2009 BOARD MEETING

- 09-44-10 RESOLUTION TO APPROVE LEGAL SERVICES AMENDMENT # 3A TO EXECUTE LEGAL SERVICES CONTRACT AMENDMENT #3 TO CONTRACT C162006 IN CONNECTION TO THE CLAIM ENTITLED CHRISTINA V. CHERA AGAINST THE HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
- 09-45-10 RESOLUTION TO AMEND THE HUDSON RIVER-BLACK RIVER REGULATING DISTRICT VEHICLE USE POLICY
- 09-46-10 RESOLUTION TO CONDITIONALLY AWARD WORK IN CONNECTION TO HUDSON RIVER REAPPORTIONMENT STUDY
- 09-47-10 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE NOVEMBER 10, 2009 BOARD MEETING
- 09-48-11 RESOLUTION TO CONDITIONALLY AWARD THE WORK ASSOCIATED WITH THE STILLWATER DAM LIQUEFACTION AND DEFORMATION ANALYSIS
- 09-49-11 RESOLUTION TO CONDITIONALLY AWARD BOND SERVICES WORK
- 09-50-11 RESOLUTION TO APPROVE AMENDMENT #3 TO LEGAL SERVICES AGREEMENT C042006 IN CONNECTION TO THE NIMO ONONDAGA LITIGATION MATTER
- 09-51-11 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE DECEMBER 8, 2009 BOARD MEETING
- 09-52-11 RESOLUTION TO RESCIND RESOLUTION 09-45-10
- 09-53-12 RESOLUTION TO AWARD LEGAL SERVICES WORK IN CONNECTION TO PETITION FILED BY JOHN & KANDY MCDONALD
- 09-54-12 RESOLUTION TO AUTHORIZE THE ENGAGEMENT OF A FISCAL ADVISOR IN CONNECTION TO THE ISSUANCE OF A TAX ANTICIPATION NOTE
- 09-55-12 RESOLUTION TO AUTHORIZE STAFF TO SUBMIT APPORTIONMENT GRIEVANCE HEARING PROCEDURES RULEMAKING FOR REVIEW
- 09-56-12 RESOLUTION SCHEDULING DATE, TIME AND LOCATION OF THE ANNUAL ORGANIZATIONAL MEETING AND REGULAR MEETING FOR JANUARY 2010