

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

**October 31, 2000**

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Minutes of the regular meeting of the Power Authority of the State of New York held at the Albany Office 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

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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
Kenneth H. Haase	Senior Vice President - Transmission
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Robert J. Deasy	Vice President - Approval and Compliance - Regulatory Affairs
Arnold M. Bellis	Vice President – Controller
Daniel Berical	Vice President – Policy & Governmental Affairs
Michael Petralia	Vice President – Public Affairs
Carmine J. Clemente	Deputy Secretary and Deputy General Counsel
James H. Yates	Director – Business Marketing & Economic Development
Anne Wagner-Findeisen	Deputy Secretary
Barbara Vahue	Assistant Secretary
Vernadine E. Quansoon	Senior Assistant Secretary
Angela Graves	Assistant Secretary
Alice Simon	Assistant Secretary
Betty Fennell	Assistant Secretary
Bonnie Fahey	Executive Administrative Assistant

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

1. Opening Remarks of Chairman Rappleyea

*Chairman Rappleyea expressed, on behalf of the entire Authority, deep condolences to Mr. Robert Tscherne for the untimely death of his wife, Jean. At the Chairman's request, a moment of silence was observed in memory of Mrs. Tscherne.*

**2. Approval of the Minutes**

The minutes of the Regular Meeting held on September 26, 2000 were approved.

3. **Financial Report for Nine Months Ended September 30, 2000**

**4. Report from the President and Chief Operating Officer**

*At President Zeltmann's request, Mr. Krauss reported on the status of the JAF outage, which will be completed prior to the closing of the sale to Entergy of the Authority's nuclear plants. Mr. Krauss explained that the plant must be at least at 85% power prior to the actual closing, which is anticipated around the 20<sup>th</sup> of November. Approval from the NRC for the license transfer is also expected in the interim.*

**5. Authorization of Series 2000 A Revenue Bonds and Series 5 Through 13 Subordinate Revenue Bonds and Certain Interest Rate Swap Agreements and Interest Rate Cap Agreements**

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**POWER AUTHORITY OF THE STATE OF NEW YORK**

Excerpts from the minutes of a regular meeting of the Power Authority of the State of New York (the "Authority") held at the Authority's offices at 30 South Pearl Street, Albany, New York 12207-3425 on Tuesday, October 31, 2000, at 11:00 A.M.

There were present:

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

constituting a majority of the trustees and a quorum.

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  
Carmine J. Clemente, Deputy General Counsel  
Michael H. Urbach, Senior Vice President and Chief Financial Officer  
William Ernsthaf, Assistant General Counsel  
Michael Brady, Deputy Treasurer  
Anne Wagner-Findeisen, Deputy Secretary  
John V. Connorton, Jr. and Ivan Loncar, of Hawkins, Delafield & Wood, Bond Counsel to the Authority

Mr. Rappleyea, Chairman, presided and Mr. Blabey, Secretary, kept the minutes.

**AUTHORIZATION OF SERIES 5 THROUGH 13  
SUBORDINATE REVENUE BONDS**

The Chairman stated that a matter to be presented at the meeting was consideration of the advisability of adopting the Second Supplemental Subordinate Resolution Authorizing Subordinate Revenue Bonds, Series 5 through 13, which authorizes the issuance of additional subordinate lien revenue bonds under the Authority's General Subordinate Resolution Authorizing Subordinate Revenue Bonds, adopted on July 25, 2000 (the 'Subordinate Resolution'), in an aggregate principal amount not to exceed \$450 million (hereinafter collectively referred to as the 'Series 5-13 Subordinate Revenue Bonds'), in order to (i) reimburse the Authority for expenditures made to fund the design, engineering, construction, installation and other related costs associated with projects consisting of up to 11 generating units (the 'Projects'), each unit consisting of a natural-gas-fueled combustion-turbine electric generating plant having a nominal rating in the range of 43-44 MW, designed and engineered to operate as a base load generation facility, and related facilities and real and personal property, (ii) fund additional design, engineering, construction, installation and other related costs associated with the Projects, (iii) pay certain financing costs during construction associated with the Projects and (iv) pay fees and expenses incurred in connection with the issuance of the Series 5-13 Bonds. As determined by the Trustees at their meeting on August 29, 2000, the Authority reaffirms that there is a deficiency in installed electric generation capacity in New York City and that there is an urgent and compelling need for such deficiency to be cured by installing additional electric generation capacity in New York City before June 1, 2001. The Authority reaffirms that the

construction of the Projects (i) is necessary or desirable to assist in maintaining an adequate and dependable supply of electricity in New York City by supplying power and energy for one or more of the enumerated beneficiaries of the third unnumbered paragraph of Section 1005 of the New York Public Authorities Law, (ii) will assist in preserving reliability of electric service and in deterring further extraordinary increases in rates for electric service in the New York City metropolitan area, and (iii) will assist in maintaining an adequate, dependable electric power supply for the State of New York.

On motion duly made and seconded, the Second Supplemental Subordinate Resolution Authorizing Subordinate Revenue Bonds, Series 5 through 13 (attached hereto as Exhibit 1 and hereinafter referred to as the 'Second Supplemental Subordinate Resolution'), together with such changes, insertions, deletions and amendments thereto as the Chairman of the Authority may approve, which shall be deemed to be part of such resolutions as adopted, was unanimously adopted.

*Mr. Brady provided an overview of the proposed action and reported on the meetings staff had held with the rating agencies. He then introduced Mr. John Miller of PFM who provided a comprehensive presentation concerning the proposed financing, the proceeds which would refund the Series 4 CP Notes, finance a portion of the relicensing and upgrade costs of the Niagara Project, reimburse the Authority for certain information technology expenditures made by the Authority, and fund costs of the construction of the In-City Generation Projects. Mr. Miller outlined the advantages of the proposed debt reduction strategy based on variable rate debt. He also described the interest rate swap agreements that are proposed to be put in effect in connection with the issuance of the Series 2000 A Revenue Bonds. Mr. Miller responded to questions from Trustee Ciminelli concerning how the projected savings were calculated. Mr. Miller also responded to questions from Trustee McCullough concerning the nature of the projected savings. At Trustee Ciminelli's request, Mr. Miller outlined the "worst case scenario" that could arise in a volatile market and explained why varying caps had been established for defined portions of the debt. Following additional discussion, it was agreed that the proposed resolutions would be adopted as amended in accordance with requests made by the Trustees.*

Mr. Ernsthafth then summarized the proposed resolutions as follows:

- (1) Adoption of the Second Supplemental Subordinate Resolution authorizing the issuance of up to \$450 million in Series 5-13 Subordinate Revenue Bonds and authorizing the issuance of such bonds.
- (2) Adoption of the Second Supplemental Resolution authorizing the issuance of up to \$300 million in Series 2000 A Revenue Bonds and authorizing the issuance of such bonds.
- (3) Authorizing the sale of the Series 2000 A Bonds and the Subordinate Bonds to the underwriters specified in the Resolution and the execution of bond purchase agreements with such underwriters.
- (4) Appointing The Bank of New York as the Paying Agent/Registrar and Tender Agent for the Subordinate Bonds and appointment of The Chase Manhattan Bank as Registrar and Paying Agent for the Series 2000 A Bonds.
- (5) Authorizing any amendments to the existing 1999 Revolving Credit Agreement necessary to effectuate the issuance of the Subordinate Bonds.
- (6) Authorizing the execution of Continuing Disclosure Agreements relating to the Subordinate Bonds and the Series 2000 A Bonds.
- (7) Authorizing the execution of a Tender Agency Agreement with The Bank of New York for the Subordinate Bonds.
- (8) Appointment of the firms specified in the Resolution as Remarketing Agents for the Series 5-8 Subordinate Bonds, and authorizing the execution of Remarketing Agreements with such firms.

- (9) Authorizing the executions of an Auction Agreement with the Trustee under the General Subordinate Resolution and The Bank of New York, as Auction Agent for the Series 9-13 Subordinate Bonds.
- (10) Appointment of the firms specified in the Resolution as Broker-Dealers for each series of the Series 9-13 Subordinate Bonds and authorization of Broker-Dealer Agreements with such firms.
- (11) Authorizing the selection of a bond insurer to provide municipal bond insurance for the Series 9-13 Subordinate Bonds.
- (12) Authorizing the Chairman and the President to terminate, if necessary, the existing Remarketing Agents, Tender Agent and the Auction Agent, and appoint New Agents.
- (13) Authorizing the execution of agreements with Hawkins, Delafield & Wood, Nixon Peabody, and Danforth Rogers for legal services, in connection with the bond issuance.
- (14) The resolution also provide the Chairman and other designated officers with the authority to take any actions necessary or advisable to effectuate the proposed issuances and to make any further changes to the bond financing resolutions and documents necessary or advisable to effectuate the contemplated issuance.
- (15) Based on the findings and determinations set forth in the Resolution, to authorize, within the limitations set forth in the Resolution, including a cap in the swap agreement of at least 12½% on the variable rate to be paid by the Authority, the termination of certain floating-to-fixed swap agreements entered into by the Authority in 1998, the execution of fixed-to-floating swap agreements in connection with issuance of the Series 2000 A bonds, and the execution of interest rate cap agreements relating to the Series 2000 A Bonds and other outstanding indebtedness of the Authority.

Mr. Ernsthaf explained that the resolutions were now ready for adoption, and could be adopted collectively as one resolution.

#### **AUTHORIZATION OF SERIES 2000 A REVENUE BONDS**

The Chairman stated that another matter to be presented at the meeting was consideration of the advisability of adopting a Second Supplemental Resolution Authorizing Series 2000 A Revenue Bonds, which authorizes the issuance of additional senior lien revenue bonds under the Authority's General Resolution Authorizing Revenue Obligations, adopted on February 24, 1998 (the 'General Resolution'), in an aggregate principal amount not to exceed \$300 million (hereinafter referred to as the '2000 A Senior Lien Bonds'), in order (i) to refund approximately \$216,200,000 principal amount of the Authority's Series 4 Commercial Paper Notes, (ii) to pay certain capital costs in connection with the upgrading and relicensing of the Niagara Project, (iii) to reimburse the Authority for certain information technology system expenditures made by the Authority in connection with its 'Year 2000' readiness program, and (iv) to pay certain costs and expenses associated with the issuance of the 2000 A Senior Lien Bonds.

"On motion duly made and seconded, the Second Supplemental Resolution Authorizing Series 2000 A Revenue Bonds (attached hereto as Exhibit 2 and hereinafter referred to as the 'Second Supplemental Senior Lien Resolution'), together with such changes, insertions, deletions and amendments thereto as the Chairman of the Authority may approve, which shall be deemed to be part of such resolution as adopted, was unanimously adopted.

**CONTRACTS OF PURCHASE**

The Chairman presented a copy of forms of Contracts of Purchase proposed to be entered into with PaineWebber Incorporated, Bear Stearns & Co. Inc., Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Salomon Smith Barney Inc., J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated and Dain Rauscher, Inc., providing for the sale of the Series 5-13 Subordinate Revenue Bonds to said firms, respectively. The Chairman also presented a copy of a form of Contract of Purchase with PaineWebber Incorporated, Goldman, Sachs & Co., J.P. Morgan Securities Inc., Salomon Smith Barney Inc., Bear, Stearns & Co. Inc., Dain Rauscher, Inc., A.G. Edwards & Sons, Inc., First Albany Corporation, Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and William E. Simon & Sons Municipal Securities, Inc., providing for the sale of the 2000 A Senior Lien Bonds to said firms. Said proposed Contracts of Purchase were considered by the Trustees, and thereupon, on motion duly made and seconded, the following resolutions were unanimously adopted:

**RESOLUTION AS TO EXECUTION AND DELIVERY OF  
CONTRACTS OF PURCHASE, TENDER AGENCY AGREEMENT,  
BOND INSURANCE, REMARKETING AGREEMENT,  
AUCTION AGREEMENT, BROKER-DEALER AGREEMENTS,  
AND AGREEMENTS FOR BOND AND SPECIAL COUNSEL SERVICES**

**RESOLVED**, that all the Series 5, the Series 6, the Series 7, the Series 8, the Series 9, the Series 10, the Series 11, the Series 12 and the Series 13 Subordinate Revenue Bonds, shall be sold to PaineWebber Incorporated, Bear Stearns & Co. Inc., Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Salomon Smith Barney Inc., J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated and Dain Rauscher, Inc. (collectively, the Series 5-13 Underwriters ), respectively, at such prices, with accrued interest, if any, on such Series 5-13 Subordinate Revenue Bonds from the date of said Series 5-13 Subordinate Revenue Bonds to the date of delivery and payment for said Bonds, as the Chairman may accept and as will be in compliance with the requirements of the Second Supplemental Subordinate Resolution, pursuant to one or more Contracts of Purchase, each in substantially the form of the Contracts of Purchase relating to the Series 5-13 Subordinate Revenue Bonds submitted at this meeting (attached hereto as Exhibit 3), as such Contracts may be modified as hereinafter provided, and upon the basis of the representations therein set forth; and

**FURTHER RESOLVED**, that the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer and Treasurer be, and each of them hereby is, authorized on behalf of the Authority to execute one or more proposed Contracts of Purchase substantially in the forms submitted at this meeting, providing for the sale of the Series 5-13 Subordinate Revenue Bonds to said purchasers, with such changes, insertions, deletions, amendments and supplements as the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer, or Treasurer may approve, subject to the requirements of the Second Supplemental Subordinate Resolution, and to deliver it to said purchasers; and that said officers and all other officers of the Authority are hereby authorized and directed to carry out or cause to be carried out all obligations of the Authority set forth in said Contracts of Purchase upon execution thereof; and

**FURTHER RESOLVED**, that the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer and Treasurer be, and each of them hereby is, authorized on behalf of the Authority to obtain a municipal bond insurance policy for the Series 9, the Series 10, the Series 11, the Series 12 and the Series 13 Subordinate Revenue Bonds covering scheduled payments of principal and interest on such Bonds, including mandatory sinking fund redemption payments, and to execute an agreement with the provider of such municipal bond insurance policy in connection therewith; and

**FURTHER RESOLVED**, that the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer and Treasurer be, and each of them hereby is, authorized on behalf of the Authority to execute (i) a Tender Agency Agreement with The Bank of New York, as tender agent for the Series 5-13 Subordinate Revenue Bonds (the "Tender Agent"), in substantially the form of the draft of such agreement submitted at this meeting (attached hereto as Exhibit 4), (ii) a separate Remarketing Agreement with PaineWebber Incorporated, Bear, Stearns & Co. Inc., Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, respectively, as remarketing agents for the Series 5, the Series 6, the Series 7 and the Series 8 Subordinate Revenue Bonds (the "Remarketing Agents"), each in substantially the form of the draft of such agreement submitted at this meeting (attached hereto as Exhibit 5), (iii) an Auction Agreement with The Bank of New York, as the trustee (the "Trustee"), and The Bank of New York, as auction agent (the "Auction Agent") for the Series 9, the Series 10, the Series 11, the Series 12 and the Series 13 Subordinate Revenue Bonds (the "Auction Rate Bonds"), in substantially the form of the draft of such agreement submitted at this meeting (attached hereto as Exhibit 6), (iv) a separate Broker-Dealer Agreement with the Auction Agent and Goldman, Sachs & Co., Salomon Smith Barney Inc., J.P. Morgan Securities Inc., Daine Rauscher, Inc. and Morgan Stanley & Co. Incorporated, as broker-dealers for each series of Auction Rate Bonds (the "Broker-Dealers"), each in substantially the form of the draft of such agreements submitted at this meeting (attached hereto as Exhibit 7), and (v) each of the agreements referred to in clauses (i) through (iv) of this paragraph with a Tender Agent, Remarketing Agent, Auction Agent or Broker-Dealer, as the case may be, appointed pursuant to this resolution or the Second Supplemental Subordinate Resolution with respect to any series of Series 5-13 Subordinate Revenue Bonds, with such changes, insertions, deletions, amendments and supplements as such authorized executing officer deems in his discretion to be necessary or appropriate, such execution to be conclusive evidence of such approval; and

**FURTHER RESOLVED**, that all the 2000 A Senior Lien Bonds, shall be sold to PaineWebber Incorporated, Goldman, Sachs & Co., J.P. Morgan Securities Inc., Salomon Smith Barney Inc., Bear, Stearns & Co. Inc., Dain Rauscher, Inc., A.G. Edwards & Sons, Inc., First Albany Corporation, Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and William E. Simon & Sons Municipal Securities, Inc. (collectively, the 2000 A Underwriters ), at such prices, with accrued interest, if any, on such 2000 A Senior Lien Bonds from the date of said 2000 A Senior Lien Bonds to the date of delivery and payment for said Bonds, as the Chairman may accept and as will be in compliance with the requirements of the Second Supplemental Senior Lien Bond Resolution, pursuant to a Contract of Purchase, in substantially the form of the Contract of Purchase relating to the 2000 A Senior Lien Bonds submitted at this meeting (attached hereto as Exhibit 8), as such Contract may be modified as hereinafter provided, and upon the basis of the representations therein set forth; and

**FURTHER RESOLVED**, that the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer and Treasurer be, and each of them hereby is, authorized on behalf of the Authority to execute a Contract of Purchase substantially in the form submitted at this meeting, providing for the sale of the 2000 A Senior Lien Bonds to said purchasers, with such changes, insertions, deletions, amendments and supplements as the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer, or Treasurer may approve, subject to the requirements of the Second Supplemental Senior Lien Bond Resolution, and to deliver it to said purchasers; and that said officers and all other officers of the Authority are hereby authorized and directed to carry out or cause to be carried out all obligations of the Authority set forth in said Contract of Purchase upon execution thereof; and

**FURTHER RESOLVED**, that the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer, Treasurer, and Secretary be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to those actions, certificates, agreements and other documents described in the Second Supplemental Senior Lien Resolution, the Second Supplemental Subordinate Resolution, the Contracts of Purchase and the other documents approved today or required in connection with the obtaining of a municipal bond insurance policy, which they, or any of them, may deem necessary or advisable in order to (i) consummate the lawful issuance and delivery of the Series 5-13 Subordinate Revenue Bonds and the 2000 A

Senior Lien Bonds, (ii) implement any action permitted to be taken by the Authority under the Second Supplemental Senior Lien Resolution, the Second Supplemental Subordinate Resolution, the Contracts of Purchase and the other agreements and documents approved today following the issuance of the Series 5-13 Subordinate Revenue Bonds and the 2000 A Senior Lien Bonds, and (iii) effectuate the purposes of the transactions and documents approved today; provided, however, that no action shall be undertaken pursuant to this paragraph to change the interest rate determination method applicable for any series of Series 5-13 Subordinate Revenue Bonds, to authorize any amendments to the Second Supplemental Senior Lien Resolution or the Second Supplemental Subordinate Resolution, to change the length of the auction period for any series of the Series 5-13 Subordinate Revenue Bonds, to change the day of the week on which auctions are held for any series of the Series 5-13 Subordinate Revenue Bonds, to amend the auction procedures for any series of the Series 5-13 Subordinate Revenue Bonds, to direct the Trustee to appoint or remove the Auction Agent for any series of the Series 5-13 Subordinate Revenue Bonds, or to optionally redeem Series 5-13 Subordinate Revenue Bonds or 2000 A Senior Lien Bonds unless the Chairman or the President and Chief Operating Officer shall have determined that such action is necessary or advisable; and

FURTHER RESOLVED, that the General Counsel be, and hereby is, authorized on behalf of the Authority to execute letter agreements between the Authority and the law firm of Hawkins, Delafield & Wood, for the provision by such firm of bond counsel services to the Authority, with the law firm of Nixon Peabody LLP for the provision by such firm of special counsel services to the Authority, and with Danforth Rogers for the provision of legal services, all in connection with the Series 5-13 Subordinate Revenue Bonds and 2000 A Senior Lien Bonds and the related transactions authorized hereby, with such agreements having such terms and conditions as the General Counsel may approve.

**APPOINTMENT OF REGISTRAR,  
PAYING AGENT AND TENDER AGENT  
UNDER SUBORDINATE RESOLUTION**

RESOLVED, that The Bank of New York is hereby appointed as Registrar, Paying Agent and Tender Agent for the Series 5-13 Subordinate Revenue Bonds under the Subordinate Resolution; and

FURTHER RESOLVED, that the Chairman and President and Chief Operating Officer be, and each of them hereby is, authorized to remove the Tender Agent and to appoint a successor Tender Agent.

**APPOINTMENT OF REGISTRAR AND  
PAYING AGENT UNDER GENERAL RESOLUTION**

RESOLVED, that The Chase Manhattan Banks is hereby appointed as Registrar and Paying Agent for the 2000 A Senior Lien Bonds under the General Resolution; and

**APPOINTMENT OF REMARKETING AGENTS AND BROKER-DEALERS UNDER SECOND  
SUPPLEMENTAL SUBORDINATE RESOLUTION**

RESOLVED, that PaineWebber Incorporated, Bear, Stearns & Co. Inc., Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are hereby appointed as Remarketing Agents for the Series 5, the Series 6, the Series 7 and the Series 8 Subordinate Revenue Bonds, respectively; and

FURTHER RESOLVED, that the Chairman and the President and Chief Operating Officer be, and each of them hereby is, authorized to appoint and remove the Remarketing Agents for any series of the Series 5-13 Subordinate Revenue Bonds; and

FURTHER RESOLVED, that Goldman, Sachs & Co., Salomon Smith Barney Inc., J.P. Morgan Securities Inc., Dain Rauscher, Inc. and Morgan Stanley & Co. Incorporated are hereby appointed as Broker Dealers for each series of the Series 5-13 Subordinate Revenue Bonds that are initially issued in an Auction Rate Mode (as defined in the Second Supplemental Subordinate Resolution); and

**FURTHER RESOLVED**, that the Chairman and President and Chief Operating Officer be, and each of them hereby is, authorized to appoint and remove the Broker-Dealers for any series of the Series 5-13 Subordinate Revenue Bonds.

#### **AUTHORIZING AMENDMENTS TO REVOLVING CREDIT AGREEMENT**

**RESOLVED**, that the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer and Treasurer be, and each of them hereby is, authorized to enter into such amendments to the Revolving Credit Agreement as defined in the Second Supplemental Subordinate Resolution, as are necessary or advisable to effectuate the contemplated issuance or remarketing of any series of the Series 5-13 Subordinate Revenue Bonds.

#### **AUTHORIZATION OF CONTINUING DISCLOSURE AGREEMENTS**

**RESOLVED**, that the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer and Treasurer be, and each of them hereby is, authorized to execute a Continuing Disclosure Agreement relating to the 2000 A Senior Lien Bonds, between the Authority and The Chase Manhattan Bank, as Trustee under the General Resolution, and a Continuing Disclosure Agreement relating to Series 5-13 Subordinate Revenue Bonds, between the Authority and The Bank of New York, as Trustee under the Subordinate Resolution, each in substantially the form set forth in Appendix E to Part 1 of the Official Statement dated August 16, 2000, issued in connection with the sale of the \$210,375,000 aggregate principal amount of the Authority's Subordinate Revenue Bonds, Series 1, Series 2, Series 3 and Series 4, each with such changes, insertions, deletions, and supplements, as such authorized executing officer deems in his discretion to be necessary or appropriate, such execution to be conclusive evidence of such approval.

#### **AUTHORIZATION QUALIFIED SWAP AGREEMENTS AND INTEREST RATE CAPS RELATING TO SERIES 2000 A REVENUE BONDS**

**RESOLVED**, that the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer, and the Treasurer be, and each of them hereby is, authorized as set forth herein to enter into one or more "Qualified Swap" agreements, as defined in the General Resolution, in the form of fixed-to-floating rate swap agreements with caps on the variable or floating interest rate exposure as described below. Such authorization is based on the following considerations and subject to the following limitations:

1. As part of the Authority's refunding in April 1998 of all of its General Purpose Bonds, the Authority authorized the issuance of Series 4 Commercial Paper Notes ("Series 4 CP") in an aggregate principal amount not to exceed \$275 million, of which \$216,200,000 is currently outstanding.
2. In connection with the authorization of the Series 4 CP, the Authority also authorized, in order to manage the risk of the interest rate on the contemplated variable rate bonds that were planned to be issued to redeem Series 4 CP, floating-to-fixed rate swap agreements (the "1998 swaps").
3. The Authority has authorized today the issuance of the 2000 A Senior Lien Bonds, the proceeds of which would be used, in part, to redeem Series 4 CP.
4. The Authority's financial advisor, Public Financial Management, Inc. ("PFM"), has advised the Authority in writing that, in connection with the issuance of the 2000 A Senior Lien Bonds and the redemption of the Series 4 CP, it would be financially advantageous to the Authority, in the context of the financial plan contemplated by this resolution, to terminate the 1998 swaps. In the current interest rate environment, such termination is expected to result in termination fees being paid by the Authority to the counterparties in the

aggregate principal amount of approximately \$2.6 million. The actual termination fees will be calculated based on a formula set forth in the 1998 swaps that is intended to reflect the relative values of the fixed and floating payment streams, and could result in an amount greater or less than \$2.6 million being paid by the Authority or in the Authority receiving termination fees from the counterparties. The Authority staff has analyzed the recommendation of PFM, and concurs with such recommendation.

5. PFM has further advised the Authority in writing that it is financially advantageous for the Authority to maintain a significant percentage (approximately 50%) of the Authority's interest rate exposure in the form of variable rate instruments and that it is prudent for the Authority to do so in light of the Authority's assets and projected revenues, and that therefore the Authority should replace the Series 4 CP with variable rather than fixed rate obligations. PFM has further advised in writing that, in the current interest rate environment, the optimal method of accomplishing a variable rate exposure is to issue the 2000 A Senior Lien Bonds as fixed rate debt and enter into a related fixed-to-floating rate interest rate swap agreement with a cap on the variable or floating interest rate exposure rather than issuing variable rate debt directly. In comparing the alternatives of variable rate debt and "synthetic" variable rate debt accomplished through fixed-to-floating rate swap agreements, PFM has provided the Authority an analysis which identifies the following factors affecting the decision of whether to issue variable rate debt or fixed rate debt with a fixed-to-floating rate swap:

Factors favoring the fixed-to-floating swap agreements (synthetic variable rate):

- a. Potential for significant debt service savings, based on historical results
- b. Access to variable rates without:
  - securing letter of credit or revolving credit agreement
  - paying remarketing/letter of credit/revolving credit agreement fees
  - restrictive letter-of-credit bank/ revolving credit agreement covenants
  - risk of failed remarketing/auction
  - New York-specific remarketing risk
- c. Improved matching of assets and liabilities
- d. Ability to terminate for a gain if rates fall

Factors favoring standard variable rate:

- a. No credit exposure to a swap counterparty (this credit exposure can be mitigated, however, by requiring the counterparty to post collateral upon downgrade or significant rate movement)
- b. Avoids the possibility that the Authority would have to post collateral if the Authority's credit rating drops below AA-
- c. Elimination of potential substantial cost if swap is terminated early
- d. Elimination of counterparty risk (risk that the counterparty may default that results in additional cost to the Authority)

6. The proposed fixed-to-floating rate swap agreements would require the Authority to pay to the counterparties a rate that would be equal to the BMA Index (a standard index used for tax-exempt variable rate swap transactions that approximates the average rate on 7-day tax-exempt paper) against receipt from the counterparties of a negotiated fixed rate of interest. That fixed rate of interest would approximate the fixed interest rate payable by the Authority on the 2000 A Senior Lien Bonds. The obligation of the Authority to pay the BMA Index under the swap agreements would be on a parity with its obligations to pay principal and interest on its senior lien Revenue Bonds, but the payment of any termination or other fees, expenses, indemnification or other obligations would be subordinated indebtedness.

7. The Authority staff has prepared and provided to the Trustees various financial analyses that were requested by and provided to Standard & Poor's Corporation ("S&P") in connection with analyzing the Authority's exposure to variable rate risk. The Authority understands that S&P recently advised, on the assumption that the proposed swap agreements would be consummated, that one of the "weaknesses" of the Authority was "a relatively high yet prudently managed variable-rate exposure". The Authority staff believes that the Authority can support the proposed amount of variable rate risk, notwithstanding the fact that the percentage of proposed variable rate debt is relatively high compared to many public power agencies. PFM has advised the Authority that it concurs in that conclusion.

8. The Authority has been advised by the Authority staff that each of the Authority's four investment banking firms serving as senior managing underwriters for the 2000 A Senior Lien Bonds has independently recommended variable rate exposure in connection with refunding the Series 4 CP and the use of the fixed-to-floating rate swap agreements to achieve a synthetic variable rate.

9. The Authority has received a copy of the form of the opinion proposed to be delivered by Hawkins, Delafield & Wood in connection with the fixed-to-floating swap agreements (attached hereto as Exhibit 9), and has been advised that:

Fixed-to-floating swap agreements are not described expressly in the Authority's enabling legislation.

Authorizing legislation for certain New York political subdivisions and public benefit corporations do describe interest rate exchange agreements as being authorized thereunder.

Certain New York political subdivisions and public benefit corporations have been unsuccessful in securing amendments to their enabling legislation which were sought in order to provide express statutory authorizations relating to interest rate exchange agreements or similar arrangements.

No New York court, or Federal court applying New York law, has decided whether or not the Authority or other New York political subdivisions or public benefit corporations have the power and authority to enter into agreements similar to the swap agreements under the statutes referenced above or other statutes that do not contain express authority specifically identifying such agreements. As a result of the absence of judicial precedent, any action asserting the invalidity of the swap agreements or a similar agreement entered into without express authority would present a case of first impression under New York law.

The Authority further understands, in light of the foregoing considerations and other matters set forth in the proposed opinion of Hawkins, Delafield & Wood, that their opinion will be qualified and will note that the issue is not free from doubt. The General Counsel has advised the Trustees that he will be rendering an opinion to similar effect.

10. The Authority staff has analyzed the risks as outlined by PFM. The Authority has considered the risks, the recommendations of PFM, the S&P report, and the analysis of the Authority staff. The Authority, after careful consideration of all of the foregoing matters, finds that

- (i) in conjunction with the issuance of the 2000 A Senior Lien Bonds, the execution of the fixed-to-floating rate swap agreements which contain caps on interest rate exposure will, in the judgment of the Authority, result in lowering the rate of interest payable in connection with the Authority's indebtedness, and reduce the risks of variable rate exposure as compared to the alternative variable rate financing methods available to the Authority;
- (ii) the risks of the fixed-to-floating rate swap agreements are both manageable and reasonable in relation to the potential benefits; and
- (iii) the proposed swap agreements are necessary or convenient to carry out and effectuate the purposes and provisions of the Authority's enabling legislation.

In light of the foregoing, the Authority hereby authorizes the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer, and the Treasurer

- (A) to terminate the 1998 swaps, provided that
  - (1) the Authority either (a) receives a termination fee or, (b) if required to pay a termination fee, such payment either does not exceed \$5,000,000 or such payment is approved in writing by two or more of the above-referenced authorized officers, and

- (2) the termination fee is determined not earlier than 3 business days prior to, and no later than, the date of execution of the bond purchase agreement relating to the 2000 A Senior Lien Bonds the proceeds of which are used to redeem the Series 4 CP,
- (B) to enter into fixed-to-floating rate swap agreements in connection with the issuance of the 2000 A Senior Lien Bonds, up to a maximum aggregate principal amount equal to the principal amount of such bonds and for a term not longer than the maturity of such bonds, with such entities as may be selected by such authorized executing officer as a result of a competitive selection process and with such agreements to be in substantially the form of the 1998 swaps (with appropriate modifications to reflect that the new swaps will be fixed-to-floating), with such changes and additions to and omissions from such form 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 agreements establish a maximum interest rate, not in excess of 8% for the first five years of the term of such agreements and not in excess of 12 1/8% for the remaining term of such agreements, that would be payable by the Authority during the term of any such agreement, and
- (C) to execute on behalf of the Authority interest rate cap agreements relating to the indebtedness of the Authority other than the 2000 A Senior Lien Bonds (interest rate cap agreements designed to further limit the Authority's variable interest rate exposure after the first five years of the term of the fixed-to-floating rate swap agreements referenced above relating to the 2000 A Senior Lien Bonds shall require Trustee approval), provided that the term of such agreements does not exceed five years, the premium payable by the Authority for each such agreement does not exceed \$3,000,000, and the interest rate cap in each such agreement does not exceed 6%.

EXHIBITS

- Exhibit 1: Second Supplemental Subordinate Resolution Authorizing Subordinate Revenue Bonds, Series 5 through 13
- Exhibit 2: Second Supplemental Resolution Authorizing Series 2000 A Revenue Bonds
- Exhibit 3: Forms of Contracts of Purchase relating to the Series 5-13 Subordinate Revenue Bonds
- Exhibit 4: Draft of Tender Agency Agreement relating to the Series 5-13 Subordinate Revenue Bonds
- Exhibit 5: Form of Remarketing Agreement relating to the Series 5, the Series 6, the Series 7 and the Series 8 Subordinate Revenue Bonds
- Exhibit 6: Draft of Auction Agreement relating to the Series 9, the Series 10, the Series 11, the Series 12 and the Series 13 Subordinate Revenue Bonds
- Exhibit 7: Form of Broker-Dealer Agreement relating to the Series 9, the Series 10, the Series 11, the Series 12 and the Series 13 Subordinate Revenue Bonds
- Exhibit 8: Draft of Contract of Purchase relating to the Series 2000 A Senior Lien Bonds
- Exhibit 9: Form of Opinion of Hawkins, Delafield & Wood relating to the fixed-to-floating rate swap agreements.

## **6. Colonie Landfill Power Project Agreement and Expenditure Authorization**

The President submitted the following report:

### SUMMARY

“The Trustees are requested to authorize an expenditure of up to \$3,600,000 for permitting, design, engineering, procurement and turnkey installation of a 2.5 MW power plant at the Town of Colonie (the ‘Town’) landfill and associated distribution line connecting the power plant to the Authority’s Crescent Hydroelectric Facility (‘Crescent’) substation. The power will be delivered from Crescent to Mohawk Paper Mills, Inc. (‘Mohawk’). The Town will be the owner and operator of the power plant.

“This project will allow the Town to use productively the landfill gas (‘LFG’) for electricity generation and eliminate air pollution from the present burning of LFG. The project will also allow Mohawk to obtain a long-term supply of LFG-generated electricity at stabilized cost. It will help Mohawk to maintain local employment and effectively compete in the energy-dependent paper market.

“This authorization also includes approval to enter into an agreement with the Town for the development and turnkey installation of the Colonie LFG Power Project.

### BACKGROUND

“LFG is a readily-available, local energy source that offsets the need for non-renewable resources such as coal and oil. In fact, LFG, along with sewage treatment gas, is the only renewable energy source that, when used, actually removes pollution from the atmosphere. LFG can be converted and used in many ways: to generate electricity, heat, or steam; as an alternative vehicle fuel to fuel fleets like school buses, taxis, and mail trucks; or in niche applications like fuel cells and greenhouses. Of the 6,000 landfills across the U.S., there are only 240 LFG-to-energy projects currently in operation. However, the U.S. Environmental Protection Agency (‘USEPA’) estimates that as many as 700 additional landfills could cost-effectively turn their methane into an energy resource, producing enough electricity to power 3 million homes across the U.S., which is equivalent to removing 24 million cars from our nation’s roads. At least 15 such major landfills are situated within the New York State.

“The Town’s LFG Project represents the culmination of efforts undertaken to improve the economic and environmental performance of its solid waste landfill. Since 1984, the Town has taken a number of actions aimed at managing the methane gas generated by the landfilled trash, including the installation of gas collection and flaring systems in the 1990s. The Town has operated the Solid Waste Management Facilities, including the landfill, a yard waste composting system and the materials recycling facility, since the early 1960s with the goal of ensuring that the waste materials managed are handled in a safe, environmentally sound and cost effective manner. Beginning in 1996, the Town has progressively developed and extended its landfill gas collection systems, which have significantly reduced odors and emissions. Recovering the energy from the landfill gas represents the latest step in the Town’s commitment to the proper economic and environmental management of the landfill.

“In 1998, USEPA’s Landfill Methane Outreach Program (‘LMOP’) encouraged the Town and Mohawk to investigate the environmental and economic benefits of recovering the energy from landfill gas generated at the Town landfill. Mohawk was identified by USEPA as the nearest industrial energy user capable of utilizing the entire energy output from the Town landfill as either electricity or gas. The LMOP was established by USEPA to assist in reducing methane emissions from landfills nationwide as part of the international effort to reduce the ‘greenhouse effect.’ Methane is a significant contributor to greenhouse warming (21 times more potent than carbon dioxide), and landfills are a major source of methane emissions in the environment.

“In late 1998 the Town, Mohawk, and New York State Energy Research and Development Authority (‘NYSERDA’), co-funded a study aimed at identifying how much energy could be obtained from the landfill, and whether Mohawk’s usage at its mills would be a good “fit” for the energy output. The study concluded that energy output from the landfill would be well matched to Mohawk’s requirements. The study also established other indicators pointing to an economically viable project. The Town and Mohawk approached the Authority in order to secure a partner and developer for the generating plant that was committed to the innovative nature and underlying economics of the project.

## DISCUSSION

### Mohawk Paper Mills, Inc.

“At the present time, Mohawk is a partial Authority customer. It receives a 2.5 MW power-for-jobs allocation from the Authority and obtains an additional 5 MW on the open market.

“Since its founding in 1931, Mohawk, which operates mills in Cohoes and Waterford, has maintained a unique entrepreneurial culture and has invested significantly in research and development. As printing has moved to digital technology, Mohawk has achieved benchmark status with a new generation of products engineered for color copiers and digital presses, ensuring the company’s leadership position in a rapidly changing technological marketplace.

“Mohawk’s involvement in the Town’s project is in keeping with its continuing investments in state-of-the-art technology that keeps the company at the forefront of the industry. Mohawk is eager to pursue this opportunity to stabilize its long-term energy costs so that it can maintain its position as a world leader in high-grade paper products.

“The company’s investment in the LFG project, part of the worldwide effort to combat greenhouse warming of the environment, reflects the company’s commitment to a sustainable environment, as exemplified also by its development of both recycled and chlorine-free paper products, at no sacrifice to Mohawk’s tradition of quality.

### Roles of Participants

“The Town, Mohawk and the Authority would cooperate in the development of the LFG Electric Generation Project in the following manner:

- The Town will collect and supply LFG to the project, collect a fee from Mohawk for the use of LFG, and benefit from the productive use of methane gas generated by previously landfilled trash.
- The Authority will permit, design, engineer, procure, install, and finance an LFG power plant.
- The Town will be the owner and operator of the Project. Mohawk will obtain electricity from the LFG Power Project at stabilized energy costs.

“The Town of Colonie Landfill is located between U.S. Route 9 and the Cohoes-Crescent Road. The LFG Project will produce about 2.5 MW of electricity by using LFG which is presently being collected and flared at the landfill. The project will be located on Town-owned property at the landfill and convenient to the Authority’s interconnection to the electric grid at its Crescent generating station. A half-mile electric line interconnecting the Project with the Crescent substation will run entirely through the Town’s property. The Crescent substation will be upgraded to accommodate additional load. Electricity from Crescent will be transmitted to Mohawk through the existing Niagara-Mohawk (‘NIMO’) electric lines at distribution voltage. The project’s electricity cost will include NIMO’s competitive transition charges and delivery fees. The project is expected to be developed and commence commercial operation within 24 months from approval.

**Environmental and Energy Benefits**

“LFG is produced by the decomposition of buried trash. It is approximately 50% methane and 45% carbon dioxide. Because it contains methane, it contributes to smog, odors and global warming unless it is properly controlled. Methane, which comprises 50% of landfill gas, is 21 times more potent than carbon dioxide as a greenhouse gas. Flaring the gas eliminates most of the harmful and odorous pollutants but creates new ones, such as sulfur and nitrogen oxides, and does not capture the energy. Using the gas to fuel a power plant will capture the energy value of the gas and reduce pollution from LFG flaring. The LFG Project will also allow for the reduction of pollution from utility power plants no longer required for that portion of Mohawk’s load.

“Based on USEPA data, the Town’s LFG project (including the current collection-flaring program) will yield greenhouse gas reductions equivalent to removing 35,000 cars from the highways. Similarly, based on USEPA data, the project’s greenhouse gas benefits are equivalent to the planting of more than 23,000 acres of forest.

“The Town’s Landfill presently collects and flares approximately 600 million cubic feet per year of landfill gas. The energy equivalent of the landfill gas is approximately 55,000 barrels of oil per year. The project will help meet the widely acknowledged need for electric generating capacity in the New York market, capacity that benefits all consumers.

“A successful implementation and operation of this project will allow the Authority to install economical and environmentally beneficial LFG power projects at numerous other municipalities throughout the New York State.

**FISCAL INFORMATION**

“Payments associated with this project will be made from the Capital Fund. The total cost to the Authority of \$3,600,000 would cover permitting, design, engineering, equipment procurement, spare parts, construction and Authority Direct/Indirect expenditures.

“The Authority would enter into an agreement with the Town of Colonie regarding the recovery of this cost from the Town of Colonie within the ten-year period.

**RECOMMENDATION**

“The Director - Research and Technology Development, the Vice President –Policy and Governmental Affairs, and the Senior Vice President – Energy Services and Technology recommend that the Trustees authorize the funding of up to \$3,600,000 for the LFG Project, as described above.

“It is also recommended that the President be authorized to execute an agreement on behalf of the Authority with the Town of Colonie for the development and turnkey installation of the Colonie Landfill Power Project.

“The Senior Vice President - Chief Financial Officer, 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.”

***Chairman Rappleyea welcomed representatives of the Town of Colonie to the meeting.***

***In response to questions from Trustee McCullough, Mr. Zelingher confirmed that the full \$36 million project cost will be repaid along with the Authority’s direct and indirect costs. Trustee Miller asked whether staff anticipates that other counties throughout the State would be eligible for similar arrangements. President Zeltmann responded in the affirmative, and explained that two landfills in Lewiston have been identified as***

*potential projects. President Zeltmann then described this type of landfill venture as an integral part of the Authority's historical effort to encourage lesser reliance on foreign oil imports while providing net benefits to local communities and maximizing the use of new technologies in furtherance of this effort. Trustee Miller stated that he supports the proposed action and noted that there are likely suitable communities in the Syracuse area. Trustee Ciminelli inquired whether the Authority also recoups the time value of the monies advanced. President Zeltmann responded in the affirmative, stressing that the Authority recovers them in the form of administrative fees, which are added to the transaction.*

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

**RESOLVED**, That capital expenditures are hereby approved to be committed in accordance with the Authority's Expenditure Authorization Procedures for the Colonie Landfill Power Project, as set forth in the attached memorandum of the President, in the amount and for the purposes listed below:

<u>Capital</u>	<u>Expenditure Authorization</u>
Permitting, design, engineering, construction management, equipment procurement, installation and spare parts, and Authority direct/indirect expenditures	\$3,600,000
<b>TOTAL PROJECT COST</b>	<b><u>\$3,600,000</u></b>

**AND BE IT FURTHER RESOLVED**, That the President is authorized to execute an agreement on behalf of the Authority with the Town of Colonie for the development and turnkey installation of the Colonie Landfill Power Project, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

7. Proposed Schedule of Trustees' Meetings in 2001

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

The following schedule of regular meetings for the Authority for year 2001 is recommended:

<u>Date</u>	<u>Location</u>	<u>Time</u>
January 30, 2001 (Tuesday)	Albany	11:00 a.m.
February 27, 2001 (Tuesday)	Albany	11:00 a.m.
March 27, 2001 (Tuesday)	Albany	11:00 a.m.
April 17, 2001 (Tuesday)	WPO	11:00 a.m.
May 22, 2001 (Tuesday)	Albany	11:00 a.m.
June 26, 2001 (Tuesday)	Poletti	11:00 a.m.
July 31, 2001 (Tuesday)	St. Lawrence/FDR	11:00 a.m.
September 25, 2001 (Tuesday)	Albany	11:00 a.m.
October 30, 2001 (Tuesday)	WPO	11:00 a.m.
November 27, 2001 (Tuesday)	NYC	11:00 a.m.
December 18, 2001 (Tuesday)	Albany	11:00 a.m.

RECOMMENDATION

“The Executive Vice President, Secretary and General Counsel and Chief Operating Officer and I support the proposed schedule for the Authority’s regular Trustees’ Meetings for the year 2001 as set forth in the foregoing memorandum.”

The attached resolution, as recommended by The Executive Vice President, Secretary and General Counsel, was unanimously adopted.

**RESOLVED, That the schedule of regular Trustees’ Meetings for the year 2001, as set forth in the attached memorandum of the Executive Vice President, Secretary and General Counsel, be, and hereby is, approved.**

**8. Guidelines Relating to Electric Power and Energy and Fuels Transactions**

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize, pursuant to the standards set forth below, the Senior Vice President – Marketing and Economic Development, or such other officer designated by the President to (1) approve and execute physical and financial transactions (including Contracts for Differences, calls, puts, swap options, and other swap agreements) relating to the purchase and sale of power and energy to meet customer requirements, and to (2) approve and execute financial transactions (including swap agreements, calls, puts, and swap options) relating to the purchase and sale of natural gas, No. 6 oil, and other fuels to meet the requirements of the Authority’s generating plants.

DISCUSSION

“At their meeting of September 30, 1997, the Trustees approved the standards for hedging fossil fuel and electricity purchases and sales through a competitive selection process. It is the Authority’s goal to use these financial instruments as a conservative response to market price fluctuations and operational uncertainty (e.g., plant derates, unplanned outages, energy surpluses or shortfalls). Hedging can restructure this exposure to unpredictable large price movements just as an insurance policy protects against unanticipated loss in asset value.

“The operation of the New York Independent System Operator (‘ISO’) commenced in November, 1999, with the ISO administering new energy markets which provide energy at fluctuating hourly prices at specific locations. Price volatility has increased significantly in the first year of operation compared to prices under the New York Power Pool. Because many Authority customers are serviced under fixed price contracts, it is prudent to enter into financial transactions which will provide price protection and manage the risk of price volatility. These instruments will essentially allow the Authority to purchase and sell energy at fixed prices during periods of surpluses or shortfalls, as done prior to ISO operation.

“The fuels markets also exhibit significant volatility which can affect the cost of generating electricity at the Authority’s generating plants. Consequently, it is prudent to enter into financial transactions which will provide price protection and manage the risk of fuel price volatility.

“To address market price volatility, financial instruments, such as Contracts for Differences, other swap agreements, swap options, calls, and puts can be utilized. A Contract for Differences, which is the primary financial instrument being used in the power markets today, is a swap agreement whereby the entity purchasing the energy from the ISO market (the ‘Purchaser’) would pay to the other party (the ‘Counterparty’) a fixed price per megawatt hour (‘MWH’) for a given number of MWHs for a given period of time. The Counterparty, in turn, would pay what is known as a “floating price,” based on the fluctuating ISO market prices. The economic effect of this arrangement is that the Purchaser is paying a fixed price for the ISO market energy, and is not subject to the ISO market price risk, that risk now being borne by the Counterparty. A comparable swap agreement can be used in the case of fuel transactions to obtain a fixed price for the fuel purchased in the open market.

“Other financial instruments are also available to provide protection. A call option is the financial equivalent of a firm fixed price purchase of electric energy or fuel. In consideration for the payment of a premium, the call option would permit the Authority during a specified time period the option of purchasing energy or fuel at a specified price. It is used to cap exposure to price spikes of short duration. A put option is the financial equivalent of selling energy or fuel at a fixed price, which could be utilized when surplus energy or fuel is available. A swap option is the option to enter into a swap agreement, to be exercised if it is advantageous for the Authority to do so.

“In 1988, the Trustees authorized the then-Executive Vice President - Marketing and Development, or his designee, to enter into short-term (less than one year) power and energy physical purchases and sales. While physical transactions, other than day-to-day ISO transactions, can be utilized to manage price volatility risk, it is cumbersome to implement such transactions in an ISO regime and, as such, they are not frequently utilized.

“In the case of fuel, current Expenditure Authorization Procedures, while covering physical fuel purchasing, do not include within their scope the purchase of financial instruments. While physical purchases provide for the operation of the Authority’s plants, they are not readily suited to managing fuel price volatility.

“It is recommended, given the potentially large dollar value of these transactions, that the Senior Vice President - Marketing and Economic Development, or such other officer designated by the President, be authorized to enter into physical or financial transactions relating to the purchase and sale of power and energy and to enter into financial transactions relating to the purchase and sale of fuel to meet the needs of the Authority, provided, however, that:

- 1) if the total cost of the financial instrument or the physical contract for the sale or purchase of power, energy, or fuel, as measured by the amount to be paid by one party to the other, is more than \$3 million and less than \$15 million, then such transaction may be entered into only after consultation with at least two of the following: the President, the Senior Vice President and Chief Financial Officer, and the Executive Vice President, Secretary and General Counsel or their designee(s); and
- 2) if the total cost equals or exceeds \$15 million, authorization to enter into such financial or physical transactions would occur after consultation with the Chairman, President, Senior Vice President and Chief Financial Officer, and Executive Vice President, Secretary and General Counsel or their designee(s) provided, further, that if bidding circumstances require a rapid determination by the Senior Vice President - Marketing and Economic Development, or such other officer designated by the President, to secure the most advantageous bid, and not all of the members of the aforementioned group are available for consultation, the Senior Vice President - Marketing and Economic Development, or such other officer, may proceed if she or he consults with either the Chairman or the President and such other members of the group who are available in the time period in question.

“These procedures would not govern purchase and sale transactions by the Authority from the ISO energy markets in the ordinary course of business. Such transactions would remain under the supervision of the Senior Vice President - Marketing and Economic Development, or such other officer as the President may designate.

“It is further recommended that the Senior Vice President - Marketing and Economic Development, or such other officer designated by the President, be authorized to enter into any agreements (including ISDA Master Agreements and associated schedules), subject to approval as to form by the Executive Vice President, Secretary and General Counsel, necessary to effectuate such transactions, provided that any transactions under such agreements which would result in financial obligations for the Authority would be governed by the foregoing procedures.

#### FISCAL INFORMATION

“Payments pursuant to these physical transactions or financial instruments would be paid from the Operating Fund.

#### RECOMMENDATION

“The Senior Vice President - Marketing and Economic Development recommends that the Trustees authorize the Senior Vice President - Marketing and Economic Development, or such other officer designated by the President, to enter into physical or financial transactions relating to the purchase and sale of power, energy, or fuel, as set forth in the attached memorandum from the President.

“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.”

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

**RESOLVED, That the Senior Vice President - Marketing and Economic Development, or such other officer designated by the President, is authorized, in accordance with the requirements and standards set forth in the attached Memorandum of the President, to enter into physical or financial transactions relating to the purchase and sale of power, energy, or fuel to meet Authority requirements and utilize such contracts (including ISDA Master Agreements) as she or he may deem necessary or advisable to effectuate such transactions, subject to approval as to form by the Executive Vice President, Secretary and General Counsel; and be it further**

**RESOLVED, That the President and all other officers of the Authority are, and each of them 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, demands, directions, consents, approvals, confirmations, orders, applications, agreements, certificates, supplements, and further assurances 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 effectuate the intent of these resolutions or to comply with the requirements of the ISDA Master Agreements or similar industry standard documents referenced above.**

**9. Use of Certain Funds Previously Provided to the New York State Office Of Parks, Recreation And Historic Preservation For the Niagara Gorge Discovery Center**

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The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize the use of approximately \$1 million (principal plus interest) of previously appropriated funds held by the New York State Office of Parks, Recreation and Historic Preservation (‘NYSOPRHP’) for remodeling of the Schoellkopf Geological Museum into the Niagara Gorge Discovery Center.

BACKGROUND

“By resolution dated November 26, 1985, the Trustees authorized ‘payment of \$700,000 to the Niagara Frontier State Park and Recreation Commission (New York State Office of Parks, Recreation and Historic Preservation) for the design, fabrication and installation of exhibits and water displays at the Niagara Reservation Visitor Center.’ The visitor center was built, and some of the water displays were installed; however, the hydropower exhibits proposed for the lower level of the center were not developed.

“In a letter to the Authority dated August 13, 1998, NYSOPRHP indicated that approximately \$293,359 of the original \$700,000 had been spent, leaving a balance of principal of about \$406,641. The interest earned on that balance as of August 13, 1998 was approximately \$491,566, for a total cash balance of \$898,207 (Exhibit ‘A’ attached hereto). Currently, the balance is approximately \$1 million.

DISCUSSION

“At the direction of Governor George E. Pataki, NYSOPRHP has undertaken a multifaceted program to enhance the tourism potential of the Niagara Reservation and the Niagara Gorge. Included in the plan are improvements to the Observation Tower, new and improved landscaping, restoration of the horse stable on Goat Island, greater public access to the Niagara Gorge, interpretive signage and improved gorge trails.

“An important element in the plan is the renovation of the Schoellkopf Geological Museum into the Niagara Gorge Discovery Center. Plans are to:

- establish the center as a trailhead for an eight-mile gorge trail with related exhibits.
- use the theater to provide a virtual reality tour of the Niagara Falls and the Gorge as a way to provide a means for the physically impaired, small children and the elderly to share in the total Niagara experience.
- relocate the virtual reality helicopter ride from the Niagara Reservation Visitor Center to the new Niagara Gorge Discovery Center.
- install interactive exhibits/children’s nature exhibits showing the geology and the interrelationships with Niagara Gorge and its surroundings.

“This facility is located on land acquired by the Authority at the time of construction of the Niagara Power Project. It occupies a prime location along the rim of the Niagara Gorge and will provide an important link in the chain of waterfront attractions in the region.

“The estimated cost of the renovation is \$1.5 million. To partially cover this cost, NYSOPRHP has requested permission to use the previously appropriated funds not needed for Visitors Center exhibits.

FISCAL INFORMATION

“No new appropriation is required. The money for this project will come from the remaining balance of funds previously transferred to NYSOPRHP for the Niagara Reservation Visitors Center (approximately \$1million).

RECOMMENDATION

“The Vice President - Public Affairs recommends that the Trustees approve the use of the fund balance from the 1985 allocation, in the amount of approximately \$1 million, for the renovation of the Schoellkopf Geological Museum into the Niagara Gorge Discovery Center.

“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.”

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

**WHEREAS pursuant to a resolution adopted on November 26, 1985, payment to the New York State Office of Parks, Recreation and Historic Preservation (“NYSOPRHP”) in the amount of \$700,000 was authorized for specified purposes in connection with the Niagara Reservation Visitors Center; and**

**WHEREAS a portion of such funds remains unused, which portion has accrued interest, and the originally intended uses for such funds are no longer under consideration;**

**NOW THEREFORE BE IT RESOLVED, That the use of such funds to support the Niagara Gorge Discovery Center, as set forth in the foregoing memorandum of the President, be, and hereby is, approved.**

**10. In-City Generation Project Additional  
Expenditure Authorization - Awards**

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The Executive Vice President - Project Operations submitted the following report:

SUMMARY

“The Trustees are requested to authorize an additional \$14,100,000 in capital expenditures in support of the In-City Generation Projects. This additional funding is comprised of \$5,300,000 for Balance of Plant (‘BOP’) as well as Automated Control System equipment, and \$4,800,000 for six Gas Compressor units to supplement eleven gas turbine generator sets which have been purchased from GE Packaged Power, Inc., (‘GEPP’), for the acquisition of up to 520 Megawatts (‘MW’) of generation capacity. The Trustees are also requested to approve an increase in the compensation ceiling of the aforementioned contract with GEPP (#4500030143), from the previously approved amount of \$220,000,000 to \$230,100,000 for the aforementioned purpose.

“In addition, the Trustees are requested to authorize the President and Chief Operating Officer, or his designee, to award procurement contracts for the purchase of five gas compressor units to support plant needs for the In-City Generation Projects from Dresser Rand Compression Services and to expend up to \$4,000,000 in furtherance of said contracts.

BACKGROUND

“As determined by the Trustees at their meeting on August 29, 2000, the Authority has found that there is a deficiency in installed electric generation capacity in New York City and that there is an urgent and compelling need for such deficiency to be cured by installing additional electric generation capacity in New York City before June 1, 2001. The Authority staff reaffirms that the construction of the Projects (i) is necessary or desirable to assist in maintaining an adequate and dependable supply of electricity in New York City by supplying power and energy for one or more of the enumerated beneficiaries of the third unnumbered paragraph of Section 1005 of the New York Public Authorities Law, (ii) will assist in preserving reliability of electric service and in deterring further extraordinary increases in rates for electric service in the New York City metropolitan area, and (iii) will assist in maintaining an adequate, dependable electric power supply for the State of New York.

“At their meeting of August 29, 2000, the Trustees authorized the Executive Vice President – Project Operations, or his designee, to negotiate and enter into procurement contracts having such terms as deemed necessary or advisable for the acquisition of up to 520 MW of generation capacity to support in-city and statewide requirements, including, without limitation: (a) an agreement with GEPP, in an amount not to exceed \$220,000,000, for procurement and delivery of up to eleven LM6000 Gas Turbine Generator sets and (b) to expend any portion of the aforesaid amount for procurement in furtherance of said agreements, including, without limitation, the disbursement of an initial payment equal to ten percent of the amount of the GEPP contract on or before August 30, 2000.

DISCUSSION

“The equipment included in the original procurement request previously approved by the Trustees consisted of the major components that comprise the standard LM6000 Turbine Generator package. Such equipment typically is not site dependent and directly supports the gas turbine generator unit. The BOP equipment, which is the subject of this additional request, is not included in a typical turbine generator design package. The design of BOP equipment is tailored to customer and site specifications. In addition, BOP equipment is required to meet environmental and operational needs.

“The BOP equipment expected to be supplied by GEPP for eleven LM6000 gas turbine units includes: a Continuous Emissions Monitoring System (‘CEMS’) used for monitoring stack emissions for each unit; an air compressor package capable of producing service and instrument air as required; gas fuel filters designed to remove water and minor particles from the gas supply; demineralized water filter skids used for removal of minor particles from the water supply; cooling tower chemical treatment skids for treating the cooling water in the cooling tower basin; 125 volt DC battery systems; and modifications to the protection system for the generator step-up transformer, generator circuit breaker and switchgear.

“In addition, the scope of supply from GEPP includes a comprehensive automated control system, which would provide complete on site operation and enable remote operation of each plant.

“The original procurement request previously approved by the Trustees did not include Gas Compressor equipment, which is critical to the operation of the LM6000 units. The design of each gas compressor is dependent on site conditions, availability of gas and gas pressure in the area of the plant(s). The Authority received proposals from GEPP and Dresser Rand Compression Services for Gas Compressor units that are capable of supporting the needs of the LM6000 units. The proposals received were comparable, both technically and economically. Each gas compressor skid is comprised of a single compressor directly connected to an electric motor. Auxiliary equipment on each skid shall include a control system, one suction scrubber, pulsation bottles located at suction and discharge of the compressor cylinders, and a high performance discharge coalescer designed to remove aerosols and particulates. Acoustic enclosures for each gas compressor will be included in an effort to attenuate noise levels to meet noise criteria for each site.

#### FISCAL INFORMATION

“Payment will be made from the Authority's Capital Fund.

#### RECOMMENDATION

“The Vice President – Project Management, the Vice President and Chief Engineer – Power Generation, the Vice President – Procurement and Real Estate and the Deputy Secretary and Deputy General Counsel, recommend the Trustees approve additional capital expenditures of \$5,300,000 for Balance of Plant and Automated Control System equipment, and \$4,800,000 for six Gas Compressor units to supplement the previously authorized \$220,000,000 for the acquisition of eleven LM6000 Gas Turbine Generator Sets.

“It is further recommended that the Trustees also approve an increase in the compensation ceiling of the contract with GEPP, Inc. to \$230,100,000 for the aforementioned purposes. In addition, it is recommended that the President and Chief Operating Officer, or his designee, be authorized to award procurement contracts for the purchase of five gas compressor units to support plant needs for the In-City Generation Projects to Dresser Rand Compression Services, with the approval of the Executive Vice President, Secretary and General Counsel as to the form thereof, and to expend up to \$4,000,000 in furtherance of said contracts.

“The Senior Vice President and Chief Financial Officer, the Senior Vice President – Marketing and Economic Development, the Executive Vice President – Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel and I concur in the recommendation.”

The attached resolution as recommended by the Executive Vice President - Project Operations was unanimously adopted.

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts and Expenditure Authorization Procedures adopted by the Authority, additional capital expenditures be, and hereby are, approved as recommended in the attached memorandum of the Executive Vice President – Project Operations, in the amount and for the purposes listed below; and be it further**

**RESOLVED, That an increase in the compensation ceiling of the contract with GE Packaged Power, Inc., be, and hereby is, approved; and be it further**

**RESOLVED, That the President and Chief Operating Officer, or his designee, be, and hereby is, authorized to award procurement contracts to Dresser Rand Compression Services as deemed necessary for the purchase of five gas compressor units, with the approval of the Executive Vice President, Secretary and General Counsel as to the form thereof.**

**Capital**

**In-City Generation Projects –  
Procurement of 11 gas turbine generator sets:**

**GE Packaged Power, Inc.  
(4500030143)**

**Previous Authorization \$220,000,000**

**Current Request \$5,300,000  
(for BOP & Automated Control System  
equipment)**

**Current Request \$4,800,000  
(Six Gas Compressor Units) \$230,100,000**

**Dresser Rand Compression Services**

**Current Request \$4,000,000  
(Five Gas Compressor Units) \$234,100,000**

**TOTAL AMOUNT AUTHORIZED \$234,100,000**

**And be it further RESOLVED, That the Chairman, the President and Chief Operating Officer, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and all other officers of the Authority 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 resolution.**

11. Retirements

*On behalf of the Trustees and senior management, Chairman Rappleyea expressed thanks for the valuable services rendered by John English, Vern Quan-Soon and Barbara Vahue, as well as by all the other authority employees who took advantage of the early retirement program. Trustees McCullough and Miller reiterated the Chairman's good wishes. The Chairman further commended Messrs. Petralia and Shoenholz for preparing such a well worded and accurate resolution.*

The following resolution was unanimously adopted:

**WHEREAS, approximately 125 Power Authority staff members have elected to leave the Authority under the recent retirement incentive program; and**

**WHEREAS, these employees represent virtually all projects, business units and departments of the Power Authority and have served the Authority and the people of New York State with dedication and distinction for a combined total of some 2,475 years; and**

**WHEREAS, the ranks of retirees include three staff members—John F. English, Vernadine V. Quan-Soon and Barbara A. Vahue—who have worked particularly closely with the Trustees and have rendered invaluable and much appreciated service to them; and**

**WHEREAS, John English joined the Power Authority staff in 1977 after a distinguished 16-year career at the Consolidated Edison Company and went on to head the Authority's System Operations and Transmission units and to serve as Senior Vice President - Corporate Planning; and**

**WHEREAS, Mr. English was widely respected for his superb engineering skills, his detailed understanding of electric system operations and his unparalleled ability to expound on the most complex of technical issues, including, in recent years, the intricacies of location-based marginal pricing; and**

**WHEREAS, Mr. English's professional talents were complemented by a sharply honed and irreverent sense of humor that delighted his colleagues and by a refreshing candor that brought out the best in them; and**

**WHEREAS, when Mr. English arrived at the Power Authority, Vernadine Quan-Soon had already completed nearly 11 1/2 years of what would become an extraordinary 35-year career at the Authority; and**

**WHEREAS, Ms. Quan-Soon began at the Power Authority as a senior file clerk and earned a series of promotions that, over time, saw her serve in such positions as Secretary to the Senior Vice President and Chief Financial Officer, Administrative Assistant to the Chairman and President and, most recently, Senior Assistant Corporate Secretary, and also brought her a coveted Black Achiever in Industry Award; and**

**WHEREAS, during more than 14 years in the Corporate Secretary's Office, Ms. Quan-Soon displayed an uncommon blend of tenacity, equanimity and versatility that assured her success in that demanding environment, as well as an unfailing good nature that enhanced and enriched the experiences of successive members of this Board; and**

**WHEREAS, the Trustees have in recent years also benefited immensely from the presence of Barbara Vahue, who came to the Power Authority after many productive years in state government posts; and**

**WHEREAS, Ms. Vahue's career in Albany included service as clerk to the Senate Energy Committee and, later, for 17 years, as a senior member of the Assembly Minority Leader's staff; and**

**WHEREAS, Ms. Vahue's singular knowledge of the Capital and its personalities, her unique mix of affability and insight and her ability to take on the most difficult tasks and handle them promptly and**

**professionally have served her and the Power Authority well in various positions. As Assistant Corporate Secretary and Secretary to the Executive Management Committee; she is at the hub of the wheels driving important Authority policy and Project decisionmaking;**

**NOW THEREFORE BE IT RESOLVED, that the Trustees of the Power Authority of the State of New York extend to John F. English, Vernadine V. Quan-Soon and Barbara A. Vahue, and to all the other valued employees who are leaving the Power Authority at this time, their thanks for immeasurable contributions to the Authority and the people of the State of New York, and their best wishes for long, rewarding and fulfilling retirements.**

**12. Next Meeting**

The regular meeting of the Trustees will be held on **Tuesday, November 28, 2000**, at the **Dormitory Authority, 1 Penn Plaza, 52<sup>nd</sup> Floor, in New York City at 11:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

13. Closing

Upon closing made and seconded, the meeting was closed at 12:45 PM

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

OCTMIN00