

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

May 27, 1998

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Minutes of the regular meeting of the Power Authority of the State of New York held at the Charles Poletti Power Project at 11:30 a.m.

Present: Clarence D. Rappleyea, Chairman
Thomas R. Frey, Vice Chairman
Hyman M. Miller, Trustee
Louis P. Ciminelli, Trustee
Frank S. McCullough, Jr., Trustee

Eugene W. Zeltmann	President and Chief Operating Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Peter W. Delaney	Executive Vice President and Chief Financial Officer
Robert A. Hiney	Executive Vice President - Project Operations
John F. English	Senior Vice President – Corporate Planning
James Knubel	Senior Vice President – Chief Nuclear Officer
Louise M. Morman	Senior Vice President – Marketing and Economic Development
Philip J. Pellegrino	Senior Vice President - Transmission
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Russell Krauss	Chief Information Officer
Arnold M. Bellis	Vice President – Controller
Daniel Berical	Vice President – Policy and Governmental Affairs
Michael L. Boxer	Inspector General
Woodrow W. Crouch	Vice President – Project Management
John M. Hoff	Vice President – Procurement and Real Estate
Charles I. Lipsky	Vice President and Chief Engineer
Michael Petralia	Vice President – Public Affairs
Stephen P. Shoenholz	Vice President - Public Relations
Kenneth G. Vaughn	Vice President – Ethic and Regulatory Compliance
Vincent Vesce	Vice President - Human Resources
Carmine J. Clemente	Deputy General Counsel
Gary Paslow	Executive Director – Policy Development
Ronald W. Ciomaga	Regional Manager – Northern New York
James Ford	Regional Manager – Western New York
Richard E. Kuntz	Regional Manager – Southeast New York
James J. McCarthy	Regional Manager – Central New York
Jordan Brandeis	Director – Performance Planning
Joseph J. Brennan	Director – Internal Audit
Angelo Esposito	Director – Energy Services Division
John L. Murphy	Director - Public Information
James J. Peterson	Director – Power Contracts
William Slade	Director - Environmental
James H. Yates	Director - Business Marketing & Economic Development
George W. Collins	Treasurer
Craig Banner	Manager – Municipal and Cooperative Markets
Laura M. Badamo	Assistant Secretary
Vernadine Quan-Soon	Assistant Secretary
Angela Graves	Assistant Secretary - Trainee

Chairman Rappleyea presided over the meeting. Executive Vice President, Secretary and General Counsel Blabey kept the Minutes.

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1. Approval of the Minutes

The minutes of the Annual Meeting held on April 28, 1998 were approved.

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2. **Financial Report for the Four Months Ended April 30, 1998**

3. Report from the President and Chief Operating Officer

At the President's request, Mr. Krauss reported on the overall status and developments in the ongoing Year 2000 Program Management effort. In response to questions from Trustee Ciminelli, Mr. Krauss explained that staff plans to assure compliance of all "critical" and "severe" systems and at least some of the systems identified as "high priority" in the Inventory Prioritization Criteria by the commencement of the year 2000. Mr. Krauss indicated that there is a good chance that the Authority will be faced with Y2K budget requirements this year, but until staff is able to better assess the systems, the cost can only be guessed at.

Mr. Krauss further explained that information-sharing activities among the utilities are not proving as productive as originally anticipated, but that efforts undertaken under a Memorandum of Understanding between the various nuclear owners are a fruitful source for joint efforts and benchmarking.

In response to questions from Vice Chairman Frey, Mr. Krauss explained that he is not aware of any Public Service Commission Y2K requirements for the utilities but that there are stringent requirements applied to nuclear plant operators by the Nuclear Regulatory Commission. Mr. Hiney indicated that the Department of Energy has asked the North American Electric Reliability Council ("NERC") for written assurances by July 1999 that critical systems will be ready to operate into the year. Mr. Hiney added that the utilities are likely interested in compliance since no utility would willingly leave itself open to Y2K problems. He also indicated that traditionally the utilities have worked interdependently with each other on system reliability issues. President Zeltmann noted that there is much activity overall and that it is important to continue inter-utility meetings and to continue to approach the problem methodically.

4. Municipal and Rural Cooperative Economic Development Program – Allocations to the Village of Fairport

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve two allocations of power under the Municipal and Rural Cooperative Economic Development Program (‘Program’) to the Village of Fairport (‘Fairport’).

BACKGROUND

“The 1991 amendment to the power sales agreement between the Authority and the Municipal and Rural Cooperative Systems reserved 108,000 kilowatts of power for economic development in the systems. As of January 27, 1998, 22,750 kilowatts have been allocated.

“Power from this block can be allocated to individual systems to meet the increased electric load resulting from eligible new or expanding businesses in their service area. Under the guidelines established for the program, an allocation to a system should meet a target number of new jobs per megawatt. The guidelines provide that for businesses new to a system, the jobs per megawatt ratio be considered on a case-by-case basis. For projects involving existing businesses, the number of jobs per megawatt is the number of new jobs as compared to the level of employment prior to the expansion. Specifically, for companies employing 100 or less, the target ratio is 25 jobs per megawatt; for companies employing between 101 and 250, the ratio is 50; for companies employing between 251 and 500, the ratio is 75; and for companies employing over 500, the ratio is 100 jobs per megawatt.

“Fairport has submitted two applications for power under the program for consideration by the Trustees.

DISCUSSION

“The first application is on behalf of Webster Plastics (‘Webster’), a plastic injection molding company. Webster specializes in the automotive, building, and various other product areas. The expansion consists of relocating to Fairport and building a new 75,000 square foot office and manufacturing facility. Equipment to be installed will include approximately 43 plastic injection molding machines, along with support equipment which includes air compressors, chilled and cooled systems and a material feed system. Total project cost is estimated at \$9,000,000. There was serious consideration by Webster to leave New York State and move to Dayton, Nevada. Employment at Webster is expected to increase to 150 from the existing 80 due to this expansion. In addition to the new jobs, Webster’s electric load will increase by approximately 3,000 kilowatts as compared to the load at its former facility in Webster, New York. It is recommended that up to 3,000 kilowatts be approved for this allocation.

“The second application is on behalf of Moll Industries (‘Moll’), also a plastic injection molding company. Moll custom injects mold thermoplastic components for original equipment manufacturers. Its ‘niche’ in the market is having the capability of molding large precision parts for its customers. The expansion consists of relocating to Fairport and building a new 72,000 square foot office and manufacturing facility. Equipment to be installed will include 16 molding machines ranging in size from 120 tons to 1,450 tons. Total

project cost is estimated at \$3,490,000. Employment at Moll is expected to increase to 82 from the existing 27 years due to this

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expansion. In addition to increased employment, Moll's electric load will increase by approximately 2,000 kilowatts as compared to the load at its former facility in Rochester, New York. It is recommended that up to 2,000 kilowatts be approved for this allocation.

"The Municipal Electric Utilities Association Executive Committee supports the recommended allocations to the Village of Fairport.

"The recommended allocations under the program comprise half hydropower and half incremental power. In accordance with the Authority's marketing arrangement with the municipal and cooperative customers, the hydropower will be added to the recipient system's contract demand at the time a project becomes operational, and the incremental power will be sold on an as-used basis. The hydropower earmarked for this program is presently sold to the municipal and cooperative customers on a withdrawable basis.

RECOMMENDATION

"The Senior Vice President – Marketing and Economic Development recommends that the Trustees approve the allocations of power under the Municipal and Rural Cooperative Economic Development Program to the Village of Fairport in accordance with the foregoing report of the President.

"The Executive Vice President, Secretary and General Counsel, the Executive Vice President - Power Operations, and I concur in the recommendation."

In response to the concern expressed by Vice Chairman Frey that the allocations did not appear to provide net employment gains to the Rochester area, Mr. Banner explained that to reinforce the Economic Development Power Program, Authority staff will make a presentation in June to the municipals and cooperatives as to how they can utilize this program to their advantage to attract customers from outside the State. Chairman Rappleyea explained that the program had also been discussed at the recent MEUA meeting in Syracuse.

The attached resolution, as recommended by the President, was unanimously adopted.

RESOLVED, That allocations of power to the Village of Fairport under the Municipal and Rural Cooperative Economic Development Program be and hereby are approved in accordance with the foregoing report of the President; and be it further

RESOLVED, That the Senior Vice President – Marketing and Economic Development, or her designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the aforesaid allocations.

5. Aluminum Company of America and Reynolds Metals Company - New Price Indices

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve new price indices to replace the two current indices in the Aluminum Company of America (‘Alcoa’) & the Reynolds Metals Company (‘Reynolds’) contracts.

BACKGROUND

“Through contracts dated August 24, 1981, the Authority sells 239 megawatts of power and related energy to both Alcoa & Reynolds. A total of 374 megawatts (Alcoa - 174MW and Reynolds - 200MW) are sold under Service Tariff No. 20 (Direct Firm Power Service) and the remaining 104 megawatts (Alcoa - 65MW and Reynolds - 39MW) are sold under Service Tariff No. 21 (Interruptible Power Service). Special Provision A of Service Tariff No.20 and Special Provision B of Service Tariff No. 21, which are appended to the contracts, contain a mechanism entitled Adjustment of Rates and Charges. The annual rate adjustments determined under these Special Provisions are a function of the changes in two indices relative to the 1980 base year. The first index is the Authority's average annual debt service divided by the Authority's average generating capacity and the second index is a weighted average cost of fuels used for electric generation by the New York Power Pool (‘NYPP’) member companies.

DISCUSSION

“Authority staff, Alcoa and Reynolds have a common view that the price of electricity in the Authority’s contracts is most appropriately linked to the average price of electricity and industrial commodities in general. The NYPP fuel index will soon cease to exist as a result of the dissolution of NYPP and the subsequent creation in its place of the New York Independent System Operator. In addition, staff, Alcoa and Reynolds also concur that the debt service/capacity index should be replaced as well. All three also agree that the indices should be changed to reflect more current measures of price changes.

“Both contracts have a provision that permits the parties to each contract to substitute new indices by mutual agreement. Staff has reached separate agreements with Alcoa and Reynolds, on new indices, subject to Trustee approval.

Reynolds

“The proposed substitute indices were selected from the price indices issued monthly by the United States Department Of Labor, Bureau of Labor Statistics. They are the average of the monthly Producer Price Indexes, Commodity Code Number 0543 Industrial Power (> 500kW) and the average of the monthly Producer Price indices, Commodity Code Number 03T15MO5, Industrial Commodities less fuel. These indices reflect the cost of industrial electricity and the price of other materials used by industry. The rate adjustment factor will represent the change in both indices, weighted equally, relative to a 1996 base year and will be applied May 1, 1998 and each May 1, thereafter for the remaining term of the contract.

“The Reynolds proposal also includes a provision that gives Reynolds the right to opt for service under any agreement executed by the Authority with Alcoa that affects Special Provision A of Service Tariff No.20

and Special Provision B of Service Tariff No. 21. Thus, Reynolds will have the option of selecting the Alcoa proposal detailed below in place of the Reynolds proposal discussed above.

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Alcoa

“Alcoa and the Authority have agreed on three substitute indices to replace the two existing indices. Two of the proposed indices are the same as Reynolds, the Producer Price Indices, Industrial Power (> 500kW) and the Industrial Commodities less fuel. The third index is the average revenue per kilowatt-hour for electric sales to the industrial sector in the ten states of Connecticut, Massachusetts, Maine, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, and Vermont as reported in Electric Sales and Revenue DOE/EIA-0540, which is prepared by the Coal and Electric Data and Renewables Division; Office of Coal, Nuclear, Electric and Alternate Fuels; Energy Information Administration ('EIA'); U.S. Department of Energy. The rate adjustment factor will represent the change in all three indices, weighted, 35% for the Producer Price Index, Industrial Power (> 500kW), 25 percent for the Producer Price Index, Industrial Commodities less fuel and 40 percent for the EIA index. For purposes of computing the annual rate change, the change in each index is limited to plus or minus 2%. The current rates will remain in effect to April 30, 1999. The rate adjustment factor will be applied May 1, 1999 and each May 1, thereafter for the remaining term of the contract.

“The Expansion and Replacement Power contracts for business customers in western New York use similar indices to calculate annual rate adjustments. The implementation of these proposed indices will bring the Alcoa and Reynolds contracts more in line with the Authority's other business customer contracts and will better link price adjustments under the contracts to general changes in industrial electricity and commodity prices.

“Both proposals provide for the substitution of new indices in the event any of the three indices ceases to be available or no longer is appropriate.

RECOMMENDATION

“The Director - Business Marketing and Economic Development recommends that the Trustees approve the replacement of the existing indices in the Aluminum Company of America and Reynolds Metals Company contracts on the terms set forth above.

“The Senior Vice President - Marketing and Economic Development, the Executive Vice President, Secretary and General Counsel, the Executive Vice President - Project Operations and I concur in the recommendation.”

President Zeltmann welcomed Mr. Michael Caufield of Reynolds Metals and expressed the Authority's appreciation of that company's addition of 65 new jobs. Mr. Caufield noted that Reynolds and the Authority have been partners for years and that he wished the Authority success in getting its hydroelectric projects relicensed, stressing that Reynolds looks forward to continuing to do business with the Authority in the future.

The attached resolution, as recommended by the President was unanimously adopted.

RESOLVED, That the Authority hereby approves the replacement indices for the Aluminum Company of America and the Reynolds Metals Company contracts as detailed in the foregoing report of the President; and be it further

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RESOLVED, That subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel or his designee, the Chairman be, and hereby is, authorized to execute agreements with such companies to replace such indices on the terms set forth in such memorandum; and be it further

RESOLVED, That the Senior Vice President - Marketing and Economic Development or her designee be, and hereby is, authorized to execute all other documents necessary or desirable to effectuate the foregoing.

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**6. Blenheim-Gilboa Pumped Storage Power
Project - Acquisition of Real Property -
Map No. 35, Parcel Nos. 56A, 56B**

The following report was submitted by the President:

SUMMARY

“The Trustees are requested to authorize the acquisition in fee of approximately 3.7 acres described as parcel No. 56A on Blenheim-Gilboa Pumped Storage Power Project Map. No. 56 and the acquisition of a permanent easement for an access road described as parcel No. 56B on the same map, in support of remedial work on the Schoharie Creek immediately downstream of the Authority's Blenheim-Gilboa Pumped Storage Power Project ('BG Project') spillway.

BACKGROUND

“On January 19, 1996, a flood occurred in and around New York's Schoharie Valley which resulted in the designation of a federal disaster area in 22 counties of New York State. Subsequent to that flood, the Federal Energy Regulatory Commission ('FERC') requested that the Authority undertake remedial work in the streambed of the Schoharie Creek immediately below the BG Project spillway. The work is presently scheduled to begin late summer of 1998 and continue into 1999.

“The FERC investigation into what remedial work could be undertaken by the Authority included two site visits, on June 25, 1997 and on November 5, 1997. Participants included the New York Department of Environmental Conservation ('DEC'), the United States Corps of Engineers ('COE'), the United States Geological Survey ('USGS'), Mr. Kevin Sullivan, who owns the subject property, other local citizens and representatives of the Town of Blenheim, among others, as well as the Authority and FERC. Aside from those visits, the Authority has engaged in substantial consultation and communication with the federal and state resource agencies and with FERC.

“By letter dated July 28, 1997, the FERC requested that the Authority file a plan to mitigate erosion at the bend and at the overflow channel immediately below the BG Project spillway. In consultation with the DEC, COE and USGS, the Authority developed a stream maintenance plan and submitted it to FERC on August 27, 1997. FERC approved the plan by letter dated September 9, 1997. The plan requires the Authority to perform remedial work on the Schoharie Creek at the bend below the spillway and to increase the volume of water flowing into the Creek's main channel. The Authority has applied to DEC and COE for permits required for this work by Sections 401 and 404 of the Clean Water Act. Final plans and a schedule for the work were filed with FERC in January 1998.

“The remedial work may involve access over, and in some cases construction upon, a portion of property presently owned by Kevin and Gianna Sullivan. Therefore, to facilitate stream maintenance, staff seeks approval to purchase two small parcels from the Sullivans' 16-acre parcel. Under the Authority's SEQRA regulations, this purchase is a Type II action and is not subject to any further SEQRA action.

“The acquisition of the fee title of the 3.7 acre parcel No. 56A will allow the Authority unfettered use and access to the river and will serve as a buffer to any future erosion of this landowner's property. Additionally,

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the acquisition of the permanent easement shown as parcel No. 56B will give the Authority access to the Schoharie Creek which is necessary for the shoreline work. The property owners have agreed to an aggregate purchase price of \$13,500 for these two parcels and will release the Authority from any past or future claims relating to the Authority's operation of the BG Project.

“In accordance with the Authority’s Expenditure Authorization Procedures, the Trustees are requested to authorize the purchase of the fee and permanent easement shown on the designated map.

FISCAL INFORMATION

“Payment will be made from the Operating Fund.

RECOMMENDATION

“The Director - Real Estate, the Director - Environmental Programs, the Regional Manager - Central New York, the Vice President and Chief Engineer – Power Generation, and the Vice President - Procurement and Real Estate recommend that the Trustees approve the acquisition of this real property to support the shoreline stabilization work in the Schoharie Creek.

“The Vice President - Project Management, the Executive Vice President, Secretary and General Counsel, the Executive Vice President and Chief Financial Officer, the Executive Vice President - Project Operations, and I concur in the recommendation.”

In response to questions from Trustee McCullough, Mr. Hoff explained that staff has obtained all necessary permits for the work to be done.

The attached resolution is recommended for adoption.

RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds it necessary to acquire the real property shown and described as Parcel Nos. 56A and 56B on Blenheim-Gilboa Pumped Storage Power Project Map No. 35 from Kevin and Gianna Sullivan, and determines that the acquisition of such property is reasonably necessary and desirable for the operation and maintenance of the Blenheim-Gilboa Pumped Storage Power Project and approves such acquisition through purchase of this property for the consideration of \$13,500; and be it further

RESOLVED, That the President and Chief Operating Officer, the Executive Vice President and Chief Financial Officer, or the Director - Real Estate of the Authority be, and hereby is, authorized to execute on behalf of the Authority, in such form as approved by the Executive Vice President, Secretary and General Counsel of the Authority, such agreements, certificates, requests, and directions, on terms and conditions substantially in accord with the foregoing report, as are necessary or desirable for the acquisition of such real property; and be it further

RESOLVED, That the Director - Real Estate of the Authority be, and hereby is, authorized on behalf of the Authority to execute any and all other agreements, papers, or instruments which may be deemed necessary or desirable to carry out the foregoing.

7. Purchase of Interest Rate Cap Relating to Series 1 Commercial Paper Notes

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize the Chairman, the President and Chief Operating Officer, the Executive Vice President and Chief Financial Officer and the Treasurer to enter into one or more interest rate cap contracts relating to up to \$300 million in principal amount of Series 1 Commercial Paper Notes.

BACKGROUND

“The Authority currently borrows under its Series 1 Commercial Paper Program to fund various Energy Services and Technology projects. Presently, these borrowings total approximately \$200 million and are expected to rise to between \$225 million to \$250 million over the next two to three years. The borrowings finance the projects, and the cost of such projects is recovered from the participants in the projects over a two-to-ten year time period. Under most of these contracts, the Authority recovers its borrowing costs at a rate of 6%. If rates rise above the 6% level, the Authority must absorb the added interest costs and while the Energy Services and Technology group has entered into a master agreement with New York City that will raise the maximum rate from 6% to 8% in the future, almost all of the current receivables have a cap of 6%. If rates rise above the 6 % level, the Authority must absorb the added interests costs.

“The Series 1 Commercial Paper Program allows the Authority to borrow up to \$300 million for Energy Services and Technology projects.

DISCUSSION

“Staff has projected that the current receivables from Energy Services and Technology project participants that support the Authority’s borrowings of approximately \$200 million under the Series 1 Commercial Paper Program will be repaid over the next three to five years. Based upon this assumption, staff is recommending that the Authority enter into one or more interest rate cap contracts relating to the Series 1 Commercial Paper Notes. Under such a contract, the Authority would pay a fixed premium to the counterparty, in return for which the counterparty would be obligated to pay the Authority a sum of money if the average interest rate for a collection of securities similar to the Authority’s Series 1 Commercial Paper Notes (the ‘Market Rate’) rose above 6%, as described below. The sum to be paid to the Authority would equal the excess of the Market Rate over 6%. The result of this would be to effectively ‘cap’ the Authority’s exposure under the Series 1 Commercial Paper Notes to 6% or a rate very close to 6% depending upon how closely the Market Rate corresponds to the actual Series 1 Commercial Paper Note rate.

“The risks involved in this type of transaction are two-fold: (1) The counterparty fails to provide the payment promised under the contract. (2) As noted above, it develops that the Market Rate is lower than the actual Series 1 Commercial Paper Note rate, so that, while the Series 1 Commercial Paper Note rate rises above 6%, the Market Rate stays below 6% . Under that scenario no sums would be paid to the Authority. Staff believes that by choosing creditworthy counterparties and carefully selecting the Market Rate to be used, these risks become manageable and acceptable given the benefits to be derived form this type of transaction.

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“The interest rate cap contracts would have terms of three years, and would relate to an aggregate amount of Series 1 Commercial Paper Notes not to exceed \$300 million. The total cost of such contracts would not exceed 6 basis points per year (i.e., 6/100 of 1% of the principal amount of Series 1 Commercial Paper Notes which are the subject of the contract (e.g., if \$300 million, the cost would be \$180,000 per year)). The interest rate cap(s) will be competitively bid among the Authority’s qualified swap providers and entered into under the master swap agreements as approved by the Trustees in February, 1998. The cap or caps will limit the Authority’s borrowing cost under this program to 6% in any time period in which The Bond Market Association (‘TBMA’) Index exceeds 6%. The cap provider will pay the Authority any time the quarterly average for the TBMA Index exceeds 6% in return for the cost of the cap (premium) paid by the Authority to the provider, which cost would not exceed 6 basis points per year.

“Staff believes that, in light of current interest rates, these contracts will limit the Authority’s exposure to possible rising interest rates at a very reasonable cost. In addition, the Authority currently has over \$1 billion of variable rate debt representing about 47% of total debt. A cap would serve to fix a portion of this variable rate debt and lessen the Authority’s exposure to rising rates. The cap, coupled with the rapid pay down of the Authority’s Series 3 Commercial Paper Notes and the anticipated conversion of the Series 4 Commercial Paper Notes to tax-exempt fixed rate debt later in the year, would reduce the Authority’s level of variable-to-fixed-rate debt to less than 25%. This is a level at which the rating agencies are more comfortable, and would mitigate the concerns that the agencies have expressed concerning the Authority’s variable interest rate risk exposure.

FISCAL

“The cost of the interest rate cap will be recovered through charges to Energy Services and Technology Customers, or, if necessary, from the Operating Fund.

RECOMMENDATION

“The Treasurer recommends that the Trustees approve the execution of one or more interest rate cap contracts, based on a cap of 6% relating to an aggregate principal amount of Series 1 Commercial Paper Notes not to exceed \$300 million, having a term not to exceed three years, and at an aggregate cost not to exceed 6 basis points annually.

“The Executive Vice President, Secretary and General Counsel, the Executive Vice President and Chief Financial Officer, the Executive Vice President - Project Operations, and I concur in the recommendation.”

In response to questions from Trustee Miller, Mr. Collins explained that in older contracts, the Authority had agreed, in essence, to absorb increased interest costs for DSM improvements by agreeing to a fixed rate to be paid by the customer. In newer contracts, the Authority has not agreed to such terms. Mr. Delaney explained that whatever the Authority’s costs, staff should be able to work out the older contracts and that an interest rate cap should be guaranteed for no more than three to five years. In response to a question from Trustee Miller, Mr. Collins stated that NYPA receives repayments from customers of about \$30 million

to \$40 million per year which will retire the current fixed 6% receivables in about three to four years. In response to a question from Trustee Ciminelli, Mr. Collins stated that NYPA found the use of commercial paper more

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efficient and cost effective in funding the Authority's energy conservation programs, than securitizing the receivables and issuing fixed rate debt. The purchase of an interest rate cap will fix the interest rate NYPA pays, eliminating the risk of lending at a fixed rate and borrowing at a short-term or variable rate.

The attached resolution, as recommended by the President, was unanimously adopted.

RESOLVED, That the Chairman, the President and Chief Operating Officer, the Executive Vice President and Chief Financial Officer and the Treasurer be, and each of them hereby is, authorized on behalf of the Authority to enter into one or more interest rate cap contracts with entities to be selected by the Chairman, the President and Chief Operating Officer, the Executive Vice President and Chief Financial Officer or the Treasurer, provided that: (1) such contracts shall be entered into as a result of a competitive bidding procedure; (2) the aggregate principal amount of Series 1 Commercial Paper Notes that such contracts shall apply to shall not exceed \$300 million; (3) the interest rate cap in such contracts shall be 6%; (4) the term of each of such contracts shall not exceed 3 years; (5) the annual cost to the Authority under each such contract shall not exceed 6 basis points annually based on the amount to which such contract applies; (6) each contract shall have such terms and conditions, not inconsistent with those set forth in clauses (1) - (5) above, as such officer executing such contract shall deem necessary or advisable, such execution to be conclusive evidence of such approval; and be it further

RESOLVED, That the Chairman, the President and Chief Operating Officer, the Executive Vice President and Chief Financial Officer and the Treasurer be, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents to effectuate the foregoing resolution.

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8. **Information Item – Linked Deposit Program**

FYI - Comments From Letter of Charles A. Gargano, Chairman and Chief Executive Officer Empire State Development to Chairman Rappleyea dated May 6, 1998

Thank you for showing your support for the Linked Deposit Program ('LDP'). As you know, this highly successful economic development program has assisted in the creation of more than 1,500 new jobs and \$340 million new capital investment for New York State. Linked Deposit is a very popular program with the banking and business communities and it is an excellent economic development tool driven by the private sector. This unique State program is not funded by State appropriations, but by short term investing of existing resources at reduced rates of interest.

Under Chapter 711 of the Laws of 1996, each 'public authority or public benefit corporation must adopt a resolution setting forth a plan for participation in the LDP or formally resolving not to participate in LDP and setting forth the reason for non participation'. The LDP legislation allows for \$150 million for linked deposits: \$100 million from the Office of the State Comptroller and \$50 million from public authorities.

In accordance with this legislation, the Office of the Comptroller has made \$100 million available for LDP, and on April 14, 1998, the Board of Directors for Empire State Development, re-authorized the use of our \$10 million commitment toward the success and continuance of this program. In this spirit, I urge the Power Authority to make available its commitment of \$5,000,000 as indicated in the LDP Report presented to the Legislature in February 1998.

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9. Next Meeting

“The Regular meeting of the Trustees will be held on **Tuesday, June 30, 1998**, at the **Blenheim-Gilboa Pumped Storage Project, North Blenheim, New York, NY** at **11:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.”

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Closing

'Upon motion made and seconded, the meeting was closed at 12:15 p.m.'

David E. Blabey
Executive Vice President,
Secretary and General Counsel

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