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

March 20, 2003

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the New York Office at 11:00 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

Eugene W. Zeltmann	President and Chief Executive Officer
Robert A. Hiney	Executive Vice President – Power Generation
Vincent C. Vesce	Executive Vice President – Business Services and Administration
Peter A. Barden	Senior Vice President – Public & Government Affairs
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
H. Kenneth Haase	Senior Vice President - Transmission
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael H. Urbach	Senior Vice President & Chief Financial Officer
Carmine J. Clemente	Deputy Secretary and Deputy General Counsel
Joseph J. Carline	Assistant General Counsel – Power & Transmission
Arnold M. Bellis	Vice President – Controller
Thomas P. Antenucci	Vice President – Project Management
Robert Deasy	Vice President – Energy Resource Management & Fuels Operation
Charles I. Lipsky	Vice President - Chief Engineer
Thomas H. Warmath	Vice President and Chief Risk Officer, Energy Risk Assessment and Control
James H. Yates	Vice President – Major Account Marketing & Economic Development
Dennis T. Eccleston	Chief Information Officer
Peter Scalici	Acting Inspector General
Michael Brady	Acting Treasurer
Angela D. Graves	Acting Deputy Secretary
John L. Osinski	Executive Director – Regulatory Affairs
John L. Murphy	Director – Public Relations
John J. Suloway	Director – Licensing
Luis A. Rodruguez	Director of SENY – Public & Governmental Affairs
Lawrence E. Gomez	Facility Manager
Helen L. Eisenfeld	Manager – Cost Control
James F. Pasquale	Manager – Business Power Allocations & Compliance
Richard J. Ardolino	Principal Engineer
Roger W. Busha Jr.	Security Specialist
Michael J. Norris	Real Estate Administrator
Andrew J. McLaughlin	Assistant Secretary – Legal Affairs
Verne Quan-Soon	Assistant Secretary
Teresa M. Barrett	Law Assistant
Bonnie Fahey	Executive Assistant
Jesus Perez, Jr.	Service Assistant
Wayne Gowen	Senior Network Specialist
Brian C. McElroy	Senior Investment Analysis
John Cashin	Executive Administrator, Battery Park City Authority
Dorothy Lechmanski	Budget Examiner, New York State Division of Budget

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Chairman Ciminelli presided over the meeting. Deputy Secretary and Deputy General Counsel Clemente kept the Minutes.

1. Approval of the Minutes

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

2. <u>Financial Reports for Two MonthsEnded February 28, 2003</u>

Mr. Bellis provided the final Financial Reports for the two months ended February 28, 2003.

Responding to questions from Chairman Ciminelli, Messrs. Hiney and Bellis reported on which Authority facilities have been producing positive revenue variances, noting that Poletti has been especially productive during the past two months.

3. Report from the President and Chief Executive Officer

President Zeltmann introduced Mr. Hiney who gave a report on recent damage to the Y49 power cables which run across Long Island Sound.

Mr. Hiney reported that, following the accident, normal electric service was quickly restored and noted that, after the problem was discovered, a section of the cable was cut out by divers and removed for further analysis. Responding to questions from Trustee Seymour, Mr. Hiney described the fluid which insulates the cables and reported that equipment is in place to repair the damage.

Responding to questions from Trustee Seymour, Mr. Hiney reported that his staff is working with the Law Department with respect to the Authority's rights under its contractual arrangement.

President Zeltmann noted in closing that the damage to the cable is a matter of serious concern with potentially significant financial implications.

At this time, President Zeltmann discussed the Authority's continuing security efforts in light of the commencement of U.S. military action in Iraq and the federal Department of Homeland Security's recent decision to once again raise the national Threat Condition to "Orange" on the Homeland Security Advisory System.

President Zeltmann noted that the Inspector General's Office has significantly increased the number of inspections of vehicles entering Authority plant facilities and that certain visitor centers, including the Power Vista center at the Niagara Power Project, have been temporarily closed for security reasons.

President Zeltmann stated that the Authority, as well as the nation as a whole, faces a difficult situation but remains vigilant in addressing and examining the increased security concerns which arise from the climate of current events. The President noted that he has had numerous meetings with Authority staff and senior management regarding these issues and will continue to do so.

4. Power Allocations under the Power for Jobs Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve 23 allocations of available power under the Power for Jobs ('PFJ') program to the businesses listed in Exhibits '4-A' and '4-B' which have been recommended for such allocations by the Economic Development Power Allocation Board ('EDPAB').

BACKGROUND

"In July 1997, Governor George E. Pataki and the New York State Legislature approved a program to provide low-cost power to businesses and not-for-profit corporations that agree to retain or create jobs in New York State. In return for commitments to create or retain jobs, successful applicants receive three-year contracts for PFJ electricity.

"The Power for Jobs program originally made available 400 megawatts ('MW') of power. The program was to be phased in over three years, with approximately 133 MW being made available each year. In July 1998, as a result of the initial success of the program, Governor Pataki and the Legislature amended the PFJ statute to accelerate the distribution of the power, making of total of 267 MW available in Year One. The 1998 amendments also increased the size of the program to 450 MW, with 50 MW to become available in Year Three.

"In May 2000, legislation was enacted which authorized another 300 MW of power to be allocated under the PFJ program. The additional MW were described in the statute as 'phase four' of the program. Customers who received allocations in Year One were authorized to apply for reallocations. Over 95% reapplied. The balance of the power was awarded to new applicants.

"In July 2002, legislation was signed into law by Governor Pataki, which authorized another 183 MW of power to be allocated under the program. The additional MW are described in the statute as 'phase five' of the program. Customers who received allocations in Year Two or Year Three will be given priority to reapply for the program. Any remaining power will be made available to new applicants.

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

"The program is designed to assist New York State enterprises that are at risk of reducing or closing their operations, moving out of State, or are willing to expand job opportunities. Successful applicants are required to create or maintain a specific number of jobs in order to qualify for an allocation. At various meetings from December 1997 through February 2003, the Trustee's approved allocations to 1,213 employers under the PFJ program. Currently, the program is linked to some 300,000 jobs at manufacturing facilities, small businesses, hospitals, colleges and cultural institutions across the state.

DISCUSSION

"Completed applications were reviewed by EDPAB and recommendations were made based on a number of competitive factors including the number of jobs retained or created, the amount of capital investment in New York State and whether a business is at a competitive disadvantage in New York. Eighteen applications were deemed highly qualified and presented to the EDPAB for its review on March 20, 2003.

"As a result of its meeting, the EDPAB recommended that the Authority's Trustees *{approve}* the allocations to the 23 businesses listed in Exhibits '4-A' and '4-B'. Exhibit '4-A' lists those businesses that were recommended to have their existing allocation extended under phase five of the program while those businesses listed in Exhibit '4-B' are being recommended for new allocations. Collectively, these organizations have agreed to create or retain over 4,900 jobs in New York State in exchange for allocations totaling 10.37 MW. The allocation contracts will be for a period of up to three years but not to extend beyond December 31, 2005. The power will be wheeled by the investor-owned utilities as indicated in the exhibits. The basis for EDPAB's recommendations is also included in the exhibits.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocations of power under the Power for Jobs program to the companies listed in Exhibits '4-A' and '4-B'.

"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.

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 10.37 MW of allocations of Power for Jobs power to the companies listed in Exhibits "4-A" and "4-B";

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

RESOLVED, That a total of 10.37 MW of power purchased by the Authority for Power for Jobs be sold to the utilities that serve such Customers for resale to them for a period of up to three years, but not to extend beyond December 31, 2005, under the terms of both the Authority's Power for Jobs sale for resale contracts with the utilities and separate allocation contracts between the Authority and such Customers; and be it further

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

New York Power Authority
Power for Jobs
Recommendations for Phase 5 Re-Allocations

Exhibit "4-A"
March 20, 2003

	Company	City	County	IOU	KW	Jobs	Jobs/ MW	Business Type	Description
1	American Indian Community House, Inc.	New York	New York	Con Ed	40	41	1,025	NFP	Social support agency serving Native Americans in NYC
2	Comco Plastics, Inc.	Woodhaven	Queens	Con Ed	500	93	186	Large	Makes precision plastic parts
3	Coney Island USA	Brooklyn	Kings	Con Ed	15	6	400	NFP	Arts organization
4	Orazio & Sons Meats	Brooklyn	Kings	Con Ed	30	6	200	Small	Wholesale meat plant
5	Ruby Freeman, Inc.	Brooklyn	Kings	Con Ed	20	9	450	Small	Produce is stored, cut, smoked , packaged and distributed
6	The New 42nd Street	New York	New York	Con Ed	100	59	590	NFP	Theater & Social Services
7	The Writers Room	New York	New York	Con Ed	15	3	200	NFP	Organization dedicated to providing writers work space
				7	**720**	**217**	**301**		
8	BOC Edwards Pharmaceutical Systems	Tonawanda	Erie	NIMO	350	197	563	Small	Semiconductors and related devices
9	Curtis Screw	Buffalo	Erie	NIMO	300	132	440	Large	Manufacturer of precision machined parts
				2	**650**	**329**	**506**		
10	Moorgood Tools, Inc.	Rochester	Monroe	RG&E	**200**	**69**	**345**	Small	Manufacturer of cutting tools
				Totals	**1,570**	**615**	**392**		

New York Power Authority
Power for Jobs
Recommendations for Phase 5 New Allocations

Exhibit "4-B"
March 20, 2003

	New Company	City	County	IOU	kW	Jobs New	Jobs Retained	Jobs Total	Jobs/mW	Type	Description
1	AT&T Corporation	New York	New York	Con Ed	1,000	-	137	137	137	Large	Voice, data, video and internet communications
2	Clay Park Labs, Inc.	Bronx	Bronx	Con Ed	1,000	15	470	485	485	Large	Pharmaceutical products
3	Diamond Ice Cube Co. Inc.	Bronx	Bronx	Con Ed	75	3	18	21	280	Small	Manufacture and storage of ice products
				3	**2,075**	**18**	**625**	**643**	**310**		
4	B.H. Aircraft Company, Inc.	Ronkonkoma	Suffolk	LIPA	525	15	92	107	204	Large	Noise suppression hardware for jet engine and gas turbine components
5	Dayton T. Brown, Inc.	Bohemia	Suffolk	LIPA	1,000	65	266	331	331	Large	Test systems for industrial, commercial and military requirements
				2	**1,525**	**80**	**358**	**438**	**204**		
6	Albany Institute of History & Art	Albany	Albany	NIMO	150	-	26	26	173	NFP	Museum
7	Crowley Foods, LLC	Lafargeville	Jefferson	NIMO	1,000	-	153	153	153	Large	Manufactures cultured and whey products
8	Ellis Hospital	Schenectady	Schenectady	NIMO	1,000	15	1,213	1,228	1,228	NFP	Health Services
9	Fedco Automotive Components Co. Inc.	Buffalo	Erie	NIMO	400	-	124	124	310	Large	Manufactures automotive heater cores for aftermarket
10	Sabin Metal Corporation	Scottsville	Monroe	NIMO	1,000	-	198	198	198	Large	Precious metal refiner
11	Samaritan Medical Center	Watertown	Jefferson	NIMO	600	150	1,155	1,305	2,175	NFP	Health Services
12	Sonoco Flexible Packaging	Fulton	Oswego	NIMO	800	-	123	123	154	Large	Flexible packaging for the confectionary market.
13	The Ontario Knife Company	Franklinville	Cattaraugus	NIMO	250	9	48	57	228	Large	Cutlery products.
				3	**5,200**	**174**	**3,040**	**3,214**	**618**		
				Totals	**8,800**	**272**	**4,023**	**4,295**	**488**		

5. 2002 Annual Report on Investment of Authority Funds

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to review and approve the attached 2002 Annual Report on Investment of Authority Funds (Exhibit '5-A').

BACKGROUND

"Section 2925 of the Public Authorities Law requires the review and approval of an annual report on investments. Pursuant to the statute, the attached report includes Investment Guidelines that set standards for the management and control of the Authority's investments, a summary of the Guidelines, the total investment income earned in 2002, a statement on fees paid for investment services, the results of an independent audit, a detailed inventory report for each of the Authority's five portfolios at December 31, 2002, and a summary of purchases from dealers and banks. The approved annual report is filed with the State Division of Budget, with copies to the Department of Audit and Control, the Senate Finance Committee and the Assembly Ways and Means Committee. The report is also available to the public upon reasonable request therefor.

DISCUSSION

"In 2002, the Authority's investment portfolios, exclusive of the Nuclear Decommissioning Trust Fund, averaged $605 million and earned $28 million. This is $8 million less than in 2001. The decline in investment earnings is due to a decrease in the average size of the portfolio and substantially lower re-investment rates from 2001 levels. Income for the year from the Authority's portfolios had an average yield of 4.62% and trailed the Authority's established performance measure by 27 basis points (27/100 of one percent). The performance benchmark is the three-year rolling average yield on the two-year Treasury note plus 15 basis points.

"At December 31, 2002, the portfolio consisted of 10% in direct obligations of the U.S. Government; 75% in Agencies of the U.S. Government; 1% in Certificates of Deposits and Repurchase Agreements and 14% in Municipal Bonds.

"The Nuclear Decommissioning Trust Fund (the 'Trust') account paid $702,518 in fees to The Bank of New York, Blackrock and Tattersall Advisory Group for investment management services. The managers are paid a percentage of the funds managed, and in 2002, fees represented approximately 10 basis points. At year-end, the Trust's market value was approximately $703 million. The Nuclear Regulatory Commission ('NRC') mandates that decommissioning reserves be held exclusively for decommissioning purposes, meet certain minimum requirements, be segregated from the Authority's other assets, and be beyond the day-to-day administrative control of the Authority to afford protection from the claims of creditors in the event of bankruptcy. To comply with this mandate, the Trustees approved a Master Decommissioning Trust at their meeting of June 26, 1990. The Trust allows for investments in a broad range of high quality government and corporate fixed income securities. At their meeting of March 25, 1997, the Trustees authorized the investment of up to 25% of the portfolio in equity index funds that track the Standard & Poors' ('S&P') 500 Index including up to 5% of the equity portfolio in S&P 500 Index futures. The Master Decommissioning Trust was amended on November 21, 2000 upon the closing of the sale of the Indian Point 3 and James A. FitzPatrick nuclear plants to Entergy. While the Trust reserves remain pledged exclusively for the decommissioning of the two nuclear plants, the amendment increased to 35% the percentage of the portfolio which may be invested in equity index funds. Recognizing the greater flexibility for investment types and duration, the Trust's fixed income performance is measured against the Lehman Bond Index, while the Trust's equity performance is measured against the S&P 500.

"In 2002, the Trust experienced a composite rate of return of 2.05%. The fixed income portion of the Trust experienced a net return of 10.83%, compared to 10.26% for the Lehman Bond Index. Since its inception in August 1990, the fixed income portion of the Trust's annualized total return has been 8.36% and has outperformed the benchmark by 17 basis points. The Trust is currently yielding approximately 4.36%. The return on the equity portion of the Trust's performance for 2002 was negative 21.99% as compared to a negative 22.10% for the S&P 500 Index. At the end of 2002, approximately 22% of the Trust's book value was invested in equity index funds. The management of these funds is competitively bid on a regular basis.

"In connection with its examination of the Authority's financial statements, PriceWaterhouseCoopers, L.L.P. performed tests of the Authority's compliance with certain provisions of the Investment Guidelines, the State Comptroller's Investment Guidelines and Section 2925 of the Public Authorities Law. Its report, a copy of which is attached as Exhibit 'B', states that the results of such examination disclosed no instances where the Authority was not in compliance with these Guidelines.

"The Investment Guidelines and procedures have not been amended since last presented and approved by the Trustees at their meeting of March 27, 2001.

RECOMMENDATION

"The Acting Treasurer recommends that the Trustees approve the attached 2002 Annual Report on Investment of Authority Funds.

"The Executive Vice President, Secretary and General Counsel, the Senior Vice President and 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 2002 Annual Report on Investment of Authority Funds be, and hereby is, approved.

Exhibit "5-A"
March 20, 2003

NEW YORK POWER AUTHORITY
INVENTORY REPORT BY PORTFOLIO AND SECURITY TYPE
HOLDINGS AS OF: 12/31/02

Section IV

CUSIP	SECURITY DESCRIPTION	PAR AMOUNT	MATURITY DATE	COUPON RATE	B/E YLD TO MAT'Y	SETTLEMENT PRINCIPAL	SETTLEMENT INTEREST PURCHASED	TOTAL SETTLEMENT AMOUNT
PORTFOLIO: NIAGARA								
Municipal								
592598R65	MUNICIPAL BOND	5,000,000.00	07/01/03	5.000	4.510	5,058,250.00		5,058,250.00
594689CA7	MUNICIPAL BOND	5,000,000.00	11/01/03	5.600	4.340	5,168,400.00		5,168,400.00
64966ATN5	MUNICIPAL BOND	3,655,000.00	08/01/04	5.000	4.250	3,744,584.05		3,744,584.05
649668GW4	MUNICIPAL BOND	7,500,000.00	08/01/05	5.000	4.481	7,660,800.00		7,660,800.00
64966ATQ8	MUNICIPAL BOND	3,370,000.00	08/01/06	5.000	4.340	3,478,749.90		3,478,749.90
13066YBD0	CAL ST DPT WTR RES PWR	2,500,000.00	05/01/22	1.800	1.834	2,500,000.00	7,750.00	2,507,750.00
254839RY1	DISTRICT COLUMBIA	2,000,000.00	08/15/38	1.230	3.834	2,000,000.00		2,000,000.00
45200PAW7	ILL HLTH FAC	225,000.00	05/15/29	1.350	1.578	225,000.00		225,000.00
Subtotal:	Municipal	29,250,000.00			4.124	29,835,783.95	7,750.00	29,843,533.95
Subtotal: PORTFOLIO: NIAGARA		**29,250,000.00**			**4.124**	**29,835,783.95**	**7,750.00**	**29,843,533.95**
PORTFOLIO: NOTE DEBT RES.								
FHLN								
3129243T8	FHLMC CALL 2/14/03	1,350,000.00	02/14/05	4.150	4.195	1,348,312.50		1,348,312.50
3134A4RA4	FHLMC	4,950,000.00	09/15/05	2.875	2.425	5,011,320.60	28,067.19	5,039,387.79
Subtotal:	FHLN	6,300,000.00			2.804	6,359,633.10	28,067.19	6,387,700.29
Municipal								
649787PK8	MUNICIPAL BOND	5,000,000.00	03/15/06	6.125	6.020	5,029,550.00		5,029,550.00
Subtotal:	Municipal	5,000,000.00			6.020	5,029,550.00		5,029,550.00

NEW YORK POWER AUTHORITY
INVENTORY REPORT BY PORTFOLIO AND SECURITY TYPE
HOLDINGS AS OF: 12/31/02

CUSIP	SECURITY DESCRIPTION	PAR AMOUNT	MATURITY DATE	COUPON RATE	B/E YLD TO MAT'Y	SETTLEMENT PRINCIPAL	SETTLEMENT INTEREST PURCHASED	TOTAL SETTLEMENT AMOUNT
Treasury Note								
9128276Z0	TREASURY NOTE	4,945,000.00	06/30/03	3.875	3.929	4,939,977.73		4,939,977.73
9128274U3	TREASURY NOTE	3,745,000.00	11/15/03	4.250	4.934	3,637,623.83		3,637,623.83
Subtotal:	Treasury Note	8,690,000.00			4.362	8,577,601.56		8,577,601.56
Subtotal: PORTFOLIO: NOTE DEBT RES.		19,990,000.00			4.286	19,966,784.66	28,067.19	19,994,851.85
PORTFOLIO: OPER-SPENT FUEL								
CMO								
911760PT7	VENDEE MTG TRUST	3,000,000.00	12/15/23	7.000	6.969	3,044,765.64		3,044,765.64
911760PU4	VENDEE MTG TRUST	3,000,000.00	12/15/25	7.000	6.978	3,043,242.00		3,043,242.00
Subtotal:	CMO	6,000,000.00			6.974	6,088,007.64		6,088,007.64
FHLN								
31393GB29	FHR 2538 AQ	15,000,000.00	12/15/17	5.000	4.905	15,113,671.95	60,416.67	15,174,088.62
313398PE3	FHR 2334 PH	15,000,000.00	12/15/29	6.500	6.606	14,936,718.75		14,936,718.75
Subtotal:	FHLN	30,000,000.00			5.756	30,050,390.70	60,416.67	30,110,807.37
GNMA								
36219N7E4	GNMA POOL # 254793	6,433.17	06/15/03	9.500	9.897	6,342.70		6,342.70
36219MN73	GNMA POOL # 253414	3,108.62	08/15/03	9.500	9.895	3,064.92		3,064.92
36219F4K0	GNMA POOL # 248426	4,742.91	09/15/03	9.500	9.894	4,676.18		4,676.18
36219G6J9	GNMA POOL # 249373	3,323.23	10/15/03	9.500	9.893	3,276.49		3,276.49
36219V4M1	GNMA POOL # 261028	7,500.52	10/15/03	9.500	9.893	7,395.04		7,395.04
36220TBV5	GNMA POOL # 287252	8,660.77	01/15/05	9.500	9.897	8,530.84		8,530.84
36220SBN5	GNMA POOL # 286345	8,299.19	03/15/05	9.500	9.896	8,174.54		8,174.54
36220UXP1	GNMA POOL # 288786	29,299.17	06/15/05	9.000	9.214	29,125.19		29,125.19
3622002C0	GNMA POOL # 293371	31,767.90	08/15/05	9.500	9.337	32,284.12		32,284.12

NEW YORK POWER AUTHORITY
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CUSIP	SECURITY DESCRIPTION	PAR AMOUNT	MATURITY DATE	COUPON RATE	B/E YLD TO MAT'Y	SETTLEMENT PRINCIPAL	SETTLEMENT INTEREST PURCHASED	TOTAL SETTLEMENT AMOUNT
36220WQS9	GNMA POOL # 290365	47,175.07	08/15/05	10.000	9.678	48,398.61		48,398.61
3622003D7	GNMA POOL # 293396	14,820.39	09/15/05	9.500	9.457	14,959.37		14,959.37
362200J81	GNMA POOL # 292887	104,148.31	09/15/05	9.000	9.219	103,497.42		103,497.42
362200LT2	GNMA POOL # 292938	13,839.60	10/15/05	9.500	9.459	13,969.25		13,969.25
36223H2T3	GNMA POOL # 308686	943.05	06/15/06	8.000	6.947	1,001.99		1,001.99
36223NCW2	GNMA POOL # 312485	9,104.63	08/15/06	8.000	6.959	9,673.67		9,673.67
36224W4S9	GNMA POOL #341133	21,325.46	05/15/08	6.500	6.765	21,078.89		21,078.89
36203GP72	GNMA POOL #348846	5,482.24	06/15/08	6.500	6.764	5,418.85		5,418.85
36203JXH5	GNMA POOL # 350880	11,385.46	08/15/08	8.000	7.058	12,107.73		12,107.73
36224VEU5	GNMA POOL #339547	2,926.17	08/15/08	6.500	6.762	2,892.34		2,892.34
36204CB91	GNMA POOL #365564	1,147.02	09/15/08	6.500	6.761	1,133.75		1,133.75
36204DDT3	GNMA POOL #366514	149,158.94	09/15/08	6.500	6.586	147,434.29		147,434.29
36224EJJ3	GNMA POOL #326165	47,304.77	10/15/08	6.500	6.586	46,757.80		46,757.80
36225APP9	GNMA POOL #780430	4,538,610.42	10/15/08	8.000	6.917	4,765,540.94		4,765,540.94
36204FAP9	GNMA POOL #368214	5,084.60	12/15/08	6.500	6.586	5,025.81		5,025.81
36224BGH6	GNMA POOL #323400	42,233.53	12/15/08	6.500	6.586	41,745.20		41,745.20
36203PL50	GNMA POOL #355048	2,949.19	01/15/09	6.500	6.586	2,915.09		2,915.09
36204WXH5	GNMA POOL #382380	7,227.50	01/15/09	6.500	6.586	7,143.93		7,143.93
36204LKH3	GNMA POOL #372896	282,600.14	04/01/09	6.500	6.586	279,332.57		279,332.57
36204YT37	GNMA POOL #384070	75,197.44	04/15/09	6.500	6.586	74,327.97		74,327.97
36203VER7	GNMA POOL #360244	153,670.78	05/15/09	6.500	6.586	151,893.96		151,893.96
36204TQB3	GNMA POOL #379450	211,696.59	05/15/09	6.500	6.586	209,248.85		209,248.85
36204XND3	GNMA POOL #382988	263,707.02	05/15/09	6.500	6.586	260,657.91		260,657.91
36206XKC6	GNMA POOL #G424291	484,107.42	02/20/11	6.000	6.813	461,717.45		461,717.45
36202CNG4	GNMA POOL #G22191	126,857.79	03/20/11	6.000	6.891	120,395.97		120,395.97
36202CN25	GNMA POOL #G22209	651,594.73	04/20/11	6.000	6.962	615,625.03		615,625.03
36202CPF4	GNMA POOL #G22222	419,797.77	04/20/11	5.500	6.700	390,411.93		390,411.93
36202CPG2	GNMA POOL #G22223	394,858.51	05/20/11	6.000	6.908	374,195.12		374,195.12
Subtotal:	GNMA	8,192,090.01			6.939	8,291,371.70		8,291,371.70
Project Loan								
159996VD6	PROJ LN-REILLY #46	192,032.48	07/01/12	6.860	6.947	191,312.36		191,312.36
158995MV9	PROJ LN-USGI 2028	3,423,893.32	05/01/15	6.930	6.594	3,530,889.99		3,530,889.99

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38373MAM2	GNMA POOL #GNR 2001-34	4,698,050.21	11/16/15	5.481	5.509	4,698,050.21		4,698,050.21
36204AKT1	PROJ LN-GNMA PL	4,179,804.89	07/01/17	8.250	8.158	4,242,501.96		4,242,501.96
31392FCF2	FANNIE MAE 2002-70 DB	14,932,769.27	11/25/17	5.000	4.991	14,942,102.25		14,942,102.25
163992WY2	PL USGI 2048	4,554.09	11/01/19	9.294	8.882	4,741.95		4,741.95
31342*E99	PL HS 10806 MORISANIA	3,476,703.09	04/01/20	8.950	9.074	3,476,703.09		3,476,703.09
38373MAN0	GNMA POOL #GNR 2001-34	5,000,000.00	10/16/20	6.380	6.432	5,000,000.00		5,000,000.00
699999XW3	PROJ LN-REILLY #19	4,765,353.38	12/01/20	7.430	6.643	5,170,408.42		5,170,408.42
30299WML7	PL CAMERON 1F	6,904,865.96	11/01/21	7.350	8.605	5,904,746.24		5,904,746.24
149994WR2	PROJ LN-USGI 2083	1,502,241.41	07/01/23	7.250	8.147	1,338,405.65		1,338,405.65
36225BM21	GNMA POOL #781277	11,224,034.69	12/15/28	7.000	6.757	11,557,248.22		11,557,248.22
38373XZ33	GNMA POOL #2002-51	20,000,000.00	12/20/29	6.000	5.835	20,435,937.60		20,435,937.60
38373TSA4	GNMA POOL #2002-62	10,000,000.00	01/20/31	6.000	6.168	9,883,203.10		9,883,203.10
38373WEP9	GNMA POOL #2002-18	29,800,000.00	03/20/31	6.500	6.523	29,921,187.55		29,921,187.55
313921Z84	FANNIE MAE 2001-60 ME	20,000,000.00	09/30/31	6.000	6.035	20,038,281.20		20,038,281.20
36208GX78	GNMA POOL #GN450802	18,802,275.93	09/15/40	6.630	6.570	19,093,262.72		19,093,262.72
Subtotal:	Project Loan	158,906,578.72			6.408	159,428,982.50		159,428,982.50
Subtotal: PORTFOLIO: OPER-SPENT FUEL		203,098,668.73			6.350	203,858,752.53	60,416.67	203,919,169.20
PORTFOLIO: OPERATING - LDP								
Repurchase Agmt								
	FIRST NIAGARA BANK	146,153.00	01/09/03	3.920	3.974	146,153.00		146,153.00
	M & T BANK	500,000.00	01/10/03	3.880	3.934	500,000.00		500,000.00
	HSBC	148,668.00	01/10/03	3.950	4.005	148,668.00		148,668.00
	NBT BANK	57,000.00	01/23/03	0.450	0.456	57,000.00		57,000.00
	Wyoming County Bank	21,917.00	02/14/03	2.590	2.626	21,917.00		21,917.00
	M & T BANK	43,083.00	02/21/03	2.500	2.535	43,083.00		43,083.00
	M & T BANK	212,250.00	02/21/03	2.630	2.667	212,250.00		212,250.00
	CAYUGA BANK	91,139.00	02/21/03	3.460	3.508	91,139.00		91,139.00
	BALLSTON SPA NATL BANK	78,700.00	03/11/03	2.040	2.068	78,700.00		78,700.00
	M & T BANK	159,500.00	03/18/03	0.880	0.892	159,500.00		159,500.00

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	HSBC	166,058.00	03/28/03	2.390	2.423	166,058.00		166,058.00
	M & T BANK	71,000.00	04/09/03	1.440	1.460	71,000.00		71,000.00
	M & T BANK	64,570.00	04/18/03	2.060	2.089	64,570.00		64,570.00
	EVERGREEN BANK	77,156.00	04/18/03	2.170	2.200	77,156.00		77,156.00
	HSBC	287,622.00	04/24/03	2.400	2.433	287,622.00		287,622.00
	M & T TRUST COMPANY	395,000.00	05/21/03	2.130	2.160	395,000.00		395,000.00
	HSBC	84,622.00	05/29/03	2.310	2.342	84,622.00		84,622.00
	Cayuga Bank	275,558.00	06/06/03	2.400	2.433	275,558.00		275,558.00
	ALLIANCE BANK	306,149.00	06/27/03	2.500	2.535	306,149.00		306,149.00
	M & T BANK	166,500.00	08/20/03	0.250	0.253	166,500.00		166,500.00
	HSBC	247,500.00	08/22/03	0.750	0.760	247,500.00		247,500.00
	M&T BANK	71,000.00	09/18/03	1.440	1.460	71,000.00		71,000.00
	M & T TRUST CO	192,000.00	10/02/03	0.560	0.568	192,000.00		192,000.00
	HSBC BANK USA	99,377.00	12/05/03	0.960	0.973	99,377.00		99,377.00
	M & T BANK	66,315.00	12/05/03	0.938	0.951	66,315.00		66,315.00
	M & T BANK	338,000.00	12/05/03	1.060	1.075	338,000.00		338,000.00
Subtotal:	Repurchase Agmt	4,366,837.00			2.176	4,366,837.00		4,366,837.00
Subtotal: PORTFOLIO: OPERATING - LDP		4,366,837.00			2.176	4,366,837.00		4,366,837.00
PORTFOLIO: OPERATING FUND								
FHLN								
3133M0FK2	FHLB FX	5,000,000.00	05/26/04	7.000	7.595	4,898,865.00		4,898,865.00
3133MFVA3	FHLB	5,000,000.00	06/28/04	4.750	4.780	4,995,850.00		4,995,850.00
312925C99	FMCNT FLOAT 8/8/03	10,000,000.00	02/08/05	1.910	2.063	10,000,000.00		10,000,000.00
3134A4RA4	FHLMC	21,625,000.00	09/15/05	2.875	2.949	21,578,268.00	2,116.32	21,580,384.32
312925J76	FHLMC CALL 8/22/03	20,000,000.00	08/22/06	4.020	4.020	20,000,000.00		20,000,000.00
3134A2UJ5	FHLMC	65,000,000.00	10/15/08	5.125	4.540	67,023,452.60	19,218.75	67,042,671.35
Subtotal:	FHLN	126,625,000.00			4.121	128,496,435.60	21,335.07	128,517,770.67
FNMA								
3136F1KY5	FNMA CALLABLE 2/11	9,700,000.00	02/11/04	3.310	3.362	9,690,300.00		9,690,300.00

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31359MMG4	FNMA	10,000,000.00	06/15/04	3.000	3.103	9,980,400.00		9,980,400.00
31359MMG5	FNMA	15,000,000.00	03/15/05	3.875	3.959	14,963,700.00		14,963,700.00
Subtotal:	FNMA	34,700,000.00			3.545	34,634,400.00		34,634,400.00
Municipal								
13066YBD0	CAL ST DPT WTR RES PWR	30,000,000.00	05/01/22	1.800	1.834	30,000,000.00	85,500.00	30,085,500.00
Subtotal:	Municipal	30,000,000.00			1.834	30,000,000.00	85,500.00	30,085,500.00
Strip								
912833CU2	STRIP N/C	15,000,000.00	08/15/08		8.220	4,084,500.00		4,084,500.00
Subtotal:	Strip	15,000,000.00			8.220	4,084,500.00		4,084,500.00
Treasury Note								
9128276U1	TREASURY NOTE	11,675,000.00	02/28/03	4.625	4.156	11,769,714.84		11,769,714.84
9128276V9	TREASURY NOTE	19,650,000.00	03/31/03	4.250	4.269	19,642,538.23		19,642,538.23
9128276Y3	TREASURY NOTE	20,000,000.00	05/31/03	4.250	4.291	19,984,375.00		19,984,375.00
9128277C0	TREASURY NOTE	10,000,000.00	08/31/03	3.625	2.739	10,164,843.75		10,164,843.75
9128277K2	TREASURY NOTE	20,000,000.00	01/31/04	3.000	2.941	20,022,570.87		20,022,570.87
Subtotal:	Treasury Note	81,325,000.00			3.744	81,584,042.69		81,584,042.69
Subtotal: PORTFOLIO: OPERATING FUND		287,650,000.00			3.920	278,799,378.29	106,835.07	278,906,213.36
PORTFOLIO: POLETTI CCP								
FFCB								
31331LXW3	FEDERAL FARM CREDIT BAN	28,500,000.00	12/15/04	3.875	2.488	29,319,945.00		29,319,945.00
Subtotal:	FFCB	28,500,000.00			2.488	29,319,945.00		29,319,945.00

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FHLN								
313588KT1	FHDN	39,000,000.00	08/22/03		1.794	38,425,562.51		38,425,562.51
3133MJVZ0	FHLB FX	60,000,000.00	11/14/03	2.500	1.890	60,381,600.00		60,381,600.00
3134A4JH8	FHLMC	50,000,000.00	12/15/03	3.250	1.943	50,735,500.00		50,735,500.00
3134A4PH1	FHLMC	25,000,000.00	04/15/04	3.750	2.216	25,554,350.00	20,833.33	25,575,183.33
3134A4EX8	FHLMC	12,500,000.00	05/15/04	5.000	2.226	13,029,000.00		13,029,000.00
3134A4LX0	FHLMC	12,500,000.00	11/15/04	3.250	2.485	12,690,875.00		12,690,875.00
3133MTB64	FHLB FX-CALL 2/03	5,000,000.00	11/19/04	2.845	2.845	5,000,000.00		5,000,000.00
Subtotal:	FHLN	204,000,000.00			2.005	205,816,887.51	20,833.33	205,837,720.84
FNMA								
31359MLR2	FNMA	12,500,000.00	11/15/03	3.125	1.885	12,662,000.00		12,662,000.00
31359MNG4	FNMA	25,000,000.00	06/15/04	3.000	2.310	25,276,575.00		25,276,575.00
31331QCK1	FNMA	25,000,000.00	10/01/04	2.375	2.413	24,981,500.00	82,465.28	25,063,965.28
31331QGE1	FNMA-CALL 2/03	5,000,000.00	11/04/04	2.700	2.832	4,987,250.00		4,987,250.00
31359MMG5	FNMA	49,600,000.00	03/15/05	3.875	2.676	50,969,952.00	202,877.78	51,172,829.78
Subtotal:	FNMA	117,100,000.00			2.464	118,877,277.00	285,343.06	119,162,620.06
Municipal								
13066YBB4	CAL ST DPT WTR RES PWR	28,700,000.00	05/01/22	1.800	1.834	28,700,000.00	53,870.00	28,753,870.00
13066YBC2	CAL ST DPT WTR RES PWR	25,550,000.00	05/01/22	1.800	1.834	25,550,000.00	2,555.00	25,552,555.00
13066YBD0	CAL ST DPT WTR RES PWR	17,500,000.00	05/01/22	1.800	1.834	17,500,000.00	54,250.00	17,554,250.00
Subtotal:	Municipal	71,750,000.00			1.834	71,750,000.00	110,675.00	71,860,675.00
Subtotal:	**PORTFOLIO: POLETTI CCP**	**421,350,000.00**			**2.136**	**425,764,109.51**	**416,851.39**	**426,180,960.90**
GRAND TOTAL		**965,705,505.73**			**3.658**	**962,591,645.94**	**619,920.32**	**963,211,566.26**

Exhibit "5-B"
March 20, 2003

Section V

POWER AUTHORITY OF THE STATE OF NEW YORK
Summary of Bids Solicited for the Purchase or Sale
of Securities and Transactions Consummated with Dealers
For the Year Ended December 31, 2002

Primary Dealers	**Bids Accepted**	**Bids Solicited**	**Securities Purchased/Sold**	**CDs and Repurchase Agreements**	**Total Transactions**
Duetsche Bank	90	131	890,645,214	0	890,645,214
First Union Bank	2	2	0	29,300,000	29,300,000
Fleet Bank	0	1	0	0	0
Fuji Securities	127	178	0	4,812,000,000	4,812,000,000
Goldman Sachs	19	19	15,129,861	0	15,129,861
JP Morgan Chase	41	43	613,887,483	0	613,887,483
Key Bank	28	28	0	4,483,669	4,483,669
Lehman Brothers	71	251	294,863,336	1,946,500,000	2,241,363,336
Merrill Lynch	16	57	272,401,772	0	272,401,772
Salomon Smith Barney	31	290	298,473,538	0	298,473,538
	425	1000	2,385,401,204	6,792,283,669	9,177,684,873
Minority Owned Dealers					
Blaylock & Partners	18	43	277,842,835	0	277,842,835
Redwood Securities	14	18	238,735,902	0	238,735,902
SUB-TOTAL	32	61	516,578,737	0	516,578,737
Grand Total	**457**	**1061**	**2,901,979,941**	**6,792,283,669**	**9,694,263,610**

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6. Niagara Power Project Relicensing -
<u>Capital Expenditure Authorization Request</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve an additional $4.7 million in capital expenditures for license-related activities in 2003 at the Niagara Power Project. Approximately 40 studies will be commenced in 2003 to gather the information necessary to complete the Environmental Assessment. To date, the Trustees have approved $26.5 million for this effort of which approximately $22.1 million has been spent. The current request would increase the total authorized amount for this project to $31.2 million.

BACKGROUND

"The Authority's federal license for the Niagara Power Project expires in August 2007. In accordance with the Federal Energy Regulatory Commission ('FERC') regulations, the Authority's application for a new license must be filed by August 2005. At their meeting of April 30, 2002, the Trustees approved additional expenditures of $6.7 million for the Niagara relicensing effort to cover expenses through 2002.

DISCUSSION

"Last year, the Authority began an extensive outreach effort to help community leaders and resource agencies better understand the Authority's operations in the region and across the state. The Authority also has established a web site to assist in distributing information to stakeholders about the relicensing process.

"In July, the FERC approved the Authority's request to use an Alternative Licensing Process that would encourage enhanced public participation. In August, the Authority filed its Notice of Intent to re-license the Niagara Project with FERC. In October, stakeholder groups assisted the Authority in selecting a neutral third-party facilitator, CDR Associates of Boulder, Colo., to assist in the scoping phase of the relicensing process.

"The Alternative Licensing Process began with the distribution of the two-volume First Stage Consultation Report in December. Scoping meetings began in Niagara Falls in January and are scheduled to be held every other week through the Spring. At these meetings, participants - including stakeholders, Authority staff members and state and federal regulators - work to identify all relevant relicensing issues as well as the type of information needed to address these concerns.

"The result of these sessions will be a report known as Scoping Document 1, which will define the scope of an Applicant-Prepared Environmental Assessment ('Environmental Assessment') the Authority will develop as part of its relicensing application. Once Scoping Document 1 is published and distributed this summer, public meetings will be scheduled to solicit additional comments from members of the community unable to attend the biweekly scoping meetings.

"The Authority is sponsoring an array of studies - some already under way, others to begin later this year - that will provide further information on the Niagara project and its impact on the local region.

"Besides its application for a new license from FERC, the Authority must also apply for a new Water Quality Certificate from the state Department of Environmental Conservation as part of the relicensing.

"Cooperative facilitated public scoping of an Environmental Assessment and its underlying studies will be the initial focus of efforts this year. Following scoping, detailed scopes of services for studies will be prepared. Approximately 40 studies will be commenced in 2003, to gather the information necessary to complete the Environmental Assessment. In addition, it may be necessary to conduct additional, short term studies identified by the stakeholders after the commencement of the Alternative Licensing Process in 2003.

FISCAL INFORMATION

"Funds were included in the approved 2003 budget. It is anticipated that these funds will cover expenses through the end of 2003. Funds through 2007 will be included in future budget submittals. Payments will be made from a combination of the Niagara Bond and Note proceeds and the Authority's Capital Fund.

RECOMMENDATION

"The Senior Vice President - Public & Governmental Affairs recommends that the Trustees approve additional capital expenditures of $4.7 million for the Niagara PowerProject relicensing effort in 2003.

"The Executive Vice President - Project Operations, the Executive Vice President, Secretary and General Counsel, the Executive Vice President - Business Services and Administration, and I concur in the recommendation."

Mr. Osinski presented the highlights of staff's recommendations to the Trustees.

Responding to questions from Vice Chairman McCullough, Mr. Osinski explained that the memorandum to the Trustees does recommend the authorization of funds to perform and complete any necessary studies. Mr. Osinski also went on to explain the nature and purpose of Scoping Document 1, reiterating that this document will define the scope of the Applicant-Prepared Environmental Assessment which the Authority will develop as part of the relicensing application process.

Responding to further questions from Vice Chairman McCullough, Mr. Barden reported that Scoping Document 1 would result in the preparation of a "Scoping Document 2." Mr. Barden elaborated, noting that the ultimate scope of the licensing process will be determined by the Authority and that the scoping process should be concluded by April or early May.

Responding to questions from Trustee Seymour, Mr. Osinski reported that over five hundred relicensing issues have arisen and Mr. Barden noted that the full extent of the Authority's obligations will not be established until the various studies are complete.

Upon request by Chairman Ciminelli, Mr. Barden stated that staff would prepare budget reports for the Trustees summarizing expenses related to the licensing process.

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

RESOLVED, That additional capital expenditures are hereby approved in accordance with the Authority's Expenditure Authorization Procedures, as recommended in the foregoing report of the President and Chief Executive Officer, in the amount and for the purpose listed below:

Expenditure Authorization	**Niagara Relicensing**
Previous Authorization	**$26.5 million**
Current Request	**$ 4.7 million**
TOTAL AMOUNT AUTHORIZED	**$31.2 million**

7. St. Lawrence-FDR Power Project – Relicensing Expenditure Authorization 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 expenditures of $66.8 million for 2003 compliance and implementation costs associated with the new license for the St. Lawrence-FDR Power Project ('Project') that the Federal Energy Regulatory Commission ('FERC') is expected to issue in September 2003. Additional compliance and implementation costs beyond 2003 are estimated to be $91.4 million, although the scope of these expenditures will not be finalized until the FERC issues, and the Authority accepts, the new license. To date, $5.8 million has been expended primarily related to the settlement agreements with local governments.

BACKGROUND

"At their meeting of October 30, 2001, the Trustees approved the filing of the applications for the FERC license and the New York State Department of Environmental Conservation ('DEC') water quality certificate for the Project. In the applications, the Authority proposed a number of enhancements to benefit the local communities, State Parks, and the environment. The Trustees were advised that conceptual agreements had been reached with the Local Government Task Force ('Local Governments'); the Office of Parks, Recreation and Historic Preservation ('OPRHP'); DEC; the U. S. Fish and Wildlife Service ('USFWS') and New York Rivers United ('NYRU').

"Since the filing of the applications in October 2001, staff has negotiated formal detailed agreements based on the conceptual agreements. Based on the Trustees' actions of October 2001 and July 2002, the Authority entered into a number of settlement agreements with the various parties of interest. These include agreements with: Local Governments for community enhancements at an estimated cost of $48 million; DEC, USFWS, and NYRU on ecological issues at an estimated cost of $23 million; USFWS for a Fish Enhancement, Mitigation, and Research Fund ('FEMRF') and for installation of an eel ladder at the Project at an estimated cost of $25.6 million; and with OPRHP covering rehabilitation and improvements at Coles Creek and Robert Moses state parks at a cost of $11.2 million. (The above costs are stated in 2003 dollars.)

"On February 6, 2003, the Authority filed an Offer of Settlement with FERC which included the aforementioned formal agreements. The Offer of Settlement also included the settlement agreement with the St. Lawrence Aquarium and Ecological Center ('SLAEC'), which was authorized by the Trustees in June 2001 to provide a significant portion of the funds required for the construction of the Aquarium. The estimated cost for the SLAEC agreement, including accrued interest, is $24.6 million. Thus, the total cost of the Offer of Settlement is estimated to be $132.4 million (2003 dollars), as shown below:

Ecological Agreement	$ 23.0 million
FEMRF Agreement	25.6
Local Governments Agreement.	48.0
OPRHP Agreement	11.2
SLAEC Agreement	24.6
TOTAL	$132.4 million

"In December 2002, FERC issued a Notice that the License Application was Ready for Environmental Analysis. The Notice included a schedule for the completion of Project relicensing with FERC issuing an order as to its decision on the Application (i.e., New License Issuance) in September 2003. Although FERC indicated that revisions to the schedule are possible, it is anticipated that the schedule for new license issuance will be met.

DISCUSSION

"It is anticipated that the issuance of the new license in September 2003, and acceptance by the Authority shortly thereafter, will obligate the Authority to make payments of $132.4 million (estimated 2003 dollars) associated with the Offer of Settlement as FERC typically adopts the pertinent terms of such offers into a license. In addition to these costs, it is estimated that the Authority will incur a total of $31.6 million for staff costs, consultant support, contingencies, and other Authority costs. To date, the Authority has expended $5.8 million primarily for payments related to the settlement agreements with local governments and SLAEC.

"Implementation of commitments in the new license and the settlement agreements will begin in 2003, and except for the Local Government Community Enhancement Fund payments which extend for the term of the license, it is estimated that all other commitments will be completed by 2015.

Expenditures in 2003

"Total authorization for expenditures requested at this time is $66.8 million. These expenditures are for payments, study and design work, implementation costs, and the Authority's indirect costs related to the settlements and supporting work. Expenses in 2003 dollars related to payments to various parties total $61.7 million. These payments include:

Ecological Agreement	
St. Lawrence River Fund	$ 1.0 million
Future Habitat Improvement Project Fund	3.9
FEMRF Agreement	24.0
Local Governments Agreement	
Community Enhancement Fund	31.5
Town of Lisbon	0.5
SLAEC Agreement	0.8
	$61.7 million

"The completion of these commitments will also require internal staff efforts augmented by the support of consultants. These efforts, which are estimated to cost $5.1 million, include: 1) completion of the Lisbon Beach Bathhouse; 2) studies for and design of several habitat improvement projects and improvements at Wilson Hill Wildlife Management Area; 3) study and/or design work related to the installation of the eel ladder; 4) design for construction or rehabilitation of recreation facilities in local and state parks; 5) preliminary work for shoreline stabilization measures; 6) development of a Land Management Plan; 7) development of a Historic Properties Management Plan; and 8) other direct and indirect costs of the Authority.

"The total estimated cost of the payments ($61.7 million), plus the study and design work, implementation and other costs ($5.1 million) is the $66.8 million requested herein.

Expenditures after 2003

"The cost of implementing commitments in the new license is dependent on requirements that FERC includes in the new license, and therefore the final estimate for these costs cannot be provided at this time. Based on the commitments included in the settlement agreements and proposed for inclusion in the new license, it is estimated that compliance and implementation costs beyond 2003 would total $91.4 million.

<u>FISCAL INFORMATION</u>

"As these expenditures are related to the implementation of commitments in the new license and the settlement agreements, payments will be made from the Capital Fund except for the payments for the Community Enhancement Fund ($36 million in 2003 dollars) which will be made from operating funds. Funds to operate and maintain environmental and recreation measures and to effectuate the Land Management Plan and the Historic Properties Management Plan would be operation and maintenance expenses.

<u>RECOMMENDATION</u>

"The Senior Vice President – Public and Governmental Affairs recommends that the Trustees authorize funding of $66.8 million for relicensing compliance and implementation costs in 2003. It is further recommended that the Trustees authorize the application of proceeds from the sale of any of the Authority's Commercial Paper Notes for the purpose of financing costs related to compliance with the requirements of the new license to be issued for the Project, costs relating to the implementation of settlement agreements between the Authority and various parties as a result of relicensing, and any other costs relating to the relicensing of the Project

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

Mr. Suloway presented the highlights of staff's recommendations to the Trustees, reporting that the licensing process is proceeding as scheduled and that FERC is currently expected to issue a new license in September.

Responding to questions from Trustee Seymour, Mr. Barden acknowledged that fundraising for the St. Lawrence Aquarium and Ecological Center ("SLAEC") was proceeding.

Responding to questions from Vice Chairman McCullough, Mr. Suloway discussed the time frame for the licensing process.

Responding to questions from Trustee Seymour, Messrs. Barden and Suloway discussed the costs of both the installation of the eel ladder at St. Lawrence-FDR Project and studies related to the eel population.

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

RESOLVED, That expenditures are hereby approved to be committed in accordance with the Authority's Expenditure Authorization Procedures for the compliance with and implementation of the license and the settlement agreements for the relicensing of the St. Lawrence-FDR Power Project in the amounts listed below; and be it further

Description	Current Estimate (2003 $)	Previous Authorized	Current Request
Environmental Projects	$23,476,000	$28,600	$688,800
Recreation Projects	$19,342,000	$258,084	$915,338
Settlement Payments	$89,466,000	$4,630,952	$61,728,000
Cultural Resources	$57,000	$0	$0
Total (2003 $)	$132,341,000	$4,917,636	$63,332,138
Implementation Costs	$14,230,500	$704,739	$1,505,135
Escalation	$5,370,700	$0	$0
Contingency (10 %) *	$6,241,900	$0	$354,500
NYPA Allocation (2.5%)	$3,954,600	$140,559	$1,629,794
Financing Costs **	$1,892,100	$0	$0
TOTAL	$164,030,800	$5,762,935	$66,821,567

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

** Financing cost at 1.5% apply to all capital expenditures; the payments for the Community Enhancement Fund will be made from operating funds.

RESOLVED, That the issuance of the Authority's Commercial Paper Notes, Series 1, Series 2, Series 3 and Series 4, the Authority's Series 1 Extendible Municipal Commercial Paper Notes, and any other Authority Extendible Municipal Commercial Paper Notes, and the application of proceeds of the sale thereof, is hereby authorized for the purpose of financing costs related to compliance with the requirements of the new license to be issued for the St. Lawrence-FDR Power Project (the "Project"), costs relating to the implementation of settlement agreements between the Authority and various parties as a result of relicensing, and any other costs relating to the relicensing of the Project.

8. Issuance of Commercial Paper Notes to Finance the St. Lawrence-FDR Project Modernization Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the issuance of Series 3 Commercial Paper Notes for the purpose of financing the costs of the St. Lawrence-FDR Project Modernization Program (the 'Modernization Program').

DISCUSSION

"The St. Lawrence-FDR Project ('Project') has been operating with original equipment in the Project's powerhouse since the Project's commissioning in 1958. The Project's turbines will reach the end of the turbines' design life within the next 15 years and most of the other equipment will require renovation or replacement within that time period. To address these concerns, on November 25, 1997, the Trustees of the Authority approved the initiation of the Modernization Program, currently estimated to cost approximately $254 million, to extend the life of, and modernize, the generation equipment at the Project. Major items of the work include engineering, new generation control systems, generator exciters, generator circuit breakers, and rotor pole modifications.

"Staff recommends that the Trustees authorize the issuance of Series 3 Commercial Paper Notes to finance the costs of the Modernization Program.

FISCAL

"Staff estimates that approximately $125 million of Series 3 Commercial Paper Notes will be issued to finance the costs of the Modernization Program through 2007. At that point, a determination will be made as to how to finance the remaining costs of the project.

RECOMMENDATION

"The Acting Treasurer recommends that the Trustees authorize the issuance of Series 3 Commercial Paper Notes for the purpose of financing the costs of the Modernization Program.

"The Executive Vice President, Secretary and General Counsel, the Senior Vice President and 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 issuance of the Authority's Commercial Paper Notes, Series 3, and the application of proceeds of the sale thereof, is hereby authorized for the purpose of financing costs related to the St. Lawrence-FDR Power Project Modernization Program; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Acting Treasurer or Treasurer, as the case may be, Deputy Treasurer and all other officers of the Authority be, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents to effectuate the foregoing resolution.

9. Procurement (Services) Contracts – Charles Poletti and Richard M. Flynn Power Plants and the Power Now! Plants – Awards

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit '9-A' for the Authority's Charles Poletti and Richard M. Flynn Power Plants and the Power Now! generating plants. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are set forth in the discussion below.

BACKGROUND

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

"In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services 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, require Trustees' approval.

DISCUSSION

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

"The terms of these contracts will be more than one year; therefore the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate the services 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, ranging in estimated value from $50,000 to $24,000,000. These contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

Contracts in Support of Business Units/Departments and the Facilities:

"The contract with CMC Occupational Health Services, P.C., d/b/a Kennedy Medical Offices (4600000939) would become effective on April 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for pre-employment, annual occupational and return-to-work physicals for the Charles Poletti Power Plant. Services also include, but are not limited to, drug screening, fitness for duty exams, health/respirator clearance exams and statements, and transmittal of medical records to the Medical Records Director (whose services are provided under contract with another firm). Kennedy Medical was the sole responding bidder of five bids solicited, including those responding to a notice in the Contract Reporter. Based on their qualifications and ability to perform such work, in addition to their competitive pricing, staff recommends the award of the subject contract to Kennedy Medical Offices. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Pricing will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, $100,000.

"The contract with Condenser & Heat Exchanger Services, Inc. (4600000997) would become effective on April 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for jet brush cleaning services of condenser tubes at the Charles Poletti Power Plant. Condenser & Heat Exchanger Services was the low bidder of two bids received (of five bids solicited, including those responding to a notice in the Contract Reporter). Based on their qualifications and ability to perform such work, in addition to their competitive pricing, staff recommends the award of the subject contract to Condenser & Heat Exchanger Services. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $100,000.

"The contract with Frank D. Riggio Company, Inc. (4600001003) would become effective on April 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for on-site and off-site valve repair services for the Charles Poletti and Richard M. Flynn Power Plants, as well as the Power Now! generating plants. Riggio was the low evaluated bidder of three bids received (of six bids solicited, including those responding to a notice in the Contract Reporter). Based on their qualifications and ability to perform such work, in addition to their competitive pricing, staff recommends the award of the subject contract to Frank D. Riggio Company. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $300,000.

"The contract with Industrial Cooling, Inc. (4600000944) would become effective on April 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for preventive maintenance services for various chillers and HVAC units at the Charles Poletti Power Plant. Industrial Cooling was the low bidder of four bids received (of ten bids solicited, including those responding to a notice in the Contract Reporter). Based on their qualifications and ability to perform such work, in addition to their competitive pricing, staff recommends the award of the subject contract to Industrial Cooling. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $150,000.

"The contract with Marine Maintenance & Construction (4600000940) would become effective on April 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for diving services for the Charles Poletti Power Plant. Services include performing inspections and/or repairs on traveling water screens, the discharge canal, main condenser water piping, and other areas where such services may be required. Marine Maintenance was the low bidder of two bids received (of seven bids solicited, including those responding to a notice in the Contract Reporter). Based on their qualifications and ability to perform such work, in addition to their competitive pricing, staff recommends the award of the subject contract to Marine Maintenance. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $400,000.

"The contract with Reuther Engineering & Machine (4600001004) would become effective on April 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for on-site and off-site machining, mechanical work and repairs for the Charles Poletti and Richard M. Flynn Power Plants, as well as the Power Now! generating plants. Reuther was the low evaluated bidder of three bids received (of ten bids solicited, including those responding to a notice in the Contract Reporter). Based on their qualifications and ability to perform such work, in addition to their competitive pricing, staff recommends the award of the subject contract to Reuther Engineering. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $300,000.

"The contract with RFJ Insulation Contractor, Inc. (4600000998) would become effective on April 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for the installation of new and the repair of existing insulation for the Charles Poletti and Richard M. Flynn Power Plants, as well as the Power Now! generating plants. RFJ was the low qualified bidder of four bids received (of eleven bids solicited, including those responding to a notice in the Contract Reporter). Based on their qualifications and ability to perform such work, in addition to their competitive pricing, staff recommends the award of the subject contract to RFJ Insulation Contractor. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $250,000.

"The contract with Schindler Elevator Corp. (4600000943) would become effective on April 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for full service, including parts, labor and preventive maintenance, for two Schindler elevators in the Administration Building at the Charles Poletti Power Plant. The contract is awarded on a sole source basis, since Schindler is the original equipment manufacturer. (A notice was also published in the Contract Reporter in an attempt to identify other qualified providers of such services). Based on their qualifications and ability to perform such work, in addition to their competitive pricing, staff recommends the award of the subject contract to Schindler. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $50,000.

"The contract with TEI Services, formerly BDT Thermal Energy Services (4600001009) would become effective on April 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for repair services for feedwater heaters, generator and exciter coolers at the Charles Poletti Power Plant. TEI Services was the low bidder of three bids received (of eight bids solicited, including those responding to a notice in the Contract Reporter). Based on their qualifications and ability to perform such work, in addition to their competitive pricing, staff recommends the award of the subject contract to TEI Services. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $225,000.

"The contract with Siemens Westinghouse Power Corp. (PO # TBA) would become effective on April 15, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for outage support and operating plant services for the Richard M. Flynn Power Plant ('Flynn'). Siemens Westinghouse is the original equipment manufacturer ('OEM') for the Flynn gas turbine and other plant equipment, and is uniquely qualified to perform such services and modifications and to provide replacement parts. Staff has negotiated a long-term Operating Plant Service Agreement ('OPSA') with Siemens Westinghouse through April 15, 2015. The agreement includes discounts ranging from 3.29% on shop repairs to 10.2% on new components below Siemens Westinghouse normal prices, depending upon the type of services or materials to be provided. The only stipulation is that the Authority guarantee a minimum amount of $8,000,000 over the life of the OPSA agreement, otherwise such discounts would be refundable to Siemens. This is expected to be a very achievable target, given the amount of work to be performed during the 2003 outage and routine maintenance and spare parts to be purchased over the next twelve years. The Trustees' approval is hereby requested to enter into the OPSA agreement with Siemens Westinghouse for the Flynn Plant, as well as a zero dollar 'Master Contract' that would include the commercial terms and conditions governing purchase of spare parts, shop repair and modernization, factory technical services and field services to support fossil fuel power generation equipment for both the Flynn and Charles Poletti Power Plants. The Trustees' approval is also requested for the intended twelve-year term of the OPSA agreement for the Flynn Plant through April 15, 2015 and for the total amount expected to be expended for the term of the contract, currently estimated to be $24,000,000. Approval for the release of funding in the approximate amount of $4,000,000 for the 2003 Flynn outage (including outage services, and purchase of new HR3 burners and the TXP Control System) is currently requested, with future funding to be allocated based upon budgeted amounts in the Authority's Approved O & M and capital budgets for the Flynn Plant, in accordance with the Authority's Expenditure Authorization Procedures.

FISCAL INFORMATION

"Funds required to support contract services for the Poletti, Flynn and Power Now! plants have been included in the 2003 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 Vice President – Procurement & Real Estate, the Deputy Secretary and Deputy General Counsel, the Regional Manager – Southeast New York, and the Director – Operations (Flynn) recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit '9-A' and as discussed above.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Business Services and Administration, the Senior Vice President and Chief Financial Officer, and I concur in the recommendation."

Mr. Hoff presented the highlights of staff's recommendations to the Trustees.

Responding to questions from Trustee Seymour, Mr. Hoff summarized the proposed Operating Plant Service Agreement with Siemens Westinghouse Power Corporation, noting that, by stipulation, the Authority would be guaranteeing either a minimum amount of $8,000,000 over the life of the agreement or the subsequent refunding of certain discounts offered by Siemens. Mr. Hoff stated that $8,000,000 is a very achievable target in this case and the agreement would be beneficial to the Authority.

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

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

Procurement (Services) Contracts – Awards
(For Description of Contracts See "Discussion")

EXHIBIT "9-A"
March 20, 2003

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
POWER GEN - POLETTI	CMC OCCUPATIONAL HEALTH SERVICES, P.C. d/b/a KENNEDY MEDICAL OFFICES 4600000939	04/01/03	Provide for pre-employment, annual occupational and return-to-work physicals	03/31/06	B/P	*Note: represents total for three-year term		**$100,000***
POWER GEN - POLETTI	CONDENSER & HEAT EXCHANGER SERVICES 4600000997	04/01/03	Provide for jet brush cleaning services of condenser tubes	03/31/06	B/S	*Note: represents total for three-year term		**$100,000***
POWER GEN - POLETTI, FLYNN, PowerNow!Plants	FRANK D. RIGGIO COMPANY, INC. 4600001003	04/01/03	Provide for on-site and off-site valve repair services	03/31/06	B/S	*Note: represents total for three-year term		**$300,000***
POWER GEN - POLETTI	INDUSTRIAL COOLING INC. 4600000944	04/01/03	Provide for maintenance service for chillers and HVAC units	03/31/06	B/S	*Note: represents total for three-year term		**$150,000***
POWER GEN - POLETTI	MARINE MAINTENANCE & CONSTRUCTION 4600000940	04/01/03	Provide for diving services to perform inspections and/ or repairs on traveling water screens, discharge canal, & main condenser water piping	03/31/06	B/S	*Note: represents total for three-year term		**$400,000***
POWER GEN - POLETTI, FLYNN, PowerNow! Plants	REUTHER ENGINEERING & MACHINE 4600001004	04/01/03	Provide for on-site and off-site machining, mech-anical work and repairs	03/31/06	B/S	*Note: represents total for three-year term		**$300,000***
POWER GEN - POLETTI, FLYNN, PowerNow! Plants	RFJ INSULATION CONTRACTOR INC. 4600000998	04/01/03	Provide for the installation of new and repair of existing insulation	03/31/06	B/S	*Note: represents total for three-year term		**$250,000***

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= Service

Procurement (Services) Contracts – Awards
(For Description of Contracts See "Discussion")

EXHIBIT "9-A"
March 20, 2003

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
POWER GEN - POLETTI	SCHINDLER ELEVATOR CORP. 4600000943	04/01/03	Provide for full service (including parts, labor and preventive maintenance) for 2 Schindler elevators in the Admin. Building	03/31/06	S/S	*Note: represents total for three-year term		**$50,000***
POWER GEN – POLETTI	TEI SERVICES (formerly BDT Thermal Energy Services) 4600001009	04/01/03	Provide for repair services for feedwater heaters, and generator & exciter coolers	03/31/06	B/S	*Note: represents total for three-year term		**$225,000***
POWER GEN - FLYNN	SIEMENS WESTING-HOUSE POWER CORP. (PO # TBA)	04/15/03	Provide for a 12-year Operating Plant Service Agreement ("OPSA") for outage support and operating plant services for the Flynn Plant	04/15/15	S/S	*Note: represents total for twelve-year term		**$24,000,000***

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= Service

10. Procurement (Services) Contracts – Business Units and Facilities – Extensions, Approval of Additional Funding and Increases in Compensation Ceiling

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 '10-A' in support of projects and programs for the Authority's Business Units/Departments, as well as for the facilities. In addition, the Trustees are requested to approve an increase in the compensation ceiling of the contracts with DMJM + Harris, Inc. and RLW Analytics, Inc. 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 Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year.

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

DISCUSSION

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

"Although the firms identified in Exhibit '10-A' have provided effective services, the issues or projects requiring these services have not been resolved or completed, and the need exists for continuing these contracts. Trustees' approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services 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 '10-A' is requested for one or more of the following reasons: 1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; 2) to accommodate an Authority or external regulatory agency schedule change, which has delayed, re-prioritized, or otherwise suspended required services; 3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; or 4) the contractor provides a proprietary technology or specialized equipment at reasonably negotiated rates, which 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 Allen Marine Services, Inc. (4600000841) provides for underwater diving services, as well as the necessary equipment and materials (including underwater communication and photographic video equipment) for inspection, repair, demolition or other underwater work on various structures at the Niagara Power Project. The original award, which was competitively bid, became effective on June 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 in order to exercise the option and continue services, as may be required. The current target value is $150,000; it is anticipated that an additional $300,000 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 two contracts with Aon Consulting, Inc. (4500022003) and Buck Consultants, Inc. (4500022011) provide for benefits consulting services for the Authority in the following areas: compliance with federal and state requirements for flexible benefits programs; flexible benefits design and pricing; retiree plan analyses and valuations; self-insured funding arrangements; and other consulting services, as may be required. At their meeting of March 28, 2000, the Trustees approved the award of the subject contracts for a three-year term, in the total combined amount of $300,000. The original awards, which were competitively bid, became effective on April 1, 2000. Aon Consulting has provided the Authority with excellent service and invaluable advice and analysis regarding benefits plan design, cost analyses and ad hoc benefits consulting. Currently, Aon is assisting the Authority in connection with new federally-mandated legislation, the Health Insurance Portability and Accountability Act of 1996 ('HIPAA'), which becomes effective on April 14, 2003. The continued services of Aon Consulting will be essential to ensure the Authority's timely compliance with its obligations under the HIPAA health information privacy, electronic transaction and data security requirements. In addition, Aon will continue to provide benefits plan design and review services, retiree medical cost analyses, and ad hoc consulting services, as needed. The contract with Buck Consultants provides for employee benefit program consulting services, discrimination testing (including compliance and discrimination testing for the Authority's flexible benefits plans, including flexible spending accounts and limitations on benefits and contributions under qualified plans), and retiree liability accounting valuation services. Based upon an initial valuation performed by Buck last year, the Authority implemented accrual accounting for retiree health and insurance benefits commencing in 2002. The continued services of Buck will be required to perform additional valuations regarding the Authority's retiree health and life insurance liability, as well as to continue discrimination testing and provide additional ad hoc consulting services, as may be required. The consultant will also provide expert advice regarding the New York State Employees' Retirement Plan. In view of the complex nature of such services and the historical perspective, knowledge and expertise of the respective firms, as well as the potential loss of continuity, impact on compliance, and additional start-up fees that would be incurred, it would not be feasible, efficient or cost-effective to rebid such services at this time. Staff therefore recommends retaining Aon and Buck for an additional two years. A two-year extension is now requested in order to provide for the aforementioned services. The current contract amounts are $135,000 for Aon and $120,250 for Buck Consultants, respectively. It is anticipated that additional funding in the combined amount of $200,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contracts through March 31, 2005 and to approve the additional funding requested.

"The contract with Asplundh Brush Control Company (4600000837) provides for vegetation management services within the Right-of-Way ('ROW') of high voltage transmission lines under the maintenance jurisdiction of the Authority. Services include various chemical and mechanical/manual vegetation treatments over a range of vegetation sites, covering approximately 2,000 acres in northern New York. The contractor holds the required New York State certified pesticide applicator licenses, as well as the requisite knowledge of vegetation to be treated or cut/removed and of species to be left untreated/preserved. The original award, which was competitively bid, became effective on May 30, 2002, for an initial term coinciding with the end of the 2002 treatment season (approximately October 31, 2002). The contract also provided for follow-up work during the 2003 growing season in order to ensure complete treatment effectiveness. A five-month extension beyond the allowable one-year contract term is therefore requested in order to provide for such follow-up work, as well as to effectively treat the exceptionally high vegetation densities and tall trees that were encountered. The current contract amount is $750,000; it is anticipated that an additional $400,000 will be required for the extended term due to extra handling and disposal costs associated with the aforementioned high densities, in addition to any normal follow-up treatments that may be required. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through October 31, 2003 and to approve the additional funding requested.

"The contract with FlightSafety International (4500055885) provides for pilot proficiency training on flight simulators for the Authority's pilots of the Beechcraft King Air 350 and 200. The original award, which was competitively bid, became effective on June 1, 2002, for an initial term of one year, with an option to extend for one additional year. A one-year extension is now requested in order to exercise the option and continue services, as may be required. The current contract amount is $42,650; it is anticipated that an additional $42,650 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through May 31, 2004 and to approve the additional funding requested.

"The contract with Hanna Construction, Inc. (4500040746) provides for site construction services, including excavation and backfill, concrete foundations and cable trenches, in support of Phase 2 of the Convertible Static Compensator ('CSC') Project at the Authority's Marcy 345kV substation. The original award, which was competitively bid, became effective on April 10, 2001. Delays related to the late delivery of the series transformers have impacted the project schedule. The remaining work consists of seeding and stone placement, which cannot proceed until the spring season. An extension through June 1, 2003 is therefore requested in order to complete all such required services. The current contract amount is $3,382,359; 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 1, 2003, with no additional funding requested.

"The contract with the firm of Joanne Darcy Crum, L.S., a New York State certified Woman-Owned Business Enterprise 'WBE' (4500053055) provides for land surveying support services at the Authority's Real Estate Office at the Blenheim-Gilboa Project. Such assistance is needed because of the increased surveying work load due to the Niagara and St. Lawrence relicensing and capital projects (Poletti 500 MW construction), as well as the work associated with ongoing maintenance and management of the Geographic Information System ('GIS'). The original contract, which was awarded as the result of a competitive search, became effective on March 6, 2002, for a term of less than one year. The contractors provide routine surveying support for the Engineering, Licensing and Real Estate Divisions (including the aforementioned capital project construction and hydro project relicensing), and work under the direction and supervision of Authority staff. Tasks include, but are not limited to: coordinating work of contract survey firms, writing specifications, reviewing submittals and invoices, coordinating requirements with various Authority groups, preparing drawings and exhibits, tracking the status of ongoing survey tasks, filing survey-related documents, researching records, performing field inspections of ongoing projects, and attending related off-site meetings, as needed. Since the surveying work load in support of the various efforts will remain demanding through the end of next year, the associated administrative support services provided under the subject contract will also continue to be required. A 22-month extension is therefore requested in order to continue services in support of the aforementioned projects. The current contract amount is $92,120; it is anticipated that an additional $155,000 may be required for the extended term. Rates will remain firm 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 John McManaman (4500031667) provides for consulting services in connection with the New York State Employee Retirement System pension plan, as well as other related compensation matters for pension and retirement purposes. Mr. McManaman, former Deputy Comptroller of the NYS and Local Employees' Retirement System, was originally retained by the Authority to perform a review of the pension plan designed by Entergy for Authority employees transferring to Entergy. The original award became effective on August 1, 2000, for an initial term of less than one year. Mr. McManaman was also instrumental in answering questions raised in connection with the Authority's adoption of the Retirement Incentive Program and in assisting the Authority in its efforts to establish variable pay as part of an employee's annual compensation for Retirement System purposes. At their meetings of June 26, 2001 and March 26, 2002, the Trustees approved extensions and additional funding to provide for the continuation of such services. Mr. McManaman's expertise will continue to be needed in order to: address continuing pension review obligations related to the Purchase and Sale Agreement with Entergy, facilitate the resolution of questions concerning inclusion of variable pay in employees' annual compensation for Retirement System purposes, and assist the Authority in evaluating any retirement incentive legislation that the legislature may pass during this session. A one-year extension is therefore requested, with the option to extend for one additional year in accordance with the Authority's Expenditure Authorization Procedures, to allow for a reduced level of the consultant's continued support in connection with the aforementioned issues. The current contract amount is $65,500; it is anticipated that an additional $18,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through June 30, 2004 (with an option to extend through June 30, 2005) and to approve the additional funding requested.

"The contract with Katz Bookbinding Company (4500007808) provides for bookbinding services for life-of-corporation, archival copies of the Resolutions adopted by the Trustees and the Minutes of their meetings. The original award, which was competitively bid, became effective on June 29, 1999, for an initial term of one year. At their meetings of September 26, 2000 and September 25, 2001, the Trustees approved extensions of the subject contract to continue the binding of the Minutes and to provide related binding services, as may be required. In view of the specialized nature of such services, it would not be feasible, efficient or cost-effective to rebid such services at this time. A one-year extension, with an option to extend for an additional year in accordance with the Authority's Guidelines for Procurement Contracts and the Expenditure Authorization Procedures, is now requested in order to continue the aforementioned services, as may be required. The current contract amount is $14,600; 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 28, 2004 (with an option to extend through June 28, 2005), with no additional funding requested.

"The contract with Lippes, Silverstein, Mathias & Wexler LLP (S92-34429) provides the legal services of local counsel for the purpose of assisting the Authority in connection with ongoing preference power rate litigation pending in Niagara County. Local court rules require litigants in Niagara County to be represented by local counsel. Lippes Silverstein satisfies this requirement for the Authority. With respect to all cases pending in Niagara and Erie Counties, the firm provides valuable and cost-effective advice to the Authority's in-house legal staff regarding local rules, statutes and procedures, assists in serving and filing of papers, and handles routine court appearances. The original award became effective on May 1, 1992. Subsequently, the Trustees approved several extensions at their meetings of February 23, 1993, September 24, 1996, and June 29, 1999, respectively, as well as a total contact amount of $85,000. The firm has been working with the Authority on the Bergen v. Power Authority preference power case since its inception and will assist the Authority if a further appeal is granted. An additional one-year extension is therefore requested, with the option to extend for one additional year, as needed, in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. The current contract amount is $85,000; 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 May 16, 2004 (with an option to extend through May 16, 2005), with no additional funding requested.

"The two contracts with Lucius Pitkin, Inc. (4500022192) and Ithaca Materials Research & Testing, Inc. (4500023026) provide for failure analysis and metallurgical testing and examination services in support of the Authority's facilities and transmission lines. Technical services include providing the equipment, materials and labor required to sample, test and analyze metallic and other elements used in power plant equipment and components. The work is performed at the Authority's facilities, construction sites, manufacturer's plants, or in the contractor's laboratory, as needed. At their meeting of March 28, 2000, the Trustees approved the award of the subject contracts for a three-year term and a combined total amount of $150,000. The contracts, which were competitively bid, became effective on April 1, 2000. The critical nature of the work requires a high level of competency, consistency and technical expertise in order to develop confidence in the results. The Authority's good relationship with these firms affords us priority service with respect to quick turnaround time on test results and reports. To date, the firms have performed satisfactorily. In addition, their geographic proximity to Authority facilities is also an important factor, due to the critical nature and timing of their services, when required. In view of ongoing work related to the Life Extension and Modernization ('LEM') projects at both the St. Lawrence – F. D. Roosevelt and Niagara Power Projects (and forthcoming LEM-related work at the Blenheim-Gilboa Project), refurbishment work at the small hydro sites, maintenance of the Power Now! Project generators, as well as support for the aging Charles Poletti Plant and the 500 MW Project under construction, rebidding such services would not be feasible at this time. A two-year extension is therefore requested in order to continue to provide such services, on an 'as needed' basis. The current contract amounts total $152,507. It is anticipated that additional funding in the combined amount of $125,000 may be required for the extended term. It should be noted that rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contracts through March 31, 2005 and to approve the additional funding requested.

"The contract with Miller Advertising Agency, Inc. (4500056988) provides for personnel recruitment advertising services. The original award, which was competitively bid, became effective on June 1, 2002, for an initial term of one year, with an option to extend for up to two additional years. A one-year extension is now requested in order to exercise the first year option and to continue services, as may be needed. The current contract amount is $40,000; it is anticipated that an additional $25,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through May 31, 2004 and to approve the additional funding requested.

"The contract with Otis Elevator Company (4500053693) provides for monthly maintenance services for approximately 24 elevators, escalators and wheelchair lifts located in various buildings at the Niagara Power Project (including the Robert Moses Power Plant, the Lewiston Pump Generating Plant, the Power Vista, the General

Maintenance building, and other support facilities), as well as for on-call repairs performed on a time and material basis. The original award, which was competitively bid, became effective on April 1, 2002, for an initial term of one year, with an option to extend for up to two additional years. A two-year extension is now requested in order to exercise the option and continue required services. The current contract amount is $41,204; it is anticipated that an additional $100,000 may be required for the extended term. Pricing will be in accordance with the New York State Office of General Services contract for such services. The Trustees' approval is requested to extend the subject contract through March 31, 2005 and to approve the additional funding requested.

"The contract with Underwater Construction Corp. (4600000099) provides for underwater diving inspection and maintenance services to support the Blenheim-Gilboa Project and other facilities in the Central Region, as well as the St. Lawrence-F.D. Roosevelt Power Project. At their meeting of March 30, 1999, the Trustees approved a three-year award for the subject services, which originally included support for the Authority's nuclear plants, in the total amount of $2,500,000. The original contract, which was competitively bid, became effective on April 1, 1999. A one-year extension and additional funding of $380,000 were subsequently authorized, in accordance with the Authority's Guidelines for Procurement Contracts and the Expenditure Authorization Procedures. Underwater has provided quality workmanship and excellent service to the Authority for the last several years. In addition, the firm has an approved Quality Assurance program that meets all regulatory requirements. An additional one-year extension is now requested in order to continue services, as may be required, while the contract is rebid. The current target value is $2,880,000 (which includes $730,000 of unreleased funding in support of the nuclear plants, and is therefore unavailable). 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 March 31, 2004, with no additional funding requested.

"The contract with Xenergy Inc. (4500057216) provides for electric rate consulting services relating to the Authority's government and business customer groups. The scope of services includes, but is not limited to, performing various analyses and studies concerning proposed rate changes, as well as rate case support activities. The original award, which was competitively bid, became effective on June 10, 2002 for an initial term of one year, with an option to extend for up to two additional years. Although the Authority deferred taking rate action last year regarding these customer groups, the consultant developed a significant portion of the rate studies, including case models, cost-of-service, scenario builder and ten-year planning for the government customer group. Detailed documentation, review and evaluation of these models will be completed this year, as well as corresponding rate studies for the business customer group. A one-year extension is now requested to exercise the first option year in order to complete the aforementioned rate studies. The current contract amount is $450,000; 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 June 9, 2004, with no additional funding requested.

Increases in Compensation Ceiling:

"The contract with DMJM + Harris, Inc. (4500053927) provides for construction management and engineering services for the completion of certain work items pertaining to the Power Now! Project. Due to scheduling constraints, certain preliminary design and engineering tasks were authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures ('EAPs'). Based on the overall experience of DMJM + Harris on the Power Now! Project as the Construction Manager, and their knowledge of New York City codes and requirements, as well as the need to proceed on an accelerated basis due to regulatory and community commitments and safety concerns, the award was made on a sole source basis and became effective on March 7, 2002. At their meeting of March 26, 2002, the Trustees ratified the initial award of the subject contract and approved a total contract amount of $1,100,000. An additional $274,000 was subsequently authorized in accordance with the EAPs. Several major tasks, such as the relocation and connection of the sewer line and rehabilitation of the bulkhead at the 23rd Street and 3rd Avenue ('Gowanus') site, have been significantly impacted by permitting delays. Other tasks, such as the design and engineering of the fencing, sidewalks and landscaping at the North 1st Street and Grand Avenue site, will have to be performed. A new task involves design and engineering services for permanent restroom facilities at each site, including sewer connections for pre-fabricated structures, sanitary and running water, heating and ventilation, and lighting. In addition to document closeout and submittals related to various tasks (e.g., gas turbine enclosure, pump house, ammonia system, battery calculations for Potter Deluge system, wind load calculations for transformer walls, etc.), DMJM + Harris will also provide engineering and construction management support for various other work including, but not limited to, the turbine lifting arms and walkways and cathodic protection on low pressure gas piping at all sites, and will address code compliance issues through project closeout. A thirteen-month extension is now requested in order to bring the project to completion. The current contract amount is $1,374,000; staff estimates that an additional $730,000 will 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 requested, thereby increasing the compensation ceiling to $2,104,000.

"At their meeting of March 30, 1999, the Trustees approved the implementation of a Peak Load Management ('PLM') program. As part of this initiative, the Authority contracts with certain of its customers located within the City of New York to reduce their load at time of peak demand. In return for a financial incentive, customers reduce their load at the Authority's request either by turning on their on-site generation or by reducing their load (e.g., turning off equipment, such as large chillers, lights, elevator banks, etc.) The PLM incentive has reduced the Authority's contribution to the in-city peak load and has mitigated the amount of installed capacity the Authority would need to acquire to meet an in-city locational capacity requirement. The contract with RLW Analytics, Inc. (4500023115) provides for consulting services relating to the Authority's PLM program. Services include, but are not limited to: load profile analysis and verification methodology, survey/audit services, and post-implementation verification of program and participant performance. The original award, which was competitively bid, became effective on April 21, 2000, for an initial term of one year, with an option to extend for up to two additional years. At their meeting of March 27, 2001, the Trustees approved such option and an additional $350,000. Since its inception, the PLM program has continued to expand at a rapid pace. Enrollment has grown from the initial eight customers with 20 locations in 2000 to 16 customers with 55 locations in 2002. The program reduced the load by an initial 16 MW in 2000 and achieved approximately 57 MW of load reduction in 2002. At their meeting of May 28, 2002, the Trustees extended the PLM program through April 2005. It is anticipated that load management will remain a significant issue in New York State into 2003 and beyond and, therefore, the PLM program will continue to grow. The New York Independent System Operator ('NYISO') Emergency Demand Response program has been fully integrated into the Authority's load reduction program offerings and the PLM enrollment goal for the upcoming season is 100 MW. In order to accomplish the ongoing objectives of the PLM program, the services provided by this firm are vital. RLW Analytics will continue to assist the Authority's Marketing & Economic Development staff with conducting facility load management assessments and program implementation, as well as provide the tools for enhancement of data collection and load analysis. In addition, the scope of technical services will be expanded to include permitting assistance, in order to provide the full range of services that may be required for each customer facility. A two-year extension is therefore requested in order to provide the aforementioned services. The current contract amount is $410,000; it is anticipated that an additional $500,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through April 20, 2005 and to approve the additional funding requested, thereby increasing the compensation ceiling to $910,000.

<u>FISCAL INFORMATION</u>

"Funds required to support contract services for various Headquarters Office Business Units/Departments and the facilities have been included in the 2003 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'). Funding for the land surveying support services contract will be drawn from the Niagara and St. Lawrence relicensing CEARs and the Poletti 500 MW CEAR, respectively.

RECOMMENDATION

"The Vice President – Procurement & Real Estate, the Deputy Secretary and Deputy General Counsel, the Vice President – Major Account Marketing & Economic Development, the Director – Supply Planning and Power Contracts, the Director – Corporate Services, the Director – Employee Benefits, the Director – Employee and Labor Relations, the Regional Manager – Western New York, the Regional Manager – Northern New York, the Regional Manager – Central New York, and the General Manager – Transmission Maintenance recommend the Trustees' approval of the extensions and additional funding of the procurement contracts listed in Exhibit '10-A', as well as increases in the compensation ceiling of the procurement contracts with DMJM + Harris and RLW Analytics.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Business Services and Administration, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Senior Vice President – Transmission, and I concur in the recommendation."

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "10-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 pursuant to the Authority's Expenditure Authorization Procedures, an increase in the compensation ceiling of the contracts with DMJM + Harris and RLW Analytics, be, and hereby are, approved as recommended in the foregoing report of the President and Chief Executive Officer in the amounts and for the purposes listed below:

Capital	**Contract Approval (Increase in Compensation Ceiling)**	**Projected Closing Date**
Provide for construction management and engineering services for the completion of the PowerNow! Project:		
DMJM + Harris, Inc. 4500053927		
Additional Funding Requested	**$730,000**	**03/31/04**
Previously Approved Contract Amount	**$1,100,000**	
Additional Funding Authorized per EAPs	**$274,000**	
REVISED COMPENSATION CEILING	**$2,104,000**	

O & M	**Contract Approval (Increase in Compensation Ceiling)**	**Projected Closing Date**
Provide for Peak Load Management Program consulting services:		
RLW Analytics, Inc. 4500023115		
Additional Funding Requested	**$500,000**	**04/20/05**
Previously Approved Contract Amount	**$410,000**	
REVISED COMPENSATION CEILING	**$910,000**	

Procurement (Services) Contracts – Extensions
(For Description of Contracts See "Discussion")

Exhibit "10-A"
March 20, 2003

Contracts in support of Headquarters Business Units and the Facilities:

Plant Site/ Bus. Unit	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended	Authorized Expenditures For Life Of Contract To Date
POWER GEN - NIAGARA	ALLEN MARINE SERVICES, INC. 4600000841	06/01/02	Provide for underwater diving services for Niagara Project	05/31/05	B/S	$150,000 ("Target Value")	$95,599	**$450,000***
						*Note: includes an increase of $300,000		
BusServ&Admin - Employee Benefits	2 contracts:	04/01/00	Provide for benefits consulting services	03/31/05	B/P			**$500,000***
	1. AON CONSULTING, INC. 4500022003					$135,000	$131,344	
	2. BUCK CONSULTANTS, INC. 4500022011					$120,250	$109,156	
						*Note: includes combined total of $300,000 previously approved by the Trustees + current increase of $200,000		
TRANSMISSION - LINE MAINT.	ASPLUNDH BRUSH CONTROL CO. 4600000837	05/30/02	Provide for vegetation management services within ROW of high voltage transmission lines	10/31/03	B/S	$750,000	$750,000	**$1,150,000***
						*Note: includes an increase of $400,000		
BusServ&Admin - Corp Services	FLIGHTSAFETY INTERNATIONAL 4500055885	06/01/02	Provide for pilot proficiency training	05/31/04	B/S	$42,650	$34,375	**$85,300***
						*Note: includes an increase of $42,650		
POWER GEN - PROJ MGMT/ CSC Project	HANNA CONSTRUCTION 4500040746	04/10/01	Provide for construction services for the CSC Project (Phase 2)	06/01/03	B/C	$3,382,359	$3,367,166	**$3,382,359***
						*Note: no additional funding requested		
BusServ&Admin - Proc&RealEstate	JOANNE DARCY CRUM, LS 4500053055	03/06/02	Provide for land surveying support services	12/31/04	C/S	$92,120	$63,180	**$247,120***
						*Note: includes an increase of $155,000		

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= Service

Procurement (Services) Contracts - Extensions
(For Description of Contracts See "Discussion")

Exhibit "10-A"
March 20 , 2003

Plant Site/ Business Unit	Company Of Contract / Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] / Compensation Contract Type[2]	Limit	Amount Expended	Authorized Expenditures For Life To Date
LAW	JOHN MCMANAMAN 4500031667	08/01/00	Provide for consulting services re NYS Employee Retirement System pension plan, retirement incentive legislation, etc.	06/30/04 (+ option to extend for one additional year)	S/P	$65,500	$54,099	**$83,500***
						*Note: includes $65,500 previously approved by the Trustees + current increase of $18,000		
LAW	KATZ BOOKBINDING COMPANY 4500007808	06/29/99	Provide for bookbinding services for Minutes of the Trustees' Meetings	06/28/04 (+ option to extend for one addtional year)	B/S	$14,600	$8,870	**$14,600***
						*Note: includes $14,600 previously approved by the Trustees; no additional funding requested		
LAW	LIPPES, SILVERSTEIN, MATHIAS & WEXLER LLP S92-34429	05/01/92	Provide for legal services re replacement & preference power litigation	05/16/04 (+ option to extend for one additional year)	S/P	$85,000	$45,900	**$85,000***
						*Note: includes $85,000 previously approved by the Trustees; no additional funding requested		
POWER GEN - ALL FACILITIES	2 contracts:	04/01/00	Provide for failure analysis and metallurgical testing & examination services	03/31/05	B/S			**$277,507***
	1. LUCIUS PITKIN INC. 4500022192					$145,007	$105,647	
	2. ITHACA MATERIALS RESEARCH & TESTING, INC. 4500023026					$7,500	$4,500	
						*Note: includes combined total of $150,000 previously approved by the Trustees + an additional $2,507 authorized per EAPs + current increase of $125,000		
BusServ&Admin - Employee & Labor Relations	MILLER ADVERTISING AGENCY , INC. 4500056988	06/01/02	Provide for personnel recruitment advertising services	05/31/04	B/S	$40,000	$16,796	**$65,000***
						*Note: includes an increase of $25,000		

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= Service

Procurement (Services) Contracts - Extensions
(For Description of Contracts See "Discussion")

Exhibit "10-A"
March 20 , 2003

Plant Site/ Business Unit	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended	Authorized Expenditures For Life To Date
POWER GEN - NIA	OTIS ELEVATOR CO. 4500053693	04/01/02	Provide for elevator, escalator & wheelchair lift maintenance services	03/31/05	B/S	$41,204	$36,319	**$141,204***
						*Note: includes an increase of $100,000		
POWER GEN - B-G/Central Region & STL	UNDERWATER CON-STRUCTION CORP. 4600000099	04/01/99	Provide for underwater diving inspection and maintenance services	03/31/04	B/S	$2,880,000 ("Target Value")	$1,588,560	**$2,880,000***
						*Note: no additional funding requested **Note: Target Value includes $730,000 of unreleased funding in support of IP3 & JAF and is therefore unavailable		
MED&SP - Pricing & Forecasting	XENERGY INC. 4500057216	06/10/02	Provide for electric rate consulting services	06/09/04	B/P	$450,000	$224,309	**$450,000***
						*Note: no additional funding requested		

Increases in Compensation Ceiling:

Plant Site/ Business Unit	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended	Authorized Expenditures For Life To Date
PWR GEN - PROJ MGMT - POWER NOW!	DMJM + HARRIS, INC. 4500053927	03/07/02	Provide for construction management and engineer-ing services for the completion of the Power Now! Project	03/31/04	S/P	$1,374,000	$1,297,265	**$2,104,000***
						*Note: includes $1,100,000 previously approved by the Trustees + an additional $274,000 authorized per EAPs + current increase of $730,000		
MED&SP - **$910,000*** Maj Accts & Eco Dev	RLW ANALYTICS, INC. 4500023115	04/21/00	Provide for Peak Load Management program consulting services	04/20/05	B/P	$410,000	$360,987	
						*Note: includes $410,000 previously approved by the Trustees + current increase of $500,000		

1 **Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search**
2 **Contract Type: P= Personal Service; S= Service**

11. <u>500 MW Combined Cycle Project - Acquisition of Easements</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the acquisition, by purchase or Eminent Domain, of the property rights itemized in Exhibit '11-A' including any temporary easements or other real estate interests necessary or essential for construction, operation, and maintenance of the facilities. The Exhibit itemizes rights required for the construction and operation of transmission, gas, and fuel oil lines over property owned by Consolidated Edison Company of New York, Inc. (hereinafter 'Con Edison') at its Astoria Complex located in the Borough and County of Queens, City of New York in support of the construction of the 500 MW Combined Cycle Project.

BACKGROUND

"On October 1, 2002, the New York State Board on Electric Generation Siting and the Environment ('Siting Board') granted issuance of the Certificate of Environmental Compatibility and Public Need under the Article X Proceeding ('Certificate'). On October 8, 2002, the Authority accepted the Certificate. On October 17, 2002, the Public Service Commission ('PSC') approved the Compliance Filing which is a pre-requisite for the start of construction work.

"At their meeting of November 26, 2002, the Trustees authorized an additional $418.3 million of Capital Expenditures for the 500 MW Combined Cycle Plant for an overall approved value of capital expenditure authorization request ('CEAR') for this project of $650 million.

DISCUSSION

"The design of the 500 MW plant requires the construction of appurtenant facilities including an electric overhead/underground transmission line, a 14" natural gas line and a 16" fuel oil handling facility (collectively referred to 'appurtenant facilities'). Portions of these appurtenant facilities cross over lands owned by Con Edison and easement rights must be acquired from Con Edison in order to construct, operate and maintain the appurtenant facilities. Due to the possible relocation of the 14? inch gas line, the approximate aggregate area necessary to support the construction and operation of the appurtenant facilities will be between 67,398 – 82,503 square feet. Con Edison and Authority staff have negotiated a per square foot value for these easement rights of $30.00 per square foot for a estimated total aggregated amount between $2,021,940 - $2,475,090.00.

FISCAL INFORMATION

"Payment for any acquisition of the aforementioned easements rights will be made from the Authority's Capital Fund.

RECOMMENDATION

"The Vice President - Project Management, the Vice President - Contracts and Real Estate, and the Project Manager recommend the Trustees approve the acquisition by purchase or Eminent Domain the easements shown and described in Exhibit '11-A' as well as any temporary easements or real estate interests which are necessary and essential for construction, operation, and maintenance of the appurtenant facilities.

"The Executive Vice President - Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President - Business Services and Administration, and I concur in the recommendation."

Mr. Hoff presented the highlights of staff's recommendations to the Trustees, specifically thanking Messrs. Mark O'Connor and Michael Norris of the Real Estate Division for their excellent work with Con Edison in support of the proposed acquisition.

Responding to questions from Vice Chairman McCullough, Mr. Hoff stated that the transaction would be by purchase agreement rather than by eminent domain.

President Zeltmann congratulated Mr. Hoff, senior management and staff on a great collaborative effort.

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

RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds it necessary and essential to acquire by purchase or Eminent Domain the real property shown and described on the Power Authority of the State of New York, 500 MW Combined Cycle Project maps listed in Exhibit "11-A" and any temporary easements or other real estate interests which are necessary and essential for the construction, operation, and maintenance of the appurtenant facilities, and further hereby finds that the property is required for a public use and hereby determines that such real property is reasonably necessary for the construction and operation of the 500 MW Combined Cycle Project and that if such property is acquired by Eminent Domain that the taking would be de minimus so as to render unnecessary the public hearing requirement of Article 2 of the Eminent Domain procedure Law: and be it further

RESOLVED, That the President and Chief Executive Officer, the Vice President - Project Management, or the Vice President - Contracts and Real Estate be, and hereby is, authorized on behalf of the Authority to execute all such agreements, certificates, requests, directions and all other documents which may be deemed necessary or advisable to carry out the foregoing with the approval of the Executive Vice President, Secretary and General Counsel as to the form thereof; and be it further

RESOLVED, That the President and Chief Executive Officer, the Vice President - Contracts and Real Estate or the Director - Real Estate of the Authority be, and hereby is, authorized on behalf of the Authority to execute any and all other agreements, leases, indentures, papers, or instruments which may be deemed necessary or advisable to carry out the foregoing with the approval of the Executive Vice President, Secretary and General Counsel as to the form thereof.

Exhibit “11-A”
March 20, 2003

Permanent Easements

Map No.	Reputed Owner	Estimated Area	Facility
5	Consolidated Edison	38,199± sq. ft.	Overhead and underground 138 kV transmission line and 14" gas line
6	Consolidated Edison	27,768± sq. ft.	16" fuel oil line
7	Consolidated Edison	1,431± sq. ft.*	14" gas line

*Note - Due to the possible relocation of the 14?gas line the estimated area for Map. No. 7 may change to approximately 16,536± sq. ft. Therefore, the estimated total aggregate area for the above facilities would be approximately 82,503± sq. ft.

12. Robert Moses Niagara Power Project - Capital Expenditure
<u>Authorization Request for the Rewind of Fourteen Generator Stators</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to authorize a total capital expenditure of $28 million, which includes $2 million previously authorized, for the rewind of the 14 generator stators at the Robert Moses Niagara Power Project ('RMNPP'). The Trustees are also requested to approve a capital expenditure, in the 2003 capital budget, of $4 million to expedite the rewind program.

<u>BACKGROUND</u>

"The Authority's RMNPP operates 13 hydroelectric generating units, and maintains one generator stator as a spare. These generators were placed in service in the early 1960s. Due to numerous electrical failures, the generator stators were rewound in the 1980s.

"On September 24, 2001 an electrical failure occurred in RMNPP Unit No. 11 which resulted in severe damage to the generator stator. This failure necessitated the total iron replacement and rewind of the generator stator.

"At their meeting of June 25, 2002, the Trustees approved the award of a multi-year contract, in the amount of $29 million, to Voith Siemens for the rewind of 14 RMNPP generator stators (13 in service and one spare). Under the terms of the contract with Voith Siemens, the Authority reserved the right to release the rewind of the stators as deemed necessary by the Authority. The initial release, under the contract to Voith Siemens was for the complete stator iron lamination restacking, frame repair and rewind of the failed RMNPP Unit No. 11 generator stator.

"The money for the rewind of RMNPP Unit No. 11 was included in the approved 2002 budget.

<u>DISCUSSION</u>

"Unit #11 was completely disassembled and the undamaged winding sections removed from the Unit were sent to the Electric Power Research Institute ('EPRI') for testing to determine the cause of failure. The results of these EPRI tests concluded that the electrical insulation resistance of the stator coils was extremely low, because of the aging of the insulation system. The tests also concluded that the end of reliable service is rapidly approaching. The samples and test results were assessed to be representative of the RMNPP generator stators and additional failures are to be anticipated. On Dec 23, 2002, during maintenance, RMNPP Unit No. 2 failed a high potential test. The generator stator winding was repaired and the Unit was returned to service. RMNPP Unit No. 2 is scheduled for rewind in 2003.

"The probability of a stator winding failure increases with operating time. It is therefore prudent to rewind and refurbish these stators earlier than previously planned.

"Staff recommends that the Authority embark on a generator stator rewind program. The requested $4 million expenditure in 2003 will cover two rewinds and material procurement for the first rewind in 2004. The remaining generator stators will be rewound at a rate of two per year. The rewind program is estimated to be completed in 2009. The total estimated cost of the program would be $28 million.

"The original contract approval of $29 million, including escalation, to Voith Siemens, assumed a schedule of one rewind a year over a 14-year period. The accelerated rewind program will complete the program in seven years. This results in an overall estimated Voith Siemens contract cost of $24.7 million for the rewind program in lieu of the $29 million previously authorized by the Trustees. The remaining $3.3 million is for material purchases and other Authority costs.

FISCAL INFORMATION

"Payments will be made from the Capital Fund. The monies to perform the rewinds in future years will be include in the capital budget submittals.

RECOMMENDATION

"The Vice President – Project Management, the Vice President and Chief Engineer - Power Generation, the Vice President – Procurement and Real Estate, the Regional Manager – Western New York, and the Project Manager recommend that the Trustees authorize a Capital Expenditure of $28 million for the rewind of the 14 generator stators at the Robert Moses Niagara Power Project. The Trustees are also requested to approve a capital expenditure, in the 2003 capital budget, of $4 million to expedite the rewind program.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President - Business Services and Administration, the Senior Vice President and 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 approval is hereby granted for Capital Funding to be committed in accordance with the Authority's Expenditures Procedures for the Capital Project set forth below and as recommended in the foregoing report of the President and Chief Executive Officer, in the amount and for the purpose listed below:

Capital Expenditure Authorization		Amount
Robert Moses Niagara Power Project Stator Rewind Program		
2002 Capital Budget previously authorized amount		**$ 2,000,000**
2003 Capital Budget		**$ 4,000,000**
Future Capital Expenditures 2004 to 2009		**$22,000,000**
	Total	**$28,000,000**

13. Flynn Capacity Supply Agreement – Energy Pricing Modification, Extension of Term and Acquisition of Leasehold Premises

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the Vice President - Energy Resource Management to execute an amendment to the Capacity Supply Agreement (the 'CSA') between the Authority and the Long Island Lighting Company (a subsidiary of the Long Island Power Authority (the 'LI Power Authority'), d/b/a 'LIPA,' hereinafter referred to as 'LIPA') providing for, among other things, (1) new energy pricing terms and conditions associated with the sale of electricity from the Richard M. Flynn Power Plant ('Flynn'), and (2) an extension of the term of the CSA to 2020. The new energy pricing arrangements would ensure savings to Long Island ratepayers and provide the Authority with the opportunity to fully recover Flynn gas costs.

"The Trustees are also requested to authorize, upon the execution of the amendment discussed above, the acquisition by purchase or appropriation of approximately 6 acres of property, in addition to any areas, easements, and/or other property interests necessary or convenient for the full enjoyment of the fee acquisition, from KeySpan Gas East Corporation ('KeySpan GE') for the premises upon which the Flynn plant (the 'Flynn Property') is located.

BACKGROUND

"On May 10, 1991, the Trustees approved a lease (the 'Lease') with the Long Island Lighting Company ('LILCO'). The Lease premises consisted of approximately six acres of land for the construction and operation of the Flynn plant. The Lease expiration date of April 30, 2014 is co-terminus with the expiration date of the CSA. On May 28, 1998 (i) the LI Power Authority acquired LILCO, along with its electric transmission and distribution system, as well as other assets associated with electric operations; and (ii) MarketSpan Corporation (subsequently renamed KeySpan Corporation) became the parent holding company of various subsidiaries, including KeySpan GE, which now own the electric generation, gas transmission, supply and distribution, and other assets formerly owned by LILCO, including the Lease and the Flynn Property. For purposes of the Lease, the Authority now transacts with KeySpan GE. For purposes of the CSA, the Authority now transacts with LIPA.

"Pursuant to the CSA, the Authority sells the full output of Flynn to LIPA. Due to the relatively high cost of gas reflected in the pricing provisions of the CSA, Flynn would have operated at a very low capacity factor when it commenced service in 1994. As this was not in the interest of the Authority or the ratepayers of Long Island, the Authority and LILCO negotiated amendments to the CSA in 1994 and 1997 (Amendment No. 1 and No. 2) which ensured that: (i) Flynn would operate at a high capacity factor, and (ii) the Authority would recover a greater portion of its gas costs than would have been realized under the CSA. Both amendments were approved by the Trustees.

"Amendment No. 3, which was signed in September 1998, addressed price adjustments to account for the gas compressors that were installed as a result of the October 1997 Amendment. Amendment No. 4 modified the CSA to recognize the transfers of the LILCO transmission and distribution systems to LIPA and of the LILCO gas system to the KeySpan Corporation.

"Amendment No. 5, which was approved by the Trustees at their meeting of December 19, 2000, specified that the daily energy price for all Flynn energy would be the lesser of: (i) the market gas price as defined therein (which is essentially the equivalent of the Authority's gas costs), or (ii) 95% of the 24-hour average of the day-ahead market ('DAM') price for the New York Independent System Operator's ('NYISO') Long Island zone. To the extent that 95% of DAM price applied for any day, the Authority under-recovered its gas cost. Amendment No. 5 also provided for a monthly shared savings arrangement which provided the Authority with the opportunity to recover all or a portion of its uncollected gas costs to the extent that LIPA's energy cost savings from Flynn were above 20% for a month. Amendment No. 5 became effective on January 1, 2001 and was scheduled to expire December 31, 2002, but was extended by the Authority and LIPA pending finalization of the proposed amendment.

"The Authority had entered into an agreement (the 'Enron contract') with Enron Gas Marketing, Inc., a subsidiary of the Enron Corporation ('Enron') on October 24, 1990 for supply of firm gas at a fixed price for operation of the Flynn plant. This agreement was subsequently modified on April 1, 1994. As explained above, the Authority has not always been able to recover all the costs associated with the Enron contract. A portion of these losses have been offset by the fixed capacity payments made by LIPA under the CSA. The shared savings arrangement under Amendment No. 5 provided additional revenues to help offset the gas-related losses. As a result of the financial difficulties of Enron and its subsidiaries and pursuant to the provisions of the Enron contract, the Enron contract was terminated by the Authority in December 2001.

DISCUSSION

"Authority staff has been negotiating a successor agreement to Amendment No. 5 with LIPA for capacity and energy from the Flynn plant. Due to the significant payments made by LIPA to the Authority for 2002 under Amendment No. 5, LIPA made it clear that it did not wish to extend the terms of that amendment. In addition, LIPA is aware of the Authority's senior bond restructuring resulting from the 1998 refunding of the Authority's General Purpose Bonds and the additional savings which flowed from that restructuring through lower debt service costs and the elimination of the bond reserve requirement.

"The major terms of the proposed successor amendment to the CSA (hereinafter referred to as 'Amendment No. 6') are set forth in Exhibit '13-A', attached hereto. The following is a brief summary of key elements of these terms.

"Under Amendment No. 6, the Monthly Capacity Payment to be paid by LIPA to the Authority under the CSA would be reduced by $416,666 each month, or $5 million on an annual basis. The Authority would continue to be bound by the performance requirements contained in the CSA (which may increase or decrease the Monthly Fixed Payment payable to the Authority).

"In turn, LIPA would cover all of the Authority's operation and maintenance expenses at Flynn, a portion of which had not been explicitly recovered under the CSA. Recoverable expenses would include site operation and maintenance expenses that had previously been recovered on a fixed and variable basis and did not always match up with actual costs incurred. These expenses would be recovered in fixed monthly amounts predicated on cost estimates developed for each year. To the extent that the actual costs for a year differ from the monthly payments, the difference would be recovered / returned over the next year. If extraordinary maintenance expenses are incurred (more than $250,000 as a result of an event), that cost would be recovered over a period ranging from six months to three years depending on the amount of the extraordinary expense.

"While the Authority would continue to bear the risks associated with natural gas purchasing under Amendment No. 6, the Authority would be paid compensation for its gas costs based on a comparison of (1) a market-based gas cost, as translated into a dollars-per-megawatt-hour ('$/MWH') figure derived from the Flynn plant's operating characteristics, and (2) the 24-hour average NYISO DAM price for the Long Island zone (the 'Daily Average NYISO Price'). The market-based gas cost for a particular month would be equal to an average of certain specified gas market prices, plus a 10% markup (the 'Marked Up Gas Price'). If on a particular day the Marked Up Gas Price, as translated into a $/MWH figure, is lower than the Daily Average NYISO Price, then the Authority would receive the Marked Up Gas Price, as translated into a $/MWH figure. If, however, the $/MWH equivalent of the Marked Up Gas Price is greater than the Daily Average NYISO Price, the Authority would receive 95% of the Daily Average NYISO Price.

"In addition, LIPA would be obligated to bid the Flynn plant into the NYISO market such that the Flynn plant would be dispatched as a 'must-run' unit for all hours of the day. Also, certain gas balancing expenses which were previously not recoverable under the CSA and prior amendments would now be recoverable from LIPA under Amendment No. 6. Effective January 1, 2003, the Authority is paying $1,500,000 annually to KeySpan Energy Services (which represents a $300,000 reduction for these balancing services), which it previously had to absorb. LIPA would now pay half of such costs under Amendment No. 6.

"Another issue addressed by Amendment No. 6 concerns the Enron contract. Although the Enron contract has been terminated by the Authority, it is now part of the Enron bankruptcy proceeding. Moreover, assertions have been made that the Authority owes payments to an Enron subsidiary as a result of such termination. Staff believes that it has meritorious defenses against any attempt in the bankruptcy proceeding or otherwise to declare the termination invalid or to require the Authority to make payments related to the terminated contract. However, the Authority Staff believes that the 10 % markup, discussed above, provides reasonable protection against the Enron contract exposure posed by bankruptcy proceeding.

"The shared savings arrangement under Amendment No. 5 would continue under Amendment No. 6 with two changes. First, the shared savings that the Authority can realize would be capped at $6 million per year. Authority shared savings revenue in 2001 was $1.7 million and in 2002 was $2.8 million. Second, the savings threshold above which LIPA and the Authority would share evenly would be reduced from 20% to 15% (i.e., LIPA would retain the first 15% of savings) in recognition of the possible reduction in shared savings revenue caused by the cap.

"The pricing provisions of Amendment No. 6 would be effective from January 1, 2003 to December 31, 2007, and would then continue unless terminated by either party upon at least 6 months prior notice.

"Amendment No. 6 would also extend the CSA from 2014 to 2020, provided, however, that either party could terminate the extension upon at least 12-months prior notice. The extension would bring the effective date of the CSA beyond the expiration date of the Lease. Thus, the Authority Staff recommends, upon the execution of Amendment No. 6, the acquisition of the Flynn Property and, in addition, any easements, areas, and/or other property interests necessary or convenient for the full enjoyment of the fee acquisition, as the Authority's rights as lessee under the Lease would be terminated on April 30, 2014 and under the terms of the lease, the Flynn plant would be demolished, all debris removed and the site restored to its original condition.

"Under Amendment No. 6, the costs incurred by the Authority in acquiring the Flynn Property and associated easements would be recovered from LIPA through amortized payments over the original term of the CSA (i.e., unextended), including interest, provided, however, that no amortization payment to be made by LIPA to the Authority would exceed the aggregate Lease payments that would have been made over the same time period had the Lease continued.

"Under Amendment No. 6, upon the acquisition of the Flynn Property, the approximately $7 million security deposit initially deposited by the Authority that is now being held in an escrow account pursuant to the CSA to guarantee certain Authority obligations, would be transferred to the Authority.

FISCAL INFORMATION

"The changes to the pricing arrangements embodied in Amendment No. 6 are designed to provide continued savings to Long Island ratepayers and to provide the Authority with positive net revenues from operation of the Flynn plant.

"Staff currently estimates that the cost of acquiring the Flynn Property will be approximately $2.8 million. Staff expects that under the terms of the proposed Amendment No. 6, all or substantially all of such cost will be reimbursed by LIPA. It should also be noted that the proposed Amendment No. 6 would allow the transfer of approximately $7 million to the Authority upon the acquisition of the Flynn Property as a result of the termination of the Operating Security Deposit requirement in the CSA.

RECOMMENDATION

"The Manager - Fuel Planning and the Senior Business Planner recommend that the Trustees authorize the Vice President - Energy Resource Management to execute an amendment to the CSA having such terms and conditions as he deems necessary or advisable and as are consistent with the terms set forth in Exhibit '13-A', attached hereto, provided that any such terms and conditions be subject to the approval as to form by the Executive Vice President, Secretary and General Counsel.

"The Vice President - Project Management, the Vice President - Contracts and Real Estate, and the Flynn Project Manager recommend the Trustees authorize, upon the execution of Amendment No. 6, the Vice President - Contracts and Real Estate or his designee to take all steps necessary to acquire by purchase or appropriation the fee area of approximately six acres upon which the Flynn plant is located and, in addition, acquire any easements, areas and/or other property interests necessary or convenient for the full enjoyment of the fee acquisition; and to further delegate to the Chairman and/or the President and Chief Executive Officer the authority to approve the payments to be made for the acquisition of the Flynn Property and associated easements, areas and/or other property interests.

"The Executive Vice President - Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President - Business Services and Administration, and I concur in the recommendations."

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

RESOLVED, That the Vice President - Energy Resource Management be, and hereby is, authorized to execute an amendment to the Capacity Supply Agreement ("Amendment No. 6") between the Authority and the Long Island Lighting Company, Inc., d/b/a "LIPA," having such terms and conditions as he deems necessary or advisable and as are consistent with terms set forth in Exhibit "13-A" hereto, subject to the approval as to form thereof by the Executive Vice President, Secretary and General Counsel; and be it further

RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds that upon the execution of Amendment No. 6, it is necessary or convenient to acquire in fee simple or leasehold, by purchase, appropriation, or transfer of jurisdiction the real property on which the Flynn plant is located, including any permanent or temporary easements, areas, or other interests which are necessary or convenient for the full enjoyment of the Flynn plant property, and hereby finds and determines that such real property is required for a public use; and hereby determines that such real property is reasonably necessary for the maintenance, operation, repairs or renovations of the Flynn plant; and be it further

RESOLVED, That the Vice President - Contracts and Real Estate or his designee be, and hereby is, authorized to take all steps necessary or convenient to acquire by purchase, appropriation, or transfer of jurisdiction the fee area upon which the Flynn plant is located, including areas, easements, and/or other interests necessary or convenient for the full enjoyment of the Flynn plant property (collectively, the "Flynn Property"), in the event that Amendment No. 6 is executed, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel; and be it further

RESOLVED, That the Chairman and the President and Chief Executive Officer be, and each hereby is, authorized to approve the payments to be made for the acquisition of the Flynn Property; and be it further

RESOLVED, That the Authority's Series 1, Series 2, or Series 3 Commercial Paper Notes or the Authority's Series 1 Extendible Municipal Commercial Paper Notes may be issued to finance the Flynn Property acquisition costs discussed in the foregoing Resolution; and be it further

RESOLVED, That all officers of the Authority are authorized on behalf of the Authority to do any and all things and to take any and all actions and execute and deliver any and all certificates, agreements, notices, including any agreements necessary or advisable for the acquisition of the Flynn Property subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, and other documents to effectuate the foregoing resolutions.

Exhibit "13-A"
March 20, 2003

Amendment No. 6 to Capacity Supply Agreement
Term Sheet

- The Capacity Supply Agreement ("CSA") will be extended to April 30, 2020. Both the Authority and LIPA will have the option of terminating the extension upon at least 12 months' prior notice, with such notice to be given no later than April 30, 2013.
- The Amendment No. 6 pricing provisions, described below, will be in effect from January 1, 2003 until and including December 31, 2007, with such pricing provisions continuing thereafter unless terminated by either party on at least 6 months' prior notice. If termination occurs, the pricing structure of energy and other components will revert back to the pricing structure set forth in Appendices D and E of the CSA.
- During the term of the pricing provisions of Amendment No. 6:

(a) LIPA will bid the output of the Flynn plant into the NYISO-administered markets, and it will be dispatched as a "must run" unit for all available hours of every day in accordance with NYISO rules. The bidding strategy will make every attempt to reduce the number of start and stops that the plant will experience.

(b) All performance incentives and penalties relating to Flynn's availability factor will remain at the levels currently specified in the CSA.

(c) LIPA will pay for one-half of all gas balancing expenses for the Flynn plant, with no cap in place.

(d) The Monthly Capacity Payment related to debt service set forth in Appendix D (section B, Paragraph 1) of the CSA will be reduced by $5 million per year.

(e) The Monthly Fixed Operation and Maintenance Payment set forth in Appendix D (Section B, Paragraph 3) of the CSA will be replaced by an amount based on the actual operation and maintenance ("O&M") expenses and capital expenditures incurred by the Authority relating to the Flynn plant, including an allocated share of the corporate headquarters budget and the research and development budget. The Authority will initially provide a forecast of O&M payments, which will be reconciled to actual expenses at the end of each calendar year. To the extent that an extraordinary expense (e.g., major equipment failure) greater than $250,000 is incurred, it will be recovered based on the following schedule.

  - For extraordinary O&M or capital expenses between $250,000 and $1,000,000, repayment shall be made in equal monthly amounts over a time period not to exceed six months. No interest shall be charged for the unpaid balance so long as full repayment is made within six months of the initial charge for such extraordinary expense.
  - For extraordinary O&M or capital expenses between $1,000,000 and $2,000,000, repayment shall be made in equal monthly amounts, including interest, over a period not to exceed twelve months.
  - For extraordinary O&M or capital expenses in excess of $2,000,000, repayment, including interest, shall be made according to a schedule negotiated between the Authority and LIPA for a term not to exceed 36 months.
  - All payments will be completed by December 31, 2007 or, if the pricing provisions are extended, by the end of the extended term of the pricing provisions.

  - The interest rate used for the above calculations will be 5.1%, the average cost of Flynn’s debt.

  (f) The Monthly Variable Operation and Maintenance Payment set forth in Appendix D (Section B, Paragraph 4) of the CSA shall be discontinued.

  (g) The Gas Price Formula set forth in Appendix D (Section C, Paragraph 1) of the CSA, as previously amended by Amendment No. 5, will be modified so that the tiered pricing structure will be replaced with fixed 10% markup to the Commodity Price, as defined below. Other provisions of the pricing formula set forth in Amendment No. 5, which include fuel retention, variable transportation, tariff surcharges, and local transportation expenses, will remain in effect in order to develop the monthly Authority Market Based Gas Cost. “Commodity Price” means the per dekatherm price that is equal to the simple arithmetic average of the follow two amounts: (1) the simple arithmetic average of the New York Mercantile Exchange (“NYMEX”) settlement price for the prompt month contract on the last three trading days prior to the month of delivery; and (2) the price reported for Transcontinental Gas Pipe Line Corporation Zone 3 pooling points in the first issue of *Inside FERC’s Gas Market Report* for the month of delivery in the table titled “Prices of Spot Gas Delivered to Pipelines” under the column labeled “Index.”

  (h) If the monthly Authority Market Based Gas Cost including the 10% markup is greater than the NYISO 24-hour average DAM price for the Long Island zone for a particular day, the Authority would receive 95% of the DAM price for that day. If the two are equal, then the Authority would receive 100% of the DAM price for that day.

  (i) The shared savings provision of the Amendment No. 5, as modified below, will remain in place. LIPA would keep the first 15% of the monthly savings and the remaining savings would be split equally. The annual shared savings paid to the Authority would be capped at $6 million per year. The shared savings calculation would be based on the Authority Market Based Gas Cost, including the markup, and the 24-hour average DAM price discussed above.

- The Authority staff will purchase the natural gas for LIPA for the Flynn plant. The Authority will have the option of executing its own hedging strategies based on Authority financial strategies and parameters. If both parties agree, a joint gas purchasing or hedging strategies can be implemented.

- Upon the acquisition of the land upon which the Flynn plant is located and, in addition, any easements, areas and/or other property interests necessary for the full enjoyment of the fee acquisition, LIPA agrees to reimburse the Authority for all costs associated with such acquisition, including, but not limited to, any and all claims, damages, losses, liabilities, penalties, litigation, judgments, costs or expenses of any kind whatsoever (including, without limitation, reasonable attorney's fees and expert's fees) which may at any time be incurred by, imposed upon, or asserted against the Authority arising directly or indirectly from the acquisition (the “Costs”). The Costs will be recovered from LIPA through amortized payments over the original term of the CSA (i.e., unextended), including interest, provided, however, that no amortization payment to be made by LIPA to the Authority would exceed the aggregate Lease payments that would have been made over the same time period had the Lease continued.

- Upon the acquisition of the land upon which the Flynn plant is located, LIPA shall return to the Authority the approximately $7 million currently held in an escrow account pursuant to Section 4 of Article 18 of the CSA, and Section 4 shall no longer be applicable.

14. Transfer or Re-Employment in Public Service

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve revisions to an employee policy that had been adopted by this Board ('Employee Policy 1.9'). Currently, employees with prior state service that qualifies as Authority service under Employee Policy 1.9 may be entitled to Authority furnished retiree health coverage with as little as one day of service with the Authority. The Trustees are asked to approve the establishment of a minimum threshold of service with the Authority for such employees to be eligible for Authority-furnished retiree health coverage. This change will affect all new employees hired on or after the date of its enactment.

"In addition, the Trustees are requested to adopt a definition of a term that will clarify the scope of Employee Policy 1.9.

"Finally, the Trustees are asked to approve the inclusion in Employee Policy 1.9 of provisions addressing eligibility for Authority furnished health coverage for employees with prior state service that is non-qualifying under Employee Policy 1.9.

BACKGROUND

"At their meeting of September 30, 1997, the Trustees adopted Employee Policy 1.9. This policy enabled new NYPA employees with prior state service to adjust their date of hire with the Authority to correspond with their date of hire with the State as well as transfer their accrued, but unused, leave time to their leave account at the Authority. By virtue of an agreement between the Authority and the State Civil Service Department, employees leaving NYPA for employment with the State were likewise entitled to adjust their date of hire with the State to correspond with their date of hire with the Authority and transfer their accrued but unused sick leave balances earned at the Authority to their leave account with the State.

"Since the introduction of Employee Policy 1.9, more than 30 employees with prior State service joined the Authority and were able to adjust their dates of hire and transfer their accrued but unused leave time earned with the State to their leave accounts at the Authority.

DISCUSSION

"Prior to introduction of Employee Policy 1.9, the provision of Authority-furnished health coverage for retirees had been conditioned on employees having at least 10 years of service with the Authority or a combination of 10 years of service with the State and the Authority, provided at least five years were spent with NYPA. After the introduction of Employee Policy 1.9, new employees joining the Authority with 10 or more years of service with the State immediately satisfied the period of employment condition for Authority-furnished retiree health coverage.

"In view of the ever-increasing costs associated with health insurance, the trend toward earlier retirements and the fact that people are living longer, it would be prudent to establish a threshold of time worked at the Authority as an eligibility criterion for a benefit as costly as retiree health coverage.

"A survey of other large public sector entities reveals that, like the Authority, most maintain an eligibility requirement for retiree health coverage of a minimum of 10 years of service. In addition, most entities permit employees to combine prior state service with their current service. While the Port Authority of NY & NJ ('Port Authority') permits employees to combine prior state service with Port Authority service in order to qualify for retiree health coverage, it does not mandate any minimum service with the Port Authority in order to qualify for retiree health coverage. At the Battery Park City Authority, employees may also combine their prior service with the State to qualify for retiree health coverage, but a minimum of three of the 10 years of composite service must have been spent at the Battery Park City Authority. The Metropolitan Transportation Authority ('MTA') requires employees to satisfy a minimum period of service with it in order to qualify for retiree health coverage; however, the minimum period varies according to an employee's age, years of service and proximity to retirement.

"The State of New York mandates a minimum of 10 years of service in order to be eligible for retiree health coverage through the State's health plan. State employees with service at public authorities, or other qualifying service, may combine service provided that a minimum of five of their 10 years of composite service was spent with the State.

"In addition, Employee Policy 1.9 contains the phrase 'civil division' of the State but does not define it in the policy. That lack of precision has made administration of the policy difficult. In order to clarify the scope of Employee Policy 1.9, it is recommended that a 'civil division' be defined as a city, county, town or village that participates in the New York State & Local Employees' Retirement System. A copy of the policy including the definition of 'civil division' is attached as Exhibit '14-A'.

"Lastly, Employee Policy 1.9 should be amended to include the text of another NYPA policy governing qualifications for employees with prior state service who do not satisfy the qualification criteria set forth in Employee Policy 1.9. The other employee policy has been part of the Authority's Benefits Handbook for a significant period of time. Employee Policy 1.9 requires employees with prior state service to join the Authority within one year of the termination of their State employment. For those who do not satisfy that condition, the other policy providing for Authority-furnished retiree health coverage permits new employees with a break in State service of more than one year to qualify for retiree health coverage provided they have at least 10 years of combined State and Authority service with at least five of those years spent with the Authority.

FISCAL INFORMATION

"It is unlikely that the recommended revisions will increase the Authority's costs. On the contrary, the establishment of a minimum threshold of service with the Authority may actually disqualify certain NYPA employees from receiving Authority-furnished retiree health care coverage.

RECOMMENDATION

"It is recommended that the Trustees approve the suggested revisions to the existing Employee Policy 1.9. The changes will facilitate policy administration and may reduce Authority costs associated with the provision of retiree health coverage."

Mr. Vesce presented the highlights of staff's recommendations to the Trustees.

Trustee Seymour abstained from voting on the proposed transaction in light of the fact that it would

personally impact him. 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 effective June 1, 2003, Employee Policy 1.9 be amended in accordance with the revisions recommended in the text of the accompanying item and set forth in Exhibit "14-A". It is also understood that employees whose name appears on the attached list entitled Exhibit "14-B" will be treated in accordance with the terms of the prior Employee Policy 1.9.

NEW YORK POWER AUTHORITY	EP:	1.9
	REVISION:	2
EMPLOYEE POLICY	DATE:	5/1/02

PLEASE REFER TO THE PORTION OF THE HUMAN RESOURCES POLICIES ENTITLED DISCLAIMERS WHERE YOU WILL FIND A STATEMENT, WHICH PERTAINS TO ALL EMPLOYEE POLICIES, INCLUDING THIS ONE.

TRANSFER OR RE-EMPLOYMENT IN PUBLIC SERVICE

Employees Leaving Employment with the Authority

1.1 Employees of the Power Authority of the State of New York ("Authority") who leave the Authority, or within one year of termination of employment with the Authority, are employed with the State of New York, (Executive, Legislative, or Judicial branch), a civil division thereof, or another New York State public benefit corporation, may, if they so elect, transfer accruals and retain the anniversary date of their employment with the Authority for all purposes including employee eligibility for benefits in their new employment with the State of New York, a civil division thereof, or another New York State public benefit corporation consistent with agreements made between the Authority and state or municipal civil service commissions or other New York State public authorities.

1.2 "Civil division: - for the purpose of administering this policy a civil division shall be a city, county, town or village that participates in the New York State & Local Employees' Retirement System. A civil division shall not include a school district.

New Employees

2.1 Without regard to their date of first employment with the Authority, employees who leave the employment of the State of New York (Executive, Legislative, or Judicial branch), a civil division thereof, or another New York State public benefit corporation and who are employed or rehired by the Authority within one year of termination, shall be entitled to transfer accruals and retain the anniversary date of their employment with the State of New York, a civil division thereof, or another New York State public benefit corporation as their anniversary date with this Authority for all purposes including the employees' eligibility for all benefits in their new employment with this Authority.

2.2 "Civil division – see 1.2 above.

Transition

3.1 Employees of the Authority who have prior employment that may qualify as Authority employment under this policy shall be given a reasonable period to make application for such an adjustment in their date of employment with the Authority and retrospective adjustment of benefits shall be made where applications are approved.

3.2 The terms of this policy shall not be implemented with respect to bargaining unit personnel in the absence of collective negotiations.

Benefits in Retirement

4.1 In order to continue benefits in retirement, the following conditions must be met:

- You must have 10 years of combined service with the Authority and New York State **or with a civil division of the State.** At least five years of service must be with the Authority unless you are covered under this policy, in which case, a minimum of three years of NYPA service is required. Employees with a Section 211 or 212 exemption must have 10 years of NYPA service.

- You terminate employment with the Authority and immediately collect a pension from the New York State and Local Employees' Retirement System.

Executive Vice President
Business Services & Administration

Exhibit "14-B"
March 20, 2003

NAME

June Amato
David Blabey
C. John Clemente
Felicia Eccles
Bonnie Fahey
Mary Jean Frank
Joseph Seymour
Michael Urbach
Eugene Zeltmann
Denise Baker
Peter Barden
Kevin Bartnett
Robert Daly
Tammy Doyle
Paul Finnegan
Donna Gentile
Larry Gomez
William Helmer
Seth Leitman
David Neary
Erin Nolan
Gary Paslow
Andrea Phillips
Keith Silliman
Samuel Sonenberg
James Zambuto

15. "PowerNow!" Project - Memorandum of Understanding
<u>Concerning Energy Initiatives for the Borough of the Bronx</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the President and Chief Executive Officer or his designee to enter into a Memorandum of Understanding ('MOU') with the Borough of the Bronx ('the Borough') and the Bronx Overall Economic Development Corporation ('BOEDC'), providing for the Authority to fund certain energy efficiency and clean energy initiatives in that borough in connection with the 'PowerNow!' project. The Trustees are also requested to authorize expenditures in an amount of $7 million to fund the measures called for in the MOU.

BACKGROUND

"At their meeting of August 29, 2000, the Trustees authorized the purchase of up to 11 simple-cycle, natural-gas-fueled General Electric LM6000 gas turbine units to help combat potential power supply shortfalls in the New York City area in the summer of 2001 and beyond.

"This effort, which subsequently became known as the 'PowerNow!' project, resulted in the installation and operation of small power plants at six locations in New York City (four of the sites have two units each) and at Brentwood in Suffolk County, Long Island. Two of the sites, each with two units, are in the Port Morris section of the South Bronx - at the former location of Con Edison's Hellgate power station and at the Harlem River rail yards.

"Shortly after the designation of the Bronx sites, Authority staff began discussions with the then-Borough President concerning opportunities for the Authority to be of service to the community. During such discussions, the Borough President expressed interest in construction of a footbridge from the Bronx to Randall's Island that would provide recreational access to the Island for Bronx residents.

"At their meeting of January 30, 2001, the Trustees were apprised in an Informational Item that staff intended to commence engineering work related to the footbridge. The Trustees were also advised that any future capital expenditures for the project would be subject to their consideration and approval.

"Before commencement of the engineering work, staff concluded that an existing footbridge could serve the desired purposes if repairs (since carried out by the Triborough Bridge and Tunnel Authority) were undertaken. The current Borough President, who took office in January 2002, concurred in this assessment after discussions with staff. He requested that Authority funding which the Borough had strongly anticipated for construction of a new footbridge be directed instead to energy efficiency and clean energy projects with the potential to reduce energy use, contribute to economic growth, and enhance air quality and public health in the Borough.

DISCUSSION

"The MOU calls for the Authority to provide $7 million for eligible projects in five major categories. Funding would be made to BOEDC, which would be responsible for implementing the projects for the Borough. BOEDC is the federally-designated agency for economic development in the Borough. The projects are within the following categories:

- **<u>Energy Efficiency/New Energy Technologies (funding of up to $2.55 million):</u>** Incentives or rebates for the purchase and use of new, environmentally compatible energy technologies such as fuel cells.

- **<u>Electric Transportation (funding of up to $1.6 million):</u>** Procurement of electric and/or hybrid-electric vehicles to transport commuters from mass-transit hubs to hard-to-reach employers in the Bronx, and to carry tourists to various attractions in the Borough.

- **<u>Environmental Benefits (funding of up to $1.5 million):</u>** Identification of sources of pollution and environmental hazards and development of an environmental action plan. Measures could include preparation of audits and feasibility studies in cooperation with Bronx businesses, improvement of open space, offset or mitigation of emissions from local businesses, implementation of green projects and tree planting.

- **<u>Civic Projects (funding of up to $250,000):</u>** A grant to BronxKids, Inc., a not-for-profit organization that addresses quality-of-life concerns for children in the Borough, for a camp/education program that will include instruction on energy efficiency and related matters.

- **<u>Community Improvements (funding of up to $1.1 million):</u>** Electric service upgrades in buildings operated by the New York City Housing Development Fund Corporation ('HDFC') and conversion of HDFC buildings to master/sub-metering and energy management systems.

"The MOU provides for periodic modification, upon mutual agreement of the parties, of the eligible project categories and general project descriptions. However, funding by the Authority will in no event exceed $7 million, with no more than $700,000 of that total to be used for administrative expenses related to the projects. Payments for administrative expenses will not exceed 10% per project category.

"Under the MOU, the Borough, through BOEDC, will be solely responsible for identifying specific projects and for all aspects of project implementation, including compliance with applicable federal, state and local laws, guidelines and regulations. Other than funding, the Authority's role will be limited to providing reasonable assistance to the Borough and BOEDC in project selection and implementation. The Authority will, however, be granted access to all pertinent financial records and accounts and to the projects themselves for purposes of assessing or monitoring their effectiveness.

"To the extent permitted by law, the Borough and BOEDC will indemnify the Authority and the State of New York from liability arising from death, injury or property damage related to the projects.

<u>FISCAL INFORMATION</u>

"Payments for the energy initiatives described above will be made from the Capital Fund.

<u>RECOMMENDATION</u>

"The Senior Vice President - Public and Governmental Affairs and the Director - Southeast New York Public and Governmental Affairs recommend that the Trustees authorize the President and Chief Executive Officer or his designee to enter into a Memorandum of Understanding with the Borough of the Bronx and the Bronx Overall Economic Development Corporation for the purpose of carrying out the energy initiatives described therein, and that the Trustees approve expenditures in an amount of $7 million for the funding of such measures.

"The Executive Vice President - Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President - Business Services and Administration, the Senior Vice President - Marketing, Economic Development and Supply Planning, the Senior Vice President - Energy Services and Technology, the Senior Vice President and Chief Financial Officer and I concur in the recommendation."

Mr. Rodriguez presented the highlights of staff's recommendations to the Trustees.

Trustee Carey thanked Mr. Rodriguez as well as senior management and staff for an excellent job of working with the Bronx community to reach a mutually beneficial arrangement.

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

WHEREAS, the Authority owns and operates small power plants at two locations in the Borough of the Bronx as part of its "PowerNow!" project to help ensure reliable electric service in the New York City area; and

WHEREAS, the Borough President of the Bronx has requested the Authority's assistance in funding energy efficiency and clean energy projects as a means of reducing energy use, contributing to economic growth and enhancing air quality and public health in the Borough;

NOW THEREFORE BE IT RESOLVED, That the Trustees authorize the President and Chief Executive Officer, or his designee, to enter into a Memorandum of Understanding with the Borough and the Bronx Overall Economic Development Corporation, providing for the Authority to fund various energy efficiency and clean energy initiatives, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel; and be it further

RESOLVED, That the Trustees authorize expenditures of $7 million to fund the measures called for in the Memorandum of Understanding.

16. **Lease of Office Space - Clarence D. Rappleyea Building - SKCG Group, Inc.**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the execution of a lease of approximately 19,000 square feet of office space on the 14th floor of the Clarence D. Rappleyea Building ('Rapp Bldg'), White Plains, New York by the Authority, as landlord, to SKCG Group, Inc. ('SKCG') as tenant. The proposed lease is for a term of ten years, five months, at an average annual base rent of $23.00 per square foot, as more specifically described in Exhibit '16-A' attached hereto.

BACKGROUND

"The Authority acquired the Rapp Bldg. by deed dated July 10, 1991. This is a commercial office building with the majority of the existing space occupied by Authority personnel. Due to staff reductions and relocation of employees within the building over the past few years, the Authority no longer has a need to occupy the14th floor. SKCG has decided to consolidate its offices and relocate within the White Plains Central Business District in the latter part of 2003, and has chosen the premises on the 14th floor of the Rapp Bldg.

DISCUSSION

"SKCG provides business and personal insurance services and is currently located in Hartsdale, New York. SKCG has requested that the Authority lease to it approximately 19,000 square feet of office space. Preliminary negotiations on this space have resulted in the basic lease terms set forth in Exhibit '16-A'. A review of the local market conditions indicate that this transaction compares favorably with other space being offered in downtown White Plains.

FISCAL INFORMATION

"Payment for standard brokerage commissions, tenant improvements, and architectural and engineering fees as set forth in Exhibit '16-A' will be made from the Operating Fund.

RECOMMENDATION

"The Vice President - Procurement and Real Estate, the Director - Real Estate and the Director - Corporate Support Services recommend that the Trustees approve entering into a lease with SKCG Group, Inc. for office space in the Clarence D. Rappleyea Building on terms substantially in accordance with the foregoing and with Exhibit '16-A' attached hereto.

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

Mr. Hoff presented the highlights of staff's recommendations to the Trustees, noting the competitive nature of the White Plains commercial real estate market.

Vice Chairman McCullough concurred with Mr. Hoff's representation of the market and stated that the proposed transaction is consequently a sound move.

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

RESOLVED, That the President and Chief Executive Officer, the Executive Vice President - Business Services and Administration, or the Vice President - Procurement and Real Estate be, and hereby is, authorized to enter into a lease for office space in the Clarence D. Rappleyea Building with SKCG Group, Inc., on substantially the terms 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 or his designee; and be it further

RESOLVED, That the Executive Vice President - Business Services and Administration, the Vice President - Procurement and Real Estate, or the Director - Real Estate be, and hereby is, authorized on behalf of the Authority to execute any and all other agreements, papers, or instruments which may be deemed necessary or desirable to carry out the foregoing, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel or his designee.

Exhibit "16-A"
March 20, 2003

BASIC LEASE TERMS

Authority to SKCG Group, Inc.

AREA:	19,000 square feet approximately
TERM:	10 years and 5 months
ELECTRIC:	To be sub-metered
FIXED ANNUAL RENTAL RATE:	August 1, 2003 to July 31, 2008 $22.00/s.f. or $418,000 per annum August 1, 2008 to December 31, 2013 $24.00/s.f. or $456,000 per annum
TERM COMMENCEMENT:	Upon substantial completion.
RENT COMMENCEMENT:	Five (5) months from Tenant's possession.
LANDLORD'S CONTRIBUTION TO TENANT'S WORK:	Construction of planned additional space not to exceed $703,000 including architectural and engineering fees. Any costs which exceed Landlord's contribution to be paid for by tenant.
ESCALATIONS:	Proportionate share of increases in real estate taxes over a base year of 2003/2004. Proportionate share of increases in operating expenses over a base year of 2004. Note: 19,000 r.s.f. represents 4.52% of the space at 123 Main Street.
BROKERAGE COMMISSION:	Brokerage commission per separate agreement.
RENEWAL OPTION:	Two (2) five (5) year renewal options with 12 months prior written notification.
SECURITY DEPOSIT:	Landlord shall require a security deposit equivalent to two (2) months' rent, subject to a satisfactory review of Tenant's financial condition. Landlord will require a letter of credit in the amount of $300,000 to be reduced to $100,000 after the third year and remain in place through the term of the lease.
PARKING:	Five (5) reserved and 45 unreserved to be billed separate of base rent.

17. **Next Meeting**

The Annual Meeting of the Trustees will be held on Tuesday, April 22, 2003, at 11:00 a.m., at the New York Office, unless otherwise designated by the Chairman with the concurrence of the Trustees.

18. <u>Closing</u>

Upon motion duly made and seconded, the meeting was closed at 11:45 p.m.

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