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

December 16, 2003

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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 11:32 a.m.

Present:	Louis P. Ciminelli, Chairman Frank S. McCullough, Jr., Vice Chairman Timothy S. Carey, Trustee Gerard V. DiMarco, Trustee Joseph J. Seymour, Trustee

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Eugene W. Zeltmann	President and Chief Executive Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President – Power Generation
Vincent C. Vesce	Executive Vice President – Corporate Services and Administration
Peter A. Barden	Senior Vice President – Public and Governmental Affairs
H. Kenneth Haase	Senior Vice President – Transmission
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Carmine J. Clemente	Deputy Secretary and Deputy General Counsel
Arnold M. Bellis	Vice President – Controller and Acting Chief Financial Officer
Robert J. Deasy	Vice President – Energy Resources Management and Fuels Operations
John M. Hoff	Vice President – Procurement and Real Estate
Gary Paslow	Vice President – Governmental Affairs and Policy Development
Donald A. Russak	Vice President – Finance
Anne Wagner-Findeisen	Vice President – Ethics and Regulatory Compliance
Thomas Warmath	Vice President and Chief Risk Officer
James H. Yates	Vice President – Major Accounts Marketing and Economic Development
Michael E. Brady	Treasurer
Dennis T. Eccleston	Chief Information Officer
Angela D. Graves	Deputy Secretary
John B. Hamor	Executive Director – State Governmental Relations
John J. Suloway	Executive Director – Licensing Compliance and Implementation
Jordan Brandeis	Director – Supply Planning, Pricing and Power Contracts
Arthur M. Brennan	Director – Internal Audit
Thomas J. Concadoro	Director – Accounting
Noel P. Deschamps	Director – Power Generation Support Services
Helen L. Eisenfeld	Director – Cost Control and Electric Transportation
Angelo S. Esposito	Director – Energy Services
Paul F. Finnegan	Director – Upstate Public and Governmental Affairs
John L. Murphy	Director – Public Relations
Mark D. O'Connor	Director – Real Estate
Joan Tursi	Director – Budgets
Shalom Zelingher	Director – Research and Technology Development
Steven DeCarlo	Regional Manager – Blenheim-Gilboa
Edward Hubert	General Manager Transmission Maintenance – CEC
James F. Pasquale	Manager – Business Power Allocations and Compliance
Peter Scalici	Deputy Inspector General – Investigations
Albert Swansen	Deputy Inspector General – Security
Mary Jean Frank	Associate Secretary
Lorna M. Johnson	Assistant Secretary
Bonnie Fahey	Executive Administrative Assistant
John F. Dziuba	Lead Budget Analyst

Duaine Smith	Client Service and Engagement Partner, PricewaterhouseCoopers
George Vande Vrede	Audit Director, PricewaterhouseCoopers
John Cashin	Executive Administrator, Battery Park City Authority
Dorothy Lechmanski	Budget Director, New York State Division of Budget

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

1. Approval of the Minutes of the Meeting held on November 25, 2003

The minutes of the meeting of November 25, 2003 were unanimously adopted.

2. <u>Financial Reports for the Eleven Months Ended November 30, 2003</u>

Mr. Bellis provided the Financial Report for the eleven months ended November 30, 2003. In response to a question from Trustee Carey, Mr. Bellis said that the cost of production was 2.98 cents per kilowatt-hour due to high fuel costs.

3. <u>Report from the President and Chief Executive Officer</u>

President Zeltmann announced that Governor Pataki signed the extension of the Authority's municipal contracts on November 26, 2003, and that all parties were pleased with the outcome. He thanked the Authority staff who had been involved in this effort, including Ms. Morman, Mr. Banner, Mr. Blabey, Mr. Carline, Mr. Levenson, Mr. Barden and Mr. Hamor. Chairman Ciminelli also complimented Authority staff on the good work they had done and reminded them of the need to challenge the municipal utilities to undertake additional energy efficiency measures.

4. Motion to Conduct Executive Session

"On motion duly made and seconded, an Executive Session was held for the purpose of discussing matters related to: (i) the financial history of particular corporations and matters leading to the award of contracts to particular corporations and (ii) discussion regarding proposed, pending or current litigation."

5. <u>Motion to Resume Meeting in Open Session</u>

"On motion duly made and seconded, the meeting resumed in open session."

6. 2004 Operation and Maintenance, Capital and Fuel Budgets

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the 2004 Budgets for Operation and Maintenance ('O&M'), Capital and Fuel Purchases (Exhibit '6-A') as follows:

	2004 Budget ($ Millions)
O&M	260.5
Capital	440.6
Fuel	237.6

BACKGROUND

"The Authority is committed to provide reliable, affordable energy, retain and create jobs within New York State and promote the development of energy-efficient technologies. The Authority continues to undertake and implement projects, strategically positioning itself to meet the challenges of a changing electric market. The 2004 budgets are intended to provide the Authority's operating facilities and support organizations with the resources needed to meet these challenges and its overall strategic objectives.

DISCUSSION

O&M

"The O&M budget of $260.5 million represents an increase of $21.4 million or 9.0% over the 2003 budget of $239.1 million. The increase is attributable to increases in Power Generation, $10.4 million; Transmission, $4.7 million; Headquarter Support, $4.7 million and Research and Development, $1.6 million. Salaries, including overtime and fringe benefits, account for $153.1 million, or approximately 59%, of the budget.

"The 2004 payroll budget increase of $5.8 million is the result of projected wage and salary increases, coupled with an increase in overtime. Fringe benefits increased by $10.1 million, due primarily to a greater pension contribution resulting from poor fund performance. Escalated medical and prescription drug expenses also contribute to the increase. The labor and fringe benefit increases are partially offset by a $5.1 million increase in the charge-out of these costs to capital projects. Non-payroll expenses of $107.4 million increase by $10.6 million in 2004 due primarily to the scheduled Poletti outage, increases in non-recurring production and transmission facility initiatives, an increase in R&D institutional funding and increases in maintenance and operations costs for Power Now!

"Power Generation's 2004 budget is $10.4 million (8.3%) over 2003, due primarily to payroll and fringe benefit increases ($4.4 million), the Poletti outage (budgeted at $ 5.4 million, $2.4 million over this year's Flynn outage), increases in non-recurring initiatives ($1.8 million, primarily at Niagara) and additional maintenance costs for the Power Now! units ($1.6 million). Major non-recurring work includes the continuation of the Lewiston Pump Generating Plant ('LPGP') Overhaul ($5.0 million), the Niagara Upgrade ($1.0 million) and many new projects including Niagara Dam Face and Concrete Repair ($2.3 million), Crane Rail Regrouting at the Robert Moses Niagara Power Plant ('RMNPP'), the LPGP units ($0.7 million) and the Rotor Reshrink project at LPGP ($0.5 million).

"The 2004 Transmission budget is $4.7 million (10.9%) above the 2003 budget, due to increases in the Authority's labor supporting transmission line operations and maintenance ($2.4 million), increases in contractor-supported right-of-way maintenance ($1.0 million), the rewind of the Synchronous Condenser at St. Lawrence ($0.6 million), aircraft inspection services ($0.4 million) and tower painting ($0.3 million), coupled with the addition of seven succession planning provisional positions.

"Headquarters support departments are $4.7 million or 7.5% above 2003 levels, due primarily to increases in payroll and benefit costs ($3.8 million), greater maintenance expenses for communication systems and new computer applications ($0.5 million) and normal variation in Headquarters programs.

"The R&D budget of $9.4 million is $1.6 million (20.5%) above 2003, reflecting a $1.6 million increase in NYSERDA funding.

Fuel

"The Fuel budget of $237.6 million is an increase of $44.4 million (23.0%) from 2003. This is a cash budget reflecting planned fuel purchases in 2004. This budget includes fossil fuel purchases for Poletti, Flynn and Power Now! The budget assumes higher commodity prices, higher generation and greater gas usage at Poletti.

Capital

"The 2004 Capital budget totals $440.6 million, which is a decrease of $78.7 million (15.2%) from 2003. Included in this request are both new and ongoing capital projects, as well as general plant equipment purchases. The decrease is primarily due to reduced spending for the 500 MW Combined Cycle and Power Now! units. The Combined Cycle project accounts for $177.9 million, or 40% of the budget, while Energy Efficiency projects are budgeted for $87.0 million, or 20% of the 2004 request.

"Other significant projects include $27.4 million for the continuation of the St. Lawrence Upgrade/Life Extension and $22.1 million for the Niagara Upgrade, as well as $6.4 million for the beginning of the Blenheim-Gilboa Life Extension and Modernization project. Hydro Relicensing is budgeted at $34.7 million for St. Lawrence and $18.8 million for Niagara.

FISCAL INFORMATION

"Payment will be made from the Operating Fund for Operation and Maintenance and Fuel Purchases.

"Payment will be made from the Capital Fund or Energy Conservation Effectuation Fund for capital expenditures.

RECOMMENDATION

"The Vice President – Controller and Acting Chief Financial Officer recommends approval of the 2004 Operation & Maintenance, Fuel and Capital budgets as discussed herein.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the respective Vice Presidents, Regional Managers and I concur in the recommendation."

Ms. Tursi presented the highlights of staff's report to the Trustees. President Zeltmann complimented Authority staff from all business units on this year's budget process, particularly noting the candor and lack of rancor they displayed.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the 2004 budgets for Operations & Maintenance, fuels and capital expenditures, as discussed in the foregoing report of the President and Chief Executive Officer, are hereby approved; and be it further

RESOLVED, That it is hereby authorized that up to $82.0 million of monies in the Operating Fund be withdrawn from such Fund and deposited in the Capital Fund, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Subsections (1) (a)-(c) of Section 503 of the General Resolution Authorizing Revenue Obligations adopted on February 24, 1998, with the satisfaction of such condition being evidenced by a certificate of the Treasurer or the Deputy Treasurer; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

Exhibit “6-A”
December 16, 2003

O&M AND FUEL
2004 BUDGET
($ MILLIONS)

DEPARTMENT	2003	2004	% CHANGE
EXECUTIVE OFFICES	11.0	11.9	8.1%
BUSINESS SERVICES	21.1	21.9	3.7%
MARKETING	8.4	9.1	8.2%
HUMAN RESOURCES AND CORP SUPPORT	19.4	21.5	10.7%
TRANSMISSION			
ENERGY CONTROL CENTER	5.7	5.6	-1.3%
HEADQUARTERS SUPPORT	4.9	5.8	18.5%
CLARK ENERGY CENTER	8.7	10.4	20.3%
TRANSMISSION FACILITIES	24.4	26.6	8.8%
TOTAL TRANSMISSION	43.7	48.4	10.9%
ENERGY EFFICIENCY	2.5	2.7	9.2%
POWER GENERATION			
POWER GENERATION – HQ	7.1	8.9	25.8%
BLENHEIM-GILBOA	16.1	16.4	2.1%
CHARLES POLETTI	19.4	24.0	23.7%
NIAGARA	42.6	47.7	11.9%
ST. LAWRENCE	18.6	18.7	0.4%
R.M. FLYNN	9.4	6.3	-33.0%
POWER NOW!	8.1	9.4	16.3%
SMALL HYDRO	3.9	4.2	8.2%
TOTAL POWER GENERATION	125.2	135.6	8.3%
R&D AND INSTITUTIONAL FUNDING	7.8	9.4	20.5%
TOTAL O&M BUDGET	239.1	260.5	9.0%
FUEL			
OIL	29.2	37.5	28.4%
GAS	157.0	197.1	25.5%
HEDGING	7.0	3.0	-57.1%
TOTAL FUEL BUDGET	193.2	237.6	23.0%

CAPITAL
2004 BUDGET
($ MILLIONS)

	2003	2004	% CHANGE
NEW GENERATION			
500 MW COMBINED CYCLE	*207.3*	*177.9*	
POWER NOW!	*27.1*	*9.4*	
OTHER	*0.6*	*0.0*	
	235.0	***187.3***	**-20.3%**
ENERGY CONSERVATION			
SENY CUSTOMER PROGRAMS	*41.6*	*41.4*	
OTHER NYPA-FUNDED PROGRAMS	*13.0*	*18.0*	
DISTRIBUTED GENERATION PROGRAMS	*12.1*	*11.9*	
PETROLEUM OVERCHARGE RESTITUTION PROGRAMS	*1.5*	*1.5*	
ENVIRONMENTAL BOND ACT AND DOE PROGRAMS	*15.5*	*10.5*	
OFFSET EMISSIONS PROJECTS	*10.3*	*3.7*	
	94.0	***87.0***	**-7.4%**
TRANSMISSION	***15.4***	***4.7***	**-69.5%**
POWER GENERATION			
BLENHEIM-GILBOA	*9.1*	*9.8*	
CHARLES POLETTI / R.M. FLYNN	*4.9*	*1.4*	
NIAGARA	*39.1*	*56.5*	
ST. LAWRENCE	*98.5*	*72.9*	
	151.6	***140.6***	**-7.3%**
ADMINISTRATION / SUPPORT	***15.7***	***10.5***	**-33.1%**
GENERAL PLANT / MINOR ADDITIONS	***7.6***	***10.5***	**38.2%**
TOTAL CAPITAL BUDGET	***519.3***	***440.6***	**-15.2%**

7. <u>2004 Revolving Credit Agreement</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve an $800-million Revolving Credit Agreement with a syndicate of seven banks led by JPMorgan Chase Bank for a term extending to February 1, 2007, to provide liquidity support for the Authority's Series 1, 2 and 3 Commercial Paper Notes and Series 5 Subordinate Revenue Bonds.

BACKGROUND

"The Authority has $695 million of Series 1, 2 and 3 Commercial Paper Notes and $75 million of Series 5 Subordinate Revenue Bonds outstanding that require the Authority to maintain a bank line of credit while the Notes and Bonds are outstanding. The current Revolving Credit Agreement will expire on February 2, 2004.

DISCUSSION

"The Authority invited 10 banks having AA ratings from at least one rating agency to submit proposals for an $800-million credit facility. Only one proposal for the full $800 million requested was received from JPMorgan Chase Bank ('JPMorgan'), which would act as agent for a syndicate of seven banks (including JPMorgan) that would provide the credit facility. The JPMorgan proposal would provide an $800-million general facility to cover all the Authority's subordinate indebtedness requiring a liquidity line. A separate revolving credit agreement is in place for the Adjustable Rate Tender Notes which are on parity with the Authority's Revenue Bonds.

"Bank commitments would be as follows:

JPMorgan Chase Bank	$170,000,000
Bank of Nova Scotia	$170,000,000
State Street Bank	$110,000,000
Landesbank Baden-Wurttenberg	$100,000,000
Bayerische Landesbank	$100,000,000
Wachovia Bank	$100,000,000
Bank of New York	$ 50,000,000
Total:	$800,000,000

"A second proposal for a $150-million liquidity facility was received from Helaba Bank. Since the Helaba proposal was at identical pricing levels as the JPMorgan proposal, it was not given further consideration, as having two facilities would result in additional legal fees and administrative oversight on the part of Authority staff. There would be no benefit to the Authority.

"The JPMorgan proposal would provide the credit facility for an annual commitment fee of 22 basis points (22/100 of 1%), payable on the unused amount of the facility and equivalent to $1,760,000 per year. There would be an Administrative Agent fee of $40,000 payable to JPMorgan at closing and legal fees would not exceed $28,000. Staff made inquiries of two other large AA-rated banks that were not participating in the syndicate to determine if JPMorgan's proposed commitment fee was fair and reasonable and found that they were in line with current pricing by those banks.

"In the event the Authority has to draw on the line, the interest rate would be LIBOR plus 75bps to the termination date of the agreement and LIBOR plus 125bps past the termination date.

FISCAL INFORMATION

"The annual cost of the proposed line along with the Administrative Agent fee and legal fees will be paid from the Operating Fund.

RECOMMENDATION

"The Treasurer recommends that the Trustees approve the execution of the 2004 Revolving Credit Agreement with JPMorgan and the bankers listed above in an amount not to exceed $800 million and for a term extending to February 1, 2007, with the option to renew for an additional period extending to February 1, 2008.

"The Executive Vice President, Secretary and General Counsel, the Vice President – Controller and Acting Chief Financial Officer, the Vice President – Finance and I concur in the recommendation."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Trustees authorize the execution by the Vice President – Controller and Acting Chief Financial Officer, the Vice President – Finance, the Treasurer or Deputy Treasurer, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, on behalf of the Authority, of the 2004 Revolving Credit Agreement between the Authority and JPMorgan Chase Bank, as Administrative Agent and the banks listed in the President's Memorandum, with such Agreement having such terms and conditions as the executing officer deems necessary or advisable, such execution to be conclusive evidence of such determinations, provided that such Agreement shall have an initial term not exceeding February 1, 2007 and shall not exceed $800,000,000 in borrowing capacity; and be it further

RESOLVED, That the Vice President – Controller and Acting Chief Financial Officer, the Vice President – Finance, the Treasurer and Deputy Treasurer, are, and each hereby is, authorized to execute an extension of the 2004 Revolving Credit Agreement, provided that such extension shall not extend the 2004 Revolving Credit Agreement beyond February 1, 2008; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Executive Vice President, Secretary and General Counsel, the Vice President – Controller and Acting Chief Financial Officer, the Vice President – Finance, the Treasurer and the Deputy Treasurer, 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 subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

8. Transfers of Industrial Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the transfer of power allocations for eight existing customers that have changed their names for various business reasons. As part of the allocation transfers, all eight of the transferees will honor the associated job commitments.

BACKGROUND

"Eight companies have requested that the Authority grant approval of their requests for the continued delivery of Authority power allocations to facilities that have all gained prior approval for an allocation with pre-existing company names and ownership. The present owners of these same facilities are now requesting that the Authority authorize the continuation of the power allocations that were granted to the previous company names and ownership associated with these facilities.

"The Trustees have approved transfers of this nature at past meetings.

DISCUSSION

"The proposed transferees are as follows:

"Buffalo Technologies Corporation ('Buffalo Technologies') was approved for 350 kW Power for Jobs allocation on October 27, 1998 for a commitment to retain 73 jobs. They are a manufacturer of process equipment for the food, chemical and pharmaceutical industries. They are located in Buffalo, NY. Buffalo Technologies changed their name to Buflovak, LLC. The only change was in the name itself. All aspects of their business remain the same. There was no change in ownership.

"Capitol Vial, Inc. ('CV') was approved for a 375 kW Power for Jobs power allocation for their Fultonville facility at the Trustee meeting of March 31, 1998 for a commitment to retain 47 jobs. CV is a manufacturer of patented vial for medical devices. Earlier this year Apogent Technologies purchased a portion of Capitol Vial, Inc. They have plans to grow at the Fultonville site, which will enable them to add to their manufacturing job headcount. They have already begun the process of starting new product lines. They will still operate under the name Capitol Vial, Inc. and maintain their original job commitment.

"Ceswid, Inc. ('Ceswid') was approved for a 2,100 kW Replacement Power allocation for their Niagara Falls facility in June, 1982 in return for 36 jobs. Cesiwid GmbH of Germany, a sister company was divested and that business is now associated with the St. Gobain group of companies. To eliminate confusion Ceswid decided to change their name and to use the name of their parent company Kanthal Corporation. Ceswid is now called Kanthal Global. They will maintain the same obligations and job requirements.

"Federal Bakers Supply Corporation ('Federal Bakers') was approved for a 260 kW Power for Jobs allocation by the Trustees in 1998 for 217 jobs. They company operated at three locations. Two of Federal Bakers sites were acquired by BakeMark Ingredients East in a stock purchase transaction. The third site Maple Leaf Foods was not purchased by BakeMark and now operates as a separate entity. In June 2001, BakeMark was allocated a Power for Jobs Phase 4 re-allocation of 160 kw for 132 jobs for the Federal Bakers sites they had purchased. The Power for Jobs program is critical in their ability to remain a viable operating entity in the state and to protect their jobs base. They now operate under the name BakeMark Ingredients East.

"Lakeside Warehouse Corporation ('Lakeside') was approved for a 500 kW Expansion Power allocation for 199 jobs at the Trustee meeting of May 20, 1999. Lakeside is a manufacturer of raw materials and finished goods. They also maintain a warehouse and tank room. Lakeside has been purchased Ralcorp Holdings, Inc. and their name has been changed to The Carriage House Companies, Inc. The Carriage House Companies, Inc. will maintain the same obligations and job requirements as Lakeside at their Dunkirk facility.

"McCadam Cheese ('McCadam') was approved for a 500 kW Power for Jobs allocation for 80 jobs at the Trustee meeting of September 28, 1998. McCadam produced cheese in Chateaugay, New York. The operating assets of McCadam which included a cheese plant were purchased by Agri-mark Inc. Agri-mark is operating the cheese plant with the same number of employees.

"Russer Foods, Inc ('Russer') is a manufacturer of processed meats for delicatessens. They were allocated 1,000 kW Expansion Power allocation for 170 jobs at the August 27, 1985 Trustee meeting, a 750 kW Expansion Power allocation for 275 jobs on June 25, 1996 and a 500 kW Expansion Power allocation for 502 jobs on June 26, 2001. Russer was acquired by Tyson Foods and their name was changed to Zemco Industries, Inc. dba Tyson Retail Deli. All other aspects of their operation remain the same.

"The Red Wing Company ('Red Wing') is a food warehousing facility was allocated an Expansion Power allocation of 750 kw for 440 jobs at the November 26, 1991 Trustees meeting. They were recently purchased by Ralcorp Holdings, Inc and will operate under the name The Carriage House Companies, Inc. The new firm will maintain the same obligations and requirements that they meet in the past under the former company name.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the transfers of Authority power allocations to the eight companies described herein.

"The Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Vice President – Major Account Marketing and Economic Development and I concur in the recommendation."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Authority hereby authorizes the transfers of industrial power allocations in accordance with the terms described in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

9. Quarterly Review of Power for Jobs Employment Commitments

The President and Chief Executive Officer submitted the following report:

SUMMARY

"At their meeting of January 28, 2003, the Trustees approved a one-year extension of the moratorium against taking enforcement action against customers when their actual employment levels fall short of their agreed-upon employment commitments. Customers are having difficulty meeting their commitments as a result of the national economic downturn. The Trustees approved the moratorium extension retroactive to January 1, 2003. As a result, the following discussion of Power for Jobs ('PFJ') customers is for informational purposes only. A summary of all contracts discussed in this memorandum is provided as Exhibit '9-A'.

BACKGROUND

"All of the PFJ 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.

"In order to ensure compliance with agreed-upon job commitments, Authority staff initiates a review of all PFJ power allocations that have an 'anniversary date' within the quarter being reported. This quarterly review covers companies that began receiving power during the first quarter of 1998, 1999, 2000, 2001 and 2002. The Authority had 4 customers with 4 contracts first receiving power in the first quarter of 1998, 83 customers with 83 contracts first receiving power in the first quarter of 1999, 14 customers with 14 contracts first receiving power in the first quarter of 2000, 4 customers with 4 contracts first receiving power in the first quarter of 2001 and 10 customers with 10 contracts first receiving power in the first quarter of 2002.

DISCUSSION

"Staff reviewed a total of 115 customers with 115 contracts. The 115 contracts reviewed represent overall power allocations of 91.685 MW and total employment commitments of 63,095 jobs. In the aggregate, these customers reported actual employment of 64,175.83 positions, which represents some 101.71% of the total job commitments for PFJ customers reporting on their anniversary dates. Notwithstanding, there are 47 customers whose actual job levels are below the minimum threshold. They are discussed below and summarized in Exhibit '9-A'.

Allocations to Continue with No Change

Acme Architectural Products, Inc., Brooklyn, Kings County
Allocation: 1,000 kW of Power for Jobs Power
Jobs Commitment: 665 jobs
Background: Acme Architectural Products, Inc., ('Acme') 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. For the past year, Acme averaged 487.33 positions, i.e., 73.28% of its employment commitment. Acme's business has been hurt since September 11th; however, it is expanding, with 40 employees brought on in 2003. The company has plans to expand even further with about 100 new employees, but delays in financing and the slow economy have put these plans on a more measured path.

AIL Systems Inc., Deer Park, Suffolk County
Allocation: 2,700 kW of Power for Jobs Power
Jobs Commitment: 886 jobs
Background: AIL Systems Inc., ('AIL') in business for more than 50 years, is a leading systems integrator and producer of high-tech aerospace electronics for both military and commercial applications. EDO Incorporated purchased AIL a few years ago. AIL's employment level is continuing to decline. For the past year, AIL averaged

543.67 jobs, i.e., 61.36% of its contractual commitment. AIL is currently downsizing and merging with another division. The company's future plans are uncertain.

Arctic Storage of Utica, Inc., Yorkville, Oneida County
Allocation: 160 kW of Power for Jobs Power
Jobs Commitment: 4 jobs
Background: Arctic Storage of Utica, Inc. ('Arctic'), founded in 1957, is a warehouse that stores frozen food for food distributors, grocery stores, restaurants and other wholesale and retail concerns. For the past year, Arctic averaged 3.42 positions, i.e., 85.42% of its employment commitment. Arctic is less than one-quarter of a job short of meeting its commitment. One employee left for personal reasons and because of a major customer's loss of business due to mad cow disease, the company has not hired a new employee. However, Arctic plans to hire one employee as soon as its customer's problems with the mad cow disease scare ebbs.

Barry Steel Fabrication, Inc., Lockport, Niagara County
Allocation: 75 kW of Power for Jobs Power
Jobs Commitment: 49 jobs
Background: Barry Steel Fabrication, Inc. ('Barry Steel'), founded 27 years ago, is a privately owned company. Barry Steel designs and fabricates steel structures such as columns, beams, stairways and railings, as well as complete buildings. For the past year, Barry Steel averaged 25.75 jobs, i.e., 52.55% of its commitment. Although Barry Steel prefers to use overtime and double-time instead of hiring new employees, the company recently hired four employees, bringing its employment level to 33 people. Further hiring is contingent upon the economy.

Bonded Insulation Company, Inc., Hagaman, Montgomery County
Allocation: 300 kW of Power for Jobs Power
Jobs Commitment: 34 jobs
Background: Bonded Insulation Company, Inc. ('Bonded'), founded in 1962, is a manufacturer of cellulose insulation, which is used in residences and light commercial buildings, as well as a fire retardant, which is a key component of the cellulose insulation. For the past year, Bonded averaged 25.36 positions, i.e., 74.59% of its employment commitment. In 2001, Bonded invested in new equipment, which resulted in reducing the staff level by several employees, and in 2002, the slow economy reduced sales and required another reduction in the employment level. However, Bonded's plant runs 24 hours a day, five to six days a week, and the company is expanding into the Canadian market, with plans to hire one more person.

Brodock Press, Inc., Utica, Oneida County
Allocation: 400 kW of Power for Jobs Power
Jobs Commitment: 113 jobs
Background: Founded in 1960, Brodock Press Inc. ('Brodock') is a high-quality commercial color printing company. For the past year, Brodock averaged 99.58 jobs, i.e., 88.13% of its commitment. The economy and overall changes in the printing industry resulted in Brodock downsizing during the reporting period. The company is currently growing and expects to meet its commitment for the next report.

Buffalo Technologies Corp., Buffalo, Erie County
Allocation: 350 kW of Power for Jobs Power
Jobs Commitment: 73 Jobs
Background: Buffalo Technologies Corp. ('Buffalo Technologies') is a privately owned company that has been in business for more than 90 years. The company custom-designs and manufactures energy-efficient, high-quality processing equipment for the food, chemical and pharmaceutical industries. Buffalo Technologies is one of the few companies that can offer product design, testing, engineering and manufacturing in one location. For the past year, Buffalo Technologies averaged 39.83 jobs, i.e., 54.56% of its commitment. Due to the slow economy, the company lost market share, but some business has returned. Buffalo Technologies is cautiously optimistic about growth, envisioning a 10% increase in employment in the next year.

Cameron Fabricating Corporation, Horseheads, Chemung County
Allocation: 325 kW of Power for Jobs Power
Jobs Commitment: 142 jobs
Background: Cameron Fabricating Corporation ('Cameron'), founded in 1983, is a high-end manufacturer of

custom-fabricated metal products and services. Although Cameron's main market was initially food-related manufacturing, the company has since expanded its markets. For the past year, Cameron averaged 118.42 jobs, i.e., 83.39% of its commitment. Cameron does not foresee job growth in the coming year. The company uses overtime instead of new hires due to a lack of skilled labor in the area.

Capitol Vial, Inc., Fultonville, Montgomery County
Allocation: 375 kW of Power for Jobs Power
Jobs Commitment: 47 jobs
Background: Capitol Vial, Inc. ('Capitol'), founded in 1983, manufactures and sells a patented vial that is airtight, leakproof and sterile for the dairy and medical-sampling industries. For the past year, Capitol averaged 40.90 positions, i.e., 87.02% of its employment commitment. The last quarter reported shows a growth trend, with the final month showing the company meeting its employment commitment. A portion of the business was sold this past year and some office personnel shifted to the new headquarters in New Hampshire, but the manufacturing facility is already adding new workers, as several new products are being introduced to market.

Carrier Corporation, Syracuse, Onondaga County
Allocation: 5,000 kW of Power for Jobs Power
Jobs Commitment: 1,477 jobs
Background: Carrier Corporation ('Carrier') has been operating for more than 85 years. Carrier manufactures air-conditioning, industrial refrigeration and transport refrigeration products, as well as air conditioner and refrigerator compressors. For the past year, Carrier averaged 1,282.92 positions, i.e., 86.86% of its employment commitment. Carrier's below-commitment job level was a result of corporate restructuring and challenging economic conditions in the HVAC industry.

Cecilware Corp., Long Island City, Queens County
Allocation: 400 kW of Power for Jobs Power
Jobs Commitment: 400 jobs
Background: Cecilware Corp. ('Cecilware') is a privately held company in business since 1911. Cecilware manufactures equipment for the food services industry, including cappuccino and coffee machines and fryers. For the past year, Cecilware averaged 301.50 jobs, i.e., 75.38% of its commitment. Business has fallen off dramatically within the last four months, which required a layoff of more than 60 people. While the company remains hopeful that sales will grow during the first quarter of 2004, its plans for rehiring are uncertain.

Chocolate Inn, Ltd., Lynbrook, Nassau County
Allocation: 100 kW of Power for Jobs Power
Jobs Commitment: 81 base jobs
Background: Chocolate Inn, Ltd. ('Chocolate Inn'), incorporated in 1979, is a privately owned manufacturer of chocolates. For the past year, Chocolate Inn averaged 60.00 positions, i.e., 74.07% of its employment commitment. The company grew and in the last quarter reported that its employment level surpassed its commitment.

Distributor Data Forms, Inc., Cortland, Cortland County
Allocation: 100 kW of Power for Jobs Power
Jobs Commitment: 24 jobs
Background: Distributor Data Forms, Inc. ('DDF'), founded in 1986, manufactures custom continuous and snap-out business forms, as well as performing some commercial printing. For the past year, DDF averaged 17.33 jobs, i.e., 72.22% of its employment commitment. Employment is down at DDF due to a slow economy, and the high costs of worker benefits forced the company to pay workers overtime rather than hire new employees. However, when financing becomes available, DDF plans to expand into different categories of printing, which should result in a broader client base.

Divine Brothers Company, Utica, Oneida County
Allocation: 375 kW of Power for Jobs Power
Jobs Commitment: 183 jobs
Background: Divine Brothers Company ('Divine'), founded in 1892, originally manufactured quality buffing wheels for industry, but has since expanded to finishing products, industrial casters and wheels and specialty molded polyurethane products. For the past year, Divine averaged 130.42 jobs, i.e., 71.27% of its employment commitment.

Divine's business is off by 40% due to the sluggish economy, as well as a strike in May 2002. The company has no plans for growth at this time.

Empire Coating, Inc., Albion, Orleans County
Allocation: 150 kW of Power for Jobs Power
Jobs Commitment: 43 jobs
Background: Empire Coating, Inc. ('Empire'), founded in 1989, is a surface coater for manufacturers in both the U.S. and Europe. The company applies liquid coatings for military applications, and the image and screen print businesses. For the past year, Empire averaged 29.00 jobs, i.e., 67.44% of its employment commitment. The company invested in new pad printing equipment and is in the process of installing a chromate line. The pad printing operation will require new workers as that business grows and the chromate line requires immediate hiring of two new people, with more to come. Empire, furthermore, is expanding its customer base to out-of-state customers to offset the loss of current customers that have downsized.

Exolon-ESK Company, Tonawanda, Erie County
Allocation: 600 kW of Power for Jobs Power
Jobs Commitment: 130 jobs
Background: Exolon-ESK Company ('Exolon'), in business since 1914, manufactures silicone carbide and fused aluminum oxide for the abrasive, refractory and metallurgical industries. The company's main customers are grinding wheel manufacturers, refractory producers and granite quarries. For the past year, Exolon averaged 41.50 jobs, i.e., 31.92% of its employment commitment. In August 2001, the company was acquired by Washington Mills Electro Minerals Company, becoming a wholly owned subsidiary of Washington Mills. Administrative functions have been consolidated into Washington Mills' Niagara Falls facility. Although the plan has been to direct Washington Mills' processing needs through Exolon's facility, producing job growth, the downturn in the economy and Chinese dumping problems currently being reviewed by the federal government have forced the company to maintain its current employment level. Future plans for expansion and new product development at this facility are on hold.

Fitzpatrick & Weller, Inc., Rochester, Monroe County
Allocation: 1,000 kW of Power for Jobs Power
Jobs Commitment: 230 jobs
Background: Fitzpatrick & Weller, Inc. ('F & W') is a family-owned business operating since 1895 as a woodworking company. The company manufactures furniture components, casket parts, staircase parts, kitchen cabinet parts and hardwood lumber. For the past year, F & W averaged 166.17 jobs, i.e., 72.25% of its employment commitment. F & W lost its largest customer, which represented 30% of its business. Additionally, due to the poor economy, the company's order volume is down. The strong dollar in Europe has hurt business as well. Future plans are uncertain.

Frontier Corp., Rochester, Monroe County
Allocation: 4,000 kW of Power for Jobs Power
Jobs Commitment: 3,535 jobs; **Phase 5 – 2,600 kW and 2,300 jobs**
Background: Frontier Corp. ('Frontier'), at the time of application, was the 12th largest phone company in the U.S. and the sixth largest long-distance provider. The company is also a major leader in Internet data transmission and Web hosting. Frontier hosts some of the world's largest Web sites, including Yahoo and Netscape, and handles 60% of all Internet searches. For the past year, Frontier averaged 2,348.17 jobs, i.e., 66.43% of its contractual commitment. This is 102.09% of its Phase 5 commitment. In 1999, Frontier merged with Global Crossing Ltd. ('Global'). Two years ago Global filed for Chapter 11 protection. Although it is now separate from Global, Frontier's current situation is due to Global's problems. The company has brought in staff who transferred from Texas and its job level has stabilized.

Hadco Corporation, Owego, Tioga County
Allocation: 2,400 kW of Power for Jobs Power
Jobs Commitment: 1,156 jobs; **Phase 5 – 2,000 kW and 790 jobs**
Background: Hadco Corporation ('Hadco'), based in New Hampshire, purchased the Owego site in 1979. The company is a leading developer and supplier of advanced interconnect products and services. The Owego plant is a high-volume multilayered printed circuit board manufacturing facility. For the past year, Hadco averaged 956.17

jobs, i.e., 82.71% of its employment commitment. This is 121.03% of its Phase 5 commitment. Currently, the company has 1,000 employees and it is looking to hire 200 more employees, as business has increased.

<u>Henry Modell, Inc.</u>, Bronx, Bronx County
Allocation: 400 kW of Power for Jobs Power
Jobs Commitment: 290 jobs
Background: Henry Modell, Inc. ('Modell's'), founded in 1889, is the nation's oldest family-owned and -operated retailer of sporting goods and sporting apparel. The site that receives the allocation is a warehouse for distribution of the chain's sporting goods and apparel. For the past year, Modell's averaged 221.67 positions, i.e., 76.44% of its employment commitment. Modell's had to keep employment in line with the slow economy. As the economy improves and sales pick up, there will be a need for more employees.

<u>International Business Machines Corporation</u>, Sterling Forest, Orange County
Allocation: 1,350 kW of Power for Jobs Power
Jobs Commitment: 1,087 jobs
Background: International Business Machines Corporation ('IBM'), incorporated in 1911, develops and manufactures the most advanced information technologies, including computer systems, software, networking systems, data storage devices and microelectronics. This site is a data center for JPMorgan Chase Bank and the Securities & Exchange Commission. For the past year, IBM averaged 571.31 positions, i.e., 52.56% of its employment commitment. Business conditions at the site currently call for the present level of employment.

<u>ITT Standard, Inc.</u>, Cheektowaga, Erie County
Allocation: 1,000 kW of Power for Jobs Power
Jobs Commitment: 320 jobs
Background: ITT Standard, Inc. ('ITT') has run this facility since 1987. ITT manufactures heat transfer products for original equipment manufacturers and end users in a variety of markets. For the past year, ITT averaged 277.92 positions, i.e., 86.85% of its employment commitment. ITT's customers have been particularly hard hit economically, causing a significant decline in sales. Recent data suggests that there will be a slight recovery in the semiconductor and industrial equipment sectors in 2004. More importantly, ITT has approved a major capital investment at the facility, adding a new product line, which should lead to job growth in the coming year.

<u>J. C. Plastics, Inc.</u>, Rochester, Monroe County
Allocation: 150 kW of Power for Jobs Power
Jobs Commitment: 28 jobs
Background: J. C. Plastics, Inc. ('J. C.') has been in business since 1977. The company is a custom injection-molded plastics manufacturer. For the past year, J. C. averaged 15.75 jobs, i.e., 56.25% of its commitment. Currently, J.C. employs 34 people, i.e., 121.43% of its contractual commitment. Furthermore, the company has added several new products and plans to hire 10 more workers.

<u>J. J. Cassone Bakery Inc.</u>, Port Chester, Westchester County
Allocation: 450 kW of Power for Jobs Power
Jobs Commitment: 247 jobs
Background: J. J. Cassone Bakery Inc. ('J. J. Cassone') is a family-owned bakery in business for more than 90 years, baking bread, rolls, cakes, donuts and pastries. For the past year, J. J. Cassone averaged 204.92 jobs, i.e., 82.96% of its employment commitment. Business has been very slow at J. J. Cassone. The company is planning to ship out-of-state and to add another shipping route. J. J. Cassone is also working on growing its frozen goods business. If all goes as planned, the company will hire 10-15 more people. However, growth depends on the economy.

<u>Jada Precision Plastics Corporation</u>, Rochester, Monroe County
Allocation: 375 kW of Power for Jobs Power
Jobs Commitment: 91 jobs
Background: Jada Precision Plastics Corporation ('Jada'), founded in 1967, is a custom injection molder of thermoplastic materials for the automotive, business machine and imaging industries. For the past year, Jada averaged 62.92 jobs, i.e., 69.14% of its employment commitment. The slow economy hurt Jada this past year and any growth depends on an upswing in economic conditions.

Jamestown Advanced Products, Inc., Jamestown, Chautauqua County
Allocation: 300 kW of Power for Jobs Power
Jobs Commitment: 113 jobs
Background: Jamestown Advanced Products, Inc. ('Jamestown'), founded in 1987, manufactures metal grease interceptors, floor drains, steel pallets, campground equipment and mailboxes. For the past year, Jamestown averaged 91.50 jobs, i.e., 80.97% of its employment commitment. Currently, Jamestown employs 102 workers, i.e., 90.27% of its contractual commitment. Jamestown added a new powder coating line, with five new positions to be filled in the next few months.

Kraft Foods, Walton, Delaware County
Allocation: 1,000 kW of Power for Jobs Power
Jobs Commitment: 180 jobs
Background: Kraft Foods ('Kraft') has had this facility since 1912 and manufactures cottage cheese, sour cream and premium dips. For the past year, Kraft averaged 152.75 jobs, i.e., 84.86% of its employment commitment. Kraft eliminated a truck fleet in 2000 as part of a streamlining process and discontinued a small product line, accounting for a drop of about 30 positions. The company expects jobs to remain steady in 2004.

Marlette National Corporation, Buffalo, Erie County
Allocation: 500 kW of Power for Jobs Power
Jobs Commitment: 102 jobs
Background: Marlette National Corporation ('Marlette'), based in Wisconsin, with a Buffalo facility since the 1920s, is an electroplating firm for the automotive industry, chrome-finishing radiators and bumpers. For the past year, Marlette averaged 59.42 jobs, i.e., 58.25% of its employment commitment. Marlette's current employment level is 62 jobs and there are negotiations for a new contract that would require the hiring of five to seven new workers. Growth is slowly taking place.

Midstate Spring Inc., Syracuse, Onondaga County
Allocation: 140 kW of Power for Jobs Power
Jobs Commitment: 50 jobs
Background: Midstate Spring Inc. ('Midstate'), founded in 1939, manufactures precision springs, wire forms and four slide parts. For the past year, Midstate averaged 28.33 jobs, i.e., 56.67% of its employment commitment. The company is growing slowly but has not met the sales and employment forecast projected at the time of making the employment commitment. Midstate added two employees in 2003 and will grow more as sales grow.

NIBCO, Inc., South Glens Falls, Saratoga County
Allocation: 1,000 kW of Power for Jobs Power
Jobs Commitment: 179 jobs
Background: NIBCO, Inc. ('NIBCO') is a manufacturer of flow-control products for residential and commercial construction, specifically cast brass fittings for plumbing and heating. For the past year, NIBCO averaged 94.58 positions, i.e., 52.84% of its employment commitment. In June 2002, NIBCO shut down its cast foundry and machining operations as part of a consolidation project, resulting in a layoff of 65% of its workforce. The company is clearing the former foundry production area, with the intent of bringing in another process to its plant. However, if the company is not able to bring in business it will be forced to move out of this site.

Novapak Corporation, Philmont, Columbia County
Allocation: 700 kW of Power for Jobs Power
Jobs Commitment: 153 jobs
Background: Novapak Corporation ('Novapak') is a custom extrusion blow molder of plastic containers for the cosmetics, medical, specialty and industrial markets. For the past year, Novapak averaged 131.08 jobs, i.e., 85.68% of its employment commitment. In September 2003, the Philmont and Kingston plants merged, with manufacturing taking place only at Philmont. Once the consolidation is complete, Philmont should have more than 150 jobs.

Oberdorfer Pumps, Inc., Syracuse, Onondaga County
Allocation: 140 kW of Power for Jobs Power
Jobs Commitment: 41 jobs
Background: Oberdorfer Pumps, Inc. ('Oberdorfer'), founded in 1890 to manufacture agricultural pumps, has

since expanded to industrial, marine and commercial pumps. For the past year, Oberdorfer averaged 34.67 positions, i.e., 84.55% of its employment commitment. Employment has remained stable at 34 jobs. The slow economy hurt the company's business badly. Oberdorfer does not anticipate adding jobs for a couple of years.

Pace University, Manhattan, New York County, and Pleasantville and White Plains, Westchester County
Allocation: 1,000 kW of Power for Jobs Power
Jobs Commitment: 2,871 base jobs
Background: Pace University ('Pace'), founded in 1906, has campuses in Manhattan, Pleasantville and White Plains. The university consists of the Dyson College of Arts and Sciences, the Lubin School of Business, the School of Computer Science and Information Systems, the School of Education, the School of Law and the Lienhard School of Nursing. For the past year, Pace averaged 2,343.50 positions, i.e., 81.63% of its employment commitment. Currently, Pace's employment level is 2,605 jobs, i.e., 90.73% of its contractual commitment. While there are no further growth plans, Pace is negotiating to build another dorm that, if built, would require new workers.

Par Foam Products, Inc., Buffalo, Erie County
Allocation: 185 kW of Power for Jobs Power
Jobs Commitment: 202 jobs
Background: Par Foam Products, Inc. ('Par Foam'), a minority-owned and -operated company, manufactures products made out of sponge, rubber foam and plastic for major industrial customers. For the past year, Par Foam averaged 149.42 jobs, i.e., 73.97% of its employment commitment. Par Foam's business has been hurt by its customers moving operations abroad or closing altogether. However, the company has very aggressive plans for seeking out new customers in the automotive industry and believes it can return to its commitment level.

PCB Piezotronics, Inc., Depew, Erie County
Allocation: 600 kW of Power for Jobs Power
Jobs Commitment: 451 jobs
Background: PCB Piezotronics, Inc. ('PCB') manufactures piezoelectric transducers for measuring pressure, force and vibratory phenomena, as well as related electronic instrumentation for tailoring the transducer's signal to customer requirements. For the past year, PCB averaged 362.00 jobs, i.e., 80.27% of its employment commitment. PCB's current employment level is 422.50 jobs, i.e., 93.68% of commitment, with 21 jobs added this month. Sales are up by 25% and PCB may soon be hiring as many as 15 new workers.

Precision Systems Manufacturing, Inc., Liverpool, Onondaga County
Allocation: 200 kW of Power for Jobs Power
Jobs Commitment: 81 jobs
Background: Precision Systems Manufacturing, Inc. ('Precision'), in jeopardy of being liquidated, was bought by its current owners in 1998. Precision provides machining, sheet metal fabrication, certified welding and custom design and build for special machines. For the past year, Precision averaged 63.08 jobs, i.e., 77.88% of its employment commitment. Employment now stands at 65 workers. Precision just landed several new contracts and will need to hire five or six new employees in the near future.

Producto Machine Company, Jamestown, Chautauqua County
Allocation: 350 kW of Power for Jobs Power
Jobs Commitment: 131 jobs
Background: Producto Machine Company ('Producto'), founded in 1928, manufactures precision tooling components for the aerospace, electronics, sheet metal, paper stamping, plastics and pharmaceutical industries. For the past year, Producto averaged 89.58 jobs, i.e., 68.38% of its employment commitment. Producto suffered its worst year in 2002-03, forcing the company to resort to short-term furloughs and some permanent layoffs. However, aggressive development of new markets has been successful and all short-term furloughed employees have been reactivated and most laid-off employees recalled.

Southern Tier Plastics, Inc., Binghamton, Broome County
Allocation: 350 kW of Power for Jobs Power
Jobs Commitment: 79 jobs
Background: Founded in 1967, Southern Tier Plastics, Inc. ('Southern Tier') is a custom molder of plastic injection parts for worldwide distribution. For the past year, Southern Tier averaged 42.33 jobs, i.e., 53.59% of its

employment commitment. Southern Tier is doing all it can to turn its business around, including its management taking a significant pay cut, and thus sales have increased since reporting. Additionally, the company found less expensive health insurance for its workers in order to better its bottom line.

Standard Manufacturing Co., Inc., Troy, Rensselaer County
Allocation: 160 kW of Power for Jobs Power
Jobs Commitment: 152 jobs
Background: Standard Manufacturing Co., Inc. ('Standard'), is a privately held company that has been 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. For the past year, Standard averaged 82.00 jobs, i.e., 53.95% of its commitment. Though Standard's business was hurt by the slow economy and strong dollar overseas, the company has been growing, with the last reported quarter's employment up by more than 10%.

Symbol Technologies, Inc., Holtsville, Suffolk County
Allocation: 1,750 kW of Power for Jobs Power
Jobs Commitment: 2,027 jobs
Background: Symbol Technologies, Inc. ('Symbol'), founded in 1974, is the world leader in the design and manufacturing of bar code scanners, portable data collection devices and software programming tools. Symbol's products use laser technology and wireless LANs to retrieve data such as product and price information used everywhere from grocery stores to the stock market. For the past year, Symbol averaged 1,549.33 positions, i.e., 76.43% of its employment commitment. Symbol has eliminated all of its pure manufacturing through subcontracting. The company is trying to expand its bar code business in Europe, as the U.S. market is saturated. However, Symbol is focusing its business on wireless LAN systems, in which sales would be worldwide. The company just hired 100 engineers and is set to hire 70 more in 2004.

Syracuse China Company, Syracuse, Onondaga County
Allocation: 500 kW of Power for Jobs Power
Jobs Commitment: 487 jobs
Background: Founded in 1871 as Onondaga Pottery Co., Syracuse China Company ('Syracuse China') is a leader in the manufacture of chinaware in North America. For the past year, Syracuse China averaged 432.08 jobs, i.e., 88.72% of its employment commitment. During the reporting period, the company grew, with the last quarter's average meeting its contractual commitment.

Syracuse Label Company, Inc., Liverpool, Onondaga County
Allocation: 300 kW of Power for Jobs Power
Jobs Commitment: 151 jobs
Background: Syracuse Label Company, Inc. ('Syracuse Label'), in business since 1967, prints labels mainly for consumer products, but also for industrial use. For the past year, Syracuse Label averaged 108.58 jobs, i.e., 71.91% of its employment commitment. The company is looking into adding presses for small boxes. Currently, Syracuse Label is growing and trying to hire 10 new workers.

Syracuse Plastics, Inc., Fayetteville, Onondaga County
Allocation: 400 kW of Power for Jobs Power
Jobs Commitment: 123 jobs
Background: Syracuse Plastics, Inc. ('Syracuse Plastics'), founded in 1953, manufactures plastic parts and components for various customers and industries and performs finishing, assembly and other contract manufacturing services. For the past year, Syracuse averaged 75.75 jobs, i.e., 61.59% of its employment commitment. A significant amount of the company's business went overseas. However, to be competitive, Syracuse bought a new facility and expects to maintain its current employment level, as it has increased automation.

The Beeches of Rome, Inc., Rome, Oneida County
Allocation: 300 kW of Power for Jobs Power
Jobs Commitment: 104 jobs
Background: The Beeches of Rome, Inc. ('The Beeches'), founded in 1908, is a 75-unit lodge and conference center. For the past year, The Beeches averaged 73.08 positions, i.e., 70.27% of its employment commitment. The conference/hospitality center is in the midst of an $800,000 renovation that will be finished in the spring of 2004.

Job growth will depend on how well the business does. The peak period for The Beeches is from April through August.

The Fulton Companies, Pulaski, Oswego County
Allocation: 400 kW of Power for Jobs Power
Jobs Commitment: 235 jobs
Background: The Fulton Companies ('Fulton'), founded in 1947, manufacture heat transfer products, primarily boilers and water and thermal fluid heaters, plus associated accessories. For the past year, Fulton averaged 209.67 positions, i.e., 89.22% of its employment commitment. The sluggish economy has made it difficult for Fulton to meet its employment goals. Fulton's aggressive efforts to grow have allowed it to be less than two jobs short of its employment commitment.

The York Theatre Co., Manhattan, New York County
Allocation: 80 kW of Power for Jobs Power
Jobs Commitment: 124 jobs
Background: The York Theatre Co. ('York'), founded in 1969, is dedicated to developing and producing new musicals, as well as preserving neglected yet notable musicals of the past. York produces about 200 performances a year, with more than 30,000 theatergoers in attendance. For the past year, York averaged 12.79 positions, i.e., 10.31% of its employment commitment. Due to the nearly weekly changes of performances, the actual number of workers is obscured; the average for one month might be low because one week might have many workers, while other weeks might have almost none. The original calculation of workers in the application did not account for down periods in the average.

Universal Instruments Corporation, Binghamton, Broome County
Allocation: 3,000 kW of Power for Jobs Power
Jobs Commitment: 1,124 jobs
Background: Universal Instruments Corporation ('Universal'), founded in 1919 as a safety pin manufacturer, switched to manufacturing electronic assembly equipment in 1950. Today, Universal is the only American high-technology manufacturer of extremely fast and accurate automated equipment for the assembly of circuit boards and electronic components. For the past year, Universal averaged 768.75 positions, i.e., 68.39% if its employment commitment. The dramatic downturn in the global electronic assembly industry over the reporting period required the company to downsize. The industry has rebounded, although not the economy, which has resulted in slow growth back. Increased recent demand for Universal's products is predicted to require more than 15% growth of Universal's workforce.

Exhibit “9-A”
December 16, 2003

I. ALLOCATIONS TO CONTINUE WITH NO CHANGE

Company	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment	Average ‘02-‘03 Jobs	Average Annual % Achieved
Acme Architectural Products, Inc.	11/24/98	PFJ	1000	665	487.33	73.28
AIL Systems Inc.	1/27/98	PFJ	2700	886	543.67	61.36
Arctic Storage of Utica, Inc.	9/28/98	PFJ	160	4	3.42	85.42
Barry Steel Fabrication, Inc.	11/24/98	PFJ	75	49	25.75	52.55
Bonded Insulation Company, Inc.	10/27/98	PFJ	300	34	25.36	74.59
Brodock Press, Inc.	9/28/98	PFJ	400	113	99.58	88.13
Buffalo Technologies Corp.	10/27/98	PFJ	350	73	39.83	54.56
Cameron Fabricating Corporation	11/24/98	PFJ	325	142	118.42	83.39
Capitol Vial, Inc.	3/31/98	PFJ	375	47	40.90	87.02
Carrier Corporation	6/26/01	PFJ	5000	1477	1282.92	86.86
Cecilware Corp.	10/27/98	PFJ	400	400	301.50	75.38
Chocolate Inn	6/26/01	PFJ	100	81	60.00	74.07
Distributor Data Forms, Inc.	10/27/98	PFJ	100	24	17.33	72.22
Divine Brothers Company	10/27/98	PFJ	375	183	130.42	71.27
Empire Coating, Inc.	4/27/99	PFJ	150	43	29.00	67.44
Exolon-ESK Company	9/28/98	PFJ	600	130	41.50	31.92
Fitzpatrick & Weller, Inc.	10/27/98	PFJ	1000	230	166.17	72.25
Frontier Corporation	5/25/99	PFJ	4000	3535	2348.17	66.43
Hadco Corp.	2/24/99	PFJ	2400	1156	956.17	82.71
Henry Modell Inc. / Modell's NY Inc	10/27/98	PFJ	400	290	221.67	76.44
International Business Machines Corp.	Transfer	PFJ	1350	1087	571.31	52.56
ITT Standard	10/27/98	PFJ	1000	320	277.92	86.85
J. C. Plastics, Inc.	10/27/98	PFJ	150	28	15.75	56.25
J. J. Cassone Bakery, Inc.	10/27/98	PFJ	450	247	204.92	82.96
Jada Precision Plastics Co.	10/27/98	PFJ	375	91	62.92	69.14
Jamestown Advanced Products, Inc.	10/27/98	PFJ	300	113	91.50	80.97
Kraft Foods	9/28/98	PFJ	1000	180	152.75	84.86
Marlette National Corporation	10/27/98	PFJ	500	102	59.42	58.25
Midstate Spring, Inc.	9/28/98	PFJ	140	50	28.33	56.67
NIBCO, Inc.	10/27/98	PFJ	1000	179	94.58	52.84
Novapak Corporation	10/27/98	PFJ	700	153	131.08	85.68
Oberdorfer Pumps, Inc.	9/28/98	PFJ	140	41	34.67	84.55
Pace University	6/26/01	PFJ	1000	2871	2343.50	81.63
Par Foam Products, Inc.	11/24/98	PFJ	185	202	149.42	73.97
PCB Piezotronics, Inc.	10/27/98	PFJ	600	451	362.00	80.27
Precision Systems Mfg., Inc.	9/28/98	PFJ	200	81	63.08	77.88
Producto Machine Company	9/28/98	PFJ	350	131	89.58	68.38
Southern Tier Plastics, Inc.	9/28/98	PFJ	350	79	42.33	53.59
Standard Manufacturing Co., Inc.	10/27/98	PFJ	160	152	82.00	53.95
Symbol Technologies, Inc.	4/28/98	PFJ	1750	2027	1549.33	76.43
Syracuse China Company	9/28/98	PFJ	500	487	432.08	88.72
Syracuse Label Co., Inc.	9/28/98	PFJ	300	151	108.58	71.91
Syracuse Plastics, Inc.	9/28/98	PFJ	400	123	75.75	61.59
The Beeches of Rome, Inc.	9/28/98	PFJ	300	104	73.08	70.27
The Fulton Companies	9/28/98	PFJ	400	235	209.67	89.22
The York Theater Co.	5/25/99	PFJ	80	124	12.79	10.31
Universal Instruments Corporation	10/27/98	PFJ	3000	1124	768.75	68.39

10. Proposed Neighboring States Hydropower Contracts – Notice of Public Hearing

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize a public hearing, pursuant to Section 1009 of the Public Authorities Law, on proposed contracts with six neighboring states (herein collectively referred to as 'the Bargaining Agents' or 'the Neighboring States'). The Neighboring States and the amounts of firm and peaking power allocated to each are listed in Exhibit '10-A'.

BACKGROUND

"Article 28 of the original Federal Power Commission license for the St. Lawrence/FDR Power Project ('St. Lawrence') issued in 1953 required that the Authority 'make a reasonable portion of the power capacity and a reasonable portion of the power output available for use within the economic market area in neighboring states' . . . The Power Authority Act authorizes the Authority to sell a 'reasonable share' of Niagara Power Project ('Niagara') and St. Lawrence power to Neighboring States.

"Pursuant to the foregoing license condition, the Authority has been selling hydropower from St. Lawrence since 1958 to Neighboring States. Initially, hydropower was sold only to Vermont and subsequently to Ohio and Pennsylvania. Since 1985, power has been sold to the current seven Neighboring States (Connecticut, Massachusetts, New Jersey, Ohio, Pennsylvania, Rhode Island and Vermont).

"Contracts with the seven Neighboring States covering Niagara* and St. Lawrence power sales were due to expire on June 30, 2001, but were extended to October 31, 2003 by letter agreements dated December 20, 2000 and March 22, 2002. The aggregate amounts sold were 188 MW of firm Niagara hydropower, 40 MW of peaking Niagara hydropower, 68 MW of firm St. Lawrence hydropower and 10% percent and 8.5% of interruptible energy from the Niagara and St. Lawrence projects, respectively.

"In 1999, the Authority completed negotiations for new long-term hydropower contracts with five of the seven Bargaining Agents (all but Connecticut and Massachusetts) for continued sale of power from both projects. Those contracts were the subject of a public hearing held on December 15, 1999. As a result of comments raised at the hearing, the Authority sought to modify the contracts, but was not able to reach agreement with any of the five on the necessary contract revisions. The Trustees rescinded their January 25, 2000 authorization to transmit the new contracts to the Governor at their meeting of December 19, 2000.

DISCUSSION

"The Neighboring States are the only major hydropower customer group whose power contracts expire in 2003, prior to the end of the current Niagara license in 2007.

"On October 31, 2001, the Authority filed its relicensing application for St. Lawrence with the Federal Energy Regulatory Commission ('FERC'). In that relicensing application, the Authority proposed that the requirement to make a reasonable portion of the output of St. Lawrence available to Neighboring States be removed from the new license terms so that the 68 MW could be reallocated within New York State. The Neighboring States

* The Niagara Redevelopment Act requires the Authority to make available at least 50% of Niagara's power to 'preference customers' i.e., public bodies and non-profit cooperatives within economic transmission distance. It further requires the Authority to make available a 'reasonable' portion of up to 20% of such preference power (or up to 10% of the total Niagara power) to preference customers in neighboring states. Sales of Niagara power to the seven neighboring states will continue through the end of the Niagara Project License on August 31, 2007, under letter agreement extensions of the current contract.

intervened in the St. Lawrence relicensing proceeding to protest the proposed removal of the Neighboring States sales requirement. Among other objections raised by the seven states, the Commonwealth of Massachusetts took the position that they were entitled to 20% of the output of the St. Lawrence project at cost-based rates for the entire license term and that they should have greater control over the operation of the project.

"On September 30, 2003, the Authority and the Bargaining Agents for the states of Connecticut, New Jersey, Ohio, Pennsylvania, Rhode Island and Vermont ('the Settling States') filed a proposed settlement with FERC concerning the sale of St. Lawrence power under a new license. Under the proposed settlement, the Authority would make approximately 34.5 MW from St. Lawrence available to the Settling States, along with a corresponding amount of non-firm energy and resolve all disputes concerning the amounts and terms of service for sale of St. Lawrence power and energy to Neighboring State entities. The 0.5 MW portion would increase the allocation to Rhode Island and Vermont to a full MW each. Massachusetts declined to sign the settlement agreement.

"On October 23, 2003, FERC issued a new St. Lawrence license to the Authority which, in accordance with the proposed Neighboring States settlement, includes a license condition effecting the foregoing allocations. However, FERC also ordered that Massachusetts be allocated 4.8 MW (50% of its prior 9.6 MW allocation), in addition to the 34.5 MW allocated to the Settling States. This has increased the allocations of St. Lawrence power to all seven Neighboring States to 39.3 MW. Staff has filed a petition for rehearing with FERC challenging that part of its decision to allocate St. Lawrence power to Massachusetts. Massachusetts has also petitioned FERC for rehearing claiming that they should receive a larger allocation of St. Lawrence power. In the meantime, the Authority is complying with the license by selling the 4.8 MW to Massachusetts on a month-to-month basis pending resolution of the rehearing petitions.

"The proposed contracts with the Settling States implement the requirements of the new St. Lawrence license and also resolve issues that the Settling States had raised about the recent hydroelectric rate increase that the Trustees approved at their meeting of April 29, 2003. The proposed contracts, which would run for a term beginning on the date of execution and ending on April 30, 2017, contain detailed principles governing the establishment of cost-based rates over the contract term.

"Since the contract approval process under Section 1009 of the Public Authorities Law requires that the Trustees approve the proposed contracts, that the proposed contracts be the subject of a public hearing, that they then be reconsidered by the Trustees and, if approved, then be sent to the Governor for his approval, service might not begin under the new agreements for several months. Accordingly, to comply with the new FERC license condition that took effect on November 1, 2003, staff has executed letter agreements with the Settling States to implement the new contract terms on a month-to-month basis for up to seven months until new long-term St. Lawrence contracts are executed by the Authority. The form of the St. Lawrence contract that was part of the FERC settlement is attached as Exhibit '10-B'.

<u>FISCAL INFORMATION</u>

"The 34.5 MW of St. Lawrence power and energy that will continue to be sold to the Settling States under the proposed contracts will be sold at the same rates that currently apply to such sales. Thus, the proposed contracts will have no revenue impact on the Authority.

<u>RECOMMENDATION</u>

"The Director – Supply Planning, Pricing and Power Contracts recommends that the Trustees authorize a public hearing on the proposed contracts with the six Settling States to be held in the White Plains Office at a time and date authorized by the Chairman. It is further recommended that, pursuant to Section 1009 of the Public Authorities Law, the Executive Vice President, Secretary and General Counsel be authorized to transmit copies of the proposed contracts to the Governor and the Legislative leaders

"The Executive Vice President – Power Operations, the Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Vice President – Controller and Acting Chief Financial Officer and I concur in the recommendation."

Mr. Brandeis presented the highlights of staff's report to the Trustees. Vice Chairman McCullough led a brief discussion of the current situation with Massachusetts, the only one of the neighboring states that has not agreed to the terms laid out in the new St. Lawrence/FDR Power Project license.

"The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Authority hereby authorizes a public hearing on the terms of the proposed contracts for the sale of hydroelectric power and energy generated by the Authority to the six Settling States substantially in the form attached hereto, to be held at a subsequent time and date authorized by the Chairman; and be it further

RESOLVED, That the Executive Vice President, Secretary and General Counsel be, and hereby is, authorized to transmit copies of the proposed contracts to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Committee on Ways and Means, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee pursuant to Section 1009 of the Public Authorities Law; and be it further

RESOLVED, That the Senior Vice President – Marketing, Economic Development and Supply Planning or her designee be, and hereby is, authorized, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, to enter into such other agreements with the Bargaining Agents, and to do such other things as may be necessary or desirable to implement sales to the Neighboring States as required by the St. Lawrence/FDR Federal Energy Regulatory Commission license and as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

Exhibit "10-A"
December 16, 2003

NEIGHBORING STATE HYDROPOWER ALLOCATIONS
(kW)

	St. Lawrence
State	**Firm**
Connecticut	3,100
Rhode Island	1,000
Vermont	1,000
New Jersey	7,100
Pennsylvania	11,800
Ohio	10,500
Totals *	34,500

- While Massachusetts did not sign the September 30th settlement filed with FERC and is therefore not a Settling State, FERC has ordered that it be allocated 4.8 MW in addition to the 34.5 MW allocated to the Settling States. Pending resolution of the amount and terms of sales to Massachusetts by FERC and the courts, sale of the 4.8 MW to that state is being made on a month-to-month basis.

11. Additional Sale of Power to the Niagara Frontier Transportation Authority for the Niagara Falls Air Base

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the sale of approximately an additional 2,300 kilowatts of hydropower to the Niagara Frontier Transportation Authority ('NFTA') to provide power to the Niagara Falls Air Base ('NFAB').

BACKGROUND

"The NFAB plays a critical role in the defense of the nation while also making important contributions to the state's economy. By reducing its energy costs, the Authority can support vital military missions and help protect jobs in New York State from potential cutbacks in the next round of base closures scheduled for 2005.

"In June 2002, Governor George E. Pataki signed an Executive Order creating a Military Base Task Force (of which the Authority is a member) to support efforts aimed at protecting almost 30,000 New York State jobs at existing military bases in New York. New York State lost more than 10,000 jobs in the years preceding the current administration, as major military installations in Rome, Plattsburgh and Staten Island were shut down by the Base Realignment and Closure ('BRAC') process. During the last round of base closures in 1995, state officials worked closely with local base support organizations and the New York State Congressional delegation to save more than 4,000 jobs at key military facilities in Rome and Niagara Falls.

"The BRAC process is used by the Department of Defense ('DoD') to 'reorganize its installation infrastructure to more efficiently and effectively support its forces, increase operational readiness and facilitate new ways of doing business.' The process is governed by the Defense Base Closure and Realignment Act of 1990. Pentagon officials have indicated that up to one-quarter of the nation's 425 bases are unneeded and expect the 2005 set of base closings to be larger than the previous four rounds of the 1990s, in which 97 major domestic bases were selected for closure.

"The NFAB employs 3,000 at guard and reserve units. It is the second largest employer in Niagara County. The base is home to the 914th Airlift Wing of the USAF and the 107th Air Refueling Wing of the New York Air National Guard. The base was on the 1995 base closure list and it is anticipated that it may be targeted again. Since 1995, the base has seen more military construction than competitor bases, but base operating costs are comparatively high, with power costs being a major factor. Its electricity rates are the second highest among all comparable air bases in the nation. It has three accounts amounting to about 2.3 MW and is currently served under a standard Niagara Mohawk tariff that includes the electricity commodity at market prices.

DISCUSSION

"The Governor's Task Force has identified the power issue at the NFAB as a priority action item. Expeditious action is needed in order to allow the NFAB to demonstrate reductions in its energy costs as operating cost data begin to be collected and reviewed in 2004 (see Exhibit '11-A').

"The Authority may provide the power to NFAB through the NFTA, which owns the Niagara Falls International Airport at which the base is located and operates the facility under a joint agreement with the military. New York State Public Authority Law § 1005, relating to the powers and duties of the Authority, states: 'The authority is further authorized, to the extent it deems it necessary or desirable, to provide power and energy, as it may determine it to be available, for the use by the Niagara frontier transportation authority or its subsidiary corporation.' The Authority currently has a contract with the NFTA for one megawatt of hydropower which serves the light rail system in the region. The contract allows for the sale of additional power on terms and conditions that are mutually agreeable to the Authority and the NFTA. Thus, the sale of power for the benefit of the NFAB can be accomplished through agreement with the NFTA. Staff has discussed this with Niagara Mohawk and that company is willing to deliver Authority electricity to the NFTA for use at the NFAB.

FISCAL INFORMATION

"The proposed sale of power to NFTA will be at the cost-based hydropower preference rate and will not have an incremental negative or positive effect on the Authority's revenues.

RECOMMENDATION

"The Senior Vice President – Public and Governmental Affairs and the Senior Vice President – Marketing, Economic Development and Supply Planning recommend that the Trustees authorize the President and Chief Executive Officer, or his designee, to offer to provide power to the Niagara Frontier Transportation Authority for use at the Niagara Falls Air Base and enter into such agreements with the Niagara Frontier Transportation Authority and delivery agents as he deems necessary to effectuate such sale.

"The Executive Vice President, Secretary and General Counsel, the Executive Vice President – Corporate Services and Administration and I concur in the recommendation."

Mr. Paslow presented the highlights of staff's report to the Trustees. In response to a question from Trustee Carey, Mr. Paslow stated that the Air Base employs 3,000 people.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Niagara Falls Air Base, owned by the Niagara Frontier Transportation Authority, plays a critical role in the defense of the nation while also making important contributions to the state's economy; and be it further

RESOLVED, That the Base Realignment and Closure ("BRAC") process governed by the Defense Base Closure and Realignment Act of 1990, and utilized by the United States Department of Defense to reorganize its installation infrastructure may lead to the closure of the Niagara Falls Air Base, unless prompt and effective steps are taken to reduce the operating costs of the facility; and be it further

RESOLVED, That the Governor's Task Force on Military Bases in New York State has identified the power issue at Niagara Falls Air Base as a priority action item essential to the competitiveness of the base in the BRAC process; and be it further

RESOLVED, That New York State Public Authority Law § 1005 relating to the powers and duties of the New York Power Authority states: "The authority is further authorized, to the extent it deems it necessary or desirable, to provide power and energy, as it may determine it to be available, for the use by the Niagara frontier transportation authority or its subsidiary corporation"; and be it further

RESOLVED, That the President and Chief Executive Officer of the Authority or his designee be, and hereby is, authorized to execute, on behalf of the Authority with the Niagara Frontier Transportation Authority and delivery agents, agreements to provide power in support of the continued operation of the Niagara Falls Air Base as set forth in the foregoing report of the President and Chief Executive Officer, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents

to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

12. Increase in Government Customer Rates – Notice of Proposed Action

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the Secretary to file notice for publication in the New York State Register of a change in the rates for the sale of firm power to the governmental customers in New York City, consistent with the Authority's procedures under the State Administrative Procedures Act, 21 NYCRR § 455 ('SAPA'). The revenues at existing rates are insufficient to recover projected costs. The proposed rates represent a 4.8% average increase over current total billed charges.

BACKGROUND

"At their meeting of January 30, 1990, the Trustees adopted the current rates, which became effective with the February 1990 billing cycle. Those rates were based on a 1990 Cost-of-Service study that was used to justify the increased revenues received under those rates. The current production rates for the sale of firm power and energy to the New York City governmental customers are shown in Exhibit '12-A.'

"Subsequently, the majority of the governmental customers in New York City signed Supplemental Power Service Agreements with the Authority in 1995 and 1996 ('Supplemental Agreements'). These Supplemental Agreements contain, among other things, commitments from the customers that they will remain full-requirement electricity customers of the Authority for certain fixed terms, in return for which the Authority agreed to constrain its ability to raise prices. However, the standard form of the Supplemental Agreements permits rate increases beginning January 1, 2002, if justified by a Cost-of-Service. The Supplemental agreements suspended the Energy Charge Adjustment ('ECA') provision through which the Authority recovered changes in fuel and purchased-power costs from the customers. Finally, the majority of the Supplemental Agreements continue in effect until terminated on three years notice by either party.

DISCUSSION

"The rates for the government customers in New York City have not increased since January 1990. Since that time, inflation has increased the cost-of-living by more than 45%. Since the Supplemental Agreements were entered into, there have also been structural changes in the electricity market in New York State and significant changes in the Authority's cost structure.

"New York Independent System Operator ('NYISO') – The NYISO has established a centralized market for generators, marketers and Load Serving Entities ('LSEs') to buy and sell capacity, energy and ancillary services. As the LSE for the governmental customers in New York City, the Authority is responsible for the significant costs imposed by the NYISO relating to the scheduling of hourly loads. This includes the cost of ancillary services, transmission congestion, andmarginal transmission losses, as well as New York State Control Area and New York City locational capacity requirements. For example, for 2003 the net ancillary service- and transmission-related charges are expected to total $36.7 million and $52.2 million, respectively. While the Authority receives some offsetting revenues from the sale of products and services to the NYISO from the facilities dedicated to the governmental customers in New York City, such revenues do not cover all of the NYISO costs incurred by the Authority in connection with this service. To date, the Authority has not sought extra compensation from the governmental customers in New York City on account of these costs.

"Post-Retirement Benefits Other than Pension – Another major cost increase occurred in November 2002 when the Authority changed its accounting treatment of Post-Retirement Benefits Other than Pension ('PBOPs'). PBOPs are health care benefits and insurance for retirees and their dependents and beneficiaries. Prior to November 2002, the Authority recognized the PBOP costs as occurring during the period in which the costs were paid to current retirees. By changing from a cash to an accrual method, the Authority acknowledged the principle that current customers should pay for the costs associated with present employment. In doing so, a $271-million obligation was recognized. Amortized over 20 years, the annual cost is $24.6 million, of which a share is allocated to the governmental customers in New York City.

"2003 Fuel and Purchased Power – The Authority's year-end 2002 financial statements show near-zero net revenues for the governmental customers in New York City. By way of contrast, in 2003, the Authority expects to incur a $54-million net loss arising out of service to these customers. Among the causes of the 2003 deficit are: a scheduled Indian Point 3 ('IP3') refueling outage, a pair of forced outages at that unit and finally, significant and persistent increases in purchased-power and fuel prices. Purchased-power prices in 2003 were about 40% higher than in 2002, while natural gas prices were 60% higher.

Rate Plan

"Consistent with the Supplemental Agreements and the Authority's past rate making practices, the proposed increased is based upon a pro-forma cost-of-service. See Exhibit '12-B' for the components of the 2004 Cost-of-Service. As mentioned, the primary causes of the rate increase are fuel costs, purchased-power and NYISO costs. The proposed rates would go into effect with the March 2004 billing cycle. In the 1990 Cost-of-Service, the production revenue requirement was $467 million. This should be compared with the projected 2004 revenue requirement of $828.9 million, as shown on Exhibit '12-B'. The Exhibit shows a current rate deficiency of $35.9 million, or 7.2% of production revenues.

"This rate proposal addresses projected costs for the year 2004. The 2004 Cost-of-Service is generally consistent with the 1990 Cost-of-Service used to set the current rates. Using a cash-flow perspective, they both include bond service payments as a component. However, it is now evident that there will be significant new elements of cost facing the Authority in calendar year 2005 that will likely require revisiting the rates for adequacy sometime in 2004. The 2005 Cost-of-Service will include significant changes to the supply portfolio used to serve the customers. These changes include: termination of the 1,000 mW IP3 Entergy purchased-power agreement, the cost of new long-term replacement agreements for substitute energy and the commercial start-up and operation of the 500 mW gas-fired plant currently under construction on the Poletti site. Therefore, in 2004, the staff intends to propose rates for 2005, based on a 2005 pro-forma Cost-of-Service analysis reflecting these and any other cost changes expected for 2005.

Customer Impacts

"The projected 2004 current production revenues are $500 million. In addition, the Authority purchases delivery service from Con Edison at an annual cost of about $250 million. The proposed rate increase would result in a 4.8% average increase over current total billed charges, including production and delivery charges. Consistent with the Authority's goal of minimizing adverse impacts, the proposed increase would be equally applied to the current tariff rates on an across-the-board basis.

FISCAL INFORMATION

"The proposed rate increase is designed to produce a $27.5 million increase in revenue through the end of 2004.

RECOMMENDATION

"The Director - Supply Planning, Pricing and Power Contracts recommends that the SENY Governmental Customer rates be modified as shown in Exhibit '12-C' and that the Secretary be authorized to file a notice of the proposed rate increase for publication in the New York State Register.

"It is further recommended that the Senior Vice President – Marketing, Economic Development and Supply Planning, or her designee, be authorized to issue a written notice of the proposed action to the Authority's customers under the provisions of the Authority's tariffs and that, because the proposed new rates will increase revenues by more than 2%, a public forum on the new rates be held consistent with Authority policy.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Vice President – Controller and Acting Chief Financial Officer, the Vice President – Ethics and Regulatory Compliance and I concur in the recommendation."

Mr. Brandeis presented the highlights of staff's report to the Trustees. Trustee Carey abstained from voting on the proposed action in light of the fact that the Battery Park City Authority is one of the governmental customers that would be affected by the rate increase. The remaining Trustees then approved staff's recommendations unanimously.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Secretary of the Authority be, and hereby is, authorized to file notice with the Secretary of State for publication in the State Register of the Authority's proposed action to adjust the rates for the governmental customers in New York City, as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Secretary of the Authority be, and hereby is, authorized to schedule a public forum for the purpose of obtaining the views of interested persons concerning the Authority's proposed action to adjust the rates for governmental customers in New York City, as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Senior Vice President - Marketing, Economic Development and Supply Planning be, and hereby is, authorized to issue written notice to such customers with respect to the modification in rates; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

SENY GOVERNMENTAL CUSTOMERS
CURRENT CONVENTIONAL PRODUCTION RATES

Service Class		**Demand Rates $/kW-mo.**	**Base Energy Rates Mills/kWh ***
62	General Small	**	64.39
64	Commercial & Industrial Redistribution	8.78	33.15
65	Electric Traction Systems	6.48	38.25
85s	NYC Transit Authority Substation	7.22	35.22
85p	NYC Transit Authority Plant	***	***
66	Westchester Streetlighting	**	54.13
68/82	Multiple Dwellings Redistribution	7.76	34.20
69	General Large	6.40	35.81
80	NYC Streetlighting	7.06	34.09
91	NYC Public Buildings	6.54	37.90

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* In addition to the base energy rates, there is a stabilized energy charge adjustment that varies annually and is applied on a monthly basis.

** Service classes 62 and 66 do not have demand metering. Accordingly, the base energy rates reflect total demand, as well as energy-related costs.

*** No longer served.

SENY GOVERNMENTAL CUSTOMERS
CURRENT TOD PRODUCTION RATES

Service Class		**Demand Rates $/kW-mo.**	**On-Peak Base Energy Rates Mills/kWh**	**Off-Peak Base Energy Rates Mills/kWh**
64	Commercial & Industrial Redistribution	7.21	47.79	26.43
68/82	Multiple Dwellings Redistribution	6.96	49.41	27.06
69	General Large	5.30	51.10	26.62
91	NYC Public Buildings	5.36	54.87	26.83

Notes:

(1) The on-peak period for demand is weekdays from 8AM to 6 PM, including holidays.

(2) The on-peak period for energy is weekdays from 8AM to 10 PM, including holidays.

(3) The off-peak period for demand and energy is all other hours.

(4) Demand rates apply to peak demand during the on-peak period.

(5) In addition to the indicated energy rates, the stabilized energy charge adjustment is applied on a monthly basis.

NEW YORK POWER AUTHORITY
2004 REVENUE REQUIREMENTS
GOVERNMENT CUSTOMERS
(millions of dollars)

Cost Component	Amount
Operating & Maintenance	28.2
Fuel Expense	126.9
Purchased Power	
Energy	236.7
Entergy	294.4
Capacity	41.2
Subtotal Purchased Power	572.3
Shared Services (Admin Support)	16.7
Bond Service	40.7
Ancillary Services	34.4
Other Expenses	13.6
Allocation to Capital	(1.8)
Subtotal Revenue Requirement	831.0
Investment and Other Income	(2.1)
Total Revenue Required	828.9
Revenue:	
At Existing Rates	500.2
ISO Revenues	288.4
Ancillary Services	4.4
Total Revenues	793.0
Revenue Deficiency	
Overall Revenue Shortfall @ Existing Rates	(35.9)
Percent of Current Production Rate	7.2
Percent of Total Delivered Rate	4.8

SENY GOVERNMENTAL CUSTOMERS
2004 PROPOSED CONVENTIONAL PRODUCTION RATES

Service Class		**Demand Rates $/kW-mo.**	**Base Energy Rates Mills/kWh ***
62	General Small	**	69.03
64	Commercial & Industrial Redistribution	9.41	35.54
65	Electric Traction Systems	6.95	41.00
85s	NYC Transit Authority Substation	7.74	37.76
66	Westchester Streetlighting	**	58.03
68/82	Multiple Dwellings Redistribution	8.32	36.66
69	General Large	6.86	38.39
80	NYC Streetlighting	7.57	36.54
91	NYC Public Buildings	7.01	40.63

* In addition to the base energy rates, there is a stabilized energy charge adjustment that varies annually and is applied on a monthly basis.

** Service classes 62 and 66 do not have demand metering. Accordingly, the base energy rates reflect total demand, as well as energy-related costs.

SENY GOVERNMENTAL CUSTOMERS
2004 PROPOSED TOD PRODUCTION RATES

Service Class		**Demand Rates $/kW-mo.**	**On-Peak Base Energy Rates Mills/kWh**	**Off-Peak Base Energy Rates Mills/kWh**
64	Commercial & Industrial Redistribution	7.73	51.23	28.33
68/82	Multiple Dwellings Redistribution	7.46	52.97	29.01
69	General Large	5.68	54.78	28.54
91	NYC Public Buildings	5.75	58.82	28. 76

Notes:

(1) The on-peak period for demand is weekdays from 8 AM to 6 PM, including holidays.

(2) The on-peak period for energy is weekdays from 8 AM to 10 PM, including holidays.

(3) The off-peak period for demand and energy is all other hours.

(4) Demand rates apply to peak demand occurring during the on-peak period.

(5) In addition to the indicated energy rates, the stabilized energy charge adjustment is applied on a monthly basis.

(6) Proposed increases as allowed by contract.

13. St. Lawrence/FDR Power Project Relicensing – Capital Expenditure Authorization – Request for Compliance with New License and Implementation of Settlement Agreements

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the remaining expenditure of $96.4 million, bringing the total authorization to $169.0 million, for costs related to compliance with requirements of the new License for the St. Lawrence/FDR Power Project ('Project') that the Federal Energy Regulatory Commission ('FERC') issued in October 2003 and for costs related to the implementation of settlement agreements between the Authority and various parties as a result of the relicensing. To date, $68.1 million has been expended related primarily to the settlement agreements with local governments, state and federal resource agencies and non-governmental organizations.

BACKGROUND

"At their meeting of October 30, 2001, the Trustees approved the filing of the application for a new FERC license for the Project. Based on the Trustees' actions of October 2001, the Authority entered into settlement agreements with local governments, federal and state resource agencies and several non-governmental entities.

"On February 6, 2003, the Authority filed an Offer of Settlement with FERC that included the formal agreements with the local governments, the New York State Office of Parks, Recreation and Historic Preservation ('OPRHP'), the New York State Department of Environmental Conservation ('DEC'), the U. S. Fish and Wildlife Service ('USFWS') and New York Rivers United ('NYRU'). The Offer of Settlement also included the settlement agreement with the St. Lawrence Aquarium and Ecological Center ('SLAEC') to provide a significant portion of the funds needed to construct an aquarium.

"The total cost of the Offer of Settlement was estimated to be $132.4 million (2003 dollars), as shown below:

Ecological Agreement	$ 23.0 million
Fish Enhancement, Mitigation, & Research Fund Agreement	25.6
Local Governments Agreement	48.0
OPRHP Agreement	11.2
SLAEC Agreement	24.6
TOTAL	$ 132.4 million

"Based on the Trustees' actions of October 30, 2001, the Authority signed a Settlement Agreement with the states of New Jersey, Connecticut, Rhode Island, Pennsylvania, Ohio and Vermont ('Out-of-State Allottees', or 'OSA'). Pursuant to this Agreement, the signatories will continue to receive an allocation of Project power that equals approximately half of the current allocation. On September 30, 2003, the Authority filed this Agreement with FERC as an Offer of Settlement ('OSA Settlement Accord').

"On October 23, 2003, FERC issued the Order for a new License. Overall, the Order was consistent with the license application, the Comprehensive Relicensing Accord and the OSA Settlement Accord. The Order included minor additional environmental measures recommended by FERC staff in the Final Environmental Impact Statement ('FEIS') and an allocation of power to the Commonwealth of Massachusetts. At their meeting of November 25, 2003, the Trustees approved the acceptance of the new License while continuing to pursue, through rehearing, issues related to the allocation of power.

DISCUSSION

"Acceptance of the new License by the Authority requires that the requirements of the new License and the commitments in the settlement agreements be implemented. It is estimated that capital expenditures related to implementing these requirements and commitments will be completed by 2015. Implementation work will require internal staff augmented by consultants.

"The cost of implementing the requirements of the new License and the commitments included in the settlement agreements is estimated to be $169.0 million. This cost includes escalation beyond 2003, the 2.5% allocation for indirect costs and a contingency on environmental projects, recreation projects and implementation costs. Financing costs, not included in the total above, are estimated to be $1.94 million.

"As FERC typically incorporates pertinent terms of settlement agreements into licenses, the Trustees authorized expenditures beginning in 2002 related to payments outlined in the Offer of Settlement and related to expenditure for studies and design work needed to implement commitments in 2004. To date, the Trustees have authorized $72.6 million for expenditures through 2003, and the Authority has expended $68.1 million, primarily for payments related to the settlement agreements with local governments, USFWS, DEC, NYRU and SLAEC. The Trustees are requested to authorize the balance of the estimated costs ($96.4 million) for compliance and implementation work related to environmental projects, recreational projects, cultural resources, settlement payments for the SLAEC implementation costs, escalation, contingency and allocation for indirect costs.

FISCAL INFORMATION

"As these expenditures are related to the implementation of commitments in the new License and the settlement agreements, payments will be made from the St. Lawrence bond proceeds account except for costs associated with the community enhancement fund of $36 million (2003 $) which will be made from the Operating Fund.

RECOMMENDATION

"The Senior Vice President – Public and Governmental Affairs recommends that the Trustees authorize the remaining capital expenditure of $96.4 million for relicensing compliance and implementation costs through 2015.

"The Executive Vice President – Project Operations, the Executive Vice President, Secretary and General Counsel, the Vice President – Controller and Acting Chief Financial Officer and I concur in the recommendation."

Mr. Suloway presented the highlights of staff's report to the Trustees. A discussion ensued among the Trustees as to the duration of this expenditure authorization. In response to a question from Trustee Carey, Mr. Suloway said that the Authority is reaching out to M/WBEs and New York State companies to carry out the work needed to implement the new license, citing as examples firms from Syracuse and Watertown that are doing work on the implementation. Trustee Carey reiterated that the Authority's philosophy as it implements the license should be to create New York State jobs.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That capital expenditures are hereby approved to be committed in accordance with the Authority's Expenditure Authorization Procedures for compliance with and implementation of the License and the settlement agreements for the relicensing of the St. Lawrence/FDR Power Project in the amounts and for the purposes listed below:

Description	**Current Estimate**	**Previous Authorized**	**Current Request**
Environmental Projects	**$23,551,000**	**$717,400**	**$22,833,600**
Recreation Projects	**$19,807,000**	**$1,173,400**	**$18,633,600**
Settlement Payments	**$90,715,000**	**$66,359,000**	**$24,356,000**
Cultural Resources	**$157,000**	**$0**	**$157,000**
Implementation Costs	**$16,843,500**	**$2,564,200**	**$14,279,300**
Escalation	**$6,953,500**	**$0**	**$6,953,500**
Contingency *	**$6,850,000**	**$0**	**$6,850,000**
NYPA Allocation (2.5%)	**$4,123,000**	**$1,770,000**	**$2,353,000**
TOTAL	**$169,000,000**	**$72,584,000**	**$96,416,000**

*** Contingency only for environmental projects, recreation projects and implementation costs**

AND BE IT FURTHER RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

14. Proposed Schedule of Trustees' Meetings in 2004

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

"The following schedule of regular meetings for the Authority for year 2004 is recommended as follows:

Date	Location	Time
January 27, 2004	WPO	11:00 a.m.
February 24, 2004	ALB	11:00 a.m.
March 30, 2004	WPO	11:00 a.m.
April 27, 2004 – Annual	WPO	11:00 a.m.
May 25, 2004	ALB	11:00 a.m.
June 29, 2004	CLARK	11:00 a.m.
July 27, 2004	STL	11:00 a.m.
	No Meeting in August	
September 28, 2004	WPO	11:00 a.m.
October 26, 2004	WPO	11:00 a.m.
November 23, 2004	NYO	11:00 a.m.
December 14, 2004	ALB	11:00 a.m.

RECOMMENDATION

"The President and Chief Executive Officer and I support the proposed schedule for the Authority's regular Trustees' Meetings for the year 2004, as set forth in the foregoing report."

Mr. Clemente presented the proposed 2004 Trustees' meeting schedule. A discussion ensued about the locations for the meetings and it was agreed that, while the meeting dates were acceptable, the locations would be discussed further and voted on at the January 27 meeting in the White Plains office.

The following resolution, as submitted by the Executive Vice President, Secretary and General Counsel, was unanimously adopted, as amended.

RESOLVED, That the schedule of regular Trustees' Meetings for the year 2004, as set forth in the foregoing report of the Executive Vice President, Secretary and General Counsel, be, and hereby is, approved.

15. Procurement (Services) Contracts – Business Units and Facilities – Awards

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the multiyear procurement contracts listed in Exhibit '15-A' for the Authority's Business Units/Departments, as well as for its Facilities. A detailed explanation of the nature of such services, the basis for the new awards and the intended duration of such contracts are set forth in the discussion below.

BACKGROUND

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

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

DISCUSSION

"The terms of these contracts will be more than one year; therefore, the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, which range in estimated value from $15,000 to $3,000,000. These contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

Contracts in Support of Business Units/Departments and Facilities:

"The three contracts with **Acres International Corp., Commonwealth Associates, Inc. and Stone & Webster, Inc., a Shaw Group company (Q-02-3276; PO # TBA)** would become effective on January 1, 2004, subject to the Trustees' approval. The purpose of these contracts is to provide for professional design engineering and consulting services in support of the operation and maintenance of the Authority's hydroelectric, pumped storage and fossil fuel generation projects, as well as for its transmission and other support facilities. Services include, but are not limited to, preparation of engineering and design studies, estimating, scheduling, safety assessments, testing activities, equipment specifications, permits, licenses and procedure preparation. A review of the current and projected workload for the next several years suggests that the demand for engineering services will continue to grow at a rate that cannot be met solely by staff resources within the Authority's Engineering Division. Staff anticipates the need to utilize such external engineering services for specialized assignments when the task backlog exceeds staff capability or when special expertise is not available to support operational needs. Thirty-four firms were invited to bid for such services, including any that may have responded to a notice in the Contract Reporter. Twenty-one proposals were received and evaluated. A technical evaluation of the proposals was performed on the following primary criteria: professional qualifications and experience of key personnel and backup staff, size and depth of organization and resources, ability to respond to requests for services and experience in specific technical areas of interest to the Authority. Based on a review of rèsumès of principal personnel, experience level of each consultant, anticipated level of effort proposed by each consultant, quality of proposal and inquiries within the Authority relative to past services, as well as a cost evaluation of each bidder to determine the lowest-cost provider, it was determined that no one firm had all the technical experience, qualifications and resources that may be required to support the Authority's needs during the next three years. The results of this evaluation indicated that selection of three firms would provide a mix of cost-competitive engineering firms, with strength across multiple disciplines, and the ability to respond to emerging work requirements in a timely manner. Engineering staff therefore recommend awards to Acres International Corp., Commonwealth Associates, Inc., and Stone & Webster, Inc., the lowest-evaluated most technically acceptable bidders. Acres has the professional qualifications and depth to support hydroelectric and pumped storage facilities and general building support. Stone & Webster has sufficient depth and professional qualifications to provide the appropriate hydropower, geological, thermal and transmission facility engineering services. Commonwealth's strong background and expertise in transmission line engineering will complement the other two and provide a significant advantage to the Authority's Engineering Division. The intended term of the contracts is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total combined amount expected to be expended for the three-year term of the contracts, $3,000,000.

"The contract with **Advanced Modern Locksmithing Corp. (Q-02-3291; PO # TBA)** would become effective on January 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for locksmith services for the Authority's White Plains Office, on an 'as needed' basis. Services include supplying all labor and materials to install locksets, locks, pins, keys, cylinders, door closures and hardware, with the ability to provide such services on a 24-hour service basis with a two-hour response time. Six firms were invited to bid for such services, including any that may have responded to a notice in the Contract Reporter. Advanced Modern Locksmithing was the low bidder of the two bids received. Based on its qualifications and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to Advanced Modern Locksmithing. The intended term of this contract is three years, with an option to extend for two additional years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract (including option years), $150,000.

"The contract with **Anjac Enterprises, Inc. (Q-02-3287; PO # TBA)** would become effective on January 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for painting services at the Authority's White Plains Office, on an 'as needed' basis. Services include, but are not limited to, interior painting and touch-up painting on interior walls and stairwells, and exterior painting of metal doors and garage line striping, in accordance with the Authority's specifications. Twenty-three firms were invited to bid for such services, including any that may have responded to a notice in the Contract Reporter. Anjac Enterprises, Inc. was the lowest qualified bidder of the four bids received. Based on its qualifications and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to Anjac Enterprises, Inc. The intended term of this contract is three years, with an option to extend for two additional years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract (including option years), $150,000.

"The contract with **Blondie's Treehouse Inc. (Q-02-3285; 4500079628)** would become effective on January 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for the maintenance of plants in the Authority's White Plains and New York Offices ('WPO' and 'NYO'), and to furnish and deliver holiday plants and decorations for both offices, as well as a weekly floral arrangement for the WPO. Maintenance includes watering, trimming and cleaning foliage, fertilizing, spraying for insects and disease control and all other work necessary for the healthy appearance of all plants. Four firms were invited to bid for such services, including any that may have responded to a notice in the Contract Reporter. Blondie's Treehouse was the low bidder of the two bids received. Based on its qualifications and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to Blondie's Treehouse. The intended term of this contract is three years, with an option to extend for two additional years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract (including option years), $100,000.

"The contract with **Environmental Resources Management, Inc. ('ERM' PO # TBA)** would become effective on January 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for independent Third Party Contractor ('TPC') services to assist the Federal Energy Regulatory Commission ('FERC') and the New York State Department of Environmental Conservation ('DEC') with post-licensing activities for the St. Lawrence-FDR Project. Such activities would include, but not be limited to: collecting culture resource information related to Traditional Cultural Properties of the Mohawk Nation that are on Project lands—such information will be used to prepare a Historic Properties Management Plan required by FERC pursuant to the new license, helping FERC staff complete other licensing process tasks deferred to the post-licensing phase and helping DEC staff expeditiously review various permit applications related to local and state recreation facilities. The award is made on a sole source basis to provide continuity of service, since ERM was the original TPC approved by FERC and DEC to provide similar assistance to agency staffs in support of various administrative functions related to the issuance of the new license. ERM is uniquely qualified to perform such services due to its technical expertise and experience with federal and state agencies, as well as with the Project, during the relicensing process. The Authority, FERC and DEC have been very satisfied with the consultant's performance. The intended term of this contract is five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the five-year term of the contract, $375,000.

"The contract with **IESI NY Corp. (PO # TBA)** would become effective on January 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for garbage pickup services for the Authority's New York Office, as well as for the New York State Office of Alcoholism and Substance Abuse Services ('OASAS') space, located on the 8th and 9th floors of 501 7th Avenue in New York City. The award is made on a sole-source basis, since all tenants in the building must use the contractor selected by the building manager in accordance with lease requirements. The intended term of this contract is three years, with an option to extend for two additional years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract (including option years), $100,000.

"The contract with **S. A. Comunale Company, Inc. (Q-02-3296; PO # TBA)** would become effective on January 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for maintenance services for the sprinkler system at the Authority's Clarence D. Rappleyea Building and garage. Services include repairs of leaking, rusted or worn-out sprinkler pipes and valves and replacement parts. Seven firms were invited to bid for such services, including any that may have responded to a notice in the Contract Reporter. S. A. Comunale was the low bidder of the three bids received. Based on its qualifications and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to S. A. Comunale. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the three-year term of the contract, $45,000.

"The contract with **Schindler Elevator Corp. (6000043417; PO # TBA)** would become effective on January 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide full-service maintenance for two Westinghouse-geared traction elevators (passenger and passenger/service combination) at the Blenheim-Gilboa Project. Four firms were invited to bid for such services, in accordance with the New York State Office of General Services contract for such services. Schindler Elevator was the low bidder of the three bids received and evaluated. Based on its qualifications and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to Schindler. The intended term of this contract is up to five years, subject to the Trustees' approval, which is hereby requested; services will be authorized on an annual basis. Approval is also requested for the total amount expected to be expended for the total five-year term of the contract, $30,000.

"The contract with **Thyssen Elevator Company (6000043233; PO # TBA)** would become effective on January 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for full-service maintenance for an Otis hydraulic passenger elevator at the Authority's Clark Energy Center. Four firms were invited to bid for such services, in accordance with the New York State Office of General Services contract for such services. Thyssen Elevator was the low bidder of the two bids received. Based on its qualifications and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to Thyssen. The intended term of this contract is up to five years, subject to the Trustees' approval, which is hereby requested; authorization will be released to the contractor on an annual basis. Approval is also requested for the total amount expected to be expended for the total five-year term of the contract, $15,000.

FISCAL INFORMATION

"Funds required to support contract services for various Headquarters Office Business Units/Departments and the Facilities have been included in the 2004 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the Project's Capital Expenditure Authorization Request.

RECOMMENDATION

"The Deputy Secretary and Deputy General Counsel, the Vice President & Chief Engineer, the Vice President – Procurement & Real Estate, the Executive Director – Licensing, Compliance & Implementation, the Director – Corporate Services, the General Manager – Transmission Maintenance, the Regional Manager – Central New York and the Regional Manager – Northern New York recommend the Trustees' approval of the award of multiyear procurement contracts to the companies listed in Exhibit '15-A' and as discussed above.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Corporate Services and Administration, the Senior Vice President – Public and Governmental Affairs, the Senior Vice President – Transmission, the Vice President – Controller and Acting Chief Financial Officer and I concur in the recommendation."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted, as amended.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement contracts set forth in Exhibit "15-A," attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

16. Procurement (Services) Contracts – Business Units and Facilities – Extensions and Approval of Additional Funding

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit '16-A' in support of projects and programs for the Authority's Business Units/Departments, as well as for its Facilities. A detailed explanation of the nature of such services, the reasons for extension, the additional funding required and the projected expiration dates are set forth below.

BACKGROUND

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

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

DISCUSSION

"Although the firms identified in Exhibit '16-A' have provided effective services, the issues or projects requiring these services have not been resolved or completed, and the need exists for continuing these contracts. The Trustees' approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

"Extension of each of the contracts identified in Exhibit '16-A' is requested for one or more of the following reasons: (1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; (2) to accommodate an Authority or external regulatory agency schedule change that has delayed, reprioritized or otherwise suspended required services; (3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; or (4) the contractor provides a proprietary technology or specialized equipment at reasonably negotiated rates that the Authority needs to continue until a permanent system is put in place.

Contracts in Support of Business Units/Departments and Facilities:

"The contract with **A&L Cesspool Service Corp. (4500066632)** provides for the furnishing, delivery, installation and maintenance of four sewage holding tanks and two portable toilet units, as well as sewage pumping services, in connection with the 500 MW combined cycle project at the Charles Poletti Plant site. The original award was competitively bid on the Authority's behalf by the construction manager (DMJM + Harris) and became effective on January 27, 2003 for an initial term of one year, with an option to extend for one additional year. A 23-month extension is now requested to exercise the one-year option and to extend for an additional 11 months in order to continue services, as may be required, through project completion (including post start-up and project closeout activities). In the event that such services are not required for the full extended term, the contract can be terminated without liability. The current contract amount is $30,000; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2005, with no additional funding requested.

"The contract with **Area Industries Inc. (4500061435)** provides for septic tank pumping services at the Blenheim-Gilboa Project. Such services are needed due to a failure of the existing septic system, which will be replaced by a completely new septic system that will serve three buildings (Security, Real Estate and Garage/Warehouse). The original award, which was competitively bid, became effective on October 1, 2002 for a term of less than one year. Due to various delays, construction in connection with the new septic system began only recently, and is currently expected to be completed by the first quarter of 2004. An additional three-month extension is now requested to continue such services until the new septic system has been installed. The current contract amount is $46,550; it is anticipated that an additional $21,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through March 31, 2004 and to approve the additional funding.

"The contract with **Banner Electrical Contracting Corp. (4600000954)** provides for electrical installation services for lighting samples at various project sites throughout New York City and Westchester County, as part of the Authority's High Efficiency Lighting Program ('HELP'). The original award, which was competitively bid, became effective on January 1, 2003 for an initial term of one year, with an option to extend for an additional year. A one-year extension is now requested to continue such services, as may be required. The current contract amount is $250,000; it is anticipated that an additional $200,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2004 and to approve the additional funding requested.

"The contract with **Bub's Enterprise LLC (4600000922)** provides for snow removal services for the Willis Substation, to maintain passenger vehicle access from Willis Road to the substation control building, on an 'as needed' basis depending on local snow conditions. The original award, which was competitively bid, became effective on November 1, 2002 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested to exercise the option and continue services, as needed. The current target value is $2,500; it is anticipated that an additional $5,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through May 31, 2005 and to approve the additional funding requested.

"The contract with **Bulcast LLC (4500066988)** provides for evaluation, repair, maintenance and training services related to the cathodic protection system installed on the 345kV self-contained fluid-filled cable circuit (Y-49) in the Long Island Sound. The protection system, which supplies the mitigating protective currents for the Y-49 cable, consists of two segments, one at the north end in New Rochelle and the other at the south end in Hempstead Harbor. The system is presently in operation, but requires upgrades, maintenance and repairs to some of the system components. Services provided under the subject contract are required to address equipment maintenance and repairs associated with the electronic control system and the replacement of sensors located in the Sound. The original contract became effective on February 4, 2003 for a term of one year, with an option to extend for an additional year. Bulcast performed service on the data acquisition and control system for both segments of the cathodic protection system and evaluated its operating performance. Such evaluation determined that some of the system components in the Sound were not operating correctly due to damage sustained from watercraft or component failure, and would require support from marine vessels and divers to perform the necessary repairs in the Sound. Due to the nature of the repairs, the complexity of scheduling ships and divers, as well as current activities being performed on the Y-49 cable and other work related to the gas pipeline in the Sound, such work has been deferred until the second quarter of 2004. A one-year extension is now requested to exercise the option to complete the required tasks. The current contract amount is $87,500; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through February 3, 2005, with no additional funding requested.

"The contract with **Burns & Roe Enterprises, Inc. (4500003648)** provides for licensing, engineering, design and support services in support of the 500 MW combined cycle project at the Charles Poletti Plant site. At their meeting of March 30, 1999, the Trustees approved the award of the subject contract for a term of approximately four years and a total amount of $5,500,000. The original contract, which was competitively bid, became effective on April 1, 1999. The start of construction was delayed due to a protracted Article X licensing process, as well as a significant change in the original design of the tank farm dike oil containment structure caused by unexpected changes in the permit requested by the New York City Fire Department/Department of Building Services. In addition, Con Edison also changed the gas line route, causing additional engineering changes. A one-year extension through December 31, 2003 was subsequently authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures to accommodate such changes and to provide additional engineering services in support of activities related to fuel supply and bulk storage, as well as to support other tasks, as needed. An additional 18-month extension is now requested to continue such services, as may be required, through project completion, including post-startup and project closeout activities. The current contract amount is $3,964,422 (of the $5,500,000 previously approved by the Trustees); it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through June 30, 2005, with no additional funding requested.

"The contract with **CARCO Group Inc. (4500052942)** provides for background investigation services to support the Authority's operations at its White Plains, Albany and New York Offices and at all operating facilities. As part of the Authority's security upgrade program, the pre-employment screening program was expanded to include comprehensive background investigations for all new Authority hires and contractors. Pre-employment screening elements for new Authority employees include: employment history, education, criminal history, professional licenses, credit history and verification of identification, address, driver's license, Social Security number and military service. Contractor screening elements include identity verification and criminal history. The original award, which was competitively bid, became effective on March 1, 2002 for an initial term of one year, with an option to extend for one additional year. At their meeting of December 17, 2002, the Trustees approved a one-year extension to exercise the option and continue to provide services on an 'as needed' basis. Earlier this year, the program was expanded to include all contractors requiring access to Authority facilities, with all costs for such services paid for by the Authority, to ensure that the background investigations are performed in accordance with Authority specifications, accurately, thoroughly and in a timely manner. The President authorized additional funding to support this expanded effort, in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. An additional two-year extension is now requested to continue services as needed. Staff indicated that a change of provider at this juncture would severely hamper the ability of Corporate Security to administer the access authorization program currently in place. The current contract amount is $200,000; it is anticipated that additional funding in the amount of $275,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through February 28, 2006 and to approve the additional funding requested.

"The contract with **Colden Corp. (4500065508)** provides for industrial hygiene field, consulting and laboratory analysis services in support of all Authority facilities throughout the state on an 'as needed' basis. Services also include air monitoring in support of the 500 MW project and odor event monitoring services at several PowerNow! generation facilities, as may be required. The original award, which was competitively bid, became effective on January 1, 2003 for an initial term of one year, with an option to extend for an intended term of up to three additional years. A three-year extension is now requested to provide for such services, as may be required. The current contract amount is $138,890; it is anticipated that an additional $225,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2006 and to approve the additional funding requested.

"The contract with **CSG Services Inc. (formerly Planergy; 4500050087)** provides for installation of new refrigerators and removal, recycling and disposal of used refrigerators within the tenant apartments of the New York City Housing Authority ('NYCHA'), or other public housing authority customers located in the Southeast New York region, as part of the Authority's Energy Efficient Refrigerator program. (It should be noted that the new refrigerators are procured under a separate contract, which was competitively bid and awarded to a refrigerator supplier.) The contractor performs the aforementioned services using Authority-approved environmental processing/recycling/disposal facilities, in compliance with all existing federal, state and local laws, rules, regulations, permits and/or ordinances applicable to these services. The original award, which was competitively bid, became effective on January 1, 2002 for an initial term of one year, with an option to extend for one additional year. At their meeting of December 17, 2002, the Trustees approved an extension through December 31, 2003 to exercise such option and authorized a total contract amount of $2,696,000 for the continuation of services to support the program. Due to delays related to logistical issues at several NYCHA facilities, NYCHA requested that the delivery of the remaining refrigerators be deferred until 2004. This, coupled with the expected delivery of approximately 3,000 additional refrigerators to facilities currently under renovation, necessitates the extension of the subject contract for an additional year. A one-year extension is now requested to complete the refrigerator installation and removal services, as needed. The current contract amount is $2,772,586; it is anticipated that an additional $207,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2004 and to approve the additional funding requested. It should be noted that all costs, including Authority overheads and the cost of advancing funds, will be recovered by the Authority.

"The contract with **CSG Services Inc. (4500065930)** provides for installation of new refrigerators and removal, recycling and disposal of used refrigerators within the tenant apartments of the Buffalo Municipal Housing Authority, Syracuse Housing Authority and other housing authorities in the Western, Central, Capital, Northern and Hudson Valley regions of New York State, as part of the Authority's Energy Efficient Refrigerator program. (It should be noted that the new refrigerators are procured under a separate contract, which was competitively bid and awarded to a refrigerator supplier.) The contractor performs the aforementioned services using Authority-approved environmental processing/recycling/disposal facilities, in compliance with all existing federal, state and local laws, rules, regulations, permits and/or ordinances applicable to these services. The original award, which was competitively bid, became effective on January 1, 2003 for an initial term of one year, with an option to extend for one additional year. A one-year extension is now requested to exercise the option and to continue refrigerator installation and removal services, as may be required. The current contract amount is $304,000; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2004, with no additional funding requested. It should be noted that all costs, including Authority overheads and the cost of advancing funds, will be recovered by the Authority.

"The contract with **Design Collaborative Inc. ('DCI') (4600001055)** provides for architectural and interior design services for the Authority's Clarence D. Rappleyea Building, on an 'as needed' basis. The original award, which was competitively bid, became effective on February 15, 2003 for an initial term of one year, with an option to extend for an intended term of up to two additional years. Recent projects have included services in support of the 14th floor buildout for the new tenant, as well as services in connection with the reallocation or modification of Authority space on various floors, e.g., 14th floor telephone room and 15th floor Data Center for Information Technology, 9th floor Inspector General's and Licensing offices, etc. A two-year extension is now requested to exercise the intended option and to continue services, as may be required. Forthcoming projects may include services in support of buildouts for new tenants, as well as modifications to Authority space, as may be required. The current target value is $125,000; it is anticipated that an additional $200,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through February 14, 2006 and to approve the additional funding requested.

"The contract with **Digital Output Corp. (a New York State certified Woman-owned Business Enterprise ('WBE'); 4500064505)** provides for reprographic services in support of the 500 MW combined cycle project at the Charles Poletti Plant site. The scope of work includes the services of two full-time personnel on site to manage all reproduction and documentation-related requests for the 500 MW project, as well as the leasing of all requisite equipment (including maintenance and repairs), paper and other materials. The original award, which became effective on December 4, 2002, was competitively bid on the Authority's behalf by the 500 MW project construction manager (DMJM + Harris) for an expected term of two years. To limit expenses under the DMJM + Harris contract, the Authority awarded the subject contract directly to Digital. In accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures, approval is now sought to continue such support services for the second year and also to extend the contract for an additional seven months through project completion, as needed. The current contract amount is $60,000; it is anticipated that an additional $90,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through June 30, 2005 and to approve the additional funding requested.

"The contract with **DMJM + Harris, Inc. (formerly Harris Energy Systems; 4500002774)** provides for program management and implementation services in support of the Authority's Southeast New York ('SENY') Electrotechnology and Non-Electric End-use Programs ('EP' and 'NEEP'). As part of these programs, the Authority provides energy services to reduce the SENY Governmental Customers' overall energy costs by implementing energy efficiency measures. At their meeting of December 15, 1998, the Trustees approved the award of the subject contract for an initial term of three years, with an option to extend for two additional years with the approval of the President. The original award, which was competitively bid, became effective on January 4, 1999. At their meeting of June 29, 1999, the Trustees approved additional funding in the aggregate amount of $50,000,000 to support the SENY EP and NEEP programs. The President subsequently authorized the aforementioned option to extend services for two years. New York City budget cuts have delayed the progress of various projects; in recent months, a number of these projects have received the requisite funding and are moving forward. Some of these projects include: Coney Island Waste Water Treatment Plant, Jacobi Medical Center, Brooklyn Public Library and the New York City Police Academy. A two-year extension is now requested to continue services in support of a number of such projects, which are in various stages of implementation or development. The current contract amount is $49,914,767; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2006, with no additional funding requested. It should be noted that all costs, including Authority overheads and the cost of advancing funds, will be recovered by the Authority.

"The three contracts with **DMJM + Harris, Inc. (formerly Harris Energy Services; 4600000638), EME Group (4600000640) and Greenman-Pedersen, Inc. (formerly Atometrics Engineering; 4600000639)** provide for engineering services in support of the Authority's Energy Services projects on an 'as needed' basis. Services include, but are not limited to, engineering and design and/or consultation services. The original contracts, which were competitively bid, became effective on September 10, 2001 for an initial term of one year, with an option to extend for up to two additional years. At their meeting of June 25, 2002, the Trustees approved a one-year extension to exercise the first option year to continue services, as needed. While projected 'target' values totaling $650,000 were originally approved for such contracts, expenditures have been minimal to date. Such target amounts are based on past usage and the estimated number of projects to be performed. Since services under these contracts are provided on an 'as needed' basis only, no funding is committed until the services are required. Use of these contracts has been limited since activity has not been as high as originally estimated and some projects are still under review by the customers. An additional one-year extension is now requested to exercise the second option year to complete ongoing projects with Greenman-Pedersen and the EME Group, as well as to continue the contract with DMJM + Harris in readiness for potential projects in New York City. No additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contracts through September 9, 2004 with no additional funding requested. It should be noted that all costs, including Authority overheads and the cost of advancing funds, will be recovered by the Authority.

"The contract with **Durham Staffing Inc. (4500065415)** provides for temporary secretarial services to support the Robert Moses Niagara Power Project ('RMNPP') upgrade at the Niagara Project. The original award, which was competitively bid, became effective on January 2, 2003 for an initial term of less than one year. Due to limited staff resources, a one-year extension is now requested to continue to provide such services to support the RMNPP upgrade program, as well as to provide secondary support for other site improvements at the Niagara Project, as needed. The current contract amount is $33,904; it is anticipated that an additional $20,000 may be required to provide such services for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2004 and to approve the additional funding requested.

"The contract with **Lloyd Douglas Consultant Company (a New York State certified Minority-owned Business Enterprise; 4500070461)** provides for consulting services to identify New York State certified Minority and Women-owned Business Enterprise ('M/WBE') vendors for opportunities to work for the major contractors in support of the 500 MW combined cycle project at the Charles Poletti Plant site. Services also include assisting such M/WBE firms in submitting the required forms for review and consideration by the general contractor ('GC') for the 500 MW project, visiting the project site, attending meetings with the GC regarding their M/WBE goals for the project, assisting in mediating and resolving any conflicts or disputes that may arise in the course of providing services in support of the project and performing additional services or special assignments, as may be requested. The original contract became effective on March 6, 2003 for an initial term of one year, with an option to extend for one additional year. Lloyd Douglas has been effective in marketing and promoting the Authority's Supplier Diversity Program within the M/WBE community and instrumental in identifying and expanding the pool of certified and qualified firms for participation in the 500 MW project. Since the project is still ongoing and the M/WBE goals must still be achieved, his continued assistance in this area is required. A 10-month extension is now requested to exercise the option to continue services and to meet the required goals. The current contract amount is $25,000; it is anticipated that an additional $20,000 may be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through December 31, 2004 and to approve the additional funding requested.

"The contract with **Mannings USA Inc. (4600000958)** provides for all necessary labor, material, equipment and testing to perform rotor rim heating services to support the overhaul of the next four turbine generator units at the Robert Moses Niagara Power Project ('RMNPP') as part of the Niagara Project upgrade. The original award, which was competitively bid, became effective on January 16, 2003 for an initial term of one year with an option to extend for up to two additional years. The original schedule called for the overhaul of the second and third units to be performed in 2004 and the fifth unit in 2005. The upgrade has been rescheduled to one unit per year, in order to allow sufficient time for preventive maintenance to be performed. A three-year extension is now requested to exercise the two-year option and to extend for an additional year, to accommodate the revised schedule and to continue such services through completion of the four-unit overhaul. The current target value is $188,502; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2006, with no additional funding requested.

"The contract with **Queensbridge Cleaning (a New York State certified Minority-owned Business Enterprise ('MBE'); 4500068711)** provides cleaning services for two office double trailers in connection with the 500 MW combined cycle project at the Charles Poletti Plant site. The original award was competitively bid on the Authority's behalf by the construction manager (DMJM + Harris) and became effective on March 12, 2003 for an initial term of one year, with an option to extend for one additional year. A 22-month extension is now requested to exercise the one-year option and to extend for an additional 10 months to continue services, as may be required, through project completion (including post-start-up and project closeout activities). In the event that such services are not required for the full extended term, the contract can be terminated without liability. The current contract amount is $72,450; it is anticipated that an additional $20,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2005, and to approve the additional funding requested.

"The contract with **SYS-ED d/b/a Computer Education Techniques, Inc. (4600000858)** provides for technical application training for the Authority's Information Technology personnel at the White Plains Office on an 'as needed' basis. Services include the design and presentation of training courses using Windows 2000 – Active Directory, Windows 2000 for Support Personnel, VisualStudio.Net and other courses as may be required. The original award, which was competitively bid, became effective on August 1, 2002 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested to exercise the option and continue services, as needed. The current target value is $74,000; it is anticipated that an additional $50,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through July 31, 2005 and to approve the additional funding requested.

"The contract with **Turboprop East Inc. (4500065011)** provides for maintenance services for the Authority's Beechcraft King Air B-200 aircraft. The original award, which was competitively bid, became effective on January 4, 2003 for a term of one year. Due to the recent decision not to replace the B-200 aircraft at this time, additional maintenance work is now required on the B-200 to assure that it continues to operate safely and reliably. Such work includes the engine hot section inspection, installation of a ground proximity warning system and the 10,000 cycle airframe inspection. In accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures, the President authorized the commencement of and additional funding for the aforementioned work. A one-year extension is now requested to complete such work and continue to provide other maintenance services as needed. The current contract amount is $440,000; it is anticipated that an additional $75,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2004 and to approve the additional funding requested.

FISCAL INFORMATION

"Funds required to support contract services for various Headquarters Office Business Units/Departments and the Facilities have been included in the 2004 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the Project's

Capital Expenditure Authorization Request ('CEAR'). Funds required to support the Energy Services contracts will be drawn from the Energy Conservation Effectuation and Construction Fund.

RECOMMENDATION

"The Deputy Secretary and Deputy General Counsel, the Vice President – Procurement & Real Estate, the Vice President – Project Management, the Director Corporate Security/Inspector General, the Director – Research & Technology Development, the Director – Energy Services, the Director – Accounting, the Director – Power Generation Support Services, the Director – Corporate Services, the Regional Manager – Western New York, the Regional Manager – Central New York and the Regional Manager – Northern New York recommend the Trustees' approval of the extensions of and additional funding for the procurement contracts listed in Exhibit '16-A'.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Corporate Services and Administration, the Senior Vice President – Energy Services & Technology, the Vice President – Controller and Acting Chief Financial Officer and I concur in the recommendation."

Mr. Hoff presented the highlights of staff's report to the Trustees. In response to questions from Chairman Ciminelli, Mr. Hoff said that Lloyd Douglas's services would be paid for from the approved budget for the 500 MW combined cycle plant and that it was appropriate for the Authority to pay for Mr. Douglas's services, since the Authority is benefiting from his assistance in increasing the use of M/WBE firms for the construction project.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted, as amended.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "16-A" is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed below, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

17. Niagara Power Project – Release of Reversionary Rights – MAP NOS. 276C, 277C and 308C

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the release of reversionary rights held by the Authority over approximately 3.2 acres of property shown on the attached Exhibit '17-A' and, more particularly, shown and described on Map Nos. 276C, 277C and 308C. The parcels are located in the Village of Lewiston ('Village'), Niagara County, and were earlier conveyed by the Authority to the Village. At that time, the Village intended to construct a public works building at the site.

BACKGROUND

"At their meeting of September 13, 1978, the Trustees approved the conveyance of 2.783 acres (Map No. 276C) and an adjacent 0.193 acres (Map No. 277C) of property located in the Village to the Village. The Village had proposed to construct a public works garage at this site.

"The consideration paid by the Village was 'one dollar and other valuable consideration including the cost of survey and appraisal and the Authority's other expenses of sale.' At the time, the appraised value of the premises was $17,500. In addition, the Trustees resolved that 'title to said lands [should] revert to the Authority in the event the Village ceases to use the property for public purposes.'

"This conveyance was accomplished by deed (containing the required reversionary interest in favor of the Authority) dated August 22, 1979.

"Further, at their meeting of October 25, 1988, the Trustees approved conveyance to the Village of an additional .25-acre parcel (Map No. 308C) which, when combined with a portion of the prior conveyance, was to be used for the construction of a public library. In addition, the Trustees resolved that '[the] sale and use of the property shown and described on Niagara Power Project, Niagara County, Map Nos. 276C and 277C for public library purposes is a public purpose within the intent of the Resolution adopted by the Authority on September 13, 1978.' This conveyance was completed on July 24, 1989. The Lewiston Public Library was subsequently built and occupies approximately 1.9 acres.

DISCUSSION

"Although the library was built, the public works building earlier envisioned was never built. In addition, residential development has occurred in the surrounding area.

"The Mayor of Lewiston has requested that the Authority release its reverter to a portion of the lands not encumbered by the library, comprising approximately 1.3 of the 3.2 acres. The Mayor has indicated that the Village could sell all or most of this approximately 1.3-acre site to a developer for the construction of townhouses, thereby putting the property back on the tax rolls. The Village would use the proceeds generated from the sale of this 1.3 acres for the construction of a new public works building. To that end, the Village Board of Trustees has approved the purchase of a one-acre site in a light industrial area on Seneca Street near Portage Road for the new public works facility. The Village indicates that this proposal has the following beneficial aspects:

1. Allows for townhouse development in the proximity of the public library, thereby returning lands to the tax rolls.
2. Allows for the construction of a public works facility in an area more conducive for such use.
3. Allows for the demolition of the current public works building and reclamation of the land located along the lower Niagara River, which could then be used for recreation and family events.

"In addition, Authority staff recommends releasing any remaining reversionary interest in the parcel currently improved by the library with the condition that any revenue generated from a sale of any portion of this parcel will be used for a public purpose.

FISCAL INFORMATION

"There is no fiscal impact.

RECOMMENDATION

"The Vice President — Procurement and Real Estate, the Director of Real Estate and the Director — Upstate Public and Governmental Affairs recommend that the President and Chief Executive Officer approve the release of reversionary rights to the 3.2-acre parcel shown and described as a portion of Niagara Power Project Map Nos. 276C, 277C and 308C.

"The Executive Vice President — Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President, Corporate Services and Administration, the Senior Vice President — Public and Governmental Affairs, the Director — Environmental Division and I concur in the recommendation."

Mr. O'Connor presented the highlights of staff's report to the Trustees. In response to a question from

Trustee Carey, Mr. Barden said that the Village of Lewiston is involved in the Niagara relicensing process.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Authority hereby approves without compensation, the release of the reversionary rights to that property described on Map Nos. 276C, 277C and 308C containing approximately 3.2± acres. This property is situated in the Village of Lewiston, Niagara County, New York. It was acquired by the Authority in its own name and the name of the People of the State of New York as a portion of the Power Authority of the State of New York Niagara Power Project. It was subsequently conveyed to the Village of Lewiston as Map No. 276C, Parcel No. 3177; Map No. 277C, Parcel No. 3178 and Map No. 308C, Parcel No. 3236. Such release is to be made by the Authority on the condition that any revenue generated from the sale of the 1.3-acre released parcel or any portion thereof by the Village will be used to offset the cost of construction of a new department of public works building to be constructed by the Village. Further, such release is to be made by the Authority on the condition that any revenue generated from the sale of all or any portion thereof will be used for public purposes of the Village. The Authority hereby determines that such release by the Authority under conditions substantially as specified above is on terms beneficial to the Authority and will not result in significant adverse environmental impacts; and be it further

RESOLVED, That the President and Chief Executive Officer is authorized to execute and deliver to the Village of Lewiston on behalf of the Authority in such form as approved by the Executive Vice President, Secretary and General Counsel of the Authority a quitclaim deed or other suitable instrument releasing the Authority's reversionary interest in and to the parcels specified above on terms substantially as set forth above and in the foregoing report of the President and Chief Executive Officer; and be it further

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

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

18. Annual Report Regarding Energy Risk Management Policies and Procedures

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Governing Policies for Energy Risk Management ('Governing Policies') direct the President and Chief Executive Officer or his designee to provide to the Trustees periodically, but no less than annually, a report regarding policies and procedures established under this program, as well as program results and policy compliance. The following is the first of such annual reports and will briefly describe developments in this area since approval of the Governing Policies.

BACKGROUND

"At their meeting of October 29, 2002, the Trustees approved the Governing Policies, which established the following:

- Scope of the program (all transactions related to either physical commodities and derivatives for electrical energy, capacity, ancillary services, transmission, natural gas, fuel oil and related hedging transactions);
- Risk management philosophy (non-speculative);
- Energy Risk Management Committee ('ERMC') as the vehicle for establishing procedures for administering the program;
- Permissible risk management (hedging) instruments; and
- Requirement for reporting to the Trustees.

"The objective of the Governing Policies is to identify exposures to energy and fuel prices and movements, to understand the potential financial impact of such exposure on the Authority and to mitigate, where appropriate or as deemed prudent by management, the possible adverse impact of such exposures while maintaining adequate flexibility to improve financial performance.

DISCUSSION

"Over the course of the past year, the ERMC and the Energy Risk Assessment and Control ('ERAC') staff have issued seven procedures for administering the risk management program. Such procedures are, in brief, as follows:

1. ***Standards of Conduct*** – Outlines the general requirements for all personnel involved in trading activities regarding the accurate and timely documentation of all transactions and the need to avoid a conflict or the appearance of any possible conflict of interest.
2. ***Procedures Administration*** – Establishes the authority of the Chief Risk Officer ('CRO') to implement procedures detailing the philosophy and requirements for energy risk management transactions; specifies the duties of the ERMC related to the development and implementation of procedures.
3. ***Delegation: Trading/Execution*** – Establishes the authority of the Authority's officers and specified staff to enter into derivative, energy and fuel transactions and related hedging.
4. ***Deal Rationale Sheet*** – Establishes specific documentation requirements for recording all derivative, energy and fuel commodity and related hedging transactions.
5. ***Load and Generation Forecast*** – Details the responsibilities of the Marketing, Economic Development and Supply Planning department for maintaining an accurate forecast of customer load requirements.
6. ***Deal Confirmations*** – Details the requirements pertaining to the written confirmation of all energy and fuel commodity transactions (physical commodities, derivatives, ancillary service(s), hedging).
7. ***Phone/Voice Recording*** – Establishes the requirements for recording phone conversations involving covered transactions.

PROGRAM ACTIVITIES

"The Authority is routinely exposed to energy and fuel price risk in the conduct of its day-to-day operations. In most cases, price volatility holds significant potential risk for the business objectives of the Authority. ERAC, through policy development and interaction with various Authority business units, works to identify such risk and make them known to management. A primary mission of ERAC is to spread the culture of risk awareness and identification throughout the organization and to bring to bear analytical analysis in an attempt to quantify the range of risk-weighted outcomes of energy and fuel activities. To this end, ERAC has undertaken the following:

- Continued the development and refinement of the analytical model, developed by a consultant to the Authority, to predict regional forward electric prices and expected economic generation levels attributable to the Authority's generation assets.
- Developed the ability to estimate the value of option premiums to assist ERAC in considering the merits of using options, such as selling covered calls against the Authority's generation assets.
- Developed risk benchmarks to evaluate, on an ongoing basis, risk from credit exposure against open credit lines.
- Continued the development, refinement and implementation of a risk program database system to quantify, record and track commodity positions. This analysis includes estimating the range of 'worst case' and 'best case' operating revenue scenarios and assessing the impact hedging might have on reducing the range of outcomes between the worst and best cases.
- In cooperation with the Finance Department, developed a Long-Range Financial Plan ('LRFP') risk platform (which supports and enhances the Controller's financial planning system) that will produce a statistical range of expected revenue outcomes for use by management in selecting revenue and budget targets.
- Trained staff in new procedures and documentation requirements to accurately record and document transactions in order to assess their risks.
- Applied rigorous analysis to both supply sources and credit capabilities of suppliers for Authority programs such as Power for Jobs.
- Standardized contracts for commodity purchases and sales.
- Established stringent deal documentation requirements to fully justify the rationale for hedging transactions, derivative transactions and all commodities purchase and sales transactions (excluding bids into the NYISO) including future plans (entry/exit strategy) and contingencies for such transactions.
- Established processes within ERAC and Accounting for properly handling commodity confirmations, including necessary documentation for Accounting to properly recognize within the Authority's financial statements financial derivatives as required by good accounting principles.

"Developed and implemented ERAC Web site as a ready reference location for all employees to obtain basic information concerning the Authority's policy and procedures related to risk and risk control.

PROGRAM RESULTS AND COMPLIANCE

"Within the first year of the program, only minor non-compliance issues with the applicable procedures have arisen. In all cases, there were no negative consequences to the Authority due to such non-compliance. All such transgressions were immediately detected by one of the recently established procedures and appropriate remedial and corrective action occurred.

"For the first year of the program, targets were established for timely completion of Deal Rationale Sheets ('DRS'). A completion target of 75% of all DRS forms within three business days was set for the third quarter of 2003, along with an annual average of 67%. By the end of the third quarter, actual performance had exceeded both DRS measures.

"For the first year of the program, a measure was established for receipt of confirmation statements/documentation from all counter parties within a specified number of days. For the end of the third quarter 2003, the quarterly target and annual average target were both set at eight days. By the end of the third quarter, both of these targets had been exceeded.

"For the first year of the program, a measure was established for timely production and distribution of credit reports detailing current credit ratings of approved counter parties. For the third quarter of 2003, a target of every six business days was established, with an annual average of no more than every seven days. By the end of the third quarter, the third-quarter target was achieved and the annual average target was met. [An advance Opportunity Credit Risk Report, for which we did not establish a metric, detailed the remaining open credit against approved open line. The Opportunity Credit Risk Report is now being issued daily/weekly as transactional activity dictates.]

FUTURE PROGRAM INITIATIVES

"In addition to continually updating and improving existing procedures and identifying risk areas, some of the work in progress includes development of a comprehensive credit procedure, as well as a phone/voice recording procedure for Energy Control Center personnel/operations.

CONCLUSION

"Implementing an independent energy risk assessment and control program is a major task, and due to the ever-changing character of relevant markets, it is an ongoing process. The first year of the program focused on the following:

- Understanding the Authority's business model/mission and ascertaining the risk exposures;
- Establishing the basic framework of an independent risk control and oversight structure;
- Determining staffing levels and required internal competencies;
- Providing development and training for staff; and
- Understanding the underlying cultural aspects of the Authority and how to both interact with and change existing cultural tendencies and awareness to make risk considerations a part of every business discussion and process.

"Significant progress has been made toward implementing the tools and techniques of risk management and spreading the risk awareness philosophy of making risk assessment part of every business discussion. Going forward into 2004, the focus will be as follows:

- Continuing to identify, analyze and review the Authority's risk exposures;
- Developing risk mitigation strategies suited to management's tolerance for risk;
- Continuing to develop a robust customer/client relationship between ERAC and all other Authority business units;
- Continuing to foster a cultural change within the Authority to make risk awareness a part of every business discussion;
- Implementing automated systems for risk measurement and management; and
- Providing continued staff development and training."

Mr. Warmath presented the highlights of staff's report to the Trustees and thanked Authority staff for the excellent support they had given during the Energy Risk Assessment and Control group's first year in operation. Trustee Carey stated that President Zeltmann and staff deserved accolades for exceeding the energy risk management targets during the past year. Chairman Ciminelli concurred.

19. Voluntary Contribution to the State Treasury

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize a voluntary contribution of up to $58 million to the State Treasury pursuant to legislation enacted in 2000, 2002 and 2003 as part of the New York State budget.

BACKGROUND

"In May 2000, legislation provided that the Authority 'as deemed feasible and advisable by the [Authority's] trustees, is authorized to make a voluntary contribution into the state treasury to the credit of the general fund' in support of cost associated with the Power for Jobs ('PFJ') Program. Under the Legislation, the Authority was asked to schedule such payment no later than 90 days after the end of the calendar year in which a gross receipts tax ('GRT') credit is available for the additional 300 MW of power under the fourth phase of the Authority's PFJ Program.

"The Authority subsequently determined that such a contribution was feasible and an initial payment of $67 million was made in December 2002, pursuant to the Trustees' authorization.

DISCUSSION

"Under all phases of the PFJ Program, distributors of the power are allowed to take a tax credit against their GRT to offset lost revenues. Legislation in 2001 authorized the Authority to make a voluntary contribution to the State Treasury 'as deemed feasible and advisable by the trustees' up to a maximum of $125 million. Further revisions to the law in 2002 and 2003 authorized the Authority 'as deemed feasible and advisable by the trustees' to pay 100% of the GRT credit associated with Phase Four and Phase Five PFJ sales for 2001, 2002 and 2003, with such voluntary contribution still subject to the $125-million limit. Under this provision, the Authority's potential voluntary contribution associated with the 2003 sales is estimated to be as much as $58 million.

"Staff has reviewed the financial position of the Authority and is of the view that amounts up to $58 million are not required for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented.

"The Staff recommends that the Trustees authorize the payment to the State Treasury of up to $58 million in support of PFJ Program cost in 2003.

FISCAL INFORMATION

"Given the Authority's financial condition, estimated revenues, operating expenses and debt service requirements, staff is of the view that it is feasible and appropriate for the Authority to participate in funding the PFJ Program at a level of $58 million. Such payment would not result in the Operating Fund Reserve falling below the required $150-million level.

RECOMMENDATION

"The Vice President – Controller and Acting Chief Financial Officer recommends that the Trustees authorize the payment to the State Treasury of up to $58 million. In light of the fact that Authority funds are available at this time but the final amount has not yet been certified, it is further recommended that $52 million (approximately 90% of the estimated $58 million) be transferred by December 31, 2003, and the remainder paid by March 30, 2004 upon receipt of the final certified figures from the Department of Public Service.

"The Executive Vice President, Secretary, and General Counsel, the Executive Vice President – Corporate Services and Administration, the Senior Vice President – Public and Governmental Affairs and I concur in the recommendation."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Trustees hereby authorize a voluntary payment to the State Treasury in support of the Power for Jobs Economic Development Program of up to $58 million from the Authority's Operating Fund pursuant to the Power for Jobs Legislation discussed in the foregoing report of the President and Chief Executive Officer, with a payment of $52 million of said $58 million authorized to be made on or before December 31, 2003; and be it further

RESOLVED, That, subject to the certification of the Authority's Treasurer discussed below, such monies up to $58 million to be used for the payment to the State Treasury described in the foregoing report are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented: and be it further

RESOLVED, That as a condition of making the payments specified in the foregoing reports, on the day of each such payment the Treasurer shall certify that such monies to be used for the payment to the State Treasury described in the foregoing report are not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That the Chairman, Vice Chairman, President and Chief Executive Officer, Executive Vice President, Secretary and General Counsel, Vice President – Controller and Acting Chief Financial Officer, Vice President – Finance, Deputy Secretary and Deputy General Counsel, Treasurer and all other officers of the Authority 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, which they, or any of them, may deem necessary or advisable to effectuate the foregoing resolution subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

20. Authorization to Enter into Long–Term Agreements to Provide Energy Supplies

LIMITED DISTRIBUTION ITEM. DOCUMENTS WERE DISTRIBUTED UNDER SEPARATE COVER.

21. Economic Development Power Programs Service Tariff Amendments

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve revisions to the Authority's sale-for-resale tariffs for Expansion Power ('EP'), Replacement Power ('RP') and Economic Development Power ('EDP') ('Power Programs') in the service areas of New York State Electric & Gas Corporation ('NYSEG') and Niagara Mohawk Power Corporation – a National Grid Company ('NMPC') to allow for the recovery of costs incurred by the Authority in connection with the transmission service necessary for delivery to Power Program customers, and, in particular, the charges rendered to the Authority by the New York Independent System Operator ('NYISO') or any successor organization.

BACKGROUND

"Deliveries under the Power Programs are effectuated by the Authority selling electricity to NYSEG (EP, EDP and Power for Jobs ('PFJ')) and NMPC (RP, EP, EDP and PFJ) and the utilities reselling the electricity to the ultimate customers. In this role, NYSEG and NMPC assumed the role of Load Serving Entity ('LSE') under the NYISO tariffs and paid the NYISO charges associated with Power Program customers. These charges cover ancillary services (including the general costs of administering the NYISO and local reliability costs), congestion, marginal losses and NYPA Transmission Adjustment Charge ('NTAC'). Under a Memorandum of Understanding ('MOU') executed on October 11, 1999, the Authority agreed to pay NYSEG and NMPC a pro-rata share of the revenues received by the Authority to partially offset the ancillary services charges incurred by the two utilities for services provided by the NYISO. Specifically, the MOU dealt with the transmission services used to deliver power to customers that receive allocations under the Authority's Power Programs of RP[1], EP, EDP and PFJ[2]. The MOU expired on March 3, 2003, with respect to NYSEG, and on August 31, 2003, with respect to NMPC.

"The purpose of the MOU was twofold: first, it was designed to hold Power Program customers harmless from certain ancillary services charges expected to be imposed as a result of NYISO implementation in November 1999, and second, it compensated NYSEG and NMPC, to the extent reasonably practicable, for the related ancillary services costs imposed on them by the NYISO.

"Because of the expiration of the MOU, NYSEG and NMPC modified their Federal Energy Regulatory Commission ('FERC') rate schedules to make the Authority the LSE and thus to assume the full cost of the NYISO charges related to the utilities' deliveries of EP, EDP, RP and PFJ allocations. Over the Authority's objections that the utilities, and not the Authority, should be responsible for NYISO charges, FERC accepted these changes, effective on the expiration of the MOU, with respect to each of the utilities.

DISCUSSION

"The Authority, the utilities and the NYISO are in the process of implementing the FERC orders requiring the Authority to assume financial responsibility for the NYISO charges associated with the deliveries to Power Program customers. These are new costs to be incurred by the Authority that must be recovered to ensure both the Authority's fiscal integrity and continued viability of the Power Programs.

"Contract and tariff provisions are already in place to allow the Authority to recover the NYISO costs associated with the PFJ deliveries in the NYSEG and NMPC service areas. However, for the Authority to recover such costs for the RP, EP and EDP programs, the Authority's sale-for-resale tariffs with NYSEG and NMPC must be clarified to allow for assessment of the NYISO costs back to the utilities for ultimate reimbursement by Power Program customers.

[1] NMPC only

[2] NMPC only

"Attached are proposed amendments to Schedule NP-F1 (RP), Service Tariff No. 46 (EP) and Service Tariff No. 50 (EDP) to accomplish the foregoing.

FISCAL INFORMATION

"Implementation of the proposed tariff amendments would allow the Authority to recover its increased NYISO costs associated with deliveries of Power Program service. Based on 2002 NYISO cost estimates, Power Program customers served by NMPC will assume responsibility for approximately $9.5M/year. Power Program customers in the NYSEG service territory will assume responsibility for approximately $1M/year.

RECOMMENDATION

"The Vice President – Major Accounts Marketing & Economic Development and the Director – Supply Planning, Pricing & Power Contracts recommend that the Trustees authorize the Secretary to file notice for publication in the State Register of proposed Authority action to adopt tariff amendments for the recovery of costs incurred by the Authority in connection with transmission under the Power Programs, and, in particular, the New York Independent System Operator-imposed charges.

"The Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing and Economic Development and Supply Planning, the Vice President – Controller and Acting Chief Financial Officer and I concur in the recommendation."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Secretary of the Authority be, and hereby is, authorized to file notice with the Secretary of State for publication in the State Register of the Authority's proposed action to adopt tariff amendments providing for the recovery of costs incurred by the Authority in connection with transmission under the Power Programs, and, in particular, the charges rendered to the Authority by the New York Independent System Operator or any successor organization, as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Senior Vice President – Marketing, Economic Development and Supply Planning, or her designee be, and hereby is, authorized to take such other and further actions as may be necessary to effectuate the foregoing; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

22. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, January 27, 2004, at 11:00 a.m., at the White Plains Office**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

23. Closing

Upon motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 12:45p.m.

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