

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

June 29, 1999

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Minutes of the regular meeting of the Power Authority of the State of New York held at the James A. FitzPatrick Nuclear Power Plant at 11:00 a.m.

Present: Clarence D. Rappleyea, Chairman
Louis P. Ciminelli, Trustee
Gerard D. DiMarco, Trustee
Frank S. McCullough, Jr., Trustee
Hyman M. Miller, Trustee

Eugene W. Zeltmann	President and Chief Operating Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President - Project Operations
Vincent C. Vesce	Executive Vice President – Corporate Services and Human Resources
John F. English	Senior Vice President – Corporate Planning
H. Kenneth Haase	Senior Vice President - Transmission
James Knubel	Senior Vice President – Chief Nuclear Officer
Louise M. Morman	Senior Vice President – Marketing and Economic Development
Robert L. Tscherne	Senior Vice President – Energy Services & Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Arnold M. Bellis	Vice President - Controller
Daniel Berical	Vice President – Policy & Governmental Affairs
Robert J. Deasy	Vice President – Appraisal & Compliance Services
John M. Hoff	Vice President – Procurement and Real Estate
Russell J. Krauss	Vice President - Chief Information Officer
Michael Petralia	Vice President – Public Affairs
Harry P. Salmon, Jr.	Vice President – Nuclear Engineering
Stephen P. Shoenholz	Deputy Vice President – Public Affairs
Carmine J. Clemente	Deputy General Counsel
Ronald W. Ciamaga	Regional Manager – Northern New York
John L. Murphy	Director – Public Information
James H. Yates	Director – Business Marketing & Economic Development
George W. Collins	Treasurer
Anne Wagner-Findeisen	Deputy Secretary
Vernadine Quan-Soon	Senior Assistant Secretary
Angela Graves	Assistant Secretary

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

1. Approval of the Minutes

The minutes of the Regular Meeting held on May 20, 1999 were approved.

2. Financial Report for the Five Months Ended May 31, 1999

3. Report from the President and Chief Operating Officer

At President Zeltmann's request, Mr. Krauss then briefed the Trustees on the current status and developments in the ongoing Year 2000 Program effort. Mr. Krauss stated that he is pleased to report that all milestones for each discrete Phase (i.e., program management; inventory, assessment; remediation/conversion; testing/validation; deployment; and contingency planning), which were due to be completed by June 30 have been completed as required. Mr. Krauss explained that all 698 computer systems, whether categorized as "critical," "severe," "high," "medium" or "low") were deemed "Ready" as of June 29, and that some 63 older systems had been retired from service.

Mr. Krauss then summarized and described the various forms of "readiness documentation" that had been amassed, including a letter from The MetaGroup upon completion of its recent Independent Verification and Validation Review which noted that the Authority's Y2K effort is ahead of its peers in the industry,

Turning to the next steps to be taken concerning the remaining Y2K deadlines, including deadlines imposed by the NRC as well as industry groups, Mr. Krauss outlined the principal activities scheduled for the 3^d and 4th quarters, primarily in the areas of change control (maintaining an environment of Y2K Readiness and contingency planning), as well as exercises and drills to be held in August and September, respectively.

In response to a question from Trustee Miller concerning whether the Y2K remediation program had brought other benefits to NYPA, Mr. Krauss explained that in addition to ensuring a smooth calendar rollover at the end of 1999, other benefits are accruing as a result of the Y2K effort, such as the recent implementation of the SAP system to replace the outdated Paris system, enhanced plant and systems documentation, updated communication and contingency planning capability and that the very process of inventorying the systems will foster greater productivity in their usage.

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Trustee Ciminelli commended Mr. Krauss and staff Authority-wide for having successfully met the mid-year deadline. Chairman Rappleyea and Trustee DiMarco expressed concurrence. Mr. Krauss pointed to the hundreds of employees throughout the organization who are laboring on what has been in effect the largest project ever undertaken on an Authority-wide basis. President Zeltmann stressed the need to continue and keep up the effort, and thanked Mr. Krauss and all staff members for their endeavors to date.

4. Power Allocations Under the Power for Jobs Program

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve 62 allocations of available power under the Power for Jobs program to the businesses listed in Exhibit ‘4-A’ which have been recommended for such allocations by the Economic Development Power Allocation Board (‘EDPAB’).

BACKGROUND

“In July 1997, Governor George E. Pataki and the New York State Legislature approved a program to provide low-cost power to businesses that agree to retain or create jobs in New York State. The Power for Jobs program originally made available 400 megawatts of power; 200 provided from the Authority’s James A. FitzPatrick Nuclear Power Project and 200 purchased by the Authority through a competitive bid process. The program was to be phased in over three years, with approximately 133 megawatts being made available each year. In July 1998, as a result of the initial success of the program, Governor Pataki and the Legislature have made an additional 50 megawatts of power available and have accelerated the distribution of the power. 267 megawatts were made available in Year 1.

“Approved allocations will entitle the customer to receive the power from the Authority pursuant to a sale for resale agreement with the customer’s local utility. A separate allocation contract between the customer and the Authority will contain job commitments enforceable by the Authority.

“The program is designed to assist New York State businesses that are at risk of reducing or closing their operations or moving out of State or are willing to expand job opportunities. Small businesses and not-for-profit corporations are also eligible. Businesses are required to create or maintain a specific number of jobs in order to qualify for an allocation. At ten meetings from December 1997 through May 1999, the Trustees’ approved allocations to 539 businesses under the Power for Jobs program.

DISCUSSION

“In an effort to receive quality applications and to announce the program, advertisements announcing the program were placed in major newspapers and business publications statewide; a direct-mail piece was distributed; regional meetings were hosted around the state; and the program was promoted through television ads within and without the state. To date, over 2,900 inquires have been received and over 1,500 applications have been sent to prospective customers.

“Completed applications were reviewed by EDPAB and recommendations were made based on a number of competitive factors including the number of jobs retained or created, the amount of capital investment in New York State and whether a business is at a competitive disadvantage in New York. Sixty-two applications were deemed highly qualified and presented to the EDPAB for its review on June 22, 1999. All remaining applications are still under review and will be considered at a later date.

“As a result of its meeting, the EDPAB recommended that the Authority’s Trustees approve the allocations to the 19 businesses, 28 small businesses and 15 not-for-profit corporations listed in Exhibit “A”. Collectively, these organizations have agreed to create or retain over 14,700 jobs in New York State in exchange for allocations totaling 22.635 megawatts (MW). The allocation contracts will be for a period of three years. The power will be wheeled by the investor-owned utilities as indicated in Exhibit “A”. The basis for EDPAB’s recommendations is also included in Exhibit “A”.

“The Trustees are also requested to approve job commitment revisions to the nine companies listed in Exhibit ‘4-B’. The Trustees in prior meetings had approved these companies for a Power for Jobs allocation. Their allocation was based on their commitment to retain or create jobs as indicated in the application submitted to EDPAB. Subsequent to Trustee approval but before entering into contract with the Authority, the companies have requested that their job commitment be revised to more accurately reflect their existing employment levels. The revisions are mainly due to confusion in accounting for part time and seasonal employees. The job number changes are insignificant in total and do not require changes to the amount of the allocation.

RECOMMENDATION

“The Director – Business Marketing and Economic Development and the Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocations of power under the Power for Jobs program to the companies listed in Exhibit ‘4-A’.

“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 with the recommendation.”

Chairman Rappleyea noted that there are two proposed recipients (Curtis Screw in Buffalo, Erie County, and Oberdorfer Industries in Syracuse. Onondaga County – both in the Niagara Mohawk service territory) with respect to which the Trustees’ proposed action is subject to ratification at the next EDPAB meeting. The need for ratification arises out of an abstentions on the part of one EDPAB members due to potential conflicts of interest as well as Board Member DelSindaco’s inability to attend the June 22 EDPAB meeting.

Chairman Rappleyea noted that the Power for Jobs program has now exceeded the quarter million job mark, which is some 210,000 jobs in excess of the original target of this three-year program. This month’s actions exhaust the 133 MWs available for the present program year, and only 50 MWs remain for Year 3. The 100 MW set-aside for small businesses and not-for-profit entities has been fully allocated.

The program continues to produce an outstanding jobs/MW impact, as evidenced in the 256,000 jobs resulting from allocations since the program’s inception of 400 MWs to 601 employers, which represents a ratio of some 640 jobs/MW, i.e., six times more than the originally anticipated quantity of 100 jobs per MW.

The Chairman noted that both houses of the Legislature have acted on bills that would increase the size of the program. The Senate bill, unanimously approved, would add another 400 MW to the program. The Assembly approved an omnibus energy bill that included Power for Jobs provisions and would add 200 MW to the program.

The proposed resolution was unanimously adopted, with the exception of the proposed allocation to the Community Baseball Club of Central New York Inc., with respect to which Trustee Miller abstained from voting, and which was adopted by a vote of 4 in favor, with 1 abstention.

The attached resolution, as recommended by the President, was adopted 4 to 1, with Trustee Miller abstaining.

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 22,635 MW of allocations of Power for Jobs power to the companies listed in Exhibit "4-A";

NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves allocations of Power for Jobs power to the companies listed in Exhibit "4-A" (the "Customers"), as submitted to this meeting, and that the Authority finds that such allocations are in all respects reasonable, consistent with the requirements of the Power for Jobs program and in the public interest; and be it further

RESOLVED, That a total of 22,635 MW of power from the James A. FitzPatrick Plant and power purchased by the Authority in a competitive bid process be sold to the utilities that serve such Customers for resale to them for a period of up to three years under the terms of both the Authority's Power for Jobs sale for resale contracts with the utilities and separate allocation contracts between the Authority and such Customers; and be it further

RESOLVED, That the Senior Vice President - Marketing and Economic Development or her designee be, and hereby is, authorized to negotiate, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, to execute any and all documents necessary or desirable to effectuate the foregoing.

Exhibit '4-B'
June 29, 1999

Company	Allocation (kW)	Jobs As Reported	Jobs As Revised	Change	Revised Jobs/MW
Display Producers	375	452	395	-57	1,053
Downtown Community TV	15	19	10	-9	667
Eastern Castings	250	52	46	-6	184
Great Neck Saw	1,200	484	435	-49	360
Strong Health/Highland Hospital	450	1,915	1,250	-665	2,778
J&N Vorchheimer	150	36	27	-9	180
Milazzo Wholesale Meats	75	35	26	-9	347
New York Blood Center	600	364	343	-21	572
Niagara Gear	100	42	41	-1	410
TOTALS:		3,399	2,573	-826	

**5. Conditional Transfer of Expansion Power –
AL Tech Specialty Steel Corporation**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the transfer of two current Expansion Power allocations, 2,800 kW and 4,000 kW, from AL Tech Specialty Steel Corporation (‘AL Tech’) to a new company (‘NEWCO’). The new company’s name will be determined at a later date. As part of the transfer, NEWCO will commit to achieve an employment level of 400 jobs, within five years, at its facility located in Dunkirk, N.Y., as part of the company’s five-year business plan, which includes a \$25 million capital expenditure program. This program is set to begin in the third quarter of 1999.

BACKGROUND

“AL Tech filed for protection under Chapter 11 of the United States Bankruptcy Code on December 31, 1997. The parent company, Sammi Steel in South Korea, has been facing extreme financial difficulties of its own and also filed for court protection in 1997. As a result, the assets of the company at both its Dunkirk and Watervliet facilities are being purchased by separate investors.

“Atlas Steels Inc. of Mississauga, Ontario (Canada) represents the new owners of the Dunkirk facility comprised of the following: Atlas will own approximately 45% and the employees will own 45% through the creation of an Employees’ Stock Option Plan (‘ESOP’). The remaining 10% will be divided between pre-petition creditors and management. Atlas indicated that the full Authority allocation, as spelled out in the current contracts, needs to be transferred to the Dunkirk facility in order for the transaction to be successful.

“The current Expansion Power contracts with AL Tech have two separate commitments. The contract for 2,800 kW commits to 695 jobs at Dunkirk and the contract for 4,000 kW has a total commitment for 945 jobs (695 at Dunkirk and 250 at Watervliet, Albany County).

“As noted, the current plan being discussed, which is subject to the Bankruptcy Court’s approval, is that the Dunkirk facility will be acquired by the Atlas investor group and the employees of AL Tech and the Watervliet plant will be sold separately. In fact, on June 18, 1999, a purchase agreement for the Watervliet facility was signed.

DISCUSSION

“The new company will still be one of the largest and highest paying employers in Chautauqua County. The employment level will be initially established at 283 and grow to approximately 400, with planned growth of a \$25 million capital expenditure program throughout the five-year business plan. Further, the new company will continue to provide and protect the pensions and post retirement medical benefits of AL Tech’s 1,850 retirees and spouses, which benefits are threatened by AL Tech’s bankruptcy.

“The employees of AL Tech, the United Steelworkers of America and Atlas Steels Inc. of Canada have come together in an effort to bring the company out of Chapter 11 and return it to viability, saving many jobs at the Dunkirk location. To be successful, the new ownership must move to enhance efficiencies, operate with fewer employees than in the past and cut costs wherever possible. Atlas management indicates that an important part of the new owners’ plan is for strategic investments to upgrade the Dunkirk facility. This program will provide growth to the company and opportunities for increased employment. Atlas also states that it has received commitments from the Empire State Development Corporation, the Chautauqua County IDA and the

New York State Department of Environmental Conservation for financial assistance to help keep the Dunkirk plant in operation and to facilitate its upgrade.

“The Trustee’s approval should be subject to and contingent upon the Bankruptcy Court’s approval of AL Tech’s filings and its planned reorganization, business growth plan, and commitments as indicated above.

“In accordance with Paragraph 21 of Schedule A of the Expansion Power Allocation and Service Agreement between the Authority, Niagara Mohawk Power Corporation and AL Tech Specialty Steel Corporation and with Section 460.7 of the Authority’s Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts) (21 NYCRR 460(1988)), no voluntary transfer of Expansion Power may be made without the written approval of the Authority.

RECOMMENDATION

“The Director - Business Marketing and Economic Development recommends that the Trustees approve the transfer of 6,800 kW of Expansion Power from AL Tech Specialty Corporation to NEWCO, subject to the Bankruptcy Court’s approval of AL Tech’s reorganization and subject to review in five years.

“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.”

Mr. Yates added that the proposed resolution to be adopted by the Trustees would be contingent upon the results of the bankruptcy proceedings and Authority staff’s auditing of the applicant’s job commitments.

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

RESOLVED, That the transfer of AL Tech Specialty Steel Corporation’s Expansion Power allocation of 6,800 kW to NEWCO be, and hereby is, approved subject: to the Bankruptcy Court’s approval of AL Tech’s reorganization; to further review and evaluation of the allocation five years from such approval; and to the terms and conditions set forth in the foregoing report of the President; and be it further

RESOLVED, That the Director - Business Marketing and Economic Development or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the above allocations, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

6. Authorization to Fund SENY and Statewide Energy Services Programs and to Increase Contract Funding Levels

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize increased funding in the amount of \$150 million for the Southeast New York (SENY) public customer Energy Services Program (‘SENY ESP’) and \$50 million for the Statewide Energy Services Program (‘Statewide ESP’). The SENY Program would enable the Authority to continue services included in the ten year Long Term Energy Partnership Agreements (‘LTEPA’) for a three-year period ending 2002. The Statewide Program would enable the continuance of services through the end of the year 2000. In addition, the Trustees are requested to expand existing contract amounts for Harris Energy Systems and Burns and Roe by \$25 million in aggregate for SENY ESP and increase the contract amounts for HEC Energy Services and Wendel Construction by \$20 million in aggregate for Statewide ESP.

BACKGROUND

“As part of the SENY LTEPA, the Authority provides energy services to reduce the SENY public customers’ overall energy costs. As a full-service energy provider in this market, the Authority meets public customers’ needs by offering low cost power and by providing value-added energy services. The services rendered are not limited to program specific offerings but, rather, are flexible to allow customers to request services specific to their individual needs. Customer-tailored project-specific offerings complement the Authority’s existing menu of programs and allow flexibility in the design of services which add overall customer value. To date, customer savings associated with SENY ESP initiatives amount to \$30 million annually with CO₂ avoidance totaling 261,000 tons per year.

“Services offered to the Authority’s retail customers as part of SENY ESP are also offered to public facilities across the state as part of the Authority’s Statewide ESP initiatives. Under this program, turn-key, direct installation services are provided to a broad number of facilities including State Office Buildings, SUNY campuses, County Facilities, and school districts. These efforts are coordinated closely with Intergovernmental Affairs as part of the Authority’s stakeholder and image management efforts. Customer savings associated with Statewide ESP amount to \$24 million annually and CO₂ avoidance of 106,000 tons per year.

“Both of these programs have enabled public customers to reduce their operating costs and embark on energy savings projects with no up-front capital, generating savings to pay for the overall improvements.

“The Authority provides services which include the development of feasibility studies, engineering designs, life cycle cost analyses, equipment procurement, contractor labor, hazardous waste disposal, project/construction management and full program financing. Measures include but are not limited to building envelope related improvements, energy efficient lighting systems, LED traffic signals, occupancy sensors, HVAC modernization including energy efficient chillers, boilers and controls, high efficiency motors and variable speed drives, energy management systems (EMS) and a variety of electrotechnologies.

DISCUSSION

“Based on the LTEPA executed with SENY customers, up to \$401.4 million in energy services program funding is contemplated over a 10-year period. To date, \$178 million has been authorized by the Trustees for this purpose. In discussions with various SENY customers regarding LTEPA energy services initiatives, it is expected that \$150 million in additional funding will be required to fulfill customer requirements through 2002. This amount includes funding for customers that have exceeded their LTEPA allocation but have asked the

Authority to provide design and construction services for which long term financing is not provided; payment for all such services is received immediately upon project completion. For facilities where full program financing is provided by the Authority, customer repayment is achieved in 10 years or less from energy cost savings.

“Contractor services provided in connection with SENY ESP are provided by Harris Energy Systems and Burns and Roe. These contractors were selected through a competitive bid solicitation with three year procurement (services) contract awards approved by the Trustees in December 1998. The Trustees authorized these contracts to January 2002, with an optional two-year extension period to 2004 with aggregate funding of \$25 million for the two contractors. It is requested that funding for these two contractors be increased by \$25 million in aggregate to accommodate the additional work. It should be noted that no new projects will be assigned to these contractors beyond the aggregate amount of \$50 million, and any additional work will be competitively bid.

“For Statewide ESP, staff is now requesting authorization to commit to projects through the end of the year 2000 and to provide the Trustees the opportunity to consider this added funding prior to participants’ expectations being raised to unrealistic levels. The amount of additional funding being requested is based on staff’s review of projects being developed and their potential to proceed through installation.

“In addition, staff is requesting that the aggregate limit of the existing procurement (services) contracts with HEC Energy Services and Wendel Construction be increased by \$20 million to accommodate the additional work.

“HEC and Wendel were also selected through a competitive bid solicitation process with three year contract awards approved by the Trustees in March 1998. Based on Trustee approval these contracts were initially issued for \$20 million in aggregate to April 2001 with an option for a two-year extension. It is requested that funding for these two firms be increased by \$20 million to accommodate additional projects. Additional contractor services required beyond the aggregate amount approved by the Trustees will be competitively bid.

FISCAL INFORMATION

“Additional energy efficiency program funding of \$150 million for SENY ESP and \$50 million for Statewide ESP is requested to fund the Authority’s energy service offerings under various programs. Energy Efficiency Program expenditures are currently funded primarily from the Energy Conservation Effectuation and Construction Fund using the Tax Exempt Commercial Paper Program. All costs, including Authority overheads and the cost of advancing funds, will be recovered within a repayment period not to exceed ten years. Collection experience to date has been excellent.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology recommends that the Trustees authorize the increase in funding for SENY and Statewide ESP and increase the contract amounts for Harris Energy Systems, HEC, Wendel, and Burns and Roe as described herein.

“The Vice President – Policy and Governmental Affairs, the Senior Vice President – Marketing and Economic Development, the Senior Vice President and Chief Financial Officer, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation.”

Trustee Miller noted that he has become increasingly persuaded as to the value of the Authority’s energy efficiency program and the benefits the program provides to citizens of the State.

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

RESOLVED, That the Senior Vice President – Energy Services and Technology or his designee be, and hereby is, authorized to execute Cost Recovery Agreements and other documents between the Authority and the Authority’s SENY and Statewide Energy Services Program participants and contractors, in such form as may be approved by the Executive Vice President, Secretary and General Counsel, to facilitate the implementation of the ESP program as recommended in the foregoing report and that the authorized funding level for the SENY Energy Services Programs (SENY ESP) be increased by \$150 million.

<u>Energy Conservation and Effectuation Construction Fund</u>	<u>Expenditure Authorization</u>
SENY ESP	
Previously Authorized	\$178 million
Additional Funding	\$150 million
Total Amount Authorized	<u>\$328 million</u>

AND BE IT FURTHER RESOLVED, That pursuant to the Authority’s Guidelines for Procurement Services Contracts, that \$25 million of the foregoing amount be allocated to the previously approved contracts for Harris Energy Systems and Burns and Roe, respectively, in the amounts and for the purposes listed below:

<u>Energy Conservation and Effectuation Construction Fund</u>	<u>Increased in Compensation Ceiling</u>	<u>Projected Closing Date</u>
Implementation of New SENY Projects		
Harris Energy Systems Burns and Roe	\$25 million (aggregate)	12/31/2002
Previously Authorized (12/15/98)	\$25 million	

AND BE IT FURTHER RESOLVED, That the authorized funding level for Statewide Energy Services Program (Statewide ESP) be increased by \$50 million.

<u>Energy Conservation and Effectuation Construction Fund</u>	<u>Expenditure Authorization</u>
Statewide ESP	
Previously Authorized	\$30 million
Additional Funding	\$50 million
Total Amount Authorized	<u>\$80 million</u>

AND BE IT FURTHER RESOLVED, That pursuant to the Authority’s Guidelines for Procurement Services Contracts, that \$20 million of the foregoing amount be allocated to the

previously approved contracts for HEC Energy Services and Wendel Construction, respectively, in the amounts and for the purposes listed below:

<u>Energy Conservation and Effectuation Construction Fund</u>	<u>Increased in Compensation Ceiling</u>	<u>Projected Closing Date</u>
Implementation of Statewide Projects		
HEC Wendel	\$20 million (aggregate)	4/30/2001
Previously Authorized (3/31/98)	\$30 million	

7. 1999 Revolving Credit Agreement

The President submitted the following report:

SUMMARY

“The Trustees are requested to (1) approve a \$700 million Revolving Credit Agreement with a syndicate of ten banks led by Morgan Guaranty Trust Company of New York for a term extending to February 1, 2003 to provide liquidity support for the Authority’s Series 1, 2 and 3 Commercial Paper Notes, the Series 1998B Revenue Bond mandatory tenders on November 15, 2001 and 2002, and any Series 1 and Series 2 Subordinate Revenue Bonds approved for issuance by the Trustees in the future; (2) authorize the amendment of the 1997 Revolving Credit Agreement to provide liquidity support for the Authority’s Series 4 Commercial Paper Notes; and (3) authorize the amendment of the Authority’s Amended and Restated Resolution Authorizing Commercial Paper Notes to delete a provision no longer applicable in light of the amendment of the 1997 Revolving Credit Agreement.

BACKGROUND

“The Authority has \$600 million of Series 1, 2 and 3 Commercial Paper Notes outstanding that require the Authority to maintain a bank line of credit while the Notes remain outstanding. The current line for the Series 1 Notes and Series 4 Notes will expire on July 15, 1999 and the current line for Series 2 and 3 Notes (the 1997 Revolving Credit Agreement) will expire on November 9, 1999.

“In addition, the Authority will need a line of credit to provide liquidity support for the mandatory tenders under the Series 1998B Revenue Bonds on November 15, 2001 and 2002, in case a disruption were to occur in the bond market and the bonds could not be re-marketed. These tenders total \$249 million. In anticipation of these tenders, the Authority expects to reduce its outstanding Series 1, 2 and 3 Commercial Paper Notes by \$150 million before November 15, 2001. After these reductions, sufficient liquidity will be available under the proposed line to cover the mandatory tenders of the Series 1998B Revenue Bonds.

“Finally, the proposed line of credit will provide liquidity support for any Series 1 and Series 2 Subordinate Revenue Bonds approved for issuance by the Trustees. Staff expects to present to the Trustees in the third quarter of this year a proposal for the issuance of \$150,000,000 Subordinate Revenue Bonds to retire an equal amount of Series 2 Commercial Paper Notes.

“Consolidation of the Authority’s ability to borrow for its Series 1, 2 and 3 Commercial Paper Notes, any future Subordinate Revenue Bonds, and the Series 1998B Revenue Bond mandatory tenders under one line is expected to satisfy all future liquidity requirements of the Authority through the year 2002. The consolidation will also strengthen the Authority’s credit rating, simplify internal administration, and reduce legal fees.

DISCUSSION

“The Authority invited twelve banks having AA ratings from at least one rating agency to submit proposals for a \$700 million credit facility. Although all the banks had expressed interest in the preliminary discussions, the Staff received only one proposal from Morgan Guaranty Trust Company of New York (‘Morgan’), which would act as agent for a syndicate of ten banks (including Morgan) that would provide the credit facility. The Morgan proposal would provide a \$700 million general facility to cover all the Authority’s subordinate indebtedness except for the Series 4 Commercial Paper Notes and the Adjustable Rate Tender Notes (‘ART Notes’). The Series 4 Commercial Paper Notes would be supported by the amended 1997 Revolving Credit Agreement and ultimately would be converted to long-term debt. The ART Notes are supported by an existing credit facility until September 5, 2001.

“The Morgan proposal would provide the credit facility for an annual commitment fee of 18/100 of 1%, payable on the unused amount of the facility and equivalent to \$1,260,000 per year. There would be an arranger’s fee of \$100,000 payable to Morgan and 5/100 of 1% to the syndicate of banks at closing. Since only one proposal was received by the Authority, the Staff made inquiries of two other large AA-rated banks that were not participating in the syndicate to determine if Morgan’s proposed commitment fee and expenses were fair and reasonable. The Staff found that they were in line with current pricing by those banks.

“In addition to the approval of the \$700 million credit facility with Morgan, the Trustees are also being asked to approve an amendment to the 1997 Revolving Credit Agreement (which currently secures the Series 2 and Series 3 Notes) to allow the credit facility to provide liquidity support for the Series 4 Commercial Paper Notes which provide funding for the Long Island Cable. This would allow the Authority time to convert these Notes into long term debt without having to negotiate a new line. The 1997 Revolving Credit Agreement line would also be reduced from its current amount of \$400 million to \$220 million.

“Finally, the Trustees are being asked to approve a deletion of a provision in Section 501(D) of the Amended and Restated Resolution Authorizing Commercial Paper Notes which refers to the use of the 1997 Revolving Credit Agreement for the payment of the Series 2 and Series 3 Notes. Since the 1997 Revolving Credit Agreement would no longer provide support for the Series 2 and Series 3 Notes, this provision would not be applicable and should be deleted.

FISCAL INFORMATION

“The annual cost of the proposed line would be \$1,260,000, with an additional payment at the time of closing of \$450,000. Commitment fees and expenses will be paid from the Operating Fund.

RECOMMENDATION

“The Treasurer recommends that the Trustees (1) approve the execution of the 1999 Revolving Credit Agreement with Morgan and the bankers listed in such agreement, in substantially the form attached hereto, (2) approve the amendment to the 1997 Revolving Credit Agreement to provide liquidity support for the Authority’s Series 4 Commercial Paper Notes, and (3) approve the amendment to Section 501(D) of the Amended and Restated Resolution Authorizing Commercial Paper Notes discussed above.

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

Trustee McCullough inquired whether a fixed rate would apply in the event of a takedown. Mr. Collins explained that rate would depend on the length of time involved and, in particular, whether the amount remains outstanding for more than 6 months.

In response to questions from Trustee DiMarco, Mr. Collins explained that the 5 basis points represent a one-time fee payable by the Authority. In response to a question from Trustee Miller, Mr. Collins explained that market interest rate increases would not affect the terms of the revolving credit agreement, which would only kick in should the Authority actually borrow funds thereunder.

In response to further questions from Trustee McCullough, Mr. Collins confirmed that the annual cost of the proposed line would be in addition to the one-time closing fee. Trustee Ciminelli inquired as to

whether the Trustees' approval would be sought in the event of any extension of the agreement and whether funds borrowed thereunder could be treated as a current liability. Mr. Collins responded in the affirmative to both questions, explaining that the funds would need to be repaid in less than 3 years, and preferably within 90 days of any takedown.

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

RESOLVED, That the Trustees authorize the execution by the Senior Vice President and Chief Financial Officer or the Treasurer, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, on behalf of the Authority, of the 1999 Revolving Credit Agreement between the Authority and Morgan Guaranty Trust Company of New York, as Administrative Agent, The Bank of Nova Scotia, as Documentation Agent, and the banks listed in such Agreement, in substantially the form attached hereto as Exhibit "7-A", with such additions, deletions and modifications as such authorized executing officer deems in his discretion to be necessary or appropriate, such execution to be conclusive evidence of such approval, provided that such credit facility shall have an initial term not exceeding February 1, 2003 (subject to extensions as provided in the Agreement) and shall not exceed \$700 million in borrowing capacity; and be it further

RESOLVED, That the Senior Vice President and Chief Financial Officer and the Treasurer are each authorized to execute amendments to the 1997 Revolving Credit Agreement, having such terms and conditions as such authorized executing officer deems necessary or appropriate in his discretion, to effectuate such Revolving Credit Agreement providing sufficient liquidity support solely for the Series 4 Commercial Paper Notes; and be it further

RESOLVED, That Section 501(D) of the Amended and Restated Resolution Authorizing Commercial Paper Notes, adopted by the Authority on November 25, 1997, as amended by a resolution adopted by the Authority on January 26, 1999, is amended by deletion of the last sentence of Section 501(D), with such amendment to be effective on the date the 1999 Revolving Credit Agreement is effective; and be it further

RESOLVED, That the Chairman, the President and Chief Operating Officer, the Executive Vice President, Secretary and General Counsel, the Senior Vice President and Chief Financial Officer, the Treasurer, and the Deputy Treasurer, are, and each hereby is, authorized to do and perform or cause to be done and performed in the name and on behalf of the Authority, all other acts, to execute and deliver or cause to be executed and delivered all other notices, requests, directions, consents, approvals, orders, applications, agreements, certificates, and further documents or other communications of any kind under the corporate seal of the Authority or otherwise as he, she or they may deem necessary, advisable or appropriate to effect the intent of the foregoing resolutions.

POWER AUTHORITY OF THE STATE OF NEW YORK
1999 REVOLVING CREDIT AGREEMENT

Dated as of July 1, 1999

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POWER AUTHORITY OF THE STATE OF NEW YORK

1999 REVOLVING CREDIT AGREEMENT

AGREEMENT dated as of July 1, 1999 (the "Agreement"), between the POWER AUTHORITY OF THE STATE OF NEW YORK (the "Authority"), the banks listed on the signature pages hereof (together with each Assignee which becomes a Bank pursuant to §15(E) hereof and their respective successors, the "Banks"), THE BANK OF NOVA SCOTIA, as Documentation Agent (the "Documentation Agent"), and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as the Administrative Agent (together with its successors in such capacity, the "Administrative Agent").

In consideration of the covenants and conditions herein contained, the parties agree as follows:

§1. CERTAIN DEFINITIONS. As used herein:

"*Act*" means the Power Authority Act of the State, Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, as amended.

"*Adjusted Base Rate*" means, for any day, a rate per annum equal to the higher of (i) the rate of interest announced publicly by the Administrative Agent at its principal office in New York, New York, as its prime rate, and (ii) the sum of 1/2 of 1 percent and the Federal Funds Rate for such day.

"*Adjusted Base Rate Loan*" means a loan which bears interest at the Adjusted Base Rate pursuant to the applicable Notice of Borrowing or Notice of Interest Rate Election or the provisions of §5(D) hereof.

"*Applicable Lending Office*" means with respect to each Bank, such Bank's Domestic Lending Office in the case of an Adjusted Base Rate Loan, and such Bank's Eurodollar Lending Office in the case of a Eurodollar Rate Loan.

"*ART Notes*" means the Adjustable Rate Tender Notes issued pursuant to the 1985 Resolution.

"*Assignee*" has the meaning set forth in §15(E) hereof.

"*Authorized Officer*" means the Chairman or Vice Chairman of the Authority, its President and Chief Operating Officer, its Senior Vice President and Chief Financial Officer, its Treasurer, and its Deputy Treasurer.

"Borrowing" means a borrowing consisting of Loans of the same type made on the same day by the Banks.

"business day" means a day other than a Saturday, Sunday or banking holiday in the State of New York, and, if the applicable business day relates to any Eurodollar Rate Loan, on which dealings are carried on in the London interbank market.

"Commercial Paper Notes" means those notes issued pursuant to the Commercial Paper Note Resolution designated as "Series 1 Notes," "Series 2 Notes" and "Series 3 Notes."

"Commercial Paper Note Resolution" means the resolution adopted by the Authority on June 28, 1994, entitled "Resolution Authorizing Commercial Paper Notes", as amended and restated by the resolution adopted by the Authority on November 25, 1997, and as amended by the resolution of the Authority adopted on January 26, 1999 and the resolution of the Authority adopted on June 29, 1999.

"Commitment" has the meaning specified in §3 hereof.

"Domestic Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Domestic Lending Office" on the signature page hereof, or such other office of such Bank as such Bank may from time to time specify to the Authority and the Administrative Agent.

"Effective Date" means July 1, 1999.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Eurodollar Lending Office" on the signature page hereof (or, if no such office is specified, its Domestic Lending Office), or such other office of such Bank as such Bank may from time to time specify to the Authority and the Administrative Agent.

"Eurodollar Rate" applicable to any Interest Period means a fixed rate of interest equal to the average rate per annum (rounded upward to the nearest 1/16 of 1%) at which deposits in U.S. dollars are offered to Morgan Guaranty Trust Company of New York in London in the London interbank market at 11:00 A.M. (London time) two business days before the first day of the applicable Interest Period in an amount substantially equal to such Bank's Loan to which such Interest Period is to apply and for a period equal to such Interest Period.

"Eurodollar Rate Loan" means a Loan which bears interest at a rate of interest determined on the basis of a Eurodollar Rate pursuant to the applicable Notice of Borrowing or Notice of Interest Rate Election.

"Eurodollar Rate Reserve Percentage" of any Bank for the Interest Period for any Eurodollar Rate Loan means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) or by such Bank's home country regulator, for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Bank with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"Existing Resolutions" means the 1998 Resolution, the Morgan Note Resolution, the 1985 Note Resolution, the 1995 Revolving Credit Agreement Resolution, the 1997 Revolving Credit Agreement Resolution, the 1999 Revolving Credit Agreement Resolution, and the Commercial Paper Note Resolution.

"Extending Bank" has the meaning set forth in §4 hereof.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the business day next succeeding such day, provided that (i) if such day is not a business day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding business day as so published on the next succeeding business day, and (ii) if no such rate is so published on such next succeeding business day, the Federal Funds Rate for such day shall be the average rate quoted to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

"hereunder", "hereby", "herein", "hereof" and the like mean and refer to this Agreement as a whole and not merely to the specific section, paragraph or clause in which the respective work appears.

"Interest Period" means with respect to a Eurodollar Rate applicable to a Loan, the period commencing on the date such Loan is made or a new Eurodollar Rate is selected or renewed, as the case may be, and ending, as the Authority may select pursuant to §3(B) hereof on the numerically corresponding day in the first, second, third or sixth calendar month thereafter (or in such subsequent calendar month as to which the parties mutually agree), provided that each such Interest Period which commences on the last business day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last business day of the appropriate calendar month.

"Loan" means a Eurodollar Rate Loan or an Adjusted Base Rate Loan.

"Loan Rate" has the meaning set forth in §3(B) hereof.

"Majority Banks" means at any time Banks holding at least 66 2/3% of the then aggregate unpaid principal amount of the Notes held by Banks, or, if no such principal amount is then outstanding, Banks having at least 66 2/3% of the Commitments.

"Margin" means, (i) with respect to a Eurodollar Rate Loan, (x) for any day during the period from the date of Borrowing applicable to such Loan to but excluding the Term Loan Date, 1.25% and (y) for the Term Loan Date and any day after the Term Loan Date, 1.50% and (ii) with respect to an Adjusted Base Rate Loan, (x) for any day up to but excluding the Term Loan Date, 0% and (y) for the Term Loan Date and any day after the Term Loan Date, 0.25%, provided, however, that if the Series 1998 Revenue Bonds are downgraded by Moody's Investors Service ("Moody's") to Baa1 or lower, or by Standard & Poor's Rating Group, a division of McGraw-Hill Companies, Inc. ("Standard & Poor's") to BBB+ or lower, or if either such rating agency withdraws its rating of such bonds based upon the credit of the Authority, each of the percentages above shall be increased by adding to such percentage the amount of 0.50%.

"Morgan Note Resolution" means the resolution of the Authority adopted on December 15, 1994, authorizing an agreement between the Authority and Morgan Guaranty Trust Company of New York, Inc., dated February 1, 1995, and the issuance of notes thereunder in an aggregate principal amount not to exceed \$150,000,000 outstanding at any time, and including any subsequent resolution of the Authority providing for renewal of loan arrangements authorized by the foregoing.

"1985 Note Resolution" means the resolution adopted by the Authority on April 30, 1985 entitled "Resolution Authorizing the Issuance of \$200,000,000 Adjustable Rate Tender Notes."

"1998 Resolution" means the General Resolution Authorizing Revenue Obligations adopted by the Authority on February 24, 1998, as amended and supplemented in accordance with its terms; *provided, however*, that no amendment or modification to the definition of "Trust Estate," "Parity Debt", "Subordinated Contract Obligation" or "Subordinated Indebtedness" therein (including any defined term incorporated by reference in such definition) shall be effective for purposes of this Agreement or with respect to the Notes unless made with the consent of the Majority Banks (which consent shall not be unreasonably withheld).

"1995 Revolving Credit Agreement Resolution" means the resolution of the Authority adopted on July 25, 1995, authorizing the execution of a Revolving Credit Agreement with Morgan Guaranty Trust Company of New York, Inc., as Agent, and the banks named therein.

"1997 Revolving Credit Agreement Resolution" means the resolution of the Authority adopted on November 25, 1997, authorizing the execution of a Revolving Credit Agreement

with Morgan Guaranty Trust Company of New York, Inc., as agent for the banks, including itself, specified in such Agreement.

"1999 Revolving Credit Agreement Resolution" means the resolution of the Authority adopted on June 29, 1999, authorizing the execution of this Agreement.

"Non-Terminating Event of Default" has the meaning set forth in §12 hereof.

"Note" shall have the meaning as defined in §3 hereof.

"Notice of Borrowing" has the meaning set forth in §4(A) hereof.

"Notice of Interest Rate Election" has the meaning set forth in §4(A) hereof.

"Obligations" has the meaning set forth in the 1998 Resolution.

"Other Taxes" has the meaning set forth in §9(B) hereof.

"Parent" means, with respect to any Bank, any Person controlling such Bank.

"Parity Debt" has the meaning set forth in the 1998 Resolution.

"Person" means any individual, partnership, joint venture, firm, corporation or governmental entity.

"Required Interest Coverage" has the meaning set forth in the Supplemental Resolution.

"Series 1998 Revenue Bonds" means the Series 1998A, Series 1998B, Series 1998C, and Series 1998D Revenue Bonds issued by the Authority pursuant to the 1998 Resolution.

"Series 1998B Revenue Bonds" means the Series 1998B Revenue Bonds issued by the Authority pursuant to the 1998 Resolution.

"Series 1998B Revenue Bond Loan" has the meaning given in § 3(A) hereof.

"State" means the State of New York.

"Subordinated Contract Obligation" has the meaning set forth in the 1998 Resolution.

"Subordinated Indebtedness" has the meaning set forth in the 1998 Resolution.

"Subordinate Resolution" means the General Subordinate Resolution authorizing Subordinate Indebtedness (the "General Subordinate Resolution") to be adopted by the Authority in substantially the form of the draft dated April 20, 1999, heretofore approved by the Administrative Agent, as supplemented by the First Supplemental Subordinate Resolution

authorizing Subordinate Revenue Bonds, Series 1 and 2 (the "Supplemental Resolution"), to be adopted by the Authority in substantially the form of the draft dated April 20, 1999, heretofore approved by the Administrative Agent, and as amended and supplemented after its adoption in accordance with its terms.

"Subordinate Revenue Bonds" means bonds to be issued pursuant to the Supplemental Resolution, when such bonds are in the Daily, Weekly, or Commercial Paper Mode, as defined in the Supplemental Resolution.

"Taxes" has the meaning set forth in §9(A) hereof.

"Termination Date" means: (a) February 1, 2003; or (b) such earlier date on which the Commitments shall be terminated in full as permitted herein; or (c) such later date or dates as may be agreed upon from time to time by the Authority, the Banks, and the Administrative Agent in accordance with §4(C) hereof.

"Terminating Event of Default" has the meaning set forth in §12 hereof.

"Term Loan Date" means, with respect to each Loan, the earlier of (a) the first business day that is 180 days after the date such Loan is made and (b) the Termination Date.

"Trust Estate" has the meaning set forth in the 1998 Resolution.

§2. REPRESENTATIONS.

The Authority represents, covenants and warrants, as of the Effective Date and, except for those representations, covenants and warranties set forth in §2(F) hereof, as of each date on which the Commitments are increased pursuant to §3(I) hereof, that:

2.A. *Existence and Power.* The Authority is a body corporate and politic, a political subdivision and a corporate municipal instrumentality of the State, created in 1931 by and validly existing under the Act. The Authority has the power to execute and deliver this Agreement and the Notes and to incur and perform its obligations hereunder and under the Notes.

2.B. *Authority, etc.* The execution, delivery and performance by the Authority of this Agreement and the Notes have been duly authorized by all necessary action of the Authority, including the 1999 Revolving Credit Agreement Resolution. The Authority has heretofore delivered to the Banks a copy of the 1999 Revolving Credit Agreement Resolution, certified as true and correct by the Deputy Secretary of the Authority, and the 1999 Revolving Credit Agreement Resolution is in full force and effect. Assuming that this Agreement constitutes a legal, valid, and binding obligation of, and is enforceable against, the Administrative Agent and the Banks, this Agreement constitutes a legal, valid and binding obligation of the

Authority enforceable in accordance with its terms, and the Notes have been duly executed and delivered by the Authority and, upon the making of any Loan hereunder in accordance herewith, will constitute legal, valid and binding, direct and general obligations of the Authority enforceable in accordance with their terms and the terms of the 1999 Revolving Credit Agreement Resolution and this Agreement, subject to bankruptcy, insolvency and other laws affecting the rights of creditors generally, and shall be entitled to the benefits of the 1999 Revolving Credit Agreement Resolution, of this Agreement and of the Act, subject to the pledges created by the 1998 Resolution and as permitted by §8(C) hereof. The making and performance by the Authority of this Agreement and the Notes will not violate any provision of law or result in a breach of or constitute a default under or require any consent under any agreement or instrument to which the Authority is a party or by which the Authority or its property may be bound or affected or result in the creation or imposition of any "security interest" (as defined in §8(C) hereof) on any asset of the Authority except for the pledge contemplated hereby.

2.C. Financial Condition. The financial statements of the Authority for the year ended December 31, 1998, with the opinions thereon of independent certified public accountants, copies of which have been delivered to the Administrative Agent, are complete and correct and fairly present the financial condition of the Authority as at the dates of said financial statements and the results of its operations for the periods ending on said dates. The Authority has no contingent obligations or liabilities, liabilities for taxes or unusual forward or long-term commitments which are material in amount, except as disclosed by or reserved against in said financial statements as at December 31, 1998, which would have a material adverse effect on the ability of the Authority to pay the principal of and interest on the Notes when due. Since December 31, 1998 and as of the Effective Date, there has been no material adverse change in the financial condition or in the results of operations of the Authority from that set forth in said financial statements as of December 31, 1998 which would have a material adverse effect on the ability of the Authority to pay the principal of and interest on the Notes when due.

2.D. Litigation. There are no suits or proceedings pending, or to the knowledge of the Authority threatened, against or affecting the Authority, questioning the creation, organization or existence of the Authority or the validity of this Agreement or the Notes or any of the bonds or notes herein referred to or which, if adversely determined, would otherwise have a material adverse effect on the ability of the Authority to pay the principal of and interest on the Notes when due, except as may be referenced in the opinion referred to in §7(A)(4) hereof.

2.E. Government Approvals. No governmental approvals, licenses, authorizations, consents, filings or registrations (other than the approval of the Comptroller of the State of New York pursuant to the Act, which approval has been obtained and a copy thereof furnished to the Administrative Agent) are required for the making and performance by the Authority of this Agreement and the issuance of the Notes.

2.F. *Obligations for Borrowed Money.*

(1) *Series 1998 Revenue Bonds.* Pursuant to the 1998 Resolution, the Authority has issued and is obligated to pay and there were outstanding on the Effective Date, an aggregate of not more than \$1,218,090,000 principal amount of Series 1998 Revenue Bonds of the Authority. The Series 1998 Revenue Bonds are Obligations.

(2) *Morgan Notes.* Pursuant to the Morgan Note Resolution, the Authority has issued a note in a principal amount not to exceed \$150,000,000 which is payable on February 1, 2000 or on prior demand. The principal amount of such note outstanding on the Effective Date was \$61,250,000. Such note (the "Morgan Note") is Subordinated Indebtedness.

(3) *Adjustable Rate Tender Notes.* Pursuant to the 1985 Note Resolution, the Authority issued its Adjustable Rate Tender Notes ("ART Notes") in the principal amount of \$200,000,000 on May 15, 1985, of which \$188,125,000 in principal amount were outstanding on the Effective Date. Such ART Notes are Parity Debt.

(4) *Commercial Paper Notes.* Pursuant to the Commercial Paper Note Resolution, the Authority is currently authorized to issue its (i) Commercial Paper Notes in an aggregate principal amount outstanding at any time not to exceed \$1 billion, with \$581,878,000 of such Notes outstanding on the Effective Date; and (ii) commercial paper notes designated as "Series 4 Notes" in an aggregate principal amount outstanding at any time not to exceed \$220 million, with \$216,200,000 of such Notes outstanding on the Effective Date. The Commercial Paper Notes and the Series 4 Notes are Subordinated Indebtedness.

(5) *Other.* No bonds, notes or other obligations for money borrowed by the Authority other than those described in this §2(F) are outstanding on the Effective Date, except for General Purpose Bonds or other obligations for which moneys and/or obligations of the United States have been set aside or placed in trust for the payment or redemption thereof and which have thereby been fully defeased in accordance with their terms.

2.G. *Title and Liens.* The Authority (or the State of New York for the benefit of the Authority) has good and legal title to each of the fixed properties and assets of the Authority. There are no liens or encumbrances (a) on any properties of the Authority the foreclosure of which would have a materially adverse effect upon the ability of the Authority to perform its obligations under this Agreement and the Notes, except as described in this Agreement; or (b) on the revenues of the Authority other than the pledge effected hereby and by and pursuant to the Existing Resolutions.

2.H. *Security for the Notes.* Each Note is a direct and general obligation of the Authority payable from the Trust Estate and, except for that portion of a Note evidencing Series 1998B Revenue Bond Loans, is Subordinated Indebtedness, and, as of the Effective Date, is subordinate only to the debt secured by the pledges created by the 1998 Resolution,

the 1985 Note Resolution, the 1995 Revolving Credit Agreement Resolution and as permitted by §8(C) hereof, and, except for that portion of a Note evidencing Series 1998B Revenue Bond Loans, the lien securing each Note is on a parity with the pledges made to holders of obligations issued under the Morgan Note Resolution, the 1997 Revolving Credit Agreement Resolution, the Commercial Paper Note Resolution, and any subsequent resolutions of the Authority, including the Subordinate Resolution (other than those permitted under §8(C) hereof), authorizing the issuance of debt.

2.I. *ERISA*. Any employee pension benefit plan or a plan qualifying under Section 401(a) of the Internal Revenue Code of 1986, as amended, maintained by the Authority is currently exempt from the requirements of Titles I and IV of the Employee Retirement Income Security Act of 1974, as amended.

2.J. *Year 2000 Readiness*. The Authority has (i) initiated a review and assessment of all areas within the business and operations of the Authority that could be adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications used by it may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999), (ii) developed a plan which includes a projected timeline, for addressing the Year 2000 Problem on a timely basis and (iii) has implemented such plan. The Authority's objective is that all computer applications that are material to the business or operations of the Authority will on a timely basis be able to perform properly date-sensitive functions for all dates on or before, and after, January 1, 2000, and the Authority has no reason to believe that it will not fulfill this objective.

The foregoing paragraph shall be deemed to be a "Year 2000 Readiness Disclosure."

§3. REVOLVING CREDIT.

Each Bank severally agrees, on the terms of this Agreement, to make Adjusted Base Rate Loans and Eurodollar Rate Loans to the Authority under this §3 from time to time from the Effective Date to and including the business day next preceding the Termination Date, at such time (on a business day) and in amounts as the Authority shall request such that the aggregate principal amount of Adjusted Base Rate Loans and Eurodollar Rate Loans at any one time outstanding shall not exceed the amount set forth opposite such Bank's name on the signature page hereof, as such amount may be reduced or increased pursuant to the terms of this Agreement (such Bank's "Commitment"). Within the limits of each Bank's Commitment, the Authority may borrow, repay, prepay, and reborrow under this §3 from the Effective Date to and including the business day next preceding the Termination Date. If the Authority makes more than four Borrowings in any calendar year, then, for the fifth and each additional Borrowing, the Authority shall pay to the Administrative Agent an amount equal to the product of (x) \$250 and (y) the number of Banks which are parties to this Agreement at such time. Each Borrowing from the Banks shall be in a minimum amount of \$100,000 or any greater multiple of \$1,000 in excess thereof and shall consist of Loans of the same type made on the

same day by the Banks ratably according to their respective Commitments. On and after the date thirty (30) days following the Effective Date, the Authority shall have the right, upon at least three business days' notice to each Bank, to terminate in whole or reduce ratably in part the Commitments, provided, however, that after any such decrease, the Authority may increase the Commitments in accordance with the procedures set forth in §3(I) hereof. Any partial reduction shall be in the minimum amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof. The following provisions shall apply to the Loans:

3.A. *Note.* Each Loan and the indebtedness of the Authority resulting from each Loan made by each Bank shall be evidenced by, and repaid with interest in accordance with, a promissory note to the order of such Bank (collectively, if more than one Note is issued, the "Notes" and, individually, a "Note"), in substantially the form of Exhibit A hereto, dated the date hereof, which is being delivered to each Bank simultaneously with the delivery of this Agreement.

Each Loan to the Authority for the purpose of paying the purchase price of Series 1998B Revenue Bonds upon their tender on November 15, 2001 and November 15, 2002 shall be evidenced on the Notes as a "Series 1998B Revenue Bond Loan." Each such Series 1998B Revenue Bond Loan shall constitute Parity Debt.

All Loans shall be repaid in accordance with the terms of the Notes. Each Note is a direct and general obligation of the Authority payable from the Trust Estate in the manner set forth in the 1998 Resolution and, except insofar as it evidences a Series 1998B Revenue Bond Loan, constitutes Subordinated Indebtedness. Upon demand by the Authority on any business day from the Effective Date to the later of the Termination Date or the date of payment in full of the Notes, each Bank will furnish to the Authority, within one business day after its receipt of such demand, a written certificate setting forth any information the Authority may request with respect to the amount and date of any Loan and any payment or prepayment of the Notes and the then outstanding principal amount of the Notes, or, within three business days after receipt of such demand, a copy of the Notes certified by such Bank to be true and correct copies, as specified by the Authority in such demand. Upon the termination of the Commitments, whether on or before the Termination Date, and final payment of the then outstanding principal and interest on the Notes and any other amounts payable hereunder or under the Notes, the Notes shall be surrendered by each Bank to the Authority and cancelled at the principal office of the Authority or at such other time and place as may be mutually agreed upon.

3.B. *Interest Periods; Loan Rate Selections.* The Loans shall bear an interest rate at the (i) Adjusted Base Rate plus the applicable Margin or (ii) the Eurodollar Rate plus the applicable Margin (each a "type" of "Loan Rate") or as otherwise provided in the Note. In the case of a Loan that is to bear a Eurodollar Rate, the Authority shall select an Interest Period of any duration in accordance with the definition of Interest Period in §1 hereof, subject to the

following limitations: (i) no Interest Period shall have a duration less than one month, and (ii) if an Interest Period would end on a day which is not a business day, such Interest Period shall be extended to the next business day unless such business day would fall in the next calendar month in which event such Interest Period shall end on the immediately preceding business day. Upon notice to the Administrative Agent as provided in §4(A) hereof, the Authority may select a new type of Loan Rate (and, if a Eurodollar Rate is proposed, the Interest Period applicable thereto) on the second business day before the last day of any previously chosen Interest Period, with such Interest Period (if a Eurodollar Rate is to apply) being of the same or different duration in accordance with the aforementioned limitations. If the Authority shall fail to give notice to the Administrative Agent of such selection, the Adjusted Base Rate shall thereafter apply unless and until a new Interest Period applicable to a Eurodollar Rate shall be selected by the Authority in accordance with the provisions of §4 hereof.

3.C. *Interest.* The Authority agrees to pay interest on the unpaid principal amount of each Loan made hereunder for the period commencing on the date of such Loan until such Loan shall be paid in full, at a rate per annum established pursuant to the provisions of §3(B) hereof. The foregoing rate of interest may be adjusted pursuant to §9 hereof. Interest shall be computed in accordance with, and shall be due and payable on, the dates specified in the Note. The Loan Rate for each Loan shall initially be the Adjusted Base Rate unless the Authority selects a Eurodollar Rate as provided in §4(A) hereof.

All computations of interest based on the Adjusted Base Rate shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or the Federal Funds Rate shall be made by the Administrative Agent, and all computations of interest payable to a Bank pursuant to §3(G) hereof shall be made by such Bank, on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or commitment fees are payable. Each determination by the Administrative Agent (or, in the case of §3(G) hereof, by a Bank) of an interest rate hereunder shall be conclusive and binding on the Authority for all purposes, absent manifest error. Any amount which is not paid when due hereunder or under any Note (whether at stated maturity, by acceleration, default or otherwise) shall bear interest, from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to 2% per annum above the Adjusted Base Rate in effect from time to time.

3.D. *Fees.* The Authority will pay a Commitment fee to the Administrative Agent for the account of the Banks ratably in proportion to their Commitments: for the period from the Effective Date to and including the day next preceding the Termination Date, computed at the rate of 18/100 of 1% per annum on the daily average amount by which the aggregate amount of the Commitments exceeds the aggregate outstanding principal amount of the Loans, provided, however, that if the Series 1998 Revenue Bonds are downgraded by Moody's to Baa1 or lower, or by Standard & Poor's to BBB+ or lower, or if either such rating agency

withdraws its rating of such bonds based upon the credit of the Authority, the Commitment fee rate shall increase to 35/100 of 1% per annum. The Commitment fee shall be paid quarterly in arrears on: (a) the first business day after the last day of each February, May, August, and November during the period from the Effective Date to the Termination Date, and (b) the Termination Date. All computations of Commitment fees shall be made on the basis of a year of 360 days and actual number of days elapsed.

3.E. *Capital Requirements Adjustment.* If, as a result of any change after the date of this Agreement in (including any adoption of) any laws or regulations, or the adoption or making after such date of any interpretations, directives or requirements applying to a class of banks including each Bank of, or under, any laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof, a Bank reasonably determines that it is required to increase the amount of capital maintained by such Bank (or its Parent) based upon the existence of its Commitment hereunder or commitments to lend under agreements of this type or based upon Loans made hereunder, such Bank shall promptly notify the Authority of an adjustment of its Commitment fee payable hereunder or other payments required to be made hereunder that will, in the reasonable determination of such Bank, adequately compensate such Bank (or its Parent) in light of such required increase in capital. In determining the amount of such adjustment, such Bank may use any reasonable allocation, averaging and attribution methods and may make reasonable assumptions regarding such matters as cost of capital, and any such reasonable determination made by such Bank shall, in the absence of arithmetic error, be conclusive and binding. The adjustment of the Commitment fee or other payments pursuant to this §3(E) shall be applicable from the effective date of the change causing such adjustment or other payments. Such Bank shall notify the Authority of any such change promptly and in any event not more than 90 days after the occurrence thereof and, as soon as practicable thereafter, of the amount of the adjustment to the Commitment fee or other payments resulting therefrom. It is expressly understood that each reference in this §3(E) to the Banks shall include the holder of a participation issued by each Bank in the Commitment and any such participant shall be subject to the provisions of this §3(E); provided that the amount of any payment required under this §3(E) shall be determined as if such Bank had not sold such participation.

3.F. *Increased Costs.* If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements, in the case of Eurodollar Rate Loans, included in the Eurodollar Rate Reserve Percentage) in or in the interpretation of any governing law or regulation or (ii) the compliance with any requirement from any central bank or other governmental authority, whether or not having the force of law, provided that the Bank making a claim under this §3(F) based on such requirement, in its reasonable discretion, determines that it is required to comply with such requirement, there shall be any increase in the cost to any Bank of committing to make pursuant to §4(A) hereof or making, funding or maintaining Eurodollar Rate Loans, then the Authority shall from time

to time, upon demand by such Bank (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Bank additional amounts sufficient to compensate such Bank for such increased cost. A certificate as to the amount of such increased cost, submitted to the Authority and the Administrative Agent by such Bank, shall be conclusive and binding for all purposes, absent manifest error. It is expressly understood that each reference in this §3(F) to the Banks shall include the holder of a participation issued by each Bank in the Commitment and any such participant shall be subject to the provisions of this §3(F); provided that the amount of any payment required under this §3(F) shall be determined as if such Bank had not sold such participation.

3.G. *Additional Interest on Eurodollar Rate Loans.* The Authority shall pay to each Bank, if and so long as such Bank shall be required under regulations of the Board of Governors of the Federal Reserve System or its respective home country regulator to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Loan of such Bank during such periods as such Loan is a Eurodollar Rate Loan, from the date of such Loan until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for such Interest Period for such Eurodollar Rate Loan from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Bank for such Interest Period, payable on each date on which interest is payable on such Eurodollar Rate Loan. Such additional interest shall be determined by such Bank and notified to the Authority through the Administrative Agent.

3.H. *Use of Proceeds; Further Representations.* The proceeds of the Loans shall be used for

(a) the payment of the principal of and interest on the Commercial Paper Notes (other than Commercial Paper Notes issued in violation of clause (i) of the last paragraph of §12 hereof);

(b) the payment of the Purchase Price of, as defined in the Subordinate Resolution, and interest on, the Subordinate Revenue Bonds, upon optional or mandatory tender for purchase pursuant to the Subordinate Resolution; and

(c) the payment of the Purchase Price, as defined in the 1998 Resolution, for the Series 1998B Revenue Bonds, upon mandatory tender for purchase pursuant to the 1998 Resolution on November 15, 2001, and November 15, 2002.

Each Borrowing hereunder by the Authority shall be deemed to constitute (and shall constitute) a representation and warranty by the Authority as of the date such Loan is made that:

(i) the representations and warranties of the Authority set forth in §2 hereof, except for (a) those set forth in §§2(D) and (F) hereof, and (b) those set forth in §2(C) hereof if the Authority submits the notice specified in the proviso clause herein, are true and correct in all material respects as of the date of such Loan as if made on and as of such date, provided, however, that if the Authority notifies the Administrative Agent in the Notice of Borrowing that it is unable to reaffirm the representations and warranties set forth in §2(C) hereof, then (A) such representations and warranties shall be deemed not to have been made, (B) any Loans comprising the Borrowing which is the subject of such Notice of Borrowing, and, unless the Authority notifies the Administrative Agent that it is able to make the representations and warranties set forth in §2(C) hereof, any Loans made subsequently, shall be repaid not later than a date which is 180 days after the date on which such Loans are made, and (C) the Administrative Agent shall be entitled to give the direction and make the declaration described in clause (i) of the last paragraph of §12 hereof which direction shall be effective unless and until the Authority has notified the Administrative Agent that it is able to make the representations and warranties set forth in §2(C) hereof, whereupon the Administrative Agent shall rescind such direction;

(ii) the proceeds of such Loan are being used solely and exclusively for the purposes set forth in the first paragraph of this §3(H);

(iii) no Terminating Event of Default and no Non-Terminating Event of Default has occurred and is continuing;

(iv) the Authority is and will remain in compliance with any direction previously given by the Administrative Agent not to issue further Commercial Paper Notes as provided in clause (i) of the last paragraph of §12 hereof;

(v) no event or condition, other than an event or condition of which the Administrative Agent has been notified, which with the giving of notice or lapse of time or both would constitute a Terminating Event of Default or Non-Terminating Event of Default has occurred and is continuing; and

(vi) the Authority is in compliance with all terms and conditions of the Commercial Paper Notes, the Subordinate Revenue Bonds, the Series 1998B Revenue Bonds, the Commercial Paper Note Resolution, the 1999 Revolving Credit Agreement Resolution, and the 1998 Resolution (as the same may have been duly supplemented from time to time) and, when adopted, the Subordinate Resolution, and any issuing and paying agency agreement relating to the Commercial Paper Notes.

3.I. *Increase in Aggregate Commitments.* The aggregate Commitments equal \$700,000,000. After any reduction of the aggregate Commitments pursuant to §3, upon at least 30 business days' prior written notice to the Administrative Agent (which shall give to each Bank prompt notice thereof by telecopier, telex or cable), but no more frequently than

once per calendar year, the Authority may request that the aggregate amount of the Commitments be increased by the amount specified in such notice; provided that the aggregate Commitments, as so increased, shall in no event exceed \$700,000,000. Such request shall in no way obligate any of the Banks to increase the then current amount of its Commitment. If a Bank agrees, in its individual and sole discretion, to increase its Commitment (an "Increasing Bank"), it will notify the Administrative Agent and the Authority of its decision to do so and the amount of such increase no later than 15 business days following its receipt of the Authority's request; provided that if any Bank does not respond to the Administrative Agent during such 15-business day period, such Bank will be deemed to have declined to increase its Commitment. Each Increasing Bank's Commitment shall be increased by the amount agreed to by such Increasing Bank (or, if less, such Bank's ratable share of the increase requested by the Authority based upon the Commitments of each Increasing Bank (as in effect prior to any such increase)), with such increase being effective as of the date notified by the Administrative Agent to each Bank. The Administrative Agent shall promptly prepare and the Authority shall promptly execute an Amended and Restated Note made payable to the order of each such Increasing Bank based upon the Commitment of each Increasing Bank. The Authority shall pay to the Administrative Agent for the account of each Increasing Bank, on the effective date of any such increase in the aggregate Commitments, a fee of \$2,500 for each Increasing Bank. Upon any increase in the aggregate Commitments, the Administrative Agent shall give The Chase Manhattan Bank, as Issuing and Paying Agent, under an Issuing and Paying Agency Agreement entered into by the Authority, pursuant to the Commercial Paper Note Resolution, and the Trustee under the Subordinate Resolution written notice of such increased aggregate Commitments, and shall give such notice to any other entity required to receive such notice pursuant to such Resolution or the Subordinate Resolution.

§4. PROCEDURES.

4.A. *Notices, etc.* Not later than 12:30 P.M. (New York City time) on the date of any proposed Adjusted Base Rate Loan or the third business day prior to the date of any proposed Eurodollar Rate Loan, an Authorized Officer of the Authority shall give the Administrative Agent (which shall give to each Bank prompt notice thereof by telecopier, telex or cable), at its office referred to in §14 hereof, telephonic notice specifying the amount of each Borrowing under §3 hereof and (if interest on such Loan is to be payable at a Eurodollar Rate) the Interest Period. Such notices shall be confirmed in writing by an Authorized Officer of the Authority not later than 1:30 P.M. (New York City time) on the date of the Borrowing, in substantially the form of Exhibit B hereto (a "Notice of Borrowing"). If the Authority elects to (x) convert any Adjusted Base Rate Loan to a Eurodollar Rate Loan (subject to the provisions of §5(D) hereof), (y) convert any Eurodollar Rate Loan at the end of the applicable Interest Period to an Adjusted Base Rate Loan or (z) continue any Eurodollar Rate Loan at the end of the applicable Interest Period as a Eurodollar Rate Loan for an additional Interest Period (subject to the provisions of §5(D) hereof), an Authorized Officer of the Authority shall give the Administrative Agent (which shall give to each Bank prompt notice thereof by telecopier, telex

or cable), at its office referred to in §14 hereof, telephonic notice, not later than 11:00 A.M. (New York City time) on the date of any conversion to an Adjusted Base Rate Loan or on the third business day prior to the date of any conversion to or continuation of a Eurodollar Rate Loan, specifying the principal amount of the Loan to which such notice applies, the proposed new Loan Rate and (if a Eurodollar Rate is proposed) the new Interest Period, with such notice to be confirmed in writing (a "Notice of Interest Rate Election") by an Authorized Officer of the Authority not later than 11:00 A.M. (New York City time) on the date of such conversion or continuation. An Authorized Officer of the Authority shall give the Administrative Agent (which shall give each Bank prompt notice thereof by telecopier, telex or cable), at its office specified below, telephonic notice, specifying the outstanding principal amount, applicable Loan Rate and (if a Eurodollar Rate is applicable) the Interest Period of such Loan not later than 10:00 A.M. (New York City time) (a) two business days prior to the day of prepayment of all or any part of any outstanding Loan to which the Adjusted Base Rate is applicable, and (b) three business days prior to the date of prepayment of all or any part of any outstanding Loan to which the Eurodollar Rate is applicable. Absent written evidence to the contrary, the Administrative Agent's records with respect to any telephonic notice given under this §4(A) shall be conclusive and binding as to such telephonic notice.

Each Notice of Borrowing, Notice of Interest Rate Election and notice of prepayment (and any related telephonic notice) shall be irrevocable and binding on the Authority.

4.B. Availability.

(i) Each Bank shall, before 3:30 P.M. (New York City time) on the date of a Loan, make available for the account of its Applicable Lending Office to the Administrative Agent at its address referred to in §14 hereof, in same day funds, such Bank's ratable portion of such Borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in §7 hereof, the Administrative Agent will make such funds available to the Authority at the Administrative Agent's aforesaid address in accordance with clause (v) of this §4(B).

(ii) In the case of any Borrowing which the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Loans, the Authority shall indemnify each Bank against any loss, cost or expense incurred by such Bank as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Borrowing the applicable conditions set forth in §7 hereof, including, without limitation, any loss (including loss of any anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund the Loan to be made by such Bank as part of such Borrowing when such Loan, as a result of such failure, is not made on such date, provided, however, that such Bank shall use its best efforts to mitigate any such loss, cost or expense.

(iii) Unless the Administrative Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Administrative Agent

such Bank's ratable portion of such Borrowing, the Administrative Agent may assume that such Bank has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with clause (i) of this §4(B) and the Administrative Agent may, in reliance upon such assumption, make available to the Authority on such date a corresponding amount. If and to the extent that such Bank shall not have so made such ratable portion available to the Administrative Agent, such Bank and the Authority severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Authority until the date such amount is repaid to the Administrative Agent, at (a) in the case of the Authority, the interest rate applicable at the time to the Authority and (b) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to The Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan as part of such Borrowing for purposes of this Agreement.

(iv) The failure of any Bank to make the Loan to be made by it as part of any Borrowing shall not relieve any other Bank of its obligation, if any, hereunder to make its Loan on the date of such Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Loan to be made by such other Bank on the date of any Borrowing.

(v) Not later than 2:00 P.M. (New York City time) on the date specified, the Administrative Agent shall pay to the Authority in immediately available funds (subject to provisions of §3 hereof) an amount equal to the amount specified in any Notice of Borrowing delivered by the Authority pursuant to §4(A) hereof. Each Bank is hereby authorized by the Authority to and shall record on the schedule annexed to the Bank's Note (or on a supplemental schedule thereto) the amount of each Loan made by each Bank under this Agreement and the amount of each payment or prepayment of the principal of the Note received by such Bank, it being understood, however, that if any Bank fails to make any such notation or makes a mistake with respect to any such notation, such failure or mistake shall not affect the rights or obligations of such Bank or the Authority hereunder or under the Notes. The Administrative Agent shall make the proceeds of the Loans available to the Authority by depositing such proceeds in an account of the Authority maintained with the Administrative Agent at its office in New York City designated by the Authority, in immediately available funds in an account designated by the Authority, or in any other manner reasonably requested by the Authority in its Notice of Borrowing.

4.C. *Extension of Commitments and Termination Date.* The Commitments of the Banks may be extended beyond the then-scheduled Termination Date (the "Existing Termination Date") an unlimited number of times subject to the provisions of this Section 4.C. The Authority may request an extension of the Commitments of the Banks by written notice to the Banks at any time on or after the date that is two years prior to the Existing Termination Date. The period of any such requested extension shall be at least one year. If a Bank agrees, in its individual and sole discretion, to renew its Commitment (the "Extending Bank"), it will

notify the Administrative Agent of its decision to do so no later than 30 days following the receipt of the Authority's request; provided that if any Bank does not respond to the Administrative Agent during such 30-day period, such Bank will be deemed to have declined to extend its Commitment. The Administrative Agent shall notify the Authority of the Banks' decisions no later than 5 days after it receives each Bank's decision. The Extending Bank's Commitment shall be renewed for the additional period requested by the Authority. The Authority, the Administrative Agent and the Extending Banks shall use their best efforts to complete the documentation necessary so to extend the Termination Date. Any Bank that declines or is deemed to have declined the Authority's request for a commitment renewal will have its Commitment terminated on the Existing Termination Date (without regard to renewals by other Banks). The Authority will have the right to substitute other financial institutions acceptable to the Administrative Agent, which approval shall not be withheld unreasonably, for any Bank which declines the Authority's request to extend (provided that the other Banks shall have the right to increase their Commitments up to the amount of the declining Bank's Commitment before the Authority shall be permitted to substitute any other financial institution for such declining Bank, with such right to be exercised no later than 15 days after the Administrative Agent receives notification from the declining Bank of its decision; provided, further, that if more than one Bank wishes to increase its respective Commitment on account of a declining Bank, the Administrative Agent shall allocate the declining Bank's Commitment amount among the Banks wishing to increase their respective Commitments).

§5. PREPAYMENTS AND LOAN RATE SELECTION.

5.A. *Prepayment and Rate Selection.* The Authority shall have the right, subject to §5(E) hereof, at any time or from time to time without penalty or premium to make prepayments of principal of Adjusted Base Rate Loans or Eurodollar Rate Loans, or to select a Loan Rate, provided that (a) the Authority shall give the Administrative Agent notice of each prepayment or selection as provided in §4(A) hereof, and (b) except for a prepayment which results in the prepayment of the full outstanding principal amount of any Loan, each prepayment shall be in an amount at least equal to \$1,000,000 or greater multiples of \$100,000. There shall be no prepayments of the Loans except as permitted by this §5. If amounts are borrowed under this Agreement for the payment of the Purchase Price of Subordinate Revenue Bonds or Series 1998B Revenue Bonds, and if such Bonds are then subsequently remarketed, the Authority shall prepay the Loans in a principal amount equal to the amount of the proceeds of such remarketing, with the proceeds of the remarketing of the Series 1998B Revenue Bonds being first applied to prepay Series 1998B Revenue Bond Loans and with the proceeds of the remarketing of the Subordinate Revenue Bonds being first applied to prepay Loans made for the payment of the Purchase Price of Subordinate Revenue Bonds. If amounts are borrowed under this Agreement for the payment of the Purchase Price of Subordinate Revenue Bonds or Series 1998B Revenue Bonds, and if such Bonds are not then subsequently remarketed, the Authority shall use the proceeds of the issuance of any Commercial Paper Notes or Series 4 commercial paper notes of the Authority which are issued

on or after the date of such borrowing to prepay the Loans in a principal amount equal to the amount of such borrowing, with the proceeds of such issuance being applied ratably to prepay Series 1998B Revenue Bond Loans and Loans other than Series 1998B Revenue Bond Loans, provided, however, that, prior to the application of the proceeds of such issuance for such prepayment, the Authority may use such proceeds for the payment of the principal of and interest on those Commercial Paper Notes or Series 4 commercial paper notes maturing on the date of such issuance.

5.B. *Notation of Partial Prepayment.* The amount of any partial prepayment shall be recorded on the Notes by each Bank promptly upon receipt of such prepayment, it being understood, however, that if any Bank fails to make such notation or makes a mistake with respect to any such notation, such failure or mistake shall not affect the rights or obligations of such Bank or the Authority hereunder or under the Note.

5.C. *Priority of Prepayment.* Except as provided for in § 5(A) hereof, each partial prepayment of the Notes relating to Adjusted Base Rate Loans and Eurodollar Rate Loans shall be applied (ratably among the Banks according to their Commitments), first, to principal amounts outstanding under the Adjusted Base Rate Loans and then to principal amounts outstanding under the Eurodollar Rate Loans. Each partial prepayment to be used to pay Adjusted Base Rate Loans shall be applied ratably among those Series 1998B Revenue Bond Loans and other Loans which are Adjusted Base Rate Loans, and each partial payment to be used to pay Eurodollar Rate Loans shall be applied ratably among those Series 1998B Revenue Bond Loans and other Loans which are Eurodollar Rate Loans.

5.D. *Illegality.* Notwithstanding any other provision in this Agreement, in the event that it becomes unlawful or impossible for any Bank or its Applicable Lending Office to (a) honor its obligation to provide Eurodollar Rates hereunder or (b) make or maintain loans to which Eurodollar Rates are applicable, then such Bank shall promptly notify the Authority thereof and such Bank's obligation to provide Eurodollar Rates shall be suspended until such time as such Bank may again provide such affected Loan Rates and make or maintain Loans to which such affected Loan Rates are applicable and the Authority shall, on the last day(s) of the then current Interest Period for which a Eurodollar Rate is applicable, as the case may be (or on such earlier date as such Bank may specify to the Authority), select another type of Loan Rate in accordance with §5(A) hereof.

5.E. *Certain Compensation.* The Authority shall pay to any Bank, upon the request of such Bank, such amount or amounts as shall be sufficient (in the reasonable opinion of such Bank) to compensate it for any loss, cost or expense which such Bank reasonably incurs as a result of any prepayment of a Eurodollar Rate Loan (whether by reason of acceleration or otherwise) or conversion of such Eurodollar Rate Loan to an Adjusted Base Rate Loan on a date other than the last day of the Interest Period applicable thereto, or any failure to prepay any such Eurodollar Rate Loan after notice has been given to any Bank in accordance with §4(A) hereof, including, without limitation, any loss (including loss of anticipated profits),

cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund or maintain such Eurodollar Rate Loan, provided, however, that such Bank shall use its best efforts to mitigate any such loss, cost, or expense. A reasonable determination of such Bank as to the amounts payable pursuant to this §5(E) shall, absent manifest error, be conclusive and binding.

§6. PAYMENTS, ETC.

6.A. *Payments.* (i) All payments of principal and interest under this Agreement or the Notes shall be made in lawful money of the United States of America and in immediately available funds to the Administrative Agent at its principal office in New York City, currently located at 60 Wall Street, NY. If any principal of or interest on the Notes or other amount payable by the Authority hereunder falls due on a day other than a business day, then such due date shall be extended to the next succeeding business day at such place and, in the case of such an extension as to principal, interest shall be payable in respect of such extension. The amount of any principal payment shall be recorded on the Notes by the Banks immediately upon receipt of such payment.

(ii) The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or commitment fees ratably (other than amounts payable pursuant to §3(E), §3(F), §4(B)(ii), §5(E) or §9 hereof, which shall be made to such Bank seeking such payments) to the Banks for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Bank to such Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement and the Notes.

6.B Unless the Administrative Agent shall have received notice from the Authority prior to the date on which any payment is due to the Banks hereunder that the Authority will not make such payment in full, the Administrative Agent may assume that the Authority has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Authority shall not have so made such payment in full to the Administrative Agent, each Bank shall repay to the Administrative Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Administrative Agent, at the Federal Funds Rate (or, if demand is made after 4:00 P.M. on any business day, at the rate such Bank was able to invest such funds overnight).

6.C. If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Loans made by it (other than pursuant to §3(E), §3(F), §4(B)(ii), §5(E) or §9 hereof) in excess of its ratable share of payments on account of the Loans obtained by all the Banks, such Bank shall forthwith

purchase from the other Banks such participations in the Loans made by them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them, provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each Bank shall be rescinded and such Bank shall repay to the purchasing Bank the purchase price to the extent of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (i) the amount of such Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered.

§7. CONDITIONS.

7.A. *Closing.* The obligation of each Bank to make each Loan to be made by it under §3 hereof is subject to the receipt by the Administrative Agent of the following on the Effective Date, each dated such day, in sufficient copies for each Bank:

- (1) *Notes.* A Note to the order of each Bank duly executed by the Authority.
- (2) *Agreement.* Counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, the Administrative Agent shall have received in form satisfactory to it telegraphic, telex or other written confirmation from such party of execution of a counterpart hereof by such party).
- (3) *Signatures.* A certificate of an officer of the Authority setting forth the name and signature of each officer of the Authority authorized to sign this Agreement and the Notes and to borrow and effect all other transactions hereunder. The Banks may conclusively rely on each such certification until it receives notice in writing to the contrary.
- (4) *Authority Counsel.* Favorable written opinions from either the General Counsel, Deputy General Counsel, or an Assistant General Counsel of the Authority, or independent counsel to the Authority, in substantially the forms of Exhibits C-1 and C-2 hereto.
- (5) *Proof of Corporate Action.* Certified copies of all corporate action taken by the Authority to authorize the execution, delivery and performance of this Agreement and the Notes, and a conformed copy of any registration, consent or approval by any governmental officer, agency or commission required to be obtained in connection with the issuance of the Notes.
- (6) *Financial Statements.* A copy of the financial statements referred to in §2(C) hereof.
- (7) *Officers Certificate.* A certificate of the Treasurer of the Authority to the effect that (i) the representations and warranties of the Authority under this Agreement are true and correct on and as of such date, (ii) no Terminating Event of Default or Non-Terminating Event

of Default has occurred and is continuing and (iii) the "Commitments" under (and as defined in) the 1998 Revolving Credit Agreement by and among the Authority, Morgan Guaranty Trust Company of New York, Inc., as agent, and the banks named in said Agreement, dated as of April 15, 1998, have been terminated and all amounts payable thereunder and under the "Notes" issued thereunder (and as defined therein) have been paid.

(8) *Up-front Fee.* An up-front fee in an amount equal to 0.05% times the aggregate Commitments, paid in same-day funds.

(9) *Rating Confirmation.* A copy of each rating confirmation received pursuant to Section 501(G) of the Commercial Paper Note Resolution.

7.B. *Each Loan.* The obligation of each Bank to make each Loan to be made by it under §3 hereof is subject to the conditions precedent that (i) the Administrative Agent shall have received a Notice of Borrowing pursuant to §4(A) hereof, (ii) immediately after the making of such Loan, the aggregate outstanding principal amount of the Loans shall not exceed the aggregate amount of the Commitments, and (iii) no Terminating Event of Default (as defined in §12 hereof) shall have occurred and be continuing.

§8. PARTICULAR COVENANTS OF AUTHORITY.

From the Effective Date and until the termination of each Bank's Commitment and the payment in full of the Notes and the performance of all other obligations of the Authority under this Agreement, the Authority agrees that:

8.A. *Financial Statements, etc.* The Authority shall deliver to each Bank:

(1) As soon as available and in any event within 90 days after the end of each semi-annual fiscal period ending June 30 and December 31, the financial statements of the Authority prepared in conformity with generally accepted accounting principles and on a basis consistent with the financial statements referred to in §2(C) hereof as at the last day of such period. Financial statements for each fiscal period ending December 31 shall be accompanied by an opinion as to such financial statements of independent certified accountants of recognized standing. Financial statements for each fiscal period ending June 30 which are not accompanied by such an opinion shall be certified (subject to normal year-end adjustments) as to fairness of presentation, generally accepted accounting principles and consistency by the chief financial officer or controller of the Authority.

(2) Copies of any other published reports of financial condition, receipts and expenditures prepared or issued by the Authority for general distribution to investors or lenders.

(3) From time to time, with reasonable promptness, such information regarding the business, affairs and financial condition of the Authority as any Bank may reasonably request.

8.B. *Taxes and Charges.* The Authority shall pay and discharge any taxes, assessments and governmental charges or levies which may be imposed upon it or upon its revenues, or upon any property belonging to it, prior to the date on which penalties attach thereto; provided that the Authority shall not be required by this paragraph to pay any such tax, assessment, charge, or levy the payment of which is being contested in good faith and by proper proceedings.

8.C. *Security Interests.* Without the prior written consent of the Majority Banks, the Authority shall not create or suffer to exist any assignment, mortgage, pledge, security interest, conditional sale or other title retention agreement, lien, charge or other encumbrance upon any of its revenues, property or assets, now owned or hereafter acquired, securing any indebtedness or obligation having priority in payment over the Notes (all such security being herein called "security interests"), except (i) security interests created under the 1998 Resolution to secure Obligations and Parity Debt, (ii) security interests created pursuant to the 1985 Note Resolution and the 1995 Revolving Credit Agreement Resolution, (iii) security interests in the form of a covenant or authorization to pay any obligation of the Authority out of the proceeds of bonds or notes deposited in any fund or account established pursuant to any existing or future resolution of the Authority authorizing the issuance of its obligations, (iv) security interests created by or authorized by any subsequent resolution or resolutions of the Authority relating to any bank commitments to lend the Authority such amount or amounts as may be prescribed by federal statute or regulation to pay retrospective premiums for nuclear liability and/or property and decontamination insurance with respect to the nuclear plants of the Authority; and (v) security interests which are incidental to and incurred in the ordinary course of Authority business or the ownership of its property and assets, which are not incurred in connection with the borrowing of money or the obtaining of advances or credit and which do not materially detract from the operation of its business or the value of its property or assets or materially impair the use thereof.

8.D. *Default, etc.* As soon as reasonably possible and in any event within five business days after the Authority has knowledge of the occurrence of an event of default or an event which with the giving of notice or lapse of time or both, would constitute an event of default, the Authority shall notify the Banks if any event of default specified in §12 hereof, or any event which with notice or lapse of time or both would become such an event of default, shall have occurred, specifying what action the Authority proposes to take with respect thereto.

8.E. *Commercial Paper Note Resolution, 1998 Resolution and 1999 Revolving Credit Agreement.* The Authority shall not repeal or modify the Commercial Paper Note Resolution, or the 1998 Resolution, or take any action impairing any authority, right or benefit conferred by the Commercial Paper Note Resolution or the 1998 Resolution, or this Agreement; provided, however, that the Authority may supplement or amend the Commercial Paper Note Resolution, or the 1998 Resolution, in accordance with its terms. The Authority shall not issue, or authorize the issuance of, Commercial Paper Notes or Subordinate Revenue Bonds to

the extent that the sum of the aggregate principal amount of all outstanding Commercial Paper Notes and Subordinate Revenue Bonds (after giving effect to such issuance) plus the aggregate amount of interest payable (including any portion thereof not yet accrued) in respect of such Commercial Paper Notes (as determined by reference to the next interest payment date) and Subordinate Revenue Bonds (in an amount equal to the Required Interest Coverage) would exceed the aggregate unused Commitments.

8.F. *Litigation.* The Authority shall give to each Bank notice in writing by April 1 of each year of all litigation against or threatened against the Authority and of all proceedings before any governmental or regulatory agency to which the Authority is a party, except litigation or proceedings described in Appendix B to the opinion referred to in §7(A)(4) hereof or which, if adversely determined, would not have a material adverse effect upon the ability of the Authority to meet its obligations hereunder, and as to the litigation and proceedings described in Appendix B to the opinion referred to in §7(A)(4) hereof, the Authority shall give to each Bank notice in writing by April 1 of each year of any changes in the circumstances of such litigation or proceedings which would have a material adverse effect upon the ability of the Authority to meet its obligations hereunder.

8.G. *Further Assurances.* The Authority shall (1) perform and comply with each of the covenants and provisions contained in this Agreement, in the Existing Resolutions and in any other resolution or agreement securing or providing for the issuance of obligations of the Authority for borrowed money and (2) take all action and do all things which it is authorized by law to take and do in order to perform and observe all covenants and agreements on its part to be performed and observed under this Agreement and in order to provide for and to assure payment of the Notes at maturity including, but not limited to, as necessary for the foregoing purposes, directing the payment to it from time to time of any funds held under an Existing Resolution and available in accordance with the terms thereof to be paid to the Authority upon its direction.

8.H. *Compliance with Laws, Etc.* The Authority shall comply in all material respects with all applicable laws, rules, regulations and orders (such compliance to include, without limitation, compliance with all environmental laws and all laws relating to hazardous waste and the payment before the same become delinquent of all taxes, assessments and governmental charges imposed upon it or upon its property except to the extent contested in good faith), non-compliance with which would materially adversely affect the ability of the Authority to pay the principal of and interest on the Notes when due.

8.I. *Maintenance of Insurance.* The Authority shall maintain insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is required by law or is deemed by the Authority to be prudent (including, without limitation, the operation and ownership of nuclear generating facilities).

8.J. *Copies of "No Issuance" Notices.* The Authority shall provide the Administrative Agent with any notice delivered to the Authority or any issuing and paying agent appointed pursuant to the Commercial Paper Note Resolution relating to those commercial paper notes issued pursuant to the Commercial Paper Note Resolution and designated as "Series 4 Notes," or any other series of commercial paper notes (other than the Commercial Paper Notes), directing the Authority and such issuing and paying agent to cease issuing such notes.

8.K. *1998 Resolution and Subordinate Resolution.* The Authority agrees that each Bank shall be a third-party beneficiary to Sections 503, 604 and 606 of the 1998 Resolution and Sections 501, 603, and 605(3) of the General Subordinate Resolution (collectively, the "Resolution Provisions"). The Authority further agrees not to amend or modify the Resolution Provisions, and agrees that no amendment or modification of the Resolution Provisions shall be effective, without the prior written consent of the Majority Banks (which consent shall not be unreasonably withheld), and the Administrative Agent shall be entitled to enforce the Resolution Provisions on behalf of the Banks. It is understood and agreed that the Banks shall not be third-party beneficiaries in respect of any other provisions of the 1998 Resolution or the Subordinate Resolution and shall not be entitled to take any action under the 1998 Resolution or the Subordinate Resolution to enforce any of the provisions thereof other than the Resolution Provisions.

§9. TAXES.

9.A. Any and all payments by the Authority hereunder or under the Notes shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings and all liabilities with respect thereto, excluding, in the case of each Bank and the Administrative Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Bank or the Administrative Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Bank, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction of such Bank's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Authority shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Bank or the Administrative Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this §9) such Bank or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Authority shall make such deductions and (iii) the Authority shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

9.B. In addition, the Authority agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or the Notes (hereinafter referred to as "Other Taxes").

9.C. The Authority will indemnify each Bank and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this §9) paid by such Bank or the Administrative Agent (as the case may be) and any liability including interest, expenses and penalties (other than penalties which have been incurred by the Administrative Agent or a Bank because of such person's negligence) arising therefrom or with respect thereto, based on a claim for such Taxes or Other Taxes made by the applicable taxing authority, provided, however, that prior to such payment by such Bank or the Administrative Agent (as the case may be), the Authority shall be notified by such Bank or the Administrative Agent of the imposition of such Taxes and may contest, if the Authority so chooses, the imposition of such Taxes, provided further that such Bank or the Administrative Agent may pay such Taxes or Other Taxes if such payment would not preclude the Authority's ability to contest such imposition. This indemnification shall be made within 30 days from the date such Bank or the Administrative Agent (as the case may be) makes written demand therefor.

9.D. Within 30 days after the date of any payment of Taxes, the Authority will furnish to the Administrative Agent, at its address referred to on the signature page hereof, the original or a certified copy of a receipt evidencing payment thereof.

9.E. Any Bank claiming any additional amounts payable pursuant to this §9 shall use its best efforts (consistent with its internal policy and legal regulatory restrictions) to change the jurisdiction of its Applicable Lending Office if such change would eliminate or reduce any such additional amounts which may thereafter accrue and would not, in the reasonable judgment of such Bank, be otherwise disadvantageous to such Bank.

9.F. Without prejudice to the survival of any other agreement of the Authority hereunder, the agreements and obligations of the Authority contained in this §9 shall survive the payment in full of principal and interest hereunder and under the Notes.

§10. SECURITY FOR THE NOTES.

Each Note is and shall continue to be a direct and general obligation of the Authority payable from the Trust Estate and, except for that portion of a Note evidencing Series 1998B Revenue Bond Loans, Subordinated Indebtedness. The Trust Estate is hereby pledged for the payment of each Note, which pledge, except for Series 1998B Revenue Bond Loans, is subordinate in the manner set forth in the 1998 Resolution. Each Series 1998B Revenue Bond Loan shall be Parity Debt, and the Trust Estate is hereby pledged for the payment of each such Series 1998B Revenue Bond Loan, which pledge is on a parity with other debt of the Authority

in the manner set forth in the 1998 Resolution. This Agreement is a Subordinated Contract Obligation (within the meaning of the 1998 Resolution).

§11. PLEDGE OF STATE.

The Authority, as agent for the State, does hereby pledge to and agree with the holders from time to time of the Notes that the State will not limit or alter the rights vested in the Authority by the Act, until the obligations of the Authority under the Notes are fully met and discharged, provided that nothing herein contained shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of the Notes.

§12. DEFAULTS.

If any of the following events or conditions shall occur and be continuing (each of the events or conditions described in this §12 being herein referred to as an "event of default"; each event of default set forth in §§12(A) through 12(G) hereof inclusive being herein referred to as a "Terminating Event of Default" and each event of default set forth in §§12(H) and 12(I) hereof inclusive being referred to as a "Non-Terminating Event of Default"):

12.A. The Authority shall fail to pay any installment of principal or interest on the Notes when due and payable and such failure shall continue for five business days;

12.B. Any default or event of default shall occur under the Existing Resolutions or under any other resolution or agreement securing or providing for the issuance of obligations of the Authority, and the acceleration of the maturity of the obligations thereby secured or issued shall have occurred;

12.C. The Authority shall default in the payment when due (including any applicable grace period) of interest on any bonds, notes or other similar evidences of indebtedness of or assumed by the Authority in an aggregate outstanding principal amount in excess of \$50,000,000, or default in the payment of the principal of any such evidence of indebtedness in an aggregate outstanding principal amount in excess of \$50,000,000 when due (including any applicable grace period);

12.D. The Authority shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of the Authority for all or a substantial part of the assets of the Authority, (ii) commence a voluntary case or other proceeding or file a petition seeking reorganization, liquidation, composition of indebtedness or any arrangement with creditors under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or of the State of New York, or (iii) make a general assignment for the benefit of creditors;

12.E. Any judgment or order for the payment of money in excess of \$25,000,000 shall be rendered against the Authority and enforcement proceedings shall have been commenced by any creditor upon such judgment or order and there shall be any period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

12.F. The lowering by Moody's and Standard & Poor's of the rating on (i) any obligations of the Authority which are on a parity with the Note(s) issued under this Agreement or which have a priority in payment over the Note(s) issued under this Agreement to (a) in the case of Moody's, below Baa3, and (b) in the case of Standard & Poor's, to below BBB-; or (ii) the Authority's short-term debt obligations, if any, to (a) in the case of Moody's, below MIG-4 or P-3, and (b) in the case of Standard & Poor's, to below SP-2 or A-3;

12.G. This Agreement, any Note, any Commercial Paper Note, any Series 1998B Revenue Bond, or any Subordinate Revenue Bond shall be adjudged by any court of competent jurisdiction to be invalid, illegal or unenforceable against the Authority and such judgment shall be final and non-appealable, or the Authority shall deny in writing that it has any liability hereunder or thereunder.

12.H. Any representation or warranty made by the Authority in §2 or §3(H) hereof, or in any document furnished by the Authority hereunder, shall prove to have been incorrect in any material respect when made or deemed made;

12.I. The Authority shall default (other than as otherwise provided in §§12(A) through 12(E) hereof) in the performance of any agreement or covenant herein and such default shall continue unremedied for 30 days after written notice to the Authority from the Administrative Agent.

THEREUPON, in any such case and subject to the remainder of this Section, the Administrative Agent shall at the request, or with the consent, of the Banks holding at least 66 2/3% in principal amount of the Loans then outstanding or, if no Loans are then outstanding, Banks having at least 66 2/3% of the Commitments, do any or all of the following: (i) in the case of any event of default, direct the Authority to cease issuing Commercial Paper Notes, whereupon the Authority shall immediately cease to issue any Commercial Paper Notes until such time (if any) as the Administrative Agent shall rescind such directions, (ii) in the case of a Non-Terminating Event of Default, declare the obligation of each Bank to make Loans to be terminated 30 days after written notice to the Authority from the Administrative Agent of such Non-Terminating Event of Default; (iii) in the case of a Terminating Event of Default, by notice to the Authority, declare the obligation of each Bank to make Loans to be terminated, whereupon the same shall forthwith terminate, and/or (iv) in the case of any event of default, by notice to the Authority, declare the Notes, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Notes, all such interest thereon and all other amounts payable under this Agreement shall forthwith become

immediately due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Authority; provided, however, that in the case of any event of default specified in §12(D) hereof (A) the obligation of each Bank to make Loans shall automatically be terminated and (B) the Notes, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Authority. For purposes of clause (iii) of this §12, no Terminating Event of Default shall be deemed to have occurred solely as a result of the Authority's failure to pay, prior to the regularly scheduled date for payment thereof, any portion of the principal of or interest on any Note that has been accelerated pursuant to clause (iv) above solely as a result of the occurrence of a Non-Terminating Event of Default, but the foregoing shall not otherwise limit, affect or impair the validity of such acceleration. The Administrative Agent shall provide The Chase Manhattan Bank, as Issuing and Paying Agent under an Issuing and Paying Agency Agreement entered into by the Authority pursuant to the Commercial Paper Note Resolution, with written notice of the occurrence of an event of default and written notice rescinding such notice in the event that an event of default is determined by the Banks to be no longer in existence hereunder, and such notice shall be provided by the Administrative Agent to any other entity required to receive such notice pursuant to such Resolution.

§13. THE ADMINISTRATIVE AGENT.

13.A *Authorization and Action.* Each Bank hereby appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of holders of at least 66 2/3% in principal amount of the Notes then outstanding (or if no Notes are at the time outstanding, upon the instructions of Banks having at least 66 2/3% of the Commitments), and such instructions shall be binding upon all Banks and all holders of Notes; provided, however, that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability (other than in its capacity as a Bank) or which is contrary to this Agreement or applicable law. The Administrative Agent agrees to give to each Bank prompt notice of each notice given to it by the Authority pursuant to the terms of this Agreement.

13.B. *Agent's Reliance, Etc.* Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing,

the Administrative Agent: (i) may treat the payee of any Note as the holder thereof until the Administrative Agent receives written notice of the assignment or transfer thereof signed by such payee and including the agreement of the assignee or transferee to be bound hereby as it would have been if it had been an original Bank party hereto, in form satisfactory to the Administrative Agent; (ii) may consult with legal counsel (including counsel for the Authority), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Authority or to inspect the property (including the books and records) of the Authority or to the satisfaction of any condition specified in §7 hereof (except receipt of items required to be delivered to the Administrative Agent); (v) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

13.C. *Morgan Guaranty Trust Company of New York and Affiliates.* With respect to its Commitment, the Loans made by it and the Note issued to it, Morgan Guaranty Trust Company of New York shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Administrative Agent; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include Morgan Guaranty Trust Company of New York, in its individual capacity. Morgan Guaranty Trust Company of New York and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Authority, any of its subsidiaries and any Person who may do business with or own securities of the Authority or any such subsidiary, all as if Morgan Guaranty Trust Company of New York were not the Administrative Agent and without any duty to account therefor to the Banks.

13.D. *Bank Credit Decision.* Each Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank and based on the financial statements referred to in §2(C) hereof and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

13.E. *Indemnification.* The Banks agree to indemnify the Administrative Agent (to the extent not reimbursed by the Authority), ratably according to the respective principal amounts of the Notes then held by each of them (or if no Notes are at the time outstanding or if any Notes are held by Persons which are not Banks, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Administrative Agent under this Agreement, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank agrees to reimburse the Administrative Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Administrative Agent is not reimbursed for such expenses by the Authority.

13.F. *Successor Administrative Agent.* The Administrative Agent may resign at any time by giving written notice thereof to the Banks and the Authority. Upon any such resignation, the Majority Banks shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Majority Banks, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$50,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this §13 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

13.G. *Administrative Agent's Fees.* On the Effective Date, Authority shall pay to the Administrative Agent for its own account the fees in the amounts previously agreed upon by the Authority and the Administrative Agent. On each anniversary of the Effective Date, the Authority shall pay to the Administrative Agent an amount equal to the product of (x) \$1,250, and (y) the number of Banks which are parties to this Agreement at such time.

§14. NOTICES, ETC.

All notices, requests, consents, demands and other communications shall be in writing (including bank wire, telex, facsimile transmissions or similar writing) and shall be given to or made upon the respective parties hereto at their respective addresses or members set forth on the signature page hereof or at such other address or number as any party hereunder may designate in a written notice. Unless otherwise expressly provided herein, all notices, requests, consents, demands and other communications hereunder shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified by each party in writing to the other and the appropriate answerback is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this §14. Any notice given or received by the Authority pursuant to §8.D or the last paragraph of §12, shall be given by the Authority to the Dealer, the Issuing and Paying Agent (each as defined in the Commercial Paper Note Resolution), and to each nationally recognized rating agency then maintaining a rating on the Commercial Paper Notes, the Subordinate Revenue Bonds, or the Series 1998B Revenue Bonds at the request of the Authority.

§15. MISCELLANEOUS

15.A. *Waivers, etc.* No failure on the part of any Bank to exercise, and no delay in exercising, and no course of dealing with respect to, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

15.B. *Expenses; Indemnification.* The Authority agrees to pay, whether or not any Loan is made hereunder, (i) the reasonable legal fees and disbursements of outside counsel retained by the Administrative Agent in connection with the formulation, execution and delivery of this Agreement, any waiver or consent hereunder or any amendment hereof or any event or condition which constitutes an event of default under §12 hereof, or, with the giving of notice or lapse of time or both, would constitute such an event of default (a "default") or alleged default hereunder; (ii) the reasonable legal fees and disbursements of the outside counsel of the Banks (other than Morgan Guaranty Trust Company of New York) in connection with the preparation and delivery of "enforceability opinions" for such Banks; (iii) all taxes, if any, upon any documents or transactions pursuant to this Agreement; and (iv) costs of collection and enforcement (including reasonable counsel fees and disbursements) if an event of default occurs.

The Authority agrees to indemnify each Bank and hold each Bank harmless from and against any and all liabilities, losses, damages, and all reasonable costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which

may be incurred by any Bank (or by the Administrative Agent in connection with its actions as Agent hereunder) in connection with any investigative, administrative or judicial proceeding (whether or not such Bank shall be designated a party thereto) to the extent relating to or arising out of this Agreement or any actual or proposed use of proceeds of Loans hereunder; provided that no Bank shall have the right to be indemnified hereunder for its own negligence or willful misconduct as determined by a court of competent jurisdiction.

15.C. *Governing Law.* This Agreement and the Notes shall be governed by and construed in accordance with the law of the State of New York.

15.D. *Amendments, etc.* No amendment or waiver of any provision of this Agreement or the Notes, nor consent to any departure by the Authority therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Banks, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Banks, do any of the following: (a) waive any of the conditions specified in §7 hereof, (b) except pursuant to §3(I) or §4(C) hereof, increase the Commitments of the Banks or subject the Banks to any additional obligations, (c) reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action hereunder, or (f) amend this §15(D): and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Banks required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement or any Note.

15.E. *Successors and Assigns.* (1) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; except that the Authority may not assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the Banks.

(2) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or any or all of its Loans. In the event of any such grant by such Bank of a participating interest to a Participant, whether or not upon notice to the Authority, such Bank shall remain responsible for the performance of its obligations hereunder, and the Authority shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Authority hereunder including, without limitation, the right to approve any amendment, modification or waiver or any provision of this Agreement; provided that any such agreement may provide that such Bank will not agree to any amendment, waiver or modification of this

Agreement described in clauses (b), (c) or (d) of §15(E) hereof without the consent of the Participant. Subject to subsection (5) below, the Authority agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of §3(E), §3(F), §4(B)(ii) and §9 hereof with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (3) or (4) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (2).

(3) Any Bank may at any time assign to one or more banks or other institutions (each an "Assignee") all, or a proportionate part (equivalent to an initial Commitment of not less than \$5,000,000, or a larger multiple of \$1,000,000) of all, of its rights and obligations under this Agreement and the Notes, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit D hereto executed by such Assignee and such Bank, with (and subject to) the subscribed consent of the Administrative Agent and the Authority, which consent shall not be unreasonably withheld, together with any Note or Notes subject to such assignment and a processing and recordation fee of \$3,000 payable to the Administrative Agent, provided, however, that no such assignment shall be effected unless the senior securities of such bank or other institution, or securities secured by such bank's or other institution's letters of credit, are assigned at least an "AA-" or comparable rating by a nationally recognized rating service.

Upon execution and delivery of such instrument and payment by such Assignee to such Bank of an amount equal to the purchase price agreed between such Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment as set forth in such instrument of assumption, and such Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (3), such Bank and the Authority shall make appropriate arrangements so that, if required, a new Note is issued to such Bank and Assignee and the old Note of the assigning Bank is returned to the Authority.

(4) Any Bank may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release such Bank from its obligations hereunder.

(5) No Participant in a Bank's rights shall be entitled to receive any greater payment under §3(E), §3(F), §4(B)(ii), §5(E) or §9 hereof than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Authority's prior written consent.

15.F. *Counterparts.* This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart.

15.G. *Reliance.* Each Bank acknowledges that it has, independently, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Authority and its own decision to enter into this Agreement and extend credit hereunder.

15.H *No Personal Liability.* No Trustee, officer or employee of the Authority shall be held personally liable on the Notes or in connection with any claim based thereon or on the Commercial Paper Note Resolution, the Subordinate Resolution, or on this Agreement.

15.I *Defeasance.* If the Commitments shall have terminated and the Authority shall pay or cause to be paid, or there shall otherwise be paid to each Bank, the entire principal of and interest on the Notes and all other amounts owing to the Banks hereunder or under the Notes, then the pledge created under this Agreement and all covenants, agreements and other obligations of the Authority hereunder to the holder of the Notes shall thereupon cease, terminate and become void and be discharged and satisfied, and thereupon all of the moneys and properties of the Authority then subject to such pledge shall be forever free and clear of such pledge and at the option of the Authority, expressed in writing, this Agreement shall be of no further force or effect.

15.J. *Severability.* Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their authorized officers as of the day and year first above written.

POWER AUTHORITY OF THE
STATE OF NEW YORK

By: _____

Title: Treasurer
Address: 1633 Broadway
New York, NY 10019

Telephone: (212) 468-6532
Telecopy: (212) 468-6649
Attn: Wes Collins
Treasurer

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Administrative Agent

By: _____

Title:

Address:

Telephone:

Telecopy:

Attn:

Commitment Amount:
\$110,000,000

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as a Bank and a Co-Arranger

By: _____

Title:

Address:

Telephone:

Telecopy:

Attn:

Commitment Amount:
\$100,000,000

THE BANK OF NOVA SCOTIA, NEW YORK
AGENCY, as a Bank, Documentation Agent
and a Co-Arranger

By: _____

Title:

Address:

Telephone:

Telecopy:

Attn:

Commitment Amount:
\$50,000,000

THE BANK OF NEW YORK

By: _____

Title:

Address:

Telephone:

Telecopy:

Attn:

Commitment Amount:
\$50,000,000

BAYERISCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By: _____

Title:

Address:

Telephone:

Telecopy:

Attn:

Commitment Amount:
\$50,000,000

THE CHASE MANHATTAN BANK, N.A.

By:

Title:

Address:

Telephone:

Telecopy:

Attn:

Commitment Amount:
\$100,000,000

COMMERZBANK AG, NEW YORK BRANCH

By: _____

Title:

Address:

Title:

Address:

Telephone:

Telecopy:

Attn:

Commitment Amount:
\$50,000,000

CREDIT LOCAL DE FRANCE,
NEW YORK AGENCY

By: _____

Title:

Address:

Title:

Address:

Telephone:

Telecopy:

Attn:

Commitment Amount:
\$45,000,000

FIRST UNION NATIONAL BANK

By: _____

Title:

Address:

Telephone:

Telecopy:

Attn:

Commitment Amount:
\$100,000,000
BRANCH

LANDESBANK HESSEN-THÜRINGEN
GIROZENTRALE, NEW YORK

By: _____

Title:

Address:

Title:

Address:

Telephone:

Telecopy:

Attn:

Commitment Amount:
\$45,000,000

STATE STREET BANK

By: _____

Title:

Address:

Telephone:

Telecopy:

Attn:

POWER AUTHORITY OF THE STATE OF NEW YORK

PROMISSORY NOTE

DATED: [Date]

POWER AUTHORITY OF THE STATE OF NEW YORK (hereinafter called the "Authority"), a body corporate and politic, a political subdivision and a corporate municipal instrumentality of the State of New York, for value received, hereby promises to pay to the order of _____ or its successors or assigns (the "Bank"), at the principal office of the Bank for the account of its Applicable Lending Office (as that term is defined in the 1999 Revolving Credit Agreement), the principal sum of \$ _____, or, if less, the aggregate principal amount of all loans ("Loans") made by the Bank to the Authority pursuant to the 1999 Revolving Credit Agreement hereinafter mentioned, such payment of principal of each such Loan to be made in full by the Authority on the Term Loan Date applicable to such Loan, *provided*, however, that if on the Term Loan Date no event of default, as defined in the 1999 Revolving Credit Agreement, and no event or condition which, with the giving of notice or the lapse of time or both, would constitute an event of default, has occurred and is continuing, and such Loan is not then governed by the proviso clause of § 3(H)(i) of the Revolving Credit Agreement hereinafter mentioned, such payment of such Loan shall not be required on the Term Loan Date and shall instead be made in eight equal quarterly installments, the first to be paid on the numerically corresponding date which is three calendar months after the Term Loan Date, and the remaining payments to be paid on the numerically corresponding dates which are 6, 9, 12, 15, 18, 21, and 24 calendar months after the Term Loan Date, and promises to pay interest on the unpaid principal amount of each Loan for the period commencing on the date of such Loan until such Loan shall be paid in full, at the following rates per annum: (i) during any period when the Adjusted Base Rate is applicable, at a variable rate per annum equal to the Adjusted Base Rate plus the applicable Margin (as those terms are defined in the 1999 Revolving Credit Agreement); (ii) during any period when a Eurodollar Rate is applicable, at a rate equal to the Eurodollar Rate plus the applicable Margin (as those terms are defined in the 1999 Revolving Credit Agreement), such interest to be payable, in the case of a Loan to which the Adjusted Base Rate is applicable, on the earlier of (x) the first day of each January, April, July and October following the calendar month in which such Loan is made until the principal of such Loan is paid and (y) the date of payment in full of such Loan, or, in the case of a Loan to which the Eurodollar Rate is applicable, on the earlier of the last day of the applicable Interest Period (as that term is defined in the 1999 Revolving Credit Agreement) and the date of payment in full of such Loan. Interest shall be computed on the basis of a year having the number of days specified in Section 3(C) of the 1999 Revolving Credit Agreement, and actual days elapsed; and (iii) notwithstanding clause (i) or (ii), if an Event of Default under the 1999 Revolving Credit Agreement shall have occurred

and be continuing, at a rate per annum equal at all times to 2% per annum above the Adjusted Base Rate in effect from time to time. Each change in the Adjusted Base Rate resulting from a change in the prime rate of the Administrative Agent (as that term is defined in the 1999 Revolving Credit Agreement) shall become effective for purposes hereof on the day on which such change in such prime rate becomes effective. The interest rate specified above may be adjusted pursuant to §9 of the 1999 Revolving Credit Agreement.

The Bank is hereby authorized by the Authority to and shall record on the schedule annexed to this Note (or on a supplemental schedule thereto) the amount of each Loan made by the Bank under the 1999 Revolving Credit Agreement and the amount of each payment or prepayment of the principal of this Note received by the Bank, it being understood, however, that if the Bank fails to make any such notation or makes a mistake with respect to any such notation, such failure or mistake shall not affect the rights or obligations of the Bank or the Authority hereunder or under the 1999 Revolving Credit Agreement with respect to the Loans.

This Note is issued under a resolution of the Authority adopted June 29, 1999 (the "Resolution") and under a 1999 Revolving Credit Agreement dated as of July 1, 1999 (as amended from time to time the "1999 Revolving Credit Agreement"), between the Authority, the Bank and the other banks named in such Agreement and Morgan Guaranty Trust Company of New York, as Administrative Agent. This Note is and shall continue to be a direct and general obligation of the Authority payable from the Trust Estate (as defined in the 1998 Resolution referred to in said 1999 Revolving Credit Agreement) and, except for Series 1998B Revenue Bond Loans, which shall constitute Parity Debt within the meaning of said 1998 Resolution, is and shall constitute Subordinated Indebtedness (within the meaning of said 1998 Resolution). The Trust Estate (as so defined) is hereby pledged for payment of this Note, which pledge, except for the Series 1998B Revenue Bond Loans, is subordinate in the manner set forth in the 1998 Resolution. This Note is also entitled to the benefits of the Resolution and said 1999 Revolving Credit Agreement.

Upon the occurrence of any event of default specified in said 1999 Revolving Credit Agreement, the principal of this Note and accrued interest thereon may be declared due and payable in the manner, upon the conditions and with the effect provided in said 1999 Revolving Credit Agreement, and upon any such declaration, the principal of and interest on all Loans then outstanding shall become immediately due and payable hereunder.

The Authority may pay all or any part of the principal of this Note before maturity upon the terms provided in said 1999 Revolving Credit Agreement.

Pursuant to Section 1011 of the Power Authority Act, Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of New York, the Authority, as agent for the State of New York, does hereby pledge to and agree with the holder of this Note that the State of New York will not limit or alter the rights vested in the Authority by said Act,

as amended, until the obligations of the Authority under this Note shall have been fully met and discharged or adequate provision shall have been made by law for the protection of the holders of this Note.

The Authority has no power to pledge the credit of the State of New York, nor shall any of its obligations, including this Note, be deemed to be obligations of the State of New York.

No Trustee, officer or employee of the Authority shall be held personally liable on this Note or in connection with any claim based hereon or on the Resolution or on said 1999 Revolving Credit Agreement.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Note, exist, have happened and have been performed and that the issuance of this Note, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by the laws of the State of New York.

IN WITNESS WHEREOF, POWER AUTHORITY OF THE STATE OF NEW YORK has caused this Note to be signed in its name and on its behalf by the manual signature of its Treasurer, and its corporate seal (or a facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced and attested by the manual signature of its Secretary, Deputy Secretary, or an Assistant Secretary as of the 1st day of July, 1999.

POWER AUTHORITY OF THE STATE
OF NEW YORK

By: _____
Title: Treasurer

Attest:

(Deputy) (Assistant) Secretary

[Letterhead of Power Authority of the State of New York]

[Name of Administrative Agent]

Re: Notice of Borrowing

Ladies and Gentlemen:

The Power Authority of the State of New York (the "Authority"), pursuant to the 1999 Revolving Credit Agreement dated as of July 1, 1999 (as amended from time to time, the "1999 Revolving Credit Agreement") by and between the Authority, the Banks named therein (the "Banks") and _____, as Administrative Agent (the "Agent") hereby confirms the Authority's telephonic notice given to you on _____ of a borrowing under said 1999 Revolving Credit Agreement in the principal amount of \$ _____ to be made on _____. [If applicable: The Authority further confirms that such borrowing shall constitute a Series 1998B Revenue Bond Loan.] The Bank shall make the proceeds of the Loan available to the Authority [specify manner].

THE AUTHORITY HEREBY CERTIFIES that all terms and conditions to the subject Borrowing have been complied with, including all representation and warranties required to be made or deemed made pursuant to the terms of the 1999 Revolving Credit Agreement [in the event the notice specified in the proviso clause of §3(H)(i) of the 1999 Revolving Credit Agreement is to be given: provided, however, that the Authority is unable to reaffirm the representations and warranties set forth in §2(C) of the 1999 Revolving Credit Agreement.]

POWER AUTHORITY OF THE
STATE OF NEW YORK

By: _____
Authorized Officer

POWER AUTHORITY OF THE STATE OF NEW YORK
1633 Broadway
New York, New York 10019

July 1, 1999

Morgan Guaranty Trust Company of New York
as Administrative Agent, and
the Banks listed on Appendix A hereto

Ladies and Gentlemen:

As Executive Vice President, Secretary and General Counsel of the Power Authority of the State of New York (herein called the "Authority") and in accordance with Section 7(a)(4) of the 1999 Revolving Credit Agreement dated as of July 1, 1999, among the Authority and Morgan Guaranty Trust Company of New York, as Administrative Agent (the "Agent"), and the banks enumerated in such Agreement (herein called the "Revolving Credit Agreement"), I hereby advise that in my opinion:

1. The Authority is a body corporate and politic, a political subdivision and a corporate municipal instrumentality of the State of New York, created by and validly existing under the Power Authority Act, Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended (the "Act"). The Authority has the power to execute and deliver the Revolving Credit Agreement and the notes issued on the date hereof pursuant to the Revolving Credit Agreement (the "Notes") and to incur and perform its obligations under the Revolving Credit Agreement and under the Notes.

2. The Revolving Credit Agreement has been duly authorized, executed and delivered by the Authority, and assuming that the Revolving Credit Agreement has been duly authorized, executed and delivered by the Administrative Agent and the banks party thereto (collectively, the "Banks"), and is a legal, valid and binding obligation of the Banks enforceable against the Banks, the Revolving Credit Agreement is in full force and effect, creates the valid pledge described in Section 10 of the Revolving Credit Agreement, is a legal, valid and binding obligation of the Authority, and is enforceable against the Authority in

accordance with its terms, subject to bankruptcy, insolvency and other laws affecting the rights of creditors generally and to general principles of equity, and no other authorization for the Revolving Credit Agreement is required.

3. The Notes have been duly authorized, executed and delivered by the Authority and issued in accordance with law, including the Act, and in accordance with the Revolving Credit Agreement. Upon the making of any Loan under the Revolving Credit Agreement, the Notes will be legal, valid, binding, direct and general obligations of the Authority, enforceable against the Authority in accordance with their terms and the terms of the Revolving Credit Agreement, subject to bankruptcy, insolvency and other laws affecting the rights of creditors generally and to general principles of equity, and the Notes will be entitled to the benefits of the Revolving Credit Agreement and of the Act, and, except for Series 1998B Revenue Bond Loans (as defined in the Revolving Credit Agreement), subject to the prior pledge created by the General Resolution authorizing Revenue Obligations, including Parity Debt as described therein, adopted by the Authority on February 24, 1998, as amended and supplemented in accordance with its terms, and to such other pledges as may be permitted pursuant to the provisions of Section 8(C) of the Revolving Credit Agreement.

4. The execution and delivery of the Revolving Credit Agreement and the issuance of the Notes do not and will not violate any provision of law or regulation in effect on the date hereof or any agreement entered into pursuant to the Existing Resolutions (as defined in the Revolving Credit Agreement) or, to my knowledge after inquiry, under any other agreement or instrument to which the Authority or its property is bound, or result in the creation or imposition of any "security interest" (as defined in the Revolving Credit Agreement) on any asset of the Authority except for the pledge contemplated by the Revolving Credit Agreement.

5. The Notes do not constitute an obligation, debt or liability of the State of New York, and the Authority has no power of taxation or power to pledge the credit of the State of New York.

6. There are no suits or proceedings pending, or to the knowledge of the Authority threatened, against or affecting the Authority, questioning the creation, organization or existence of the Authority or the validity of the Revolving Credit Agreement, the Existing Resolutions or the Notes or any of the bonds or notes referred to in the Revolving Credit Agreement or the Existing Resolutions or which, if adversely determined, would otherwise have a material adverse effect on the ability of the Authority to pay the principal of and interest on the Notes when due, except as may be described in Appendix B hereto.

7. The Authority (or the State of New York for the benefit of the Authority) has good and legal title to each of the fixed properties and assets of the Authority. As of the date first above written, there are no liens or encumbrances on any properties of the Authority the foreclosure of which would have a materially adverse effect upon the ability of the Authority

to perform its obligations under the Revolving Credit Agreement and the Notes, except as described in the Revolving Credit Agreement and except as may be made under Credit Support Annexes entered into by the Authority in connection with Forward Swap Agreements between the Authority and Salomon Brothers Holdings Co. Inc. and Morgan Guaranty Trust Company of New York, which pledges are applicable to specific amounts, if any, transferred to such counterparties as collateral pursuant to the terms of such Credit Support Annexes. As of the date first above written, there are no liens or encumbrances on the revenues of the Authority other than the pledge effected by and pursuant to the Revolving Credit Agreement and the pledges effected by and pursuant to the Existing Resolutions.

No registration with, consent of, or approval by any governmental officer, agency or commission is necessary for the making and performance of the Revolving Credit Agreement and the issuance and payment of the Notes other than the approval of the Comptroller of the State of New York which approval has been obtained and, to my knowledge after inquiry, is in full force and effect.

The terms used in this opinion have the meanings ascribed to such terms in the Revolving Credit Agreement.

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

APPENDIX A

Morgan Guaranty Trust Company Of New York

The Bank of Nova Scotia, New York Agency

The Bank of New York

Bayerische Landesbank Girozentrale, New York Branch

The Chase Manhattan Bank, N.A.

Commerzbank AG, New York Branch

Credit Local De France, New York Agency

First Union National Bank

Landesbank Hessen-Thuringen Girozentrale, New York Branch

State Street Bank

[TO COME]

[Letterhead of Hawkins, Delafield & Wood, Bond Counsel to the Authority]

July 1, 1999

Morgan Guaranty Trust Company of New York
as Administrative Agent
[Address]

Ladies and Gentlemen:

We have acted as bond counsel to Power Authority of the State of New York (the "Authority") in connection with the Authority's issuance of its Commercial Paper Notes, Series 1, 2 and Series 3 (the "Notes").

The Notes are authorized and issued under and pursuant to the Power Authority Act, Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended, and a resolution of the Authority entitled "Resolution Authorizing Commercial Paper Notes" adopted June 28, 1994, as amended and restated by a resolution of the Authority entitled "Amended and Restated Resolution Authorizing Commercial Paper Notes", adopted November 25, 1997, as amended and supplemented.

We are of the opinion that the Notes are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and it is not necessary to register the Notes under the Securities Act.

Very truly yours,

ASSIGNMENT AND ASSUMPTION AGREEMENT

AGREEMENT dated as of _____, 19 ____ among [ASSIGNOR] (the "Assignor"), [ASSIGNEE] (the "Assignee"), POWER AUTHORITY OF THE STATE OF NEW YORK (the "Authority") and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Administrative Agent (the "Administrative Agent").

W I T N E S S E T H

WHEREAS, this Assignment and Assumption Agreement (the "Agreement") relates to the 1999 Revolving Credit Agreement dated as of July 1, 1999, among the Authority, the Assignor and the other Banks party thereto, as Banks, and the Administrative Agent (as amended from time to time, the "1999 Revolving Credit Agreement");

WHEREAS, as provided under the 1999 Revolving Credit Agreement, the Assignor has a Commitment to make Loans to the Authority in an aggregate principal amount at any time outstanding not to exceed \$ _____ ;

WHEREAS, Loans made to the Authority by the Assignor under the 1999 Revolving Credit Agreement in the aggregate principal amount of \$ _____ are outstanding at the date hereof; and

WHEREAS, the Assignor proposes to assign to the Assignee all of the rights of the Assignor under the 1999 Revolving Credit Agreement in respect of a portion of its Commitment thereunder in an amount equal to \$ _____ (the "Assigned Amount"), together with a corresponding portion of its outstanding Loans, and the Assignee proposes to accept assignment of such rights and assume the corresponding obligations from the Assignor on such terms;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. Definitions. All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the 1999 Revolving Credit Agreement.

SECTION 2. Assignment. The Assignor hereby assigns and sells to the Assignee all of the rights of the Assignor under the 1999 Revolving Credit Agreement to the extent of the Assigned Amount, and the Assignee hereby accepts such assignment from the Assignor and assumes all of the obligations of the Assignor under the 1999 Revolving Credit Agreement to

the extent of the Assigned Amount, including the purchase from the Assignor of the corresponding portion of the principal amount of the Loans made by the Assignor outstanding at the date hereof. Upon the execution and delivery hereof by the Assignor, the Assignee, the Authority and the Administrative Agent and the payment of the amounts specified in Section 3 required to be paid on the date hereof (i) the Assignee shall, as of the date hereof, succeed to the rights and be obligated to perform the obligations of a Bank under the 1999 Revolving Credit Agreement with a Commitment in an amount equal to the Assigned Amount, and (ii) the Commitment of the Assignor shall, as of the date hereof, be reduced by a like amount and the Assignor released from its obligations under the 1999 Revolving Credit Agreement to the extent such obligations have been assumed by the Assignee. The assignment provided for herein shall be without recourse to the Assignor.

SECTION 3. Payments. As consideration for the assignment and sale contemplated in Section 2 hereof, the Assignee shall pay to the Assignor on the date hereof in Federal funds an amount equal to \$. It is understood that commitment and/or facility fees accrued to the date hereof are for the account of the Assignor and such fees accruing from and including the date hereof are for the account of the Assignee. Each of the Assignor and the Assignee hereby agrees that if it receives any amount under the 1999 Revolving Credit Agreement which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

SECTION 4. Consent of the Authority and the Administrative Agent. This Agreement is conditioned upon the consent of the Authority and the Administrative Agent pursuant to Section 15.E. of the 1999 Revolving Credit Agreement. The execution of this Agreement by the Authority and the Administrative Agent is evidence of this consent. Pursuant to Section 15.E. of the 1999 Revolving Credit Agreement, the Authority agrees to execute and deliver a Note payable to the order of the Assignee to evidence the assignment and assumption provided for herein.

SECTION 5. Non-Reliance on Assignor. The Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition, or statements of the Authority, or the validity and enforceability of the obligations of the Authority in respect of the 1999 Revolving Credit Agreement or any Note. The Assignee acknowledges that it has, independently and without reliance on the Assignor, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the business, affairs and financial condition of the Authority.

SECTION 6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 7. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By: _____
Title:

[ASSIGNEE]

By: _____
Title:

POWER AUTHORITY OF THE
STATE OF NEW YORK

By: _____
Title:

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Administrative Agent

By: _____
Title: Vice President

8. Procurement (Services) Contracts – James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; the Non-nuclear Facilities; and Headquarters Office – Extensions and Approval of Additional Funding and Increases in Compensation Ceiling

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit ‘8-A’ for the James A. FitzPatrick (‘JAF’) and Indian Point 3 (‘IP3’) Nuclear Power Plants, as well as for the non-nuclear facilities and Headquarters Office. A detailed explanation of the nature of such services, the reasons for extension, and the projected expiration dates are listed below.

BACKGROUND

“Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year.

“The Authority's Expenditure Authorization Procedures require Trustees' approval when a personal services contract exceeds a cumulative change order value of \$500,000, or when a non-personal services or equipment purchase contract exceeds a cumulative change order limit of \$3,000,000.

DISCUSSION

“While the Authority's policy is to use its own staff to perform necessary engineering and craft labor work, there are cases where it is necessary to utilize external contractors or consultants to supplement Authority staff during peak working periods in support of refueling and other outages, or if special expertise is required which is not available within the Authority.

“Although the firms identified in Exhibit ‘8-A’ have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing these contracts. Trustees' approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination.

“These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures. As the Authority performs more work in-house over the next several years, funding allocated for services performed pursuant to these contract extensions will be correspondingly reduced.

“Extension of each of the contracts identified in Exhibit ‘8-A’ is requested for one or more of the following reasons: 1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; 2) to accommodate an Authority or external regulatory agency schedule change, which has delayed, re-prioritized, or otherwise suspended required services; 3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; or 4) the contractor provides a proprietary technology or specialized equipment at reasonable negotiated rates, which the Authority needs to continue until a permanent system is put in place.

*Included 6 mos. free rent as part of its proposal; first year rent is \$24,796

June 29, 1999

*Included 6 mos. free rent as part of its proposal; first year rent is \$24,796

Contracts in Support of the Non-nuclear Sites and Headquarters Office:

“The contract with **General Electric Company (S98-00622)** provides for a configuration/system study of a hybrid electric transit bus augmented with a combination of an advanced energy storage system and fast-charging techniques to obtain significant reductions in tailpipe emissions and petroleum fuel usage for operation on a rigorous urban baseline bus driving cycle plus two selected New York City bus driving cycles. Additional tasks include the design/fabrication of electronic interface for energy storage and fast-charging systems and system test of energy storage devices with electronic interface. Projected petroleum fuel economy and electric energy usage for the selected NYC bus driving cycles will result from this project. The original award became effective on March 12, 1998 for an initial term of less than one year. In accordance with the Authority’s Guidelines for Procurement Contracts and the Expenditure Authorization Procedures, the contract was extended through June 30, 1999, with the approval of the Senior Vice President – Energy Services & Technology, to continue ongoing services. Delays in the receipt of funding for the three aforementioned tasks that comprise Phase 1 have delayed the completion of this phase of services. The current contract amount is \$265,000; it is anticipated that no additional funding will be required for the extended term. It should be noted that the Authority’s share is only \$175,000 for Task 1; Task 2 was funded by GE; and Task 3 is funded by Southern California Edison and the Electric Power Research Institute (‘EPRI’); separate cost-sharing agreements have been executed between each of these organizations and the Authority. The Trustees’ approval is requested to ratify the interim extension through June 30, 1999 and to approve an additional six-month extension through December 31, 1999. Upon obtaining all necessary cofunding from the project’s various partners (including companies and agencies), additional Trustees’ approval will be sought to approve Phase 2 of this program and to approve the additional funding. The second phase would include laboratory evaluation and control optimization of a full-scale heavy-duty hybrid propulsion system augmented with off-board opportunity fast charging, followed by mounting of the energy storage system in a heavy-duty hybrid bus and test track demonstration; formal emission tests would also be performed with the advanced hybrid transit bus operating on New York City bus driving cycles.

“The contract with **Lippes, Silverstein, Mathias and Wexler (S92-34429)** provides the legal services of local counsel for the purpose of assisting the Authority in connection with replacement and ongoing preference power rate litigation pending in Niagara County. This firm advises Authority staff of local rules, statutes and procedures, helps in serving and filing papers, and handles routine court appearances. This contract became effective on May 1, 1992; at their meeting of February 23, 1993, the Trustees approved a three-year extension through May 16, 1996. A subsequent three-year extension was approved by the Trustees at their meeting of September 24, 1996, as well as an additional \$10,000. A two-year extension is now requested in order to continue services, since the *Bergen v. Power Authority* case currently pending before the Supreme Court, Niagara County is not expected to be resolved for another two years. The current contract amount is \$60,000; it is anticipated that an additional \$25,000 may be required for the extended term. The Trustees’ approval is requested to extend the subject contract through May 16, 2001 and to approve the additional funding requested.

“The contract with **Shaw, Pittman, Potts and Trowbridge (S96-80503)** provides for general regulatory advice and legal counsel on nuclear energy related matters, as well as high level radioactive waste litigation against the United States Department of Energy. This firm is often in the forefront of innovative nuclear regulatory initiatives and litigations. This contract was approved on a contingency basis by the Trustees at their meeting of March 26, 1996 and became effective on April 1, 1996. At their meeting of September 24, 1996, the Trustees approved a three-year extension through March 31, 1999, as well as an additional \$100,000. A three-year extension is now requested in order to keep the firm on retainer, to be used on an ‘as needed’ basis, such as in cases where there is a conflict of interest with Winston & Strawn or where Shaw, Pittman’s experience or pricing is superior in a particular matter. The current contract amount is \$150,000; it is anticipated that an additional \$150,000 may be required for the extended term. The Trustees’ approval is therefore requested to extend the subject contract through March 31, 2002 and to approve the additional funding requested.

*Included 6 mos. free rent as part of its proposal; first year rent is \$24,796

“The contract with **Software Sense Systems, Inc. (S98-03253)** provides for a safety and clearance tagging system and outage coordination at the non-nuclear facilities, through the use of their ‘PTR-Plus!’ software, interfaces and data conversions. This system will, in turn, interface with the maintenance management ‘MAXIMO’ software already in use at the Projects and will be integrated with the work management process. The contract became effective on June 1, 1998 for an initial term of up to one year. At the time of award, there were significant differences in how the Projects performed tagging; the intent was to reach a consensus that would result in one approach and design of one version of the software. Subsequent Authority review of the one-version effort resulted in a change to a two-version plan, which will produce two different but compatible versions of the software, one for the fossil fuel projects and one for the hydro projects. A nineteen-month extension is now requested in order to accommodate this bifurcated approach. Upon successful completion of the base product that will provide a means of requesting and producing safety and clearance tags, the consultant will proceed with Phase 2, which consists of the integration and coordination of this product with MAXIMO and the Energy Control Center. The current contract amount is \$250,000; it is estimated that an additional \$50,000 may be required for the extended term. The Trustees’ approval is requested to extend the subject contract through December 31, 2000 and to approve the additional funding requested.

“The contract with **Test Products, Inc. (S98-04095)** provides for the testing of station batteries in Authority owned and/or operated non-nuclear power generating and switching station facilities. The battery systems to be tested are multi-cell systems of 25-250 volts for use as an emergency direct current power supply. Capacities range up to 3900 ampere-hours over the standard eight-hour period. Such testing is performed to determine the physical, chemical and electrical condition of the equipment, as well as the available capacity/load discharge of the battery. The original contract became effective on July 20, 1998 for an initial term of one year, with an option to extend services for two additional years. A two-year extension is now requested in order to exercise this option. The current contract amount is \$52,300; it is estimated that an additional \$25,000 will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees’ approval is requested to extend the subject contract through July 19, 2001 and to approve the additional funding requested.

“The contract with **Williamstown Art Conservation Center (S98-04219)** provides for the removal, offsite storage, conservation/restoration and reinstallation of the Thomas Hart Benton mural (‘Father Hennepin at Niagara Falls’) located in the Visitors’ Center at the Niagara Power Project. The contract, which became effective on July 27, 1998, references the terms and conditions and pricing of a multi-year contract that was competitively bid and issued to this consultant by the New York State Office of General Services. Since the mural cannot be reinstalled in the Visitors’ Center until all renovation work in that area has been completed, an extension of approximately seventeen months is now requested in order to allow sufficient time for completion of all other services. In the meantime, upon completion of the mural restoration, it will be displayed at the New York State Museum in Albany this summer. The current contract amount is \$31,900. The Trustees’ approval is requested to extend the subject contract through December 31, 2000 with no additional funding requested. It should be noted that staff is currently working with the conservator to research and select the best option for a security system to protect the mural when it is reinstalled in the Visitors’ Center; such services would be provided under a separate contract.

“The contract with **Winston & Strawn (S96-80597)** provides for general regulatory advice and legal counsel on nuclear energy related matters, including policy, regulatory, licensing, and corporate issues. The firm has extensive nuclear experience and represents over one-half of the nuclear power reactors in the United States on a variety of plant-specific and generic legal and licensing issues. The viability of commercial nuclear power generation in the context of deregulation of the electric utility industry also poses special challenges to the Authority’s nuclear program which require such a law firm to counsel the Authority. At their meeting of March 26, 1996, the Trustees approved the award and funding of a three-year contract; it became effective on April 1, 1996. A three-year extension is now requested in order to continue services. It is necessary and desirable to maintain a relationship with Winston & Strawn, a Washington, D.C. law firm experienced in practice before the Nuclear Regulatory Commission (‘NRC’) and the U. S. Department of Labor for nuclear whistleblower matters,

*Included 6 mos. free rent as part of its proposal; first year rent is \$24,796

as well as for Decontaminating and Decommissioning Fund litigation against the U.S. Department of Energy. The firm is familiar with the Authority's nuclear program and, importantly, the Authority's nuclear management and staff have confidence in the quality and timeliness of the firm's counsel. The current contract amount is \$325,000; it is anticipated that an additional \$240,000 may be required for the extended term. The rates offered to the Authority reflect a 10 percent discount from the firm's standard rates, which themselves are lower than other comparable firms. The Trustees' approval is requested to extend the subject contract through March 31, 2002 and to approve the additional funding requested.

Contracts in Support of the Nuclear Plants:

"The contract with the **Climatronics Corp. (C97-I6049)** provides for the calibration and repair of meteorological monitoring equipment at IP3. The contract was awarded on a sole source basis because Climatronics is the original equipment designer and exclusive manufacturer of the installed meteorological equipment at Con Edison's Indian Point 2 and the Authority's Indian Point 3 plants, respectively. Climatronics is the only vendor that can provide all of the requisite service, parts, testing procedures and equipment, and design engineering knowledge to repair, align, adjust and resolve operating issues with this equipment and system. This equipment is used to monitor the atmospheric environment around the plant to assist in tracking radioactive material that is released from the plant. The equipment and measurements are required to meet Site Operating Specifications at IP3 and Technical Specifications at IP2, and to comply with Nuclear Regulatory Commission regulations. It is important to the safe and efficient operation of both plants that this equipment is maintained in order to provide accurate and reliable data. The original award became effective on July 1, 1998 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested to exercise this option for continuation of services. The current contract amount is \$10,000; it is anticipated that an additional \$20,000 may be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through June 30, 2001 and to approve the additional funding requested.

"The contract with **Energy Resources International, Inc. (S98-04221)** provides for consulting services in connection with the selection of a nuclear fuel fabrication supplier for IP3. Services include, but are not limited to, assistance in the preparation of the Request for Proposals, evaluation of the proposals submitted by the potential suppliers, and preparation and negotiation of the contract awarded to the selected supplier. The Authority may also request the consultant to attend in-house meetings regarding this fuel procurement. The original award became effective on July 27, 1998 for an initial term of up to one year. Although the bids have been received and are under evaluation, it is currently anticipated that the final selection of a supplier and negotiation of a contract will not be completed until sometime during the first half of 2000. Since the services of this consultant will be needed to assist in these efforts through completion, a one-year extension is now requested. The current contract amount is \$100,000; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through July 26, 2000 with no additional funding requested.

"The contract with **Nissan Lift of New York, Inc. (formerly Orange Handling; C98-I6153)** provides for both onsite and offsite maintenance and repair of lifting devices (e.g., forklifts and bucket trucks, including parts and labor) for IP3. Services also include quarterly onsite preventive maintenance inspections, as well as comparable equipment rentals while units are being repaired. The original award became effective July 15, 1998 for an initial term of one year, with an option to extend for up to two additional years. A two-year extension is now requested in order to exercise this option. The current contract amount is \$60,000; it is anticipated that an additional \$120,000 will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through July 14, 2001 and to approve the additional funding requested.

FISCAL INFORMATION

*Included 6 mos. free rent as part of its proposal; first year rent is \$24,796

“Funds required to support contract services for various non-nuclear Headquarters Office Departments/Business Units and non-nuclear facilities, as well as for JAF and IP3 have been included in the 1999 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

“Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects. Payment will be made from the appropriate Nuclear Improvement Fund.

RECOMMENDATION

“The Site Executive Officer – James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President – Nuclear Operations, the Vice President - Nuclear Engineering, the Director - Reactor Engineering, the Regional Manager - Western New York, the Director - Community Relations, the Vice President - Procurement and Real Estate, and the Deputy Secretary and General Counsel recommend the Trustees' approval of the extension and additional funding of the procurement contracts listed in Exhibit ‘8-A’, as set forth above.

“The Chief Nuclear Officer, the Senior Vice President – Energy Services & Technology, the Executive Vice President - Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel, and I concur in the recommendation.”

The proposed resolution was unanimously adopted, with the exception of the proposed contract award to Bilotta Construction Co., with respect to which Trustee McCullough abstained from voting, and which was adopted by a vote of 4 in favor, with 1 abstention.

The attached resolution, as recommended by the President, was adopted by a vote of 4 to 1, with Trustee McCullough abstaining.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit “8-A” is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed below, as recommended in the foregoing report of the Executive Vice President – Project Operations.

*Included 6 mos. free rent as part of its proposal; first year rent is \$24,796

9. Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; the Non-nuclear Facilities; and Headquarters Office - Awards

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit ‘9-A’ for the James A. FitzPatrick (‘JAF’) and Indian Point 3 (‘IP3’) Nuclear Power Plants, as well as for the non-nuclear facilities and Headquarters Office. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are set forth in the discussion below.

BACKGROUND

“Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year.

“In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services contracts in excess of \$3,000,000, as well as personal services contracts in excess of \$1,000,000 if low bidder, or \$500,000 if sole source or non-low bidder, require Trustees' approval.

DISCUSSION

“While the Authority's policy is to use its own staff to perform necessary engineering and craft labor work, there are cases where it is necessary to utilize external contractors or consultants to supplement Authority staff during peak working periods in support of refueling and other outages, or if special expertise is required that is not available within the Authority. With respect to Headquarters, it is often necessary to retain consultants to perform specialized work outside the expertise of Authority staff.

“The terms of these contracts will be more than one year, therefore the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, ranging in estimated value from \$0 to \$850,000. These contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

“The issuance of multi-year contracts is recommended from both a cost and efficiency standpoint. In many cases, reduced prices can be negotiated for these longer term contracts. Since these services are typically required on a continuous basis, it is more efficient to award longer term contracts than to rebid these services annually.

Contracts in Support of the Non-nuclear Facilities and Headquarters Business Units:

“The two contracts with **Colden Corp. and Roy F. Weston of New York Inc. (Q-02-2276; PO#'s TBA)** would commence on July 1, 1999, subject to the Trustees' approval. The purpose of these contracts is to provide industrial hygiene laboratory and field service staff augmentation services in support of Headquarters programs and all Authority operating facilities. Services may also include consultation and evaluation for the Authority, as well as occasional services in support of programs for Authority customers (e.g., Energy Services & Technology ‘HELP’ customers), as may be required. The two aforementioned firms were the two low

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qualified bidders of 8 bids received (in addition to 16 declining/non-responding bidders and notice in the Contract Reporter). Based on their qualifications including the number, experience, credentials and physical location of contractor personnel, staff recommends the award of contracts to both vendors with the understanding that Colden Corp. would be the primary provider and Roy F. Weston would be the backup. The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total combined amount expected to be expended for the term of the contracts, \$180,000.

"The contract with **Medicus, P.C. (Q-02-2252; PO # TBA)** would commence on July 1, 1999, subject to the Trustees' approval. The purpose of this contract is to provide the services of a Consulting Medical Director, Medical Review Officer (qualified to perform nuclear plant MRO services), Medical Doctor and staff to perform physical examinations, and a Medical Program Coordinator. Services shall also include medical record retention and miniaturization (microfilming) services for all Authority headquarters offices and sites. Medicus was the low qualified bidder of two bids received (in addition to 8 declining/non-responding bidders and notice in the Contract Reporter). Medicus is clearly qualified to perform all requisite services and has consistently demonstrated their ability to provide quality service to the Authority for the past nine years. Medicus has a qualified physician on staff who is board certified in occupational medicine and certified as a Nuclear Medical Review Officer (required for Fitness for Duty test results) to perform the Consulting Medical Director services; this firm also has the personnel and facilities to handle and store the centralized medical records, and has a subcontracted record miniaturization service in place. Physical examinations can also be conducted for Headquarters employees, as needed. Headquarters project engineers, for example, are sometimes given temporary field assignments requiring the use of a respirator, when exposure to asbestos or other hazardous materials or environmental conditions is possible. Respirator wearers require annual respirator clearance to comply with Federal and State requirements. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$705,000.

"The contract with **MedReview, Inc. (Q-02-2355; PO # TBA)** would commence on July 1, 1999, subject to the Trustees' approval. The purpose of this contract is to provide for the review of health care utilization and management of individual health care cases for Authority employees that are members of the International Brotherhood of Electrical Workers ('IBEW') and the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America ('Teamsters'). Currently there are 1220 IBEW and 22 Teamster members in the Authority's health plan. A program of managed care or utilization review is voluntary for the IBEW and mandatory for the Teamsters (i.e., the Teamsters would be charged a penalty for noncompliance with pre-treatment certification). Services include pre-admission review, concurrent review, discharge planning, and individual case management for all inpatient hospitalizations. When contacted MedReview staff confirms the need for treatment, determines the suitability of both the method and the location of the treatment, and when appropriate, recommends alternatives. Such utilization management services assist the Authority in providing quality health care to its employees in a cost-effective manner and provide employees and their families with the information necessary to make informed health care decisions. Of the approximately 1246 employees eligible for these services in 1998, there were 674 inpatient claims totaling \$816,324. The Authority realized savings of \$47,550 as a result of such utilization review and case management services. MedReview, Inc. was the low qualified bidder of three bids received (in addition to four declining/non-responding bidders and notice in the Contract Reporter). In addition, MedReview currently provides such services for the Authority's IBEW and Teamster employees and has been performing satisfactorily. The intended term of the contract is three years, subject to the Trustees' approval, which is hereby requested. There are two components to the costs: a monthly per capita cost and an hourly cost for any case management services that are performed. Approval is also requested for the total amount expected to be expended for the term of the contract, \$141,000.

"The contract with **MedReview, Inc. (Q-02-2356; PO # TBA)** would commence on July 1, 1999, subject to the Trustees' approval. The purpose of this contract is to perform a Per Diem, Diagnostic Related

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Group ('DRG') or utilization review audit of the payment of hospital claims by Empire Blue Cross and Blue Shield. In recent years, the basis for New York State hospitalization reimbursement was changed from DRG (a preset amount for each type of inpatient treatment regardless of the hospital's actual cost of patient's length of stay) to per diem (negotiated payment based on length of stay). Prudent business practice requires an audit of such hospital claims to ensure that payments are accurate. Empire Blue Cross and Blue Shield ('Blue Cross') has been the Authority's hospitalization insurance carrier for salaried employees and members of the Utility Workers Union of America ('UWUA') since 1987. There were approximately 2,040 employees enrolled in the Blue Cross plan in 1998, with 171 inpatient claims totaling \$1,371,118. The Authority recovered \$88,249 as a result of such an audit. In addition, per diem payments will be reviewed by the auditor to ensure consistency with length of hospital stays for medical appropriateness and timing of admission. MedReview, Inc. was the low qualified bidder of two bids received (in addition to 14 declining/non-responding bidders and notice in the Contract Reporter). Also, MedReview currently provides such audit services for the Authority's salaried and UWUA employees and has been performing satisfactorily. The intended term of the contract is three years, subject to the Trustees' approval, which is hereby requested. Since the consultant's compensation will be a percentage of the recovered savings realized by the Authority as a result of the audit rather than payment of a flat fee, no funding is required. If no such reimbursements or credits are forthcoming, no compensation will be paid to the consultant.

"The contract with **NPS Energy Services, Inc. (Q-02-2320; PO# TBA)** would become effective on July 1, 1999, subject to the Trustees' approval. The purpose of this contract is to provide skilled craft labor to supplement the Authority's permanent workforce for general maintenance support services to be performed at the Authority's Central Region facilities. The facilities include: the Blenheim-Gilboa Pumped Storage Power Project, the Crescent, Vischer Ferry and Ashokan Projects, the Frederick R. Clark Energy Center, the Gregory B. Jarvis Power Project, and the Hudson River Crossing. The intent is to consider the use of such contract labor during major events or emergencies, when assistance from the Authority's other regions/facilities is not available, after all other options have been exhausted, and the critical nature of the work to be performed dictates that repairs/modifications must be made expeditiously. The maintenance agreement would ensure that the Central Region has an efficient method of rapidly deploying qualified craft labor, if and when required, with the commercial arrangements covering wage rates, prevailing wage determinations, insurance liability, etc. already in place. Such work would generally consist of the repair, maintenance and modification of prime movers and ancillary equipment associated with hydro plants, including but not limited to: turbines, generators, piping, pumps, valves, heat exchangers, electric motors, circuit breakers, fans, filters, pressure vessels, boilers and structures. Some of the skilled labor required to perform such work includes millwrights, pipefitters, electricians, laborers, and welders. NPS was the lowest commercially evaluated, technically acceptable bidder of two bids received (in addition to three declining/non-responding bidders and notice in the Contract Reporter). NPS has superior experience, a proven safety track record, and has national agreements with the trade unions already in place. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested, with an option to extend for one additional year in accordance with the Authority's Expenditure Authorization Procedures. The initial award will be for zero dollars; there is no retainer cost for this award and the contract will be used only on an 'as required' basis. The contract is modeled after the labor support agreements in place at IP3 and the Poletti and Flynn projects. For administrative purposes, approval is also requested for the total amount that may be expended for the term of the contract, \$150,000.

"In 1996, the Authority embarked on an historic project – the design, engineering manufacture, delivery, installation field support, start-up and commissioning of a 200 kW fuel cell powered by anaerobic digester gas ('ADG') from the Yonkers Joint Sewage Treatment Plant. This was the first project to harness ADG energy in the United States and represents a major step in reducing fuel cell electricity cost and expediting full commercialization of this promising technology. In addition, this project reduces air pollution, efficiently utilizes onsite resources, and complies with the Clean Air Act requirements and Global Climate Challenge Initiatives. This program also benefits New York state industries, since at least 29% of the equipment is manufactured by New York companies. Following successful implementation of the initial ADG-powered fuel cell in Yonkers, the Authority deployed a natural gas-powered fuel cell in New York City's Central Park, which

*Included 6 mos. free rent as part of its proposal; first year rent is \$24,796

was the first application of such fuel cell technology in Manhattan. The contract with **ONSI Corp. (formerly a division of International Fuel Cell Corp.; PO# TBA)** would commence on July 1, 1999, subject to the Trustees' approval. The purpose of this contract is to provide maintenance for the two aforementioned Authority-owned and operated ONSI fuel cell power plants ('FCPPs'). Routine maintenance is needed to keep the fuel cells operational. This award is made on a sole source basis, since ONSI is the original equipment manufacturer of the FCPPs and there are no other known firms capable of performing such operations and maintenance ('O&M') work on fuel cells. Although ONSI performs O&M work on the great majority of their fuel cells, they also train owner crews to do so. Authority staff estimate that it is currently more economical to outsource this activity until the Authority owns and operates at least 10 – 12 FCPPs. Fuel cell power plants are intended to operate for 20 years and maintenance will be needed as long as they are in operation. In five years, the Authority may own and operate a sufficient number of FCPPs to take over this function. The intended term of this contract is five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$350,000.

"In 1989 the Authority established a Deferred Compensation Plan (the 'Plan') for the benefit of its employees, pursuant to Section 457 of the Internal Revenue Code of 1986 (the 'Code'), as amended, as well as Section 5 of the New York State Finance Law (the 'Law'). The Plan was established primarily to provide those Authority employees covered by a collective bargaining agreement with a means of saving through a tax deferred compensation program, although the plan is also available to salaried employees. Under the Plan, participating employees may elect to contribute from 1 to 25 percent of their wages on a pre-tax basis (up to \$8,000) and to have this deferred compensation invested in any of 14 investment vehicles under the Plan (e.g., money market fund, stable value fund, diversified bond fund, and 11 equity funds). Amounts deferred under the Plan are not available to employees until termination, retirement, death or unforeseeable emergency. As of December 31, 1998, the Plan's assets held in trust for the exclusive benefit of participants and their beneficiaries amounted to \$29,535,993.

"The contract with **T. Rowe Price Associates, Inc. (Q-02-2283; PO# TBA)** would continue to provide administrative/recordkeeping, investment and trustee services with regard to such Plan, in accordance with the procedures of the New York State Deferred Compensation Board and pursuant to the rules, regulations and requirements of the aforementioned Code and Law. The Authority's Deferred Compensation Plan Committee administers the Plan and is authorized to enter into an agreement with the financial organization for the provision of recordkeeping, investment and trustee services. In selecting an organization to provide such services, the Committee evaluated each bidder's response to questions about its organization and history, client service/quality assurance, recordkeeping and administration, regulatory services, reporting, voice response/participant access, communications and education, data conversion, systems capabilities and hardware, investments, trustee services, references and costs. In making the selection, the Committee also considered: 1) the stability of the financial organization as evidenced by its experience or investment record over a substantial period of time; 2) the ability of the organization to meet its contractual obligations, provide the services set forth in the proposal, and comply with the reporting requirements of the Committee and Section 457 of the Code; 3) the variety and types of investment products offered by the organization and the ability to transfer among the deferred compensation products offered by a different financial organization with which the Committee might contract; 4) the organization's experience and familiarity with the requirements of a State deferred compensation plan under Section 457 of the Code; 5) whether the organization's products and services are of the highest quality and soundness; 6) the overall cost efficiency of the proposal; and 7) the overall quality and scope of the services to be provided to plan participants. Based on evaluation of all these factors, T. Rowe Price ('TRP') was the low qualified bidder of ten bids received (in addition to nine declining/non-responding bidders and notice in the Contract Reporter). TRP will eliminate recordkeeping/administrative fees and will provide the Authority with an \$8,000 allowance that can be used to offset communications/education costs. It should be noted that under the existing contract TRP charges \$15 per participant per year and provides no such allowance. The intended term of this contract, which would commence on July 1, 1999, is five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$55,250.

*Included 6 mos. free rent as part of its proposal; first year rent is \$24,796

Contracts in Support of IP3:

“The contract with **Bilotta Construction Corp. (CI001202; PO# TBA)** would commence on July 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide miscellaneous asphalt paving and excavating services, on an ‘as required’ basis, for IP3. The contractor will provide all labor, equipment and materials to perform such services, as needed. Bilotta Construction was the low bidder of two bids received, in addition to 8 declining/non-responding bidders and notice in the Contract Reporter. The intended term of this contract is three years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the duration of the contract, \$160,000.

“The contract with **HBA Automotive, Inc. (CI001203; PO# TBA)** would commence on July 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide maintenance and repair services for Authority vehicles (automobiles and trucks, and forklift tires) for IP3, on an ‘as required’ basis. Services include: New York State and general safety inspections, oil changes, tune-ups, repairs, parts, brakes, tires, and towing services, as well as gasoline can refills for various IP3 maintenance equipment, as may be required. All services will be performed off-site except for vehicle towing from the plant to vendor’s shop. HBA was the sole responding bidder of five bids solicited, in addition to notice in the Contract Reporter. The vendor also meets the plant requirement to be located within a five-mile radius of the plant. The intended term of this contract is three years, subject to the Trustees’ approval, which is hereby requested. Labor rates will remain firm for the duration of the contract and are virtually unchanged from the current contract. Approval is also requested for the total amount expected to be expended for the duration of the contract, \$125,500.

“The contract with **Integrated Technologies, Inc. (4500004770)** became effective on April 27, 1999, subject to the Trustees’ ratification and approval as soon as practicable. Due to scheduling requirements, the President’s interim approval was obtained to commence services for the initial not-to-exceed amount of \$25,000. The purpose of this contract is to perform eddy current testing and inspection services at IP3. Although the majority of eddy current testing and inspection services will be performed during the forthcoming IP3 outage (‘RO10’) currently scheduled to start in September and subsequent outages, a recent plant management decision to reduce the RO10 outage scope necessitated some of the outage Balance of Plant heat exchanger preventative maintenance activities to be performed while the plant is online. The first such online inspection was scheduled for mid-May. These services are needed to ensure that the heat exchangers will perform at their peak capacities and to avoid forced outages due to premature or unexpected tube leaks. ITI was the low evaluated bidder of five bids received (in addition to six declining/non-responding bidders and notice in the Contract Reporter) and was determined to be technically qualified to perform such services. It should be noted that ITI is the current contractor for such services at IP2 and is highly recommended by Con Edison staff. The intended term of this contract is three years, subject to the Trustees’ approval, which is hereby requested (with an option to extend for one additional year, subject to the Authority’s Guidelines for Procurement Contracts and Expenditure Authorization Procedures). The rates are competitive and the time and material rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$850,000.

“The contract with **Valco Energy Systems, Inc. (CI001201; PO# TBA)** would commence on July 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide complete annual boiler cleaning and inspection services by a licensed service repairman for the Cleaver-Brooks 60 horsepower boiler and water heater in the Training Building at IP3. Services include quarterly preventive maintenance services, cleaning heat transfer surfaces and fine tuning to factory specifications for maximum combustion efficiency, all circulating pumps, associated valves and hardware, and emergency (24-hour) on-call service. The contractor will provide all labor and parts required to perform such services. Valco was the low bidder of two bids received, in addition to 7 declining/non-responding bidders and notice in the Contract Reporter. The intended term of this contract is three years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the duration of the contract, \$24,500.

*Included 6 mos. free rent as part of its proposal; first year rent is \$24,796

“The contract with **Valco Energy Systems, Inc. (CI001204; PO# TBA)** would commence on July 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide all labor, equipment, materials, parts and tools to perform preventive maintenance and repairs to the House Service Boiler (‘HSB’) at IP3. Services may include the following: physical/visual inspection of the boiler, burner control checkout, boiler and burner tune-up and/or repairs, and repairs to the boiler casing. Since the HSB is located within the protected area, General Employee and Confined Space Training may be required. Additionally, Foreign Material Exclusion Training may be needed to fulfill welding requirements. Valco was the sole responding bidder of 8 bids solicited, in addition to notice in the Contract Reporter. The intended term of this contract is three years, subject to the Trustees’ approval, which is hereby requested. Labor rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the duration of the contract, \$90,000.

FISCAL INFORMATION

“Funds required to support contract services for JAF, IP3, the non-nuclear facilities, as well as the Headquarters Office have been included in the 1999 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

“Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects. Payment for nuclear projects will be made from the appropriate Nuclear Improvement Fund.

RECOMMENDATION

“The Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Regional Manager - Central New York, the Vice President - Nuclear Engineering, the Vice President - Nuclear Operations, the Director - Research & Development, the Director - Employee Benefits, the Vice President – Appraisal and Compliance Services, and the Vice President - Procurement and Real Estate recommend the Trustees’ approval of the award of multi-year procurement contracts to the companies listed in Exhibit ‘9-A’ and as discussed above.

“The Senior Vice President and Chief Financial Officer, the Senior Vice President – Energy Services & Technology, the Chief Nuclear Officer, the Executive Vice President – Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel, the Executive Vice President - Project Operations, and I concur in the recommendation.”

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multi-year procurement contracts set forth in Exhibit "9-A", attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President.

*Included 6 mos. free rent as part of its proposal; first year rent is \$24,796

Motion to Conduct Executive Session

“Mr. Chairman, I move that the Authority conduct an executive session in connection with matters leading to the appointment and employment of services of particular corporations.”

Following a motion duly made and seconded, an executive session was held.

*Included 6 mos. free rent as part of its proposal; first year rent is \$24,796

**10. Motion to Resume Meeting in Open Session/ Lease of Cafeteria
Space: Centroplex Building Lobby**

“Mr. Chairman, I move that the Authority resume the meeting in open session.”

Upon motion made and seconded, the meeting reconvened in open session, and the following resolution was unanimously adopted.

The Executive Vice President, Secretary and General Counsel submitted the following report:

SUMMARY

“The Trustees are requested to authorize the execution of a lease for approximately 3227 square feet of space on the lobby floor of the Centroplex Building, White Plains, New York (the ‘Building’) by the Authority as landlord, to Continental III, Inc. as tenant, to provide cafeteria services for the Building. The proposed lease is for a term of ten years at an initial base rent of \$54,000, escalating to \$67,439 for the last year of the lease, as well as adjustments to recover increases in taxes and operating expenses over a base year, as more specifically described in Exhibit ‘10-A’ attached.

BACKGROUND

“The Authority acquired the Building by deed dated July 10, 1991. This is a commercial office building with the majority of the existing space occupied by Authority personnel and other tenants. Since the construction of the building, there have been various food service providers in the lobby of the Building. The current provider of this service is Ken’s II Deli, Inc. whose five year lease recently expired in February 1999, and which is currently operating on a month to month tenancy.

DISCUSSION

“Over the last several years, the Authority has made a concerted effort to fully lease the Building, which has been marketed as a Class A office building in White Plains by our external broker, Insignia Rostenberg & Doern. Insignia has recommended that the Building’s food service facility be upgraded. The lease with the current provider expired at the end of February, 1999, and has been extended on a monthly basis. With the expiration of the current lease, it was decided to explore the market for a first class food service operator.

“The following were the objectives of the search:

1. Upgrading the existing food service facilities.
2. Maximizing the rent paid to the Authority by the food services operator, including what portion of the facility upgrade costs would be assumed during the course of a new ten year lease.

“Ken’s II Deli currently pays rent of \$45,178 annually. The lease with Ken’s II Deli does not contain an option for renewal; it does, however, include a provision that ‘the parties agree that if the Tenant is not in default...Tenant and landlord will enter into good faith negotiation for the renewal of this lease for an additional five year term on mutually agreeable terms and conditions.’ In view of the Authority’s objective to upgrade the Building’s food services, the Authority solicited proposals from 15 firms (including Ken’s II Deli, Inc.) and placed a notice in the New York State Contract Reporter on December 28, 1998. Proposals were received on February 17, 1999 from six firms.

*Included 6 mos. free rent as part of its proposal; first year rent is \$24,796

“Three of the bidders, Buddy’s Food Service, Clinart and the Marketplace Café, were not considered further either due to lack of experience in operating similar cafeteria facilities (Buddy’s Food Service) or deficient economic proposals (Culinart and Marketplace Café). During the bid process, the attorney for Ken’s II Deli requested that the Authority meet to discuss and negotiate a potential lease extension. Representatives from the Authority and Ken’s II Deli met on three separate occasions. Prospective bidders were notified of this negotiation of lease extension by bid addendum, and the bid due date was correspondingly extended. The result was an offer by Ken’s II Deli which, in the opinion of Authority representatives attending these negotiation sessions, was not as optimal as that which would be obtained by accepting formal proposals. Consequently, formal proposals were received on February 17, 1999.

“A Post Bid Addendum requesting clarification and additional data relating to final plans for renovations to the existing cafeteria by the three remaining bidders, Ken’s II Deli, Continental III and Crystal Bay was issued. The following is a summary of the economic proposals submitted by these bidders:

	Total Rent	Requested Vendor Investment	Net NYPA Investment	Proposal Value	Net Annual Net Rent	NYPA Revenue
Ken’s II Deli	\$433,200*	\$49,000	\$110,500	\$371,690	\$49,596*	\$322,700
Crystal Bay	\$515,000	\$35,850	\$0	\$550,850	\$45,000-58,000	\$515,000
Continental III	\$605,083	\$30-40,000	\$70-85,000	\$550,083-575,083	\$54,000-67,439	\$535,083-520,083

“In the opinion of staff, the proposal for renovation and upgrades of the Cafeteria facilities by Crystal Bay is not as comprehensive as that proposed by Continental III. Continental III’s proposal also maximizes net revenues to the Authority over the lease term and would result in a significant upgrade in the facilities. It should also be noted that Continental III operates a full service delicatessen and provides cafeteria services at the AT&T Building in White Plains, and will have another food service provider (Manhattan Bagel which operates a facility in White Plains) as a partner. Accordingly, the Evaluation Committee recommends that the Authority enter into a lease agreement with Continental III for a ten year lease to provide food service for the Building.

“Continental III has proposed a major renovation of the existing dining facility. Continental III would invest up to \$40,000 while the Authority would invest \$70,000 - \$85,000. The time frame for these renovations is expected to be up to four weeks, during which time display cases, steam tables, convection ovens, a walk-in refrigerator, ventless cookers, a salad bar, coffee stands, deli slicers and new cash registers will be installed, and re-carpeting, painting and exterminating services will be performed.

“During this period, Continental III has requested permission to conduct limited operations in the Jaguar Room or, pending its availability, the Training Area on the Lobby level for continental breakfasts, light lunches and tea and coffee service during regular hours. A coffee wagon may be used to service each floor on a regular schedule. Outdoor grilling at lunchtime can be conducted during the renovation period; these measures will minimize the impact on service to employees and tenants.

“Continued improvements would be made to the facility over the life of the lease. These would be proposed by the Continental III and only implemented with the approval of the Authority. Cost sharing will be determined on a case-by-case basis.

FISCAL INFORMATION

“There are no brokerage commissions. This lease will result in net revenues to the Authority over the term of the lease.

*Included 6 mos. free rent as part of its proposal; first year rent is \$24,796

RECOMMENDATION

“It is recommended that the award of a ten year lease with Continental III be approved as Continental III’s proposal for upgrading the current food service space and its proposed financial terms are superior to the other proposals. This recommendation is supported by the Director – Corporate Support Services, the Director of Real Estate and the Vice President – Procurement and Real Estate.

“The Executive Vice President – Corporate Services and Human Resources, and I concur in the recommendation.”

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

RESOLVED, That the President, the Executive Vice President, Corporate Services and Human Resources, or the Vice President, Procurement and Real Estate, be and each hereby is authorized to enter into a lease agreement for space in the Centroplex Building with Continental III Inc. on substantially the terms set forth in the foregoing report of the Executive Vice President, Secretary and General Counsel, and in such form as the Executive Vice President, Secretary and General Counsel approves; and be it further

RESOLVED, That the Executive Vice President, Corporate Services and Human Resources, or the Vice President, Procurement and Real Estate or the Director, Real Estate, be and each is hereby 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, subject to the approval as to the form thereof by the Executive Vice President, Secretary and General Counsel.

*Included 6 mos. free rent as part of its proposal; first year rent is \$24,796

BASIC LEASE TERMS

Authority to Continental III.

- Premises:** Approximately 3227 square feet off the lobby of the Centroplex Building
- Initial Term:** Ten Years, rent to commence after delivery of all the space in accordance with the lease terms. The projected commencement date is August 1, 1999.
- Fixed Rent:** Rent to begin at \$54,000 for the first year, escalating to \$67,439 in the tenth year, resulting in total rent of \$605,083 over ten years.
- Parking:** Tenant will be provided two parking spaces at no cost. Reserved monthly charges are \$95.00 per space and non-reserved charges are \$75.00 per space, for any additional spaces required.
- Tenant Improvement Allowance:** Tenant will contribute up to \$40,000 for various improvements and renovation
- Brokerage Commissions:** There are no brokerage commissions.

11. Next Meeting

“The Regular meeting of the Trustees will be held on Tuesday, **July 27, 1999, at the Niagara Power Project, Administration Building, located at 5777 Lewiston Road, Lewiston, NY at 11:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.”

NXMTGJUN

June 29, 1999

Closing

Upon closing made and seconded, the meeting was closed at 12:30 p.m.

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