

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

January 30, 2001

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Minutes of the regular meeting of the Power Authority of the State of New York held at the White Plains Office at 11:15 a.m.

Present: Clarence D. Rappleyea, Chairman
Louis P. Ciminelli, Trustee
Frank S. McCullough, Jr., Trustee
Timothy S. Carey, Trustee

Trustee Gerard D. DiMarco was excused from attendance

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
H. Kenneth Haase	Senior Vice President - Transmission
Louise M. Morman	Senior Vice President – Marketing and Economic Development
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Arnold M. Bellis	Vice President – Controller
Woodrow W. Crouch	Vice President – Project Management
John M. Hoff	Vice President – Procurement and Real Estate
Robert J. Deasy	Vice President – Power Contracts and Resource Management
Russell Krauss	Vice President and Chief Information Officer
Charles I. Lipsky	Vice President and Chief Engineer
Michael Petralia	Vice President – Public Affairs
James H. Yates	Vice President – Business Marketing & Economic Development
Steven Shoenholz	Deputy Vice President of Public Affairs
Carmine J. Clemente	Deputy General Counsel
Joseph Carline	Assistant General Counsel
Gary Paslow	Executive Director – Policy Development
George W. Collins	Treasurer
Arthur M. Brennan	Director – Internal Audit
John B. Hamor	Director – International Government Relations
Angelo Esposito	Director – Energy Services Division
John L. Murphy	Director – Public Relations
William V. Slade	Director – Environmental Programs
Chris DeGraffenried	Director – Pricing and Forecasting
Susan Egginton	Director – Corporate Services
James F. Pasquale	Manager – Business Power Allocations & Compliance
Wayne Gowen	LAN Administrator
Lawrence Gomez	Facility Manager
Lenny Catalino	Technical Specialist Engineer
Barbara Vahue	Assistant Secretary and Secretary to the Executive Committee
Leticia Remauro	Administrative Assistant to Trustee Carey
Bonnie Fahey	Executive Administrative Assistant
Anne Wagner-Findeisen	Deputy Secretary
Betty C. Fennell	Assistant Secretary
Angela D. Graves	Assistant Secretary
Alice F. Simon	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 December 19, 2000 were approved.

2. Opening Remarks of Chairman Rapplevea

The Chairman welcomed everyone to the newly expanded White Plains Office board room, and thanked Mr. Vesce and his staff for their successful efforts in turning a former filing area into a handsome meeting room. Mr. Vesce introduced Ms. Egginton, the Director – Corporate Support Services, as the staff person primarily responsible for the project. Mr. Vesce further explained that all of the furnishings had been effectively “recycled” by Ms. Egginton from the former New York City office. By refurbishing the old chairs and couches, significant savings of some 30% had been achieved over the standard comparable cost of setting up such an area. The Chairman, on behalf of the Trustees, complimented Ms. Egginton and her staff on their work and, in particular, the spectacular mounting of the large, bronze Authority seal onto the wall of the boardroom.

3. Election of Louis P. Ciminelli as Vice Chairman

Trustee McCullough nominated Trustee Louis P. Ciminelli to be Vice Chairman of the Authority. “Mr. Ciminelli was appointed as Trustee in December 1995. I believe Mr. Ciminelli is eminently qualified to fill this position.”

The following resolution, as recommended by Trustee McCullough, was unanimously adopted.

RESOLVED, That, Louis Ciminelli be elected Vice Chairman of the Authority.

4. Financial Report for the Twelve Months Ended December 31, 2000

5. Report from the President and Chief Operating Officer

President Zeltmann reported that day-to-day activities on the Power Now! Project continue at flat-out speed in order to meet the June 2001 deadline, and noted that Messrs. Hiney, Crouch, Clemente, the Law Department and other staff members are working extraordinary hours to make the project viable. Mr. Zeltmann also reported on the favorable nature of most of the press coverage, and in particular, a supportive article that appeared in TIME magazine.

At President Zeltmann's request, Mr. Crouch then introduced Messrs. Lenoire and Bergstrom of Sargent and Lundy, the firm providing the engineering and design services for the substation facilities, who demonstrated a computerized projection of the completed turbine generator site at Hellgate as a representative visual example of the end product at all the sites. Messrs. Crouch, Lenoire and Bergstrom then responded to questions from the Vice-Chairman and Trustee McCullough. Mr. Crouch noted that both Con Edison's and Keyspan's ongoing support for the projects was critical to their success. Chairman Rappleyea introduced and welcomed Mr. Kass, the Authority's principal outside counsel on Power Now! issues.

In response to questions from Vice Chairman Ciminelli concerning the status of "in ground" work, Mr. Crouch explained that it is already well under way at Hellgate and that the first turbine unit would be set on the pad within the next several days. Mr. Crouch stated that staff would like to further update the Trustees on the issue of the estimated total cost of the Power Now! project noting that the previous estimated and budgeted amount of \$450 million needed to be revised upwards to some \$550 million in view of certain emergent work.

Mr. Crouch then presented a status update on the progress of the project since the last meeting of the Trustees and reported that, on January 12th, the DEC had issued the air emissions permits for Hellgate; Harlem River Yard; Vernon Boulevard; North 1st and Grand; 23d and 3d streets; and Brentwood. The permit for Pouch Terminal on Staten Island is still pending. Mr. Crouch advised that construction work, in particular driving piles, has commenced at five of the sites.

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On behalf of the Trustees, Chairman Rappleyea thanked Messrs. Zeltmann, Blabey, Vesce, Petralia, Hiney and Urbach of the senior management team for their Herculean efforts in leading staff Authority-wide on this urgent and important undertaking, and stressed that their collective efforts are greatly appreciated by the Trustees. President Zeltmann responded that Chairman Rappleyea himself has been a major initiator and driver of the project and has played an outstanding role in bringing the Authority to this point. On behalf of staff, Mr. Zeltmann thanked the Chairman and the Trustees for their commendation.

Pointing again to the energy crisis in California, which had been further exacerbated since the last Board meeting, the Chairman underscored the importance of the Power Now! Project to the state of New York, and urged that we keep up the good work.

6. Municipal and Rural Cooperative Economic Development Program - Allocations to the Village of Marathon and the City of Plattsburgh

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve allocations of power under the municipal and rural Cooperative Economic Development Program (‘Program’) to the Village of Marathon and the City of Plattsburgh.

BACKGROUND

“The 1991 amendment to the power sales agreement between the Authority and the Municipal and Rural Cooperative Systems reserved 108,000 kW of power for economic development in the systems. As of September 26, 2000, 28,950 kW have been allocated.

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

“The Village of Marathon and the City of Plattsburgh have submitted applications for power under the Program for consideration by the Trustees.

DISCUSSION

“An application has been submitted on behalf of Square Deal Machining, Inc. (‘Square Deal’) by the Village of Marathon. Square Deal has been in business since 1950, and is involved in providing steel fabrication and welding services to customers. Products include parts to original equipment manufacturers for forklifts, hydraulic scissor lifts, computer cabinetry, and other specialized items that they are equipped to provide.

“Square Deal is planning an expansion that will combine a relocated Pennsylvania-based company into the Marathon facility, allowing it to offer additional services. The expansion involves a 20,000 sq. ft. building and several types of steel fabrication machinery at a cost of approximately \$2.5 million. Square Deal currently employs 66 people. The expansion will provide for approximately 70 new jobs over the next three years, adding significant revenue to the local and state economies. The existing electrical load of approximately 100 kW is expected to increase to approximately 500 kW. It is recommended that the Trustees approve an allocation of 400 kW to Square Deal under the Program.

“A second application has been submitted on behalf of Mold-Rite Plastics, Inc. (‘Mold-Rite’) by the City of Plattsburgh. Mold-Rite is a family-owned business that was started in 1976. Mold-Rite manufactures plastic caps, jars, and vials. The products are sold to cosmetic, food, and pharmaceutical companies. Mold-Rite has acquired the assets of Lermer Container Co. of New Jersey and is expanding to accommodate the additional machinery and necessary support. Mold-Rite is constructing a 60,000 sq. ft. building to house molding and printing machines, and storage. Investment in the expansion project is approximately \$1.5 million. Mold-Rite currently employs 260 people. The expansion will provide for approximately 100 new jobs over the next three years, adding significant revenue to the local and state economies. The existing electrical load is approximately 3000 kW and is expected to increase to 3800 kW. It is recommended that the Trustees approve an allocation of 800 kW to Mold-Rite Plastics.

“The Municipal Electric Utilities Association Executive Committee supports the recommended allocations to the Village of Marathon and the City of Plattsburgh.

“The recommended allocations under the Program comprise half-hydroelectric power and half-incremental power. In accordance with the Authority’s marketing arrangement with the municipal and cooperative customers, the hydroelectric power will be added to the recipient system’s contract demand at the time a project becomes operational. The hydroelectric power earmarked for this Program is presently sold to the municipal and cooperative customers on a withdrawal basis. As a full-requirements customer of the Authority, the Village of Marathon will purchase the incremental power associated with the allocation from the Authority. As a partial-requirements customer, the City of Plattsburgh may purchase the incremental power from the Authority or an alternate supplier.

RECOMMENDATION

“The Senior Vice President – Marketing and Economic Development recommends that the Trustees approve the allocations of power under the Municipal and Rural Cooperative Economic Development Program to the Village of Marathon and the City of Plattsburgh in accordance with this report of the President.

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

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

RESOLVED, That the allocations of power to the Village of Marathon and the City of Plattsburgh under the Municipal and Rural Cooperative Economic Development Program are hereby approved, as set forth in the foregoing report of the President; and be it further

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

**7. FitzPatrick Utility Rate Change –
Notice of Proposed Action and Public Forum**

The President submitted the following report:

SUMMARY

" The Trustees are requested to authorize the Executive Vice President, Secretary and General Counsel to file with the Secretary of State a notice of Proposed Rulemaking for publication in the State Register, concerning the subject proposed rate change. Authorization is also requested for the Executive Vice President, Secretary and General Counsel to publish notice of and hold a Public Forum, in accordance with the Authority's Policies and Procedures, prior to final Trustee action on the proposed rate change. The Trustees are further requested to authorize the Senior Vice President – Marketing & Economic Development to issue a notice of the proposed rate change to the utilities purchasing affected services.

BACKGROUND

" During the mid-1970's, the Authority entered into a series of 'UD' Contracts with the utilities for the sale, transmission and distribution of power from the James A. FitzPatrick Nuclear Power Plant. The 'UD' Contracts in effect today are those with the Long Island Power Authority ('LIPA'), Rochester Gas & Electric ('RG&E') and Niagara Mohawk Power Corporation ('Niagara Mohawk'), collectively referred to herein as 'the Utilities'.⁻¹

" Effective November 21, 2000, title to the James A. FitzPatrick Nuclear Power Plant was transferred to an Entergy Corporation subsidiary ('Entergy'). With that transfer, the Agreements for the Purchase of Products and Services (Collectively the 'PPA') between the Authority and Entergy became effective, and the Authority began purchasing power from Entergy for resale to the Utilities and other customers. As such, this sale has impacted the cost of providing service to the Utilities.

DISCUSSION

" Affected Customers - This rate action proposes to increase the price of both unsupported firm power and residual energy sold to the Utilities. The prices for supported firm power sold to business customers and for incremental capacity and energy sold to the municipal and cooperative customers (whose prices are determined by their separate contractual arrangements) are not impacted by the proposed rate change.

" Cost of Service - The 'UD' Contracts allow the Authority to recover changes in its costs through an increase in the rates charged to the Utilities. The cost of providing 'UD' Contract service has changed with the sale of the plant.⁻² The proposed rate action seeks to recover the full cost of providing such service to the Utilities.

" Rate Notification - The proposed rates (set forth in Exhibit '7-A' attached hereto) recover the Authority's fixed costs through the demand charge. The Authority's variable costs, related to the Entergy-PPA, are to be recovered through the energy rates. According to the " UD" Contracts, the

⁻¹ - The agreements with the LIPA and RG&E cover the sale of both unsupported firm power and residual energy. The latter contract concerns residual energy deliveries to Niagara Mohawk. The Utilities receive fixed quantities of unsupported firm power when the plant is operating. Residual energy is made available only after the Authority's firm customer requirements are met.

⁻² - Costs formerly borne by the Authority, such as operating and maintenance and fuel costs have been replaced by the PPA payments to Entergy. Other costs incurred in providing these services, including indirect overheads, remain relatively unchanged.

Utilities must be apprised of any such changes in the rates by written notification made no less than 90 days in advance.³ The proposed rate changes would become effective June 1, 2001, requiring Utility notification on or before February 2, 2001.

FISCAL INFORMATION

" Absent a rate change, power sales to the Utilities would under-recover cost by \$10.9 million per year.

RECOMMENDATION

" The Director - Pricing & Forecasting, the Director - Power Contracts & Billing, the Vice President - Power Contracts, and the Senior Vice President - Marketing & Economic Development recommend that the Trustees:

- (a) Authorize the Senior Vice President - Marketing & Economic Development, or her designated representative(s), to issue notice of the proposed change to the effected Utilities to comply with the notice provisions of the 'UD' Contracts;
- (b) Authorize the Executive Vice President, Secretary and General Counsel to file notice for publication in the State Register of the proposed action to increase the 'UD' Contract rates; and
- (c) Authorize the Executive Vice President, Secretary and General Counsel to schedule a public forum for the purpose of gathering the views of interested persons concerning the proposed change in the 'UD' Contract rates.

" The Executive Vice President, Secretary and General Counsel, and I concur with the recommendation."

Vice Chairman Ciminelli inquired as to whether these changes to the Authority's cost structure had been anticipated. Ms. Morman responded in the affirmative, noting that the cost structure had been changed as a result of the purchased power agreement with Entergy.

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

RESOLVED, That the Executive Vice President, Secretary and General Counsel of the Authority be, and hereby is, authorized to file for publication in the New York State Register the proposed modification of " UD" Contract rates applicable to certain Utilities served by power and energy purchased by the Authority from the owner of the James A. FitzPatrick Nuclear Power Plant, such modification to be effective June 1, 2001, and to submit such other notice as may be required by statute or regulation; and be it further

RESOLVED, That the Executive Vice President, Secretary and General Counsel of the Authority be, and hereby is, authorized to publish notice of a Public Forum to be held for the purpose of obtaining the views of interested persons concerning the Authority's proposed action to revise the rates associated with the " UD" Contracts; and be it further

RESOLVED, That the Senior Vice President - Marketing & Economic Development and her designated representatives be, and hereby are, authorized to issue written notice to such Utilities with respect to the proposed modification of rates, as recommended in the foregoing report of the President.

³ - Contract UD-5, Service Tariff No. 2, Special Provisions, ¶ C(1), page 11, provides as follows: "(1) demand and energy charges specified in this tariff are based on the Authority's current estimates of costs ... it will notify customer in writing of the revised charges not less than 90 days in advance of the effective date thereof."

8. Power Allocations Under the Power for Jobs Program

The President submitted the following report:

SUMMARY

" The Trustees are requested to approve 69 allocations of available power under the Power for Jobs program to the businesses listed in Exhibits '8-A' and '8-B' 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 ('MW') 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 MW 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 MW of power available and have accelerated the distribution of the power. Two-hundred sixty-seven MW were made available in Year 1.

" In May 2000, legislation was passed which authorized another 300 MW of power to be allocated under the Power for Jobs program. Up to 75 MW may be recommended for allocations to small businesses and not-for-profit corporations. The additional megawatts, described in the statute as " phase four" of the program shall be allocated in three rounds: 100 MW by October 1, 2000, 100 MW by February 1, 2001 and 100 MW by July 1, 2001. In addition to applicants who have not received a previous allocation under the program, those who received allocations in Year One (December 1997-November 1998) are also eligible for allocations in " phase four" . Year One allocations totaled 267 MW. However, some allocations were returned unused or recaptured due to failure to meet job commitments. As a result, there are approximately 250 MW in allocations to some 320 customers who would be eligible to apply for 'phase four' power.

" 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. Businesses are required to create or maintain a specific number of jobs in order to qualify for an allocation. At various meetings from December 1997 through November 2000, the Trustee's approved allocations to 646 businesses under the Power for Jobs program of which 52 were to businesses who had their allocations extended for three years under phase four of the 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.

" 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-nine

applications were deemed highly qualified and presented to the EDPAB for its review on January 30, 2001. 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 69 businesses listed in Exhibits '8-A' and '8-B'. Exhibit '8-A' lists those businesses that were recommended to have their existing allocations extended under phase four of the program while those businesses listed in Exhibit '8-B' are being recommended for new allocations. Collectively, these organizations have agreed to create or retain over 33,000 jobs in New York State in exchange for allocations totaling 60.110 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 the exhibits. The basis for EDPAB's recommendations is also included in the exhibits.

RECOMMENDATION

" The Manager - Business Power Allocations and Compliance and the Vice President - Major Account Marketing and Economic Development recommend that the Trustees approve the allocations of power under the Power for Jobs program to the companies listed in Exhibits '8-A' and '8-B'.

" The Senior Vice President - Marketing and Economic Development, the Executive Vice - President Secretary and General Counsel, the Executive Vice-President - Chief Financial Officer, the Executive Vice-President - Project Operations and I concur with the recommendation."

The Chairman noted that three of the proposed allocations, specifically to Airlock; Ford Motor Co.; and Pall Trinity will required ratification by one additional member of the Economic Development Power Allocation Board at that Board's next meeting.

The following resolution was unanimously adopted, with the exception of that portion relating to the proposed allocation to the Ford Co., from which Vice Chairman Ciminelli abstained, and which was adopted by a vote of three in favor and one abstention.

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 60.110 MW of allocations of Power for Jobs power to the companies listed in Exhibits " 8-A and " 8-B" ;

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 Exhibits " 8-A" and " 8-B" (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 60.110 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.

**9. Quarterly Review of Power for Jobs
Employment Commitments**

The President submitted the following report:

SUMMARY

" The Authority's staff initiates a review of all Power for Jobs power allocations that have an anniversary within the quarter being reported upon against agreed upon job commitments. The anniversary date being the date the company began receiving power under the Program. This quarterly review covers companies that took down power during the first and second quarters of both 1998 and 1999. The Authority had 57 customers with 60 contracts first receiving power in the first and second quarters of 1998 and 142 customers with 148 contracts first receiving power in the first and second quarters of 1999. Thus the review covers in total 199 customers with 208 contracts. This Trustee item focuses specifically on 33 contracts with 33 customers.

" The contracts contain a customer commitment to retain or add a specific number of jobs. If the actual job level falls below 90% of that commitment, the Authority may reduce that customer's power allocation proportionately.

" It is recommended that the Trustees reduce the power allocations and jobs commitments for three companies; reduce the job commitment for one company; and approve the continuation of current power allocations to the 29 companies that were below their job commitment levels.

BACKGROUND

" The 208 contracts reviewed by staff represent overall power allocations of 180.059 MW and total employment commitments of 137,680 jobs. In the aggregate, these customers reported actual employment of 145,561 positions. This represents about 105.75% of the total job commitments for Power for Jobs customers reporting for their anniversary with power first received in the first and second quarters of 1998 and 1999. Nevertheless, there are 33 customers whose actual job levels are below the minimum threshold.

DISCUSSION

" Of the companies reviewed in this memorandum, staff recommends that four companies have their power allocations and/or job commitments reduced for the reasons discussed in Section I and II. Staff recommends that 29 companies be allowed to continue their current power allocations and job commitments as discussed in Section III. A summary of all contracts discussed in this memorandum is provided as Exhibit '9-A'.

Section I.

Allocations and Job Commitments to Be Reduced

Faster Form Corp., Frankfort, Herkimer County

Allocation: 100 kW of Power for Jobs Power

Jobs Commitment: 98 jobs first year; 148 jobs second year; 198 jobs third year

Background: Faster Form Corp. is a privately held company in business since 1948. The company makes flower holders and specializes in flower preservation. Faster Form was not able to meet its employment obligation to the Authority due to a tight employment market, lack of skilled labor and a

shift in buyers that reduced sales. For the past year Faster Form Corp. averaged 51 jobs, 52% of its commitment.

Recommendation: Staff recommends that the Trustees reduce the allocation from 100 kW to 50 kW and the employment commitment from 198 jobs to 99 jobs.

Hammond & Irving, Inc., Auburn, Cayuga County

Allocation: 600 kW of Power for Jobs Power

Jobs Commitment: 94 jobs first year; **104 jobs second year**; 114 jobs third year

Background: Hammond & Irving, Inc., founded in 1919, manufactures seamless rolled rings and open die forgings for the bearings industry. Hammond experienced a downturn in business in the past year. The company has increased operational efficiency but is struggling to keep a 75 position full time equivalency. The high cost of natural gas has hurt their profitability, as they cannot pass on the cost to their customers. For the past year Hammond & Irving averaged 75 jobs, 72.25% of their commitment.

Recommendation: Staff recommends that the Trustees reduce the company's allocation from 600 kW to 450 kW and the employment commitment from 114 jobs to 85 jobs.

J. C. Plastics, Inc., Rochester, Monroe County

Allocation: 200 kW of Power for Jobs Power

Jobs Commitment: 38 jobs

Background: J. C. Plastics, Inc. has been in business since 1977. The company is a custom injection molded plastics manufacturer. J. C. laid off workers from February through June 1999 in an effort to reduce costs. Employment is currently at 27 jobs. For the past year J. C. Plastics, Inc. averaged 20.33 jobs, 53.50% of its commitment.

Recommendation: Staff recommends that the Trustees reduce the company's allocation from 200 kW to 150 kW and the employment commitment from 38 jobs to 28 jobs.

Section II.

Job Commitments to Be Reduced

Catholic Medical Center, Jamaica, Queens County

Allocation: 250 kW of Power for Jobs Power

Jobs Commitment: 1673 jobs

Background: Catholic Medical Center is a non-profit health care services organization. CMC provides in-patient as well as outpatient medical care. For the past year Catholic Medical Center averaged 1144.33 jobs, 68.40% of its commitment. The discrepancy is related to the accounting of full time equivalent positions.

Recommendation: Staff recommends that the Trustees reduce the employment commitment from 1673 jobs to 1145 jobs. This will still leave the hospital with a 4,580 jobs/MW ratio.

Section III.

Allocations to Continue With No Change

Acme Architectural Products, Inc., Brooklyn, Kings County

Allocation: 1000 kW of Power for Jobs Power

Jobs Commitment: 565 jobs first year; 615 jobs second year; 665 jobs third year

Background: Acme Architectural Products, Inc. is a privately owned company that was founded in 1924 and is now a leading manufacturer of building products for the construction industry. Acme is one of the largest manufacturers in Brooklyn. The company manufactures hollow metal doors and frames, bathroom partitions, office furniture and architectural wall products. The company plans to add jobs and is confident they will meet their agreed upon commitment. For the past year Acme Architectural Products, Inc. averaged 479.67 positions, 84.90% of its commitment.

Recommendation: Staff recommends the Trustees take no action at this time.

Allied Frozen Storage, Inc., Cheektowaga and Brockport, Erie and Monroe County

Allocation: 400 kW of Power for Jobs Power

Jobs Commitment: 52 jobs first year; 57 jobs second year and third year

Background: Allied Frozen Storage, Inc. is a privately owned warehousing business in operation since the early 1980s. Allied specializes in refrigerated warehousing. The January through March 2000 shows Allied's employment level remaining constant at 52 positions. Operating hours have increased and two new employees will be brought on in January. For the past year Allied Frozen Storage, Inc. averaged 45 jobs, 86.50% of its commitment.

Recommendation: Staff recommends the Trustees take no action at this time.

AMF Bowling, Inc., Lowville, Lewis County

Allocation: 500 kW of Power for Jobs Power

Jobs Commitment: 136 jobs; Phase Four Jobs - 109 Jobs

Background: AMF Bowling, Inc. has been in business in Lowville since 1957. AMF manufactures bowling pins and lanes for world wide distribution operations. Asia is AMF's biggest market and that market has not fully recovered from the 1998 Asian economic downturn. AMF's Phase Four application was approved on September 26, 2000 with its job commitment reduced to 109 positions. For the past year AMF Bowling, Inc. averaged 108.83 jobs, 80% of its original commitment.

Recommendation: Staff recommends the Trustees take no action.

Anorad Corporation, Hauppauge, Suffolk County

Allocation: 600 kW of Power for Jobs Power

Jobs Commitment: 425 jobs first year; **470 jobs second year**; 510 jobs third year; Phase Four Jobs - 398 Jobs

Background: Anorad Corporation, founded in 1972, manufactures precision motion control equipment in the semiconductor industry. The industry as a whole had an unexpected downturn last year. Anorad's Phase Four application was approved on September 26, 2000 with a job commitment lowered to 398 jobs. The company is confident they will meet their revised commitment. For the past year Anorad averaged 316.33 jobs, 79.40% of their new commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Appleton Papers Inc., Newton Falls, St. Lawrence County

Allocation: 3000 kW of Power for Jobs Power
Job Commitment: 396 Jobs

Background: In 1995 Appleton Papers Inc. purchased the business of Newton Falls Mill. It is a coated wood-free paper business. Since that time they invested nearly \$35 million in process and equipment improvements for the site. Unfortunately, market conditions beyond the company's control have not allowed for the level of employment agreed upon by Appleton Papers with the Authority for Power for Jobs power. For the past year Appleton Papers Inc. averaged 246.42 jobs, 62.23% of their commitment. Currently, the company is in bankruptcy and the Newton Falls Mill site is for sale. New York State is working with Appleton Papers to find a buyer for the mill.

Recommendation: Staff recommends that the Trustees take no action at this time and give them time to try to sell the business and save the jobs.

AT&T Corp., Manhattan and White Plains, New York and Westchester County

Allocation: 3200 kW of Power for Jobs Power
Jobs Commitment: 1511 jobs

Background: AT&T Corp. was founded in 1885 and is the largest telecommunications company in the United States. The Manhattan location is a premiere switching facility with technical workers and the White Plains location is an administrative location with administrative workers as well as technical workers. For the past year AT&T Corp. averaged 1279 jobs, 84.65% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Barry Steel Fabrication, Inc., Lockport, Niagara County

Allocation: 75 kW of Power for Jobs Power
Jobs Commitment: 43 jobs first year; 45 jobs second year; 49 jobs third year

Background: Barry Steel Fabrication, Inc. founded 23 years ago is a privately owned company. Barry Steel designs and fabricates steel structures such as steel columns, beams, stairways and railings, as well as, complete buildings. Though some positions were lost over the past year, five positions will be added by the end of June 2001. For the past year Barry Steel Fabrication, Inc. averaged 32.25 jobs, 78.66% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Bristol-Myers Squibb Company, East Syracuse, Onondaga County

Allocation: 5000 kW of Power for Jobs Power
Jobs Commitment: 916 jobs

Background: Bristol-Myers Squibb Company has been located in East Syracuse since 1943. The facility is the home of Bristol's biologic development center, where penicillin and new antibiotics are manufactured. The company has added new employees since last year, such that they would now be over the 90% of commitment requirement. For the past year Bristol-Myers Squibb Company averaged 794 jobs, 86.68% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Buffalo Technologies Corp., Buffalo, Erie County

Allocation: 500 kW of Power for Jobs Power; Phase Four Allocation - 350 kW
Jobs Commitment: 131 jobs first year; 138 jobs second year; 145 jobs third year; Phase Four Jobs - 73 Jobs

Background: Buffalo Technologies Corp. is a privately owned company in business over 90 years. The company custom designs and manufactures energy efficient, high quality processing equipment for the food, chemical and pharmaceuticals industries. Buffalo Technologies is one of the few companies that can offer product design, testing, engineering and manufacturing in one location. Last year saw a great amount of business lost to competition in lower cost southern states. Though sales are expected to increase modestly this year employment has been reduced to keep competitive. Buffalo Technologies' Phase Four application was approved on September 26, 2000 with a jobs commitment lowered to 73 jobs and allocation reduced to 350 kW. For the past year Buffalo Technologies Corp. averaged 97.83 jobs, 74.68% of its original commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Cecilware Corp., Long Island City, Queens County

Allocation: 400 kW of Power for Jobs Power
Jobs Commitment: 380 jobs

Background: Cecilware Corp. is a privately held company in business since 1911. Cecilware manufactures equipment for the food services industry including, cappuccino machines, coffee machines and fryers. For the past year Cecilware Corp. averaged 327.50 jobs, 86.20% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Consumer's Beverages, Inc.,

Allocation: 240 kW of Power for Jobs Power
Jobs Commitment: 50 jobs first year; **55 jobs second year;** 60 jobs third year

Background: Consumer's Beverages, Inc. founded in 1948 is a family owned business. The company manufactures kegs of soft drinks and distributes both beer and soft drinks to over 100 restaurants and eating establishments. Consumer's Beverages is attempting to expand. Currently there are ads in the paper for positions available but the labor market is tight and no qualified workers have applied for the positions available. Growth is expected for 2001. For the past year Consumer's Beverages averaged 47.83 jobs, 87% of their commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Cooper Hand Tools, Cortland, Cortland County

Allocation: 2200 kW of Power for Jobs Power
Jobs Commitment: 222 jobs first year; **232 jobs second year;** 242 jobs third year; Phase Four Jobs - 190 Jobs

Background: Cooper Hand Tools' Cortland facility has been in business under various owners since 1834, and acquired by Cooper Hand Tools in 1985. The company's business is forging, hot-dip galvanizing, and manufacturing of industrial fittings, clamps for lifting steel, as well as, block and tackle for marine sectors. Though several employees have been lost through attrition, the company finds it nearly impossible to hire and retain skilled workers. Cooper Hand Tools' Phase Four application was approved on September

26, 2000 and reduced its jobs commitment to 190 positions. For the past year Cooper Hand Tools averaged 196.33 jobs, 84.84% of its original commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Emsig Manufacturing Corp., Hudson, Columbia County

Allocation: 500 kW of Power for Jobs Power

Jobs Commitment: 202 jobs first year; 227 jobs second and third year

Background: Emsig Manufacturing Corp. was founded in 1928. Emsig is the largest button manufacturer in the United States. Fashion lately has been less dependent on buttons. In order to stay competitive the company has trimmed positions but remains active in its goal to add positions. For the past year Emsig Manufacturing Corp. averaged 174.33 jobs, 86.30% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Gasser & Sons, Inc., Commack, Suffolk County

Allocation: 360 kW of Power for Jobs Power

Jobs Commitment: 144 jobs first year; **145 second year;** 146 jobs third year

Background: Gasser & Sons, Inc. was founded in 1916 as a metal spinning shop. Today, the company engages in metal machining, stamping and a specialized form of stamping called deep drawing. Gasser has added a second shift in the last year raising employment to a current full time equivalency of 135 positions. For the past year Gasser & Sons, Inc. averaged 116 jobs, 79.50% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Gurwin Jewish Geriatric Center, Commack, Suffolk County

Allocation: 500 kW of Power for Jobs Power

Jobs Commitment: 535 jobs first year; 585 jobs second and third year

Background: Gurwin Jewish Geriatric Center is a non-profit nursing home in business since 1985. Gurwin is a 300 bed facility that offers high quality long-term skilled nursing, short-term rehabilitation, sub acute care, hospice care, medical adult day care, and home care to the elderly. Gurwin has been in the process of hiring new employees over the past year and now has a full time equivalency of 608 employees. For the past year Gurwin Jewish Geriatric Center averaged 459 jobs, 86% of its job commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Jacmel Jewelry, Inc., Long Island City, Queens County

Allocation: 450 kW of Power for Jobs Power

Jobs Commitment: 600 jobs

Background: Jacmel Jewelry, Inc. a privately owned company was founded in 1977. The company designs, manufactures and ships fine jewelry. For the past year Jacmel Jewelry, Inc. averaged 511 jobs, 85% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Jerrico Tools, Inc., Alden, Erie County

Allocation: 20 kW of Power for Jobs Power

Jobs Commitment: 13 jobs first year; **14 jobs second year**; 15 jobs third year

Background: Jerrico Tools, Inc., builds plastic injection molds. Unfortunately, Jerrico Tools has not met the level of employment agreed upon by Jerrico Tools with NYPA for Power for Jobs power. Due to the small job commitment, just having a few workers less than the contractual requirement would render a dramatic showing of non-compliance. Business has expanded less quickly than originally estimated and competition is tight with lower cost energy available to western in-state competitors, as well as with China. However, Jerrico invested in a new machine that increased capacity enabling them to handle bigger orders. The company is having a hard time filling positions with qualified skilled workers even with an apprenticeship program. For the past year Jerrico Tools, Inc. averaged 8.75 jobs, 62.50% of their commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

KMS Plastics LLC, Oneonta, Otsego County

Allocation: 240 kW of Power for Jobs Power and

Jobs Commitment: 48 Jobs, Phase Four Jobs - 40 Jobs

Background: KMS Plastics LLC, an affiliate of the Audiosears Corporation, manufactures injection molded plastic parts. Business was down over the past year. KMS' Phase Four application was approved on September 26, 2000 with a job commitment reduced to 40 jobs. For the past year KMS averaged 36.33 jobs, 75.69% of their original commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Merritt Plywood Machinery, Inc., Lockport, Niagara County

Allocation: 75 kW of Power for Jobs Power

Jobs Commitment: 16 jobs first year; **18 jobs second year**; 19 jobs third year

Background: Merritt Plywood Machinery, Inc. is a privately owned company that through several owners has been in business since the mid-1800s. Merritt designs and manufactures machines for the hardwood, veneer and plywood industries. Since May 2000 one position was added and one more is position is planned to be added. Business is expanding and floor space has been doubled. Full orders are taken for 2001 and orders are already being taken for 2002. For the past year Merritt Plywood Machinery averaged 16.17 jobs, 89.83% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Multimatic Products, Inc., Hauppauge, Suffolk County

Allocation: 90 kW of Power for Jobs Power

Jobs Commitment: 61 jobs first year; **65 jobs second year**; 69 jobs third year

Background: Multimatic Products, Inc., is a jobbing machine shop that manufactures metal component parts for the microwave electronics industry. Several of their major customers were hit hard by the downturn in the Asian economy a couple of years ago. This negatively affected Multimatic. The company has entered into some new business relationships that are increasing their employment level. During the second quarter 2000 Multimatic averaged 70 positions, which are more jobs than their commitment. For the past year Multimatic averaged 51.75 jobs, 79.62% of their commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Niagara Fiberboard Inc., Lockport, Niagara County

Allocation: 216 kW of Power for Jobs Power

Jobs Commitment: 32 jobs first year; **34 jobs second year**; 37 jobs third year; Phase Four Jobs - 33 Jobs

Background: Niagara Fiberboard Inc. has been in business under its current owner since 1987 but the company dates back to 1910. Niagara manufactures recycled paperboard products for manufactured housing and recreational vehicles, as well as, products for the graphic art market. Niagara Fiberboard lost a customer worth 15% of its sales. Niagara is aggressively trying to replace the lost business. All the while they were able to keep steady employment with no lay-offs. The company is in the process of streamlining its operations. Mobil Corporation just became a major new customer. Two temporary employees have been added and once customer sales are secured they will be brought on as full time staff. Niagara is very optimistic about sales and job growth. Niagara's Phase Four application was approved on September 26, 2000 with a reduced jobs commitment of 33 jobs. For the past year Niagara Fiberboard, Inc. averaged 30 jobs, 88.25% of its original commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Norwich Aero Products, Inc., Norwich, Chenango County

Allocation: 200 kW of Power for Jobs Power

Jobs Commitment: 115 jobs first year; **138 jobs second year**; 167 jobs third year

Background: Norwich Aero Products, Inc. manufactures temperature sensors and accessories for the Aerospace industry. Norwich Aero Products is still affected by the Asian Crisis, which lowered worldwide aviation product sales. The company has had a favorable swing in the first half of 2000. As of the fall of 2000 employment was up to 93 and there are three positions open. Norwich forecasts strong growth of aviation products for the next three years. Thus, the employment level should rise soon. For the past year Norwich Aero Products averaged 91 jobs, 66% of their commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Racemark International, LP, Malta, Saratoga County

Allocation: 250 kW of Power for Jobs Power

Jobs Commitment: 267 jobs first year; 274 jobs second year; 281 jobs third year; Phase Four jobs - 234 jobs

Background: Racemark International, LP, is a privately held company in business over thirty years. Racemark manufactures auto-mats for automotive manufacturers. The company has made a strong effort to recruit 20 more employees including multiple publication job listings, job fairs and a quarterly raise system. None of the pay increase costs can be passed on to customers. Unfortunately, expansion is impossible given the tight skilled labor market. Racemark's Phase Four application was approved on November 28, 2000 with a reduced jobs commitment of 234 employees. For the past year Racemark International, LP, averaged 207.50 jobs, 77.75% of its original commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Reliable Poly Packaging, Brooklyn, Kings County

Allocation: 300 kW of Power for Jobs Power

Jobs Commitment: 83 jobs first year; **91 jobs second year**; 100 jobs third year

Background: Reliable Poly Packaging is a privately owned enterprise that prints and converts all poly bags. For the past year Reliable Poly Packaging averaged 81 jobs, 89% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Standard Manufacturing Co., Inc., Troy, Rensselaer County

Allocation: 160 kW of Power for Jobs Power

Jobs Commitment: 152 jobs; Phase Four Jobs - 152 jobs

Background: Standard Manufacturing Co., Inc. is a privately held company in business since 1924. Standard manufactures and sells apparel worldwide. The company receives raw materials and drafts, cuts, and sews them into finished products and then ships them. While the past year was difficult, the company is expanding. The current employment level is 125 jobs and another embroidery floor is about to open. For the past year Standard Manufacturing Co., Inc. averaged 114.25 jobs, 75% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time but monitor the company's employment level and make a decision whether to reduce their allocation and/or commitment after we receive first quarter 2001 job data.

The Mount Vernon Hospital, Mount Vernon, Westchester County

Allocation: 600 kW of Power for Jobs Power

Jobs Commitment: 742 jobs

Background: The Mount Vernon Hospital, part of the Sound Shore Health System, is a not-for-profit company that provides comprehensive in-patient and out-patient services. Mount Vernon Hospital is the only hospital in the city of Mount Vernon and is the second largest employer in Mount Vernon. Of the many important services provided to the community, the hospital has an HIV/AIDS Designation Center and Methadone Maintenance Treatment Program, that it considers highly important. For the past year The Mount Vernon Hospital averaged 625.58 jobs, 84.31% of its commitment.

Recommendation: Staff recommends that the Trustees take no action.

TMP Technologies, Inc., Buffalo, Erie County

Allocation: 280 kW of Power for Jobs Power

Jobs Commitment: 104 jobs

Background: TMP Technologies, Inc., is a privately held company and in business since 1954. TMP manufactures highly-engineered polyurethane foam, rubber and plastic products for business machines, consumer, medical, household and industrial markets. TMP Technologies is in the process of adding ten new processing machines, which should be complete by the end of March 2001. The ten machines need ten workers to operate them. With the machines up and running the company expects to add 18 - 20 new workers in approximately six months, with a second and third shift in operation. With the new employees, TMP will be above their commitment. For the past year TMP technologies, Inc. averaged 82.75 jobs, 79.50% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Tompkins Metal Finishing, Inc., Batavia, Genesee County

Allocation: 400 kW of Power for Jobs Power

Jobs Commitment: 96 jobs first year; **110 jobs second year**; 126 jobs third year; Phase Four Jobs - 91 jobs

Background: Tompkins Metal Finishing, Inc., was established in 1993 as a metal finishing line (anodizing) where they perform chromate conversion coatings and electroless nickel plating on steel. TMF currently is building a new zinc line, which they believe will boost their employment level by 20 to 25 people. TMF has tried to hire new workers but has found there to be a shortage of skilled laborers. The company is doing a lot of advertising and has raised their pay scale. Tompkins Phase Four application was approved on November 28, 2000, with a reduced jobs commitment of 91 employees. For the past year TMF averaged 75.75 jobs, 68.25% of their original commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Ultralife Batteries, Inc., Newark, Wayne County

Allocation: 1800 kW of Power for Jobs Power

Jobs Commitment: 404 jobs first year; **424 jobs second year**; 444 jobs third year

Background: Ultralife Batteries, Inc., was purchased from Kodak in 1991. The company makes lithium batteries for communications, security and medical applications. For the past year Ultralife Batteries averaged 373.25 jobs, 88% of their commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

RECOMMENDATION

" The Manager - Business Power Allocations and Compliance and the Vice President - Major Accounts Marketing and Economic Development recommend that the Trustees approve reductions in power allocations and/or job commitments for four companies as outlined in this item; and that the Trustees defer action with regard to the 29 companies addressed in this item. In addition, it is recommended that the Trustees authorize the Manager - Business Power Allocations and Compliance to provide written notice to those companies whose power allocations and/or job commitments are being reduced/fully-taken back.

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

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

In response to questions from Trustee McCullough, Mr. Yates explained that although the report is submitted by Authority staff to the Trustees on an annual basis, the reviews themselves are performed by Marketing and Economic Development staff on a quarterly basis.

RESOLVED, That the Authority hereby approves the reduction of power allocations and/or job commitments to four companies; defers action with respect to the 29 other companies identified in the report; and be it further

RESOLVED, That the Manager - Business Power Allocations and Compliance hereby is authorized to provide written notice to those companies whose allocations and job commitments are being reduced.

10. **Prospective Change in Power Allocation – ConAgra, Inc. –
Change to Job Commitments for Productivity Improvements -
Ralston Purina Company**

The President submitted the following report:

SUMMARY

" The Trustees are requested to change the power allocation and job commitment for ConAgra, Inc. ('ConAgra') and approve a job commitment change for the Ralston Purina Company ('Ralston Purina') for productivity improvements.

BACKGROUND

" A Service Agreement between the Authority and ConAgra for 700 kW of Expansion Power ('EP') was executed on April 20, 1989 in return for a commitment to retain 190 jobs. In addition, a Service Agreement between the Authority and ConAgra for 1,100 kW of Replacement Power ('RP') was executed on October 17, 1994 in consideration for a commitment to retain 180 jobs.

" At their meeting of September 26, 2000, the Trustees authorized, on staff's recommendation, the full take-back of both allocations to ConAgra because of the reported closure of the company's Buffalo facility.

" At their meeting of August 27, 1991, the Trustees approved an allocation of 2,000 kW of Expansion Power ('EP') to Ralston Purina for business revitalization purposes in return for a commitment to retain 300 jobs. At their meeting of July 27, 1993, the Trustees approved an additional allocation of 900 kW of Expansion Power to Ralston Purina for business expansion purposes in return for a commitment to retain 321 jobs.

" At their meeting of July 25, 1995, the Trustees approved a reduction in job commitments to 286 jobs for both allocations of Expansion Power, 2000 kW and 900 kW respectively, in consideration for Ralston's investment of \$10 million in productivity enhancing capital investments.

DISCUSSION

ConAgra

" Based on information received at the time, Authority staff reported to the Trustees that ConAgra was closing its flour production facility in Buffalo. Subsequently staff learned from representatives of the company that the plant is not closing. The recommendation brought before the Trustees in September should have been for a reduction in ConAgra's allocation and related job commitment.

" ConAgra reported a total employment level of 103 jobs in response to the Authority's most recent review of job commitments. At this level of employment, ConAgra's employment commitments, for both EP and RP allocations, fall to 54% and 57% of their employment commitments respectively. These percentage declines in employment levels are significantly below the 80% needed under the contract for staff to recommend a reduction in power service. When adjusted according to the terms and conditions of the Service Agreements, ConAgra's present employment level of 103 would reduce its allocation of EP to 380 kW and its allocation of RP to 625 kW.

Ralston Purina

" Since 1995, Ralston Purina, located in Dunkirk, has continued with its ongoing efforts to reduce annual operation and maintenance costs with its 'Accelerated Cost Reduction Plan'. To accomplish its plan, the company has completed productivity enhancing capital investments totaling over \$10 million in new machinery, computer technology, employee training and a large warehouse

expansion. The company has recently added new grinding equipment and significantly enhanced its grinding system controls. In addition, Ralston Purina has installed a new high-speed bag line and associated palletizer, implemented a Warehouse Management System that includes bar-coded labels and radio frequency scanners, and upgraded its computerized information systems to support its ongoing administrative functions. Together, the impact of these productivity improvements has resulted in a net reduction in the company's overall staffing level of 25 employment positions.

" Staff has met with Ralston Purina representatives to review the documentation and validate the productivity improvements, and concurs with the company's request to reduce its employment commitment by 25 positions, to 261 jobs, with no concurrent reduction in its allocation of 2,900 kW of Expansion Power.

RECOMMENDATION

" The Manager - Business Power Allocations and Compliance and the Vice President - Major Accounts Marketing and Economic Development recommend that the Trustees authorize a 320 kW reduction to ConAgra, Inc.'s Expansion Power allocation, and a 475 kW reduction to ConAgra's Replacement Power allocation, as well as reduce the related job commitments by 87 jobs, and 77 jobs respectively, effective February 1, 2001.

" In addition, it is recommended that the job commitment for Ralston Purina be reduced by 25 positions, to 261 jobs for productivity improvements.

" It is further recommended that the Trustees authorize the Manager - Business Power Allocations and Compliance to provide written notice to ConAgra, Inc. that its power allocation and job commitment are being reduced, and notify Ralston Purina that its job commitment is being reduced to 261 jobs.

" 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."

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

RESOLVED, That the Authority hereby approves the reduction of the power allocation and job commitment of ConAgra, Inc., effective February 1, 2001; and be it further

RESOLVED, That the Manager - Business Power Allocations and Compliance be, and hereby is, authorized to provide written notice to ConAgra, Inc. that its allocation and job commitment are being reduced; and be it further

RESOLVED, That the Authority hereby approves the reduction of job commitments of the Ralston Purina Company; and be it further

RESOLVED, That the Manager - Business Power Allocations and Compliance be, and hereby is, authorized to provide written notice to the Ralston Purina Company that its job commitment is being reduced; and be it further

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

11. **Power Now! Purchase of Major Electrical Equipment –
Cutler-Hammer - Expenditure Authorization and Award**

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

SUMMARY

“The Trustees are requested to ratify the President and Chief Operating Officer's interim approval to enter into a procurement contract with Cutler-Hammer, Inc. for purchase of major electrical equipment in support of the Power Now! Generation Project, and to authorize an estimated \$3,466,378, any or all such amount in furtherance of such contract.

BACKGROUND

“As determined by the Trustees at their meeting of 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.

Authority staff reaffirms that the construction of the Power Now! Projects

- (i) is necessary and 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.

DISCUSSION

“At their meeting of August 29, 2000, the Trustees authorized the Executive Vice President – Project Operations, or his designee, to (1) negotiate and enter into procurement contracts having such terms as deemed necessary or advisable for the acquisition of up to 520 megawatts of generation capacity to support in-city and statewide requirements, including (a) an agreement with General Electric Packaged Power, Inc. (‘GEPP’) in an amount not-to-exceed \$220,000,000, for procurement and delivery of up to 11 LM6000 Gas Turbine Generator sets and (b) to expend any portion of such amount for procurement in furtherance of the agreements, including the disbursement of an initial payment equal to 10% of the amount of the GEPP contract by August 30, 2000.

“Additional critical path activities were then initiated to support the Project including the procurement of long lead electrical equipment. The Authority requested Sargent & Lundy (‘S&L’), the Architect / Engineer under contract to the Authority, to commence the bidding process for this equipment as well as recommend procurement of long lead major electrical components as part of each site’s balance of plant equipment.

“A bid package for 11 each: 13.8 kV / 4160 V station auxiliary transformers, 4160 volt switchgear and 480 volt secondary substations that include transformer and switchgear, was prepared and bid in December 2000 and was issued by S&L.

“Three bids were solicited and received from the primary suppliers of this equipment, Cutler-Hammer; General Electric (‘GE’), and Square D. Bids were evaluated by S&L, and on January 6, 2001, S&L issued a recommendation to award the contract to Cutler-Hammer in the amount of \$3,466,378. Authority staff has reviewed S&L’s recommendation and concurs with it.

“Square D’s proposal was not considered since it could not support the project installation schedules, as its lead time on all components was unacceptable compared to Cutler-Hammer’s.

“GE's submitted bid price was \$3,179,226; however, GE did not bid all the material items included in the specification. Engineers estimated the cost of the items not bid by GE to be \$286,000. Therefore, GE's evaluated bid price is \$3,465,226. In addition, the delivery schedule submitted by GE does not meet the required delivery dates to support the in service date of June 1, 2001 for the Project.

“Cutler-Hammer's is the only bid meeting delivery requirements to support the construction schedule. It bid on all required equipment and is in compliance with State and New York City codes.

FISCAL INFORMATION

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

RECOMMENDATION

“The Vice President – Project Management, the Vice President – Procurement and Real Estate and the Deputy Secretary and Deputy General Counsel, recommend that, pursuant to the Guidelines for Procurement Contracts and Expenditure Authorization Procedures adopted by the Authority, the Trustees approve capital expenditures of \$3,466,378 for procurement of major electrical equipment. It is further recommended that the Trustees ratify the interim approval granted by the President and Chief Operating Officer to negotiate and enter into procurement contracts for major electrical equipment with Cutler-Hammer, Inc. to support the Power Now! Generation Project and to expend an estimated \$3,466,378, any or all such amount in furtherance of said contract.

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

Vice Chairman Ciminelli suggested that it would be helpful for the Trustees to be presented with written information concerning project expenditures on a current cost basis, showing actual expenditures against projected expenditures, rather than on a piecemeal, silo-like basis. The Vice Chairman further noted that such a cost reporting approach had been successfully utilized by Authority staff when briefing the Trustees on Y2k matters, and he urged that it be applied to Power Now! status reports. Trustee McCullough expressed concurrence, stating that although staff's proposed Power Now! Expenditure requests have always included Budget information, it would indeed be helpful for the Trustees to be presented with such information on a monthly basis as the project moves ahead. President Zeltmann and Mr. Crouch responded that the next monthly update will be reformatted accordingly.

The following 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 foregoing report of the Executive Vice President - Project Operations, in the amounts and for the purposes listed below; and, be it further

RESOLVED, That the Trustees ratify the interim approval granted by the President and Chief Operating Officer, to negotiate and enter into all agreements as deemed necessary for procurement of major electrical equipment, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

<u>Capital</u>	<u>Authorized Contract Award</u>	<u>Total Expenditure Authorization</u>
Procurement of Major Electrical Equipment		
Cutler-Hammer, Inc. <u>3,466,378</u>	<u>\$ 3,466,378</u>	<u>\$</u>

12. **New York City Public Utility Service -
Temporary Increase in Power Allocation**

The President submitted the following report:

SUMMARY

" The Trustees are requested to approve a five year, temporary increase of 11.3 megawatts ('MW') in the Authority's allocation of power to the New York City Public Utility Service ('NYCPUS') for reallocation by NYCPUS for economic development purposes, as determined by that agency.

BACKGROUND

" The Authority entered into a contract with NYCPUS in 1985 for the sale and resale of, among other classes of power, a block of firm power to be allocated by the City of New York ('City') for economic development purposes. This block of power, which now totals 50 MW and is sold under the terms of a 1990 Agreement, is resold by the NYCPUS to businesses selected by the City and approved by the Authority. All but approximately eight MW of the 50 MW block have been allocated by NYCPUS.

" The City and the Authority are cooperating in the installation of up to 10 natural gas fueled combustion turbines within the City. The Department of Public Service of the State of New York has advised the Authority that there is an 'urgent and compelling need' to have such new generation in service by the beginning of the summer of 2001 for the purpose of insuring system reliability and stable wholesale electric market pricing in the City.

" The City and the Authority have reached an agreement pertaining to the acquisition by the Authority of a parcel of real estate owned by the City at 23rd Street and Third Avenue, in the Borough of Brooklyn, for nominal consideration upon which the Authority will install one or more of such gas turbines. The parcel and the terms and conditions concerning its acquisition are being more fully set forth in such agreement.

DISCUSSION

" In connection with the cooperative efforts of the City and the Authority to install the turbines, the City has requested that the Authority make available to the City 11.3 MW of firm power for a period of five years. The City has requested that the Authority waive the criteria normally applied to the allocation of Authority power by NYCPUS and allow the City, without further approval by the Authority, to allocate this block and the currently unallocated power and its firm power allocation to businesses determined by the City to be eligible under its rules and procedures.

" In view of the City's high degree of cooperation in helping the Authority to meet the critical need for new capacity in the summer of 2001, its request for additional power is appropriate. The Authority should, in consideration of the City's efforts, increase the allocation of firm power and energy to NYCPUS by 11.3 MW for a period of five years commencing upon delivery.

FISCAL INFORMATION

" The proposed allocation will be sold at the Authority's standard tariff rates.

RECOMMENDATION

" The Executive Vice President, Secretary and General Counsel recommends that the Authority increase the New York City Public Utility Service's allocation of firm power by 11.3 MW for a five year period and that the City be allowed, without further approval by the Authority, to allocate this block and the currently unallocated power in its firm power allocation to businesses

January 30, 2001

determined by the City to be eligible under its rules and procedures and I concur with the recommendation."

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

RESOLVED, That consistent with the foregoing memorandum of the President, the Authority increase the New York City Public Utility Service's allocation of firm power by 11.3 MW for a five year period and that the City be allowed, without further approval by the Authority, to allocate this block and the currently unallocated power and its firm power allocation to businesses determined by the City to be eligible under its rules and procedures; and be it further

RESOLVED, That the Executive Vice President, Secretary and General Counsel, or his designee, is hereby authorized to execute such documents and to take such other and further actions as he deems necessary to effectuate the foregoing.

**13. Informational Item - Power Now! Project –
Footbridge from the Bronx to Randall's Island**

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

SUMMARY

" This is to inform the Trustees as to: (i) certain engineering activities Authority staff intends to initiate relating to a proposed footbridge from the Bronx to Randall's Island and (ii) a study of the feasibility of using river currents in the Hellgate area to generate electricity.

BACKGROUND

" 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 megawatts of generation capacity to support in-city and statewide requirements. Four of the eleven LM6000 units purchased to support this project will be placed at two locations in the Bronx.

DISCUSSION

" In discussions with the Bronx Borough President regarding the two Bronx locations, Hellgate and Harlem River Yards, the Borough President indicated that he is interested in building a footbridge from the Bronx to Randall's Island to provide recreational access to the Island for the residents of the Bronx. He also expressed his long-standing interest in studying the feasibility of using currents in the Hellgate area to generate electricity.

" The Borough President further advised the Authority that detailed studies pertaining to the feasibility of the footbridge project were completed and he provided those studies to the Authority. However, engineering for the footbridge has not yet been developed and it is estimated that it will cost approximately \$500,000 to do such work and the river study.

" The proposed footbridge would provide an enhanced, non-vehicular access to Randall's Island for community based recreational and commuter purposes that would meet the needs of the residents of the South Bronx. Thus, this footbridge will help facilitate the development of our facilities in the Bronx by expanding recreational and open space opportunities for residents in the areas of our projects. Accordingly, the Executive Vice President - Project Operations intends to authorize the expenditures for the engineering and river study.

" Finally, the Bronx Borough President also requested that once the engineering work is completed, the Authority consider making a multi-million dollar capital contribution to support construction of the footbridge. Any such proposed expenditure will be brought before the Trustees for further consideration."

In response to questions from Trustee McCullough, Mr. Crouch stated that the Trustees are not currently being requested to approve the expenditure for the footbridge. Mr. Crouch further explained that the approved 2001 Budget covering the Power Now! Project does not include monies for this type of "Community Grant", which grants are separately approved and funded by the Trustees as part of the annual O&M and Capital Budgets approval process.

January 30, 2001

14. Renaming 123 Main Street

The President submitted the following report:

SUMMARY

“In July 1995, Governor George E. Pataki appointed, and the State Senate confirmed, Clarence D. Rappleyea as a trustee of the New York Power Authority “Authority”). He was subsequently elected chairman and appointed chief executive officer by his fellow Trustees.

RECOMMENDATION

“The entire Executive Management Committee, on behalf of all Authority staff members, recommends that the Trustees adopt this resolution and authorize the installation of signage denoting the Clarence D. Rappleyea Building on the exterior of the Authority’s Headquarters at 123 Main Street, White Plains, New York. The Trustees also authorize the placement of a plaque in a prominent location in the building lobby recognizing Rapp's contributions to the Authority and the people of New York.”

Chairman Rappleyea expressed his sincere thanks and appreciation to staff for the privilege of leading and being a part of the Power Authority Team. President Zeltmann responded that the Chairman, through his actions, had made staff look good.

Vice Chairman Ciminelli then stated that as his first official action in his new capacity, he was pleased to offer the resolution renaming 123 Main Street in honor of Chairman Rappleyea for adoption. President Zeltmann expressed staff’s deep appreciation of Chairman Rappleyea’s many significant achievements during his tenure as the head of the Authority. Chairman Rappleyea again responded that it had been a pleasure and a privilege to serve as Chair during these years and thanked his fellow Trustees and all Authority staff for their enduring support.

In recognition of his service and acknowledging that he has submitted his resignation effective January 31, 2001, his fellow trustees hereby approve the following resolution.

WHEREAS, Clarence D. "Rapp" Rappleyea is recognized as a towering figure in New York State history, having served the people of the State with distinction for three decades; and

WHEREAS, he served as a Member of the Assembly from 1973 through 1995, including a dozen years as Minority Leader of the Assembly; and

WHEREAS, he further enhanced his reputation as a strong and steady leader of the New York Power Authority for almost six years; and

WHEREAS, with "Rapp" at the reins of the Power Authority, New York State created the landmark Power for Jobs program which now provides low-cost electricity to protect more than a quarter-million jobs for New Yorkers; the Power Authority’s nuclear plants made huge strides in safety and productivity and became assets that achieved a national benchmark for the sale of nuclear plants; the Power Authority embarked on major refinancing of its debt, saving hundreds of millions of dollars for New York and serving as a model for the nation’s public power companies; and the Authority significantly expanded its energy

services program, pioneered clean energy technologies, and helped the Empire State become a leader in the emerging electric vehicle industry; and

WHEREAS, "Rapp" used the many skills he honed as a teacher, lawyer and lawmaker to further the aims and goals of the New York Power Authority; and

WHEREAS, his ready wit and warm personality provided a human face to his constituents within and without the Authority; and

WHEREAS, all Authority staff members shall miss the concern, compassion and friendliness that he exhibits on a daily basis; and

WHEREAS, we are sure he will continue his lifetime of success in whatever endeavor he takes up next, and wishing to provide a permanent memorial of his tenure as Chairman of the New York Power Authority; be it therefore

RESOLVED, that the Authority headquarters building at 123 Main Street in White Plains, shall hereafter be officially named the Clarence D. Rappleyea Building.

15. Closing remarks from the Governor

Mr. Vesce presented a video tape of Governor Pataki's remarks on the occasion of Chairman Rappleyea's retirement:

"It is an honor to be with you to honor a great friend and a great leader, Clarence Rappleyea. 'Rapp' and I go back a long way, and as Power Authority Chairman, Rapp helped New York respond to a vast array of economic, energy and environmental challenges.

Rapp, your strong leadership as you guided the Power Authority through a period of sweeping changes in the electric utility industry has been tremendous.

With your help, we created the Power for Jobs program, which is providing low-cost electricity for more than a quarter of a million jobs in New York.

Rapp, under your leadership, the nuclear plants made a remarkable turnaround and took huge strides in safety and productivity, and then were privatized in probably the largest privatization this state has ever seen.

With you at the helm, Rapp, the Power Authority embarked on a major refinancing of its debt and in the process saving hundreds of millions of dollars for New York and serving as a model for the nation's power companies.

And you helped us with the environment to protect our natural resources. Rapp, as you know, you have done a great job in leading the Power Authority in pioneering clean energy technologies- everything from clean fuel vehicles to getting rid of coal-burning plants in our old schools across New York State.

Rapp, you've been just a wonderful, wonderful leader, and a consensus builder, with an original and unique blend of political talent and 'people skills' that have made you a great friend, a great mentor and a great colleague.

Now think back on it Rapp; some are on the Court of Appeals and probably a dozen others in the New York State Senate. [Bill] Paxon is in Congress, and some guy named Pataki as Governor of New York State. Your 'farm team' has done pretty well, Rapp.

I thank you for a lifetime of public service, for your friendship and for all the guidance and personal training you have given me over my career; for what you have done to make this a better State and, more importantly Rapp, for what you are going to continue to do for many years to come, to make New York a better place.

Thank you. God bless."

16. Next Meeting

The regular meeting of the Trustees will be held on **Tuesday, February 20, 2001** at the **White Plains Office at 10:30 a.m.**, unless otherwise designated by the Vice Chairman with the concurrence of the Trustees.

17. Closing

Upon motion made and seconded, the meeting was closed at 12:10
P.M.

President,
Counsel

David E. Blabey
Executive Vice
Secretary and General

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